

Dear Full House Retail Proprietary Limited

As previously communicated to you, Guardrisk Insurance Company Limited ("**Guardrisk Insurance**") is obliged due to the changes to the Insurance Act, 18 of 2017 ("**Insurance Act**") to transfer the consumer credit policies ("**the Transfer Policies**") underwritten by it, to Guardrisk Microinsurance Limited ("**Guardrisk Microinsurance**") in terms of section 50 of the Insurance Act ("**Proposed Transaction**").

The Transfer Policies contains insured events comprising of life events (death events, disability events, unemployment, or other insurable risks that are likely to impair the policyholder's ability to earn an income or meet credit obligations) ("**Life Component**") and non-life events (material damage events) ("**Non-Life Component**"). Guardrisk Insurance is however no longer permitted to underwrite the Life Component as a non-life insurer as a result of the promulgation of the Insurance Act.

Guardrisk Microinsurance is able to underwrite both life insurance policies and non-life policies (and thereby the Life Components and the Non-Life Components of the Transfer Policies) and it would therefore be well suited to underwrite the Transfer Policies.

It has therefore been agreed between Guardrisk Insurance and Guardrisk Microinsurance to transfer the Transfer Policies to Guardrisk Microinsurance, subject to approval by the Prudential Authority as required in terms of the section 50 of the Insurance Act.

However, to ensure compliance with the applicable laws, Guardrisk Microinsurance is required to issue new replacement policies which comply with Rule 2A of the Policyholder Protection Rules:

- Life replacement policies will be issued by Guardrisk Microinsurance in respect of the Life Component ("**Replacement Life Policies**"); and
- Non-life replacement policies ("**Replacement Non-Life Policies**") will be issued by Guardrisk Microinsurance in respect of the Non-Life Component,

collectively "**the Replacement Policies**".

The Replacement Policies must be issued within 30 days after the closing date of the Proposed Transaction, which we anticipated to occur at the end of January 2022.

Copies of the Replacement Policies, and a comparison between the Transfer Policies and the Replacement Policies, must, however disclosed to the policyholders as part of the policyholder communication plan (which communication plan is more fully explained below).

Certain terms of the Transfer Policies will be altered in terms of the Replacement Policies. However, all benefits per the Transfer Policies will remain secure. This means that the sum assured will remain the same.

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 Microinsurance, VAT will no longer be charged on the premiums payable in terms of the Replacement Life Policies, although VAT will remain payable in terms of the Replacement Non-Life Policies. **You must ensure that all statutory duties are complied with insofar as it relates to the disclosure of VAT on the credit agreements and/or mandates.**

Due to the different manner in which the premiums are calculated by Guardrisk Insurance and Guardrisk Microinsurance, the premiums payable to Guardrisk Microinsurance in respect of the Replacement Life Policies will increase upon implementation of the Proposed Transaction, which increase is equal to the VAT charged by Guardrisk Insurance.

This means, whilst the premiums will increase in respect of the Replacement Life Policies upon implementation of the Proposed Transaction, that the costs to the policyholder will remain exactly the same as the premiums charged under the Transfer Policies. The increase is needed to ensure that the policy benefits remain secure.

Please also note that the rate used by Guardrisk Insurance and Guardrisk Microinsurance is exactly the same and will not change as a result of the Proposed Transaction.

Because the Proposed Transaction involves a transfer of the Transfer Policies from Guardrisk Insurance to Guardrisk Microinsurance without the policyholders' consent, a detailed regulatory process is required in terms of the Insurance Act, which includes, amongst others, the approval of the Proposed Transaction by the Prudential Authority.

Guardrisk Insurance is therefore obliged to implement a fully-fledged communication plan towards the policyholders informing them of the change. Since you are the binder holder in respect of the Transfer Policies, we believe you are best placed to communicate with the policyholders. We therefore advise that you are required to attend to the following in accordance with the strict instructions as set out below:

Sending of SMS messages and display of information

- Send an SMS in the form and manner set out in **Annexure 1** to all policyholders of the Transfer Policies of whom you are the binder holder.
- The SMS must be sent to **all** policyholders of the Transfer Policies between **15 October 2021 and 22 October 2021**. You may not deviate in any manner from the wording set out in **Annexure 1**, neither may the SMSs be sent at a different time or period due to instructions from the Prudential Authority.
- The SMS must contain a link, which must direct the policyholders to the documents maintained by you in pdf format for inspection by the policyholders. The documents to be displayed in pdf format is attached **Annexure 2** and comprise of the following documents:
 - A letter to the policyholders of the Transfer Policies;
 - The formal notice published regarding the Proposed Transaction;
 - The Replacement Life Policy;
 - The Replacement Non-Life Policy; and
 - A comparison between the Transfer Policy and the Replacement Policies.
- You are required to keep records of:
 - the number of SMSs sent and to whom the SMS'es were sent;
 - the date of distribution of the SMS;
 - the number of SMSs successfully delivered; and

- the number of SMSs which were not successfully delivered.
- Guardrisk Insurance will request such records in order to report to the Prudential Authority.

You are required to keep records of SMSs sent to the policyholders in a distribution logbook, an example of which is attached as **Annexure 3**.

If you receive any enquiries or complaints regarding the Proposed Transfer, we request that you log these in an enquiries / complaints logbook, an example of which is attached as **Annexure 4**. This logbook must be kept until **11 November 2021**, when the inspection period ends. Please promptly, and without delay, refer all such complaints and/or enquiries to Guardrisk Insurance per email to **Transfer@Guardrisk.co.za**; or per telephone to **0800 167 634**.

More information about the Proposed Transfer is contained on the website of the Guardrisk Group at: <https://guardrisk.co.za/transfer-of-credit-guardrisk-microinsurance/>. You are directed to refer policyholders of the Transfer Policies to the website if more information about the Proposed Transaction is required.

Once the Prudential Authority approves the Proposed Transfer, Guardrisk Microinsurance shall be responsible for carrying out all the obligations of Guardrisk Insurance that relate to the Transfer Policies, reflected in the Replacement Policies.

If you have any questions about the instructions set out herein, or require any assistance, please contact your portfolio manager at any time.


Kind regards

Guardrisk Insurance

Annexure 1

SMS to be sent to all policyholders of the Transfer Policies

Note: Please do not deviate in any manner from this wording

Your consumer credit policy underwritten by Guardrisk Insurance will be transferred to Guardrisk Microinsurance. You will be issued with replacement policies. Your benefits remain secure. Click  for important information and copies of your new replacement policies. For queries, call 0800 167 634 or email Transfer@Guardrisk.co.za

Annexure 2

Documents to be disclosed to policyholders

The consolidated pack of documents to be accessed through link in SMS sent to policyholders of the Transfer Policies are sent to you separately. Note: This consolidated pack includes multiple documents. All documents must be accessible to the policyholders. Please do not deviate in any manner from the wording and ensure that the documents are disclosed in pdf format through the link.

Example of distribution logbook

Note that this logbook must be kept in respect of all sms'es sent to the policyholders during the period 15 October 2021 until 22 October 2021.



Annexe 3 - Logbook
[Notifications SMS].xls

Annexure 4

Example of enquiries / complaints logbook

Note that this logbook must be kept in respect of all sms'es and emails sent to the policyholders during the period 15 October 2021 until 22 October 2021 and must be kept until 11 November 2021.



Annexe 4 - Logbook
complaints example.x