



South African Reserve Bank

Media release

Tuesday, 13 November 2018

Order for the provisional curatorship of Nzalo Insurance Services Limited

Nzalo Insurance Services Limited (Nzalo) is a registered short-term insurer and a financial services provider. Nzalo was registered with the then Financial Services Board as a short-term insurer in November 2016. Nzalo is an unlisted public company, wholly owned by Bophelo Insurance Group (Pty) Limited.

Nzalo is registered to conduct business in respect of the accident and health, engineering, guarantee, liability, miscellaneous, motor, property and transportation classes of short-term policies, as outlined in the Short-term Insurance Act 53 of 1998, until its registration is converted to a licence in respect of the Insurance Act 18 of 2017 (Insurance Act). The majority of Nzalo's insurance business consists of motor policies sold via underwriting managers.

Nzalo experienced increasing financial soundness challenges from the first quarter of 2018. Following the South African Reserve Bank placing VBS Mutual Bank (VBS) into curatorship, Nzalo's financial soundness position was significantly impacted due to intragroup transactions with VBS.

In April 2018 the Prudential Authority (PA) issued Nzalo with a section 12(1) notice prohibiting Nzalo from writing any new business due to its inability to continue to meet its registration conditions.

Nzalo was subsequently placed under provisional curatorship by order of the High Court of South Africa, Gauteng Local Division, Johannesburg, on 6 November 2018. The curatorship application was done in accordance with the provisions of section

54(1)(a) of the Insurance Act, read with section 5(1) of the Financial Institutions (Protection of Funds) Act 28 of 2001 (FIA).

Based on the information available, the PA is of the opinion that the curatorship of Nzalo is in the best interest of its policyholders due to the short-term insurer's non-compliance with the minimum capital requirement and the solvency capital requirement, as prescribed in the Insurance Act.

True South Actuaries and Consultants (Pty) Limited (True South) has been appointed as the provisional curator for the entire business of Nzalo, subject to the control of the PA. Mr Francois Hugo and Mr Paul Zondagh have been appointed as True South's representatives to manage the affairs of Nzalo Insurance, with the interests of its policyholders and creditors in mind.

The curatorship presents the most suitable and most effective mechanism to facilitate the orderly management of Nzalo. With the appointment of the curator, the current board and management are relieved of their powers and these are vested in the curator.

The curator will prepare a report to the High Court of South Africa that will include details of the financial soundness, assets, liabilities, minimum capital requirement and the solvency capital requirement of Nzalo, as well as the status of any business conducted by Nzalo and associated companies, any irregularities committed by Nzalo, and steps to be taken to safeguard the interests of its policyholders.

The PA wishes to assure the public that the South African insurance sector remains safe, sound and adequately capitalised.

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