

**Report of the Head of Actuarial
Function**

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**Section 50 transfer of non-life
insurance business from Hollard to
Centriq**

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1. Purpose

The purpose of this document is to provide the Board of Centriq Insurance Company Limited ("Centriq") with an opinion on the soundness of the Section 50 transfer of business from Hollard Specialist Insurance Limited (previously known as Regent Insurance Limited, and hereinafter referred to as "Hollard") to Centriq. Soundness is defined as the ability to maintain post-transaction a financially sound condition on the Prudential Supervision Reporting basis, as determined in accordance with the Insurance Act. The effective date of the transfer application is 30 June 2018.

This document is written with guidance from the following documents:

- Actuarial Practice Note 403: Head of Actuarial Function for South African Insurers;
- Actuarial Practice Note 401: Valuation and calculation of technical provisions using non-life insurance valuation principles;
- Prudential Standard GOI 6: Transfer of business and other significant transactions by insurers; and
- Insurance Act (of 2017) and specifically referring to Section 50.

2. Background

As a condition to the acquisition of Regent Insurance by the Hollard Group, a specified segment of the non-life insurance business underwritten need to be transferred to another non-life insurer. The business being transferred is a specified section of the policies underwritten within the ring-fenced cell captive which is owned by Motus Corporation Proprietary Limited ("Motus"). Centriq has been selected as the transferee company. A new cell is being set up within Centriq specifically for the purposes of this transfer, which will be owned by Motus through a preference share arrangement with Centriq.

3. Business to be transferred

The business to be transferred is non-life motor policies. The liability to be transferred consists of an unearned premium provision ("UPP") as well as a provision for unearned fees to manage the transferred business. The UPP is based on historical earning patterns that indicates how the incidence of risk is spread over the duration of the motor policies. A corresponding cash asset equal to the liability will be transferred. All claims liabilities will remain with Hollard and are therefore not included in the transfer.

4. Financial Soundness

The best estimate of premium provision on the Prudential Supervision Reporting basis results in a lower reserve compared to the transferred IFRS UPP. This will result in sufficient Own Funds being available within the cell to cover the Solvency Capital Requirement ("SCR") of the transferred business.

The table below summarises the solvency position of Centriq as at 30 June 2018 both before and after the transfer.

Section OF1 - Statement of Solvency Position

	Before Transfer	After Transfer
Solvency Cover		
MCR	2.51	2.50
SCR	1.13	1.12
Summary of Solvency Position		
Total Assets	5,951,501	6,081,453
Total Liabilities	4,399,888	4,465,684
Basic Own Funds / Excess Assets	1,551,613	1,615,769
Own funds eligible to meet MCR	621,224	663,972
Own funds eligible to meet SCR	619,982	662,730
Summary of Liabilities		
BEL	3,660,828	3,696,565
Risk Margin	15,645	20,755
Other liabilities	723,415	748,364
Summary of Capital Requirements		
MCR	247,203	265,214
SCR	549,341	589,365

Centriq's SCR Cover ratio will reduce from 1.13 before the transfer to 1.12 after the transfer and the Minimum Capital Requirement ("MCR") Cover ratio will reduce from 2.51 before the transfer to 2.50 after the transfer.

Conclusion

Based on the analysis above I can conclude the following:

- Centriq will remain in a financially sound position following the transfer of business; and
- the financial security of the current policyholders as well as those transferring to Centriq will not be adversely affected by this transfer.



Anton van Rooijen

Centriq Insurance Company Limited

Head of Actuarial Function

5 December 2018