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| **APPLICATION GUIDELINE AND FORM** **APPLICATION FOR A LICENSE AS A CONTROLLING COMPANY OF AN INSURANCE GROUP**  |

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| **Purpose of this document**This application form needs to be completed when applying to be licensed as a controlling company of an insurance group. A controlling company means a holding company of, another juristic person that controls, an insurance group, which is located in the Republic. An insurance group means the group of entities designated by the Prudential Authority (PA) under section 10 of the Insurance Act, Act 18 of 2017 (the Act). A controlling company of an insurance group is required to be licensed in terms of Chapter 4 of the Act.  |

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| **Important information to complete this form**Before completing this form, read the Fact Sheet Application and Notification Forms (Fact Sheet) that is available on the website of the SARB. The Fact Sheet contains important information on consent and declarations required. Please note: this application could include a prescribed fee, in accordance with [Prudential Standard IAF](http://www.resbank.co.za/PrudentialAuthority/Insurers/Post%20Insurance%20Act/Legislation%20and%20Regulatory%20instruments/Prudential%20Standards/Documents/Prudential%20Standard%20IAF.pdf), 2019 with the process for payment found [here](http://www.resbank.co.za/PrudentialAuthority/Insurers/Post%20Insurance%20Act/Legislation%20and%20Regulatory%20instruments/Prudential%20Standards/Documents/Process%20for%20payment%20of%20fees%20prescribed%20in%20terms%20of%20the%20Insurance%20Act.pdf) |

## Purpose of Licensing

The PA carries out its functions by:

* promoting the maintenance of a sound and efficient insurance sector;
* promoting public confidence in the insurance sector;
* adequately protecting the interests of policyholders and the public; and
* ensuring that any failure, or possible failure, of an insurance group does not have the potential to significantly damage the financial system or the economy of South Africa.

The purpose of licensing is to ensure that applicants are “fit and proper” by demonstrating that there is operational, human and financial capacity to manage the business to be undertaken, now and in the future and under normal and stress conditions.

## Use of Professional Advisors

Due to the complexity of the application it might be necessary for applicants to obtain assistance from professional advisors in preparing the submission.

In obtaining the assistance from a professional advisor, applicants need to bear in mind the following items:

* The applicant must remain actively involved with the application process; and
* The PA will hold the applicant, and not the professional advisor, responsible and accountable for the accuracy and completeness of the application.

## Licensing Process

The process and the applicable responsibilities when considering a license for a controlling company is prescribed by the PA.

The timelines for an application for a license for a controlling company is 120 days[[1]](#footnote-2) after a completed application was submitted to the PA for approval. Please bear in mind that this timeframe is dependent on the completeness and quality of information received on the submitted application. Please note that where further follow-up is required by the PA on the application, the prescribed timeline will be adjusted in accordance with the duration of time that has elapsed whilst feedback was pending by the applicant and received by the PA.

Pre-application meeting

A pre-application meeting between the applicant and the PA may be required before the PA will start assessing an application for a license for a controlling company.

The pre-application meeting will allow the PA to provide initial inputs to the applicant, including aspects of the application that the PA may focus on. The pre-application meeting, will enable the application to be processed more efficiently.

Submission of application

The application must be e-mailed to **Insurance.NewLicence@resbank.co.za**

Concurrence with the Financial Sector Conduct Authority (“FSCA”)

As part of the process for a license for a controlling company, concurrence will be sought with FSCA in respect of its market conduct mandate. The concurrence is prescribed in terms of section 126 of the Financial Regulation Sector Act, Act 9 of 2017 (FSRA).

Subsequent to receiving a duly completed application, the PA will notify the Head of the Licencing Division in the FSCA in writing that an application to be licensed as controlling company was received. The written notification must include the name of the applicant and relevant background information in accordance with the Licensing Protocol agreement entered into between the PA and FSCA.

In order to ensure the efficiency and efficacy of the licensing process, the PA will remain the single point of reference in respect of all correspondence pertaining to an application to be licensed as a controlling company. The PA will therefore serve as a conduit for any questions and/or requests for additional information or analysis of the application by the FSCA. The PA will action such information on behalf of the FSCA.

The application of the 120 days will also include the concurrence sought with FSCA.

License approval process

The recommendation for the application for a license for a controlling company will be made by both the FSCA and the PA. The recommendation will be submitted to the Licensing panel of the PA.

If the application is successful the PA will inform the applicant that the approval is granted as well as any conditions and/or limitations that the PA imposes or may impose.

The PA will also publish a notice of the licensing on its official website.

If the license application is not approved, the PA will provide the applicant with reasons for the refusal of the licence application. In such a case the applicant can approach the PA for further information and discussions.

The approval conditions may state that an on-site visit will be conducted at the controlling company.

## General License Requirements

The PA must as part of designating an insurance group also designate the holding company or juristic person that must apply for a license as a controlling company of that insurance group under Chapter 4 of the Act. The holding company of, or another juristic person that controls, an insurance group designated by the PA and which is located in the Republic must, within 30 days of the designation apply to be licensed as a controlling company of the insurance group.

Section 22(2) of the Act sets out the requirements for licensing as a controlling company. A holding company of or another juristic person that controls, an insurance group, must demonstrate that, its key persons and significant owners meet the prescribed fit and proper requirements, has a sound business plan; and it will be able to comply with the governance framework, financial soundness, reporting and public disclosure.

Further to section 22 of the Act, a holding company of or another juristic person that controls an insurance group must demonstrate that—

* it has a plan to meet its stated commitments in terms of transformation of the insurance sector, including meeting the targets envisaged by the Financial Sector Code;
* it has adequate operational management capabilities to meet the requirements for insurance groups under the Act and as well as the governance and operational requirement of prudential standards issued under the Act.
* it will be able to comply with the financial soundness requirements and reporting and public disclosure requirements of the Act.

In respect of section 25(9) of the Act, the Prudential Authority may, in the case of a controlling company, impose licensing conditions necessary to achieve the objective of this Act, which may include conditions—

* requiring the controlling company of the insurance group to limit its business to the acquiring, holding and managing of another company or companies;
* requiring that the provisions of the Memorandum of Incorporation of a controlling company that is a company or the equivalent constitution, deed or founding instrument of a controlling company that is not a company—
	+ must be suitable to enable it to be the controlling company of an insurance group; and
	+ may not be amended without the approval of the PA; or
	+ that are reasonably necessary to ensure that the insurance business is conducted in a ﬁnancially sound manner or in accordance with this Act.

## Financial Soundness standards and Governance and Operational Standards

As part of the application and motivation for the license please consult the following standards published on the website of the SARB:

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| **Financial Soundness of Insurance Groups (FSG)*** Framework for [Financial Soundness of Insurance Groups (FSG 1)](http://www.resbank.co.za/PrudentialAuthority/Insurers/Post%20Insurance%20Act/Legislation%20and%20Regulatory%20instruments/Prudential%20Standards/Prudential%20Standards%201%20Jul/Prudential%20Standards%20Financial%20Soundness%20Standards%20for%20Insurers.zip)
* Assessing the Financial Soundness of Insurance Groups Using Deduction and Aggregation Method FSG 2)
* Assessing the Financial Soundness of Insurance Groups Using the Accounting Consolidation Methods (FSG 3)

**Governance and Operational Standards (GO)*** [Governance and Operational Standards For Insurance Groups (GOG)](http://www.resbank.co.za/PrudentialAuthority/Insurers/Post%20Insurance%20Act/Legislation%20and%20Regulatory%20instruments/Prudential%20Standards/Prudential%20Standards%201%20Jul/Prudential%20Standards%20Governance%20and%20Operational%20Standards%20for%20Insurers.zip)
 |

## Contact and Basic Information

* 1. Contact details of the controlling company’s representative

|  |  |
| --- | --- |
| Title |   |
| First names |   |
| Surname |   |
| Email Address |   |
| Contact Number |   |
| Business address |   |
| Postal address |   |

* 1. Details of professional advisors

#### Have you used third-party professional advisors to help with this form?

[ ]  **No**

[ ]  **Yes** 🡺 Complete the remainder of this section

#### Provide the name and contact details of the third-party professional advisor(s) used (i.e. the consultants, auditors, actuaries and/or lawyers used in compiling this form). This information should be included in an attachment accompanying this form, e.g.:

|  |  |
| --- | --- |
| Name of firm |   |
| Title |   |
| First names |   |
| Surname |   |
| Position |   |
| Business address |   |
| Contact number |   |
| Email address |   |

* 1. Other information

#### Is there any additional information that is not requested elsewhere in this form that is relevant for the PA to assess this application?

[ ]  **No**

[ ]  **Yes** 🡺 Complete question 6.3.2

#### Provide a summary of the additional information, including the reasons for providing this additional information.

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## Specific Information

* 1. Information on Applicant

#### What type of entity is the controlling company?

[ ]  Company, close corporation or co-operative registered in terms of legislation in South Africa

[ ]  Other (include detail in table below)

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#### Provide the controlling company’s registration number.

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#### Provide the date of incorporation or formation of the controlling company.

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| YYYY/MM/DD  |

*Attachments: Attach the following information, noting that required information depends on the applicant’s legal type.*

* *For public companies and co-operatives: Attach the Memorandum of Incorporation*
* *For Others – Attach the founding documentation*
	1. Name of controlling company

#### State the name of the controlling company.

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#### State the translations, shortened forms, trading names or derivatives, if any, of the name of the controlling company.

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| --- | --- |
| Translation |   |
| Shortened form |   |
| Trading name |   |
| Derivative |   |

* 1. Year-end of Controlling company

#### Provide controlling company’s financial year-end

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| --- |
| MM/DD  |

* 1. History of Controlling company

#### Has the controlling company ever been refused, any authorisation revoked, or any requirements imposed as a condition to continue to carry on insurance business or any other business by any supervisory or regulatory authority?

[ ]  **No**

[ ]  **Yes** 🡺 Complete question 7.4.2

#### Attach a full explanation of the relevant events. Make sure that the explanation includes the following:

* The date of the event; Any amounts involved; outcome and the explanation of the circumstances

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#### During the past five years has the controlling company breached any legislative, regulatory or supervisory requirements?

[ ]  **No**

[ ]  **Yes** 🡺 Complete question 7.4.4

#### Attach a full explanation of the relevant events. Make sure that the explanation includes the following:

* The date of the event;
* Any amounts involved;
* outcome and the explanation of the circumstances

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## Scope of License

* 1. Entities designated as part of the insurance group

#### Is the controlling company part of an international group or part of a larger South African group? Please provide a write up of the main business of the international group or the larger South African group

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#### List the entities that was designated as part of the insurance group of the controlling company as well as the business that they are conducting? Please include an annexure if the rows in the table below are insufficient.

| **Name of Entity** | **Type of business** | **Jurisdiction and/ or Regulatory Authority** |
| --- | --- | --- |
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## Business case

* 1. Reasons and motivations for the application

#### Outline the objectives for the application for the licensing of the controlling company.

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*Attachments:*

* *Submit a 3 year business plan for the business conducted by the group*
	1. Systems

#### Give an overview of all the material systems to be/(used) to secure the proper functioning of the controlling company responsibilities in terms of the Act and related prudential standard i.e. governance and financing etc.

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*Attachments:*

* The Architecture diagram depicting the business process application (BPA) and their network topology.
* Provide a system identified and aligned to the BPA including the financial reporting systems.
* Provide a system interface/integration within any other systems (internal or externally).
* Provide further descriptions of who will help support the system (internally or externally).
* Proof identifying the hosting of the application including the system support.

#### Please advise why you are of the opinion that the material systems as stated in 9.2.1 will be adequate and how adequacy is measured, i.e. external review etc.

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*Attachments:*

* *Attach, where applicable, any evidence pertaining to the adequacy of the material systems.*
* Provide a formal due diligence assessment conducted assessing the application’s fit for purpose.
* An agreement with the vendor in relation to the system used.
* Dr Capability and testing
* Governance document relating to people, process and IT system must be submitted as part of the IT governance for the following:
	+ Cyber security
	+ Data Risk
	+ Information Technology risk.

## Significant Owners[[2]](#footnote-3)

* 1. Details of significant owners

#### State the names of the legal and/or natural person(s) holding 15% or more of the issued shares directly and / or indirectly in the controlling company, their identifying numbers, their percentage shareholdings and a description of their main business.

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| --- | --- | --- | --- |
| **Full Name** | **Identity No./ Passport/ Registration number** | **% Shareholding** | **Description of main business** |
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*Attachments:*

* *Attach a copy of the structural chart of the group of companies to which the controlling company belongs, showing the respective percentages of shareholding.*
* *For each significant owner, please complete and submit an application or notification, as applicable, in terms of the Joint Standard 1 of 2020-Fitness, propriety and other matters related to significant owners.*

*Attach copies of the audited financial statements for each of the significant owners of the controlling company for the immediate past three financial years. If the person is an individual, submit audited net worth statements reflecting the person’s position on a date not earlier than three months prior to the date of this application.*

## Corporate Governance

* 1. General

#### Furnish the information below for the proposed staffing plan for the controlling company

|  |  |  |  |
| --- | --- | --- | --- |
| **Number of individuals** | **Functional**  | **Governance** | **Total** |
| Senior Management |   |   |   |
| Other |   |   |   |

#### List the details of the proposed senior management, their roles and responsibilities

| **Name & Surname** | **Role and Responsibilities**  |
| --- | --- |
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*Attachments:*

*• Please provide the governance structure of the controlling company and how the governance structures of all group entities report into the governance structure of the controlling company*

*• For each proposed key person, please complete and submit form IF006: Application for approval or notification of the appointment of key persons.*

*• Please provide the Terms of Reference of the above governance structures.*

* 1. Board of Directors

#### List the members of the board of directors of the controlling company, their roles and responsibilities

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| **Name & Surname** | **Executive/ Non-Executive Director**  | **Independent or Non-Independent** |
|   |   |   |
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*Attachments:*

* *For each key person, please complete and submit form IF006: Application for approval or notification of the appointment of key persons.*
	1. Board Committees

#### List the different sub-board committees of the controlling company, membership and a brief description of their mandate.

Name of committee: ………………………… Mandate: …………………………………………..

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| --- | --- | --- |
| **Name and surname** | **Executive/ Non-Executive Director** | **Independent or Non-Independent** |
|  |   |  |
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Name of committee: ………………………… Mandate: …………………………………………..

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| --- | --- | --- |
| **Name and surname** | **Executive/ Non-Executive Director** | **Independent or Non-Independent** |
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Name of committee: ………………………… Mandate: …………………………………………..

|  |  |  |
| --- | --- | --- |
| **Name and surname** | **Executive/ Non-Executive Director** | **Independent or Non-Independent** |
|  |   |  |
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* 1. Control functions

#### Provide an outline of the nature and scale of services to be provided at controlling company level for the designated insurance group or for the larger group. This will include material and management functions.

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#### Please complete the following:

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| --- | --- | --- |
| **Control Function** | **Head of function** | **Relation to Controlling company i.e. outsourced/ in-house** |
| Risk |   |   |
| Compliance |   |   |
| Actuarial |   |   |
| Internal Audit |   |   |

*Attachments:*

* *For each proposed key person, please complete and submit form IF006: Application for approval or notification of the appointment of key persons.*
* *For each function or head of a control function, please complete IF013: Notification to outsource a material business activity or IF034: Approval to appoint a person as Head of multiple control functions or to combine control functions, where applicable*
	1. Auditor/(s)

#### Please complete the following:

|  |  |
| --- | --- |
| **Audit firm** | **Responsible partner** |
|   |   |
|   |   |

#### Will the audit firm conduct other work for the controlling company other than auditing work?

[ ]  **No**

[ ]  **Yes** 🡺 Complete question 11.5.3

#### List the other work that the audit firm is conducting/ will be conducting for the controlling company.

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*Attachments:*

* *For each proposed key person, please complete and submit form IF006: Application for approval or notification the appointment of key persons.*
	1. Risk management, Outsourcing, Fit and Proper and Capital management

 *Attachments:*

* *Provide details of the risk management systems and procedures to be used to monitor and control risks[[3]](#footnote-4) in relation to the operations of the group that the controlling company is part of as a whole, including:*
	+ *(i) means of identifying, controlling, managing, monitoring and reporting risks and compliance issues up to group level (including both insurance and other activities);*
	+ *(ii) a risk profile of the group including quantification of risk(s) which the group is exposed to;*
	+ *(iii) sources of risk contagion (e.g. financial and operational interdependence, badging and product distribution arrangements, sharing of premises and services);*
	+ *(iv) policies on concentrations of risk (e.g. counterparty, geographic, industrial, business line) across the group;*
* *Provide details of the outsourcing policy of the group*
* *Provide information on the group’s fit and proper policy to assess key persons*
* *Provide information on the group’s capital management policy, which must clearly document internal capital planning processes which ensure compliance with capital requirements at both insurance group and solo insurer levels.*

## Transformation

* 1. Provide a brief description of the people, procedures and processes of the applicant to meet its stated commitments in terms of the transformation of the insurance sector with regard to the Financial Sector Code.

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*Attachments:*

* *Submit a copy of the transformation plan.*

## Attachment Checklist

* 1. Compulsory attachments

Complete the following table with details of the attachments provided.

| **Attachment Number** | **Question Number** | **Description** | **Number of pages/sheets** | **Attached****Y/ N** |
| --- | --- | --- | --- | --- |
| A1 | 7.1.3 |   |   |   |
| A2 | 9.1.1 |   |   |   |
| A3 | 9.2.1 |   |   |   |
| A4 | 9.2.2 |   |   |   |
| A5 | 10.1.1 |   |   |  |
| A6 | 11.1.2 |   |   |  |
| A7 | 11.2.1 |   |   |  |
| A8 | 11.3.1 |   |   |  |
| A9 | 11.4.2 |   |   |  |
| A10 | 11.5.3 |   |   |  |
| A11 | 11.6 |   |   |  |
| A12 | 12.1 |   |   |  |
| A13 | Refer to [Prudential Standard IAF, 2019](http://www.resbank.co.za/PrudentialAuthority/Insurers/Post%20Insurance%20Act/Legislation%20and%20Regulatory%20instruments/Prudential%20Standards/Documents/Prudential%20Standard%20IAF.pdf) | Proof of payment (where applicable) |   |  |

* 1. Other Attachments

Complete the following table with details of the attachments provided, also indicating the number of pages of each attachment. For example, attachments might be required if there was not sufficient space to include the information in the form itself or if your responses in this form refer to external documents. Add additional rows for each attachment included:

| **Attachment Number** | **Question Number** | **Description** | **Number of pages/sheets** | **Attached** |
| --- | --- | --- | --- | --- |
| e.g. B1 | 2.2 |   |  | [ ]  |
|  |  |  |  | [ ]  |
|  |  |  |  | [ ]  |

## Consent and Declarations

To assess the application or notification, the Prudential Authority needs to ensure that the information in the application or notification is accurate and complete, and may be verified and shared with other regulatory authorities. Please see the required consent and declarations that must accompany this form below.

**Consent form**

I, duly authorised by the significant owner(s) of the proposed applicant, hereby:

1. Consent to the Prudential Authority and its duly authorised agent verifying or confirming any information provided in and / or in support of this application with any person.
2. Authorise any person referred to in paragraph 1 above to furnish information regarding this application to the Prudential Authority and its duly authorised agent.
3. Unconditionally indemnify the Prudential Authority, its agent and any person/s against any liability that may result from furnishing information regarding this application to the Prudential Authority.
4. Consent to the Prudential Authority sharing information provided in and / or in support of this application with a regulatory authority (as defined in the Financial Sector Regulation Act, 2017).

|  |  |
| --- | --- |
| **Title** |   |
| **Name** |   |
| **Surname** |   |
| **Position** |   |
| **Signature** |   |
| **Date of signature** |  YYYY/MM/DD  |

**Declaration by person submitting the form**

I confirm that:

1. I am duly authorised to make the application on behalf of the applicant.
2. I have attached all the documents listed in the application form.
3. I will inform the Prudential Authority if, subsequent to submitting the form, any of the information contained herein becomes materially inaccurate.

|  |  |
| --- | --- |
| **Title** |   |
| **Name** |   |
| **Surname** |   |
| **Position** |   |
| **Signature** |  |
| **Date of signature** |  YYYY/MM/DD  |

**Declaration by Chairperson of board of directors** **of the controlling company**

1. I, the Chairperson of the board of directors and duly authorised by the board of directors, confirm that the board of directors is aware of the application or notification and is in support thereof.
2. I further confirm that the board of directors has familiarised itself with the roles and responsibilities of the board of directors provided for in the Insurance Act, 2017 and the Prudential Standard(s) as well as the requirements pertaining to a controlling company and undertakes to ensure compliance thereto.

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| --- | --- |
| **Title** |   |
| **Name** |   |
| **Surname** |   |
| **Position** |   |
| **Signature** |  |
| **Date of signature** | YYYY/MM/DD |

1. Please refer to the Act, section 23(3) (a) - The PA must grant or refuse an application within 120 days of the date on which the application was submitted to the PA, or such longer period agreed between the PA and the applicant. [↑](#footnote-ref-2)
2. Significant owner, of a financial institution, means a significant owner of the institution as described in section 157 of FSRA [↑](#footnote-ref-3)
3. Refer to section 4.3 of the Governance and Operational Standard for Insurance Groups. [↑](#footnote-ref-4)