



SOUTH AFRICAN RESERVE BANK  
Prudential Authority

## **Questions relating to the provisional curatorship of Constantia Insurance Company Limited (CICL)**

- 1. What is curatorship and what triggered the provisional curatorship in the case of CICL?**
  - 1.1 Curatorship is a regulatory tool stipulated in the Insurance Act 18 of 2017 (Insurance Act). This regulatory tool provides a mechanism through which the business of an insurer is afforded an opportunity to get its affairs in order, and thus avoid potential business rescue or liquidation.
  - 1.2 The decision by the Prudential Authority (PA) of the South African Reserve Bank (SARB) to apply to the High Court of South Africa, Gauteng Local Division, Johannesburg (High Court of South Africa) to place CICL under provisional curatorship was primarily based on the fact that CICL has to date failed to maintain its business in a financially sound condition, by not meeting its regulatory capital requirements in holding eligible own funds that are at least equal to the minimum capital requirement (MCR) or solvency capital requirement (SCR), as prescribed, whichever is the greater.
  - 1.3 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.
  - 1.4 Provisional curatorship was identified by the PA as the most suitable and most effective mechanism to preserve the current financial position of CICL and facilitate ongoing discussions with potential investors to recapitalise the business.
  - 1.5 The provisional curatorship of CICL was not triggered by operational or governance failures. CICL has continually returned positive underwriting results, nearly doubled its liquidity cash assets, significantly reduced its operational expenses, and put measures in place to reduce the volatility on its equity portfolio.

1.6 To give the curatorship a fair chance of succeeding, the insurance licence of CICL has also been temporarily suspended. The suspension is only in relation to new business and is not applicable to renewals or amendments to current policies. This is done to ensure that new business does not add any further liabilities on the CICL book that would require further capital injection. The curator intends to perform his duties and to investigate all options available in terms of governing legislation to assist CICL to be permitted to commence underwriting new insurance policies and to be released of its provisional curatorship.

## **2. What is the mandate of the Prudential Authority?**

2.1 The PA regulates financial institutions (banks and insurers) and market infrastructures to promote and enhance their safety and soundness, and to protect financial customers against the risk that those financial institutions may fail to meet their obligations and support financial stability.

2.2 The PA's role is to protect consumers of financial products and services, and to support the SARB's mandate of achieving and maintaining financial stability.

## **3. What is the role of the curator as set out in the court order?**

3.1 The court order includes the customary consequences of provisional curatorship:

3.1.1 The curator assumes immediate control of business in all respects.

3.1.2 The powers of the Board of Directors (Board) and management of CICL now vest in the curator and the current Board and management are relieved of their powers in relation to the business.

3.1.3 The curator is required to continue to safeguard the interests of CICL's policyholders and preserve the business.

3.1.4 The curator must conduct CICL's business in a prudent manner in terms of the court order granted as well as any governing legislation.

3.1.5 The curator must provide regular feedback to the PA and prepare a report for the High Court of South Africa on any findings, progress made and further actions that need to be taken.

## **4. What are the requirements for solvency and capital in the Insurance Act?**

4.1 In terms of section 36(1) of the Insurance Act, an insurer is required to maintain its business in a financially sound condition by holding eligible own funds, that are at

least equal to the prescribed MCR or SCR, whichever is the greater, comprising the following:

- maintenance of an MCR of 1; and
- maintenance of a minimum SCR of 1.

## **5. What is the importance of an MCR and SCR for an insurer?**

5.1 The MCR represents the absolute minimum capital required by the insurer to protect policyholders.

5.2 The SCR represents a risk-based capital requirement based on the underlying insurance policies issued as well as the quality of the assets on the balance sheet.

## **6. Who is the appointed curator of CICL and how can the curator be reached?**

6.1 Mr Ashish Desai of Deloitte and Touché (Deloitte) has been appointed as the provisional curator. Mr Desai is a qualified actuary and has over 28 years' experience at the helm of insurance organisations.

6.2 Mr Gerdus Dixon, also of Deloitte, has been appointed as the alternate curator. Mr Dixon is a chartered accountant and has over 29 years' experience in his field.

6.3 Both Messrs Desai and Dixon will be assisted by a team of highly skilled professionals from Deloitte to execute on their court mandate.

6.4 Please direct any queries you might have regarding the curatorship of CICL to the curator at [curator@constantigroup.co.za](mailto:curator@constantigroup.co.za).

## **7. Is my policy safe and why?**

7.1 All policies remain safe at CICL provided that the curator can assist the insurer in restoring the financial soundness of the entity.

7.2 CICL is highly liquid and there are no immediate concerns for the policyholders that claims will not be settled.

7.3 The curator is currently in discussions with the CICL management and suitable investors for the recapitalisation of CICL. The curator intends to perform his duties and to investigate all options available in terms of governing legislation to assist CICL to be permitted to commence underwriting new insurance policies and to be released of its provisional curatorship.

7.4 Please engage the curator at [curator@constantigroup.co.za](mailto:curator@constantigroup.co.za) if you have any queries on your policy.

**8. Other important information**

8.1 The provisional curatorship does not extend to the life insurance business of Constantia Life and Health Assurance Company Limited (CLAH) and Constantia Life Limited (CLL).

8.2 Both CLAH and CLL are financially sound and adhere to the requirements of the Insurance Act.