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**GOVERNMENT NOTICES • GOEWERMENTSKENNISGEWINGS**

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**DEPARTMENT OF TRADE AND INDUSTRY**

NO. 1104

13 NOVEMBER 2015

**NATIONAL CREDIT ACT, 2005****INVITATION FOR PUBLIC COMMENT ON THE DRAFT CREDIT LIFE INSURANCE REGULATIONS IN TERMS OF SECTION 171(1) (d) (ii) OF THE NATIONAL CREDIT ACT 34 of 2005**

I, Dr Rob Davies, Minister of Trade and Industry, hereby in terms of Section 171(1) (d) (ii) of the National Credit Act, 2005 (Act 34 of 2005) publish for public comment the Draft Credit Life Insurance Regulations as set out in the Schedule hereto

Interested persons may submit written comments on the draft regulations not later than thirty (30) days from the date of publication of this notice to:

**Director-General, Department of Trade and Industry**  
Private Bag X84  
Pretoria  
0001

Or hand deliver to:

77 Meintjies Street  
Block B, 1st Floor  
Sunnyside  
Pretoria

Tel: 012 394 1804  
Fax No: 012 394 2804  
Email: [SKumkani@thedti.gov.za](mailto:SKumkani@thedti.gov.za)  
For Attention: Mr Siphamandla Kumkani



**Dr Rob Davies (MP)**  
Minister of Trade and Industry

Date: 29/10/2015

**GOVERNMENT NOTICE**

No.R

2015

**DRAFT CREDIT LIFE INSURANCE REGULATION, 2015**

Draft Regulations made in terms of the National Credit Act, 2005  
(Act No 34 of 2005), as amended

For Public Comment

(MINISTER OF TRADE AND INDUSTRY)

The Minister of Trade and Industry has, under section 171 of the National Credit Act, 2005 (Act No 34 of 2005) as amended, made Regulations in this schedule.

## CHAPTER 1

### 1. Definitions

In these Regulations, any word or expression defined in the National Credit Act, 2005 bears the same meaning as in the Act and –

"**disability**" means the occupational or functional ability of the mind or body of a person becoming so temporarily or permanently impaired that the person is unable to –

- (a) participate or continue his or her occupation or employment;
- (b) participate in any occupation or employment that is reasonably suitable for that person given, amongst others, his or her education, experience and age; or
- (c) inability to participate in any economic activities.

### 2. Application of the Act

The cost of credit life insurance must be disclosed to the consumer in the format set out in Form 21

### 3. Maximum prescribed cost of credit life insurance

- (1) The cost that a credit provider may charge a consumer in relation to credit life insurance referred to in section 106(1)(a), including the cost of any commission, fees or expenses in relation to that insurance, may not exceed

the following maximum limits, which are calculated on the total of the consumer's outstanding obligations under the credit agreement:

<b>Sub-sector</b>	<b>Maximum prescribed cost of credit life insurance</b>
<b>Mortgage agreements</b>	R2 per R1 000 of the deferred amount (excluding the cost of credit)
<b>Credit facilities</b>	R4,50 per R1 000 of the deferred amount (excluding the cost of credit)
<b>Unsecured credit transaction</b>	R4,50 per R1 000 of the deferred amount (excluding the cost of credit)
<b>Short term credit transaction</b>	R4,50 per R1 000 of the deferred amount (excluding the cost of credit)
<b>Developmental credit agreements</b>	R2,00 per R1 000 of the deferred amount (excluding the cost of credit)
<b>Other credit agreements</b>	R4,50 per R1 000 of the deferred amount (excluding the cost of credit)

- (2) Subject to sub-regulations (3) and (4), the credit life insurance cover must provide for at least the settlement of –
- (a) in the event of the consumer's death or permanent disability, the outstanding balance of the consumer's total obligations under the credit agreement;
  - (b) in the event of the consumer's temporary disability, all the consumer's obligations that become due and payable –
    - (i) for a period of 12 months;



- (ii) during the remaining repayment period of the credit agreement; or
  - (iii) until the consumer is no longer disabled, whichever is the shorter period; and
- (c) in the event of the consumer becoming unemployed or unable to earn an income, other than as a result of permanent or temporary disability, all the consumer's obligations that become due and payable –
  - (i) for a period of 6 months;
  - (ii) during the remaining repayment period of the credit agreement; or
  - (iii) until the consumer finds employment or is able to earn an income, whichever is the shorter period.
- (3) Where a consumer is not employed on the date that the credit agreement is entered into, no cost relating to the risk of becoming unemployed or being unable to earn an income may be included in the cost of the credit life insurance.
- (4) A credit provider, at the request of the National Credit Regulator, or an insurer, at the request of the Registrar under the Long-term Insurance Act 52 of 1988 or the Short-term Insurance Act 53 of 1988, must demonstrate that the cost of credit life insurance charged to a consumer complies with the above sub-regulation (3).
- (5) The cost of credit life insurance must be determined having regard to the actual risk and liabilities associated with the credit agreement, including the risk of the event/s insured against occurring, with reference to the consumer's individual risk profile or the risk profile of a group of people that the consumer is a part of .
- (6) A credit provider or insurer that increases its credit life insurance premiums to the maximum prescribed cost of credit life insurance referred to in sub-regulation (1) after the date on which these regulations comes into operation must, at the request of the National Credit Regulator or the Registrar under the Long-term Insurance Act 52 of 1988 or the Short-term Insurance Act 53 of 1988, demonstrate that the cost of credit life insurance complies with sub-regulation (5).

#### 4. Exceptions and limitations of covered events

- (1) The credit life insurance may provide for the following exceptions and limitations only -

Covered event	Exceptions and limitations
<b>Death</b>  <b>Temporary disability</b>  <b>Permanent disability</b>	<p>Death, permanent disability and temporary disability resulting from:</p> <ul style="list-style-type: none"> <li>i) The abuse of alcohol, drugs or narcotics;</li> <li>ii) Willful self-inflicted injury or suicide;</li> <li>iii) Active participation in war, invasion, acts of foreign enemies, hostilities, warlike operations (whether war be declared or not), civil war, insurrection, rebellion revolution, civil commotion or uprisings, military power;</li> <li>iv) The use of nuclear, biological or chemical weapons, or any radioactive contamination;</li> <li>v) Participation in criminal activities;</li> <li>vi) Participation in hazardous activities such as mountain a climbing, bungee jumping and speed racing;</li> <li>vii) Any pre-existing condition the consumer was aware of that affected the consumer in the 12 months preceding the commencement of cover under that credit life policy, which condition was not disclosed by the consumer at the time the credit life insurance was applied for despite being explicitly requested to make such disclosure:</li> </ul>
<b>Unemployment</b>  <b>Inability to earn an income</b>	<p>Unemployment or inability to earn an income resulting from:</p> <ul style="list-style-type: none"> <li>i) Retrenchment or termination of employment within the first 3 months after the commencement of cover under that credit life policy;</li> </ul>

	<ul style="list-style-type: none"> <li>ii) Lawful dismissal, including dismissal as a result of willful misconduct that is a violation of some established, definite rule of conduct, a forbidden act, willful dereliction of duty or misconduct;</li> <li>iii) Voluntary forfeiture of salary, wages, or other employment income;</li> <li>iv) Voluntary retrenchment or termination of employment;</li> <li>v) Resignation;</li> <li>vi) Retirement;</li> <li>vii) Participation in an unprotected strike; and</li> <li>viii) Retrenchment of which the consumer was aware or received notice of during the 3 months preceding the date on which cover under that credit life policy commenced</li> </ul>
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- (2) The exceptions and limitations referred to in sub-regulation (1) must be explained to the consumer on the date that the credit agreement is entered into and at regular intervals thereafter.
- (3) If the credit life insurance provides for the settlement of the consumer's total obligations under a credit agreement in the event of temporary disability or the consumer being unable to earn an income, the maximum cost of credit life insurance may be increased by R1,00 per R1 000.
- (4) The credit life insurance must commence on the date on which the credit agreement is entered into and lapse –
- (a) on the date on which the consumer's outstanding obligations under the credit agreement are settled; or
  - (b) on the non-payment of the premiums due and payable under the credit life insurance in accordance with the applicable terms and conditions, whichever date is the earlier date.



- (5) The consumer may exercise the right in terms of section 108(4)(a) to substitute an insurance policy of the consumer's choice at any time after the credit agreement is entered into if the premium and benefits under the new policy are the same as or better than those under the current policy.
- (6) The credit provider must comply with the guidelines issued by the National Credit Regulator and, the insurer must comply with the guidelines issued by the Registrar under the Long-term Insurance Act 52 of 1998 or the Short-term Insurance Act 53 of 1998 from time to time.