



Insurance Act, 2017

Communication 4 of 2018

Auditing, public disclosures and reporting by insurers and controlling companies of insurance groups

Objective of this Communication

This Communication sets out the intentions of the Prudential Authority with regard to the required auditing of submissions made to the Prudential Authority for supervisory purposes, and the public disclosures for insurers and controlling companies pending consultation on and making of Prudential Standards in this regard.

This Communication also sets out the expectation of the Prudential Authority with regard to the continued reporting by insurance groups identified as part of the comprehensive parallel run pending the scoping of insurance groups and licensing of their controlling companies in accordance with the Insurance Act, 2017.

The Prudential Authority encourages insurers and controlling companies to adopt the auditing and public disclosures requirements stipulated in this Communication in the interest of good governance and open communications with stakeholders.

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1. Application

- 1.1 This Communication is relevant to all insurers that were registered as insurers under the Long-term Insurance Act 52 of 1998 and/or the Short-term Insurance Act 53 of 1998 as at 30 June 2018, and insurers licenced under the Insurance Act 18 of 2017 (Insurance Act) after 1 July 2018. This Communication relates to the post 1 July 2018 financial year-ends of these insurers until the effective date of the Prudential Standards referred to in this Communication.

- 1.2 This Communication is also relevant to insurance groups that were identified as part of the comprehensive parallel run pending the scoping of insurance groups and licensing of their controlling companies in accordance with the Insurance Act.
- 1.3 The Insurance Act Communication 1 of 2018 issued on 11 April 2018 stated that “[p]reviously registered insurers will only be required post 1 January 2019 to” either publicly disclose information or to cause information to be audited. Having considered practicalities around implementation of the Prudential Standards, the effective date for both the public disclosure and auditing requirements would likely be during the second half of 2019.

2. Purpose

- 2.1 This Communication sets out the Prudential Authority’s expectation in respect of the auditing of supervisory information submitted by insurers and controlling companies to the Prudential Authority in accordance with the *Notice – Quarterly, bi-annual and annual information required for supervisory purposes* (Notice) issued by the Prudential Authority under the Insurance Act on 27 July 2018. These auditing requirements will be set out in the Prudential Standards, in due course.
- 2.2 Further, this Communication sets out the information that insurers and controlling companies may consider to publicly disclose, pending the effective date of the envisaged Prudential Standards. These proposals are not compulsory nor are insurers or controlling companies limited to disclosing the information suggested in this Communication, but the Prudential Authority encourages insurers to start disclosing information in the interest of stakeholders.
- 2.3 For the sake of continuity, the Prudential Authority expects insurers identified by the then Financial Services Board, as insurance groups as part of the comprehensive parallel run process, to continue to report supervisory information to the Prudential Authority (even though they are not currently designated as an insurance group under the Insurance Act) in the same manner as during the parallel run.

3. Auditing

- 3.1 Section 47(1) of the Insurance Act provides that an insurer and a controlling company must annually cause to be audited such of the prescribed information provided to the Prudential Authority for supervisory purposes and such of the prescribed information required to be publicly disclosed.
- 3.2 The Prudential Authority is in the process of preparing Prudential Standards to prescribe the information referred to in 3.1 above. It is envisaged that these Prudential Standards will be issued in due course, for consultation, in accordance with the requirements of the Financial Sector Regulation Act 9 of 2017 (FSR Act).

- 3.3 Pending the issuance of the Prudential Standards referred to in 3.2 above, the Prudential Authority expects insurers to cause to be audited, within four months after their financial year-ends, such of the information submitted to the Prudential Authority for supervisory purposes, in accordance with the Notice, which is similar to the information that was required to be audited as part of the comprehensive parallel run in 2016. This information is replicated in Annexure A to this Communication.
- 3.4 For clarity, controlling companies are not expected to audit any of the information submitted to the Prudential Authority until the effective date of the envisaged Prudential Standards referred to in 3.2 above.

4. Public disclosure

- 4.1 Section 45 of the Insurance Act provides that insurers and controlling companies must annually, no later than four months after financial year-end, publicly disclose quantitative and qualitative information in the prescribed form and manner.
- 4.2 The Prudential Authority is in the process of preparing Prudential Standards to prescribe the information referred to in 4.1 above. It is envisaged that these Prudential Standards will be issued in due course, for consultation, in accordance with the requirements of the FSR Act.
- 4.3 The Prudential Standards referred to in 4.2 above will require public disclosure of at least the following information:
- a. solvency capital requirement ratio;
 - b. eligible own funds;
 - c. solvency capital requirement;
 - d. total liabilities as set out in the Financial Soundness Standards;
 - e. total assets as set out in the Financial Soundness Standards;
 - f. basic own funds after adjustments and ancillary own funds;
 - g. minimum capital requirement; and
 - h. minimum capital requirement ratio.
- 4.4 Insurers and controlling companies may pro-actively and on a voluntary basis publically disclose this information provided that the board of directors of the insurer or controlling company has considered the accuracy of the information to be disclosed.

5. Continued reporting by insurance groups

- 5.1 Pending the scoping of insurance groups and licensing of their controlling companies in accordance with the Insurance Act, there are no legislative reporting obligations for insurance groups identified as part of the comprehensive parallel run.
- 5.2 Despite this, the Prudential Authority expects these insurance groups to continue reporting to the Prudential Authority in the same manner as during the

comprehensive parallel run using the Group Quantitative Reporting Template referred to in the Notice.

- 5.3 For the submissions referred to in 5.2 above, insurance groups should use the same methods and assumptions that were used for submissions before 1 July 2018. However, the use of such methods and assumptions may not be regarded as tacit approval to use such methods and assumptions indefinitely.
- 5.4 For clarity, insurance groups must submit an application, to the Prudential Authority, to use any method and assumption for which approval is required once they are designated as an insurance group.
- 5.5 Similar requirement, as in 5.4 above, applies to notifications required to be made by the controlling company.

6. Information for supervisory purposes

- 6.1 The frequency at which, and the details of, the information for supervisory purposes that insurers and controlling companies must submit to the Prudential Authority is set out in the Notice. This Notice is available on the SARB website [www.resbank.co.za].

Annexure A: Information required to be audited

Table of specified Quantitative Reporting Template (QRT) sheets to be audited

Statement	Description	Column	Cell	B,L,NL ¹
OF1	Statement of solvency position	E	N/A	Both
OF2	Statement of assets, liabilities and basic own funds (BOF)	G,H	N/A	Both
OF3	Tiering of own funds	Rows 94 and 96, K,M,O	N/A	Both
OF4	Excess of income over outgo (Life)	G	N/A	Life
OF4.1S	Gross underwriting results: Non-life	G	N/A	Non-life
OF4.2	Analysis of movement in SAM basic own funds (Life)	E	N/A	Life
OF4.3	Analysis of movement in IFRS excess assets (Life)	E	N/A	Life
OF4.4	Build-up of basic own funds with change in IFRS excess assets	E	N/A	Life
A1	Investments	K	N/A	Both
A2	Derivatives	K	N/A	Both
A3	Participations	Rows 13 to 18, F	N/A	Both
A5	Investment funds (look-through approach)	J,K	N/A	Both
TP1S	Non-life technical provisions	R,V,AA,AE,AJ	N/A	Non-life
TP1S_F	Non-life technical provisions (foreign only)	R,V,AA,AE	N/A	Non-life
TP1	Life technical provisions	E,I,N,R	N/A	Life
SCR	SCR summary	N/A	G77 – G95	Both
MCR	Minimum capital requirement (MCR)	N/A	K19 – K34	Both

¹ B,L,NL - Both, Life, Non-life