GUIDE FOR THE COMPLETION OF THE C68 INSURANCE COMPANY FORM

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South African Reserve Bank

Enquiries relating to this publication should be addressed to:

Economic Statistics Department
South African Reserve Bank
P O Box 427
Pretoria 0001
Dineo Mosime
Dineo.Mosime@resbank.co.za
Tel. no. +27 12 313 3291

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1. Introduction

The purpose of this guide is to explain the interpretation of each line item and column in the C68 form. Guidance is provided on the classification of resident institutional sectors as well as the delineation between residents and non-residents. Guidance is also provided on general issues such as accounting conventions, maturity and the format of values.

2. Guidelines

2.1 Insurance companies

Insurance companies that are established and doing business in South Africa in terms of the Insurance Act 18 of 2017 (Insurance Act) are required to submit the C68 form to the South African Reserve Bank (SARB). Insurers transacting short-term and long-term business are required to submit separate forms for their non-life and life businesses. Reinsurance companies are also required to complete this form.

2.2 Purpose of the C68 form

The SARB is responsible, in terms of both national and international obligations, to produce high-quality statistics for economic policy. In line with this, the purpose of the C68 form is to collect statistical data of insurance companies registered in South Africa. The required data are used to compile macroeconomic statistics which are guided by international agreed-upon statistical manuals.

2.3 Accounting conventions

In general, the information required to generate statistical data for the C68 form is sourced from financial accounting data of the company surveyed. The format of the C68 data has various similarities with that of financial reporting, which is based on International Financial Reporting Standards (IFRS) and not Solvency Assessment and Management (SAM) – but there are some specific differences of how it should be applied for statistical reporting, based on statistical guidelines and methodology.

The statistics required are based on **accrual accounting**. The income statement as well as the assets and liabilities should be reported on a **gross basis** (i.e. should not be netted). **Balances** (stocks at a certain point in time) and **transactions** (flows originating from purchases and sales as well as issues and redemptions) should be recorded at the **time of the transaction** and not at the settlement date. Transactions generating income and expenditure should also be recorded at the time of the transaction. The look-through approach **should not** be followed when completing the C68 form.

2.4 Reporting date and period

All monetary values should be reported in thousands of rand and fields that are not applicable must be null and not zero. **Balances** (stock values) should be as at the **end of the quarter** (the last calendar day of the quarter). Income statement transactions and other **transactions** reported on all tables of the form must be the total of all transactions **for the quarter, not the cumulative amount**. The **transactions** (income and expenditure) and **balances** (line items for columns 1 to 4) should reflect information for the **previous (last) quarter** and **this (current) quarter**.

2.5 Valuations

Assets and liabilities should be **valued at market prices**, where applicable, on the date to which the form relates. If the market price is not available, **fair value estimates** should be used. **Cash and deposits** as well as **loans** should be valued at **nominal values**, including accrued interest. **Transactions** should be recorded at the prevailing prices at which the transactions (purchases/sales) were conducted (i.e. transaction value), excluding service charges, fees, commissions and taxes. Accounts receivable/payable should be valued at nominal value.

2.6 Assets in foreign currency

This refers to the '**of which in foreign currency**' items and relates to **financial assets issued in foreign currency**. The foreign currency value of these financial assets should be converted to South African rand, at prevailing market exchange rates, as on the date to which the balance or transaction relates, and reported as such. For example, investments in South African government bonds issued in US dollars in international markets should be converted from US dollar to rand. The value of offshore financial instruments indexed in foreign currency should be treated as denominated in foreign currency and converted to rand.

2.7 Maturity

Interest bearing (debt) securities and loans statistics are required in **original maturity.** Original maturity should reflect the time between the issue and maturity date of an interest bearing security. The maturity of a financial instrument should be split into short term (one year or less) and long term (more than one year). For example, a bond issued for 10 years with only one year left to maturity should be recorded according to original maturity as long term. **Remaining maturity**, referred to at the two '**of which**' line items under long-term interest bearing securities, is defined as the time left until an interest bearing security matures.

3. Institutional units

An institutional unit is an entity that can:

- own assets and engage in transactions;
- incur liabilities and enter into contracts on own behalf;
- make economic decisions; and
- generate a set of accounts, including assets and liabilities.

3.1 Resident and non-resident

An **institutional unit** is classified as a **resident** of South Africa when it has a predominant centre of economic interest in South Africa, that is, when it has premises within the economic territory of South Africa where it engages or intends to engage in economic activity. There is a difference between an institutional unit and a legal entity. For example, overseas branches or parent companies may be considered part of the legal entity, but should be classified as a separate institutional unit.

The classification of an **institutional unit** as a **non-resident** is based on the concept of residency. The institutional sector counterpart of a financial instrument should be classified as a non-resident if the address/residency of the issuer is outside the borders of South Africa. Even if the entity has a subsidiary in South Africa, but the non-resident entity issues the instrument in its own name, the instrument is still issued by a non-resident entity.

The **residence of the issuer** rather than the country or currency of issuance of the financial instrument determines residency, as shown in the table below.

Determining residency

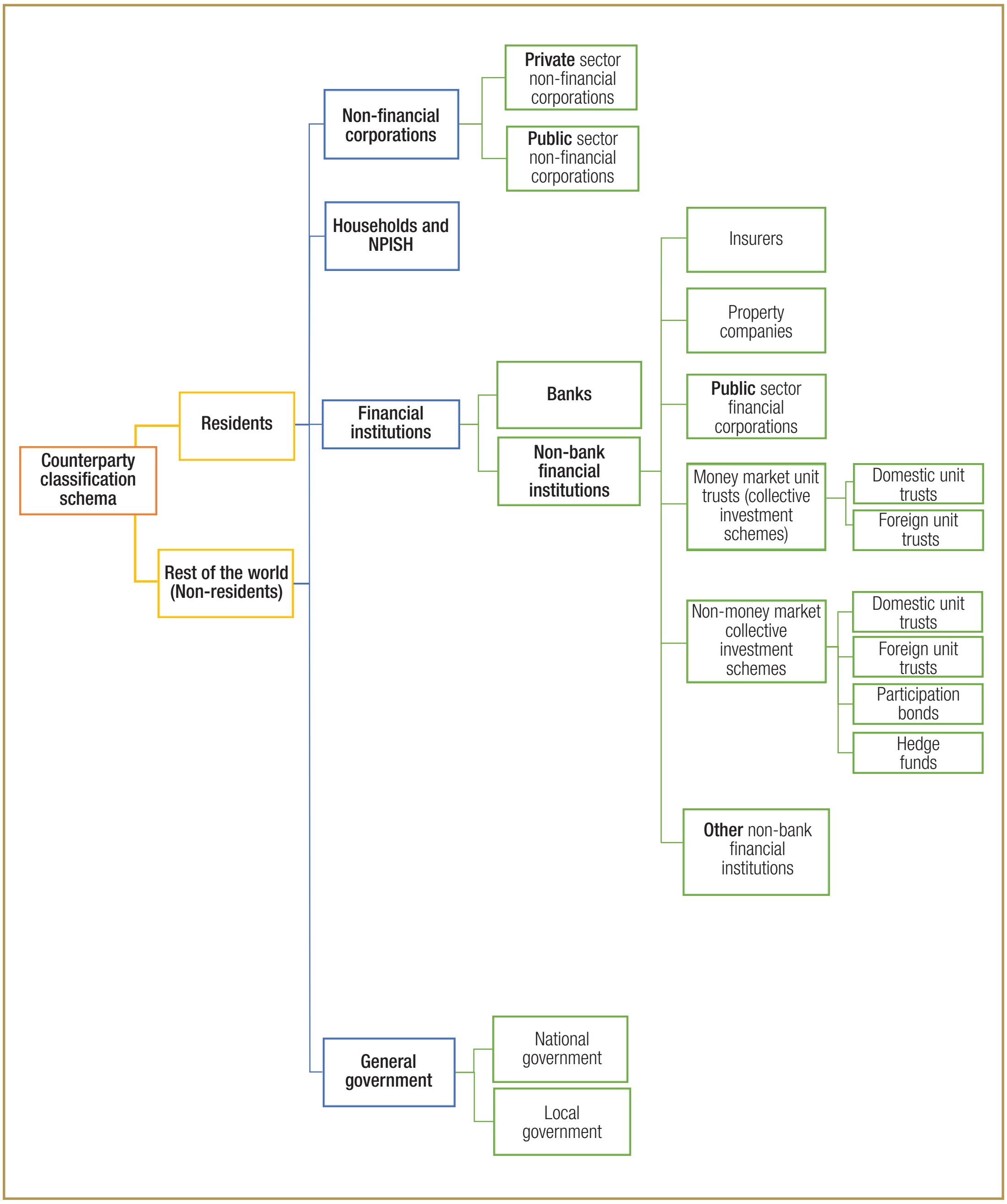
	Issued into the South African market	Issued into a foreign market
Issued by a resident unit	*Resident*	*Resident*
Issued by a non-resident unit	*Non-resident*	*Non-resident*

3.2 Classification of institutional sector counterparties

Institutional units are grouped into **institutional sectors** with similar characteristics.

Institutional sector counterparties are required for both financial asset and liability balances as well as transactions. **Residents and non-residents** are disaggregated into **institutional sectors** in the two columns for South Africa and foreign countries.

Classification of selected institutional sector counterparties relevant to the C68 Form



4. Institutional sectors

The latest SARB *Institutional Sector Classification Guide* should be used as a basis to classify institutions. It is available on the SARB website (https://www.resbank.co.za/en/home/publications/guides/institutional-sector-classification-guide-for-sa).

4.1 Non-financial corporations

These are **private** and **public** sector corporations whose primary activities are to produce market goods and non-financial services.

4.1.1 Private sector non-financial corporations

A private non-financial corporation is a **privately-owned entity** whose primary activity is to produce market goods as well as non-financial services at market prices. These corporations are registered under the Companies Act 71 of 2008 (Companies Act), and operate with the intention to make a profit. A list of private sector non-financial corporations listed on the JSE Limited (JSE) is available on the SARB website (https://www.resbank.co.za/content/dam/sarb/what-we-do/statistics/guides/guides-for-the-completion-of-c-forms/List%20of%20private%20sector%20non-financial%20corporations%20listed%20on%20the%20JSE.pdf). Private sector non-financial corporations with a **secondary listing on the JSE** should be reported in private sector non-financial corporations and 'of which: Companies with secondary listings on the JSE'.

4.1.2 Public sector non-financial corporations

A public non-financial corporation is a **state-owned entity** whose primary activity is to produce market goods as well as provide non-financial services. A list of public sector non-financial corporations is available on the SARB website (https://www.resbank.co.za/content/dam/sarb/what-we-do/statistics/guides/guides-for-the-completion-of-c-forms/List%20of%20public%20sector%20non-financial%20corporations.pdf).

4.2 Households and non-profit institutions serving households

The household sector comprises individuals and unincorporated businesses (e.g. one-man businesses or sole proprietorships). Households should be grouped together with non-profit institutions serving households (NPISH). Individuals, friendly societies and personal trusts should also be included in the household sector.

4.3 Financial institutions/corporations

These comprise banks and non-bank financial institutions, either private or publicly owned.

4.3.1 Banks

A bank is a company (Limited) registered under the Banks Act 94 of 1990 (Banks Act). A list of registered private banks is available on the SARB website (https://www.resbank.co.za/en/home/what-we-do/Prudentialregulation/sa-registered-banks-and-representative-offices). Public sector banks include Ithala Bank, the Land and Agricultural Development Bank of South Africa (Land Bank) and Postbank. Banks with a secondary listing on the JSE should be reported in banks and 'of which: Companies with secondary listings on the JSE'.

4.3.2 Non-bank financial institutions

Non-bank financial institutions are institutions whose main function is to intermediate financial assets and liabilities or engage in activities closely related to financial intermediation. These institutions comprise linked investment service providers, collective investment schemes (comprising money market unit trusts, non-money market unit trusts, participation bonds and hedge funds), trust companies, finance companies, financial auxiliaries, insurers, pension and provident funds, and public sector financial corporations.

4.3.3 Insurers

An insurer (or insurance company) is an entity whose primary business is to provide short-term and long-term insurance to individuals (households) or other institutional units, or to provide reinsurance services to other insurers. A list of all registered insurers is available on the SARB website (https://www.resbank.co.za/content/dam/sarb/publications/prudential-authority/pa-registered-insure/List%20of%20registered%20insurers.pdf). Insurers also include public sector insurers, namely Densecure SOC, Escap SOC, Export Credit Insurance Corporation of South Africa SOC, Khula Credit Guarantee SOC, Land Bank Insurance SOC, Land Bank Life Insurance Company SOC and Sasria SOC. Insurers with a secondary listing on the JSE should be reported in insurers and 'of which: Companies with secondary listings on the JSE'.

4.3.3.1 Subsidiary and associated insurance companies

An insurer is a **subsidiary** of the reporting insurance company if the reporting company holds more than half of the shareholders' voting rights in the subsidiary or if the reporting company has the right to appoint or remove a majority of the subsidiary's directors.

An insurer is an **associate** of the reporting insurance company if the reporting company is able to exert some influence over an associate insurer. The reporting insurance company can own up to 50% of the voting shares.

4.3.4 Property companies

Listed property companies are companies that manage and develop commercial (industrial, offices, retail, etc.) and residential sites. A list of property companies listed on the JSE is available on the SARB website (https://www.resbank.co.za/content/dam/sarb/what-we-do/statistics/guides/guides-for-the-completion-of-c-forms/List%20of%20property%20companies%20listed%20on%20the%20JSE.pdf). Investment in a listed property company with a secondary listing on the JSE should be reported in property companies and 'of which: Companies with secondary listings on the JSE'.

4.3.5 Public sector financial corporations

A public financial corporation is a **state-owned entity** or institution whose primary activity is to provide financial services. A list of public sector financial corporations is available on the SARB website (https://www.resbank.co.za/content/dam/sarb/what-we-do/statistics/guides/guides-for-the-completion-of-c-forms/List%20of%20public%20sector%20financial%20corporations.pdf).

4.3.6 Money market unit trusts (collective investment schemes)

A money market unit trust is a collective investment scheme that pools investors' money with a manager for investment, on their behalf, in assets mostly comprising money market instruments. These money market instruments have an original maturity of one year or less. The value of money market unit trusts is the net asset value (NAV).

4.3.7 Non-money market collective investment schemes

A non-money market collective investment scheme includes non-money market unit trusts, participation bond schemes and hedge funds.

4.3.8 Other non-bank financial institutions

Other non-bank financial institutions exclude non-bank financial institutions already shown in separate line items (sectors) in the C68 form. These include, among others, financial auxiliaries, pension and provident funds, trust companies and finance companies.

4.3.8.1 Financial auxiliaries

Financial auxiliaries are financial institutions that engage in serving financial institutions and markets, but do not take ownership of the financial assets and liabilities. Financial auxiliaries include brokers and agents, clearing houses and stock exchanges.

4.3.8.2 Pension and provident funds

Pension and provident funds are independent pension and provident funds managed by institutional units. Official pension and provident funds are managed in terms of own statutes, while private pension and provident funds were established under the Pension Funds Act 24 of 1956 (Pension Funds Act).

4.3.8.3 Trust companies

A trust company is an entity that holds or administers assets for the benefit of individuals (households) or other institutional units. As such, these entities administer trusts and manage assets and estates that belong to the beneficiaries.

4.3.8.4 Finance companies

A finance company is an entity that obtains funds in various forms such as loans, bonds, debentures or notes, with the sole objective of investing or lending these funds in the form of instalment sale finance, financial leases, mortgage loans and other loans.

4.4 General government

General government consists of the government units that produce services for individual or collective consumption, mainly on a non-market basis, and redistribute income and wealth. General government comprises the central government, which consists of national government, social security funds and extra-budgetary institutions, as well as provincial and local governments. However, only national and local governments issue interest bearing securities and are therefore separately included in the form.

4.4.1 National government

National government is principally engaged in the production and provision of non-market goods and services intended for individual and collective consumption. National government is the institutional sector counterparty for interest bearing securities (government bonds and Treasury bills) issued by the South African government. Interest bearing securities issued by state-owned companies should not be included in national government.

4.4.2 Local government

Local government is a third-tier government unit that provides a wide range of services to institutional units. Local government is the sector counterparty for interest bearing (debt) securities issued by municipalities. A list of local governments (metropolitans) is available on the SARB website (https://www.resbank.co.za/content/dam/sarb/what-we-do/statistics/guides/guides-for-the-completion-of-c-forms/List%20of%20local%20governments%20(metropolitans).pdf).

4.4.3 Government

Investment in short-term interest bearing securities issued by **foreign general governments** such as United States Treasury bills should be reported as 'Government'.

4.5 Companies with secondary listings on the JSE

A secondary listing (dual listing) is when a company is listed on more than one exchange.

Secondary listed shares should be reported in both the respective resident sector and 'of which: Companies with secondary listings on the JSE'. A list of companies with secondary listings on the JSE is available on the SARB website (https://www.resbank.co.za/content/dam/sarb/what-we-do/statistics/guides/guides-for-the-completion-of-c-forms/List%20of%20companies%20with%20secondary%20listings%20on%20the%20JSE.pdf).

To ensure the institutional sector counterparty remains accurate over time, compilers should make reasonable efforts to verify the classification of institutions.

5. Column descriptions (Table 1 and Table 2): Income and expenditure

5.1 Transactions previous quarter (Column 1): Foreign countries

This refers to income and expenditure transactions received from or paid to foreign countries (non-residents) for the previous (last) quarter.

5.2 Transactions previous quarter (Column 2): South Africa

This refers to income and expenditure transactions received from or paid to South African residents for the previous (last) quarter.

5.3 Transactions this quarter (Column 3): Foreign countries

This refers to income and expenditure transactions received from or paid to foreign countries (non-residents) for this (current) quarter.

5.4 Transactions this quarter (Column 4): South Africa

This refers to income and expenditure transactions received from or paid to South African residents for this (current) quarter.

Notes pertaining to the above columns:

- All income and expenditure transactions should be the total for the quarter and not the cumulative amount.
- The columns for foreign countries plus South Africa should be equal to the total for the line items for the quarter.

6. Income and expenditure transactions

6.1 Premiums earned and received in respect of long-term business

This refers to the premiums received (written) and earned by life insurance companies before the deduction of reinsurance ceded. Long-term business premiums relate to insurance and investment policies.

6.1.1 Premiums earned and received: Pension fund and group life insurance

This refers to premiums received by life insurers for pension and provident funds as well as group risk business. Group life business is an insurance policy on behalf of a group of employees (beneficiaries), where a benefit will be paid out in the event of the death of the policyholder. Insurance and investment policy premiums for pension business or employee benefits should be reported here.

6.1.1.1 Premiums earned and received: Pension fund and group life insurance: Switches

A switch occurs when the investment mandate of an insurance and investment policy that relates to pension and group life business changes from one investment product to another.

6.1.2 Retirement annuities

A retirement annuity is a product for which a life insurance company accepts premiums and then invests these funds on behalf of policyholders (annuitants). Single or periodic payments are made to the annuitants upon retirement (i.e. it matures upon the policyholder's retirement). Living annuities should be excluded from retirement annuities as they are reported in a separate line item in the C68 form.

6.1.3 Living annuities

For a living annuity, the annuity amount (income) is not guaranteed, but is dependent on the performance of the underlying investment.

6.1.4 Long-term disability insurance

This is an insurance policy that provides a single payment or periodic payments to replace lost income when the policyholder is unable to work due to illness or injury.

6.1.5 Other business from single premiums

This refers to other lump sum (single) premiums received by life insurers for insurance or investment policies other than single premiums completed in line items above.

6.1.6 Other business from recurring premiums

This refers to other recurring (periodic) premiums received by life insurers for insurance or investment policies other than recurring premiums completed in the line items above.

6.2 Premiums earned and received

This is the proportion of premiums received by insurers that is attributable to the period of risk that relates to the current accounting period. It represents premiums received (written) adjusted by the unearned premiums.

6.2.1 Premiums earned and received: Reinsurance inward business

This refers to the premiums received by reinsurers from a ceding company (insurer). A ceding company is the insurer that purchases reinsurance or enters into a reinsurance agreement with a reinsurer.

6.2.2 Premiums earned and received: Short-term premium business (direct)

This refers to gross premiums earned and received by non-life insurers from policyholders before the deduction of the reinsurance ceded.

6.2.2.1 Short-term premium business (direct): Household sector

This refers to premiums received by non-life insurers directly from individuals (households). A household is made up of an individual or group of individuals, personal trusts and NPISHs.

6.2.2.2 Short-term premium business (direct): Other

This refers to premiums received by non-life insurers from other sectors, such as non-financial and financial private and public corporations.

6.3 Commission on premiums earned

This is commission received on premiums earned.

6.4 Premiums unearned

This is the proportion of gross premiums received (written) that is not earned in the current accounting period, but will be earned in the subsequent period.

6.4.1 Premiums unearned: Reinsurance inward business

This is the proportion of premiums received by reinsurers from ceding insurers that is not earned in the current accounting period, but will be earned in the subsequent period.

6.4.2 Premiums unearned: Short-term premium business (direct)

This is the proportion of direct premiums received by non-life insurers that is not earned in the current accounting period, but will be earned in the subsequent period.

6.4.3 Premiums unearned: Long-term premium business

This is the proportion of premiums received by life insurers that is not earned in the current accounting period, but will be earned in the subsequent period.

6.5 Net capital profit (+) or loss (-) on investments and assets

This refers to the net capital profit or loss on assets of the reporting insurance company.

6.5.1 Changes in foreign exchange rates

This refers to the net capital profit or loss on investments and assets due to changes in the price (exchange rate) of the South African rand relative to another currency (or currencies).

6.5.2 Realised sales of assets

Realised capital gains/losses on the sale of assets occur when the sales price or redemption value of an instrument is higher or lower than its original cost (carrying value) at the time of sale. A realised gain/loss is the difference between the carrying value and the sales price.

6.5.3 Revaluation of assets

Unrealised gains result from an increase in the market value (fair value) of an asset that is still being held by an insurer compared with its original cost. Unrealised losses result from a reduction in value of an asset that is being held compared with its original cost.

6.6 Other income

Other income is income received by the reporting insurer.

6.6.1 Claims and expenses recovered on reinsurance outwards

This refers to the claims and expenses recovered by insurers (ceding company) on reinsurance outwards.

6.6.2 Change in reserves for claims and benefits

The change in reserves for claims and benefits results from changes in reserves for reported claims and losses incurred but not yet reported and any other reserves. Positive changes in reserves should be recorded as income.

6.6.3 Administration fees received

These are fees received by insurers for managing policies, as well as other administrative costs in the event of changes to a policyholder's information.

6.6.4 Dividends received

Dividend income is income received by insurers on their investment. Property income from real estate investment trusts (REITs) should be reported here.

6.6.5 Interest received

Interest income is income received by insurers on their investment. Interest income on funds received under ceded reinsurance should be included under interest received.

6.6.6 Rent received

Rent income is income received on property and land rental, excluding property income from REITs.

6.6.7 Policyholder fees received

These are fees received by insurers on insurance policy premiums.

6.6.8 Deferred acquisition revenue

This refers to direct and indirect revenue that emanates from the conclusion of an insurance contract.

6.6.9 Other

Other income is income that is not mentioned as a separate line item above.

6.7 Total income

This is the sum of all income for the quarter.

6.8 Claims incurred and paid in respect of long-term business

This refers to claims paid by the life insurer to the policyholder in respect of an event covered in the period for which the policy is valid. Claims become due when the event occurs, even if the payment is made some time later.

6.8.1 Claims incurred and paid: At death

These are claims that are paid by the life insurer upon the death of the policyholder.

6.8.2 Claims incurred and paid: At maturity

This refers to claims paid by the life insurer to the policyholder when the specific policy has matured (i.e. the date when the final contractually scheduled principal repayment is due to be paid).

6.8.3 Annuities

This is an amount paid in respect of annuities underwritten by life insurers, usually paid out on retirement if it is a retirement annuity.

6.8.4 Disability and critical illness

This refers to claims paid by the life insurer to the policyholder or list of beneficiaries in the form of cash payments and/or other benefits over a long period of time, upon the event that the policyholder is deemed unable to work as a result of a life-threatening illness or severe disabling injury.

6.8.5 Other claims incurred and paid in respect of long-term business

These are other claims paid by life insurers that are not specified above.

6.9 Claims incurred and paid

These are claims paid by the reporting insurer.

6.9.1 Claims incurred and paid: Reinsurance inward business

These are claims paid by the insurer (reinsurer) to the reinsured party.

6.9.2 Claims incurred and paid: Short-term insurance business (direct)

These are claims paid directly to policyholders by non-life insurers.

6.9.2.1 Short-term insurance business (direct): Household sector

These are claims paid to individuals (households).

6.9.2.2 Short-term insurance business (direct): Other

These are claims incurred and paid to other sectors, such as non-financial and financial private and public corporations.

6.10 Premiums paid on reinsurance outwards

These are premiums paid by the insurer to a reinsurer according to the reinsurance contract.

6.11 Unearned premium provisions on reinsurance outwards

These are provisions on the portion of premiums paid on reinsurance outwards that is unearned.

6.12 Surrenders paid

This refers to the value of an insurance policy paid to the policyholder when the policyholder terminates or withdraw an insurance and investment policy contract before the maturity date is reached or an insured event has taken place.

6.12.1 Surrenders paid: Pension and retirement annuity business

This is the value of terminated pension and retirement annuity insurance policies (business). Insurance policy terminations and withdrawals should be reported here.

6.12.1.1 Surrenders paid: Pension and retirement annuity business: Switches

This refers to the value of pension and retirement annuity insurance policies that is switched from one investment product to another within the same insurance company.

6.12.2 Surrenders paid: Investment business

This is the value of investment policies that is terminated or withdrawn.

6.12.3 Surrenders paid: Other

This refers to the value of other policy surrenders not mentioned above.

6.13 Other expenditure

Other expenditure is described as expenditure that falls outside the scope of the insurance company's core business.

6.13.1 Management fees paid and operational expenses

This refers to fees paid by the insurer to investment companies or fund managers who have invested funds on their behalf. Operational expenses are costs related to administering the running and maintenance of the insurance company.

6.13.2 Commissions paid on direct insurers

This is described as commissions paid by insurers on direct insurance business.

6.13.3 Commissions paid on reinsurance inwards

This is described as commissions paid by reinsurers on reinsurance inward business.

6.13.4 Change in reserves for claims and benefits

The change in reserves for claims and benefits results from changes in reserves for reported claims and losses incurred but not yet reported and any other reserves. Negative changes in reserves should be recorded as expenditure.

6.13.5 Salaries and wages

Salaries and wages (compensation of employees) are paid by the insurer to its employees. Salaries and wages include, among other things, severances, terminations and redundancies.

6.13.6 Employees share schemes

Employee share schemes (or employee stock options) are agreements wherein employees of an insurance company are given the right to buy a specified number of shares in the insurance company, at a fixed price, on a specified date, or within a reasonable period of time after the specified date.

6.13.7 Dividends paid

This refers to dividends paid by insurers to shareholders.

6.13.8 Interest paid

This refers to interest paid by the insurer. This is interest paid to holders of interest bearing securities as well as other interest payments.

6.13.9 Rent paid

This is described as rent paid by insurers for the use of land and buildings.

6.13.10 Indirect tax

Indirect tax is a cost that is levied by the government on goods and services that the insurer itself makes use of, rather than a direct tax. An example is value-added tax (VAT).

6.13.11 Taxation paid

This is described as tax paid by insurers, excluding indirect tax.

6.13.12 Deferred acquisition cost

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts. Deferred acquisition costs represent the proportion of acquisition costs incurred that corresponds to the unearned premium provision.

6.13.13 Other

Other expenditure is expenditure that is not mentioned as a separate line item above.

6.14 Total expenditure

Total expenditure is the sum of all expenditure for the quarter.

7. Column descriptions (Table 3 and Table 4): Equity and liabilities

7.1 Balance at end of previous quarter (Column 1): Foreign countries

This refers to the **value** of the outstanding stock of a financial instrument held or provided by foreign countries at the end of the previous (last) quarter. This balance is therefore the opening balance of this (current) quarter.

7.2 Balance at end of previous quarter (Column 2): South Africa

This refers to the **value** of the outstanding stock of a financial instrument held or provided by South African residents at the end of the previous (last) quarter. This balance is therefore the opening balance of this (current) quarter.

7.3 Balance at end of this quarter (Column 3): Foreign countries

This refers to the **value** of the outstanding stock of a financial instrument held or provided by foreign countries at the end of this (current) quarter. This balance will therefore be the closing balance of this (current) quarter.

7.4 Balance at end of this quarter (Column 4): South Africa

This refers to the **value** of the outstanding stock of a financial instrument held or provided by South African residents at the end of this (current) quarter. This balance will therefore be the closing balance of this (current) quarter.

Note pertaining to the above columns:

The columns for foreign countries plus South Africa should be equal to the total for the line items for the quarter.

8. Financial instruments: Equity and liabilities

8.1 Ordinary share capital

Share capital represents shareholders' own funds (paid-up capital). Share capital should be reported at book value.

8.2 Reserves

Company reserves are all forms of reserves that are identified as equity in the company's balance sheet.

8.2.1 Non-distributable reserves

These are reserve funds that cannot be distributed to shareholders in the form of dividends. These reserves consist of the initial share capital of the company as well as funds raised through the sale of newly issued shares or funds released due to the revaluation of assets.

8.2.2 Distributable reserves

These are reserve funds that can be distributed to shareholders in the form of dividends.

8.2.3 Other reserves

Other reserves are reserves excluding non-distributable and distributable reserves.

8.3 Preference shares

A preference share represents equity ownership in an insurance company without voting rights.

8.3.1 Participating preference shares

Participating preference shares are classified together with ordinary shares as they provide the holder with a claim on a share in the residual value of the insurer on dissolution.

8.4 Long-term interest bearing securities

Interest bearing (debt) securities are securities on which interest is due to be paid, either periodically or at maturity, and with the face value repaid at maturity. A long-term interest bearing security is a financial instrument with an original maturity of **more than one year**. Interest payable on interest bearing securities should be recorded on the balance sheet as it accrues, and not when it is actually paid. Long-term interest bearing securities include bonds, debentures, notes and subordinated debt issued by the reporting insurer.

8.5 Short-term interest bearing securities

A short-term interest bearing security is a financial instrument with an original maturity of **one year or less**. Such securities are predominantly money-market instruments. Interest receivable on interest bearing securities should be recorded on the balance sheet as it accrues, and not when it is actually received. Short-term interest bearing securities include debentures, notes and commercial paper issued by the reporting insurer.

8.6 Loans

A loan is created when a creditor (company) lends funds directly to the reporting insurer. The value of loans on the balance sheet is made up of principal outstanding and accrued interest that has been earned but not been paid. Bank overdrafts should be included in loans. A loan that becomes negotiable must be reclassified as an interest bearing security.

8.7 Long-term policy liabilities

This refers to the estimated actuarial value of a life insurer's liabilities.

8.7.1 Long-term policy liabilities: Insurance contracts

This is described as the estimated actuarial value of contracts under which the life insurer accepts insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

8.7.2 Long-term policy liabilities: Investment contracts

This refers to the estimated actuarial value of contracts that have a form of insurance but do not transfer insurance risk to the reporting company.

8.7.3 Long-term policy liabilities: Other contracts

This is described as the estimated actuarial value of other contracts not specified above.

8.8 Short-term policy liabilities

These liabilities are the estimated actuarial value of a non-life insurer's policy liabilities. Technical provisions should not be reported under short-term policy liabilities.

8.9 Technical provision (gross)

This is the amount a reinsurer or insurer needs to hold in order to meet its expected future obligations on insurance (reinsurance) contracts. Technical provisions should be reported on a **gross basis**, and should not be **netted** against technical reinsurance assets.

8.9.1 Technical provision: Outstanding claims

This is a technical provision that relates to an outstanding claims liability.

8.9.2 Technical provision: Claims incurred but not reported

This is a technical provision that relates to a claim incurred that is not a reported liability.

8.9.3 Technical provision: Unearned premiums

This is a technical provision that relates to an unearned premiums liability.

8.10 Provisions

These are funds put aside by the reporting insurer to cover unexpected events. Technical provisions should not be reported here.

8.10.1 Provisions: Taxation

This refers to provisions made for a tax liability.

8.10.2 Provisions: Deferred tax

This refers to provisions made for a deferred tax liability.

8.10.3 Provisions: Bad debts

This refers to provisions made for bad debts, including the pause of premium payments by policyholders.

8.10.4 Provisions: Reinsurance

This refers to provisions made for a reinsurance liability.

8.10.5 Provisions: Other

This refers to other provisions not specified separately such as provisions for losses on impaired financial assets and the accumulated impairment of losses on non-financial assets.

8.11 Financial derivatives

A financial derivative is a financial instrument that is linked to another specific financial instrument, indicator or commodity, and through which specific financial risks can be traded in their own right in financial markets. The position in financial derivatives should be recorded as the net effective exposure. If the net effective exposure is not available, the derivatives should be valued at either the amount required to buy out or to offset the contract, or the amount of premiums payable for options contracts. A **positive** net effective exposure should be recorded as an **asset** and a **negative** net effective exposure should be recorded as a **liability.**

A distinction should be made between the two categories of financial derivatives, namely (i) option contracts; and (ii) futures, forward and swap contracts.

8.11.1 Option contract

This is an agreement whereby an investor acquires the right but not the obligation to buy (call) or sell (put) a specified underlying item at an agreed strike price on a specified date. The institutional sector counterparty for JSE-traded option contacts is not available, therefore all the exchange-traded derivatives should be reported as 'Other'.

8.11.2 Forward contract

A forward contract is an unconditional agreement in the over-the-counter markets whereby two parties agree to exchange a specified quantity of the underlying item at an agreed price (the strike price) on a specified date, for example forward rate agreements. The institutional sector counterparty is banks or non-bank financial institutions.

8.11.3 Futures contract

A futures contract is a standardised contract similar to a forward contract, but traded on a stock exchange. The institutional sector counterparty for JSE-traded futures contracts is not available, therefore all exchange-traded derivatives should be reported as 'Other'.

8.11.4 Swap contract

A swap contract is a contract between two parties who agree to exchange cash flows based on the reference prices of the underlying items for a defined period. Swap contracts are traded over the counter and the institutional sector counterparty is banks or non-bank financial institutions.

8.12 Reinsurance funds held

These are funds that are withheld by the ceding insurer to reduce a potential credit risk and to retain control over investments, among other things. Funds retained are measured at nominal value.

8.13 Accounts payable

Accounts payable include premiums payable for reinsurance contracts. Accounts payable are measured at nominal value.

8.14 Other liabilities

Other liabilities are financial obligations that have not been specified in the balance sheet liability line items of the C68 form. Other liabilities include unsettled acquisitions of financial instruments.

9. Column descriptions (Tables 5 – 7): Assets

9.1 Balance at end of previous quarter (Column 1): Foreign countries

This refers to the **value** of the outstanding stock of a financial instrument issued by foreign countries at the end of the previous (last) quarter. This balance is therefore the opening balance of this (current) quarter.

9.2 Balance at end of previous quarter (Column 2): South Africa

This refers to the **value** of the outstanding stock of a financial instrument issued by South African residents at the end of the previous (last) quarter. This balance is therefore the opening balance of this (current) quarter.

9.3 Balance at end of this quarter (Column 3): Foreign countries

This refers to the **value** of the outstanding stock of a financial instrument issued by foreign countries at the end of this (current) quarter. This balance will therefore be the closing balance of this (current) quarter.

9.4 Balance at end of this quarter (Column 4): South Africa

This refers to the **value** of the outstanding stock of a financial instrument issued by South African residents at the end of this (current) quarter. This balance will therefore be the closing balance of this (current) quarter.

9.5 Transactions: purchases and new issues (Column 5)

This refers to the **value** of securities (such as shares, unit trusts and interest bearing securities) that have been bought, as well as the **value** of securities that are offered for sale for the first time in the market (new issues). These financial transactions relate to the acquisition of financial assets of each type of financial instrument including corporate actions for this (current) quarter. All financial transactions should be recorded on a **gross basis**, therefore transactions for purchases and new issues should not be **netted** against transactions for sales and redemptions for all instruments.

9.6 Transactions: sales and redemptions (Column 6)

This refers to the **value** of securities (such as shares, unit trusts and interest bearing securities) that have been sold, as well as the **value** of the principal amount of securities that reached their maturity date and/or were redeemed. These financial transactions relate to the selling of financial assets of each type of financial instrument including corporate actions in this (current) quarter. All financial transactions should be recorded on a **gross basis**, therefore transactions for sales and redemptions should not be **netted** against transactions for purchases and new issues for all instruments.

Notes pertaining to the above columns:

- The sum of columns 1 and 2 (previous quarter) plus column 5 minus column 6 is **not** equal to the sum of columns 3 and 4 (this quarter). The difference relates to **revaluation** and **other volume changes** which could occur due to the re-classification of financial instruments.
- Where shaded (blocked), balances, purchases and new issues, as well as sales and redemptions are not required.

10. Non-financial assets

10.1 Non-financial assets of reporting company

Assets that are not financial assets are described as non-financial assets. Non-financial assets are further subdivided into 'produced' and 'non-produced'.

10.1.1 Land and buildings

This refers to the value of land and buildings owned by the reporting company. Land and buildings include owner-occupied property as well as investment properties, but exclude investment in listed property companies.

10.1.1.1 Value of land

The value of land should exclude the value of improvements (which is included under **other** non-financial assets) and exclude the value of buildings on the land. When the value of land cannot be separated from the value of the buildings, the composite asset should be classified in the category representing the greater part of its value. Land is valued at its current price paid by a new owner, excluding the costs of ownership transfer.

10.1.2 Machinery and equipment

Machinery and equipment refers to assets other than those specified separately in non-financial assets. Machinery and equipment should be reported on a **net of depreciation** basis.

10.1.3 Vehicles

Vehicles consist of transport equipment such as motor vehicles of the reporting insurer.

10.1.4 Computer equipment

Information and communication technology (ICT) equipment consists of devices that use electronic controls and also the electronic components that form part of these devices.

10.1.5 Software

Software consists of computer programs, program descriptions and supporting materials for both systems and applications software of the reporting insurer.

10.1.6 Database

Databases consist of files of data organised in such a way as to permit resource-effective access and use of the data. Databases may be developed exclusively for own use or for sale as an entity or for sale by means of a licence to access the information contained. Databases for sale should be valued at the market price. The value of a software component should be recorded under software.

10.1.7 Other non-financial assets

This refers to other non-financial assets not specified separately, such as inventories and other intangible assets.

11. Financial instruments: Assets

11.1 Listed ordinary shares including participating preference shares

An **ordinary share** represents equity ownership and voting rights in a listed company.

A **preference share** represents equity ownership in a company without voting rights. **Participating preference shares** are classified together with ordinary shares as they provide the holder with a claim on a share in the residual value of the company on dissolution.

11.2 Other equity instruments listed on the JSE

Other listed equity instruments are all the other forms of equity held in a corporation that are not ordinary and participating preference shares, such as exchange-traded notes and investment products.

11.3 Unlisted ordinary shares including participating preference shares

An unlisted ordinary share represents equity ownership that gives the holder voting rights in a company that is not listed on a stock exchange.

Investment in private equity funds should be included in unlisted ordinary shares. Private equity funds invest in instruments that are similar to equity instruments of unlisted companies.

11.4 Non-participating preference shares

Holders of non-participating preference shares do not participate in the issuer's residual assets on liquidation like participating preference shares, therefore investment in non-participating preference shares is requested separately on the form.

11.5 Money market unit trusts (collective investment schemes)

A money market unit trust is a collective investment scheme that pools investors' money with a manager for investment, on their behalf, in assets mostly consisting of money market instruments. These money market instruments have an original maturity of one year or less. The value of money market unit trusts is the net asset value (NAV).

11.5.1 Domestic money market unit trusts

Refer to South African (domestic) registered money market funds.

11.5.2 Foreign money market unit trusts

Refer to foreign (non-resident) registered money market funds.

11.6 Non-money market collective investment schemes

A non-money market collective investment scheme includes non-money market unit trusts, participation bond schemes and hedge funds.

Non-money market unit trusts exclude money market unit trusts and invest in equity, as well as interest bearing and multi-asset portfolios. **Fund of funds** unit trusts are non-money market unit trusts that invest in other domestic or foreign unit trusts. The value of non-money market unit trusts is the NAV.

Exchange-traded products comprise the following three sub-categories, namely (i) exchange-traded funds (ETF); (ii) exchange-traded commodities or currencies (ETC); and (iii) exchange-traded notes (ETN). ETFs registered as collective investment schemes invest unit holders' capital, therefore unit holders have a claim on the fund's assets and should be classified as non-money market unit trusts. ETC and ETN are only backed by the credit of the issuer and are therefore interest bearing securities. ETC and ETN are senior unsubordinated debt that are issued by a single issuer. Unlike ETF, ETC and ETN do not hold the underlying assets in a trust for their investors.

11.6.1 Domestic non-money market unit trusts

Refer to South African (domestic) registered non-money market funds.

11.6.2 Foreign non-money market unit trusts

Refer to foreign (non-resident) registered non-money market funds.

11.6.3 Participation bonds

A participation bond scheme is a collective investment scheme whereby investors' money is pooled with the objective of providing loans to real estate developers.

11.6.4 Hedge funds

A hedge fund is a collective investment scheme that makes use of pooled funds using a variety of investment strategies.

11.7 Long-term interest bearing securities

Interest bearing (debt) securities are securities on which interest is due to be paid, either periodically or at maturity, and with the face value repaid at maturity. A long-term interest bearing security is a financial instrument with an original maturity of **more than one year**. Interest receivable on interest bearing securities should be recorded on the balance sheet as it accrues, and not when it is actually received. Long-term interest bearing securities include bonds, debentures, notes (e.g. credit-linked notes), subordinated debt and asset-backed securities such as mortgage-backed bonds. Debt securities with **embedded financial derivatives** should be classified as interest bearing securities.

Equity linked notes (ELN) are typically privately placed interest bearing (debt) instruments. An ELN differs from conventional debt instruments as the principal, coupons or both are linked to the performance of an equity index or individual share. Although the return on the ELN is linked to the underlying equity, it should not be classified as equity or a derivative.

11.7.1 Characteristics of interest bearing securities

- They are negotiable and can be traded on secondary markets.
- The holder has the unconditional right to a fixed or contractually determine income in the

form of coupon payments and/or a stated fixed sum on a specific date or dates, or starting from a date specified at the time of issue.

11.8 Short-term interest bearing securities

A short-term interest bearing security is a financial instrument with an original maturity of **one year or less**. Such securities are predominantly money market instruments. Interest receivable on interest bearing securities should be recorded on the balance sheet as it accrues, and not when it is actually received. Short-term interest bearing securities include debentures, notes, bills of exchange, negotiable certificates of deposit (NCD), commercial paper, promissory notes and Treasury bills. These instruments should be reported in **long-term interest bearing securities** if they have an original maturity of more than one year.

11.8.1 Negotiable certificates of deposit

An NCD is a negotiable-bearer interest bearing (debt) security issued by a bank at face value and can be traded in the secondary market.

11.8.2 Treasury bills

A Treasury bill is a short-term interest bearing security issued by national government. Treasury bills are sold at a discount and carry no coupon. Treasury bills are issued at different maturities of up to 12 months.

11.8.3 Land Bank bills

A Land Bank bill is a short-term discount interest bearing security that is issued by the Land Bank.

11.8.4 Promissory notes issued by banks

A promissory note is a written, dated and signed two-party instrument containing an unconditional promise by the bank to pay a payee on demand or at a specified future date.

11.9 Other short-term interest bearing securities

These include short-term interest bearing securities other than NCDs, Treasury bills, Land Bank bills and promissory notes issued by banks with an original maturity of one year or less.

11.9.1 Commercial paper

Commercial paper is an unsecured interest bearing security issued by a corporation to finance accounts receivable, inventories or short-term liabilities.

11.9.2 Debentures

A debenture is an interest bearing security that is not secured by any physical asset or collateral. A debenture with a maturity of one year or less should be classified as a short-term interest bearing security.

11.10 Financial derivatives

A financial derivative is a financial instrument that is linked to another specific financial instrument, indicator or commodity, and through which specific financial risks can be traded in their own right in financial markets. The position in financial derivatives should be recorded as the net effective exposure. If the net effective exposure is not available, the derivatives should be valued at either the amount required to buy out or to offset the contract, or the amount of premiums payable for options contracts. A **positive** net effective exposure should be recorded as an **asset** and a **negative** net effective exposure should be recorded as a **liability**.

A distinction should be made between the two categories of financial derivatives, namely (i) option contracts; and (ii) futures, forward and swap contracts.

11.10.1 Option contract

This is an agreement whereby an investor acquires the right but not the obligation to buy (call) or sell (put) a specified underlying item at an agreed strike price on a specified date. The institutional sector counterparty for JSE-traded option contacts is not available, therefore all exchange-traded derivatives should be reported as 'Other'.

11.10.2 Forward contract

This is an unconditional agreement in the over-the-counter markets whereby two parties agree to exchange a specified quantity of the underlying item at an agreed price (the strike price) on a specified date, for example forward rate agreements. The institutional sector counterparty is banks or non-bank financial institutions.

11.10.3 Futures contract

A futures contract is a standardised contract similar to a forward contract, but traded on a stock exchange. The institutional sector counterparty for JSE-traded futures contracts is not available, therefore all the exchange-traded derivatives should be reported as 'Other'.

11.10.4 Swap contract

A swap contract is a contract between two parties who agree to exchange cash flows based on the reference prices of the underlying items for a defined period. Swap contracts are traded over the counter and the institutional sector counterparty is banks or non-bank financial institutions.

11.11 Long-term loans (including repos and security lending)

A loan is created when the reporting insurer lend funds to another sector such as households or corporations. Long-term loans are loans with an original maturity of **more than one year**. Loans are valued at nominal value, with the outstanding claim including accrued interest.

A repo is a repurchase agreement where securities are provided for cash with an agreement to repurchase the same or similar securities on a specified future date.

Security lending is an arrangement whereby a holder transfers securities to a borrower, subject to the same (or similar) securities to be returned on a specified date or on demand.

The three categories of securities lending include:

- Backed by cash collateral: the transaction is similar to a repo transaction and should be treated as a collateralised loan.
- Backed by securities as collateral: the transaction should be recorded as off balance sheet by both the lender and the borrower. Therefore, the transaction should not be reported in the C68 form.
- Not backed by any collateral: the transaction should be reported in the C68 form.

11.12 Short-term loans (including repos and security lending)

These are loans with an original maturity of **one year or less.**

11.13 Long-term reinsurance assets

These are reinsurance assets of a life insurer.

11.14 Technical reinsurance assets (gross)

Technical reinsurance assets result from reinsurance undertaken by the reporting reinsurer or non-life insurer. Technical reinsurance assets should be reported on a **gross basis**, and should not be **netted** against technical provisions.

11.14.1 Technical reinsurance assets: Outstanding claims

These are reinsurance assets that result from outstanding claims.

11.14.2 Technical reinsurance assets: Claims incurred but not reported

These are reinsurance assets that result from claims incurred but not reported.

11.14.3 Technical reinsurance assets: Unearned premiums

These are reinsurance assets that result from unearned premiums.

11.15 Provisions

These are funds received by the reporting insurer as provision made to cover unexpected events.

11.15.1 Provisions: Deferred tax

These are funds received on deferred tax provisions.

11.15.2 Provisions: Reinsurance

These are funds received on reinsurance asset provisions.

11.15.3 Provisions: Other

These are other provisions that are not specified separately in the C68 form.

11.16 Cash and deposits

Cash and deposits comprise notes and coin on hand, as well as transferable and other deposits. **Money market instruments** are not part of cash and deposits and should be reported in **short-term interest bearing securities**. Cash and deposits should be reported at nominal value including accrued interest.

11.16.1 Notes and coin on hand

This refers to physical bank notes and coins that are held by the reporting insurer. Notes and coins should be reported at nominal value.

11.16.2 Transferable deposits

Transferable deposits are deposits that are directly transferable on demand to make payments without incurring penalties or restrictions. These deposits include transactional accounts such as cheque accounts, as well as credit and debit payment facilities.

11.16.3 Other deposits

Other deposits are non-transferable deposits with an agreed maturity (fixed-term), where early withdrawal is subjected to a penalty. These deposits include time (fixed) and saving accounts. Other deposits also include call deposits.

11.17 Reinsurance funds held

Reinsurance funds held consist of funds placed with ceding insurers to guarantee contractual liabilities for assumed reinsurance. Funds retained are measured at nominal value.

11.18 Accounts receivable

Accounts receivable are financial assets that are created where there is a timing difference between transactions and corresponding payments. Examples of accounts receivable are unsettled sales of financial instruments, as well as interest and dividend receivables.

11.19 Other assets

Other assets are asset types not specified in the balance sheet line items of the C68 form.