



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:

- in respect of an insurer, section 4.2 of the Governance and Operational Standards for Insurers Transfers of Business (GOI 6);
- in respect of a microinsurer, section 10 of the Governance and Operational Standards for Microinsurers (GOM);
- in respect of Lloyd's, section 9.1 of the Governance and Operational Standards for Lloyd's (GOL); and
- 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.

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	2023/06/30
Transferor insurer number	I126
Transferor insurer name	Guardrisk Insurance Company Limited
Transferee insurer number	I063
Transferee insurer name	Santam Limited

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

In August 2021, the MTN group and Sanlam group announced that they are joining forces in an exclusive strategic alliance to distribute insurance and investment products across Africa, thus furthering the development of MTN group's mobile financial services business. A copy of this announcement is attached hereto as Attachment B1.

Pursuant to this strategic alliance, Santam Limited ("Santam"), Mobile Telephone Networks Proprietary Limited ("MTN SA"), a private mobile telecommunications company, and Guardrisk Insurance Company Limited ("Guardrisk"), a licensed non-life cell captive insurer, entered into a transaction in relation to the acquisition of the device insurance policies marketed and distributed by MTN SA and underwritten by Guardrisk.

MTN SA has a cell structure with Guardrisk in terms of which MTN SA owns and holds a ring-fenced special class of 'A' shares in Guardrisk ("MTN Cell"), allowing MTN SA to participate in the administration, risk and economic result of the non-life insurance policies underwritten and issued by Guardrisk to the MTN policyholders, and notionally allocated to the MTN cell structure ("MTN Policies").

Santam intends to acquire from Guardrisk i) the MTN Policies marketed and distributed by MTN SA and underwritten by Guardrisk in the MTN Cell; ii) the cash underpinning the Insurance Liabilities (defined at 3.1.1) as at the first business day of the month following the month in which all of the suspensive conditions in terms of the Sale Agreement are fulfilled or waived ("Effective Date"); and iii) the related Insurance Liabilities (defined at 3.1.1), (collectively "the MTN Portfolio").

Pursuant to the above, the parties entered into a sale agreement for the sale and purchase of the MTN Portfolio ("Sale Agreement").

In terms of the Sale Agreement, Guardrisk will sell to Santam the MTN Portfolio in exchange for a purchase consideration, subject to the approval of the Prudential Authority and the Competition Authorities, as well as other suspensive conditions detailed in the Sale Agreement ("the Transfer"). The Transfer will be implemented in accordance with the provisions of section 50 of the Insurance Act, 18 of 2017 ("Insurance Act") and Prudential Standard GOI 6.

In order to ensure that policyholders are aware of the Transfer, the parties will implement the proposed Policyholder Communication Plan, a copy of which is attached hereto as Attachment B2.

It is proposed that the Head of the Internal Audit Control Function of Guardrisk will review and report on the Transfer and the implementation of the proposed Policyholder

Communication Plan, with the input and support of Santam. The parties do not believe that it is necessary to appoint an external auditor to review and to report on the Transfer or the implementation of the proposed Policyholder Communication Plan for the following reasons:

- The internal audit team of Guardrisk (being an external provider, namely KPMG) possess the necessary skills, expertise and independence to audit the implementation of the proposed Policyholder Communication Plan.
- The Prudential Authority will be furnished with the reports of the Head of the Internal Audit Control Function of Guardrisk upon completion of the proposed Policyholder Communication Plan for its review and consideration.
- The Head of the Internal Audit Control Function of Guardrisk will further be in the best position to review and report to the Prudential Authority on the Transfer and the completion of the process, or any other aspect of the process to the extent that the Prudential Authority requires a report on any such aspects.

As such, the parties request that the Prudential Authority approve the review and implementation of the proposed Policyholder Communication Plan by the Head of the Internal Audit Control Function of Guardrisk, with the support of Santam.

Furthermore, as recorded in the proposed Policyholder Communication Plan, the parties are of the view that a physical in-person inspection of the documents relating to the Transfer is not required, considering that the affected policyholders will have electronic access to such documents as detailed in the proposed Policyholder Communication Plan. The parties therefore request that the application and supporting documents need not lie open for physical in-person inspections at the offices of the parties and requests that the proposed Policyholder Communication Plan is approved on this basis.

Furthermore, Guardrisk and Santam do not believe that it is necessary to appoint an independent actuary to assess the Transfer and to express a view on the desirability thereof. The Heads of the Actuarial Function for Guardrisk and Santam have issued a report on this aspect and are best placed to report on the desirability of the Transfer.

Lastly, the Heads of the Actuarial Function of both Santam and Guardrisk confirmed that the Transfer will not result in a material acquisition or material disposal as contemplated in section 51 of the Insurance Act. In this regard, please refer to Attachment A7.1 and Attachment 7.2, respectively. As such, no out-of-cycle ORSA is included by either party as part of this application.

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)	Kaylin
Surname	Jacobsz (nee de Coning)

Position	Manager: Non-life and Compliance
Business address	The MARC Tower 2 129 Rivonia Road Sandton 2196
Contact number	011 669 1080
Email address	kaylin.jacobsz@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
Title	Mrs
First name(s)	Zelda
Surname	Swanepoel
Position	Partner
Business address	90 Rivonia Road Sandton 2196 Gauteng
Contact number	011530 5238
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 0.

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.

Please find attached the following additional information:

1. A copy of the Sanlam group and MTN group announcement dated 12 August 2021 is attached hereto as Attachment B1, detailing the intention and purpose of the strategic alliance between the Sanlam group and the MTN group.
2. A copy of the proposed Policyholder Communication Plan is attached hereto as Attachment B2, detailing the proposed manner in which the Transfer will be communicated to the affected policyholders.
3. A copy of the letter dated 30 September 2022 attached as Attachment B4, wherein Guardrisk requested the Prudential Authority's confirmation that:
 - 3.1. the appointment of an external auditor to report on the implementation of the proposed Policyholder Communication Plan is not required and that reports from the Heads of the Internal Audit Control Function of Guardrisk and Santam will be sufficient confirmation of the implementation of the proposed Policyholder Communication Plan.
 - 3.2. the appointment of an independent actuary to assess the Transfer and to express a view on the desirability thereof, is not required and that the reports of the Heads of the Actuarial Function for Guardrisk and Santam will be sufficient for purposes of this application.
 - 3.3. an out-of-cycle ORSA will not be required for either Guardrisk or Santam on the basis that the Transfer will not result in a material change in the risk profile of Guardrisk and Santam, respectively.
 - 3.4. physical in-person inspection of the documents relating to the Transfer at the offices of Guardrisk and Santam is not required.
 - 3.5. publication of the transfer in the Government Gazette will not be required.

3. Specific information

3.1 Details of the transfer:

3.1.1 Which assets and/or liabilities will be transferred?

In terms of the Sale Agreement, the MTN Portfolio as at the Effective Date as defined in section 1.3 will be transferred from Guardrisk to Santam. For avoidance of doubt this includes:

- The "Sale Assets" comprising –
 - the rights and obligations in respect of the MTN Policies (non-life device insurance policies) notionally attributed to the MTN Cell; and
 - a cash amount equal to the Insurance Liabilities (defined below); and
- The "Insurance Liabilities" consisting of –
 - the outstanding claims provision in respect of claims made in terms of the MTN Policies and notionally attributable to the MTN Cell; and

- the provision for claims incurred but not yet reported (“IBNR”) notionally attributed to the MTN Cell.

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

Please refer to 3.1.1 above for a description of the Sale Assets and Insurance Liabilities.

In simplified terms, the nature of the Sale Assets and Insurance Liabilities are –

- the rights and obligations in respect of the MTN Policies;
- the cash amount equal to the Insurance Liabilities; and'
- the Insurance Liabilities comprising the outstanding claims provision and IBNR provision notionally attributed to the MTN Cell.

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

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

The terms and conditions of the MTN Policies will remain unchanged. The change in the underwriter of the MTN Policies will be fully disclosed as part of the proposed Policyholder Communication Plan.

3.2.5 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.

3.2.6 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	All MTN Policies will be transferred. The assets to be transferred comprise 9.7% of the cell liabilities, being the cash backing the technical provisions. This represents 0.13% at licence level.	0.04%
Liabilities	100% of the technical provisions (the outstanding claims reserve and the IBNR reserve) will be transferred, which constitutes 75% of the cell liabilities. This represents 0.10% at licence level.	0.04%
Date as at which assets and liabilities were taken	30 June 2022	30 June 2022

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 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	4 Excel Workbooks	<input checked="" type="checkbox"/>
A2	4.2.2	Financial statements	276 Pages	<input checked="" type="checkbox"/>
A3	4.2.3	Written agreement	42 Pages	<input checked="" type="checkbox"/>
A4	4.2.4	Board resolutions	1 Page [Guardrisk board	<input checked="" type="checkbox"/>

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.

Attachment number	Question number	Description	Number of pages	Attached
			resolution to be submitted by 28 February 2023]	
A5	4.2.5	Out-of-cycle ORSA report (if applicable)	Not Applicable	<input type="checkbox"/>
A6	4.2.5	Timetable	2 Pages	<input checked="" type="checkbox"/>
A7	4.2.6	Head of Actuarial Function's report	3 Pages	<input checked="" type="checkbox"/>
A8	6	Consent and declarations	3 Pages	<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	Sanlam group and MTN group announcement	3 Pages	<input checked="" type="checkbox"/>
B2	3.2.5	Proposed Policyholder Communication Plan	26 Pages	<input checked="" type="checkbox"/>
B3	2.2.2	Professional advisors	2 Pages	<input checked="" type="checkbox"/>
B4	2.3.2	Letter to the Prudential Authority dated 30 September 2022	3 Pages	<input checked="" type="checkbox"/>
B5	–	Proof of payment of prescribed fee	1 Page	<input checked="" type="checkbox"/>

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.