

ASISA STANDARD: GOVERNMENT PAYROLL DEDUCTIONS

Approved by T&O Board Committee on 15 July 2020

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1. INTRODUCTION

- 1.1 This Standard pertains to the payroll deduction facility for Government employees. The purpose is to:
- ensure responsible use of the facility and
 - protect the interests of Government employees.
- 1.2 The parameters used for the affordability enquiry and reservation facility is the affordability criteria as set out in Chapter 23 of the Treasury Regulations, issued under the Public Finance Management Act.
- 1.3 In support of Chapter 23, there is a requirement for a more detailed formulation of these rules which will be outlined in this Standard. All deduction code holders undertake to adhere to and accept the consequences of non-compliance as per the Standard. This Standard is further supported by appropriate Technical Standards as provided by the Service Provider.
- 1.4 Deductions are governed by the Business Agreement between the OAG and individual DCHs.

2. DEFINITIONS

For the purposes of the Standard, these terms and phrases bear the meanings assigned to them below:

- 2.1 "affordability enquiry" means the accessing of the applicable payroll information via a service provider during or immediately after application stage, to determine whether a specific deduction from an employee's salary breaks any of the affordability rules (including net take home pay). An affordability enquiry does not reserve an amount for the intended deduction.
- 2.2 "average" means the average number of reservations that were done over the preceding 6 (six) month period for a company.
- 2.3 "cancellation" means that the reservation was cancelled within the reservation period before a lapse could occur.
- 2.4 "DCH" means deduction code holder which is any long-term insurer who has been approved by Government to effect payroll deductions. Use of this facility is reliant on the signing and adherence to the service agreement with the "service provider"
- 2.5 "insurance" including both long- and short-term insurance.
- 2.6 "lapse" means that the initial reservation period has expired.

- 2.7 “lapsed” means the number of reservations for which no confirmation transactions (QADD/QUPD) with a reservation number was received by the service provider within the reservation period.
- 2.8 “MU” means medical underwriting.
- 2.9 “OAG” means Office of the Accountant General.
- 2.10 “PH” means a Premium Holiday
- 2.11 “QADD” means the transaction that is used to start a deduction on the salary of an employee.
- 2.12 “QANA” means the transaction that is used to enquire affordability of a deduction amount for a new discretionary deduction.
- 2.13 “QANU” means the transaction that is used to enquire affordability of a deduction amount for an upward change in value to an existing discretionary deduction.
- 2.14 “QUPD” means the transaction that is used to amend the deduction value from the salary of an employee.
- 2.1.5 “QPHA” means the transaction that is used to lodge a premium holiday. Both the start and end date are compulsory to manage the duration.
- 2.15 “Register” means a computerized solution enabling an interface to Government payrolls, comprising of a database through which discretionary deductions are permitted and are validated against agreed rules
- 2.16 “reservation” means the accessing of the appropriate payroll information via the service provider, after the receiving of a valid mandate, to reserve a specific deduction amount on the available salary of an employee for the specified period. The deduction is not made until the payroll receives a valid instruction in the prescribed format.
- 2.17 “reservation month” means the calendar month that is used to measure the reported statistics.
- 2.18 “reservation terminations” means reservations for which no confirmation transactions (QADD or QUPD) with a reservation number was received during the reservation period. There are 3 types of reservation terminations:
- 2.18.1 lapses,
 - 2.18.2 cancellations; and
 - 2.18.3 lapse of re-reservations.
- 2.19 “re-reservation” means that the reservation was either cancelled or lapsed but that the DCH has reserved an amount again.

- 2.20 “service provider” means a company appointed by ASISA to develop and maintain the “Register” as well as administer and monitor the payroll deduction facility.
- 2.21 “VR” means voice recorded.

3. RESPONSIBILITIES OF THE DEDUCTION CODE HOLDER

- 3.1 An authorised DCH will take full responsibility for the use of these facilities by itself or persons authorised to use these facilities on behalf of such authorised DCH.
- 3.2 The reservation facility may not be utilised without the permission (written, signed and dated mandate, voice recorded or electronic mandate) of the employee for which the facility is being utilised.
- 3.2.1 For the reservation of a new deduction, a recent (not older than 3 months at the time the reservation was made) mandate is required.
- 3.2.2 For the reservation of an update to an existing deduction, a recent (not older than 3 months at the time the reservation was made) mandate is required when the amendment is towards a change in product or benefits. For previously mandated inflationary or scheduled cost increases the original mandate will suffice.
- 3.3 The affordability facility, may not be utilised without the permission (does not have to be in writing) of the employee for which the facility is being utilised.

4. RESERVATION AND AFFORDABILITY

4.1 Affordability

An affordability enquiry is not compulsory but is recommended.

- 4.1.2 Two types of affordability enquiries exist:
- 4.1.2.1 QANA; and
- 4.1.2.2 QANU
- 4.1.3 Limits have been imposed on affordability enquiries to ensure fair use of the system.
- 4.1.4 Using the system to try and determine affordability by performing repeated affordability enquiries for the same employee on different amounts without being in consultation with the employee at the time of the enquiry, is prohibited.
- 4.1.5 Any attempts to circumvent measures to prevent data mining as described under 4.1.4 above will lead to the suspension of the affordability and reservation facility of the DCH.

4.2 Reservation

Before any reservation is done, an affordability enquiry is automatically executed. The affordability enquiry returns an appropriate message that the deduction amount is:

- 4.2.1 not affordable, which results in no action being taken; or
- 4.2.2 affordable, which results in the return of a reservation number.
- 4.2.3 Companies will be categorized into 2 groups for the reservation facility:
 - 4.2.3.1 MU accredited insurance companies who do medical underwriting; and
 - 4.2.3.2 all other approved DCHs.

A company's compliance officer must certify to the service provider that products of the company are subject to medical underwriting.
- 4.2.4 All reservations are done at the Register level and not directly on the payroll
- 4.2.5 Each reservation exists until the earliest of it:
 - 4.2.5.1 being confirmed with a QADD or QUPD transaction; or
 - 4.2.5.2 being cancelled within the reservation period of 45 (forty-five) days.; or
 - 4.2.5.3 lapsing after 45 (forty-five) days of reservation without any transaction being submitted.
- 4.2.6 In the case of a PH, the Standard for Reservations does not apply. The reservation can be cancelled, or it can be extended within the 6 months period.
- 4.2.7 After a reservation has lapsed, it may be re-reserved for another reservation period.
- 4.2.8 An employee can have more than 1 (one) amount reserved at the same time. Affordability is recalculated with each reservation taking into account any other previous reservations in the system on a sequential basis.

4.3 Reporting

Reports on the status of reservations are available on request (it excludes the PH Reservations):

REPORT NAME	PURPOSE OF THE REPORT
Reservation Status: Outstanding	Provides detail of reservation transactions not yet confirmed. A QADD / QUPD transaction quoting the reservation number must be submitted in a subsequent update process,
Reservation Status: Confirmed	Provides detail of confirmed reservation transactions,

Reservation Status: Cancelled	Provides detail of cancelled reservation transactions,
Reservation Status: Lapsed	Provides detail of lapsed reservation transactions
Lapsed MU reservations not taken up in 45 (forty-five) days after the lapse	Provides detail of reservations that lapsed (assumed MU cases) where there was no transaction within 45 (forty-five) days after the lapse
Lapsed re-reservations	Provides detail of re-reservations that lapsed again after expiry of the re-reservation period
Premium Holidays	Provides detail on all reservations that have been done for PH transactions and where the PH is still in effect

4.4 Limits

4.4.1 LIMITS FOR RESERVATION TERMINATIONS

The following limits for reservation terminations will apply:

TYPE OF COMPANY	LAPSED RESERVATIONS MEASURED AFTER 90 (NINETY) DAYS FROM RESERVATION DATE	CANCELLATIONS MEASURED AFTER 45 (FORTY-FIVE) DAYS	LAPSED RE-RESERVATIONS
MU accredited	5% (five percent) of the reservations made in the reservation month	5% (five percent) of the reservations made in the reservation month subject to a minimum of fifty (50),	Less than 5 (five) transactions per calendar month
Other approved DCHs	None allowed	5% (five percent) of the average of reservations made in the reservation month, subject to a minimum of 50 (fifty),	Less than 5 (five) transactions per calendar month

For MU accredited companies, any transactions superseding the lapsed reservation within a 45 (forty-five) day period, will be taken into account and the numbers for reporting purposes will be reduced with these transactions.

4.4.2 LIMITS FOR AFFORDABILITY ENQUIRIES

The following limits for affordability enquiries will apply:

4.4.2.1 Employee limits:

- Will be applied irrespective of the process utilised for the action, i.e. via web, batch or Extensible Markup Language ('XML').
- The same transaction for the same amount and for the same employee will not be considered for the purposes of calculating the limits.
- A maximum of 2 (two) affordability enquiries per payroll employee per day.
- A maximum of 4 (four) affordability and 4 (four) reservations per payroll employee within a 14 (fourteen) calendar day period.

4.4.2.2 User limits

4.4.2.2.1 Online users:

1 (one) affordability enquiry per payroll employee within a 15 (fifteen) second period with a maximum of 500 (five hundred) affordability transactions per day.

4.4.2.2.2 Batch limits:

Only 1 (one) affordability transaction per payroll employee per file.

4.4.2.2.3 XML limits:

1 (one) affordability enquiry per payroll employee within a 15 (fifteen) second period.

4.4.2.3 DCH limits:

- A daily limit of 1% (one percent) of the existing deductions on the specific payroll of the DCH but, where 1% (one percent) of the existing deductions is less than 100 (one hundred), a limit of 100 (one hundred) will apply.
- A monthly limit of 5% (five percent) of the existing deductions on the specific payroll of the DCH but, where 5% (five percent) of the existing deductions is less than 500 (five hundred), a limit of 500 (five hundred) will apply.

4.4.3 The limits in 4.4.2.3 will be reviewed quarterly

4.4.4 Annual inflationary increases which could result in an exceeding of the limits must be communicated to the service provider in writing at least 7 (seven) days before being applied.

4.5 Breaches of limits

Breaches of the above limits will result in the following actions:

- 4.5.1 When acceptable limits (as detailed in paragraph 4.4) are exceeded, the mandates utilised in order to do the reservations will be requested by the service provider.
- 4.5.2 If all mandates as requested in 4.5.1.1 are in order, DCHs will be given a grace period of 2/3 (two/three) months in order to get their systems to comply with the acceptable lapse rates as defined in the standards. This will be communicated in writing.
- 4.5.3 If the acceptable limits are still exceeded after the 2/3 months grace period, the non-compliance will lead to the suspension of the affordability and reservation facilities for a period of 1 month. A repeat offence within 12 months, will lead to a suspension of the facilities for a period of 3 months.
- 4.5.4 Failure to provide the mandates within 14 calendar days, or providing incomplete mandates, will lead to a suspension of the affordability and reservation facilities for a period of 1 (one) month. A repeat offence – failure to provide mandates or incomplete mandates - within 12 (twelve) months, will lead to a suspension of the longer of 3 (three) months or until a satisfactory response is received.
- 4.5.5 If a DCH again exceeds the acceptable limits in the 12 (twelve) months following the lifting of their 3 (three) month suspension, it will lead to a suspension of the affordability and reservation facilities for a period of 3 (three) months. No 1 (one) month suspension will apply in this instance.
- 4.5.6 Once a 3 (three) month suspension has been imposed, it will only be lifted after 3 (three) months and on receipt of a duly signed letter by the compliance officer of the DCH, certifying that the necessary processes have been implemented to avoid any further transgressions.
- 4.5.7 Any subsequent offence outside of a twelve (12) month period from the date, on which the three (3) month suspension was lifted, will be treated as a first offence but ASISA reserves the right to take previous transgressions into account.

5. RE-STATEMENT OF PAYROLL DEDUCTIONS

- 5.1 If Government employees are re-employed within 3 (three) months after termination of their employment contract, DCHs may consider the reinstatement of deductions, without obtaining a new mandate, within 5 (five) months after the last successful deduction was made via the payroll.
- 5.2 DCHs will decide whether a policy qualifies for reinstatement based on individual merit.
- 5.3 Reinstatement of policies that qualify will be done through a QADD transaction and the affordability rules will apply.

- 5.4 Reinstatements and the next premium collection must be completed within 5 months from the last payment month.
- 5.5 Transactions must have the same policy number, deduction type and amount, confirming that the policy is still active.
- 5.6 Arrear premium payments on the policy cannot be collected via a payroll deduction.

6. VOICE RECORDED MANDATES

- 6.1 VR authorisations are allowed for new deductions subject to the approval of the facility.
- 6.2 Use of the facility will be considered after application to the OAG, for DCHs already approved for discretionary deductions. Separate approval for cancellations, product up-sales, amount updates as well as change in the collection's method needs to be obtained before use of the facility for these purposes.
- 6.3 Only accredited call centres with a Financial Services Provider license must be contracted by the DCH. Additions of new call centres should follow the same approval and testing process. Call centres will be assessed by NT and Q Link.
- 6.4 All information as contained in the stop order form as approved by the OAG will be addressed / verified during the voice recorded interview. Script layouts will be made available to National Treasury for approval upon request.
- 6.5 The VR authorisation from the client should not be older than 3 (three) months of the first deduction.
- 6.6 All VR mandates obtained by DCHs will be subject to the standard 31 (thirty-one) day cooling-off period as stipulated under Rule 4.2 of the Policyholder Protection Rules under the Long-Term Insurance Act 52 of 1998, as amended.
- 6.7 DCHs must distinguish between Stop Order and VR business and supply proof of authorisation upon request.
- 6.8 VR instructions will be stored centrally, for as long as the policy is in force and are to be easily retrieved upon request.
- 6.9 DCHs will listen to an agreed percentage of the recorded instructions for quality control purposes of which quality measures must be in place.

7. ELECTRONIC POLICY APPLICATIONS

The following requirements should guide the use of electronic client authorisation and consent for policy applications and stop order mandates for collections from government payroll:

- 7.1 The stop order mandate must be an electronic version of the approved mandate or conditions must be similar – alternatively the DCH should submit a version of the electronic mandate to the OAG for approval.
- 7.2 The Company Compliance Officer of the DCH must provide a certificate on an annual basis to National Treasury stating that the Electronic Application process meets the following conditions:
- 7.2.1 Each DCH determines a two-step process, whereby the first step is the registration and positive verification of the client, separate to the actual sales process,
 - 7.2.2 A needs analysis and/or record of advice, or product/cover selection is done with a quotation on an online quotation package:
 - on an electronic device in the case of a face-to-face process, or
 - on an official web-portal in the case of non-face-to-face where proper user access credentials need to be supplied and verified,
 - 7.2.2 The application form is completed with a facility for the client to authorise all the relevant disclosures and conditions as captured on the electronic device or web portal,
 - 7.2.3 A audit trail is implemented whereby a timestamp is affixed to any / authorisation and amounts entered into the electronic device or web portal that makes it possible to determine any alterations after the authorization,
 - 7.2.4 The application is submitted for validation and acceptance,
 - 7.2.5 On acceptance, a policy contract with all the recorded information is sent to the client by post or e-mail or other electronic means,
 - 7.2.6 Electronic versions of authorised documents are kept on file for record and auditing purposes, and where appropriate, copies of the electronic communication with the client,
 - 7.2.7 No information is stored on the device itself. The necessary diligence is done to ensure the security and client protection are in place and that the new business application can be retrieved if required,
 - 7.2.8 The mandate must be available for audit purposes and in a general format such as PDF, tiff, jpeg, or other appropriate format used for electronic communication with the client.

8. PAYMENTS OF BENEFITS

- 8.1 The facility will only be available to DCH upon a request to the OAG.

- 8.2 The following predefined types of credits/payments will be allowed through this mechanism:
- 8.2.1 Once-off bulk payments – like listing and demutualization,
 - 8.2.2 Cash back payments,
 - 8.2.3 Maturity payments,
 - 8.2.4 Refund of overpaid premiums,
 - 8.2.5 Unclaimed benefits.
- 8.3 A Bank account should be opened with the assistance of the service provider in the name of the DCH.
- 8.4 Bank account information will never be visible to or traceable by the DCH - instructions are sent directly to the bank and are paid out of the trust account.
- 8.5 The reconciliation of payments will use the DCH unique reference and not bank details. Proof of payment only includes the last 4 digits of a bank account number.
- 8.6 Bank transfer instructions are encrypted using PKI security.
- 8.7 Unsuccessful payments are refunded to the DCH immediately.
- 8.8 Policyholders will be alerted of the transaction by the DCH ahead of the scheduled payment.

9. PREMIUM HOLIDAYS

Premium Holidays is a mechanism through which DCH's can grant Government Employees a cash flow relief by not deducting the premium for a short period. The intention is to provide a period of relief during which the deduction is temporarily suspended. Such PH can be an *ad hoc* event, agreed between the DCH and the Employee, or can be an agreed term of the contract as a feature of the product.

The following should guide the use of PH's:

9.1 the maximum period for a PH will be 6 months,

9.2 the facility requires the DCH to submit an instruction to de-activate the deduction instruction from the employees' salary. The Register will upon receipt of the QPHA transaction, reserve the current deduction amount and cancel the deduction on the payroll. At the end of the PH, the Register will, lodge an automated action to activate the same deduction after the PH is concluded,

9.3 the facility will activate a reservation for the premium amount during the PH and end it when the deduction is activated again,

9.4 the PH process only applies to existing deductions that have been successfully collected at least once,

9.5 no amendments or updates to a deduction will be allowed while a PH is in force,

9.6 the re-activation of a deduction will be subjected to the same affordability requirements as any other new or increased deduction,

9.7 the facility will issue a notification prior to the end of the PH to inform the DCH the reservation will be cancelled and the deduction will be re-activated by means of a standard report (subject to payroll cut off dates),

9.8 the DCH may submit a new instruction to either reduce or extend the PH or to cancel the deduction or the PH.

10. COMPLIANCE WITH THE STANDARD

10.1 DCHs remain responsible to ensure that all processes, transactions and mandates are in line with all relevant requirements.

10.2 DCHs must make sure that the mandates in use by its various brokers/stakeholders are approved by the OAG before being utilised.

10.3 The service provider will conduct regular and random audits on transactions and related mandates to deductions on Government payrolls to protect employees and to ensure the sustainability of the industry's deduction facility on the payroll.

10.4 The service provider will keep and maintain a Register of all transgressions and penalties imposed.

10.5 The service provider will inform the DCH of an alleged breach of this standard. A copy of the correspondence will be forwarded to ASISA. Any response to the alleged breach must be submitted to the service provider within 14 (fourteen) calendar days, failure of which will lead to the immediate temporary suspension of the facilities for a period of 1 (one) month. A repeat of this non-compliance - to submit a response within 14 calendar days - within 12 (twelve) months will lead to a suspension of the longer of 3 (three) months or until an acceptable response has been received.

10.6 Non-adherence to the requirements of this standard can result in the service provider and OAG taking the following actions:

10.6.1 withdrawing or suspending the use of the facility,

10.6.2 refusing access to the PERSAL and PERSOL systems for a specific period,

10.6.3 publishing the identity of the DCH and the details of the contravention,

10.6.4 laying criminal charges,

- 10.6.5 once a penalty has been imposed, it will only be lifted on receipt of a duly signed letter by the Business Unit Head responsible for payroll deductions of the company, being duly authorised by the company, certifying that the necessary processes have been implemented to avoid any further transgressions, and
- 10.6.6 before the facility is re-instated, a full test of the process will be conducted as if it were a new application.
- 10.7 Repetitive breaches could result in the permanent suspension of the facilities for the DCH.

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HISTORY OF AMENDMENTS

Effective date	Amendments
15 July 2020	(Approved by T&O Board Committee)

Responsible Senior Policy Advisor: Johann van Tonder