



SOUTH AFRICAN RESERVE BANK
Prudential Authority

APPLICATION FORM IF024

APPLICATION FOR APPROVAL TO TRANSFER ASSETS AND LIABILITIES

The purpose of this document

This application form needs to be completed when applying for approval to transfer all or any part of the assets and/or liabilities relating to the insurance business of one insurer to another, as required in terms of section 50 of the Insurance Act 18 of 2017 (Act) and:

1. in respect of an insurer, section 4.2 of the Governance and Operational Standards for Insurers Transfers of Business (GOI 6);
2. in respect of a microinsurer, section 10 of the Governance and Operational Standards for Microinsurers (GOM);
3. in respect of Lloyd's, section 9.1 of the Governance and Operational Standards for Lloyd's (GOL); and
4. in respect of a branch of a foreign reinsurer, section 9.1 of the Governance and Operational Standards for Branches (GOB).

Important information to complete this form

Before completing this form, please read the Fact Sheet Application and Notification Forms (Fact Sheet) that is available on the website of the SARB. The Fact Sheet contains important information on consent and declarations required. Please note: this application could include a prescribed fee, in accordance with [Prudential Standard IAF](#) 2019, with the process for payment found [here](#)

1. Company information and reason(s) for approval

1.1 Does this application relate to a/an¹:

- Insurer
- Microinsurer
- Lloyd's
- Branch of a foreign reinsurer

¹ For the purposes of this form, references made to an 'insurer' includes a microinsurer, Lloyd's and the branch(es) of a foreign reinsurer.

1.2 Please provide the following details for this application:

Transfer date	31 January 2022 or such later date as approved by the Prudential Authority
Transferor insurer number	IN0182
Transferor insurer name	Guardrisk Insurance Company Limited
Transferee insurer number	IN0073
Transferee insurer name	Guardrisk Life Limited

1.3 Please provide the reason(s) for seeking this approval:

Guardrisk Insurance Company Limited (registration number 1992/001639/06) ("**Guardrisk Insurance**" or "**the transferor**") and Guardrisk Life Limited (registration number 1999/13922/06 ("**Guardrisk Life**" or "**the transferee**") collectively the "**Parties**", hereby seek the approval of the Prudential Authority in terms of section 50(1) of the Insurance Act, 18 of 2017 ("**the Insurance Act**") for the assignment of the rights and obligations under

i) the non-life consumer credit insurance policies other than the consumer credit insurance policies attributed to Full House Retail Proprietary Limited and Stop Discount Furnishers Proprietary Limited ("**Transfer Policies**");

ii) all contracts, agreements, mandates, commitments and arrangements (including any debit orders and stop orders), whether written, oral, tacit or otherwise as amended from time to time, entered into by Guardrisk Insurance in respect of the Transfer Policies (but specifically excluding the Excluded Contracts, as explained below) ("**the Contracts**"), and

iii) any pre-funding liabilities owed by Guardrisk Insurance towards the cell owners of the cells to which the Transfer Policies are notionally attributed ("**the Cells**" and "**the Cell Liabilities**"), as more fully described in question 3.1.1 below ("**the Transaction**").

Pursuant to the promulgation of the Insurance Act, it is no longer possible for Guardrisk Insurance to underwrite the Transfer Policies as non-life policies. As such, it was necessary to transfer such Transfer Policies to another licenced life insurer, such as Guardrisk Life.

Further to extensive engagements with the Prudential Authority, Guardrisk Insurance was instructed on 11 December 2020, to transfer the Transfer Policies to Guardrisk Life by 30 June 2021. This date was subsequently extended by the Prudential Authority on 30 June 2021 to 31 January 2022. Copies of the correspondence to this effect is attached as **Annexe B1**.

As a result, the Parties entered into an assignment and indemnification agreement, dated 12 August 2021 setting out the terms of the Transaction ("**the Agreement**"). A copy of the Agreement is attached hereto as **Annexe A3**.

As consideration for Guardrisk Life accepting the assignment of the Transfer Policies (including the Policy Liabilities), Guardrisk Insurance agreed to indemnify Guardrisk Life

against any loss, damage, cost or expense which Guardrisk Life may suffer or incur arising from or in connection with the Transfer Policies (including the Policy Liabilities) ("**the Indemnity**").

Guardrisk Insurance shall discharge its obligations under the Indemnity by paying cash to Guardrisk Life as provided for in the Agreement, provided that the value of the Indemnity shall at all times be limited to the value of the Incurred But Not Reported reserve; ii) the Outstanding Claims Reserve; and iii) the Unearned Premium Reserve in respect of the Transfer Policies ("**the Reserves**") as at the last day of the month during which all suspensive conditions are fulfilled or waived, or such other date as may be agreed to between the Parties in writing ("**the Closing Date**").

The Agreement is subject to various suspensive conditions, as more fully described below.

The Transaction will be implemented on the Closing Date. Per the draft timeline (explained in more detail below), it is anticipated that the Closing Date may be 31 January 2022.

The Transaction constitutes a transaction as contemplated in section 50(1) of the Insurance Act and requires approval from the Prudential Authority in accordance with the provisions of section 50 of the Insurance Act, read with Prudential Standard GOI 6 ("**Prudential Standard GOI 6**").

The application as set out herein, constitutes the formal application by Guardrisk Insurance and Guardrisk Life collectively, as permitted by the Prudential Authority in the meeting held on 3 August 2021 ("**the / this Application**").

It should be noted that Guardrisk Insurance will, contemporaneously with the Transaction contemplated in the Agreement, also enter into an agreement with Guardrisk Microinsurance Limited ("**Guardrisk Microinsurance**") for the transfer of the consumer credit policies of Full House Retail Proprietary Limited and Stop Discount Furnishers Proprietary Limited underwritten by Guardrisk Insurance (the "**Guardrisk MI Application**" and/or "**the Guardrisk MI Transaction**"). The rationale for the transfer of such policies to Guardrisk Microinsurance will be addressed in the Guardrisk MI Application.

Upon implementation of this Transaction and the Guardrisk MI Transaction, Guardrisk Insurance will not underwrite any consumer credit policies.

It should be noted that the Parties have been instructed to submit this Application related to the Transaction to the Prudential Authority for consideration in terms of section 50 of the Insurance Act in two phases and in accordance with the timeline attached hereto as **Annexe A6**:

1) phase 1: the submission of this IF024 form together with the annexures stipulated at paragraphs 4.2.3, 4.2.4 and 4.2.6 ("**Phase 1**"); and

2) phase 2: the submission of financial information in support of Phase 1 stipulated in paragraphs 4.2.1, 4.2.2, 4.2.5 and 4.2.7 ("**Phase 2**").

The details of the Transaction as it relates to Phase 1 are set out below in this Application.

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2. Contact and basic information

2.1 Contact details of the person for correspondence related to this form:

This must be someone who works for the applicant, not a professional advisor.

Title	Mrs
First name(s)	Bianca
Surname	Radzilani
Position	Executive: Legal and Compliance
Business address	The MARC Tower 2 129 Rivonia Road Sandton 2196
Contact number	087 121 5400
Email address	bianca.radzilani@Guardrisk.co.za

2.2 Details of professional advisor(s):

2.2.1 Have you used a third-party professional advisor(s) to help with this form?

- No** → Continue to section 2.3.
 Yes → Complete the remainder of this section.

2.2.2 Please provide the name and contact details of the third-party professional advisor(s) used (i.e. the consultants, auditors, actuaries and/or lawyers used in compiling this form). This information should be included in an attachment accompanying this form.

Name of firm(s)	Webber Wentzel Attorneys
Title	Mrs
First name(s)	Zelda
Surname	Swanepoel
Position	Partner
Business address	90 Rivonia Road Sandton South Africa
Contact number	011 530 5238 or 072 530 2593
Email address	zelda.swanepoel@webberwentzel.com

2.3 Other information:

2.3.1 Is there any additional information that is not requested elsewhere in this form that is relevant for the PA to assess this form?

- No** → Continue to section 3.
 Yes → Complete question 2.3.2.

2.3.2 Please provide a summary of, or list, the additional information, including the reason(s) for providing this additional information, and attach it to this form.

See response under question 5.2 below.

One of the additional documents is confirmation from Webber Wentzel attorneys that no merger approval is required from the Competition Authorities.

A copy of such opinion is attached as **Annexe B2**.

3. Specific information

3.1 Details of the transfer:

3.1.1 Which assets and/or liabilities will be transferred?

Assets and liabilities relating to the insurance business of Guardrisk Insurance forming part of the Transaction

In terms of the Agreement and subject to approval by the Prudential Authority, the assets and liabilities relating to the insurance business of Guardrisk Insurance to be transferred as part of the Transaction are set out in the Agreement (attached as **Annexe A3**) and are summarised as follows:

1) all rights, title and interest and all liabilities and obligations in respect of the Transfer Policies;

2) all rights, title and interest and all obligations and liabilities in respect of the Contracts, other than the shareholders and subscription agreements, all binder agreements, intermediary agreements and outsource agreements in respect of the Cells, and all reinsurance agreements in respect of the Transfer Policies and/or the Cells ("**Excluded Contracts**"); and

3) the Cell Liabilities.

Guardrisk Insurance will indemnify Guardrisk Life for assuming the Policy Liabilities in accordance with the Indemnity. Guardrisk Insurance will shall discharge its obligations under the Indemnity by paying cash to Guardrisk Life as provided for in the Agreement, equal to the value of the Reserves as at the Closing Date ("**the Indemnity Payment(s)**").

The Indemnity Payments will be made on the Closing Date and such other date as specified in the Agreement.

It should be noted that Guardrisk Insurance has ceased since January 2021 to conclude new Transfer Policies.

Other details of the Transaction

As indicated above, the Transaction is subject to the various suspensive conditions set out in clause 3 of the Agreement, which suspensive conditions have been fulfilled as follows:

1) the board of directors of Guardrisk Insurance unconditionally approved the Transaction. A copy of the resolution by the board of directors of Guardrisk Insurance to this effect is attached hereto as **Annexe A4** [see clause 4.1.1 of the Agreement]; and
2) the board of directors of Guardrisk Life unconditionally approved the Transaction. A copy of the resolution by the board of directors of Guardrisk Life to this effect is attached hereto as **Annexe A4** [see clause 4.1.1 of the Agreement].

As at the date of this Application, the following suspensive conditions remain outstanding:

1) the Prudential Authority approves the Transaction, which approval forms the basis of this Application [see clause 4.1.2 of the Agreement]; and
2) the South African Revenue Services ("**SARS**") provides a favourable ruling for the Transferor in respect of section 16(3)(c) of the Value-Added Tax Act, 1991 ("**VAT Act**") relating to the Transaction.

The Parties will advise the Prudential Authority as and when the Suspensive Conditions are fulfilled and will provide proof thereof to the Prudential Authority.

Implementation of the Transaction

The Prudential Authority requires that the business be identified as at a specific date in order to analyse the impact of the Transaction based on the financial position of Guardrisk Life and Guardrisk Insurance. This date is described in the Agreement as "**the Regulatory Reference Date**", commonly referred to as the Effective Date. For purpose of the Transaction, the Regulatory Reference Date is 1 July 2021.

Notwithstanding the Regulatory Reference Date, and as set out in the Agreement, all rights and liabilities assigned to Guardrisk Life, will be the rights and liabilities of Guardrisk Insurance in respect of the Transfer Policies, the Contracts and the Cell Liabilities as at the Closing Date.

This means that Guardrisk Insurance will continue to conduct the business until the Closing Date, and Guardrisk Insurance's delivery obligations are therefore limited to assigning the rights and liabilities of Guardrisk Insurance in respect of the Transfer Policies, the Contracts and the Cell Liabilities as at the Closing Date.

Consideration for the Transaction

Other than the Indemnity Payments, no consideration will be payable by Guardrisk Insurance to Guardrisk Life for the assumption of the rights and liabilities in respect of the Transfer Policies, the Contracts and the Cell Liabilities.

Other documents

All other financial and quantitative documents in support of the Transaction, will be included as part of Phase 2 of this Application, after conclusion of Phase 1 and more specifically the implementation and conclusion of the proposed policyholder communication plan, as more fully described below.

3.1.2 Please describe the nature of the items mentioned in 3.1.1 above.

Please refer to the detailed response in question 3.1.1 above.

Information in relation to 3.1.3:

The implementation of the Transaction does not result in a change of the significant owners of Guardrisk Insurance or Guardrisk Life.

Guardrisk Insurance and Guardrisk Life ensured that new cell structures for the cell owners of the Cells have been established before the implementation of the Transaction. Details of the existing and new cell structures are set out in **Annexe B4**.

3.1.3 Section 17 of the Act and Chapter 11 of the Financial Sector Regulation Act 9 of 2017 (FSR Act) require approval from the PA to effect a change to the significant ownership of an insurer. Will the proposed transfer lead to a change in the significant ownership of the transferor and/or transferee insurer(s)?

- No change in significant ownership**
- Change in significant ownership of the transferor insurer**
- Change in significant ownership of the transferee insurer**

3.2 Details regarding affected policyholders:

3.2.1 Which of the following applies to the transferring policyholders of the *transferor* insurer?

- The transferring policyholders have been made aware**
- The transferring policyholders will be made aware**
- The transferring policyholders have signified consent**

The transferring policyholders will be asked to signify consent

3.2.2 Which of the following applies to the remaining policyholders of the *transferor* insurer that are materially affected by the transaction?

The remaining policyholders have been made aware

The remaining policyholders will be made aware

The remaining policyholders have signified consent

The remaining policyholders will be asked to signify consent

None of the transferor insurer's remaining policyholders will be materially affected

3.2.3 Which of the following applies to the policyholders of the *transferee* insurer that are materially affected by the transaction?

The policyholders have been made aware

The policyholders will be made aware

The policyholders have signified consent

The policyholders will be asked to signify consent

None of the transferee insurer's policyholders will be materially affected

- Will the terms of the new policies be the same as, or differ from, the terms of the original policies? Please explain.

All terms and conditions of the Transfer Policies will remain the same and that the interests of the affected policyholders are protected, provided that the premiums will be increased although the cost to the policyholders will remain unchanged as indicated below:

1) Since the Transfer Policies were previously underwritten as non-life policies, Value Added Tax ("**VAT**") was charged on the premiums payable. However, once the Transfer Policies are transferred to Guardrisk Life, VAT will no longer be charged on the premiums, despite any disclosures on the policies, credit agreements or debit order mandates indicating a VAT inclusive premium.

2) Due to the different manner in which the premiums are calculated by Guardrisk Insurance and Guardrisk Life, the premiums payable to Guardrisk Life in terms of all Transfer Policies will increase upon implementation of the Transaction, which increase is equal to the VAT charged by Guardrisk Insurance. This means, whilst the premiums will increase upon implementation of the Transaction, that the costs to the policyholders will remain exactly the same.

The result of the above is, despite VAT no longer being charged on the premiums upon implantation of the Transaction, that:

- 1) The sum assured will be remain unchanged and secure;
- 2) Guardrisk Insurance and Guardrisk Life will calculate the premiums on the same rate;
- 3) No VAT will be charged on the premiums payable to Guardrisk Life;
- 4) The premiums charged by Guardrisk Life will be increased with the VAT component, however the costs to the policyholder will remain unchanged.

Despite the different calculation methodology of the premiums and the fact that VAT will no longer be charged on the premiums, it should be noted that no new policies will be issued as part of the Transfer. However, Guardrisk Insurance and Guardrisk Life will issue an updated disclosure schedule, indicating Guardrisk Life as the new underwriter, as part of the communication notices. The new disclosure schedule will also pertinently disclose that VAT will no longer be charged on the premiums, despite any disclosures to the contrary that premiums are inclusive of VAT.

Guardrisk Life and Guardrisk Insurance will furthermore issue an endorsement on the Transfer Policies reflecting the increase in the premiums provided that it will be made pertinently clear that the costs to the policyholders will remain unchanged.

Guardrisk Life will continuously assess compliance of the Transfer Policies with the Policyholder Protection Rules prescribed under section 62 of the Long-term Insurance Act, 52 of 1998 as part of its ordinary business practises.

In respect of the question at 3.2.4 below, please also find attached as **Annexe B3**, a copy of the detailed policyholder communication plan ("**the Policyholder Communication Plan**"), which includes all communication notices as set out therein, including –

- 1) the endorsement referred to in question 3.2.4 below; and
- 2) the new disclosure schedule indicating Guardrisk Life as the new underwriter, and the fact that VAT is no longer payable on the premiums.

A copy of the final draft timeline, for consideration by the Prudential Authority, is attached hereto as **Annexe A6**. The two-phased approach is clearly indicated in the draft timeline.

3.2.4 Please attach full details of how the insurer proposes to communicate the action to policyholders (a communication plan), including timelines, communication notices, and details of the documents that will be made available for inspection.

3.2.5 Please attach proof of the written consent of the policyholders (where available).

4. Results

4.1 Details regarding the assets and liabilities transferring:

4.1.1 The transferor and transferee insurers must express the business to be transferred as a percentage of their total assets and liabilities. Please specify these details in the table below.

	% of transferor insurer	% of transferee insurer
Assets	[To be concluded as part of Phase 2 of the Application]	[To be concluded as part of Phase 2 of the Application]
Liabilities	[To be concluded as part of Phase 2 of the Application]	[To be concluded as part of Phase 2 of the Application]
Date as at which assets and liabilities were taken	1 July 2021	1 July 2021

4.2 Results:

Please provide the following as attachments accompanying this form:

- 4.2.1 the quantitative reporting templates (QRTs) for both the transferor and the transferee insurers reflecting their respective financial positions before the proposed transfer and the pro forma financial positions after the proposed transfer;²
- 4.2.2 copies of the financial statements for both the transferor and the transferee insurers at the effective date;³
- 4.2.3 a copy of the written agreement or other documentation, as the case may be, between the transferor and transferee insurers;
- 4.2.4 copies of the resolutions authorising the proposed transfer by the boards of directors (boards) of both the transferor and the transferee insurers;
- 4.2.5 an out-of-cycle own risk and solvency assessment (ORSA) report where the transfer could result in a material change in the risk profile of the acquirer;
- 4.2.6 a timetable setting out the timelines for the implementation of the necessary actions and/or procedures, including any necessary communications to the policyholders of both the transferor and the transferee insurers (the timetable must include the effective date and/or

² The quantitative reporting templates submitted must be signed off by the Head of the Actuarial Function.

³ The effective date will be established according to deliberations between the PA and the applicant.

implementation date of the transfer, and the PA will indicate whether the timetable is acceptable); and

- 4.2.7 the report from the Head of the Actuarial Function, for both the transferor and the transferee insurers, giving an actuarial view of the impact of the proposed transfer on the financial soundness of the transferor and transferee insurers.

5. Attachment checklist

5.1 Compulsory attachments:

Please complete the following table with details of the attachments provided.

Attachment number	Question number	Description	Number of pages	Attached
A1	4.2.1	Group or solo QRTs		<input type="checkbox"/>
A2	4.2.2	Financial statements		<input type="checkbox"/>
A3	4.2.3	Written agreement		<input checked="" type="checkbox"/>
A4	4.2.4	Board resolutions		<input checked="" type="checkbox"/>
A5		Out-of-cycle ORSA report (if applicable)		<input type="checkbox"/>
A6	4.2.5	Timetable		<input checked="" type="checkbox"/>
A7	4.2.6	Head of Actuarial Function's report		<input type="checkbox"/>
A8	6	Consent and declarations		<input checked="" type="checkbox"/>
A9	Refer to Prudential Standard IAF 2019	Proof of payment		<input checked="" type="checkbox"/>

5.2 Other attachments:

Please complete the following table with details of the attachments provided, also indicating the number of pages per each attachment. For example, attachments might be required if there was insufficient space to include the information in the form itself or if your responses in this form referred to external documents. Create additional rows for each attachment included.

Attachment Number	Question Number	Description	Number of pages/sheets	Attached
B1	1.3	Correspondence from the Prudential Authority		<input checked="" type="checkbox"/>
B2	2.3.2	Opinion from Webber Wentzel regarding merger filing (competition advice)		
B3	3.2.5	Proposed Policyholder Communication Plan		
B4	3.1.3	Details of cell structures		

6. Consent and declarations

To assess the application or notification, the PA needs to ensure that the information in the application or notification is complete and accurate. It may be shared with, and verified by, other regulatory authorities. Please see the Fact Sheet on the SARB's website for the required consent and declarations that must accompany this form.