



Insurance Act, 2017

Communication 3 of 2018

Designation of insurance groups and controlling companies

Objective of this communication

This communication sets out the process that previously registered insurers should follow if they are part of a group of companies.

This communication also sets out the process that will be followed by the Prudential Authority for the designation of insurance groups and controlling companies in respect of previously registered insurers.

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1. Application

This communication is relevant to all insurers that were registered as insurers under the Long-term Insurance Act, 1998 (LTIA) or the Short-term Insurance Act, 1998 (STIA), or both, as the case may be, as at 30 June 2018 and are part of a group of companies. These insurers are referred to as “previously registered insurers” in this communication.

2. Purpose

This communication sets out the process that previously registered insurers should follow if they are part of a group of companies.

This communication also sets out the process that will be followed by the Prudential Authority (PA) for the designation of insurance groups and controlling companies
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under the Insurance Act, 2017 (the Act) in respect of previously registered insurers.

3. What is a group of companies for purposes of the Act?

- 3.1. The Act defines a “group of companies” as any group of related or inter-related juristic persons, including a group of companies as defined in section 1 of the Companies Act, 2008.
- 3.2. The Act defines “related” and “inter-related” with reference to the Companies Act, 2008 and “juristic person” with reference to the Financial Sector Regulation Act, 2017.
- 3.3. Previously registered insurers shall in determining if they are part of a group of companies take note of the definitions of “group of companies”, “related” and “inter-related” in the Companies Act, 2008 and “juristic person” in the Financial Sector Regulation Act, 2017.

4. What does the transitional arrangements in the Act require?

- 4.1. Schedule 3 to the Act provides for transitional arrangements to facilitate the implementation of the Act.
- 4.2. Item 12 of Schedule 3 stipulates as follows: *A previously registered insurer that is part of a group of companies must, within two months of the effective date, notify the Prudential Authority thereof, and provide the PA with detailed information on the structure of the group of companies, its holding company and intra-group transactions.*

5. What does the Act provide for in respect of the designation of insurance groups and licensing of controlling companies?

- 5.1. Section 10 of the Act provides for the designation of insurance groups and licensing of controlling companies.
- 5.2. The PA may, for the purpose of facilitating the prudential supervision of insurers, designate as an insurance group -
 - a) an insurer;
 - b) any juristic person that is part of the group of companies of which the insurer is a part; and
 - c) any associate¹, or related or inter-related person of any juristic person that is part of the group of companies referred to above.
- 5.3. A designated insurance group need not include all the juristic persons, associates, or related and inter-related persons referred to above.
- 5.4. The PA must as part of designating an insurance group also designate the

¹ Section 1 of the Act provides that “associate” has the meaning set out in the International Financial Reporting Standards issued by the International Accounting Standards Board or a successor body.

holding company or juristic person that must apply for a licence as a controlling company of that insurance group.

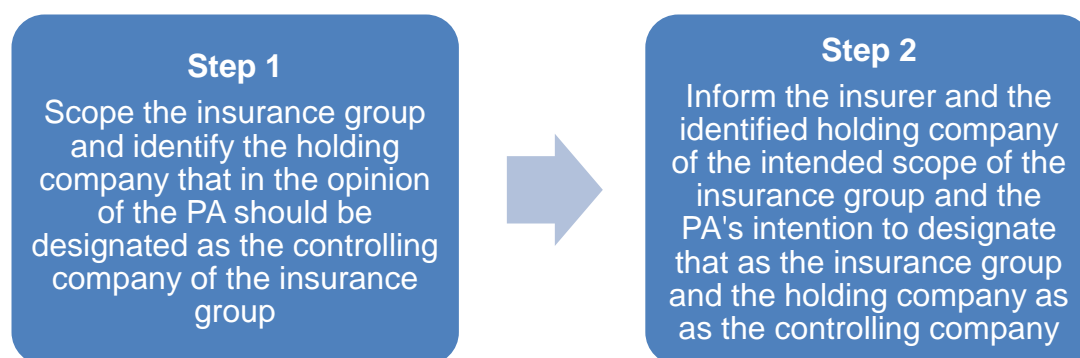
- 5.5. The designated controlling company must, within 30 days of the designation, apply to be licensed as a controlling company of that insurance group.

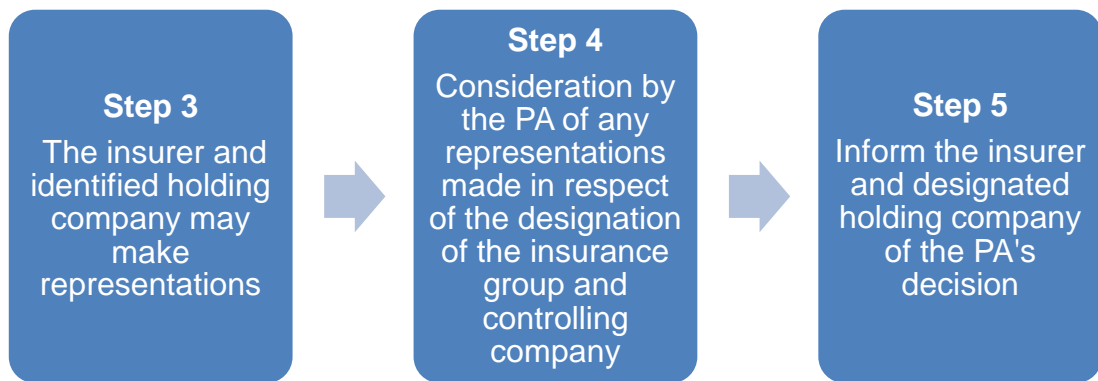
6. What process should previously registered insurers follow?

- 6.1. Previously registered insurers must by no later than close of business, on 1 September 2018 notify the PA and provide the information required in terms of Item 12 of Schedule 3 of the Act.
- 6.2. The form of notification is not prescribed by the PA. The form of the notification is therefore at the discretion of the insurer.
- 6.3. The information on the structure of the group of companies, its holding company and intra-group transactions that must accompany the notification must include –
- a) a full diagrammatic representation of the group reflecting shareholders of each company within the group together with the percentage shareholding to the level of the ultimate holding company notwithstanding jurisdiction of incorporation (entire group of companies structure);
 - b) all intra-group transactions (on and off balance sheet i.e contingent liabilities, guarantees ect); and
 - c) all the outsourcing arrangements within the group.
- 6.4. Notifications must be submitted electronically via the secured email facility provided to you by the PA.

7. What process will the PA implement for the designation of insurance groups and controlling companies?

- 7.1. The PA will implement the following 5-step process for the designation of insurance groups and controlling companies on receipt of the notification and detailed information:





7.2. In Step 1 the PA will take into consideration:

- a) Insurance groups scoped during the parallel run.
- b) The entities included in the consolidated International Financial Reporting Standards (IFRS) accounts.
- c) All entities within the overall group structure including those that have control over insurers.
- d) Any entity that may be significant to the insurance group's capital position or financial standing.
- e) All parts of the group that may pose potential risk to the licensed insurers.
- f) Entities with significant influence over other entities within the group.
- g) Entities that can potentially pose risks to, and if realised, could result in significant losses for the group.