



SOUTH AFRICAN RESERVE BANK

Prudential Authority

Media release

1 August 2022

Order granted for the provisional curatorship of Constantia Insurance Company Limited

1. Constantia Insurance Company Limited (CICL) is licensed in terms of the Insurance Act 18 of 2017 (Insurance Act) to conduct non-life insurance business as outlined in the Act.
2. CICL is domiciled in South Africa and is wholly owned by Constantia Risk and Insurance Holdings Limited, which is in turn a wholly-owned subsidiary of Conduit Capital Limited. Other subsidiaries also include Constantia Life and Health Assurance Company Limited and Constantia Life Limited (the life insurance companies), which are licensed to conduct life insurance business in terms of the Insurance Act.
3. In June 2019, the Prudential Authority (PA) became aware that CICL had failed to maintain its business in a financially sound condition, by holding eligible own funds that are at least equal to the minimum capital requirement or solvency capital requirement, as prescribed, whichever is the greater. CICL informed the PA that the failure was attributed to year-end audit adjustments, a significant impact of an asset write-down as well as market fluctuations that negatively influenced its investment portfolio.
4. From June 2019 up until 2022, the PA had numerous engagements with CICL in an effort to gradually implement measures to return the insurer to financial soundness in order to meet legislative requirements and address the challenges set out in paragraph 3. CICL was directed to provide monthly, and later weekly, reports to the PA.

5. CICL was given until June 2022 to restore its solvency issues.
6. The short-term recapitalisation measures included improved due diligence initiatives and the cancellation of unprofitable business, which over the past 24 months resulted in positive underwriting results and positive liquidity.
7. The long-term recapitalisation measures included the identification of a strategic partner to restore the financial soundness position.
8. CICL engaged with various potential strategic partners to recapitalise the business, but unfortunately failed to secure a suitable investor to restore the business to financial soundness by the deadline of 30 June 2022, as prescribed by the PA.
9. In accordance with the powers granted to the PA in terms 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, the PA applied to the High Court of South Africa, Gauteng Local Division, Johannesburg (High Court of South Africa), on 26 July 2022, by way of an ex parte application, to place CICL under curatorship.
10. This order was granted, and with effect from 26 July 2022, CICL's business, as contemplated in the Insurance Act, has been subsequently placed under provisional curatorship by order of the High Court of South Africa. (A copy of the order as granted can be found on both the PA and CICL's website).
11. The order was granted only in relation to the non-life insurance license. The life insurance companies are not under curatorship and should not be affected by the curatorship process.
12. Mr Ashish Desai of Deloitte & Touche (Deloitte) has been provisionally appointed as the curator of the business of CICL, and Mr Gerdus Dixon, also of Deloitte, has been appointed as the alternate curator. The High Court of South Africa has issued specific directives to the curator to take immediate control of the business.
13. Based on the information available, the PA is of the view that the curatorship of CICL is in the best interests of its policyholders, due to the insurer's failure to

maintain the minimum capital requirement and the solvency capital requirement, as prescribed in the Insurance Act. The PA will work in conjunction with the Financial Sector Conduct Authority (FSCA), which is responsible for the regulation of market conduct, to ensure CICAL's policyholders are properly protected during this process.

14. The curatorship presents the most suitable and most effective mechanism to facilitate the orderly management of CICAL back to a position of financial soundness. With the appointment of the curator, the Board of Directors and management of CICAL are relieved of their powers, and these are now vested in the curator.
15. The curator will prepare a report to the High Court of South Africa. The report will capture the overall financial position of CICAL and its financial soundness, and any further steps to be taken to safeguard the interests of its policyholders.
16. In addition, the curator will provide the PA with a weekly progress report on the CICAL process.
17. The High Court of South Africa has set a return date of 6 December 2022, at which time CICAL or any other interested party may show cause why the provisional order, and the curator's powers, should not be made final.
18. CICAL's policyholders with any concerns and claims-related queries and complaints may contact the curator, Mr Desai at curator@constantigroup.co.za.
19. The PA would like to assure the public that the South African insurance sector remains safe, sound and adequately capitalised.

Issued by:

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