

FSB fines Assupol for contravention of insurance act

The Financial Services Board (FSB) has fined insurers Assupol R500,000 for breaches of the Long-Term Insurance Act: Policyholder Protection Rules, which the regulator says may have prejudiced policyholders.

Assupol had failed to inform policyholders, whose claims were rejected between June 2012 and July 2015, of their rights in terms of the policyholder protection rules, including the right to lodge a complaint with the ombudsman.

This failure to comply with the rules might have caused prejudice to policyholders whose claims were rejected, the FSB said.



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"Assupol will consider the submissions of any policyholder who has suffered actual prejudice due to the defective wording in Assupol's repudiation letters," said Assupol.

The FSB fine took into account a second regulatory breach in that Assupol contravened the Long-Term Insurance Act between August 2014 and June 2016 by allowing independent intermediaries to share in the firm's underwriting profit.

This amounted to a failure to exercise proper oversight of the insurer's outsourced functions, the FSB said.

An underwriting profit is made when an insurer pays out less in claims and claims-related expenses than it earns in

premiums paid by clients.

"The practice of remunerating through profit sharing " was restricted to a few funeral parlours," Assupol said.

Assupol was now remunerating these parlours by way of regulated commission payments only, it said.

Regulatory contraventions were restricted to a few very specific aspects of the business and related to historic incidents, Assupol said.

"The reason for the contraventions was due to an administrative oversight. Since the additional measures and controls were adopted, no further regulatory breaches have occurred."

Assupol sells funeral, life, savings and retirement annuity products primarily in the lower to middle-income market.

Source: *Business Day*

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