



South African Reserve Bank

Prudential Authority

APPLICATION FORM IF021

APPLICATION FOR APPROVAL TO AFFECT MATERIAL ACQUISITIONS OR DISPOSALS

Purpose of this document

This application form needs to be completed when applying for approval to affect material acquisitions or disposals, as required in terms of section 51 of the Insurance Act, 2017 (the Act).

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 includes important information including the consent and declarations required.

1. Company information and reason for approval

1.1 Does this application relate to:

- Insurer
 Controlling company

1.2 Does this application relate to:

- Acquisition
 Disposal

1.3 Provide the following details for this application:

Insurer/Insurance group number

I262

Insurer/Insurance group name

Dotsure Limited

Valuation date of results

2020/06/30

Effective date for which approval is requested

2021/06/30

1.4 Describe the reason for seeking this approval

Dotsure Limited requires the Prudential Authority's approval in acquiring a book of insurance business from The Hollard Insurance Company Limited (to be transferred in terms of section 50) in terms of Section 51 of the Insurance Act, 18 of 2017, due to the fact that the acquisition constitutes a material acquisition by Dotsure in terms of section 51 read with GOI 7.

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 company and not a professional advisor.

Title	Mr
First names	Thapelo
Surname	Metsileng
Position	Senior Manager: Risk and Compliance
Business address	127A York Street George 6529
Contact number	(044) 805 3270
Email address	Thapelo@dotsure.co.za

2.2 Details of professional advisors

2.2.1 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

2.2.2 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.:

Name of firm	Webber Wentzel
Title	Mr

First names	Johan
Surname	Henning
Position	Partner
Business address	90 Rivonia Road, Sandhurst Sandton
Contact number	011 530 5385
Email address	Johan.henning@webberwentzel.com

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 Prudential Authority to assess this form?

- No** → Continue to section 3
 Yes → Complete question 2.3.2

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.

3. **Specific Information**

3.1 Details regarding the planned acquisition/disposal

3.1.1 Name of entity applicable to the acquisition/disposal.

Dotsure Limited

3.1.2 Describe the main business conducted by the entity referred to in question 3.1.1?

Non-Life Insurance Business

3.1.3 What jurisdiction does the entity referred to in question 3.1.1 operate in?

South Africa

3.1.4 Was a due diligence or similar investigation in respect of this application conducted?

- No** → Continue to question 3.1.8
 Yes → Complete question 3.1.5

3.1.5 Describe why a due diligence or similar investigation was not deemed necessary.

Not Applicable

3.1.6 Describe the extent of the due diligence, or similar investigation, as well as who conducted the investigation.

A full internal due diligence process was conducted internally and focus on the following main areas:

- Valuation of assets and liabilities under consideration
- Past performance of the target book
- Review of claims, underwriting and debit processes
- Pricing environment
- System processes
- Staff remuneration, pension and other benefits

- Review of products
- Analysis of risk exposure
- Review of third-party agreements
- Risk and audit reporting
- NCR process
- Litigation matters
- Product scripting
- Reinsurance
- Impact on SCR

This was conducted was by our Actuarial, Risk, Finance and Legal Departments.

3.1.7 Summarise the findings of the due diligence conducted for the new acquisition (where relevant).

The due diligence found that the acquisition of the business would be viable and that Dotsure would be able to absorb the additional business and remain financially and operational sound.

3.1.8 How will the acquisition/disposal affect the current business offering of the insurer?

Dotsure will shift the focus of business to direct business and reduce our exposure to third party underwriters such as UMAs and Binders.

However, no existing direct policies would be impacted by the proposed acquisition.

3.1.9 State the price to be paid for the acquisition/amount to be received from the disposal.

The transaction is structured as an asset for share transaction with a transactional value of circa. R171.36m.

3.1.10 Select an option below indicating how the acquisition (where relevant) will be financed:

Encumbrance of assets

Loan funding

Excess assets

3.1.11 Provide details of additional approvals required for the acquisition/disposal.

The Hollard Insurance Company Limited will lodge a section 50 application for purposes of the transfer of the insurance business to Dotsure.

Dotsure will further lodge applications in terms of sections 158 of the Financial Sector Regulations Act 9 of 2017 and 17 of the Insurance Act 18 of 2017 following the approval of the section 50 and 51 applications in respect of the change in ownership and the following entities becoming significant owners:

Hollard Fundco (RF) Proprietary Limited becoming a significant owner with approx* [18.33%] shareholding in Dotsure

Sand Olive Proprietary Limited acquiring all the Badger Holdings Proprietary Limited shares held by Mountain Cypress Investments Proprietary Limited, to increase its existing 3.4% shareholding in Dotsure to approx.* [24.67%].

Hollard Holding Proprietary Limited becoming an overall significant owner of Dotsure in excess of 40%, but not exceeding 45% of the total issued shares.

3.1.12 Describe the impact on the insurer if the Prudential Authority does not consider the application favourable.

- 1) Opportunity costs for Dotsure
- 2) Sunk costs of research and development
- 3) Revision of company objectives and strategy
- 4) Loss of revenue from the binder business as part of our direct strategy

3.1.13 Indicate why the acquisition/disposal is material (select all that apply):

- Impacts the risk profile of the insurer/insurance group** → Complete question 3.1.14
- Impacts the profitability of the insurer/insurance group** → Complete question 3.1.15
- Impacts on the quality of the operational soundness framework of the insurer/insurance group, including the ability to manage its risks and meet its legal and regulatory obligations** → Complete question 3.1.16 and question 3.1.17

Increases the risk to policyholders

→ Complete question 3.1.18, question 3.1.19 and question 3.1.20

Impacts the ability of the Prudential Authority to monitor the insurer's/insurance group's compliance with its regulatory obligations

→ Complete question 3.1.21

3.1.14 Provide a summary of the changes to the risk profile as a result of the acquisition/disposal.

The risk profile of the insurer will decrease as a result of an increase in economies of scale and a reduction in reliance on third party underwriters.

3.1.15 Quantify the expected impact of the acquisition/disposal on the profitability of the insurer/insurance group, outlining the method and the most important assumptions used.

Dotsure is expected to make a profit on the book of business to be acquired of approx. R21.5 million in the first year of operations. These initial low profits are expected to increase in the long run.

3.1.16 Provide details regarding the impact of the acquisition/disposal on the quality of the operational soundness framework of the insurer/insurance group, outlining the impact on the ability to manage its risks and meet its legal and regulatory obligations.

Not Applicable.

3.1.17 How will the insurer/insurance group manage the impacts described in question 3.1.16 above?

Not Applicable.

3.1.18 Explain why the acquisition/disposal will result in an increase in risk to the policyholders?

The risk to policyholders would only slightly increase as a result of a lower solvency position of the Insurer.

The insurer is expected to remain financially sound, thus the increase in risk to policyholders would be immaterial. Any material increase in risk to policyholders will be mitigated through the use of reinsurance arrangements.

3.1.19 Has the increase in risk been communicated to the affected policyholders?

No

Yes

3.1.20 How does the insurer plan to manage the risks described in question 3.1.18 above?

In the event of there being a material increase in risk to policyholders, the Insurer will consider risk mitigation techniques, including reinsurance.

3.1.21 Explain why the acquisition/disposal will impact the ability of the Prudential Authority to monitor the insurer's/insurance group's compliance with its regulatory obligations, including ways in which the insurer/insurance group will assist the Prudential Authority in effectively monitoring its compliance.

Not Applicable.

3.1.22 How will the acquisition/disposal affect the current business offerings of the insurer?

There will no material changes to the current business offerings as a result of the acquisition.

4. Results

4.1 Results

4.1.1 Complete the attached Excel spreadsheet showing details of the current financial soundness as well as the financial soundness should approval be given.

4.1.2 Attach the latest annual financials, if this application is in respect of a new acquisition.

4.1.3 Attach an out-of-cycle ORSA report as an attachment accompanying this form.

4.1.4 Attach timelines for the governance structures of the group to be embedded in the acquired entity, if applicable.

5. Attachment Checklist

5.1 Compulsory attachments

Complete the following table with details of the attachments provided.

Attachment Number	Question Number	Description	Number of pages/sheets	Attached
A1	4.1.1	Excel template	5	<input checked="" type="checkbox"/>
A2	4.1.3	ORSA	125	<input checked="" type="checkbox"/>
A2	0	Consent and Declarations	5	<input checked="" type="checkbox"/>

5.2 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

6. 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.