



# Government Gazette Staatskoerant

REPUBLIC OF SOUTH AFRICA  
REPUBLIEK VAN SUID-AFRIKA

*Regulation Gazette*

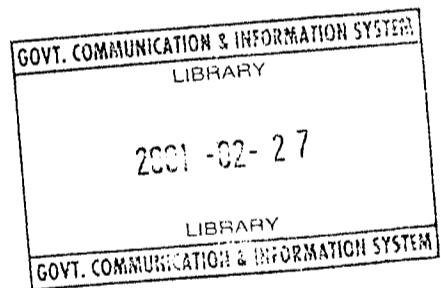
**No. 7010**

*Regulasiekoerant*

**Vol. 428**

**Pretoria, 23 February 2001**  
**Februarie 2001**

**No. 22085**



**AIDS HELPLINE: 0800-123-22 Prevention is the cure**

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GOVERNMENT NOTICE  
GOEWERMENTSKENNISGEWING

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DEPARTMENT OF FINANCE  
DEPARTEMENT VAN FINANSIES

No. R. 165

23 February 2001

**FINANCIAL SERVICES BOARD**  
**POLICYHOLDER PROTECTION RULES**  
**UNDER THE LONG-TERM INSURANCE ACT,**  
**1998**

The Minister of Finance has under Section 62 of the Long-Term Insurance Act, 1998, made the Policyholder Protection Rules set out in the Schedule.

These Policyholder Protection Rules shall come into operation on 1 July 2001.

**SCHEDULE****POLICYHOLDER PROTECTION RULES (LONG-TERM INSURANCE), 2001****Section 62, Long-term Insurance Act, 1998**

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**PART I****DEFINITIONS AND PURPOSE OF THE RULES****Definitions**

1. In these Rules, "the Act" means the Long-term Insurance Act, 1998 (Act No 52 of 1998), any word or expression to which a meaning has been assigned in the Act, including the regulations promulgated under section 72 of the Act, shall bear that meaning and, unless the context otherwise indicates -
  - (i) "cancellation", in respect of a policy, or any part thereof, means an unilateral act of discontinuance of the policy, or of any such part thereof, by the policyholder;

- (ii) "compliance officer", in relation to an insurer, means the public officer of the insurer or a person appointed as a compliance officer by the public officer;
- (iii) "effective date", in relation to an insurance transaction, means the date on which the entering into, variation or termination of any such transaction becomes effective;
- (iv) "ensure", in relation to a person or body and any matter mentioned in a provision of these Rules, means to take any necessary steps in order that the clear objective of the provision is achieved;
- (v) "fund policy" means a contract in terms of which a person, in return for a premium, undertakes to provide policy benefits for the purpose of funding in whole or in part the liability of a fund to provide benefits to its members in terms of its rules, other than such a contract relating exclusively to a particular member of the fund or to the surviving spouse, children, dependants or nominees of a particular member of the fund; and includes a reinsurance policy in respect of such a contract;
- (vi) "group scheme" means a scheme or arrangement which provides for the entering into of one or more policies, other than an individual policy, in terms of which two or more persons without an insurable interest in each other, for the purposes of the scheme, are the lives insured, but excluding fund policies;
- (vii) "inspection" means any inspection contemplated in the Inspection of Financial Institutions Act, 1998 (Act No 80 of 1998);
- (viii) "insurance transaction" means the entering into or termination of a policy and includes variations resulting in the change to the premium, benefits or the term of a policy excluding any contractually pre-determined or determinable variation;

- (ix) "insurer" means a long-term insurer, but excludes the insurance business conducted between insurers;
- (x) "intermediary" means any representative or independent intermediary;
- (xi) "policy" means a long-term policy but not a reinsurance policy;
- (xii) "policyholder" includes any prospective policyholder and individual members of a retirement annuity fund and preservation fund;
- (xiii) "replacement policy" means a policy entered into by a policyholder, wholly or partially in replacement of any other policy, within a period of four months before or after the termination of such other policy.

#### **PURPOSE OF THE RULES**

2. The purposes of disclosures referred to in these Rules are to enable a policyholder to make informed decisions in regard to long-term insurance products and to ensure that intermediaries and insurers conduct business honestly and fairly, and with due care and diligence.

**PART II**  
**RULES ON DISCLOSURE**

**Principles of disclosures**

- 3 The following shall apply to disclosures contemplated in these Rules:
- (a) The intermediary or insurer, as applicable, shall bear the onus of proving that a disclosure has been made.
  - (b) Disclosures must be in plain language and structured so as to promote easy comprehension and to avoid uncertainty or confusion. Any written or printed disclosures, including any policy or policy variation which may be issued to policyholders, must be issued in a clear and readable print size, spacing and format.
  - (c) Disclosures shall be made at an appropriate time and need only be made in respect of significant or material transactions and may be made in writing, orally, using any appropriate electronic medium or by telefax.
  - (d) An insurer or intermediary, as appropriate, shall ensure that they confirm any disclosures required to be made in terms of these Rules to the policyholder in writing or using any appropriate electronic medium or by telefax, if made orally within 30 days after such disclosure.
  - (e) Disclosures need not be duplicated or repeated to the same policyholder unless material or significant changes which will affect that policyholder have occurred or the transactions contemplated make it desirable or necessary.
  - (f) Disclosures may be made using standard forms or format.

**4 Obligatory disclosures****Contact stage**

- 4.1 An intermediary shall ensure before dealing with a policyholder in respect of an insurance transaction, that at least the following disclosures, where applicable, are made once to the policyholder, in writing and where made orally, to be confirmed in writing or using any appropriate electronic medium or by telefax:
- (a) the Statutory Notice as contemplated in Part VIII must be given without any amendments except for details that are furnished in terms of the Statutory Notice;
  - (b) full names, titles and designations of intermediaries; postal and physical addresses of intermediaries' head offices and relevant service offices; telephonic and electronic communication details of contact persons;
  - (c) legal status of the intermediary; confirmation of the contractual relationship with an insurer or various insurers; disclosure of the fact that the intermediary directly or indirectly holds more than 10% of an insurer's shares (if applicable), has received more than 30% of his total commission and remuneration from a particular insurer in the preceding calendar year (if applicable), or is an associated company of the insurer (if applicable);
  - (d) concise details of relevant experience;
  - (e) insurer and product accreditation details;
  - (f) whether they hold professional indemnity insurance or not; and
  - (g) any fee the policyholder pays to the intermediary.

**Proposal or Quotation stage**

- 4.2 An insurer shall ensure that at least the following disclosures are made to the policyholder in writing and where made orally, to be confirmed in writing or using any appropriate electronic medium or by telefax, as soon as is practical but before the acceptance stage –
- (a) the Statutory Notice as contemplated in Part VIII must be given without any amendments except for details that are furnished in terms of the Statutory Notice, in cases where an intermediary is not involved in the insurance transaction;
  - (b) full registered name and abbreviated name, postal and physical addresses of the head office and issuing office, telephonic and electronic access numbers and communication details of service departments;
  - (c) the name and contact details of the compliance department or officer of the insurer and details of procedures for the resolution of complaints by policyholders, including complaints in respect of intermediaries;
  - (d) claims notification procedures;
  - (e) name, class or type of policy involved;
  - (f) nature and extent of benefits, the manner of deriving or obtaining thereof and manner of payment or furnishing of benefits as the case may be; where the policy has an investment component, concise details must be provided of the manner in which the policy's value is determined, including participation in surplus or bonuses of any kind; for purposes of disclosure it is not required to provide comprehensive investment and actuarial information;
  - (g) nature and extent of monetary obligations assumed by the policyholder, manner of payment of premiums and the consequences of non-payment of such premiums;



- (h) mortality, morbidity or other loadings, guarantees, exclusions, waiting periods or other special terms or conditions; for purposes of disclosure it is not required to provide comprehensive calculations and actuarial information;
- (i) where premiums are to be contractually increased, the amount of the increased premium shall be shown for the first five years and thereafter on a five-year basis, but not exceeding twenty years;
- (j) minimum guaranteed values shall be shown where applicable; where illustrative values are used in the marketing of the product, such values shall show growth and surrender values in respect of the policy every year for the first five years and every fifth year thereafter for the term of the policy;
- (k) in the case of policies which are retirement annuities, where illustrative fund values are shown, these values will be illustrative fund values, in place of surrender values, until the earliest retirement date;
- (l) all values shall be shown in monetary terms;
- (m) any relevant assumptions in respect of amounts and costs shall also be disclosed;
- (n) commission and remuneration payable to the intermediary; where the intermediary is a representative, the maximum commission must be disclosed together with a note stating that the representative may receive other benefits from the insurer;
- (o) where by virtue of the product structure, charges and fees are not pre-determinable, the calculation basis of the charges and fees shall be stipulated; where the marketing material positioned the product as anything other than a risk-only product, all charges and fees to be levied

against the policy, including the amount and incidence of these charges and fees, which shall be disclosed separately; policies with no investment element may leave this blank; where the specific structure entails a 'chain' of one or more underlying financial instruments, the net investment amount that is ultimately invested on behalf of the policyholder shall be disclosed;

- (p) the fact that the policyholder may instruct the insurer to cancel an insurance transaction and refund all premiums paid in respect of the transaction, within 30 days of receipt of the Summary contemplated in section 48 of the Act (or such longer period as the insurer may allow), provided no benefit has yet been paid or claimed or an event insured against has not yet occurred; such disclosure must, where applicable, include details of any amounts that the insurer may deduct from the premiums paid before refunding them as well as the manner in which the cancellation instruction is to be communicated to the insurer; where the policy type or terms make it unlawful or inappropriate to cancel the transaction, this fact must be disclosed; and
- (q) in respect of any new policy, an explanation that, in the event that it is being purchased to replace another policy, this has various potentially detrimental consequences, which should have been disclosed to the policyholder by the intermediary concerned, where applicable.

#### **Acceptance stage**

4.3 As regards the policy involved, an insurer shall ensure that it makes at least the following disclosures to the policyholder, as soon as is practical after an insurance transaction is concluded—

- (a) full registered name and abbreviated name, postal and physical addresses of the head office and issuing office, telephonic and electronic access numbers and communication details of service departments;

- (b) the name and contact details of the compliance department or officer of the insurer and details of procedures for the resolution of complaints by policyholders, including complaints in respect of intermediaries;
- (c) claims notification procedures;
- (d) name, class or type of policy involved;
- (e) nature and extent of benefits, the manner of deriving or obtaining thereof and manner of payment or furnishing of benefits as the case may be; where the policy has an investment component, concise details must be provided of the manner in which the policy's value is determined, including participation in surplus or bonuses of any kind; for purposes of disclosure it is not required to provide comprehensive investment and actuarial information;
- (f) nature and extent of monetary obligations assumed by the policyholder, manner of payment of premiums and the consequences of non-payment of such premiums;
- (g) mortality, morbidity or other loadings, guarantees, exclusions, waiting periods or other special terms or conditions; for purposes of disclosure it is not required to provide comprehensive investment and actuarial information;
- (h) where premiums are to be contractually increased, the amount of the increased premium shall be shown for the first five years and thereafter on a five-year basis, but not exceeding twenty years;
- (i) minimum guaranteed values shall be shown where applicable; where illustrative values are shown, such values shall show growth and surrender values in respect of the policy every year for the first five years and every fifth year thereafter for the term of the policy;

- (j) in the case of policies which are retirement annuities, illustrative fund values are shown in place of surrender values until the earliest retirement date;
- (k) all values shall be shown in monetary terms;
- (l) any relevant assumptions in respect of amounts and costs shall also be disclosed;
- (m) commission and remuneration payable to the intermediary; where the intermediary is a representative, the maximum commission must be disclosed together with a note stating that the representative may receive other benefits from the insurer;
- (n) where by virtue of the product structure, charges and fees are not pre-determinable, the calculation basis of the charges and fees shall be stipulated; where the marketing material positioned the product as anything other than a risk-only product, all charges and fees to be levied against the policy, including the amount and incidence of these charges and fees, which shall be disclosed separately; policies with no investment element may leave this blank; where the specific structure entails a 'chain' of one or more underlying financial instruments, the net investment amount that is ultimately invested on behalf of the policyholder shall be disclosed;
- (o) the fact that the policyholder may instruct the insurer to cancel an insurance transaction and refund all premiums paid in respect of the transaction, within 30 days of receipt of the Summary contemplated in section 48 of the Act (or such longer period as the insurer may allow), provided no benefit has yet been paid or claimed or an event insured against has not yet occurred; such disclosure must, where applicable, include details of any amounts that the insurer may deduct from the premiums paid before refunding them as well as the manner in which the cancellation instruction is to be communicated to the insurer; where the

policy type or terms make it unlawful or inappropriate to cancel the transaction, this fact must be disclosed;

- (p) in respect of any new policy, an explanation that, in the event that it is being purchased to replace another policy, this has various potentially detrimental consequences, which should have been disclosed to the policyholder by the intermediary concerned, where applicable;
- (q) those of the representations made by or on behalf of the policyholder to the insurer which were regarded by that insurer as material to its assessment of the risks under the policy; and
- (r) the events in respect of which the policy benefits are to be provided and the circumstances (if any) in which those benefits are not to be provided.

4.4 Any disclosure under Rule 4.3 needs not be repeated if such disclosure was made under Rule 4.2, provided that the information has not changed.

**Other disclosures**

- 5.1 The provisions of this Part shall not be construed as preventing any insurer or intermediary involved in any particular case from making any other or additional disclosures to a policyholder, where such disclosures will promote the better achieving of the objects of these Rules and are deemed necessary or expedient in the circumstances of the particular case, or to comply with any other code of business conduct provisions applying lawfully to any such party.
- 5.2 Any subsequent changes to information referred to in Rules 4.1(b) and 4.2(b), must be communicated in writing or using any appropriate electronic medium or by telefax, to the policyholder.

5.3 In respect of any policy with a market related investment component, an insurer must, on request, provide the policyholder with information concerning the policy's investment performance history over periods and at intervals which are reasonable with regard to the type of policy concerned.

**6. Standardised disclosures**

6.1 Without prejudice to the provisions of Rules 3 and 4, an insurer, or any Intermediary with the concurrence of the insurer, may draft standardised disclosure documentation in respect of any particular class or type of policy or insurance transaction, to be used for the purpose of complying with the provisions of this Part: Provided that –

- (a) such documentation is current on any relevant effective date; and
- (b) such use does not exonerate any insurer or intermediary from compliance with any disclosure requirement of this Part.

**PART III**  
**RULES ON REPLACEMENT POLICIES**

**7. Requirements in respect of replacement policies**

- 7.1 No insurer or intermediary may advise or ask a policyholder to terminate an existing policy and replace it wholly or partially with a replacement policy, without disclosing to the policyholder the potential implications, cost and consequences of such a replacement, including-
- fees and charges being paid twice;
  - the influence of age on the premium payable;
  - loadings as a result of health that may now be applicable;
  - any tax advantage lost;
  - waiting period for claims under new policy;
  - the investment risk under the new policy compared to the old policy;
  - the fact that unrecovered expenses of old policy may be recouped (cost of cancellation);
  - the influence of Regulation 4.2 of the regulation issued in terms of the Long-term Insurance Act, 1998;
  - future insurability; and
  - risk benefits being lost due to cancellation.
- 7.2 When an intermediary submits an application for a replacement policy to an insurer on behalf of a policyholder, the intermediary shall ensure that the application is identified to the insurer as an application for a replacement policy. The intermediary shall not be entitled to receive any commission or other remuneration from the insurer in respect of the replacement policy until such time as the intermediary satisfies the insurer that the provisions of Rule 7.1 have been complied with.
- 7.3 The new insurer shall ensure that the previous insurer is notified that its policy has been, or is going to be, terminated as a result of the application for a replacement policy. This notification must be made no later than five working days from the date of submission of the application for the replacement policy. The previous insurer may then contact the policyholder to establish whether the

provisions of this Part have been complied with and to advise the policyholder of his or her rights.

- 7.4 Any person who believes that any policy qualifies as a replacement policy and that the policyholder has not been duly advised, or that the insurers involved have not been notified, may lodge a written complaint to the insurer which issued the new policy or to the Registrar who shall refer the complaint to such insurer.
- 7.5 The new insurer shall within six weeks after the receipt of the complaint take steps to establish the facts and, if satisfied that the policy qualifies as a replacement policy and that the policyholder was not given appropriate or correct advice, or that the insurers involved were not properly notified, take disciplinary steps against the intermediary involved (where applicable), including reclaiming any commission or other remuneration paid whether or not the policy survives, or terminating the mandate of that intermediary, to prevent a recurrence of this type of transaction, after first giving that intermediary a reasonable opportunity to respond to the allegations.
- 7.6 The new insurer shall offer the policyholder the right of cancellation in accordance with these Rules from the date that all internal procedures followed in terms of this Part have been finalised.
- 7.7 The insurer shall report the findings and actions in writing or using any appropriate electronic medium or by telefax, to the complainant and to the Registrar, who may then elect to take any further action in terms of the law.
- 7.8 The provisions of Rule 7 are also applicable where individual policies are replaced by group scheme policies.



**PART IV**  
**RULES ON CANCELLATIONS OF POLICIES AND COOLING OFF**

**8 Cancellations of policies and cooling off**

**8.1** A policyholder may -

- (a) in any case where no benefit has yet been paid or claimed or an event insured against has not yet occurred; and
- (b) within a period of 30 days of receipt of the summary contemplated in section 48 of the Act, or from a reasonable date on which it can be deemed that the policyholder received the summary referred to above, or the date that an insurer has completed the investigation referred to in Rule 7(5),

cancel any insurance transaction, excluding any policy or variation which only lasts for 30 days or less, by written cancellation notice sent to the insurer. All premiums or moneys paid by the policyholder to the insurer up to the date of receipt of the cancellation notice or received at any date thereafter in respect of the cancelled or varied policy, shall be refunded to the policyholder, subject to the deduction of the cost of any risk cover actually enjoyed and any market loss where the market value of the investments made has decreased in the intervening period due to prevailing market conditions.

- 8.2** An insurer shall ensure that it complies with the request for cancellation received after the 30 day notice period, but not later than 60 days after the effective date where the policyholder can prove that a cancellation notice not received by the insurer, was completed in good faith and communicated to the insurer within the 30 day notice period.

- 8.3** Where a particular policy can in law not be cancelled, or by virtue of its terms and nature not capable of being cancelled, such fact shall be disclosed to the policyholder by the intermediary or the insurer before entering into of any insurance transaction in respect of the policy.

**PART V**  
**RULES ON GROUP SCHEMES AND FUND POLICIES**

**9 Group schemes**

9.1 An insurer shall, in addition to the disclosures made under Rule 4, ensure that in the case of any voluntary group scheme:-

- (a) a policy summary contemplated in section 48 of the Act is made available to all participating members of the group scheme together with details of the premium and any other amount payable by any member of the group scheme, the portion of such premium or amount to be received by the insurer, and a statement confirming that the rules or conditions of the scheme are not inconsistent with the provisions of the Act or with the terms of the policy; and
- (b) a membership certificate is issued to all members of the scheme containing details of the member, the policy benefits and premium obligations; such certificate shall be amended and reissued from time to time as may be necessary.

**10 Fund policies**

10.1 (a) An insurer shall, in addition to the disclosures made under Rule 4, issue and deliver a fund policy to the principal officer of the fund, the trustees of the fund or any other person managing the fund, not later than six months after the effective date, or the commencement date of such policy if such policy commences after the effective date.

- (b) (i) Notwithstanding the provisions of Rule 10(1)(a), an insurer may, with the approval of the Registrar and subject to such conditions as the Registrar may determine, postpone the issue of a fund policy.
- (ii) The insurer's application for such approval shall be submitted in the form determined by the Registrar.

10.2 A fund policy shall incorporate the conditions relating to discontinuance and shall include the following:

- (a) If the fund is to receive a cash sum, the basis of calculation of such cash sum and the conditions applicable to the payment thereof;
- (b) if the fund is to receive assets, the basis on which the value of such assets will be determined and the conditions applicable to the transfer thereof;
- (c) if the fund is to receive a paid-up policy, the basis of calculation of the paid-up value and the conditions applicable to the payment of the paid-up benefits;
- (d) if the fund is to receive any benefit other than that contemplated in subparagraphs (a) and (c), full details of such benefit; and
- (e) where applicable, full details of all charges to be levied on termination.

**PART VI**  
**GENERAL RULES**

**Special duties of Registrar**

11. The Registrar -

- (a) may take any steps deemed necessary or expedient to inform policyholders and the public in general of the existence, ambit and meaning of these Rules and of available avenues or mechanisms for lodging of complaints;
- (b) shall ensure that copies of these Rules and of any guidelines referred to in paragraph 11(c) are readily available at the Registrar's office for distribution at the request of any person at a fee per copy as determined by the Registrar;
- (c) may from time to time, with the concurrence of the Advisory Committee, issue non-binding -
  - (i) guidelines on the interpretation and implementation of these Rules; and
  - (ii) best conduct directives for insurers and intermediaries;
- (d) shall -
  - (i) annually compile a compliance review summarising the import of reports referred to in Rule 15.6 and containing advice deemed necessary or expedient in connection with the achieving of the objects of these Rules, including recommendations on the amendment of these Rules or of the Act, including advice not specifically connected to such reports; and

- (ii) submit such compliance review to the Advisory Committee for consideration.

## **12 Consequences of non-compliance**

- 12.1 Where a policyholder considers that a provision of these Rules has been contravened or not complied with by any party involved in a policy held by him or her, such policyholder may lodge a written complaint to the party involved and, if such complaint is not resolved to the satisfaction of the policyholder, to the Registrar: Provided that the foregoing provisions of this subrule shall with the necessary changes also apply to any insurer, intermediary, or any other interested member of the public who or which considers that any provision of these Rules has in connection with any policy and in any particular case been contravened or not complied with.
- 12.2 The Registrar shall, on receipt of any such complaint, require the insurer or intermediary by written notice to provide the Registrar within a period determined by the Registrar with a full reply to the complaint.
- 12.3 The Registrar may, whether an inspection has been carried out or not, and where a breach of these Rules has been established to the Registrar's satisfaction, after informing the insurer or intermediary involved of the intention so to act and affording them a reasonable opportunity to respond thereto, by written notice require any party involved to take particular corrective steps in accordance with a specific timetable, and the Registrar may take any steps in connection with the breach which is available to the Registrar in law.
- 12.4 A party involved to which a notice contemplated in Rule 12.2 and 12.3 has been directed, shall within the period determined by the Registrar in the notice, or within any extended period determined by the Registrar on written application by the party, comply with the requirements stated in the relevant notice.

## **Waiver of rights**

- 13. No waiver by any policyholder of any right or benefit granted by these Rules, shall be valid.

**Penalties**

14. An insurer or intermediary who contravenes or fails to comply with a provision of these Rules shall be guilty of an offence and on conviction liable to a penalty or fine referred to in section 66(1)(c) or 67(1)(c), as the case may be, of the Act.

**15 Additional duties of insurers and intermediaries**

- 15.1 (a) Subject to paragraph (b), an insurer must, where an agreement is to be entered into with an intermediary for the rendering of services as intermediary, furnish the intermediary with a written mandate or authority to market products of the insurer, setting out the terms and conditions of such mandate or authority.
- (b) An insurer must in the case of an agreement contemplated in paragraph (a) existing immediately prior to the date referred to in section 62(5) of the Act, and which does not contain any written mandate or authority contemplated in paragraph (a), within 30 days after the said future date furnish such intermediary with such written mandate or authority.
- 15.2 (a) Insurers and intermediaries shall ensure that records are kept of all disclosures made or advice given by them as contemplated in these Rules. These records must be kept until three years after maturity or termination of the policy and may be kept in an appropriate electronic or recorded format.
- (b) Duplicate copies of such disclosure documents are to be provided to the policyholder on request.
- (c) The insurer and intermediaries are not required to keep the disclosure records themselves but must ensure that they are available for inspection within 7 days from the Registrar's request.
- 15.3 An insurer shall ensure that a summary of every policy issued by it, or any variation thereof, is reducible to a written or printed form, and issued to the policyholder within 60 days as contemplated in section 48 of the Act.

- 15.4 An insurer shall ensure that, where it repudiates a claim for a benefit under a policy or where it disputes the quantum of the benefit claimed, the person entitled to claim the benefit is notified in writing or using any appropriate electronic medium or by telefax, of the reasons for the repudiation or the calculation of the quantum, as the case may be. The person entitled to claim the benefit may within not less than 90 days after the date of such notification, make representations to the insurer in respect of the insurer's decision. Nothing in this paragraph shall be construed as limiting any contractual or other right any party may have in regard to any claim for policy benefits.
- 15.5 Insurers and intermediaries shall, within 6 months from the date of coming into operation of these Rules, ensure that they provide -
- (a) for monitoring systems to measure compliance with these Rules;
  - (b) where necessary, for information or training courses for persons employed or contracted, in respect of the implementation by them of these Rules;
  - (c) for the accreditation of all intermediaries, within 6 months of such person commencing the selling or servicing of such product, of the relevant knowledge, competency and proficiency of such persons in the products that they may market; and
  - (d) for the ongoing recording of the knowledge, competency and proficiency of accredited persons.
- 15.6 Every insurer shall, within a period of four months after the end of every financial year of the insurer, submit a written report to the Registrar, in respect of the period of every such financial year, on -
- (a) all steps taken by the insurer to ensure compliance with the provisions of these Rules, and the reasons for any non-compliance which may have occurred;

- 
- (b) problems experienced by the insurer and any of its representatives with the interpretation or implementation of these Rules, and suggestions or recommendations for improvements or other amendments; and
  - (c) a summary of the number and type of complaints received by the insurer in connection with the implementation of these Rules, the type of steps taken in connection therewith.
- 15.7 The practice of signing blank or uncompleted forms by a policyholder, whereby someone else fills in the details at a later stage, shall be an offence by the insurance parties under these Rules.



**PART VII****16 SPECIAL PROVISIONS REGARDING MARKETING OF PRODUCTS  
DIRECTLY TO THE PUBLIC****16.1 Telephone Sales**

Telesales personnel must disclose to the policyholder that they receive commission (where applicable) and the amount thereof.

16.1.1 For purposes of this Part, the sequence of Rule 4.1 and 4.2 need not be followed in the sequence presented in the rules. The sequence may be changed provided that all the disclosures are made to the prospective policyholder before the telephone interaction comes to an end. It is a requirement that the call must be voicellogged, and full disclosure be made to the policyholder in writing or using any appropriate electronic medium or by telefax, after the telesale. If the insurer or intermediary is not in a position to provide a copy of the voicellogging, it will be deemed that the disclosures were never made.

16.1.2 The provisions of Rule 4.2(c) need only be provided to the policyholder in the written disclosures which are provided to the policyholder after the sale. During the transaction it is sufficient to indicate that the insurer has a compliance officer or compliance department and to provide basic contact details e.g. telephone number or address. The direct marketers are not obliged to give the Statutory Notice without any amendments, and may dispense totally with the Statutory Notice if all the disclosures contemplated in the notice are made during the transaction and are recorded in writing or using any appropriate electronic medium or by telefax, or voicellogged. In a direct marketing situation, the requirements of Rule 4.2(b) need not be disclosed. The details must be confirmed to the policyholder in writing after the sale.

16.1.3. The provisions of Rule 4.2(d), (i) and (j) may be abbreviated, provided that full details are provided in the written or using any appropriate electronic medium or by telefax, disclosures made to the policyholder after the sale. The abbreviated disclosure must give the prospective policyholder a clear appreciation of his or her financial commitments.

16.1.4. Where use is made of an infomercial advertisement, disclosure may be made in the advertisement. For the purposes of this paragraph an 'infomercial' is defined as meaning:

"An infomercial means advertising material of more than two minutes in duration broadcast in visual and/or audio form. It is usually presented in a programme format and promotes the interest of a person, product or service. It entails a direct offer of a product or service to the public in return for payment, and usually contains a demonstration of the use of the product or service concerned, and includes material known as tele-shopping, home shopping, direct marketing and direct sales".

16.2 Marketing by means of Direct Mailing, Internet, Media Advertisements and Inserts (with application form), does not require the printing of separate documents for disclosure in terms of the Rules or Statutory Notice. It is not required to repeat any disclosures made in the text of the offer in any specific disclosure addendum or page.

16.3 Media Advertisements including Inserts (without application form), Internet, Spot Television and Radio Advertising which are designed to generate awareness will not be considered as part of the insurance transaction and therefore no disclosure is contemplated in terms of the Rules. Any contact by prospective policyholders will require the insurance parties involved to disclose in terms of the Rules applicable to telephonic sales.

**PART VIII****17. POLICY LOANS AND CESSIONS**

The insurer shall disclose to the policyholder:-

- (a) on entering into a policy loan:
  - the interest of the loan at the time of entering into;
  - whether the interest rate on the loan fluctuates (if applicable); and
  - the repayment arrangements of the loan e.g. the amount the policyholder undertakes to pay in discharge of his obligations;
- (b) annually the amount of the policy loan in relation to the value of the policy;
- (c) annually the interest rate applicable to the policy loan and any change thereto;
- (d) when the loan is about to equal the value of the policy;
- (e) when the benefits under the policy cease as a result of the policy loan equalling the value of the policy; and
- (f) on receipt of notification of a cession:
  - the fact that the cession is recorded in the insurer's records;
  - the nature of the cession i.e. whether it is an outright cession or a cession in securing a debt; and
  - the name of the cessionary.

## PART IX

**18 STATUTORY NOTICE TO LONG-TERM INSURANCE POLICYHOLDERS**  
**IMPORTANT – PLEASE READ CAREFULLY**  
**DISCLOSURE AND OTHER LEGAL REQUIREMENTS**

(This notice does not form part of the Insurance Contract)

**As a long-term insurance policyholder, or prospective policyholder, you have the right to the following information:**

**1. The intermediary (insurance broker or representative) dealing with you must at the earliest reasonable opportunity disclose:**

- (a) Name, physical and postal address and telephone number.
  - (b) Legal capacity: whether independent or representing an insurer or brokerage.
  - (c) Concise details of relevant experience.
  - (d) Insurance products that may be sold.
  - (e) Insurers whose products may be marketed.
  - (f) Indemnity cover held – Yes / No.
  - (g) Shareholdings in insurers if 10% or more.
  - (h) Name of insurers from which the intermediary received 30% or more of total commission and remuneration during the past calendar year.
- (The intermediary must be able to produce proof of contractual relationship with and accreditation by the insurers concerned).

**2. Your right to know the impact of the decision you elect to make:**

- (a) The intermediary or insurer dealing with you must inform you of:
  - The premium you may be paying.
  - The nature and extent of benefits you may receive.
- (b) If the benefits are linked to the performance of certain assets:
  - How much of the premium will go towards the benefit?
  - To what portfolio will your benefits be linked?
- (c) The possible impact of this purchase on your finances.
- (d) The possible impact of this purchase on your other policies (affordability).
- (e) The possible impact of this purchase on your investment portfolio (affordability).
- (f) The flexibility of changes you may make to the proposed contract.
- (g) The contract terms of the product you intend to purchase.

(It is very important that you are quite sure that the product or transaction meets your needs and that you feel you have all the information you need to make a decision.)

**3. Your right when being advised to replace an existing policy.**

You may not be advised to cancel a policy to enable you to purchase a new policy or amend an existing policy, unless:

- (a) The intermediary identifies the policy as a replacement policy.
- (b) The implications of cancellation of the policy are disclosed to you such as:
  - The influence on your benefits under the old policy.
  - The additional costs incurred with the replacement.
- (c) The insurer which issued the original policy will contact you, you are advised to discuss the matter with its representative.

**4. Your right to be informed by the insurer.**

The insurer will forward you documentation confirming policy details as discussed in paragraph 2 of this Notice, which will also include:

- (a) The name of the insurer.
  - (b) The product being purchased.
  - (c) The cost in Rands of the transaction and specifically:
    - (i) the loadings, if any;
    - (ii) the initial expense; and
    - (iii) the amount of commission and other remuneration being paid to the intermediary.
  - (d) in the case of policies with an investment element, the ongoing expense and any other fees or charges payable.
- The summary in terms of section 48 of the Long-term Insurance Act, 1998.
  - The contact number and address of the complaints and compliance officers of the insurer.
- (The insurer may disclose the above information on a generic basis with additional policyholder specific disclosure).**

**5. Your right to cancel the transaction**

In most cases, you have a right to cancel a policy in writing within 30 days after receipt of the summary contemplated in section 48 from the insurer. The same applies to certain changes you may make to a policy. The insurer is obliged to confirm to you whether you have this right and to explain how to exercise it. Please bear in mind that you may not exercise if you have already claimed under the policy or if the event, which the policy insures you against, has already happened. If the policy has an investment component, you will carry any investment loss.

**6. Important warning**

- It is very important that you are quite sure that the product or transaction meets your needs and that you feel you have all the information you need before making a decision.
- It is recommended that you discuss with the intermediary or insurer the possible impact of the proposed transaction on your finances, your other policies or your broader investment portfolio. You should also ask for information about the flexibility of any proposed policy.
- Where paper forms are required, it is advisable to sign them only once they are fully completed. Feel free to make notes regarding verbal information, and to ask for written confirmation or copies of documents.
- Remember that you may contact either the Long-term Insurance Ombudsman or the Registrar of Long-term Insurance, whose details are set out below, if you have any concerns regarding a product sold to you or advice given to you.

**7. Particulars of Long-term Insurance Ombudsman**

PO Box 45007  
CLAREMONT  
7735  
Tel: (021) 674-0330  
Fax: (021) 674-0951

**8. Particulars of Registrar of Long-term Insurance**

Financial Services Board  
PO Box 35655  
MENLO PARK  
0102  
Tel: (012) 428-8000  
Fax: (012) 347-0221

(You may be requested to sign a copy of this document)