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| **APPLICATION FORM IF031**  **APPLICATION FOR APPROVAL TO USE A SPECIAL PURPOSE VEHCILE FOR INCLUSION OF RISK MITIGATION INSTRUMENTS IN CALCULATING THE SCR** |

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| **Purpose of this document**  This application form needs to be completed when applying for approval to use a Special Purpose Vehicle (SPV) that may be included as a risk mitigation instrument in the calculation of the SCR, as required in terms of section 36(6)(a) of the Insurance Act, 2017 (the Act) and:   * In respect of an insurer, Attachment 1 section B.2 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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| --- | --- |
| **Insurer/Insurance group number** |  |
| **Insurer/Insurance group name** |  |
| **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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## Contact and Basic Information

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

This must be someone who works for the 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. Description and background information of the SPV arrangement

#### Provide the name of the SPV and the purpose of the SPV arrangement.

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#### Provide the value and nature of the liabilities that you plan to transfer to the SPV.

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#### Select the option that applies to the SPV mentioned in question 3.1.1:

**The Prudential Authority or another regulator in South Africa** 🡺 Continue to question 3.1.8

**The jurisdiction is on the Prudential Authority’s Equivalence List** 🡺 Complete question 3.1.4

**Other jurisdiction** 🡺 Complete question 3.1.5 to 3.1.7

#### Provide details of the regulatory jurisdiction including the regulator supervising/regulating the SPV.

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#### Provide an assessment of the quality of the regulatory and supervisory regime in the foreign jurisdiction in which the SPV is domiciled.

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#### Provide an assessment of compliance of the foreign jurisdiction’s regime with international standards and best practices.

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#### Provide an assessment of the adequacy of the insolvency laws governing proceedings in the foreign jurisdiction.

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#### Provide the SPV arrangement as an attachment to this form. The SPV arrangement must be unambiguous with complete and final agreement on all material terms and conditions of the arrangement, documented in writing, by all parties prior to the arrangement’s effective date, as specified in section 8 of Governance and Operational Standard for Insurers Reinsurance and Other Forms of Risk Transfer by Insurers (GOI 3.3).

#### Provide the opinion of the insurer’s actuarial function on the appropriateness of the SPV arrangement in accordance with the requirements in section 8 of GOI 3.3 as an attachment to this form.

## Effective Transfer of Risk

* 1. Transfer of risk

#### Is the transfer of risk effective in all circumstances?

**No** 🡺 Complete question 4.1.2

**Yes** 🡺 Continue to question 4.1.3

#### Describe the circumstances under which the risk transfer is not effective (e.g. any connected transactions which could undermine the effective transfer of risk).

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#### Is the extent of the risk transfer arrangement clearly defined and incontrovertible?

**No** 🡺 Complete question 4.1.4

**Yes** 🡺 Continue to question 4.1.5

#### Describe the circumstances under which the risk transfer arrangement conditions referred to in question 4.1.3 does not hold.

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#### Are the claims of the providers of debt or financing mechanisms at all times subordinated to the reinsurance obligations of the SPV to the insurer?

**No** 🡺 Complete question 4.1.6

**Yes** 🡺 Continue to question 4.1.7

#### Describe the circumstances under which the claims referred to in question 4.1.5 are not subordinated to the reinsurance obligations of the SPV to the insurer.

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#### Provide details of retained and/or residual risk, apart from the counterparty risk and explain how you have allowed for these risks.

| **Retained and/or residual risk** | **Details of allowance for risk** |
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| e.g. Retained risk (caps built into the SPV arrangement) |  |
| e.g. Residual risk (basis risk) |  |

## Governance System of the SPV

* 1. Fit and proper requirements for key persons

#### Confirm that an application will be submitted for approval to the Prudential Authority for fit and proper requirements of the key persons of the SPV.

**Confirm that the above is true**

#### Confirm that the Prudential Authority will be notified of the identity of the person(s) who effectively run the SPV.

**Confirm that the above is true**

#### Confirm that the Prudential Authority will be notified if there are any changes to the person(s) who effectively run the SPV.

**Confirm that the above is true**

* 1. Fit and proper requirements for significant owners

#### Confirm that an application will be submitted for approval to the Prudential Authority for fit and proper requirements of the significant owners of the SPV.

**Confirm that the above is true**

#### Confirm that the Prudential Authority will be notified of the identity of the significant owners of the SPV.

**Confirm that the above is true**

#### Confirm that the Prudential Authority will be notified if there are any changes in the significant owners of the SPV.

**Confirm that the above is true**

* 1. Risk management requirements

#### Does the SPV have written policies for risk management, internal control, administrative and accounting procedures and, where relevant, outsourcing?

**No** 🡺 Complete question 5.3.3

**Yes** 🡺 Continue to question 5.3.2

#### Provide a reason of why you believe the written risk policies that the SPV has in place are sufficient.

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#### Does the SPV have an effective risk management system comprising of processes and procedures necessary to identify, measure, monitor, manage and report on an ongoing basis the risks to which the SPV is exposed?

**No** 🡺 Complete question 5.3.4

**Yes** 🡺 Continue to section 6

#### Provide a reason of why you believe the risk management system referred to in question 5.3.3 is not effective and describe how you will incorporate this into your own risk management system.

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## Solvency Requirements

* 1. Solvency requirements

#### Provide an assessment of the financial soundness of the SPV providing a description of the basis, methods and assumptions used in the determination of the financial soundness. Include all business that the SPV writes in the assessment. Attach any relevant information.

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#### Highlight the main differences between the method used for financial solvency in question 6.1.1 and the principles for calculating solvency using the Financial Soundness Standards.

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## Results

* 1. Results

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

## 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 | 3.1.8 | SPV arrangement |  |  |
| A2 | 3.1.9 | HAF opinion |  |  |
| A2 | 7.1.1 | Excel template |  |  |
| A3 | 9 | Consent and Declarations |  |  |

* 1. Other attachments

Complete the following table with details of the attachments provided, also indicating the number of pages/sheets 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 | 2.2.1 | Contact details of professional advisors | 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.