

## Financial Sector Regulation Act, 2017

### PA Communication 5 of 2020

#### Draft Guidance Notice – Iterative Approach

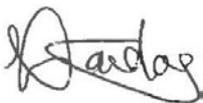
In 2018, the Prudential Authority (PA) published Prudential Standard FSI 2.2 (FSI 2.2), which sets out the requirements for valuing technical provisions for purposes of assessing regulatory financial soundness. A Guidance Notice on FSI 2.2 (GN 2.2) was subsequently issued to assist insurers in complying with the requirements of FSI 2.2.

The PA publishes today, for public consultation, the Draft Guidance Notice on the Iterative Approach that insurers may follow when calculating the Solvency Capital Requirement (SCR) and the risk margin under such an iterative approach. The Draft Guidance Notice is restricted in its ambit to guidance only on the Iterative Approach methodology. The PA intends publishing additional guidance on the application process to utilise the Iterative Approach methodology. Application Form IF005 will incorporate guidance to this effect on the following matters:

- Independent reviews;
- Use test and embedment;
- Requirements following PA approval;
- Documentation; and
- Governance.

Please note that the PA will consider all comments received following the public consultation process on the Draft Guidance Notice, and intends publishing the Draft Guidance Notice as Chapter 10 of GN 2.2 in order to reflect the consolidated guidance in an updated version of GN 2.2.

Insurers and other interested persons are invited to submit their comments in respect of the Draft Guidance Notice on or before 20 October 2020 for the attention of Ms Iwona Smit at [Iwona.Smit@resbank.co.za](mailto:Iwona.Smit@resbank.co.za). All comments must be submitted in the comments template attached.



**Kuben Naidoo**  
**Deputy Governor and CEO: Prudential Authority**

**Date:** 2020-09-17