



SOUTH AFRICAN RESERVE BANK
Prudential Authority

APPLICATION FORM IF021

APPLICATION FOR APPROVAL TO AFFECT MATERIAL ACQUISITIONS OR DISPOSALS

Purpose of this document

This application form needs to be completed when applying for approval to affect material acquisitions or disposals, as required in terms of section 51 of the Insurance Act, 2017 (the Act) and section 10.4 of the Governance and Operational Standards for Insurers: Miscellaneous Regulatory Requirements (GOI 7).

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 Does this application relate to:

- Insurer
 Controlling company

1.2 Does this application relate to:

- Acquisition
 Disposal

1.3 Provide the following details for this application:

Insurer/Insurance group number	I319
Insurer/Insurance group name	Family Insurance (Pty) Ltd
Valuation date of results	2022/06/30
Effective date for which approval is requested	2022/12/01

1.4 Describe the reason for seeking this approval

The applicant company obtained a license to conduct microinsurance business (funeral, individual) in November 2021 and agreed with Hollard Life Assurance Company Limited (the current insurer) to transfer the funeral policies marketed under the LifeWise and Scorpion brands to itself as a new microinsurer.

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 company and not a professional advisor.

Title	Mr
First names	Alexander Walter
Surname	Jeppe
Position	Executive Officer
Business address	Somerset office Estate, 604 Kudu Street, Allens Nek, Roodepoort, 1737
Contact number	076 060 5924
Email address	alexj@staylifewise.co.za

2.2 Details of professional advisors

2.2.1 Have you used third-party professional advisors to help with this form?

No → Continue to section 2.3

Yes → Complete the remainder of this section

2.2.2 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, e.g.:

Name of firm	
Title	
First names	
Surname	
Position	
Business address	

Contact number

Email address

2.3 Other information

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

No → Continue to section 3

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.

3. Specific Information

3.1 Details regarding the planned acquisition/disposal

3.1.1 Name of entity applicable to the acquisition/disposal.

Family Insurance (Pty) Ltd is acquiring the LifeWise and Scorpion books of funeral insurance business underwritten by Hollard Life Assurance Company Ltd (registration number 1993/001405/06)

3.1.2 Describe the main business conducted by the entity referred to in question 3.1.1?

Family Insurance (Pty) Ltd conducts funeral insurance business

3.1.3 What jurisdiction does the entity referred to in question 3.1.1 operate in?

South Africa

3.1.4 Please specify the level of materiality of the acquisition or disposal:

- Another insurer or any other financial institution that is subject to prudential requirements.
- Any entity with assets in excess of 5% of the total assets of the insurer
- Any entity with net income after tax in excess of 5% of the total net income after tax of the insurer, at acquisition or disposal or within the projected business plan period.
- Any entity that will result in intra-group exposure with the insurer in excess of 10% of the total amount of an intra-group exposures of all the entities owned by the insurer.

3.1.5 Was a due diligence or similar investigation in respect of this application conducted?

- No** → Continue to question 3.1.9
- Yes** → Complete question 3.1.6

3.1.6 Describe why a due diligence or similar investigation was not deemed necessary.

Transfer relates to the LifeWise book of business currently under administration by Family Insurance, the microinsurer, and the Scorpion book of business currently under administration by Scorpion, its fellow-subsiary. All financial information, policy data etc. relating to the two books of business are currently on the LEZA Group's Pinnacle policy administration system. From this information / data, detailed projections were made and reviewed by the head of the actuarial function (HAF).

3.1.7 Describe the extent of the due diligence, or similar investigation, as well as who conducted the investigation.

3.1.8 Summarise the findings of the due diligence conducted for the new acquisition (where relevant).

3.1.9 How will the acquisition/disposal affect the current business offering of the insurer?

The acquisition will not affect the current offering of Family Insurance as the microinsurer. Family Insurance is currently administering the LifeWise book of business and will continue to do so and market the current products after the transfer of the book of business from Hollard. After the acquisition Family Insurance will also underwrite the funeral policies marketed by the Scorpion funeral brand currently underwritten by Hollard.

3.1.10 State the price to be paid for the acquisition/amount to be received from the disposal.

There is no consideration payable, as agreed between the parties to the agreement.

3.1.11 Select an option below indicating how the acquisition (where relevant) will be financed:

- Encumbrance of assets**
- Loan funding**
- Excess assets**

3.1.12 Provide details of additional approvals required for the acquisition/disposal.

Approval has been obtained from the Boards of Directors of Family Insurance (Pty) Ltd, the transferee insurer, and Scorpion Legal Protection (RF) (Pty) Ltd, a non-mandated intermediary and FSP marketing policies under the Scorpion brand. Approval is being obtained from the Board of Directors of Hollard, the transferor insurer.

3.1.13 Describe the impact on the insurer if the Prudential Authority does not consider the application favourable.

The microinsurer will have to continue to provide binder and intermediary services to Hollard for the existing policies. Expenses will have to be incurred from a policy administration system point of view to enable the running of the old "run-off" book and the "new book" for all new policies. Further, the profitability of the microinsurer will be negatively impacted by around R3 million per annum if the application is not considered favourable.

3.1.14 Indicate why the acquisition/disposal is material (select all that apply):

- | | |
|---|--|
| <input checked="" type="checkbox"/> Impacts the risk profile of the insurer/insurance group | → Complete question 3.1.153.1.16 |
| <input checked="" type="checkbox"/> Impacts the profitability of the insurer/insurance group | → Complete question 3.1.16 |
| <input type="checkbox"/> Impacts on the quality of the operational soundness framework of the insurer/insurance group, including the ability to manage its risks and meet its legal and regulatory obligations | → Complete questions 3.1.17 and 3.1.18 |
| <input type="checkbox"/> Increases the risk to policyholders | → Complete questions 3.1.19, 3.1.20 and 3.1.21 |
| <input type="checkbox"/> Impacts the ability of the Prudential Authority to monitor the insurer's/insurance group's compliance with its regulatory obligations | → Complete question 3.1.22 |

3.1.15 Provide a summary of the changes to the risk profile as a result of the acquisition/disposal.

The only change in the risk profile of Family Insurance, as the microinsurer, will relate to it becoming the underwriter of the LifeWise and Scorpion funeral insurance books. Scorpion is a fellow subsidiary of Family Insurance. Both companies are wholly-owned by LEZA and are members of the LEZA Group.

3.1.16 Quantify the expected impact of the acquisition/disposal on the profitability of the insurer/insurance group, outlining the method and the most important assumptions used.

The transfer of the book of business from Hollard is expected to increase profitability of Family Insurance, the microinsurer, by an estimated at +-R3 million per year. This was calculated on 3 levels:

- (1) Calculated the expected impact on VAT when considering the amount of VAT output currently paid on binder and intermediary fees, less the value of VAT input currently being claimed on expenses.
- (2) Added the value of insurance profit currently earned by Hollard which will transfer to Family Insurance.
- (3) Deducted expected increases on operating expenses (directors fees, HAF fees and FICA verification).

3.1.17 Provide details regarding the impact of the acquisition/disposal on the quality of the operational soundness framework of the insurer/insurance group, outlining the impact on the ability to manage its risks and meet its legal and regulatory obligations.

The quality of the operational soundness framework will not be impacted, and the insurance policies will continue to be administered on the LEZA Group's Pinnacle policy administration system currently used by Family Insurance, the microinsurer, and Scorpion.

3.1.18 How will the insurer/insurance group manage the impacts described in question 3.1.17 above?

The Group will continue to apply its sound governance structures, oversight mechanisms and processes, including Boards of Directors, Board committees, control functions and advanced business information systems and reporting.

3.1.19 Explain why the acquisition/disposal will result in an increase in risk to the policyholders?

The acquisition will not result in an increased risk to policyholders, as their cover and premiums will remain unchanged, and their insurance policies will be underwritten by an insurer that has a strong compliance culture and which complies with applicable laws and regulations.

3.1.20 Has the increase in risk been communicated to the affected policyholders?

No

Yes

3.1.21 How does the insurer plan to manage the risks described in question 3.1.19 above?

N/A

3.1.22 Explain why the acquisition/disposal will impact the ability of the Prudential Authority to monitor the insurer's/insurance group's compliance with its regulatory obligations,

including ways in which the insurer/insurance group will assist the Prudential Authority in effectively monitoring its compliance.

N/A

3.1.23 How will the acquisition/disposal affect the current business offerings of the insurer?

Current business offerings will not be affected.

4. Documents Submitted

4.1 Attachments Included

- 4.1.1 Complete the attached Excel spreadsheet showing details of the current financial soundness as well as the financial soundness should approval be given.
- 4.1.2 Attach the latest annual financials, if this application is in respect of a new acquisition.
- 4.1.3 Attach an out-of-cycle ORSA report as an attachment accompanying this form.
- 4.1.4 Attach timelines for the governance structures of the group to be embedded in the acquired entity, if applicable.

5. Attachment Checklist

5.1 Compulsory attachments

5.1.1 Complete the following table with details of the attachments provided.

Attachment Number	Question Number	Description	Number of pages/sheets	Attached
A1	4.1.1	Excel template	3	<input checked="" type="checkbox"/>
A2	4.1.3	ORSA	13	<input checked="" type="checkbox"/>
A3	0	Consent and Declarations	4	<input checked="" type="checkbox"/>

Attachment Number	Question Number	Description	Number of pages/sheets	Attached
A4	Refer to Prudential Standard IAF, 2019	Proof of payment (where applicable)	1	<input checked="" type="checkbox"/>

5.2 Other Attachments

5.2.1 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	Family Insurance Board approval to transfer the LifeWise book of business from Hollard to Family Insurance	1	<input checked="" type="checkbox"/>
B2	3.1.12	Scorpion Board approval to transfer the Scorpion funeral book of business from Hollard to Family Insurance	1	<input checked="" type="checkbox"/>
				<input type="checkbox"/>

6. 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