



Financial Sector  
Conduct Authority

## FINANCIAL SECTOR REGULATION ACT, 2017

### NOTICE REGARDING THE PUBLICATION OF DRAFT AMENDMENTS TO THE POLICYHOLDER PROTECTION RULES PRESCRIBED UNDER SECTION 62 OF THE LONG-TERM INSURANCE ACT, 1998

The Financial Sector Conduct Authority (FSCA), in accordance with section 98(1)(a)(iv) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (FSR Act), hereby invites submissions on the draft amendments to the Policyholder Protection Rules (Long-term Insurance), 2017 (LTIA PPRs) to be made in terms of section 62(1) of the Long-term Insurance Act, 1998 (Act No. 52 of 1998), as per the Schedule below.

It is proposed that these amendments come into operation 6 months after the publication of the final notice setting out the amendments in the *Gazette*.

The draft Notice, together with a tracked version of the LTIA PPRs showing the proposed amendments and a statement supporting the proposed amendments, are available on the FSCA's website at <https://www.fsca.co.za>.

Submissions on the draft Notice and supporting documents must be submitted in writing **on or before 10 September 2021** to the FSCA at [FSCA.RFDStandards@fsca.co.za](mailto:FSCA.RFDStandards@fsca.co.za). Commentators are requested to make use of the submission template published alongside the document available on the FSCA's website.

**Unathi Kamlana**  
**Commissioner**  
**FINANCIAL SECTOR CONDUCT AUTHORITY**

**Date of publication: 30 July 2021**

## SCHEDULE

### 1. Interpretation

In this Schedule “the Rules” means the Policyholder Protection Rules (Long-term Insurance), 2017, promulgated under the Long-term Insurance Act, 1998, as published in Government Notice 1407 of 15 December 2017 and amended by:

GN 997                      GG 41928                      2018/9/28.

### 2. Amendments to the Rules

(1) Chapter 1 of the Rules is hereby amended by –

(a) the substitution in subsection 2.1 in section 2 for the definition of “beneficiary” of the following definition:

“**beneficiary**” has the meaning assigned to it in Schedule 2 of the Insurance Act; and for purposes of these rules includes in the case of a fund policy, a person nominated by the fund, or person otherwise determined in accordance with the rules of that fund as the person in respect of whom the insurer should meet policy benefits;”;

(b) the substitution in section 2.1 in Section 2 for the definition of “investment value” of the following definition:

“**investment value**” has the meaning assigned to it in Schedule 2 of the Insurance Act;”;

(c) the insertion in section 2.1 in Section 2 after the definition of “investment value” of the following definition:

“**living annuity**” has the meaning assigned to it in the Regulations made in terms of section 36 of the Pension Funds Act, 1956 (Act No. 24 of 1956);”;

(d) the insertion in section 2.1 in Section 2 after the definition of “potential policyholder” of the following definition:

“**publish**” means to-

- (a) make generally known;
- (b) make public announcement of;
- (c) disseminate to the public; or
- (d) produce or release for distribution;

and “publication” has a corresponding meaning;”.

(e) the insertion in section 2.1 in Section 2 after the definition of “Regulations” of the following definition:

“**reinstate**’ or any derivative thereof means to, by agreement between an insurer and a policyholder, restore a contractual relationship related to a policy that lapsed due to the non-payment of premium;”.

(2) Chapter 2 of the Rules is hereby amended by –

(a) the substitution in rule 1.4 in Rule 1 of the following rule:

“An insurer must have appropriate policies, **[and]** procedures and systems in place to achieve the fair treatment of policyholders. The fair treatment of policyholders encompasses achieving at least the following outcomes:

- (a) policyholders can be confident that they are dealing with an insurer where the fair treatment of policyholders is central to the insurer’s culture;
- (b) products are designed to meet the needs and objectives of identified types, kinds or categories of policyholders and are targeted accordingly;
- (c) policyholders are given clear information and are kept appropriately informed before, during and after the time of entering into a policy;
- (d) where policyholders receive advice, the advice is suitable and takes account of their circumstances;
- (e) policyholders are provided with products that perform as insurers or their representatives have led them to expect, and the associated service is both of an acceptable standard and what they have been led to expect; and
- (f) policyholders do not face unreasonable post-sale barriers to change or replace a policy, submit a claim or make a complaint.”

(3) Chapter 3 of the Rules is hereby amended by –

(a) the substitution in Rule 2 for the following rule:

**“RULE 2: PRODUCT DESIGN**

**2.1** In this rule –

**“financial instrument”** has the meaning assigned to it in the Financial Sector Regulation Act.

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**2.2** **Product design principles**

**2.2.1** An insurer must in developing products-

- (a)** make use of adequate information on the needs and objectives of identified types, kinds or categories of policyholders or members;
- (b)** undertake a thorough assessment, by competent persons with the necessary skills, of the main characteristics of a new product, the distribution methods intended to be used in relation

to the product and the disclosure documents related thereto, in order to ensure that the product, distribution methods and disclosure documents -

- (i) are consistent with the insurer's strategic objectives, business model and risk management approach and applicable rules and regulations;
  - (ii) target the types, kinds or categories of policyholders or members for whose needs the product is likely to be appropriate, while mitigating the risk of the product being used by types, kinds or categories of policyholders or members for whom it is likely to be inappropriate; and
  - (iii) take into account the fair treatment of policyholders or members;
- (c) that are subject to white labelling arrangements, undertake due diligence assessments in respect of the governance, resources and operational capability of the persons with whom the insurer has such arrangements and ensure compliance with paragraph (b) above;
- (d) that comprise underlying financial instruments or other assets, undertake due diligence assessments in respect of the underlying financial instruments or other assets and ensure compliance with paragraph (b) above; and
- (e) consider potential vulnerability of a product to fraud and money laundering based on its design.

2.2.2 The board of directors of an insurer is responsible for the appropriateness of all products that are introduced in the market.

2.2.3 An insurer must, when developing products, ensure that the product design –

- (a) is based on realistic assumptions; and
- (b) will not result in terms, conditions and product features that are overly complex.

2.2.4 Where a policy includes loyalty benefits –

- (a) the structure of the loyalty benefits must be such that there is no undue cross-subsidies between those policyholders who receive loyalty bonuses and those policyholders who do not receive loyalty bonuses; and
- (b) the product design must incorporate a payment structure upon termination of the policy due to the death of a policyholder that allows for the pay out of any accumulated value of the loyalty benefit to the estate of the policyholder or nominated beneficiary.

2.2.5 Where policies that have an investment value includes loyalty benefits, the structure of the loyalty benefits must be such that there is a gradual build-up of such loyalty benefits in order to avoid an unduly large difference between various duration points.

## **2.3 Requirements of product design framework**

2.3.1 An insurer must establish, maintain and operate an adequate and effective product design framework to ensure the fair treatment of policyholders and that -

(a) is adequate and proportionate to the nature, scale and complexity of the insurer's business and risks;

(b) is appropriate for the business model, policies, services, and policyholders and beneficiaries of the insurer; and

(c) address and provide for, at least, the matters provided for in this rule.

2.3.2 The board of directors of an insurer must approve and oversee the effectiveness of the implementation of the insurer's product design framework.

2.3.3 An insurer must regularly review its product design framework and document any changes thereto.

2.3.4 The product design framework must, at least, provide for-

(a) relevant objectives and key principles for the development of new products and affecting any material change in design of existing products across the business of the insurer;

(b) appropriate performance standards and remuneration and reward strategies (internally and where any functions are outsourced) for product design;

(c) documented procedures for an appropriate product design process;

(d) documented procedures which clearly define the product approval and review processes within the product design framework; and

(e) the appropriate level of involvement of its compliance function prior to product approval.

2.3.5 Any person involved in the designing of insurance products must have the necessary experience, knowledge and skills to understand –

(a) the expected functioning of the insurance product; and

(b) the interests, objectives and characteristics of the kinds or categories of policyholders or members it is intended for.

2.3.6 An insurer must test all products appropriately before starting to market, offer or enter into specific policies in respect of a new product, and before affecting any material change in design of an existing product.

2.3.7 The product testing referred to in in Rule 2.3.6 must –

- (a) assess whether the product will, on an ongoing basis and over the lifetime of the product meet the identified needs, objectives and characteristics of the kinds or categories of policyholders or members it is intended for; and
- (b) be done in a qualitative and quantitative manner depending on the type and nature of the insurance product and the related risk of detriment to customers.

## 2.4 Product design approval

2.4.1 Before an insurer starts to market, offer or enter into specific policies in respect of a new product or an existing product to which material changes have been made, a senior manager or a product approval committee must –

- (a) in writing approve the product; and
- (b) confirm that the product, distribution methods and disclosure documents meet the requirements set out in rule 2.3.

2.4.2 A product approval committee of an insurer referred to in rule 2.4.1 must =

- (a) be established with the main purpose of approving the products of the insurer;
- (b) be structured to ensure that it has the necessary authority, independence, resources, expertise and access to all relevant information to perform its functions; and
- (c) consist of appropriate senior manager representation.

2.4.3 The product approval required in terms of this rule may not be delegated to another person, committee or forum by a senior manager or product approval committee.

2.4 This rule applies to the development of any new product as of 1 January 2018 and any material change in design of an existing product.”

- (b) the substitution of the definition of “funeral policy” in Rule 2A.1 for:

“**“funeral policy”** means a life insurance policy where the benefit under the policy is a lump sum, or specified or determinable equal or unequal sums of money payable at specified intervals to cover the cost associated with a funeral or the rendering of a service on the happening of a death event and includes any rider benefit intended to cover the cost associated with a funeral or the rendering of a service on the happening of a death event, and includes –

- (a) any rider benefit intended to cover the cost associated with a funeral or the rendering of a service on the happening of a death event;  
and
  - (b) any rider benefit ancillary to a policy in term of which the primary insurance obligations is aimed at covering the cost associated with a funeral or the rendering of a service on the happening of a death event;”
- (c) the substitution in rule 2A.2.3 in Rule 2A of the following rule:  
“2A.2.3 This rule, except where stated otherwise applies to microinsurers and insurers to the extent that they offer funeral policies.”
- (d) the deletion of rule 2A.4.1 in Rule 2A;
- (e) the deletion of rule 2A.4.2 in Rule 2A;
- (f) the substitution in paragraph (a) in rule 2A.6.5 in Rule 2A for the following:  
“(a) the policyholder or member, **[at least]** within 31 days **[before]** preceding the date of entering into a new microinsurance policy or funeral policy with that insurer, had a previous policy with another insurer;”
- (g) the deletion in rule 2A.9 in Rule 2A;
- (h) the insertion in rule 2A.10.1 in Rule 2A for the following:  
“A microinsurance policy, other than a microinsurance policy underwritten under the credit life class of life insurance business as set out in Table 1 of Schedule 2 to the Insurance Act, or a funeral policy may not prescribe that a policy benefit payable as a sum of money is payable directly to a service provider.”
- (i) the insertion in rule 2A.10.3 in Rule 2A for the following:  
“When providing a service or other non-monetary benefit under a microinsurance policy or a funeral policy, an insurer or any person on behalf of an insurer may not charge the policyholder, beneficiary or member any administration or similar fee in respect of that service or similar benefit.”
- (j) the insertion in rule 6.2 in Rule 6 for the following :  
“An insurer may not, before or after the inception of a policy, charge a policyholder or member any fee or charge in addition to the premium payable under the policy.”
- (4) Chapter 4 of the Rules is hereby amended by –
- (a) the deletion in rule 10.1 in Rule 10 of the definition of “publish”;
  - (b) the substitution in rule 10.3.1 in Rule 10 of the following rule:  
“An insurer must have documented processes and procedures for the approval of advertisements by a senior **[management]** manager or a person of appropriate seniority to whom the senior **[management]** manager has delegated the approval.”

- (c) the deletion of rule 10.4.13 in Rule 10;
- (d) the substitution in paragraph (f) of rule 10.11.1 in Rule 10 of the following:  
“(f) may not focus on the price of a policy, product or related service to the exclusion of the suitability of the policy, product or related service or its delivery on **[customer] policyholder** expectations.”
- (e) the insertion after rule 10.14.6 in Rule 10 of the following rule:  
“10.14.7 An advertisement that references a loyalty benefit, no-claim bonus or rebate in premium -  
(a) must be balanced in relation to the primary benefits provided under the policy;  
(b) must not be used to induce a policyholder to enter into a policy; and  
(c) must make clear that it is possible that the policy will not be suitable unless the policyholder maintains the policy until the point where loyalty bonuses become payable.”
- (f) the deletion of paragraph (h) of rule 11.4.2 in Rule 11;
- (g) the insertion after rule 11.4.2 in Rule 11 of the following rule:  
“11.4.2A In addition to the information in rule 11.4.2 an insurer must where a policy is entered into in connection with other goods or services (a bundled product) provide a policyholder with the following information:  
(a) the premium payable in respect of the policy separately from any other prices for such other goods and services;  
(b) whether entering into the policy or any policy benefit is a prerequisite for entering into or being eligible for any other goods or services;  
(c) the impact on the premium should the policyholder decide to terminate any of the other goods or services in the bundled product;  
(d) confirmation on whether the insurance or any aspects of the other goods or services are mandatory or optional; and  
(e) where the other goods or services are optional and the policyholder elects to not purchase any such goods or services, details of any impact that not purchasing the goods or services may have on the policyholder or the policy.”
- (h) the insertion in subparagraph (iii) of paragraph (c) in rule 11.4.3 in Rule 11 of the following:  
“(iii) any material investment risk or other risks associated with the policy, including who carries such risk, which information must be provided prominently as contemplated in rule 10.15.”
- (i) the insertion after paragraph (d) in rule 11.4.3 in Rule 11 of the following paragraph:



“(e) where a policy constitutes a living annuity –  
(i) the reasonably expected commencement income and drawdown rate;  
(ii) details on the risks and sustainability of that annuity;  
(iii) a prominent warning as contemplated in rule 10.15 that there is no guarantee that the income from the annuity is sustainable, even if all the recommended actions are followed.”

- (j) the insertion after paragraph (j) in rule 11.5.1 in Rule 11 of the word “; and”;
- (k) the insertion after paragraph (j) in rule 11.5.1 in Rule 11 of the following paragraph:

“(k) any limitations or conditions related to reinstatement including implications related to waiting periods.”

- (k) the insertion after rule 11.6.2 in Rule 11 of the following rule:

“11.6.2A An insurer must at least on an annual basis and in addition to information referred to in Rule 11.6.2 provide the following information to a policyholder in respect of loyalty benefits:

- (a) The current value of the loyalty benefit and, where applicable, the amount of such value which is accessible to the policyholder;
- (b) a summary containing adequate details of the change in value of the loyalty benefit that took place over the relevant period, including next vesting date; and
- (c) details of any termination value of the loyalty benefit.”

- (l) the deletion in paragraph (b) of rule 11.6.3 in Rule 11 of the word **[and]**;
- (m) the insertion after paragraph (c) of rule 11.6.3 in Rule 11 of the following paragraphs:

“(d) where an investment policy includes loyalty benefits -

- (i) details of loyalty benefit value expressed in Rand value, and where applicable, as a percentage of the fund value;
- (ii) confirmation of when the loyalty benefit is payable and whether the amounts and/or percentages are as at current or at vesting date; and
- (iii) the projected impact of cost of the loyalty benefit on the total costs and charges related to the investment policy before and after the vesting date.

(e) where a policy constitutes a living annuity -

- (i) information on the performance of the annuity;

- (ii) an update on the continued sustainability of the annuity, including warnings where a policyholder is unlikely to achieve the increase targets or income in the long-term, with the aim of urging the policyholder to consider alternative actions;
- (iii) a prominent warning, in accordance with rule 10.15, that there is no guarantee that the income from the annuity is sustainable, even if all the alternative actions are followed.”

(5) Chapter 5 of the Rules is hereby amended by –

(a) the insertion after rule 12.1 in Rule 12 of the following rule:

**“12.1A Distribution**

12.2.1 An insurer must ensure that it -

- (a) has dynamic and responsive processes and controls over its distribution channels that -
  - (i) reduces the likelihood that unsuitable products will be issued to its policyholders; and
  - (ii) effectively mitigates the risk of poor outcomes to policyholders;
- (b) regularly reviews its distribution strategy and channels;
- (c) makes improvements and adjustments to its distribution strategy and channels in response to –
  - (i) deficiencies identified through a review referred to in paragraph (b) or any other means; and
  - (ii) feedback and experience from policyholders.“

(6) Chapter 6 of the Rules is hereby amended by –

(a) the substitution of the title of Rule 14 of the following title:

**“RULE 14: MONITORING AND [ONGOING] REVIEW OF PRODUCT PERFORMANCE”**

(b) the substitution in rule 14.1 in Rule 14 of the following rule:

“14.1 An insurer must on an ongoing basis monitor and regularly review and analyse a product (including product performance), related distribution methods and disclosure documents after the launch of a product, taking into account any event that could materially affect the potential risk to targeted policyholders or members, in order to assess whether-

- (a) the product and its related disclosure documents remain consistent with the needs of targeted policyholders and continue to deliver fair outcomes for policyholders and members; and
  - (b) the distribution method or methods remain appropriate.
- (c) the insertion after rule 14.2 in Rule 14 of the following rules:

“14.3 An insurer must have measures in place to ensure regular and *ad hoc* reporting to the executive management, the board of directors and any relevant committee of the board on identified risks, trends in relation to product performance and actions taken in response thereto.

14.4 An insurer that offers a living annuity to a member of a fund must, in addition to the requirements set out in this rule, monitor the sustainability of income of the living annuity by applying the same criteria as is prescribed for a pension fund.”

(d) the insertion after rule 15.7 in Rule 15 of the following rule:

“15.7A If the increase in premium referred to in Rule 15.7 exceeds twenty percent of the premium payable, an insurer must at least 60 days before implementing the increase, notify the Authority in writing and in the form and manner determined by the Authority, of its intention to increase the premium, including details of –

(a) the reasons for the increase; and

(b) the alternatives to the increase in premium that the insurer proposes to offer to policyholders.”

(e) the insertion after rule 15.8 in Rule 15 of the following rules:

“15.9 An insurer must establish and maintain a Principles and Practices of Premium Review policy which must be approved by the board of directors of the insurer.”

15.10 The policy referred to in Rule 15.9 must set out all the relevant practices and principles adopted by the insurer related to premium reviews and must at a minimum include the provisions set out in this Rule 15.

15.11 An insurer must regularly review its Principles and Practices of Premium Review policy and document any changes thereto.”

(7) Chapter 7 of the Rules is hereby amended by –

(a) the insertion after paragraph (c) in rule 17.3.1 in Rule 17 of the following paragraph:

“(cA) processes and procedures to ensure -  
(i) reasonable time is allowed for policyholders to institute claims;  
and  
(ii) appropriate and prominent disclosure of any time limitation provision for the institution of a claim;”

(b) the deletion in paragraph (h) in rule 17.3.1 in Rule 17 of the word “[**and**]”;

(c) the insertion after paragraph (i) in rule 17.3.1 in Rule 17 of the following paragraph:

“(i) claims management and practices that support the prevention of insurance fraud and which are aligned to the insurer’s Insurance Fraud

Risk Policy referred to in Attachment 1 of Prudential Standard GOI3 (Governance and Operational Standards for Insurers); and

- (k) the establishment of a training programme on detection and prevention of insurance fraud for all persons responsible for the handling or making decisions or recommendations in respect of claims.”;
- (d) the insertion in paragraph (b) in rule 17.7.2 in Rule 17 of the following:

“(b) copies of all relevant evidence, communications, correspondence and decisions; and”
- (e) the insertion after paragraph (a) in rule 17.7.3 in Rule 17 of the following paragraph:

“(aA) number and quantum of claims which have been fully assessed and the insurer has accepted the liability for the claim, but not yet paid;”
- (f) the insertion in paragraph (b) in rule 17.7.3 in Rule 17 of the following:

“(b) number and quantum of claims paid (both fully and partially);”
- (g) the insertion after paragraph (b) in rule 17.7.3 in Rule 17 of the following paragraph:

“(bA) number and quantum of claims withdrawn by policyholders and the reasons for the withdrawal;”
- (h) the insertion after paragraph (c) in rule 17.8.3 in Rule 17 of the following paragraph:

“(cA) any potential consequences of submitting false and/or incomplete information;”
- (i) the deletion in paragraph (b) in rule 17.10.1 in Rule 17 of the word “[or]”;
- (j) the insertion in paragraph (c) in rule 17.10.1 in Rule 17 of the following:

“(c) deny a claim based solely on the outcome of a polygraph, lie detector, truth verification or similar test or procedure referred to in rule 7.1(a) or information gathered from a tracking or fitness device; or”
- (k) the insertion after paragraph (c) in rule 17.10.1 in Rule 17 of the following paragraph:

“(d) impose any charge for a claimant to make use of claims processes and procedures.”
- (l) the deletion in rule 18.1 in Rule 18 of the definition of “reportable complaint”;
- (m) the substitution in paragraph (b) of rule 18.4.2 in Rule 18 of the following:

“(b) have an appropriate mix of experience, knowledge and skills in complaints handling, fair treatment of **[customers]** complainants, the

subject matter of the complaints concerned and relevant legal and regulatory matters;”

(n) the substitution in rule 18.5.1 in Rule 18 of the following:

“18.5.1 An insurer must categorise **[reportable]** complaints received in accordance with the following minimum categories-

- (a) complaints relating to the design of a policy or related service, including the premiums or other fees or charges related to that policy or service;
- (b) complaints relating to information provided to policyholders;
- (c) complaints relating to advice;
- (d) complaints relating to policy performance;
- (e) complaints relating to service to policyholders, including complaints relating to premium collection or lapsing of policies;
- (f) complaints relating to policy accessibility, changes or switches;
- (g) complaints relating to complaints handling;
- (h) complaints relating to insurance risk claims, including non-payment of claims; and
- (i) other complaints.”

(o) the substitution in rule 18.5.3 in Rule 18 of the following:

“18.5.3 An insurer must categorise, record and report on **[reportable]** complaints received by identifying the category contemplated in rules 18.5.1 and 18.5.2 to which a complaint most closely relates and group complaints accordingly.”

(p) the substitution in rule 18.8.2 in Rule 18 of the following:

“18.8.2 The following must be recorded in respect of each **[reportable]** complaint received -

- (a) all relevant details of the complainant and the subject matter of the complaint;
- (b) copies of all relevant evidence, correspondence and decisions;
- (c) the complaint categorisation as set out in rule 18.5; and
- (d) progress and status of the complaint, including whether such progress is within or outside any set timelines.”

(q) the substitution in rule 18.8.3 in Rule 18 of the following:

“18.8.3 An insurer must maintain the following data in relation to **[reportable]** complaints received categorised in accordance with rule 18.5 on an ongoing basis-

- (a) number of complaints received;
- (b) number of complaints upheld;
- (c) number of rejected complaints and reasons for the rejection;
- (d) number of complaints escalated by complainants to the internal complaints escalation process;
- (e) number of complaints referred to an ombud and their outcome;
- (f) number and amounts of compensation payments made;
- (g) number and amounts of goodwill payments made; and
- (h) total number of complaints outstanding.”

(r) the substitution in rule 19.2.4 in Rule 19 of following:

“19.2.4 A senior **[management]** manager of the replacing insurer or a person of appropriate seniority to whom the senior **[management]** manager has delegated the responsibility must no later than 14 days after receipt of the replacement advice record referred to in rule 19.2.2 confirm, in writing, that-

- (a) the replacement advice record complies with the disclosure requirements contained in section 8(1)(d) of the General Code; and
- (b) the replacement advice record contains sufficient information regarding the replacement policy and the replaced policy to indicate that the intermediary took reasonable steps to satisfy himself or herself that the replacement policy is more suitable to the policyholder’s needs than retaining or modifying the replaced policy.”

(s) the insertion after rule 20.4 of Rule 20 of the following rule:

**“20.5 Termination of Loyalty benefits**

20.5.1 Where a policy that includes a loyalty benefit terminates due to the death of a policyholder and the policy has not reached the agreed contractual date for payment of the loyalty benefit, the insurer must pay out any accumulated value of the loyalty benefit payable at the next vesting date to the estate of the policyholder or nominated beneficiary.”

(t) the insertion after Rule 21 of the following rule:

**“RULE 22. REINSTATEMENT OF POLICIES**

22.1 This rule applies to -

(a) any life insurance policy underwritten under the risk, credit life or funeral class of life insurance business as set out in Table 1 of Schedule 2 of the Insurance Act; and

(b) any life insurance policy underwritten by a microinsurer;

22.2 If an insurer reinstates a policy, the insurer –

(a) must do so on at least the same terms as were applicable immediately prior to the policy lapsing;

(b) may not impose a new waiting period under the reinstated policy; and

(c) must confirm to the policyholder that if the policyholder settles the arrear premiums that caused the policy to lapse, the policyholder will enjoy cover for the period of the non-payment of premiums, and will be entitled to institute a claim that arose during that period.

22.3 If a policy lapsed due to the non-payment of premium and the insurer of that policy enters into a new policy with the same policyholder or member within two months after the previous policy lapsed, such insurer may not impose a waiting period under such new policy.

22.4 Rule 22.3 does not apply where the policyholder or member had not completed a waiting period imposed under the lapsed policy, in which case the insurer may impose a waiting period not exceeding the unexpired part of the waiting period under the lapsed policy.

22.5 An insurer must before electing to reinstate a policy, take into account the affordability of the policy for the policyholder.”.

**3. The Arrangement of Rules is hereby amended by –**

(a) the substitution of the title of Rule 14 in Chapter 6 of the following title:

**“RULE 14: MONITORING AND [ONGOING] REVIEW OF PRODUCT PERFORMANCE”;**

(b) the insertion after Rule 21 under Chapter 7 of the following rule:

**“RULE 22: REINSTATEMENT OF POLICIES”.**