

EFF SUBMISSION TO PUBLIC HEARINGS ON INSURANCE BILL

1. INTRODUCTION

The insurance sector, a key section of the financial sector, is one of the most important components of South Africa's economy, and one which should be transformed to facilitate meaningful economic participation by the majority of people particularly poor, unemployed and women. Ownership and control of the insurance services sector and other sectors of the economy must be transformed to reflect the country's racial, gender and geographic demographics. It is in this context that makes the Insurance Bill is such an important piece of legislation.

The Economic Freedom Fighters (EFF) makes the following submission to Parliament's Standing Committee on Finance on the Insurance Bill. The submission provides concrete legislative reforms for consideration necessary for economic transformation.

2. BACKGROUND

The Insurance Bill is one of the most important legislative reforms in South Africa's economy and present a practical opportunity to advance transformation. The bill should play a critical role in the radical economic transformation of our country. Any financial sector transformation programme that overlooks the insurance sector will dismally fail because the insurance sector is highly embedded in the financial sector and play a key role to millions of customers to protect themselves, their valuable assets and financial security for their families in the unfortunate events of accidents.

3. LEGISLATIVE REFORM

Economic exclusion of the black majority was first a colonial conquest and more practically a legislated reality. Therefore, economic inclusion should be legislated and enforced into a reality as well in all legislative reforms. And this inclusion must be legislated across all sectors particularly in the financial sector through legislation such as the Insurance Bill. "Legislation alone cannot create relations or change attitudes. But it can set clear standards of acceptable behaviour and provide redress for those who have suffered in the hands of others. If law can play a repressive role by sanctioning racial segregation and discrimination as it has done in Nazi Germany, the American South, Rhodesia and South Africa, it can operate with equal force in the opposite direction by declaring that, equality of opportunity, regardless of race or colour, is to be pursued as a major social objective. It is a statement of public policy by Parliament intended to influence public opinion."

4. ADDITIONS TO THE INSURANCE BILL

4.1. CHAPTER 3: KEY PERSONS AND SIGNIFICANT OWNERS

4.1.1. Addition to Part 2 Section 14: Appointment and termination of key persons

The following must be additional requirements for appointment and termination of key persons

- a) Minimum of 50% of the insurers or controlling company key persons must be black.
- b) Minimum of 30% of the insurers or controlling company key persons must be women.

Failure to meet these requirements, the Prudential Authority must not approve appointment of any of the key person and awarding of license, as it is mandatory in terms of section 14 and section 22.

4.2. CHAPTER 4: LICENSING, SUSPENSION AND WITHDRAWAL OF LICENCE

4.2.1. Addition to Section 22: Requirements for licence

- (2) In order to qualify for licensing as a controlling company, a holding company of, or another juristic person that controls, an insurance group must demonstrate that
- e) In addition to the provisions of the Financial Sector Regulation Act relating to significant owners, an insurer or controlling company has a minimum of 30% black ownership.
 - (f) A minimum of 50% of its key person is black.
 - (g) A minimum of 30% of its key person is woman.

Failure to meet the requirements, the Prudential Authority must not grant a license.

4.2.2. Addition to Section 23: Licensing

(7) The Prudential Authority must, when granting an application, ensure that a minimum of 40% of licenses is issued to black owned and controlled insurers or controlling company.

4.3. Schedule 3: Transitional Arrangement

Key persons and significant owners other than representatives, deputy representatives of Lloyd's and trustees of Lloyd's trust

9 (3) The Prudential Authority must, within a period of 12 months after the effective date, direct all previously registered insurers or controlling company to comply with appointment of minimum of 50% black key person and minimum of 30% woman key person. Failure to comply with the transitional 12 months period insurers or controlling company's license must be withdrawn.

(4) The Prudential Authority must, within a period of 12 months after the effective date, direct all previously registered insurers or controlling company to comply with 30% black ownership.

New licences

14 (1) The Prudential Authority must ensure that all new license applicants must comply with appointment of minimum of 50% black key person, minimum of 30% woman key person and 30% black ownership before granting the licence.