

IGF

Intermediaries Guarantee Facility is a facility set up by the short-term insurance industry generally for the purposes of providing security in terms of Section 45 of the Short Term Insurance Act read together with regulation 4 thereto.

A short-term insurer may not authorise a person in writing to act as an independent intermediary, to receive, hold or in any other manner deal with premiums payable to it under short term policies unless that person has provided security in terms of the Regulations Part 4 and Section 45 of the Short Term Insurance Act 1998.

Insurers

Each insurer must individually and specifically authorize in writing each of his intermediaries, whom he empowers to collect premiums on his behalf.

The insurer must ensure that the authorized intermediary has a current guarantee issued in terms of Regulation 4, Section 45 of the Short Term Insurance Act, of 1998.

Intermediaries

Intermediaries who at present receive premiums on behalf of insurers must insist that they are specifically authorized in writing by those insurers.

Intermediaries must be in possession of a guarantee that complies with Regulation 4, Section 45 of the Short Term Insurance Act, of 1998 for an amount equal to 30% of the net premiums received by them in their last financial year **(based on a minimum guarantee of R100 000 and a maximum guarantee of R80 000 000 - as at 01 April 2010).**

If the intermediary has a collecting agency or a third party receiving premiums on their behalf for insurers, they should ensure that the agency or third party has a guarantee in terms of Regulation 4, Section 45 of the Short Term Insurance Act, of 1998.

Intermediaries are deemed to "receive premiums" where the premium passes through a bank account controlled by the intermediary.

Where the intermediary merely collects cheques issued in favour of the insurer from the client and delivers to the insurer, no authorization or guarantee is required.

Regulation 4, Section 45 of the Short Term Insurance Act, 1998

4.1(1)

A short-term insurer may, subject to subregulation (2), in writing authorize an independent intermediary to receive, hold or in any other manner deal with premiums payable to it under short-term policies.

(2) A person shall not be authorized, as contemplated in subregulation (1) unless that person has provided security, to the extent and in accordance with the requirements of this Part, in respect of his or her obligation in terms of Regulation (4.3) by means of:

(a) a guarantee policy issued by a short-term insurer registered to do so in accordance with a guarantee facility created by short-term insurers generally for the purposes of providing such security; or

(b) a contract which, but for the fact that the undertaking concerned is given by a bank, would be a guarantee policy,

and under which policy benefits are to be provided in the event of the failure of that person to meet those obligations

Frequently asked questions:

1. **What is IGF?** The Intermediaries Guarantee Facility (IGF) is a facility set up by the short-term Insurance Industry generally for the purposes of providing security in terms of Section 45 of the Short Term Insurance Act read together with regulation 4 thereto.
2. **Why do we need to have an IGF guarantee?** A short-term insurer may not authorise a person in writing to act as an independent intermediary, to receive, hold or in any other manner deal with premiums payable to it under short term policies, unless that person has provided security in terms of the Regulations Part 4 and Section 45 of the Short Term Insurance Act,1998.
3. **Is this a new requirement, who decided we need this guarantee?** No, the Act came into effect in 1998.
4. **How do we go about getting this guarantee?** All information and application forms are on the IGF website. If you require any further assistance please contact IGF or access their website on <http://igfsec45.co.za>
5. **At what rate does the guarantee premium get calculated?** The guarantee premium is calculated on a sliding scale. A sample calculation is available on the IGF website under Application documents.
6. **Can the premium be paid on a monthly basis?** No, it must be paid annually on renewal or application.
7. **What will happen if we do not apply for the guarantee and who monitors this for compliance?** The FSB monitors compliance and if you do not have a guarantee in place, you could be fined.
8. **When does the renewal dated start and/or guarantee expire?** On your financial year end.
9. **How did you get to the collateral amount (being requested)?** The underwriting rules are on the IGF website under IGF Application.
10. **Do we have to complete all the forms every year?** Yes.
11. **Why do we have to pay a deposit premium and why is it the same as previous year?** A deposit premium is paid to extend the previous guarantee. This is based on the previous year until IGF get the new guarantee amount.
12. **Why does an Auditor / Accounting Officer need to apply for an extension?** The auditor / accounting office will know when the financial statements will be available, and should therefore apply for the extension.
13. **How does the guarantee work, who will pay the claims?** The guarantee protects the insurer and IGF will pay out the claim for the guarantee in place, only if all documents have been submitted and premiums are up to date.