



South African Reserve Bank

Prudential Authority

## APPLICATION FORM IF024

### APPLICATION FOR APPROVAL TO TRANSFER ASSETS AND LIABILITIES

#### 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 liabilities relating to the insurance business of one insurer to another, as required in terms of section 50 of the Insurance Act, 2017 (the 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, 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 for approval

### 1.1 Provide the following details for this application

Transfer date

2022/12/31

Transferor Insurer number

I078

Transferor Insurer name

Centrig Life Insurance Company Limited

Transferee Insurer number

I222

Transferee Insurer name

Old Mutual Alternative Risk Transfer Limited

## **1.2 Provide the reason(s) for seeking this approval**

Centriq Life Insurance Company Limited (registration number:1943/016409/06) ("**Centriq**") and Old Mutual Alternative Risk Transfer Limited (registration number: 1997/008994/06) ("**OMART**") and National Debt Advisors Proprietary Limited (registration number: 2012/224196/07) ("**NDA**"), collectively the "**Parties**" entered into a transfer agreement in terms of which Centriq agrees to transfer the defined part of its cell captive insurance business into the Financial Wealth Holdings Proprietary Limited's cell in OMART (the "**Proposed Transfer**") on the terms and conditions set out in the transfer agreement (the "**Transfer Agreement**"). NDA is a wholly owned subsidiary of Financial Wealth Holdings Proprietary Limited. The Transfer Agreement is annexed hereto as **Annexe A3**.

Centriq and OMART are both cell captive insurers and licensed to offer cell captive structures to cell owners.

NDA is a cell owner of a cell structure with Centriq ("**NDA Cell**"). Funeral policies and credit life policies are issued through the NDA Cell with an inception date on or after 1 July 2018 underwritten by Centriq (the "**Transferring Policies**").

Assured Life Consultants Proprietary Limited administers the Transferring Policies and agreed to continue to administer the Transferring Policies following approval of the Proposed Transfer.

The Proposed Transfer will be effected pursuant to the provisions of section 50 of the Insurance Act, 18 of 2017 (the "**Insurance Act**") and Prudential Standard GOI 6 "*Transfers of Business and Other Significant Transactions by Insurers*".

Having reviewed its long-term strategy and with due regard to the policyholders of the Transferring Policies, NDA resolved to close the existing NDA Cell with Centriq. A copy of the board resolution of NDA is attached as annexe B to the Transfer Agreement.

OMART agreed to accept the Proposed Transfer and Centriq has agreed to transfer the Transferring Policies with effect from the Closing Date (as defined in the Transfer Agreement). The board resolutions of Centriq and OMART are respectively attached to the Transfer Agreement as annexes C and D.

The approval by the Prudential Authority in terms of section 50 of the Insurance Act is listed as a suspensive condition in clause 3 of the Transfer Agreement.

The Proposed Transfer will be implemented with effect from the Closing Date, which is a date following approval of the Proposed Transaction by the Prudential Authority (ie when the suspensive condition is fulfilled). This date should be differentiated from the Regulatory Effective Date which is 31 December 2022, a date in the past for which both insurers have audited financial statements and which will be used for purposes of reporting to the Prudential Authority the effect of the Proposed Transfer for statutory purposes.

The head of actuarial functions ("**HAF**") of each of Centriq and OMART have confirmed that the Proposed Transfer is not material in respect of the acquisition by OMART and the disposal by Centriq (respectively). As such, no approval in terms of section 51 of the Insurance Act read with section 10 of Prudential Standard GOI7 "*Miscellaneous Regulatory Requirements for Insurers*" is required.

In order to communicate the Proposed Transfer to the policyholders of the Transferring Policies, the Parties will prepare, settle and implement the proposed communication plan annexed hereto as **Annexe B1**, the "**Proposed Communication Plan**".

The heads of the Internal Audit Control function of Centriq and OMART will review and report on the implementation of the Proposed Communication Plan. The Parties do not believe that it is necessary to appoint an external auditor and/or expert under section 50(5) of the Insurance Act as may be required by the Prudential Authority from time to time, to review and report on the implementation of the Proposed Communication Plan. The Parties submit that the internal audit teams of the Parties possess the necessary skills, expertise and independence to audit the implementation of the Proposed Communication Plan.

The Parties' Heads of the Internal Audit Control Function will be in the best position to review and report to the Prudential Authority on the completion of the process or any other aspect of the process the Prudential Authority requires a report on.

The Prudential Authority will be furnished with the reports of each Internal Audit Control Function of each of Centriq and OMART upon completion of the Proposed Communication Plan for its review and consideration.

In addition, the Parties and their respective actuaries do not believe it is necessary to appoint an independent actuary to assess the soundness of the Proposed Transfer. Each HAF has issued a report, copies are attached separately by OMART and Centriq respectively for confidentiality reasons.

The Parties will not complete an out-of-cycle ORSA and the Parties confirm that:

- 1) the Proposed Transfer will not have any material impact on the risk assessment of Centriq;
- 2) the Proposed Transfer will not have any material impact on the risk assessment of OMART.

## **2. Specific Information**

### **2.1 Details of the transfer**

#### **2.1.1 Which assets and/or liabilities will be transferred?**

Subject to fulfilment of the terms and conditions and with effect from the Closing Date, Centriq transfers to OMART the Business as defined in the Transfer Agreement which comprises of the following:

- a) all rights in respect of the Transferring Policies;
- b) Transferring Policies' liabilities; and
- c) the transfer of the Reserve.

With regards to the transfer of the Reserves (as defined in the Transfer Agreement), on and with effect from the Closing Date:

- a) Centriq will transfer the cash amount equal to the Reserves to the bank account nominated in writing by OMART prior to the Closing Date, to be received in OMART's bank account "*for value*"; and
- b) Centriq hereby cedes and transfers to OMART all of its rights, title and interest in and to the Reserves, which cession OMART hereby accepts.

2.1.2 Describe the nature of the items mentioned in 2.1.1 above.

Transferring Policies are funeral policies and credit life policies underwritten by Centriq through the NDA Cell.

2.1.3 Chapter 11 of the Financial Sector Regulation Act, 2017 and section 17 of the Act require approval from the Prudential Authority to effect a change to the significant ownership of an insurer. Will the proposed transfer lead to a change in the significant owners of the transferor and / or transferee insurer(s)?

- ☒ **No change in significant owners**
- ☐ **Change in significant owners of the transferor**
- ☐ **Change in significant owners of the transferee**

## **2.2 Details regarding affected policyholders**

2.2.1 Which of the following apply to the transferring policyholders of the transferor:

- ☒ **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**

2.2.2 Which of the following apply to the remaining policyholders of the *transferor* 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 transferor's remaining policyholders will be materially affected**

2.2.3 Which of the following apply to the policyholders of the *transferee* 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's policyholders will be materially affected**

2.2.4 Will the terms of the new policies be the same as or different from the terms of the original policies? Please explain.

The terms of the new policies will remain the same to that of the Transferring Policies.

2.2.5 Attach full detail of how the insurer proposes to communicate the action to policyholders (communication plan), including timelines, communication notices and details of the documents to be made available for inspection. Refer to the Proposed Communication Plan.

2.2.6 Attach proof of written consent of the policyholders where available.

## **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 Prudential Authority to assess this form?

- ☐ **No** → Continue to section 2
- ☒ **Yes** → Complete question 2.3.2

2.3.2 Provide a summary or list of the additional information, including the reasons for providing this additional information and attach to this form.

The Parties met with the Prudential Authority and the FSCA on 23 November 2023 and noted the points in our email dated 3 January 2024, attached hereto as **Annexe B2** we set out below the points discussed for further consideration:

1. The Regulatory Effective Date of the Proposed Transfer, set out in the Transfer Agreement is 31 December 2022;
2. The Parties will submit audited financial statements as at the Regulatory Effective Date;
3. The Heads of the Internal Audit Control Functions of the Parties will review and report on the implementation of the Proposed Communication Plan; and
4. The Parties submit that it is not necessary to appoint an external auditor to review and report on the implementation of the Proposed Communication Plan for the following reasons:
  - a) The Parties submit that the internal audit teams of the Parties possess the necessary skills, expertise and independence to audit the implementation of the Proposed Communication Plan;
  - b) The Prudential Authority will be furnished with the reports of the Heads of the Internal Audit Control Functions of Centriq and OMART respectively upon completion of the Proposed Communication Plan for its review and consideration; and
  - c) The Heads of the Internal Audit Control Functions of Centriq and OMART will further be in the best position to review and report to the Prudential Authority on the completion of the process or any other aspect of the process the Prudential Authority requires a report on.

The Parties therefore request that the Prudential Authority does not require the appointment of external auditors for purposes of the Proposed Transaction.

Further, the Parties submit that it is not necessary to provide audited post-implementation QRTs (as defined at 3.2.1) for the following reasons:

- a) each HAF for Centriq and OMART have each issued a report, a copy of the Parties' report is attached to their respective submissions;
- b) to audit the post-implementation QRTs will be disproportionately expensive.

The Parties thus request that the Prudential Authority does not require the submission of audited post implementation QRT's.

In addition, the Parties submit that it is not necessary to appoint another independent actuary since both HAFs of Centriq and OMART, respectively, are independent.

### **3. Results**

#### **3.1 Details regarding the assets and liabilities transferring**

- 3.1.1 The transferee and transferor must express the business to be transferred as a percentage of its total assets and liabilities. Specify these details in the table below.

|  | % of Transferor | % of Transferee |
|--|-----------------|-----------------|
|  |                 |                 |

|                                                           |                  |                  |
|-----------------------------------------------------------|------------------|------------------|
| <b>Assets</b>                                             | <1%              | <1%              |
| <b>Liabilities</b>                                        | <1%              | <1%              |
| <b>Date as at which assets and liabilities were taken</b> | 31 December 2022 | 31 December 2022 |

### **3.2 Results**

Provide the following as attachments accompanying this form:

- 3.2.1 Audited annual quantitative reporting templates for both the transferee and transferor reflecting the financial positions before the proposed transfer.
- 3.2.2 Audited annual quantitative reporting templates for both the transferee and transferor reflecting the pro forma financial positions after the proposed transfer.
- 3.2.3 Proof of the written agreement between the transferor and transferee.
- 3.2.4 Copies of the resolutions by the board of directors of both the transferor and transferee.
- 3.2.5 A copy of the audited financial statements for both the transferor and transferee reflecting the pre-transfer financial position at the transfer date.
- 3.2.6 An out-of-cycle ORSA report for both the transferor and transferee.
- 3.2.7 A copy of a realistic timetable, setting out when the necessary actions or procedures must be instituted or take place, including any necessary communications to policyholders of both the transferor and the transferee. The table must include the effective date and/or implementation date of the transfer. The Prudential Authority will indicate whether the timetable is acceptable.
- 3.2.8 A copy of the head of actuarial function's report, for both the transferee and transferor, regarding the soundness of the proposed action.

## 4. Attachment Checklist

### 4.1 Compulsory attachments

Complete the following table with details of the attachments provided.

| Attachment Number | Question Number | Description                         | Number of pages/sheets | Attached                            |
|-------------------|-----------------|-------------------------------------|------------------------|-------------------------------------|
| A1                | 3.2.1<br>3.2.2  | Group or Solo QRTs                  | 2 sheets<br>1 page     | <input checked="" type="checkbox"/> |
| A2                | 3.2.3           | Written agreement                   | 41 pages               | <input checked="" type="checkbox"/> |
| A3                | 3.2.4           | Board resolutions                   | 9 pages                | <input checked="" type="checkbox"/> |
| A4                | 3.2.5           | Annual financial statements         | 76 pages               | <input checked="" type="checkbox"/> |
| A5                | 3.2.6           | ORSA (confirmation N/A)             | 1 page                 | <input checked="" type="checkbox"/> |
| A6                | 3.2.7           | Timetable                           | 3 pages                | <input checked="" type="checkbox"/> |
| A7                | 3.2.8           | Head of actuarial function's report | 14 pages               | <input checked="" type="checkbox"/> |
| A8                | 5               | Consent and Declarations            | 3 pages                | <input checked="" type="checkbox"/> |

### 4.2 Other Attachments

Complete the following table with details of the attachments provided, also indicating the number of pages of each attachment. For example, attachments might be required if there was not sufficient space to include the information in the form itself or if your responses in this form refer to external documents. Add additional rows for each attachment included:

| Attachment Number | Question Number | Description                                                           | Number of pages/sheets | Attached                            |
|-------------------|-----------------|-----------------------------------------------------------------------|------------------------|-------------------------------------|
| B1                | 2.2.2           | Proposed Policyholder Communication Plan.                             | 33 pages               | <input checked="" type="checkbox"/> |
| B2                | 2.3.2           | Email correspondence between Centriq and the Prudential Authority.    | 2 pages                | <input checked="" type="checkbox"/> |
| B3                | N/A             | Proof of payment                                                      | 1 page                 | <input checked="" type="checkbox"/> |
| B4                | N/A             | Contact details of the person for correspondence related to this form | 1 page                 | <input checked="" type="checkbox"/> |
| B5                | N/A             | Details of professional advisor                                       | 1 page                 | <input checked="" type="checkbox"/> |

## **5. Consent and Declarations**

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