Separation of life and non-life business

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It is important to understand the reasoning behind the separation in the Insurance Act, 2017 of the 9 classes of life insurance and 17 classes of non-life insurance. The key to what is non-life insurance business is that, by definition, a non-life insurer "undertakes to meet insurance obligations that fully or partially indemnifies loss on the happening of an unplanned or uncertain event". The word "indemnifies" is the clue. If you read all the classes of non-life insurance you will see that the policies indemnify damage or loss, legal expenses or litigation costs, or liability to third parties including financial liability to a credit provider under consumer credit insurance.

A non-life insurer may not insure a death event or disability event unless it results from an accident. This distinction was not properly drawn in the 1998 Acts. Nor may a non-life insurer insure a "life event", which is a life having begun, continuing or having continued for a period, nor investment products.

The only group policies that non-life insurers can enter into are accident and health policies and travel policies. The concept of a group has been limited to group policies providing cover for employees taken out by employers, for members of a fund taken out by the fund, and for members of a democratically-controlled association which is not formed purely for the purpose of taking out insurance. For instance, a trade union or sports body which takes out insurance for its members can insure under a group policy. The previous ability for non-life insurers to have group policies known as 'master policies' where the only requirement was that the lives assured had no insurable interest in each other has fallen away. The expectation is that if you cannot underwrite a group policy as defined, the insured are all individual lives assured (under an accident and health policy for instance) and entitled to all their rights, advice and disclosures under the Policyholders Protection Rules and the FAIS Act.

There are other nuances to bear in mind. Trade credit covering losses resulting from the provision of trade credit as a result of insolvency or other event is a non-life class of business. But credit life insurance to cover a debt to a credit provider on a death, health or disability event or unemployment or other risk impairing earning ability, is now a life product. The rationale for this is not easy to understand in relation to unemployment and other insurable risks which are essentially non-life events. The purpose is presumably to keep non-accidental death, and disability events mainly under the life classes of business.

The other interesting change made by Schedule 2 of the Insurance Act is the fact that there is now a better distinction between a 'policyholder' as the person entering into the policy with the insurer and the 'beneficiary' being the person stated or nominated as the beneficiary under the policy who gets the benefit payment (though they may be both). In the case of the group policy the beneficiary will be the member of the group, or their nominee. Thus, for instance, an accident and health policy can be taken out by a group as defined or by an individual where the life assured nominates a beneficiary to receive the benefits in the event of their accidental death or disability. The costs of treatment/s but not loss of income covered by an accident and health policy are subject to the Demarcation Regulations and the limitations under the Medical Schemes Act.

All of the above is, of course, subject to the treating customers fairly requirements. The group limitations in particular were put in place to see that individuals get fair individual attention.

April 2023