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| **APPLICATION FORM IF007**  **APPLICATION FOR APPROVAL TO ENTER INTO A TRANSACTION THAT MAY ENCUMBER AN ASSET** |

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| **Purpose of this document**  This application form needs to be completed when applying for approval to enter into a transaction that may encumber an asset as required in terms of section 36(6)(a) of the Insurance Act, 2017 (the Act) and:   * In respect of an insurer, section 4.5 of Financial Soundness Standard for Insurers Valuation of Assets and Liabilities Other than Technical Provisions (FSI 2.1); and * In respect of an insurance group, section 5.1(a) of the Financial Soundness Standard for Insurance Groups Accounting Consolidation Method (FSG 3).   The Prudential Authority will, if approval is granted, in terms of section 4.6 of FSI 2.1 determine how the asset may be recognised for determining eligible own funds. |

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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 an insurer or to an Accounting Consolidation group (“AC group”) within an insurance group?

**Insurer**

**AC group within insurance group**

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

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| **Insurer/Insurance group number** |  |
| **Insurer/Insurance group name** |  |
| **Effective date for which approval is requested** |  |

* 1. **Provide the reason(s) for seeking this approval**

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## Contact and Basic Information

* 1. Contact details of the person for correspondence related to this form

This must be someone who works for the insurance company and not a professional advisor.

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| **Title** |  |
| **First names** |  |
| **Surname** |  |
| **Position** |  |
| **Business address** |  |
| **Contact number** |  |
| **Email address** |  |

* 1. Details of professional advisors

#### Have you used third-party professional advisors to help with this form?

**No** 🡺 Continue to section 2.3.

**Yes** 🡺 Complete the remainder of this section

#### 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, e.g.:

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| **Name of firm** |  |
| **Title** |  |
| **First names** |  |
| **Surname** |  |
| **Position** |  |
| **Business address** |  |
| **Contact number** |  |
| **Email address** |  |

* 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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## Specific Information

* 1. Information of transaction(s) that may lead to encumbrance of an asset

#### Provide details of the transaction or set of transactions that may lead to the encumbrance of an asset.

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#### Has the transaction(s) referred to in question 3.1.1 already been entered into?

**No** 🡺 Continue to section 3.1.4

**Yes** 🡺 Complete question 3.1.3

#### Provide reasons for not previously applying for approval to enter into this transaction(s).

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#### Provide details of alternative arrangements (if any) that can be used instead of the encumbrance of assets and why the encumbrance of assets is deemed the most suitable option.

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* 1. Information of the encumbered assets

#### Provide a description of the asset(s) that may be encumbered.

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#### Provide the name(s) of the counterparties to whom the asset(s) may be encumbered.

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#### Describe the relationship between the insurer and the counterparty referred to in question 3.2.2.

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#### Specify whether the encumbered asset(s) will be held by a custodian on behalf of the insurer.

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#### Indicate the commencement date and the period for which the asset(s) may be encumbered.

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#### Describe the legal circumstances under which the encumbered assets may be called upon by the counterparty referred to in question 3.2.2 and indicate what the likelihood is of the asset(s) being called upon.

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#### Provide reasons why the insurer believes that the encumbered asset(s) or part thereof should be recognised for financial soundness purposes.

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#### Provide the current value of the asset(s) before encumbrance.

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#### Provide the value of the asset(s) before encumbrance and the value of the asset(s) after encumbrance as a percentage of the total assets for financial soundness purposes.

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#### Describe the methodology used in determining the value that may be recognised for financial soundness purposes in question 3.2.9.

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#### Provide descriptions of control mechanisms that will be put in place to monitor the ongoing exposure of the asset(s) that may be encumbered.

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#### Attach a copy of the (draft) contractual agreement of the transaction, or set of transactions, that may lead to the encumbrance of the assets.

#### Attach the internal policy of the insurer that contains details for the allowance and treatment of asset encumbrances.

## Attachment Checklist

* 1. Compulsory attachments

Complete the following table with details of the attachments provided.

| **Attachment Number** | **Question Number** | **Description** | **Number of pages/sheets** | **Attached** |
| --- | --- | --- | --- | --- |
| A1 | 3.2.12 | Contractual agreement |  |  |
| A2 | 3.2.13 | Internal policy |  |  |
| A3 | 5 | 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 |  | 8 |  |

## 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.