SOUTH AFRICAN RESERVE BANK
Prudential Authority

APPLICATION FORM IF024

APPLICATION FOR APPROVAL TO TRANSFER ASSETS AND LIABILITIES

The purpose of this document

This application form needs to be completed when applying for approval to transfer all or any part of the assets and/or liabilities relating to the insurance business of one insurer to another, as required in terms of section 50 of the Insurance Act 18 of 2017 (Act) and:

- in respect of an insurer, section 4.2 of the Governance and Operational Standards for Insurers Transfers of Business (GOI 6);
- in respect of a microinsurer, section 10 of the Governance and Operational Standards for Microinsurers (GOM);
- in respect of Lloyd's, section 9.1 of the Governance and Operational Standards for Lloyd's (GOL); and
- in respect of a branch of a foreign reinsurer, section 9.1 of the Governance and Operational Standards for Branches (GOB).

Important information to complete this form

Before completing this form, please 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.

1. Company information and reason(s) for approval

1.1 Does this application relate to a/an[1]:

☒ **Insurer**

☐ **Microinsurer**

☐ **Lloyd's**

☐ **Branch of a foreign reinsurer**

[1] For the purposes of this form, references made to an 'insurer' includes a microinsurer, Lloyd's and the branch(es) of a foreign reinsurer.

1.2 Please provide the following details for this application:

Transfer date	2023/06/30
Transferor insurer number	I106
Transferor insurer name	Lombard Insurance Company Limited
Transferee insurer number	I029
Transferee insurer name	The Hollard Insurance Company Limited

1.3 Please provide the reason(s) for seeking this approval:

Lombard Insurance Company Limited ("Lombard") and The Hollard Insurance Company Limited ("Hollard"), collectively referred to as the ("Parties") have entered into a Sale and Purchase Agreement.

Lombard will be transferring a portion of its intermediated general commercial and personal lines insurance business ("Lombard Broker Partners division") to Hollard in exchange for a purchase consideration determinable by the continued performance of the book of business being transferred and is payable in tranches.

2. Contact and basic information

2.1 Contact details of the person for correspondence related to this form:

This must be someone who works for the applicant, not a professional advisor.

Title	Mr.
First name(s)	Thapelo
Surname	Metsileng
Position	Head of Compliance
Business address	4th Floor 22 Wellington Road Parktown Johannesburg 2193
Contact number	067 055 8072
Email address	ThapeloMe@lombardins.com

2.2 Details of professional advisor(s):

2.2.1 Have you used a third-party professional advisor(s) to help with this form?

☒ **No** ➔ Continue to section 2.3.

☐ **Yes** ➔ Complete the remainder of this section.

2.2.2 Please 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.

Name of firm(s)	
Title	
First name(s)	
Surname	
Position	
Business address	
Contact number	
Email address	

2.3 Other information:

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

☐ **No** ➔ Continue to section 3.

X **Yes** ➔ Complete question 0.

2.3.2 Please provide a summary of, or list, the additional information, including the reason(s) for providing this additional information, and attach it to this form.

At a meeting held on 21 October 2024 between the FSCA and the PA (the "Authorities"), and the Parties, it was proposed that 30 June 2023 be used as the effective regulatory date for this application, as it reflects the most recent available audited financial information for both Parties. The Authorities further requested that following information be submitted with the application:

(a) The rationale from the Parties explaining why this transaction not considered material in terms of Section 51 of the Insurance Act, and

(b) A copy of the proposed communication plan, which excludes advertising in the Government Gazette.

3. Specific information

3.1 Details of the transfer:

3.1.1 Which assets and/or liabilities will be transferred?

In terms of the Sale of Business Agreement between Hollard and Lombard, a cash payment will be made to Hollard to support their acceptance of the following liabilities and related assets being transferred from Lombard as part of the sale:

1. Lombard's current Unexpired Risk (*net of deferred acquisition costs) of R97 million as of 30 June 2023.

- Note 1: This amount is calculated by subtracting deferred acquisition costs of R37m from a gross unexpired risk reserve of R134m.

2. A total of R7 million in staff costs as of 30 June 2023.

- Note 2: This is calculated as the aggregate amount of R3 million in outstanding leave pay and R4 million in provisions for bonuses.

3. Intellectual Property in relation to Lombard Broker Partners' insurance business.

4. Potential liabilities associated with procurement contracts under in relation to Lombard Broker Partners.

3.1.2 Please describe the nature of the items mentioned in 3.1.1 above.

The below is a further description of the nature of the liabilities and assets to be transferred from Lombard to Hollard:

1. The unexpired risk reserve and acquisition costs being transferred relate to 5,602 policies, the majority of which are intermediated and administered through binder brokers. Notably, 80% of these policies are administered by 15 binder brokers, only 8% of policies are on-platform. The high concentration of policy management among a small group of brokers is largely due to strong long-standing relationships between policyholders and brokers, with brokers having deep knowledge and understanding of their clients' insurance needs.

2. The staff costs relate to 47 employees from LBP who will be transferred to Hollard through a section 197 transfer in accordance with the Labor Relations Act. This transfer ensures that the employees will retain their existing terms and conditions of employment. No immediate changes to the roles or structure of these employees are anticipated, ensuring continuity in the administration and servicing of the policies to be transferred.

3. Intellectual Property relates following in relation to Lombard Broker Partners' insurance business:

- The technology and operating systems used in the business;

- Know-how related to the operations of the business (including the manner of engagement with and management of relationship with brokers); and

- The policy wordings, products, and rating structures offered to brokers.

3.1.3 Section 17 of the Act and Chapter 11 of the Financial Sector Regulation Act 9 of 2017 (FSR Act) require approval from the PA to effect a change to the significant ownership of an insurer. Will the proposed transfer lead to a change in the significant ownership of the transferor and/or transferee insurer(s)?

☒ **No change in significant ownership**

☐ **Change in significant ownership of the transferor insurer**

☐ **Change in significant ownership of the transferee insurer**

3.2 Details regarding affected policyholders:

3.2.1 Which of the following applies to the transferring policyholders of the *transferor* insurer?

☐ **The transferring policyholders have been made aware**

☒ **The transferring policyholders will be made aware**

☐ **The transferring policyholders have signified consent**

☐ **The transferring policyholders will be asked to signify consent**

3.2.2 Which of the following applies to the remaining policyholders of the *transferor* insurer that are materially affected by the transaction?

☐ **The remaining policyholders have been made aware**

☒ **The remaining policyholders will be made aware**

☐ **The remaining policyholders have signified consent**

☐ **The remaining policyholders will be asked to signify consent**

☐ **None of the transferor insurer's remaining policyholders will be materially affected**

3.2.3 Which of the following applies to the policyholders of the *transferee* insurer that are materially affected by the transaction?

☐ **The policyholders have been made aware**

☐ **The policyholders will be made aware**

☐ **The policyholders have signified consent**

☐ **The policyholders will be asked to signify consent**

☒ **None of the transferee insurer's policyholders will be materially affected**

3.2.4 Will the terms of the new policies be the same as, or differ from, the terms of the original policies? Please explain.

The terms and conditions of the new policies to be issued by Hollard will remain the same.

3.2.5 Please attach full details of how the insurer proposes to communicate the action to policyholders (a communication plan), including timelines, communication notices, and details of the documents that will be made available for inspection.

3.2.6 Please attach proof of the written consent of the policyholders (where available).

4. Results

4.1 Details regarding the assets and liabilities transferring:

4.1.1 The transferor and transferee insurers must express the business to be transferred as a percentage of their total assets and liabilities. Please specify these details in the table below.

	% of transferor insurer	% of transferee insurer
Assets	1.46%	0.62%
Liabilities	1.6%	0.74%
Date as at which assets and liabilities were taken	30 June 2023	30 June 2023

4.2 Results:

Please provide the following as attachments accompanying this form:

4.2.1 the quantitative reporting templates (QRTs) for both the transferor and the transferee insurers reflecting their respective financial positions before the proposed transfer and the pro forma financial positions after the proposed transfer;[2]

4.2.2 copies of the financial statements for both the transferor and the transferee insurers at the effective date;[3]

4.2.3 a copy of the written agreement or other documentation, as the case may be, between the transferor and transferee insurers;

4.2.4 copies of the resolutions authorising the proposed transfer by the boards of directors (boards) of both the transferor and the transferee insurers;

4.2.5 an out-of-cycle own risk and solvency assessment (ORSA) report where the transfer could result in a material change in the risk profile of the acquirer;

4.2.6 a timetable setting out the timelines for the implementation of the necessary actions and/or procedures, including any necessary communications to the policyholders of both the transferor and the transferee insurers (the timetable must include the effective date and/or implementation date of the transfer, and the PA will indicate whether the timetable is acceptable); and

4.2.7 the report from the Head of the Actuarial Function, for both the transferor and the transferee insurers, giving an actuarial view of the impact of the proposed transfer on the financial soundness of the transferor and transferee insurers.

[2] The quantitative reporting templates submitted must be signed off by the Head of the Actuarial Function.
[3] The effective date will be established according to deliberations between the PA and the applicant.

5. Attachment checklist

5.1 Compulsory attachments:

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

Attachment number	Question number	Description	Number of pages	Attached
A1	4.2.1	Group or solo QRTs		☐
A2	**Error! Reference source not found.**	Financial statements		☐
A3	4.2.3	Written agreement		☒
A4	4.2.4	Board resolutions		☒
A5	**Error! Reference source not found.**	Out-of-cycle ORSA report (if applicable)		☐
A6	4.2.5	Timetable		☒
A7	4.2.6	Head of Actuarial Function's report		☒
A8	6	Consent and declarations		☒

5.2 Other attachments:

Please complete the following table with details of the attachments provided, also indicating the number of pages per each attachment. For example, attachments might be required if there was insufficient space to include the information in the form itself or if your responses in this form referred to external documents. Create additional rows for each attachment included.

Attachment Number	Question Number	Description	Number of pages/sheets	Attached

6. Consent and declarations

To assess the application or notification, the PA needs to ensure that the information in the application or notification is complete and accurate. It may be shared with, and verified by, other regulatory authorities. Please see the Fact Sheet on the SARB's website for the required consent and declarations that must accompany this form.