



Solvency Assessment and Management

Discussion Document 29 (v 8)

Authorisation and reporting classes of business under SAM

EXECUTIVE SUMMARY

SAM is a fundamental review of the solvency regime for South African insurers and reinsurers, planned to take effect from January 2016. It aims to establish a revised set of capital requirements, valuation techniques and disclosure and risk management standards that will replace and / or enhance most of the current legislative requirements contained in the Long-term Insurance Act (Act No.52 of 1998) and the Short-term Insurance Act (Act No. 53 of 1998). The new regime is expected to apply to all insurers and represents a shift towards risk-based regulation for insurers and reinsurers.

A comparison of the Solvency II directive authorisation classes with international regulatory standards and approaches in other jurisdictions was completed. The long-term merits of changing the current authorisation classes outweigh the benefits of retaining the current authorisation classes.

Similarly, it is also necessary to change the reporting classes under the SAM framework to provide the information required by the supervisor to support its risk-based supervision processes.

This discussion document considers both authorisation classes (the classes of insurance business that an insurer will be authorised to conduct) as well as reporting classes (the categories of information that the regulator will require insurers to report to it from time to time for ongoing supervision purposes). Due to the different purposes of the segmentation for authorisation and reporting, there will be some differences in these segmentations.

This Discussion Document has been drafted taking into account the parallel process within the FSB Insurance Division to develop reporting requirements for market conduct purposes (i.e. the planned Conduct of Business return). Although largely aligned, there will need to be some differences between the categories of reporting information required for purposes of prudential supervision and market conduct supervision, due to the respective objectives of each type of supervision and the corresponding relevance of different risk indicators.

1. INTRODUCTION, PURPOSE AND SCOPE

The principle of authorisation is one of the first steps of risk-based supervision within the insurance industry, whereby the regulator needs to authorise (re)insurers to conduct insurance or reinsurance within South Africa. The purpose of this authorisation will be to ensure that current and prospective insurers and reinsurers are able to meet the minimum requirements as laid down by the Regulator and that the resources available to the (re)insurer are sufficient for the risks it is absorbing.

This discussion document considers authorisation classes as set out in the Solvency II Directive and compares international best practice and regulatory guidance in recommending authorisation classes of business (both life and non-life) for use within SAM.

Entities established through the following legislation in South Africa are excluded from the scope of authorisation classes covered in this discussion document because of the social security fund characteristics found, to varying degrees, in their respective business models:

- Compensation for Occupational Injuries and Diseases Act 130 of 1993;
- Road Accident Fund Act 56 of 1996 (RAF);
- Unemployment Insurance Act 63 of 2001; and
- Medical Schemes Act 131 of 1998.

In addition to segmentation for authorisation, this paper also considers the segmentation for reporting of information. Although there is a strong link between these two segmentations, there are differences, due to the different purposes of the segmentations. By including both segmentations in one paper, it is easier to compare the different segmentations and how they map to each other.

The Discussion Document contains the research conducted by the Technical Provisions Task Group in terms of the authorisation classes of business, as reviewed by the FSB. This included a review of the following:

- IAIS Insurance Core Principles (“ICPs”);
- Solvency II Directive articles relevant to authorisation together with Annex I and Annex II;
- CEIOPS guidance and QIS5;
- APRA authorisation classes;
- OSFI authorisation classes; and
- Current Long-term Insurance Act and Short-term Insurance Act authorisation classes.

In addition to the research conducted, the paper was then handed over from the Technical Provisions Task Group to the FSB, as the FSB will ultimately be responsible and they are in the best position to determine segmentation for both authorisation and reporting.

The proposed segmentation for authorisation is set out in section 7 of this paper.

The proposed segmentation for reporting is set out in section 8 of this paper.

2. INTERNATIONAL STANDARDS: IAIS ICPs

Since its inception in 1994, the IAIS has developed a number of principles and standards in guidance papers to help promote the global development of well-regulated insurance markets. A further objective of the IAIS is to contribute to broader stability of the financial system. The current Insurance Core Principles (“ICPs”), in-force since October 2011, were considered – in particular ICP 4 pertaining to the licensing of insurers.

ICP 4 Licensing

“A legal entity which intends to engage in insurance activities must be licensed before it can operate within a jurisdiction. The requirements and procedures for licensing must be clear, objective and public, and be consistently applied.”

This ICP primarily describes the licensing process from a regulatory point of view.

However, the standard under ICP 4.9 states that:

“A licence clearly states its scope”

Furthermore, guidance to this standard states that:

“A licence should clearly state the classification of insurance activities that the insurer is licensed to conduct. Regarding classification, legislation should categorise insurance business into types and classes of insurance (at least into life and non-life)”

The ICP, standards and guidance are however not prescriptive with respect to the authorisation classes of business. In particular, the regulator has liberty to specify its authorisation classes provided the licensing requirements and procedures are clear, objective, publicly available and consistently applied.

3. EU DIRECTIVE ON SOLVENCY II: PRINCIPLES (LEVEL 1)

The following articles are the main sources and guidance on authorisation classes in the Solvency II Directive:

Article 14: “Principle of authorisation”

- **14.1:** *The taking up of the business of direct insurance or of reinsurance covered by this Directive shall be subject to prior authorisation.*
- **14.2:** *The authorisation referred to in paragraph 1 shall be sought from the supervisory authorities of the home Member State by the following:*
 - a) *any undertaking which is establishing its head office within the territory of that State;*
 - b) *any insurance undertaking which, having received an authorisation pursuant to paragraph 1, wishes to extend its business to an entire class or to insurance classes other than those already authorised.*

Article 15: “Scope of authorisation”

- **15.2:** *Subject to article 14 (Principle of authorisation), authorisation shall be granted for a particular class of direct insurance as listed in Part A of Annex I or in Annex II. It shall cover the entire class, unless the applicant wishes to cover only some of the risks pertaining to that class. The risks included in a class shall not be included in any other class except in the cases referred to in article 16 (Ancillary risks). Authorisation may be granted for two or more of the classes, where the national law of a Member State permits such classes to be pursued simultaneously.*
- **15.3:** *In regard to non-life insurance, Member States may grant authorisation for the groups of classes listed in Part B of Annex I. The supervisory authorities may limit authorisation requested for one of the classes to the operations set out in the scheme of operations referred to in article 23 (Scheme of operations).*
- **15.4:** *Undertakings subject to this Directive may engage in the assistance activity referred to in article 6 (Assistance) only if they have received authorisation for class 18 of Part A of Annex I, without prejudice to Article 16.1. In that event this Directive shall apply to the operations in question.*
- **15.5:** *In regard to reinsurance, authorisation shall be granted for non-life reinsurance activity, life reinsurance activity or all kinds of reinsurance activity. The application for authorisation shall be considered in the light of the scheme of operations to be submitted pursuant to Article 18(1)(c) (Conditions for authorisation) and the fulfilment of the conditions laid down for authorisation by the Member State from which the authorisation is sought.*

Article 16: “Ancillary risks”

- **16.1:** *An insurance undertaking which has obtained an authorisation for a principal risk belonging to one class or group of classes as set out in Annex I may also insure risks*

included in another class without the need to obtain authorisation in respect of such risks provided that the risks fulfil all the following conditions:

- a) They are connected with the principal risk
 - b) They concern the object which is covered against the principal risks and
 - c) They are covered by the contract insuring principal risk.
- **16.2:** By way of derogation from paragraph 16.1, the risks included in classes 14, 15 and 17 of Part A of Annexure I shall not be regarded as risks ancillary to other classes. However, legal expenses insurance as set out in Class 17 may be regarded as a risk ancillary to class 18, where the conditions laid down in paragraph 1 and either of the following conditions are fulfilled:
- a) The main risks relates solely to the assistance provided for persons who fall into difficulties while travelling, while away from their home or their habitual residence; or
 - b) The insurance concerns disputes or risks arising out of, or in connection with, the use of sea-going vessels.

Other articles in the Solvency II Directive relevant either directly or indirectly to authorisation classes include:

- Article 18: “Conditions for authorisation”
- Article 25: “Refusal of authorisation”
- Article 73: “Pursuit of life and non-life insurance activity”

The following article in the Solvency II Directive relates to the segmentation of insurance classes in the calculation of technical provisions (and not authorisation), but has also been considered in this discussion document.

- Article 80: “Segmentation”

Annex I of the Directive: “CLASSES OF NON-LIFE INSURANCE”:

Part A:

Annex I of Directive 2009/138/EC (Solvency II), part A of Annex I has classified risks according to the following insurance classes and has provided accompanying descriptions and detail:

Number and Class	Description / Detail
1. Accident <i>Including industrial injury and occupational diseases</i>	<ul style="list-style-type: none"> • Fixed pecuniary benefits • Benefits in the nature of indemnity • Combinations of the two • Injury to passengers
2. Sickness	<ul style="list-style-type: none"> • Fixed pecuniary benefits • Benefits in the nature of indemnity • Combinations of the two
3. Land vehicles <i>Other than railway rolling stock</i>	<ul style="list-style-type: none"> • All damage to or loss of: <ul style="list-style-type: none"> ○ Land motor vehicles ○ Land vehicles other than motor vehicles
4. Railway rolling stock	<ul style="list-style-type: none"> • All damage to or loss of railway rolling stock
5. Aircraft	<ul style="list-style-type: none"> • All damage to or loss of aircraft

Number and Class	Description / Detail
6. Ships <i>Sea, lake and river and canal vessels</i>	<ul style="list-style-type: none"> • All damage to or loss of: <ul style="list-style-type: none"> ○ River and canal vessels ○ Lake vessels ○ Sea vessels
7. Goods in transit <i>Including merchandise, baggage, and all other goods</i>	<ul style="list-style-type: none"> • All damage to or loss of goods in transit or baggage, irrespective of the form of transport.
8. Fire and natural forces	<ul style="list-style-type: none"> • All damage to or loss of property (other than property included in classes 3, 4, 5, 6, and 7) due to: <ul style="list-style-type: none"> ○ Fire ○ Explosion ○ Storm ○ Natural forces other than storm ○ Nuclear energy
9. Other damage to property	<ul style="list-style-type: none"> • All damage to or loss of property (other than property included in classes 3, 4, 5, 6 and 7) due to hail or frost, and any event such as theft, other than that included in class 8
10. Motor vehicle liability	<ul style="list-style-type: none"> • All liability arising out of the use of motor vehicle operating on the land (including carrier's liability).
11. Aircraft liability	<ul style="list-style-type: none"> • All liability arising out of the use of aircraft (including carrier's liability).
12. Liability for ships <i>Sea, lake and river and canal vessels</i>	<ul style="list-style-type: none"> • All liability arising out of the use of ships, vessels or boats on the sea, lakes, rivers or canals (including carrier's liability).
13. General liability	<ul style="list-style-type: none"> • All liability other than those referred to in classes 10, 11 and 12
14. Credit	<ul style="list-style-type: none"> • Insolvency (general) • Export credit • Instalment credit • Mortgages • Agricultural credit
15. Suretyship	<ul style="list-style-type: none"> • Suretyship (direct) • Suretyship (indirect)

Number and Class	Description / Detail
16. Miscellaneous financial loss	<ul style="list-style-type: none"> • Employment risk • Insufficiency of income (general) • Bad weather • Loss of benefits • Continuing general expenses • Unforeseen trading expenses • Loss of market value • Loss of rennet or revenue • Other indirect trading loss • Other non-trading financial loss • Other forms of financial loss
17. Legal expenses	<ul style="list-style-type: none"> • Legal expenses and costs of litigation.
18. Assistance	<ul style="list-style-type: none"> • Assistance for persons who get into difficulties while travelling, while away from their home or their habitual residence.

Part B:

The Solvency II Directive, part B of Annex I indicates further that the following names shall be given to authorisations which simultaneously cover the following non-life insurance classes:

Name	Classes combined
1. Accident and Health Insurance	Class 1: Accident and Class 2: Sickness
2. Motor Insurance	Class 1: Accident: Fourth indent: <i>Injury to passengers</i> Class 3: Land vehicles Class 7: Goods in transit Class 10: Motor vehicle liability
3. Marine and Transport Insurance	Class 1: Accident: Fourth indent: <i>Injury to passengers</i> Class 4: Railway rolling stock Class 6: Marine and Transport Insurance Class 7: Goods in transit Class 12: Liability for ships (sea, lake and river and canal vessels)
4. Aviation Insurance	Class 1: Accident: Fourth indent: <i>Injury to passengers</i> Class 5: Aircraft Class 7: Goods in transit Class 11: Aircraft liability
5. Insurance against fire and other damage to property	Class 8: Fire and Natural forces Class 9: Other damage to property

Name	Classes combined
6. Liability Insurance	Class 10: Motor vehicle liability Class 11: Aircraft liability Class 12: Liability for ships (sea, lake and river and canal vessels) Class 13: General liability
7. Credit and Suretyship Insurance	Class 14: Credit Class 15: Suretyship

Annex II of the Directive: “CLASSES OF LIFE INSURANCE”:

Annexure II of Directive 2009/138/EC (Solvency II) has classified life insurance into the following classes:

Number and Class	Description / Detail
1. Life Insurance (non-linked)	a) Assurance <ul style="list-style-type: none"> ○ on survival to stipulated age only ○ on death only ○ on survival to stipulated or earlier death ○ with return of premiums b) Annuities c) Supplementary insurance underwritten in addition to life insurance, in particular, insurance against personal injury including incapacity for employment, insurance against death resulting from an accident and insurance against disability resulting from an accident or sickness
2. Marriage insurance, birth insurance	
3. Investment Linked insurance	Insurance referred to in 1a) and 1b) above, which are linked to investment funds.
4. Permanent Health Insurance	Insurance providing specified benefits against risks of persons becoming incapacitated in consequence of sustaining injury as a result of an accident or of an accident of a specified class or of sickness or infirmity.
5. Tontines	Whereby associations of subscribers are set up with a view to jointly capitalizing their contributions and subsequently distributing the assets thus accumulated among the survivors or among the beneficiaries of the deceased.
6. Capital redemption operations	Based on actuarial calculations whereby, in return for single or periodic payments agreed in advance, commitments of specific duration and amount are undertaken.
7. Management of group pension funds	Comprising the management of investments, and in particular the assets representing the reserves of bodies that effect payments on death or survival or in the event of discontinuance or curtailment of activity.

Number and Class	Description / Detail
8. Collective Insurance	Insurance where the assets and rights are isolated from other insured.
9. Social Insurance	Operations relating to the length of human life which are prescribed by or provided for in social insurance legislation, in so far as they are effected or managed by life insurance undertakings at their own risk in accordance with the laws of a Member State.

4. MAPPING ANY PRINCIPLE (LEVEL 1) DIFFERENCES BETWEEN IAIS ICP & EU DIRECTIVE

The IAIS ICP on licensing is a principle based standard with no guidance on the authorisation classes. At best, the associated guidance on the ICP indicates that the supervisors should at least distinguish between life and non-life insurance.

Therefore the authorisation classes noted in Annex I and Annex II of the EU directive does not contradict the IAIS ICP on licensing in any way.

5. STANDARDS AND GUIDANCE

5.1 CEIOPS Consultation Papers and Quantitative Impact Studies (QIS)

CEIOPS issued CP 27 aimed at segmentation for the purpose of calculating technical provisions but not for the purpose of the authorisation of insurance classes.

Similarly the QIS5 specifications included segmentation requirements with regards to the calculation of technical provisions, but did not address authorisation classes. For completeness, the QIS5 classes of business for calculating technical provisions are tabled below:

Non-life Insurance:

Contract Type	Class
1. Non-life direct and proportional reinsurance	Medical expense insurance
	Income protection insurance
	Workers' compensation insurance
	Motor vehicle liability insurance
	Other motor insurance
	Marine, aviation and transport insurance
	Fire and other damage to property insurance
	General liability insurance

Contract Type	Class
	Credit and suretyship insurance
	Legal expenses insurance
	Assistance
	Miscellaneous financial loss
2. Non-life non-proportional reinsurance	Non-proportional health reinsurance
	Non-proportional property reinsurance
	Non-proportional casualty reinsurance
	Non-proportional marine, aviation and transport reinsurance

Life Insurance:

Contract Type	Class (Contract type and Main risk driver)
▪ Life Insurance with profit participation	1. Death
	2. Survival
	3. Disability / morbidity
	4. Saving
▪ Index-linked and unit-linked insurance	5. Death
	6. Survival
	7. Disability / morbidity
	8. Saving
▪ Other life insurance	9. Death
	10. Survival
	11. Disability / morbidity
	12. Saving
▪ Accepted reinsurance	13. Death
	14. Survival
	15. Disability / morbidity
	16. Saving

A 17th business class is dedicated to annuities stemming from non-life contracts.

5.2 The Australian Prudential Regulatory Authority (APRA)

5.2.1 Life Insurance:

The Life Insurance Act (Act No. 4 of 1995 as amended) of Australia prescribes the conditions for registration of life insurance companies in Australia. These conditions do not classify insurance business into different classes for the purpose of authorisation. The Act does distinguish between “ordinary business” and “superannuation business”. Ordinary business refers to all life insurance business excluding superannuation business. Superannuation business refers to life policies:

- that are maintained for the purposes of a superannuation or retirement scheme and owned by the trustee under the scheme; or
- of a kind prescribed by the regulations for the purposes of this paragraph.

The following is a list of the classes of life insurance business used for reporting purposes by APRA:

1. Conventional participating
2. Participating Investment Account
3. Annuity with Longevity Risk
4. Individual Lump Sum Risk
5. Individual Disability Income Insurance
6. Group Lump Sum Risk
7. Group Disability Income Insurance
8. Non-par Investment Policy
9. Annuity without Longevity Risk
10. Other

Details of each of the above classes are described in section 1 of Appendix A.

5.2.2 Non-life Insurance:

The Insurance Act (Act No. 76 of 1973 as amended) of Australia prescribes the conditions for registration of general (non-life) insurance companies in Australia. These conditions do not classify insurance business into different classes for the purpose of authorisation.

The following classes of non-life insurance business are defined in APRA’s General Insurance Prudential Standards for valuation and reporting purposes:

1. Fire and Industrial Special Risks (ISR)
2. House owners / Householders (H&H)
3. Compulsory Third Party Motor Vehicle (CTP)
4. Commercial Motor Vehicle
5. Domestic Motor Vehicle
6. Travel
7. Marine and Aviation
8. Mortgage
9. Consumer Credit (CCI)
10. Other Accident
11. Other
12. Public and Product Liability
13. Professional Indemnity (PI)
14. Employers’ Liability (EL)

Details of each of the above classes are described in section 2 of Appendix A.

5.3 The Office of the Superintendent of Financial Institutions Canada (OSFI)

The Canadian Insurance Companies Act (S.C. 1991, c. 47) specifies authorisation insurance classes as set out in the list below. Note that Life Insurance is seen as a single insurance class.

1. Accident and sickness
2. Aircraft
3. Automobile
4. Boiler and machinery
5. Credit
6. Credit protection
7. Fidelity
8. Hail
9. Legal Expenses
10. Liability
11. Life
12. Marine
13. Mortgage
14. Other approved products
15. Property
16. Surety
17. Title

Details of each of the above classes are described in Appendix B.

6. ASSESSMENT OF AVAILABLE APPROACHES GIVEN THE SOUTH AFRICAN CONTEXT

6.1 The insurance classes currently allowed within South Africa

6.1.1 Life Insurance

The classes of life insurance for which the FSB may authorize a company in terms of the Long-term Insurance Act (Act No. 52 of 1998) are:

1. Assistance
2. Disability
3. Fund
4. Health
5. Life
6. Sinking fund

Details of each of the above classes are described in section 1 of Appendix C.

6.1.2 Non-life Insurance

In terms of the Short-term Insurance Act (Act No. 53 of 1998) the following short-term insurance classes are allowed:

1. Accident and Health
2. Engineering
3. Guarantee
4. Liability
5. Miscellaneous
6. Motor
7. Property
8. Transportation

Details of each of the above classes are described in section 2 of Appendix C.

6.2 Comparison of the different approaches with the prevailing legislative framework

The insurance classes above have been mapped to the Solvency II Directive classes taking into account the information provided within the descriptions, and are included in Appendix D.

6.3 Principles to consider when setting authorisation classes

Risk-based approach:

Having a risk-based authorisation classification will assist the FSB in assessing whether the insurer applying for a licence has the necessary expertise and resources to manage the risks it is taking on as part of its insurance business, leading to a regime where policyholders are better protected.

Given that the licensing of insurers will need to be considered from a prudential as well as a market conduct point of view, market conduct risks also need to be considered when determining authorisation classes.

Relevance:

Many jurisdictions have authorisation classes tailored to their particular environments. Examples include the ISR policies in Australia and the Title Insurance policies in Canada. When adopting any authorisation class used anywhere, the relevance of specific classes in the South African market needs to be considered.

Third country equivalence:

CEIOPS CP 78 on the technical criteria for assessing 3rd country equivalence, with principle 2 dealing with authorisation requirements, is relevant. It indicates no prescription on the authorisation classes but places emphasis on the authorisation process.

Practical considerations:

Although the practical consequences of a proposed set of authorisation classes should not be the main focus when deciding on such a proposal, it should nevertheless be considered.

When assessing international practice regarding authorisation classes it is therefore important to consider the local relevance, and the transition costs and risks.

6.4 Principles to consider when setting reporting classes

Risk-based approach:

The supervision process will require a sufficient level of granularity in the data which will be collected from insurers on a annual and quarterly basis. This data is a key tool for supervisors in identifying risks that insurers and insurance groups face. This is especially true where the supervisor would like to apply a forward looking approach requiring the identification of trends and potential future risks.

In addition to underpinning effective micro prudential supervision, an appropriate level of granularity may also assist the macro prudential supervision of the insurance and broader financial services industry, as the supervisor will need to aggregate data from all insurers and other financial institutions to identify potential systemic risks.

Relevance:

As with setting authorisation classes, many jurisdictions have reporting classes tailored to their particular environments. When adopting any reporting class used elsewhere, the relevance of specific classes in the South African market needs to be considered.

Third country equivalence:

No prescription is given for the segmentation for reporting.

Practical considerations:

It is recognised that the systems implications for insurers of reporting requirements can be significant, so it is desirable to have segmentation for reporting purposes that is practical and cost effective to implement.

One way to make the segmentation classes more practical to apply is to have different levels of segmentation for different requirements. For example, reporting of technical provisions would generally need to be on a more granular basis than that which would be applied for an analysis of surplus. The segmentation approach that is proposed for reporting purposes takes this into account. The segmentation set out in Chapter 8 sets out the most granular level at which information would be proposed to apply. In designing the templates, consideration will be given to applying a less granular level of reporting for some templates.

In some cases, there are also products which are sold which cover more than one authorisation class, leading to difficulties in the unbundling of calculations for some products. This has been one of the reasons for differences in the segmentation for authorisation and reporting. Examples of this are universal life and fund member policies on the life side and the inclusion of both “liability” and “property” benefits within a line of business on the non-life side.

7. RECOMMENDED AUTHORISATION CLASSES FOR SAM

Having regard to the considerations set out in section 6, the recommended authorisation classes are set out below. Table 7.1 sets out the authorisation classes for Life Insurance and Table 7.2 sets out the classes for Non-Life Insurance.

The definitions after Table 7.2 support the “Additional Description” columns in tables 7.1 and 7.2 to define the classes and sub classes. It should also be noted that proposed definitions of life insurance and non-life insurance for legislative purposes are also included in the definitions after Table 7.2.

The recommended reporting classes are set out in section 8.

7.1. TABLE 7.1: LIFE INSURANCE AUTHORISATION CLASSES

CLASS	SUB-CLASS	ADDITIONAL DESCRIPTION	RIDER BENEFITS
1. RISK	a. Individual Life and Death policies	Lump sum payable on the happening of a life event or death event	<ul style="list-style-type: none"> ▪ Retrenchment: Premium waiver ▪ Insolvency: Premium waiver ▪ Emergency Evacuation or Transport
	b. Individual Health – lump sum policies	Lump sum payable on the happening of a health event	
	c. Individual Health – recurring payment policies	Specified or determinable equal or unequal sums of money payable at specified intervals payable on the happening of a health event	
	d. Individual Disability – lump sum policies	Lump sum payable on the happening of a disability event	
	e. Individual Disability – recurring payment policies	Specified or determinable equal or unequal sums of money payable at specified intervals payable on the happening of a disability event	
	f. Group Life and Death policies	Lump sum payable on the happening of a life event or death event	
	g. Group Health – lump sum policies	Lump sum payable to a member of a group on the happening of a health event	
	h. Group Health – recurring payment policies	Specified or determinable equal or unequal sums of money payable at specified intervals to a member of a group on the happening of a health event	
	i. Group Disability – lump sum policies	Lump sum payable to a member of a group on the happening of a disability event	

CLASS		SUB-CLASS		ADDITIONAL DESCRIPTION	RIDER BENEFITS
		j.	Group Disability – recurring payment policies	Specified or determinable equal or unequal sums of money payable at specified intervals to a member of a group on the happening of a disability event	
2.	CREDIT LIFE	a.	Individual	Lump sum payable to satisfy all or part of a financial liability to a credit provider – <ul style="list-style-type: none"> ▪ on the happening of a death event, health event or a disability event; ▪ in the event of unemployment, or other insurable risk that is likely to impair a person’s ability to earn an income or meet credit obligations 	
		b.	Group		
3.	FUNERAL	a.	Individual	Lump sum not exceeding an amount prescribed by the Registrar to cover cost associated with a funeral or the rendering of a service on the happening of a death event	
		b.	Group	Lump sum not exceeding an amount prescribed by the Registrar payable to a member of a group to cover costs associated with a funeral or the rendering of a service on the happening of a death event	
4.	LIFE ANNUITIES	a.	Guaranteed (fully or partially)	Specified or determinable equal or unequal sums of money payable at specified intervals from the start of the policy, or a fixed or determinable date linked to a life event – <ul style="list-style-type: none"> ▪ for the remainder of the life of the policyholder; or ▪ to one or more dependants or nominees after the death of the policyholder 	
		b.	Market related		
		c.	With discretionary Participation features		
5.	INDIVIDUAL INVESTMENT	a.	Guaranteed (fully or partially)	Lump sum or periodic payments payable – <ul style="list-style-type: none"> ▪ on or from a fixed or 	<ul style="list-style-type: none"> ▪ Premium waivers on a death or
		b.	Market related		

CLASS		SUB-CLASS		ADDITIONAL DESCRIPTION	RIDER BENEFITS
		c.	Linked	determinable date not related to a life event, disability event or death event of a person; or <ul style="list-style-type: none"> ▪ at the request of the policyholder 	disability event
		d.	With discretionary Participation features		
6.	FUND INVESTMENT	a.	Guaranteed (fully or partially)	Benefits provided for the purpose of funding in whole or in part the obligation of a fund to provide investment benefits to its members in terms of its rules, other than a policy 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	
		b.	Market –related		
		c.	Linked		
		d.	With discretionary Participation features		
7.	INCOME DRAWDOWN	a.	Guaranteed (fully or partially)	Specified or determinable equal or unequal sums of money payable at specified intervals from the start of the policy, or a fixed or determinable date linked to a life event until the investment value is exhausted; or a lump sum or specified or determinable equal or unequal sums of money payable at specified intervals equal to the remaining investment value to the estate, or one or more dependants or nominees after the death of the policyholder	
		b.	Market related		
		c.	Linked		
		d.	With discretionary Participation features		
8.	REINSURANCE	a.	Proportional in respect of a class or sub-class referred to above		
		b.	Non-proportional in respect of a class or sub-class referred to above		

7.2. TABLE 7.2: NON-LIFE INSURANCE

CLASS		SUB-CLASS		ADDITIONAL DESCRIPTION	RIDER BENEFITS
1.	MOTOR	a.	Personal lines	Covers damage or loss resulting from the possession, use or ownership of motor vehicles and other vehicles operating on land, excluding railway rolling stock and warranty business	Assistance for persons who get into difficulties while travelling, while away and at their home/habitual residence
		b.	Commercial lines		
2.	PROPERTY	a.	Personal lines	Covers damage to or loss resulting from the possession, use or ownership of property (other than classes 1 above and 3 to 8 below), and, in respect of commercial lines, includes business interruption cover, including unforeseen trading expenses and loss of rent or revenue	Assistance for persons who get into difficulties relating to the possession, use or ownership of property
		b.	Commercial lines		
3.	AGRICULTURE			Covers damage or loss to crop, agricultural equipment and other agricultural activities due to fire, explosion, natural forces including storm, hail or frost, nuclear energy and land subsidence	
4.	ENGINEERING			Covers damage to or loss resulting from the possession, use or ownership of machinery or equipment; the erection of buildings or other structure; the undertaking of other works; or the installation of machinery or equipment, and includes loss of revenue	
5.	MARINE			Covers damage or loss resulting from the possession, use or ownership of vessels used on a river, canal, dam, lake and sea	
6.	AVIATION			Covers damage or loss resulting from the possession, use or ownership of aircraft or spacecraft	
7.	TRANSPORT			Covers damage to or loss resulting from the conveyance, storage, treatment and handling of goods in	

CLASS		SUB-CLASS		ADDITIONAL DESCRIPTION	RIDER BENEFITS
				transit, irrespective of the form of transport	
8.	RAIL			Covers damage or loss resulting from the possession, use or ownership of railway rolling stock	
9.	LEGAL EXPENSE			Covers any legal expenses and costs of litigation	
10.	LIABILITY	a.	Directors and officers	Covers liability to a third party	
		b.	Employer liability		
		c.	Fidelity guarantee		
		d.	Product liability		
		e.	Professional indemnity		
		f.	Public liability		
		g.	Aviation		
		h.	Engineering		
		i.	Marine		
		j.	Motor		
		k.	Rail		
		l.	Transport		
		m.	Other		
11.	CONSUMER CREDIT			Lump sum payable to satisfy all or part of a financial liability to a credit provider in the event of loss resulting from the possession, use, ownership or benefits of the goods or services supplied in terms of the credit agreement	
12.	TRADE CREDIT			Covers loss resulting from the provision of export credit or agricultural credit or any other trade credit	

CLASS		SUB-CLASS		ADDITIONAL DESCRIPTION	RIDER BENEFITS
13.	GUARANTEE			Covers loss resulting from insolvency, direct and indirect guarantees (failure of a person to discharge an obligation) and suretyship offered as part of the normal business activities	
14.	ACCIDENT AND HEALTH			Covers costs or loss of income resulting from a health event, other than costs or services regulated under the Medical Schemes Act, including any contracts identified by the Minister by regulation as an accident and health policy	
15.	TRAVEL			Covers damage or loss resulting from cancellation, interruption, loss of property (including baggage), or other unforeseen events before, while and after travelling	Lump sum payable on the happening of a death event or disability event
16.	MISCELLANEOUS			Covers damage to or loss resulting from a risk not addressed under any other class or sub-class referred to in this Table, which risk is approved by the Registrar. ¹	
17.	REINSURANCE	a.	Proportional in respect of a class or sub-class referred to above.		
		b.	Non-proportional in respect of a class or sub-class referred to above		

¹ Examples of such cover includes warranties and pet insurance.

7.3. DEFINITIONS & OTHER MATTERS:

“**commercial lines**” means non-life insurance business other than in respect of personal lines;

“**death event**” means the event of the life of a person or an unborn having ended;

“**disability event**” means the event of the –

- (a) occupational ability of the mind or body of a person becoming so temporarily or permanently impaired that the person is unable to –
 - (i) continue his or her occupation or employment; or
 - (ii) participate in any occupation or employment that is reasonably suitable for that person given, amongst others, his or her education, experience and age; or
- (b) the functional ability of the mind or body of a person becoming so temporarily or permanently impaired that the a person is fully or partially unable to carry on normal activities of life;

“**discretionary participation features**” means where the insurance obligations under a policy are supplemented with additional insurance obligations -

- (a) that are likely to be a significant portion of the total insurance obligations under the policy;
- (b) the amount or timing of which are contractually at the discretion of the insurer; and
- (c) that are contractually based on -
 - (i) the performance of a specified pool of policies or a specified type of policy;
 - (ii) realised and/or unrealised investment returns on a specified pool of assets held by the insurer; or
 - (iii) the profit or loss of the insurer that issues the policy

“**fully guaranteed**” means where the total insurance obligations under a policy payable at the end date of the policy or, in respect of an annuity, at each annuity installment, are at the start of the policy –

- (a) stated in the policy in Rand terms; or
- (b) stated in or ascertainable from the policy with reference to the growth rate used in calculating the policy’s investment value or, in the case of an annuity, each annuity installment, which growth rate is stated in the policy as a fixed rate of return or stated return linked to inflation over the full term of the policy;

“**fund**” means -

- (a) a friendly society as defined in section 1 of the Friendly Societies Act, 1956;
- (b) a pension fund organisation as defined in section 1 of the Pension Funds Act, 1956; and
- (c) a medical scheme as defined in section 1 of the Medical Schemes Act, 1998;

“**group policy**” for purposes of the classes and sub-classes of insurance business set out in the Table means a policy concluded with –

- (a) an autonomous association of persons united voluntarily to meet their common or shared economic and social needs and aspirations (other than obtaining insurance),

which association is democratically-controlled;

(b) an employer; or

(c) a fund,

where the association, employer or fund holds the policy exclusively for the benefit of the members of the association or fund, or the employees;

“health event” means an event relating to the health of the mind or body of a person or an unborn;

“individual policy” means a policy other than a group policy issued to a person, and includes a policy that is underwritten on a group basis;

“inflation” means any rate of inflation published by Statistics South Africa, or any successor body, from time to time;

“insurance business” means non-life insurance business and life insurance business conducted or deemed to be conducted in the Republic in the various classes and sub-classes of insurance business set out in the Tables;

“insurance obligations” means all obligations, whether those obligations constitute an obligation to pay one or more sums of money, render services or fulfill other obligations, including guaranteed and reasonably expected obligations, of an insurer under and arising from policies entered into by the insurer irrespective of the nature of the risk covered under those policies;

“investment value” means the value of a policy calculated as the accumulated basic premium and growth rate stated in the policy less deductions specifically provided for in the policy;

“life event” means the event of the life of a person or an unborn -

(a) having begun;

(b) continuing; or

(c) having continued for a period;

“life insurance business” means any arrangement under which a person against payment of a premium –

(a) accepts a specified risk from another person by undertaking to pay that other person or that other person’s estate or another identified person a specified or determinable amount or specified or determinable equal or unequal sums of money payable at specified intervals to –

(i) satisfy that other person or that other person’s estate or another identified person for a non-actual financial loss, on the happening of a specified uncertain future life event, health event, disability event or death event relating to that person or another identified person; or

(ii) make good the actual financial loss or liability for actual financial loss (or a part thereof) of that person or that person’s estate or another identified person on the happening of a specified uncertain future life event, disability event or death event of that person or another identified person;

(b) agrees to pay another person or that person’s estate a specified or determinable amount or specified or determinable equal or unequal sums of money payable at specified intervals from the start of the policy, or on or from a fixed or determinable date not related to a life event, disability event or death event of a person or at the request of the policyholder, but excludes –

- (i) a deposit with an institution authorised under the Banks Act, 1990 (Act No. 94 of 1990), the Mutual Banks Act, 1993 (Act No. 124 of 1993) or the Co-operative Banks Act, 2007 (Act no. 40 of 2007);
- (ii) participatory interests in a collective investment scheme registered in terms of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002),

and includes a renewal or variation of that arrangement.

“linked” means where the insurance obligations under a policy are not fully guaranteed or partially guaranteed, and are determined solely by reference to the value of particular assets or categories of assets which are specified in the policy and are actually held by or on behalf of the insurer specifically for the purposes of the policy;

“lump sum” means a single once-off payment of a sum of money;

“market-related” means where the insurance obligations under a policy are not guaranteed, and are determined solely by reference to the value of particular assets or categories of assets which are specified in the policy and the policyholder immediately shares in the performance of the underlying investment;

“non-life insurance business” means any arrangement under which a person against payment of a premium, accepts a risk from another person -

- (a) by undertaking to make good the actual financial loss or liability for actual financial loss (or a part thereof) of that other person or that person’s estate or another identified or identifiable person;
- (b) incurred on the happening of a specific uncertain future event, excluding a life event, disability event or death event of a person;

and includes a renewal or variation of that arrangement;

“partially guaranteed” means where the insurance obligations under a policy at the end date of the policy or, in respect of an annuity, at each annuity installment, are at the start of the policy –

- (a) stated in the policy to be no less than an amount in Rand terms; or
- (b) stated in or ascertainable from the policy to be no less than an amount calculated with reference to a growth rate used in calculating the policy’s investment value or, in the case of an annuity, each annuity installment, which growth rate is stated in the policy as a fixed rate of return or stated return linked to inflation over the full term of the policy;

“personal lines” means non-life insurance business where the policyholder is a natural person;

“policy” means any contract concluded by an insurer to meet specified insurance obligations;

“premium” means any direct or indirect, or partially or fully subsidised, payment of any consideration;

“start of the policy” means when the insurer accepts or is deemed to accept insurance obligations under a policy;

“underwritten on a group basis” means where the risks covered under a policy are rated on the characteristics of a group of people together as opposed to that of the individual/s to whom the policy relates.

The following principles apply to segmentation for authorisation purposes:

- An insurer that is licensed to conduct a specific sub-class of insurance business may provide the rider benefits referred to in column 4 of Tables in respect of that class or sub-class of insurance business without having to be licensed for the corresponding class or sub-class of insurance business to which the rider benefit relates.
- Only group policies as per the definition of “group policy” will be allowed going forward. Other policies may still be underwritten on a group basis, but will have to be issued as individual policies.
- Non-life insurers will no longer be able to issue policies relating to life, disability or death events. Only life insurers will be authorised to underwrite these events because of the skills and expertise required to underwrite these types of risks.



8. RECOMMENDED REPORTING LEVELS FOR SAM

This section sets out the recommended reporting levels for SAM, taking into account the considerations in section 6.

Reporting requirements have been set out at different levels, as the level of quantitative reporting will vary by templates. The design of the Quantitative Reporting Templates (QRT's) will indicate the level of reporting that would be required for each different template.

In order to assist the link between the authorisation classes and the reporting segmentation, the tables below include a column which shows the mapping back to the authorisation classes.

8.1. TABLE 1: LIFE INSURANCE

LEVEL 1		LEVEL 2		LEVEL 3		ADDITIONAL COMMENT	LINK TO AUTHORISATION CLASS
1.	RISK	a.	Individual Lump Sum	i.	Individual Life and death – lump sum	The reporting groups 1.a. to 1.f. tie in to the “Risk” authorisation class. An additional sub-group has been created for grouped individual policies, which are policies authorised as individual policies but underwritten on a group basis.	1.a.
				ii.	Individual Health - lump sum		1.b.
				iii.	Individual Disability - lump sum		1.d.
				iv.	Individual combined life and death, health and disability – lump sum		1.a.; 1.b.; 1.d.
		b.	Individual - recurring payment policies	i.	Individual Health – recurring payment	An additional benefit category has been created for combined policies where products combine	1.c.
				ii.	Individual Disability –		1.e.

LEVEL 1	LEVEL 2	LEVEL 3	ADDITIONAL COMMENT	LINK TO AUTHORISATION CLASS
		recurring payment	<p>more than one risk type.</p> <p>Grouped Individual policies means an individual policy which is underwritten on a group basis. These policies will thus form part of the “Individual” authorisation classes, but are reported on separately.</p>	
	c. Grouped Individual Lump Sum	i. Grouped Individual Life and death – lump sum		1.a.
		ii. Grouped Individual Health - lump sum		1.b.
		iii. Grouped Individual Disability - lump sum		1.d.
		iv. Grouped Individual combined life and death, health and disability – lump sum		1.a.; 1.b.; 1.d.
	d. Grouped Individual - recurring payment policies	i. Grouped Individual Health – recurring payment		1.c.
		ii. Grouped Individual Disability – recurring payment		1.e.
	e. Group Lump Sum	i. Group Life and death – lump sum		1.f.
		ii. Group Health - lump sum		1.g.
		iii. Group Disability - lump sum		1.i.
		iv. Group combined life and death, health and disability – lump sum		1.f.; 1.g.; 1.i.

LEVEL 1		LEVEL 2		LEVEL 3		ADDITIONAL COMMENT	LINK TO AUTHORISATION CLASS
		f.	Group - recurring payment policies	i.	Group Health – recurring payment		1.h.
				ii.	Group Disability – recurring payment		1.j.
		g.	Credit Life - Individual			The reporting groups 1.g. to 1.i. tie in to the “Credit Life” authorisation class. As above, an additional sub-group has been created for grouped individual policies	2.a.
		h.	Credit Life - Grouped Individual				2.a.
		i.	Credit Life - Group				2.b.
		j.	Funeral – Individual			The reporting groups 1.j. to 1.l. tie in to the “Funeral” authorisation class. As above, an additional sub-group has been created for grouped individual policies	3.a.
		k.	Funeral – Grouped Individual				3.a.
		l.	Funeral – Grouped Individual				3.b.
2	LIFE ANNUITIES			i.	Guaranteed	This reporting sub-group ties in to the “Life Annuities” authorisation	4.a.
				ii.	Market related		4.b.

LEVEL 1		LEVEL 2		LEVEL 3		ADDITIONAL COMMENT	LINK TO AUTHORISATION CLASS
				iii.	With discretionary participation features	class.	4.c.
3	INVESTMENTS	a.	Individual Investment	i.	Guaranteed	This reporting sub-group ties in to the “Individual Investment” authorisation class.	5.a.
				ii.	Market related		5.b.
				iii.	Linked		5.c.
				iv.	With discretionary participation features		5.d.
		b.	Fund Investment	i.	Guaranteed	This reporting sub-group ties in to the “Fund Investment” authorisation class.	6.a.
				ii.	Market related		6.b.
				iii.	Linked		6.c.
				iv.	With discretionary participation features		6.d.
		c.	Income Drawdown	i.	Guaranteed	This reporting sub-group ties in to the “Income Drawdown” authorisation class.	7.a.
				ii.	Market related		7.b.
				iii.	Linked		7.c.
				iv.	With discretionary participation features		7.d.

LEVEL 1		LEVEL 2		LEVEL 3		ADDITIONAL COMMENT	LINK TO AUTHORISATION CLASS
4.	COMBINED POLICIES	a.	Universal Life	i.	Life and death – lump sum	“Universal Life” policies means policies (other than fund member policies) where insurance obligations constitute a combination of individual risk and individual investment obligations	1.a.
				ii.	Health - lump sum		1.b.
				iii.	Disability - lump sum		1.d.
				iv.	Combined life and death, health and disability – lump sum		1.a.; 1.b.; 1.d.
				v.	Health – recurring payment		1.c.
				vi.	Disability – recurring payment		1.e.
				i.	Guaranteed		5.a.
				ii.	Market related		5.b.
				iii.	Linked		5.c.
				iv.	With discretionary participation features		5.d.
		b.	Fund Member Policies	i.	Life and death – lump sum	“fund member policy” means an individual policy— (a) of which a fund is the policyholder; (b) under which a specified member of the fund (or the surviving spouse, children,	1.a.
				ii.	Health - lump sum		1.b.
				iii.	Disability - lump sum		1.d.
				iv.	Combined life and death, health and disability – lump		1.a.; 1.b.; 1.d.

LEVEL 1		LEVEL 2		LEVEL 3		ADDITIONAL COMMENT	LINK TO AUTHORISATION CLASS
					sum	dependants or nominees of the member) is the life insured; and (c) which is entered into by the fund exclusively for the purpose of funding that fund's liability to the member (or the surviving spouse, children, dependants or nominees of the member) in terms of the rules of that fund.	
				v.	Health – recurring payment		1.c.
				vi.	Disability – recurring payment		1.e.
				i.	Guaranteed		5.a.
				ii.	Market related		5.b.
				iii.	Linked		5.c.
				iv.	With discretionary participation features		5.d.
5.	REINSURANCE	a.	Proportional Treaty	i.	Life and death – lump sum		8.a.
				ii.	Health - lump sum		
				iii.	Disability - lump sum		
				iv.	Combined life and death, health and disability – lump sum		
				v.	Health – recurring payment		
				vi.	Disability – recurring payment		
				vii.	Investment – Guaranteed		

LEVEL 1		LEVEL 2		LEVEL 3		ADDITIONAL COMMENT	LINK TO AUTHORISATION CLASS
				viii.	Investment - Market related		
				ix.	Investment – Linked		
				x.	Investment - With discretionary participation features		
				xi.	Other		
		b.	Non-Proportional Treaty	i.	Life and death – lump sum		8.b.
				ii.	Health - lump sum		
				iii.	Disability - lump sum		
				iv.	Combined life and death, health and disability – lump sum		
				v.	Health – recurring payment		
				vi.	Disability – recurring payment		
				vii.	Investment – Guaranteed		
				viii.	Investment - Market related		
				ix.	Investment – Linked		

LEVEL 1		LEVEL 2		LEVEL 3		ADDITIONAL COMMENT	LINK TO AUTHORISATION CLASS
				x.	Investment - With discretionary participation features		
				xi.	Other		
		c.	Facultative	i.	Life and death – lump sum		8.a.; 8.b.
				ii.	Health - lump sum		
				iii.	Disability - lump sum		
				iv.	Combined life and death, health and disability – lump sum		
				v.	Health – recurring payment		
				vi.	Disability – recurring payment		
				vii.	Investment – Guaranteed		
				viii.	Investment - Market related		
				ix.	Investment – Linked		
				x.	Investment - With discretionary participation features		

LEVEL 1		LEVEL 2		LEVEL 3		ADDITIONAL COMMENT	LINK TO AUTHORISATION CLASS
				xi.	Other		



8.2. TABLE 8.2: NON-LIFE INSURANCE

LEVEL 1		LEVEL 2		ADDITIONAL COMMENT	LINK TO AUTHORISATION CLASS
1.	MOTOR	a.	Personal lines	Both property and liability component of motor should be reported together	1.a. & 10.j.
		b.	Commercial lines		1.b. & 10.j.
2.	PROPERTY	a.	Personal lines	Both property and liability component of property should be reported together	2.a.
		b.	Commercial lines		2.b.
3.	AGRICULTURE	a.	Crop		3.
		b.	Equipment		3.
		c.	Other		3.
4.	ENGINEERING	a.	Liability	The liability and other component of this group is reported separately	10.h.
		b.	Other		4.
5.	MARINE	a.	Property	The liability and property component of this group is reported separately	5.
		b.	Liability		10.i.
6.	AIRCRAFT	a.	Property	The liability and property component of this group is reported separately	6.
		b.	Liability		10.g.
7.	TRANSPORT	a.	Property	The liability and property component of this group is reported separately	7.
		b.	Liability		10.l.
8.	RAIL	a.	Property	The liability and property component of this group is reported separately	8.
		b.	Liability		10.k.
9.	LEGAL EXPENSE				9
10.	LIABILITY	a.	Directors and officers	This reporting group contains all	10.a.

LEVEL 1		LEVEL 2		ADDITIONAL COMMENT	LINK TO AUTHORISATION CLASS
		b.	Employer liability	liability classes not contained within the other reporting classes.	10.b.
		c.	Fidelity guarantee		10.c.
		d.	Product liability		10.d.
		e.	Professional indemnity		10.e.
		f.	Public liability		10.f.
		g.	Other		10.m.
11.	CONSUMER CREDIT				11
12.	TRADE CREDIT				12
13.	GUARANTEE				13
14.	ACCIDENT AND HEALTH				14
15.	TRAVEL				15
16.	MISCELLANEOUS	a.	Warranty		16
		b.	Pet Insurance		16
		c.	Other		16
17.	REINSURANCE	a.	Proportional Treaty	Inwards Reinsurance will be reported separately for each of the above reporting Groups and Sub-Groups for each different sub-group of reinsurance.	17.a.
		b.	Non-Proportional Treaty		17.b.
		c.	Other insurance risk mitigation Treaty		17.a. &17.b.

LEVEL 1		LEVEL 2		ADDITIONAL COMMENT	LINK TO AUTHORISATION CLASS
		d.	Proportional Facultative		17.a.
		e.	Non-Proportional Facultative		17.b.
		f.	Other insurance risk mitigation Facultative		17.a. &17.b.

In addition to the categorisation of the levels above, when reporting the policy count and the movement of policy count, two additional categories reflecting policies with multiple benefits will be added:

- Personal lines combined policies
- Commercial lines combined policies

APPENDIX A

APRA Non-life Insurance - Classes of Business Detail

a. Life Insurance

Class	Description / Detail
1. Conventional participating	Includes Whole of Life policies and endowment policies
2. Participating Investment Account	Exclude non-participating investment account policies
3. Annuity with Longevity Risk	Annuities providing periodic payments that are dependent on the continuance of human life
4. Individual Lump Sum Risk	Lump sum risk policies issued on an individual (retail) basis. Includes non-participating conventional policies
5. Individual Disability Income Insurance	Disability Income Insurance policies issued to individuals
6. Group Lump Sum Risk	Lump sum risk policies issued on a group (wholesale) basis
7. Group Disability Income Insurance	Disability Income Insurance policies issued on a group basis
8. Non-par Investment Policy	Include non-participating investment account and investment linked policies
9. Annuity without Longevity Risk	Annuities providing periodic payments that are NOT dependent on the continuance of human life
10. Other	Include all other products not specifically categorised above

b. Non-life Insurance

Class	Description / Detail
1. Fire and Industrial Special Risks (ISR)	Fire: Includes all policies normally classified as 'Fire' and includes: <ul style="list-style-type: none"> • sprinkler leakage; • subsidence; • windstorm; • hailstone; • crop; • arson; and • loss of profits and any extraneous risk normally covered under fire policies, e.g. flood. ISR: Standard policy wordings exist for this type of policy. All policies which contain such standard wordings or where the wording is substantially similar are to be classified as ISR.
2. House owners / Householders (H&H)	This class covers the common H & H policies inclusive of: <ul style="list-style-type: none"> • Contents; • Personal property; • Arson; and • Burglary. • Public liability normally attached to these policies.
3. Compulsory Third Party Motor Vehicle (CTP)	
4. Commercial Motor Vehicle	Motor vehicle insurance (including third party property damage) other than insurance covering vehicles defined below under Domestic Motor Vehicle. It includes long and medium haul trucks, cranes and special vehicles and policies covering fleets.
5. Domestic Motor Vehicle	Motor vehicle insurance (including third party property damage) covering private use motor vehicles including utilities and lorries, motor cycles, private caravans, box and boat trailers and other vehicles not normally covered by business or commercial policies.
6. Travel	Insurance against losses associated with travel including loss of baggage and personal effects, losses on flight cancellations and overseas medical costs.
7. Marine and Aviation	Includes Marine Hull (including pleasure craft), Marine Cargo (including sea and inland transit insurance) and Aviation which includes aircraft hull and aircraft liability.
8. Mortgage	Insurance against losses arising from the failure of debtors to meet financial obligations to creditors or under which payment of debts is guaranteed. It includes lease guarantee.

Class	Description / Detail
9. Consumer Credit (CCI)	Insurance to protect a consumer's ability to meet the loan repayments on personal loans and credit card finance in the event of death or loss of income due to injury, illness or unemployment.
10. Other Accident	Includes the following types of insurance: <ul style="list-style-type: none"> • Miscellaneous accident (involving cash in transit, theft, loss of money); • All risks (baggage, sporting equipment, guns); • Engineering when not part of ISR or Fire policy; • Plate glass when not part of packaged policy (e.g. house owners / householders)
11. Other	All other insurance business not specifically mentioned elsewhere. It includes, for example: <ul style="list-style-type: none"> • All guarantees (e.g. fidelity Guarantee) • Trade Credit; • Extended Warranty; • Legal Expense; • Kidnap and Ransom; and • Contingency.
12. Public and Product Liability	Public Liability covers legal liability to the public in respect of bodily injury or property damage arising out of the operation of the insured's business. Product Liability includes policies that provide for compensation for loss and or injury caused by, or as a result of, the use of goods and also environmental clean-up caused by pollution spills where not covered by Fire and ISR policies.
13. Professional Indemnity (PI)	Includes Directors' and Officers' liability insurance.
14. Employers' Liability (EL)	Includes: <ul style="list-style-type: none"> • Workers' compensation; • Seamen's compensation; and • Domestic workers compensation.

APPENDIX B

OSFI Classes of Business Detail

Class	Description / Detail
<p>1. Accident and sickness</p>	<p>“accident and sickness insurance” means insurance</p> <p>(a) against loss resulting from bodily injury to, or the death of, a person caused by an accident;</p> <p>(b) under which an insurer undertakes to pay a sum or sums of money in the event of bodily injury to, or the death of, a person caused by an accident;</p> <p>(c) against loss resulting from the sickness or disability of a person not caused by an accident, but excludes loss resulting from the death of the person as a consequence of sickness;</p> <p>(d) under which an insurer undertakes to pay a sum or sums of money in the event of the sickness or disability of a person not caused by an accident; or</p> <p>(e) under which an insurer undertakes to pay a sum of money in respect of the health care — including dental care and preventative care — of a person.</p>
<p>2. Aircraft</p>	<p>“aircraft insurance” means insurance against</p> <p>(a) liability arising out of bodily injury to, or the death of, a person, or the loss of, or damage to, property, in each case caused by an aircraft or the use of an aircraft; or</p> <p>(b) the loss of, the loss of use of, or damage to, an aircraft.</p>
<p>3. Automobile</p>	<p>“automobile insurance” means insurance</p> <p>(a) against liability arising out of bodily injury to, or the death of, a person, or the loss of, or damage to, property, in each case caused by an automobile or the use or operation of an automobile;</p> <p>(b) against the loss of, the loss of use of, or damage to, an automobile; or</p> <p>(c) that falls within paragraph (a) or (b) of the class of accident and sickness insurance, if the accident is caused by an automobile or the use or operation of an automobile, whether or not liability exists in respect of the accident, and the policy includes insurance against liability arising out of bodily injury to, or the death of, a person caused by an automobile or the use or operation of an automobile.</p>
<p>4. Boiler and machinery</p>	<p>“boiler and machinery insurance” means insurance</p> <p>(a) against liability arising out of bodily injury to, or the death of, a person, or the loss of, or damage to, property, or against the loss of, or damage to, property, in each case caused by the explosion or rupture of, or accident to, pressure vessels of any kind or pipes, engines and machinery connected to or operated by those pressure vessels; or</p> <p>(b) against liability arising out of bodily injury to, or the death of, a person, or the loss of, or damage to, property, or against the loss of, or damage to, property, in each case caused by a breakdown of machinery.</p>

Class	Description / Detail
5. Credit	“credit insurance” means insurance against loss to a person who has granted credit if the loss is the result of the insolvency or default of the person to whom the credit was given.
6. Credit protection	“credit protection insurance” means insurance under which an insurer undertakes to pay off credit balances or debts of an individual, in whole or in part, in the event of an impairment or potential impairment in the individual’s income or ability to earn an income.
7. Fidelity	“fidelity insurance” means (a) insurance against loss caused by the theft, the abuse of trust or the unfaithful performance of duties, by a person in a position of trust; and (b) insurance under which an insurer undertakes to guarantee the proper fulfilment of the duties of an office.
8. Hail	“hail insurance” means insurance against the loss of, or damage to, crops in the field caused by hail.
9. Legal Expenses	“legal expenses insurance” means insurance against the costs incurred by a person or persons for legal services specified in the policy, including any retainer and fees incurred for the services, and other costs incurred in respect of the provision of the services.
10. Liability	“liability insurance” means insurance, other than insurance that falls within another class of insurance, (a) against liability arising out of bodily injury to, or the disability or death of, a person, including an employee; (b) against liability arising out of the loss of, or damage to, property; or (c) if the policy includes the insurance described in paragraph (a), against expenses arising out of bodily injury to a person other than the insured or a member of the insured’s family, whether or not liability exists.

Class	Description / Detail
11. Life	<p>“life insurance”</p> <p>(a) means any insurance that is payable</p> <ul style="list-style-type: none"> (i) on death (ii) on the happening of an event or contingency dependant on human life (iii) at a fixed or determinable future time (iv) for a term dependent on human life; and <p>(b) without restricting the generality of paragraph (a), includes insurance under which an insurer</p> <ul style="list-style-type: none"> (i) undertakes to pay an additional sum of money in the event of the death by accident of the person whose life is insured, (ii) undertakes to pay a sum of money or to provide other benefits in the event that the person whose life is insured becomes disabled as a result of bodily injury or disease, or (iii) undertakes to provide an annuity — or what would be an annuity except that the periodic payments may be unequal in amount — for a term dependent solely or partly on the life of a person.
12. Marine	<p>“marine insurance” means insurance against</p> <p>(a) liability arising out of</p> <ul style="list-style-type: none"> (i) bodily injury to, or the death of, a person, or (ii) the loss of, or damage to, property, or <p>(b) the loss of, or damage to, property, occurring during a voyage or marine adventure at sea or on an inland waterway, or during a delay or a transit other than by water that is incidental to a voyage or marine adventure at sea or on an inland waterway.</p>
13. Mortgage	<p>“mortgage insurance” means insurance against loss caused by default on the part of a borrower under a loan secured by a mortgage or charge on, or other security interest in, real property.</p>
14. Other approved products	<p>“other approved products insurance” means insurance against risks that do not fall within another class of insurance.</p>
15. Property	<p>“property insurance” means insurance against the loss of, or damage to, property and includes insurance against loss caused by forgery.</p>
16. Surety	<p>“surety insurance” means insurance under which an insurer undertakes to guarantee the due performance of a contract or undertaking or the payment of a penalty or indemnity for any default.</p>

Class	Description / Detail
17. Title	“title insurance” means insurance against loss or damage caused by (a) the existence of a mortgage, charge, lien, encumbrance, servitude or any other restriction on real property; (b) the existence of a mortgage, charge, lien, pledge, encumbrance or any other restriction on personal property; (c) a defect in any document that evidences the creation of any restriction referred to in paragraph (a) or (b); (d) a defect in the title to property; or (e) any other matter affecting the title to property or affecting the right to the use and enjoyment of property.

APPENDIX C

South African Classes of Business

1. Life Insurance

Class	Description / Detail
1. Assistance	means a life policy in respect of which the aggregate of-- a) the value of the policy benefits, other than an annuity, to be provided (not taking into account any bonuses to be determined in the discretion of the long-term insurer); and b) the amount of the premium in return for which an annuity is to be provided, does not exceed R18 000, or another maximum amount prescribed by the Minister, and includes a reinsurance policy in respect of such a policy;
2. Disability	means a contract in terms of which a person, in return for a premium, undertakes to provide policy benefits upon a disability event; and includes a reinsurance policy in respect of such a contract
3. Fund	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.
4. Health	means a contract in terms of which a person, in return for a premium, undertakes to provide policy benefits upon a health event, and includes a reinsurance policy in respect of such a contract-- a) excluding any contract— i. that provides for the conducting of the business of a medical scheme referred to in section 1(1) of the Medical Schemes Act; or ii. of which the policyholder is a medical scheme registered under the Medical Schemes Act, and which contract— aa) relates to a particular member of the scheme or to the beneficiaries of that member; and bb) is entered into by the medical scheme to fund in whole or in part its liability to the member or the beneficiaries of the member referred to in subparagraph (aa) in terms of its rules; but b) specifically including, notwithstanding paragraph (a)(i), any contracts identified by the Minister by regulation under section 72(2A) as a health policy.
5. Life	means a contract in terms of which a person, in return for a premium, undertakes to-- a) provide policy benefits upon, and exclusively as a result of

Class	Description / Detail
	<p>a life event; or b) pay an annuity for a period; and includes a reinsurance policy in respect of such a contract</p> <p>where “life event” means the event of the life of a person or an unborn--</p> <ul style="list-style-type: none">a) having begun;b) continuing;c) having continued for a period; ord) having ended.
6. Sinking fund	means a contract, other than a life policy, in terms of which a person, in return for a premium, undertakes to provide one or more sums of money, on a fixed or determinable future date, as policy benefits; and includes a reinsurance policy in respect of such a contract

2. Non-life Insurance

Class	Description / Detail
1. Accident and Health	<p>Means a contract in terms of which a person, in return for a premium, undertakes to provide policy benefits if a disability event; health event; or death event, contemplated in the contract as a risk event occurs, and includes a reinsurance policy in respect of such a contract-</p> <ul style="list-style-type: none"> a) excluding any contract-- <ul style="list-style-type: none"> i) that provides for the conduct of the business of a medical scheme referred to in section 1(1) of the Medical Schemes Act; or ii) of which the policyholder is a medical scheme registered under the Medical Schemes Act and which contract— <ul style="list-style-type: none"> aa) relates to a particular member of the scheme or to the beneficiaries of such member; and bb) is entered into by the medical scheme to fund in whole or in part its liability to the member or the beneficiaries of the member referred to in subparagraph (aa) in terms of its rules; but b) specifically including, despite paragraph (a)(i), any category of contracts identified by the Minister by regulation under section 70(2A) as an accident and health policy.
2. Engineering	<p>means a contract in terms of which a person, in return for a premium, undertakes to provide policy benefits if an event contemplated in the contract as a risk relating to--</p> <ul style="list-style-type: none"> a) the possession, use or ownership of machinery or equipment, other than a motor vehicle, in the carrying on of a business; b) the erection of buildings or other structures or the undertaking of other works; or c) the installation of machinery or equipment, <p>occurs; and includes a reinsurance policy in respect of such a policy.</p>
3. Guarantee	<p>Means a contract in terms of which a person, other than a bank, in return for a premium, undertakes to provide policy benefits if an event, contemplated in the policy as a risk relating to the failure of a person to discharge an obligation, occurs; and includes a reinsurance policy in respect of such a policy.</p>
4. Liability	<p>Means a contract in terms of which a person, in return for a premium, undertakes to provide policy benefits if an event, contemplated in the contract as a risk relating to the incurring of a liability, otherwise than as part of a policy relating to a risk more specifically contemplated in another definition in this section, occurs; and includes a reinsurance policy in respect of such a policy.</p>
5. Miscellaneous	<p>Means a contract in terms of which a person, in return for a</p>

Class	Description / Detail
	premium, undertakes to provide policy benefits if an event, contemplated in the contract as a risk relating to any matter not otherwise defined in this section, occurs; and includes a reinsurance policy in respect of such a policy.
6. Motor	Means a contract in terms of which a person, in return for a premium, undertakes to provide policy benefits if an event, contemplated in the contract as a risk relating to the possession, use or ownership of a motor vehicle, occurs; and includes a reinsurance policy in respect of such a policy.
7. Property	Means a contract in terms of which a person, in return for a premium, undertakes to provide policy benefits if an event, contemplated in the contract as a risk other than a risk more specifically contemplated in another definition in this section relating to the use, ownership, loss of or damage to movable or immovable property occurs; and includes a reinsurance policy in respect of such a policy.
8. Transportation	Means a contract in terms of which a person, in return for a premium, undertakes to provide policy benefits if an event, contemplated in the contract as a risk relating to the possession, use or ownership of a vessel, aircraft or other craft or for the conveyance of persons or goods by air, space, land or water, or to the storage, treatment or handling of goods so conveyed or to be so conveyed, occurs; and includes a reinsurance policy in respect of such a policy.

APPENDIX D

Mapping of Insurance Classes

1. Life Insurance

The following table maps the classes of life insurance to the Solvency II Directive classes. OSFI was excluded for purposes of this mapping, since it treated life insurance as a single class.

Solvency II	FSB	APRA	QIS5 Contract Type	QIS5 Main Risk Driver
1. Life Insurance	Assistance Life (Disability & Health only if supplementary to Life policy)	Conventional participating Annuity with Longevity Risk Individual Lump Sum Risk Group Lump Sum Risk (Disability Income only if supplementary to Life policy)	Life Insurance with profit participation Other life insurance Accepted reinsurance	Death Survival
2. Marriage insurance, birth insurance	Not prevalent	Other	Other life insurance	Death Survival
3. Investment Linked insurance	Life Fund Sinking Fund	Participating Investment Account Non-par Investment Policy Annuity without Longevity Risk	Index-linked and unit-linked insurance Accepted reinsurance	Saving
4. Permanent Health Insurance	Disability Health	Individual Lump Sum Risk Individual Disability Income Insurance Group Lump Sum Risk Group Disability Income Insurance	Life Insurance with profit participation Other life insurance Accepted reinsurance	Disability / morbidity
5. Tontines	Not prevalent	Not applicable	Other life insurance	Saving

Solvency II	FSB	APRA	QIS5 Contract Type	QIS5 Main Risk Driver
6. Capital redemption operations	Life Sinking fund	Other	Index-linked and unit-linked insurance	Saving
7. Management of group pension funds	Fund	Outside scope of Life Insurance Act (superannuation)	All	All
8. Collective Insurance	Not prevalent	Other		
9. Social Insurance	Not applicable	Not applicable		

2. Non-life Insurance

Similar as for life insurance, the authorisation classes in the EU directive were mapped against current requirements and other international jurisdictions.

Solvency II	FSB	APRA	OSFI	QIS5
1. Accident	Accident and Health	Employers' Liability (EL)	Credit protection Accident and Sickness	Workers' compensation insurance Income protection insurance Non-proportional casualty reinsurance
2. Sickness	Accident and Health	Employers' Liability (EL) Travel	Credit protection Accident and Sickness	Workers' compensation insurance Medical expense insurance Income protection insurance Non-proportional casualty reinsurance
3. Land vehicles	Motor Transportation	Domestic motor vehicle Commercial motor vehicle	Automobile	Marine, aviation and transport insurance Other motor insurance

Solvency II	FSB	APRA	OSFI	QIS5
4. Railway rolling stock	Property Transportation Miscellaneous	Other Accident	Property	Marine, aviation and transport insurance Non-proportional marine, aviation and transport reinsurance
5. Aircraft	Transportation	Marine and Aviation	Aircraft	Marine, aviation and transport insurance Non-proportional marine, aviation and transport reinsurance
6. Ships	Transportation	Marine and Aviation	Marine	Marine, aviation and transport insurance Non-proportional marine, aviation and transport reinsurance
7. Goods in transit	Property Miscellaneous	Other Accident	Property	Marine, aviation and transport insurance
8. Fire and natural forces	Property Engineering	House owners / Householders (HH) Fire and Industrial Special risks (ISR)	Property Boiler and machinery Hail	Fire and other damage to property insurance Non-proportional property reinsurance
9. Other damage to property	Property Engineering	House owners / Householders (HH) Fire and Industrial Special risks (ISR) Other accident	Boiler and machinery Property	Fire and other damage to property insurance Non-proportional property reinsurance
10. Motor vehicle liability	Liability	Compulsory third party motor vehicle (CTP) Public and Product liability	Liability	Motor vehicle liability insurance
11. Aircraft	Liability	Public and	Liability	Marine, aviation

Solvency II	FSB	APRA	OSFI	QIS5
liability		Product liability		and transport insurance General liability insurance
12. Liability for ships	Liability	Public and Product liability	Liability	Marine, aviation and transport insurance General liability insurance
13. General liability	Liability	Professional Indemnity (PI) Public and Product liability	Liability	General liability insurance
14. Credit	Miscellaneous	Mortgage Consumer Credit	Mortgage Credit	Credit and suretyship insurance
15. Suretyship	Guarantee	Other	Surety	Credit and suretyship insurance
16. Miscellaneous financial loss	Miscellaneous Engineering	Other Travel	Credit protection Title Fidelity Other approved products	Miscellaneous financial loss
17. Legal expenses	Miscellaneous	Other	Legal expenses	Legal expenses insurance
18. Assistance	None	None	None	Assistance