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| **APPLICATION FORM IF005**  **APPLICATION FOR APPROVAL TO USE AN ITERATIVE APPROACH TO CALCULATE THE RISK MARGIN AND SCR** |

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| **Purpose of this document**  This application form needs to be completed when applying for approval to use an iterative approach to calculate the risk margin and SCR, as required in terms of section 36(6)(a) of the Insurance Act, 2017 (the Act) and:   * In respect of an insurer, section 5.4 of Financial Soundness Standard for Insurers Calculation of the SCR Using the Standardised Formula (FSI 4); and * In respect of an insurance group, section 6.1(b) of Financial Soundness Standard for Insurance Groups Accounting Consolidation Method (FSG 3). |

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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). |

## Company information and reason for approval

* 1. Does this application relate to:

**Insurer**

**AC group within insurance group**

* 1. Provide the following additional details for this application:

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| **Valuation date of results** | YYYY/MM/DD |
| **Effective date for which approval is requested** | YYYY/MM/DD |

* 1. Describe the reason for seeking this approval

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## Other Information

* 1. Other information

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

**No** 🡺 Continue to section 3

**Yes** 🡺 Complete question 2.3.2

#### Provide a summary or list of the additional information, including the reasons for providing this additional information and attach to this form.

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## Scope of Calculations

* 1. Scope of iterative method calculation

#### Indicate to which section of the business the iterative calculation will apply.

**All of the insurer’s business** 🡺 Continue to section 4

**Part of the insurer’s business** 🡺 Complete the remainder of the section

#### Describe the part of the business to which the iterative calculation will apply.

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#### Describe the part of the business to which the iterative calculation will not apply.

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#### Explain why the iterative calculation will not apply to the business mentioned in question 3.1.3.

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## Methodology

* 1. Non-hedgeable risks

#### Describe the risks that are classified as being non-hedgeable for the purposes of the risk margin calculation.

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#### Describe the risks that are classified as being hedgeable for the purposes of the risk margin calculation. Also, provide reasons as to why these risks are viewed as being hedgeable.

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* 1. Methodology

#### Describe in detail the proposed methodology for the iterative risk calculation, including a description of the calculations performed in each iteration.

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#### Describe in detail any material simplifying assumptions of the iterative calculation methodology that is described in question 4.2.1 including any material assumptions that are made implicitly as a result of this methodology.

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#### Describe how it will be assessed whether or not the iterative calculation converges.

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#### Describe the circumstances that could lead to the results from the iterative calculation to not converge.

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## Controls

* 1. Proxies

#### The ‘appropriateness of proxies’ in this section refers to both of the following:

* The appropriateness of proxies as being representative of how stress impacts are expected to behave under a stress; and
* The appropriateness of proxies as being representative of how the stress impacts are expected to run off over time.

#### Are proxies being used as part of the iterative calculation?

**No** 🡺 Continue to question 5.1.4

**Yes** 🡺 Complete question 5.1.3

#### Describe how the proxies used in the iterative calculation are checked for appropriateness.

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#### Are there embedded guarantees on the business to which the iterative calculation is applied?

**No** 🡺 Continue to question 5.1.7

**Yes** 🡺 Complete question 5.1.5 and question 5.1.6

#### Describe the embedded guarantees to which the iterative calculation is applied.

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#### Describe why the proxies used in the iterative calculation, are believed to appropriately represent the risks created by these embedded guarantees. This can, for example, include a description of the checks that were performed on the appropriateness of the proxies.

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#### Does the SCR calculation allow for management action(s) on any of the business that is included within the scope of the iterative calculation?

**No** 🡺 Continue to question 5.1.10

**Yes** 🡺 Complete question 5.1.8 and question 5.1.9

#### Describe the management actions that are referred to in question 5.1.7.

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#### Describe why the proxies used in the iterative calculation, are believed to appropriately represent the impact of these management actions. This can, for example, include a description of the checks that were performed on the appropriateness of the proxies.

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#### Describe the circumstances when the proxies will become inaccurate, i.e. when the proxies will no longer be representative of the stress impacts.

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* 1. Documentation and controls

#### Provide the internal documentation of the iterative calculation methodology. This information is requested to assess the sufficiency of this internal documentation relative to SAM’s governance requirements.

#### Attach the report from an independent third-party on the assessment of the appropriateness and reasonability of the iterative approach.

#### Describe the controls that are in place to provide assurance that the iterative calculations are performed accurately.

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## Results

* 1. Results

#### Provide the required information as set out in the Excel template accompanying this form.

#### Describe the main drivers of the impact on the risk margin of moving from the standard approach to the iterative approach, in light of the risks to which the business is exposed.

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#### Describe the main drivers of the impact on the SCR of moving from the standard approach to the iterative approach, in light of the risks to which the business is exposed

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## Attachment Checklist

* 1. Compulsory attachments

Please complete the following table with details of the attachments provided.

| **Attachment Number** | **Question Number** | **Description** | **Number of pages/sheets** | **Attached** |
| --- | --- | --- | --- | --- |
| A1 | 5.2.1 |  |  |  |
| A2 | 5.2.2 |  |  |  |
| A3 | 6.1.1 | Excel template |  |  |
| A4 | 8 | Consent and Declarations |  |  |

* 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 Fact Sheet on the SARB website for the required consent and declarations that must accompany this form.