

If you are reading this newsletter, please remember to pass it around your office.

## THIS MONTH'S TOPICS

- From Pretium
  - Licence Suspensions
  - A complaint due to under insurance – a real life case
  - The PS monitoring report – an update
  - Annual Levies
- From the FSB
  - Conflict of interest – a question for the FSB
  - The registrar of Financial Services Providers referred cases to the Enforcement Committee of the Financial Services Board against the following institutions
  - Latest on the need for and management of IGF
- From the FSB
  - Insurers – outsourcing directive
- From INSETA
- From Fit4FAIS
- From the Short-Term Ombud
- Interesting articles we have read
  - Cover Magazine
  - FA News Magazine
  - FA News Newsletter
  - RiskSA
  - Enterprise Risk

## FROM PRETIUM

We now have four approved Compliance Officers in the team with the approval of the two new ones appointed to assist with clients in KZN and the Eastern Cape.

**Pretium Eastern Cape** – Based in East London, Chenj Muzorewa. His contact details are:

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**Pretium Services KZN** - based in Durban, Khadija Kharsany. Her contact details are:

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### Licence Suspensions

The end of August saw yet another round of threatened suspensions being issued by the FSB. Once again the primary focus, based on our clients' issues at least, was administrative of nature i.e. missing annual reports and/or financial statements from the 2006 and 2007 period.

For all existing clients where we were the Compliance Officer at the time this was a matter of providing proof that these had been done and providing a copy.

## Licence Suspensions cont...

We did pick up one or two cases where reports prior to our appointment had not been done or not received. These we assisted with and submitted – but we had to adhere to a strict time line to avoid full blown suspension being imposed.

We picked up one new client, a sole trader, who had literally done nothing since the inception of FAIS – 5 annual reports and sets of financials were needed and now a lengthy list of “things to do” to get him to where he needs to be.

This exercise is clearly the FSB tidying up their records and using the threat of suspension to get every one's attention – no problem with that as it does work. We are however a little concerned about the heavy-handed approach once proof has been supplied or copies provided – if the FSB have not completed the required processing at their end prior to the imposed deadline the threatened suspension is processed, even though the required information has been supplied prior to the deadline. This approach could be a little more user friendly in our view with the suspension put on hold until satisfactory processing has been completed.

The contacts the FSB put in place at their end to be liaisons with the certain FSPs do not seem to feature in this cleanup campaign and we would have thought a phone call to the FSP would have achieved the same result with less stress for all.

Of course the poor old Compliance Officer is left out of the loop, yet we are the ones who have to pick up the pieces and very often can provide the required information by return as we submitted the reports and financials in the first place. Unless we are the contact person and get the letter first, which we are in many instances, we have an unhappy FSP to deal with who often assumes we have erred in some way.

The FSB has issued the latest list of suspended licences in Board Notice 140 issued on the 23<sup>rd</sup> August. If you need a copy please ask us.

## A complaint due to underinsurance – a real life case

This is a long article – but could be a good learning experience – at someone else's expense – the best kind!

One of our clients has recently been the subject of a FAIS Ombud complaint. We have provided the opinion of the Ombud's office on the matter in full as it illustrates a number of important issues – which we summarise at the end.

The background, briefly, started with a renewal review done via a voice logged call with the insured around a policy covering the assets of a guest house. A claim occurred and the sum insured was inadequate to cover the entire loss, average was applied and the insured lost just over R 100,000. The subsequent complaint went to the Ombud's office as the broker made no offer to settle in the early stages.

After correspondence the Ombud's last letter stated:

*After careful consideration of your response dated 13<sup>th</sup> July 2011, together with the supporting documentation and recorded conversations, this Office is of the view that you have failed to satisfy our concerns regarding the actions of your representatives, and the resultant financial prejudice suffered by the complainant. We therefore wish to respond as follows:*

## A complaint due to underinsurance – a real life case cont...

1. We would firstly like to address the issue surrounding your claim that the amount of R100998.01 has not been substantiated. The loss adjuster originally assessed the loss at R159143.59, and we are satisfied that had the complainant been adequately insured, then this is the amount that the insurer would have settled upon. This amount has also not been disputed by the complainant. As a result of the complainant being underinsured, the insurer applied average to the claim and the complainant was left with an assessed loss of R100998.01. This we see as the correct value that would form the basis of any possible future offer.
2. During the initial sales call at the inception of the policy, your representative asked the complainant what the current replacement value was of the building that he wanted to place on cover. The complainant confirmed that an amount of R1300000 would be sufficient to rebuild the structure which was reinforced by your representative. Despite the fact that your representative asked for the replacement value of the building to be insured she never informed the complainant as to the importance of ensuring that the value quoted was indeed correct as any underinsurance would lead to average being applied on any future claims. This is provided for in Section 7 (1) (c) (vii) of the General Code of Conduct for Authorised Financial Services Providers and Representatives ('Code'), in that concise details must be provided of any special terms or restrictions or circumstances in which benefits would not be provided.

Furthermore when the discussion turned to the other building on the property, which happened to be the complainant's private residence, the complainant initially claimed that an amount of R150000 could be seen as a reasonable replacement value. This amount was later increased to R200000, when the representative expressed her doubts about the value being a true reflection of an 8 roomed dwelling. Even though we acknowledge the fact that she advised the complainant to have the building evaluated, she accepted the value of R200000 provided by the complainant without any mention of the risks involved of being underinsured. The seriousness of the underinsurance is heightened by the fact that the contents of the same building are eventually valued at R150000 which is three quarters of the value of the building itself, and what's more is that when the value of the contents were addressed your representative cautioned the complainant against being underinsured. Why then was the subject of underinsurance and the application of average not raised when value of the buildings to be insured were discussed?

3. At this point we must mention that the original policy schedule provided to the complainant recorded that there were 3 buildings on the property yet only 2 of the buildings values had been obtained by your representative, which further reinforces the fact that at no time was the insured informed that the value captured under the building section was for all the buildings on the property, and it was never clarified to the complainant that should a claim arise due to damage on one of the buildings, the assessor would assess the property as a whole and that each building would not be assessed in isolation.
4. You will undoubtedly agree that this is a material term of the contract that was to have been disclosed to the complainant as provided for in Clause 7 (1) (a) of the Code, to have enabled the complainant to make an informed decision as to the appropriate value at which to insure his buildings.

The fact that the policy schedule recorded that 3 buildings were on the property and yet only the value of 2 had been established is further evidence that your representative had failed to obtain available relevant information to ensure that the product or in this case the cover that was recommended was appropriate in terms of the complainant's needs as provided for in Clause 8 (1) (a-c) of the Code.

## A complaint due to underinsurance – a real life case cont...

6. *During November 2008 another representative contacted the complainant to conduct a review of the policy, and was immediately corrected by the complainant when she mentioned that there were 3 buildings on the property. The complainant confirmed that due to construction that had taken place there were now 4 buildings on the property. This would have been the perfect opportunity for your representative to have advised the complainant that due to the addition of another building the value for buildings under the policy would have to be revised to ensure that the value was representative of the replacement value of all the buildings to limit the risks of underinsurance. The representative however only recommended that the value be adjusted to reflect the effects of inflation.*

*As with the original sales call this Office has noted with concern that the dangers of average being applied due to underinsurance were never raised by the representative despite the complainant disclosing that construction was still being undertaken to expand the buildings on the property, and that the contents cover for the main guest house had been increased to R1000000, while the insured amount of all the buildings on the property was allowed to remain at R1500000 with only a slight adjustment made for inflation.*

7. *During October 2009 another policy review was conducted by one of your representatives, and the complainant disclosed that the total number of guest rooms had now increased from 9 to 17, and that this could increase further in the future due to the continued construction being carried out. It is concerning that despite the obvious increase in the number and size of the buildings on the property which is clearly evident from the preceding policy schedules, the representative never recommended that the complainant revise the value of the buildings beyond inflation, and the risks involved in not doing so.*

*While this Office does have concerns surrounding your compliance with the above mentioned sections of the Code and more specifically with Section 2 which provides that the financial service be provided with due skill, care and diligence in the interests of the complainant, we are cognisant of the points raised in your response, and are aware that the circumstances surrounding a complaint are seldom 'Black and White' as it were. We therefore recommend that should you be unable to provide additional information that would show your compliance with the above mentioned sections of the Code that you provide this Office with an offer that is both fair and reasonable in the resolution of this matter.*

*Your response is required by close of business on 31<sup>st</sup> of August 2011, and failure to address our concerns or to adequately resolve the matter will see the matter officially accepted for investigation in terms of Section 27 of the Financial Advisory and Intermediary Services Act No. 37 of 2002 ('FAIS Act'), and you will be liable for a case handling fee of R1000 under Rule 9 on Proceedings of this Office.*

The brokers accepted the finding and at the time of releasing this Newsletter were discussing a settlement proposal with their PI insurers.

They had also issued the following note to all staff, which we feel got the message across very well and we asked for the okay to use this case for the benefit of all our clients.

*"As we study our notes for the RE 1 exams and educating ourselves with new regulations and the Code of Conduct as set out for us in the Act, the implications of FAIS are becoming more and more apparent.*

*Apart from heavy fines being imposed on those FSP's who don't comply with the Act (R1 000 000 or 10 years in jail or both), there is ever looming threat of claims made against us by clients for many reasons from being unhappy with our service, non compliance in terms of (TCF) "treating the customers fairly" or in response to claims that have not been settled to their satisfaction.*

## A complaint due to underinsurance – a real life case cont...

*The Insurance Industry as we knew it has become a very serious place and our professionalism as Insurance Intermediaries is now crucial as it is not only a job that you come to in the mornings, it is a commitment!*

*In our business we have DUTY to our clients, to provide the best and most efficient service we can as after all they pay our salaries. Not only because we are compelled to by law, but also because this is what we do.*

*We have a very loyal client following, some as long as 20 years. Why? Because they trust us. They have faith in us and because we have the knowledge and experience plus the qualifications, we HAVE to deliver.*

*We HAVE to adhere to the new ground rules which only serves to improve our service to our clients and we MUST keep to our standards, no matter how difficult the client is or how tired we are. Why this lecture? Read the correspondence below where you will see where we fell short of our commitment and therefore it has cost us not only our reputation (the first PI claim ever!), but also R18 000 (which our excess in terms of the PI policy) and the Balance due to be paid by our PI Insurer.*

**PLEASE PEOPLE, WHEN YOU SPEAK TO CLIENTS WHO THINK THEY KNOW MORE THAN WE DO AND DICTATE TO US WHAT THEIR SUMS INSURED SHOULD BE, WARN THEM ABOUT THE IMPLICATIONS OF UNDERINSURANCE.**

**PROTECT US BY HAMMERING THIS INTO THEIR HEADS AND CONFIRM EVERYTHING IN WRITING**

In addition the broker had this to say in the discussions with the PI insurer, which sets out the challenges a broker faces in practically implementing the regulatory requirements whilst acknowledging that they ultimately are at fault:

*“As irritated as I am about this entire issue, I can see that we must take a degree of blame here as logically the Ombud is correct in that when the client revealed the additions of the buildings on his property, the consultant SHOULD have discussed the Buildings value and SHOULD have warned the client about underinsurance AT THAT STAGE and followed this up in writing which is a standard procedure in this office.*

*In mitigation it is difficult to discuss these things over the phone with some clients as, a.) they are reluctant to “pay more premium”, b.) they pretend not to understand or they genuinely do not understand and c.) they don't have the time to discuss matters they don't feel is important to them.*

*Again I re-iterate that all our concerns are expressed IN WRITING, but that does not always mean that the client either reads the correspondence or receives it.*

*We do what we can and what we now MUST to ensure that the client is treated fairly.*

*It is my considered opinion that as the Ombud has now determined that we are liable for this (ex) client's loss which he has “suffered”, we make an offer of 40 or 50%.*

*The reason for this is that the client should also have known that his buildings may be uninsured particularly due to the renovations and additions. He would have knowledge of building costs.*

*His initial intimation of his values at inception of cover was incorrect, but I agree, had our consultant had more knowledge and experience to discuss the implications of underinsurance and offer advice on how to value buildings without a professional valuer being appointed, this problem could have been avoided and the client would have had to bear the consequences of average been applied to his claim and being his own insurer for the difference.*

## A complaint due to underinsurance – a real life case cont..

*He was not given the correct advice in order for him to make “an informed decision” at the time and therefore we should take some responsibility.*

*We have to in any event pay the Excess but you will have to decide on what offer YOU feel is fair”*

So what can we learn from this one?

- The time lines. The Ombud refers to the original sale and subsequent client contact at renewal time. This policy was incepted in 2006 and the claim happened in May 2011.
- The importance of correcting past errors and shortfalls. A renewal is an opportunity to do just this but all too often changes are made to sums insured, with the best of intentions, but if the starting point is wrong the next step will be wrong.
- Following on from our second point: mid-term interactions with clients should also be seen as opportunities to assess the accuracy of the advice previously provided.
- In this case the client was contacted and changes discussed – which is always first prize in our view – when renewals are done by post the possibility of getting an updated client profile is reduced.
- The Ombud does accept that not all cases are, as they put it, “black and white” but they do make it very clear that the onus is on the FSP to provide detail that shows they have met their obligations.
- The pressure put on the FSP to make decisions – the Ombud’s letter is dated 24 August 2011 and the deadline for a decision was set at 31 August 2011
- Most importantly don’t allow your own procedures and systems to expose you to the possibility of a complaint you will lose. Take this scenario into your own workflows – conventional or voice logged – and see if you could provide sufficient information to deal with a similar complaint. But look from the outside in and be objective. The exercise may well save you R 18,000 and a client – in this case the client moved brokers - making the payment of the eventual settlement that much more of a bitter pill to swallow.

Remember that the onus rests on you to deal with such a complaint when it arises and not simply allow it to go to the Ombud’s office for a ruling. If you are at fault then accept the situation and deal with it.

## The PS monitoring report – an update

We promised you an upgraded report format in the second quarter. We have made good progress in its development but the complete tool is not yet ready for use. The section that deals with the monitoring of the business activity will be used first. We have merged the two previous sections of “Quotes” and “New Business” into one “New Business process” section that will deal with all activity in this process irrespective of whether the business was written or not. The rating will also be aligned to the questioning by the FSB in the annual reports – let’s hope that they don’t come up with new questions next year!

The report as a whole will be as much part of your compliance risk management plans and controls as it will be an assessment of your current status with regard to the regulations required and a reference tool. We have dubbed it the “living audit tool”. As a result of the changes and new focus it is a sizeable document – not intended for printing really – and something we will not complete in one meeting. The intention is to have the tool completed by the end of the current reporting period, following which it will be maintained on an on-going basis with all changes that take place within your licence profile, the legislation as well as the “snap shots” that will be our formal monitoring meetings.

## Annual levies

We completed the processing of all the changes that you have notified us of that have an impact on your register of Key Individuals and Representatives. Any changes notified after the end of August will not have an impact on your levies.

The invoices are due to be sent out at the end of September.

Please ensure that your accounts departments/people responsible for payments are aware of the need to pay this account timeously. Interest will be charged on all late payments and failure to pay will result in licence suspension.

## FROM THE FSB

The Interactive workshops being run by the FSB continue in September with a satellite broadcast on regulatory exams on the 21 September and a conference in Durban on the 22 September at the Gateway Hotel. Booking is still available, however venues are limited. Khadija, our Compliance Officer in Durban will be attending the Compliance Conference in September 2011. We will keep you updated regarding the outcome of this conference.

We attended the broadcast on financial soundness at the end of July, which was too late to add in anything of substance last month. The key issues addressed in the presentation were:

*Sect 19 (4) reports – reporting of material irregularities – Must be made where there is a suspicion of its having happened or going to happen, **and must be reported in any event if the irregularity has been fixed or undertakings have been given that it will be fixed.** A material irregularity can be the non-payment of VAT or Income taxes, or the use of trust monies for operational expenses etc.*

*Subordination of loans MUST be mentioned in the Financial Statements and the agreement must be available if required by the FSB.*

*Compliance Officer is obliged to monitor the timeous submission of Statements, check the generation of monthly operating accounts and ensure that the procedures are in place to do it.*

*Queries – C Nortier indicated that appointment of Accounting Officers acting for CC's, are required to be authorized by the FSB, notwithstanding they don't collect or handle client's funds.*

*C Nortier confirmed that all COMPANIES, as opposed to CC's partnerships etc. i.e. (Pty)'s and Public Companies, need to be audited in terms of the Companies Act. The current Act does not confirm this.*

*Financial Soundness – Confirmed that if not achieved then the result will be suspension of the licence, unless individual application made for exemption, and a plan to be submitted defining the problem and the mitigation plan.*

We did submit a number of questions that were not answered in the broadcast time, which is the only real downfall of these sessions in that they are not as interactive as they should be, but the FSB did undertake to deal with all questions in a release on the website – which at the time of releasing this Newsletter had yet to be posted.

## Conflict of Interest – a question for the FSB

We recently asked the question of the FSB what is the status of sponsorship of golf days within the context of immaterial financial interest; using the sponsorship of a golf day at the recent IISA conference by Etana as the example. The intention was not to pick on Etana but to get clarity as we are asked time and time again by clients as to what is and is not allowed. The answer we got was:

*“In terms of Golf tournaments you can sponsor it as advertising but can’t pay for people to partake. Every event needs to be looked at closely as I have seen people twisting it”*

This should add clarity. We did ask other Compliance Officers for their views and the one written response we received said:

*“But I still see the sponsoring of a hole as outside the rules of Col, and falling under the rules of promotions/advertising – especially when the organisation they are sponsoring is not an FSP”*

We also heard that an insurer had “sponsored” some broker attendance at the very same IISA conference. We had, at the time, no proof of such - merely hearsay but we needed to know where we stood should we get to know for certain that this had occurred. The FSB’s view of this was:

*“If any insurance company took independent FSPs to this conference all expenses paid then we would like to know about it and I believe all compliance officers will have to in terms of section 17(4) report on this. We are currently busy with a few cases where Enforcement action is going to be taken, we take this very seriously”*

We think this is pretty clear!

## The Registrar of Financial Services Providers referred cases to the Enforcement Committee of the Financial Services Board against the following institutions

- Eagle Watch Financial Services (Pty) Ltd;
- Gertel Algemene Handelaars CC, trading as Multi Brokers;
- Collective Insurance Brokers (Pty) Limited;
- Smartcall Insurance Administrators (Pty) Ltd.

In the cases of Eagle Watch and Gertel, the case related to a contravention of section 7(1) of the Financial Advisory and Intermediary Services Act, no 37 of 2002 (FAIS Act), namely rendering financial services without authorization and administrative penalties of R 50,000 and R 45,000 respectively were imposed.

In the cases of Collective Insurance Brokers and Smartcall, the case related to a contravention of Section 7(3) of the FAIS Act (conducting financial services related business with a person/s not authorised to render financial services or lawfully appointed as representative/s) and administrative penalties of R 20,000 and R 50,000 respectively were imposed.

These are such basic aspects and you need to be aware of the need to manage licence categories and the people transacting business very carefully.

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## Latest on the need for and management of an IGF

The FSB issued Directive 156 A i (ST) that provided the (final) definitive rules on the need for and types of acceptable guarantees needed in the short-term insurance sector.

One key aspect now clearly defined is as follows:

*an intermediary cannot be authorised by a policyholder to pay premiums to an insurer on behalf of the policyholder. Section 45 does not allow intermediaries to receive, hold or in any other manner deal with premiums ("deal") outside of the clearly defined parameters of the section.*

A mandate from a client had been used by some – especially in the motor industry – as an attempt to avoid obtaining an IGF.

### **When may an insurer not authorise more than one intermediary?**

*Regulation 4.3(3) provides that an insurer may not authorise more than one intermediary to receive a premium in relation to the same policy if it is a policy forming part of personal lines business.*

*This means that –*

*5.7.1 an insurer can authorise any number of intermediaries to collect premiums on its behalf, provided that no two intermediaries are authorised to collect premiums of the same personal lines policy; and*

*5.7.2 an intermediary that is authorised to receive premiums in relation to a personal lines policy, may not further delegate any authority to collect premiums to another person as it will result in more than one intermediary being authorised to collect premiums on the same personal lines policy.*

Another key change is that group facilities will now be allowed. In the past each entity had to have its own guarantee. Such a group facility has to comply with the following:

*Each intermediary and the security held in respect of that intermediaries obligation are individually identified.*

*The security held collectively is equivalent to the sum total of that which would need to be held on behalf of each and every so identified intermediary.*

*The security held must relate to all premiums collected by each and every so identified intermediary and not only to the premiums collected on behalf of a specific insurer. To further clarify, this means that an intermediary collects premiums on behalf of both insurer A and B and cannot only cover premiums collected on behalf of insurer A; and*

*The group of intermediaries on whose behalf the collective security is held, whether incorporated or unincorporated, may not self insure by paying premiums to an insurer on behalf of a defaulting intermediary, without calling the bank guarantee or instituting a claim under the guarantee policy.*

The issue of interest earned on funds held, that was in the first draft of this directive, was dropped from the final version – but we understand that this will be addressed in the soon to be released document dealing with broker fees and earnings.

## Insurers – outsourcing directive

A draft directive has been issued that attempts to set standards for outsourcing by insurers in both the short and long-term areas. Obviously this will be working in conjunction with the binder regulations. If anyone wants a copy please let us know.

## FROM INSETA

A free FAIS regulatory exam preparation seminar will be taking place in October 2011. The seminar will cover:

- How to read and interpret legislation?
- Presentation on exam preparation techniques
- Detailed discussion on the structuring of the exam question, at various levels of questions and examples
- Feedback on the exam
- Appeal processes

INSETA learning material and copies of FAIS legislation will be made available to all attendees.

To register, call 086 113 0013 or complete the registration form on [www.inseta.org.za](http://www.inseta.org.za)

## FROM FIT4FAIS

Fit4FAIS will be running training course for both Key Individuals and representatives.

Courses will be run in Cape Town, Durban and Johannesburg. To register or to find out more, please do to [www.fit4fais.co.za](http://www.fit4fais.co.za) or call them on 021 683 6825.

## FROM THE SHORT-TERM OMBUD

Details have been released of 3 cases:

1. A repudiation based on who was the regular driver,
2. An excess structure change on a commercial policy by an insurer and their obligation to do more than simply add the new terms,
3. Non-payment of a first premium – when is the first month of cover not the first month?

We have the full details if needed or they can be seen on the electronic COVER magazine ([www.cover.co.za](http://www.cover.co.za))

## INTERESTING ARTICLES WE HAVE READ

### COVER – August 2011

**Wave of regulation tops insurance sector risks.** The results of a survey of 490 insurance practitioners on what they see as the greatest risks facing the insurance industry. No real surprise that Regulation is seen as the number one risk. Interesting that within the top 20 there are at least five other items that we would say already fall within the regulation framework and we wonder why they are seen as less of a risk?

### FA News magazine August 2011

**CPA – shaping the future of insurance.** An article by Patrick Bracher. We have started talking to clients on the impact of CPA on existing non-insurance products they deal with – and it is possibly not surprising that those that are dealing in such products, usually services such as road side assistance and other similar products packaged under the heading of Valued Added Products (VAPs), have not given the impact on CPA on these VAPs any thought. They have not seen the distinction between insurance products that have a temporary exemption and these VAPs that do not. Also see the article in Risk SA on the same theme.

**RE Study solution**– a learning website as a JV between FA News and The Institute of Practice Management. We have not tested this but the format outlined seems to be the one that generates the best results – a structured 2 month program. Once registered you have a 4 month period in which to study. The RE5 alone costs R 1,200 and the combo RE1/5 R 1,800. Contact Leigh Maree on 011 787 4342 or e-mail [dockingstation@epsilon.ms.co.za](mailto:dockingstation@epsilon.ms.co.za).

### FA News Newsletter

**29 July edition: Book review: Legislation Handbook and Preparation Guide for the Regulatory Exams** FAIS Trainer Paul Rabenowitz and Author Lee Rossini have compiled the second edition of a Preparation Guide which maps the knowledge criteria (published in Board Notice 105 of 2008, Annexure 1 - sections 1 and 4) to the relevant pages of the Legislation Handbook. For just R50 this is an invaluable guide for all Reps and Key Individuals.

### Risk SA – August 2011

**Time for RE Examination** – an interview with Anton Swanepoel, probably the primary RE training provider, on how financial advisors can tackle the RE exams. The article concludes with a summary of other providers. Surprising it does not include the FA News option!

**Micro Insurance in South Africa** – an article by Christine Rodrigues of Norton Rose. If you play in this space then you also need to get yourself a copy of the recently released **The South African Microinsurance Regulatory Framework – Policy Document(Treasury)**

**The CPA and the insurance industry** – an article by Kirsty Melille-Nieman

## Enterprise Risk ([www.enterpriserisk.co.za](http://www.enterpriserisk.co.za)) – 29 July

An article on the auditing requirement changes as a result of the new Companies Act. We have a copy of the article if anyone is in need of a copy.



**Insurance Gateway®**

After writing the regulatory examination, a client came across a “double negative” question in the paper. A week or so prior to this, the FIA had indicated in a newsletter to its members that they had been assured by the FSB that all questions of this nature would be removed.

A question was asked as to what a “double negative” question actually meant? Our experts provided me with the following example:

“It is not unnecessary to ...” This actually means that it is necessary, and thus could be seen as misleading, if not read carefully. Questions of this nature have all been removed from the databank of questions.

One should not confuse “double negative” with perfectly legitimate questions which are part and parcel of any examination. The following options appear in the latest version of the FSB preparation guide:

1. A direct closed ended question: the question must be answered by choosing the correct option
2. An incomplete sentence: the sentence must be completed correctly by choosing the correct option
3. The negative question: the negative option needs to be chosen. Applicant must be aware that these type of questions will be asked and therefore must read questions carefully
4. The most/best/least format: applicant must choose most applicable option to the question
5. Roman numeral format: A closed ended question where applicants must choose more than one correct option from a list of options
6. Sequencing: the options should be listed in the correct sequence

Over the next few weeks we will discuss each of these types of questions to assist readers with the correct approach.

Apart from formal appeals against questions from candidates, we also conduct an ongoing revision of questions. Where we come across problems, the questions are either “retired” (that is a nice phrase for dumped) or reviewed, which means it has to go through the whole development process again.

The FSB also uses statistics from the actual regulatory examinations to ensure that questions are fair.



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