



South African Reserve Bank

Prudential Authority

Insurance Act, 2017 (Act No.18 of 2017)

Prudential Standard ARL - Audit Requirements for Lloyd's

Objectives and Key Requirements of this Prudential Standard ARL

This Standard sets out the information for supervisory purposes that Lloyd's must have audited and reported on by their auditors to promote credibility of the information with the Prudential Authority, policyholders and stakeholders of Lloyd's.

It is the responsibility of Lloyd's of London and its representative in South Africa to ensure that Lloyd's meets the requirements set out in this Standard on a continuous basis.

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1. Commencement

- 1.1. This Standard commences on 1 September 2020.

Version number	Commencement date
1	1 September 2020

2. Legislative authority

- 2.1. This Standard is made under section 47(5) read with section 63(1)(a) of the Insurance Act, 2017 (Act No. 18 of 2017) (the Act).

3. Application

- 3.1. This Standard applies to Lloyd's in respect of insurance business conducted by Lloyd's underwriters in South Africa¹ with financial year-end on or after the commencement date set out in paragraph 1.1 above.

4. Definitions and interpretation

- 4.1. The terms used in this Standard, unless indicated otherwise, are defined in the Act and the prudential standards made in terms of the Act and have the same meaning in this Standard.
- 4.2. IFRS means the International Financial Reporting Standards issued by the International Accounting Standards Board.
- 4.3. FSL means financial soundness standards for Lloyd's.
- 4.4. QRT means a quantitative return template.
- 4.5. QRR means a qualitative regulatory return.
- 4.6. SAM means solvency assessment and management and is the basis for information for supervisory purposes complying with the Act and the Prudential Standards made in terms of the Act.
- 4.7. The 'Objectives and key requirements of Prudential Standard ARL' in the preamble at the start of this Standard must not be used in the interpretation of any section of this Standard.

5. Roles and responsibilities

- 5.1. Lloyd's of London and its representatives in South Africa are ultimately responsible for ensuring that Lloyd's complies with the principles and requirements of this Standard.
- 5.2. The representative of Lloyd's must ensure that, where approvals are required from the Prudential Authority, those approvals have been timeously obtained.
- 5.3. Lloyd's auditor, appointed under section 32 of the Act, must confirm to Lloyd's, the representative and the Prudential Authority, if requested, that Lloyd's complies with the requirements of this Standard.
- 5.4. Lloyd's auditor must, in fulfilling the requirements of this Standard, comply with the Auditing Profession Act, 2005 (Act No. 26 of 2005) and any other auditing pronouncements that may be applicable in South Africa.

¹ "insurance business conducted by Lloyd's underwriters in South Africa" means:

- All risks of South African policyholders underwritten by Lloyd's underwriters irrespective of where the risks are located (includes direct placements or placements through a South African binder holder); and
- All South African risks underwritten by Lloyd's underwriters irrespective of who the policyholder is.

- 5.5. The roles and responsibilities of Lloyd's of London, the representative and its control functions are described in more detail in the Prudential Standard - Governance and Operational Standards for Lloyd's (GOL).

6. Audit requirements

- 6.1. Audited information establishes or enhances credibility information provided by Lloyd's with the Prudential Authority, policyholders and stakeholders of Lloyd's.
- 6.2. Audited information gives reasonable assurance that the information is free from material misstatement and can be relied upon to present a true and fair view of the business conducted by Lloyd's underwriters in South Africa.
- 6.3. Audited information also assists Lloyd's and the representatives in South Africa to ensure that their information is complete, comparable, relevant, reliable and understandable.
- 6.4. In accordance with section 47(3) of the Act, Lloyd's must annually cause to be audited and reported on by its auditor such of the information referred to in section 41 (Trust and Trustees) and section 44 (Information for supervisory purposes) of the Act as prescribed by the Prudential Authority.
- 6.5. In terms of section 47(3) of the Act, that the following information of Lloyd's must be audited annually in accordance with relevant International Standards on Auditing:
- a. Financial soundness expressed as the amount of eligible trust assets minus technical provisions and premium debtors;
 - b. Eligible trust assets on an aggregated summary per type; and
 - c. Technical provisions on a sub-component level on an aggregated summary per type and (sub-)line of business, as relevant.
- 6.6. In addition to the information set out in paragraph 6.5 above, in terms of section 62(1) of the Act, the Prudential Authority will annually require a report in terms of International Standard on Review Engagements ("ISRE") 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, with regard to the following information:
- a. Investments on an aggregated summary per type.
- 6.7. The information set out in paragraphs 6.5 and 6.6 above is included in Lloyd's annual QRT that must be submitted to the Prudential Authority as provided for in section 44 of the Act.
- 6.8. The Prudential Authority will not accept Lloyd's annual QRT submission if the relevant sections have not been audited or reviewed, as applicable, and without the auditor's reports included with Lloyd's annual QRT submission. These auditor's reports must be submitted to the Prudential Authority within the same time interval as the Prudential Authority requirement for the annual QRT.
- 6.9. Notwithstanding the requirements of paragraphs 6.5 and 6.6 above, the auditor shall also report whether, in the auditor's opinion, the information contained in the annual QRT, in all material respects:

- a. Reasonably reflects the information of the management accounts and the annual financial statements;
 - b. Is complete in so far as all relevant information contained in the accounting and other records at the reporting date has been extracted therefrom and recorded in the annual QRT;
 - c. Is accurate in so far as it correctly reflects the information contained in, and extracted from the accounting and other records at the reporting date; and
 - d. Is prepared using the same accounting policies or regulatory framework as those applied in the management and statutory accounts, where applicable.
- 6.10. The Guidance Note on Audit Requirements (AR GN) provides references to the sections of the annual QRT that should be audited or reviewed, as applicable, so that Lloyd's can demonstrate adherence to these requirements.

7. Submission and availability of security held in trust

- 7.1. In accordance with section 47(3) of the Act, Lloyd's is required to have the security held in trust referred to in section 41 audited and reported on by its auditor.
- 7.2. In accordance with section 47(2)(a) of the Act, the audited annual financial statements of Lloyd's must be submitted to the Prudential Authority and made available to the public within 4 months after its financial year-end.
- 7.3. In accordance with section 47(4) of the Act, the audit of the security held in trust must be submitted to the Prudential Authority and made available to the public within 5 business days after conclusion of the audit.