



**DIRECTIVE**  
**FINANCIAL SERVICES BOARD**  
**REPUBLIC OF SOUTH AFRICA**

**SHORT-TERM INSURANCE ACT, 1998 (ACT 53 OF 1998)**

<b>Addressee:</b>	Short-term insurers		<b>File:</b>	10/17/1 & 10/11/1/9	
<b>Edition</b>	<b>Issue date</b>	<b>Effective date</b>	<b>Directive</b>	<b>Status</b>	<b>Withdrawal date</b>
1 <sup>st</sup>	30 January 2004	01 February 2004	97.A.i (ST)	In force	-
2 <sup>nd</sup>	-	-	-	-	-
3 <sup>rd</sup>	-	-	-	-	-
<b>Subject:</b>	Motor vehicle warranties				

**1. Background**

It previously came to the attention of this Office that various parties which were not registered as insurers in terms of the repealed Insurance Act, 1943, were, by issuing so-called “motor vehicle warranties” against payment, indemnifying owners and hire-purchase buyers of motor vehicles against losses which the latter might suffer in connection with the motor vehicles. This type of warranty is sometimes coupled with the marketing of some or other oil product. On the strength of an investigation conducted by this Office, it was ascertained that the furnishing of such motor vehicle warranties constitutes the carrying on of insurance business as defined in section 1 of the repealed Insurance Act, 1943. The parties concerned have consequently been informed that they should, as soon as possible, but in any event not later than 31 December 1982, arrange for risks of this nature, whether the warranties are coupled with the sale of oil products or not, to be placed with registered insurers and to adhere to certain requirements.

**2. Purpose**

The purpose of this Directive is to acquaint insurers with the view taken by this Office and to apply the requirements in respect of the underwriting of this particular type of risk in terms of the provisions of the Short-term Insurance Act, 1998 (“Act”).

**3. Requirements for underwriting**

The following requirements are laid down in respect of the underwriting of motor vehicle warranties:

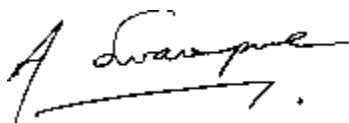
- 3.1 The Registrar, in terms of section 4(7)(a) of the Act, determined that this business shall form part of the class “motor policy” as defined in section 1 of the Act;
- 3.2 a separate policy document, reflecting only the total premium charged by the insurer as consideration for the risk assumed by it and the applicable stamp duty covering the motor warranty and no other benefit to the insured, shall be issued by the insurer;
- 3.3 the provisions of section 45 of, and Part 4 of the Regulations to, the Act must be complied with in respect of premiums collected by an independent intermediary on behalf of an insurer;
- 3.4 the commission payable to an independent intermediary may not exceed the maximum percentage in Part 5 of the Regulations to the Act;
- 3.5 no inspection fee or any consideration of a similar nature whatsoever may be paid by an insurer or underwriting manager (if applicable); and
- 3.6 the period of insurance of a policy or the renewal thereof may not exceed a period of 24 months.

**4. Non-compliance**

This Office would regard non-compliance with the above by short-term insurers as an undesirable practice.

**5. Information sharing**

This directive is available on the website ([www.fsb.co.za](http://www.fsb.co.za)) of the Financial Services Board. Insurers must bring this directive to the attention of their appointed auditors.



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