

## Insurance Act, 2017

### Communication 1 of 2018

#### Implementation of transitional reporting obligations as set out in Item 8 of Schedule 3 to the Insurance Act, 2017

##### ***Objective of this communication***

*This communication aims to address a number of industry queries relating to Item 8 (Reporting) of Schedule 3 (Transitional Arrangements) to the Insurance Act, 2017.*

*This communication is relevant to all insurers registered or deemed to have been registered under the Long-term Insurance Act, 1998, the Short-term Insurance Act, 1998, or both, as the case may be, whose financial year end falls before the effective date of the Insurance Act (envisaged as 1 July 2018).*

*This communication clarifies what reporting is expected of these insurers pre- and post the effective date of the Insurance Act, 2017 under Item 8 of Schedule 3 to the Insurance Act, 2017.*

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#### **1. Application**

This communication is relevant to all insurer registered or deemed to have been registered under the Long-term Insurance Act, 1998, the Short-term Insurance Act, 1998, or both, as the case may be, whose financial year end falls before the effective date of the Insurance Act, 2017 (the Act), envisaged as 1 July 2018, with the exception of Lloyd's as Item 11 of Schedule 3 to the Act provides a specific transitional arrangement relating to Lloyd's. These insurers are referred to as 'previously registered insurers' in this communication.

#### **2. Purpose**

This communication clarifies the implications of Item 8 of Schedule 3 to the the Act for previously registered insurers whose financial year end falls before the effective date.

It also clarifies what reporting is expected of these insurers pre- and post the effective date of the Act, which is envisaged as 1 July 2018.

### **3. The implications of Item 8 of Schedule 3 and expected reporting**

Schedule 3 sets out the transitional arrangements that apply from the effective date of the Act.

Item 8 to that Schedule provides that a previously registered insurer whose financial year end falls before the effective date, must, despite the effective date, comply with the reporting obligations imposed under the Act in respect of that financial year.

The reporting obligations that are relevant for purposes of Item 8 of Schedule 3 are set out in Chapter 7 (Reporting and Public Disclosures) of the Act.

These reporting obligations and the extent of their application are summarised in the Table below.

Columns 1 to 3 of the Table summarises the obligations.

Column 4 of the Table clarifies the application of these obligations to previously registered insurers post the effective date of the Act.

Column 5 of the Table sets out the reporting that is expected of these previously registered insurers pre- and post the effective date of the Act.

<b>Section</b>	<b>Heading</b>	<b>Requirement</b>	<b>Application to previously registered insurers</b>	<b>Expected reporting pre-and post the effective date of the Act</b>
43	Information concerning beneficial interests	An insurer must, when required to do so by the Prudential Authority (PA), provide the PA with any information the PA may require in the form, manner and containing the particulars which the PA determines, in respect of the names of its shareholders, other holders of a beneficial interest, and the size of their shareholding	The section only finds application when the PA requires the information.  Some information will be required as part of the information to be determined under section 44 of the Act.	None in addition to what will be provided for in the information to be determined under section 44 of the Act.

Section	Heading	Requirement	Application to previously registered insurers	Expected reporting pre-and post the effective date of the Act
		and other beneficial interests, as the case may be, and the name of any person who, directly or indirectly, has the power to require the shareholders referred to above to exercise their rights as shareholders in the insurer or controlling company in accordance with such person's directions or instructions.		
44	Information for supervisory purposes	An insurer must provide the PA with any information the PA may reasonably require in the form, manner and at the intervals determined by the PA for the supervision and enforcement of the Act (including the resolution of an insurer or a controlling company).	<p>The PA will prior to 1 July 2018 determine the form, manner and intervals at which information must be provided for supervisory purposes. This information is colloquially referred to as the Annual and Quarterly Quantitative and Qualitative Reporting Templates.</p> <p>The form, manner and intervals at which information must be provided will leverage of the form, manner and intervals at which information is provided as part of</p>	Previously registered insurers must continue to report as part of the parallel run and after 1 July 2018 report in accordance with the determination that will be made under this section.

Section	Heading	Requirement	Application to previously registered insurers	Expected reporting pre-and post the effective date of the Act
			the parallel run <sup>1</sup> .	
45	Annual disclosures	An insurer must annually, by no later than four months after its financial year end, publicly disclose the prescribed quantitative and qualitative information in full, or by way of prominent references to information equivalent in nature and scope disclosed publicly under any other law or legal obligation, in the form and manner as may be prescribed.	<p>No Prudential Standard requiring public disclosures will be prescribed with an effective date of 1 July 2018.</p> <p>As no requirements will be prescribed there is no obligation to disclose.</p> <p>A draft Prudential Standard prescribing public disclosures will be consulted on post 1 July 2018 with an envisaged effective date of 1 January 2019.</p>	Previously registered insurers will only be required post 1 January 2019 to publicly disclose information in accordance with this section of the Act.
46(1)	Annual financial statements and accounting requirements	An insurer must annually prepare, in respect of the relevant financial year of the insurer, annual financial statements in accordance with the Companies Act and International Financial Reporting Standards issued by the International Accounting Standards Board or a successor body.	Insurers are already required to do so in accordance with the Companies Act.	Insurers must comply with the Companies Act.

<sup>1</sup> The dual reporting process that was initiated in July 2014, to prepare the industry for the implementation of the Act, in which insurers are required to report information under the proposed legislative framework along with the existing reporting required under the Long-term Insurance Act, 1998 (Act No. 52 of 1998) and the Short-term Insurance Act, 1998 (Act No. 53 of 1998).

Section	Heading	Requirement	Application to previously registered insurers	Expected reporting pre-and post the effective date of the Act
46(2)		The PA may prescribe additional statements that must be included in the annual financial statements of an insurer after consultation with any relevant regulatory authority.	The PA will not prescribe additional statements that must be included in the annual financial statements in the foreseeable future.  As no requirements will be prescribed there is no obligation to disclose.	None.
47(1)	Auditing requirements	An insurer must annually cause the following to be audited and reported on by its auditor in accordance with auditing pronouncements as defined in section 1 of the Auditing Profession Act:  (a) Such of the information referred to in sections 44 and 45 as prescribed; and  (b) the annual financial statements referred to in section 46.	No Prudential Standard requiring the auditing and reporting by its auditor of the information referred to in sections 44 and 45 or the annual financial statements referred to in section 46 will be prescribed with an effective date of 1 July 2018.  As no requirements will be prescribed there is no obligation to disclose.  A draft Prudential Standard requiring the auditing and reporting by its auditor of the information referred to in sections 44 and 45 or the annual financial	<i>Information referred to in section 44:</i> As stated above, previously registered insurers must continue to report as part of the parallel run and after 1 July 2018 report in accordance with the determination that will be made under this section.  Previously registered insurers will only be required post 1 January 2019 to cause the information to be prescribed to be audited and reported on by its auditor in accordance with this section of the Act, unless the PA has in writing instructed the previously

Section	Heading	Requirement	Application to previously registered insurers	Expected reporting pre-and post the effective date of the Act
			statements referred to in section 46 will be consulted on post 1 July 2018 with an envisaged effective date of 1 January 2019.	<p>registered insurer to cause the information to be audited and reported on by its auditor.</p> <p><i>Information referred to in section 45:</i> Previously registered insurers will only be required post 1 January 2019 to cause the information to be prescribed to be audited and reported on by its auditor in accordance with this section of the Act.</p> <p><i>Annual financial statements referred to in section 46:</i> Previously registered insurers are required to comply with this requirement.</p>
47(2)(a)		The audited annual financial statements of the insurer must be submitted to the PA and made available to the public within the prescribed period after its financial year-end.	<p>No Prudential Standard providing for the period within which audited financial statements must be submitted to the PA and made available to the public will be prescribed with an effective date of 1 July 2018.</p> <p>As no requirements will</p>	<p>Previously registered insurers are required to submit its audited financial statements to the PA by no later than four months after its financial year end.</p> <p>Previously registered insurers will only be required post 1 January 2019 to</p>

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			<p>be prescribed there is no obligation to disclose.</p> <p>A draft Prudential Standard prescribing the period will be consulted on post 1 July 2018 with an envisaged effective date of 1 January 2019.</p>	make their audited financial statements publicly available.
47(5)		The PA may, in addition to auditing pronouncements as defined in section 1 of the Auditing Profession Act, prescribe auditing standards or requirements in respect of the information referred to sections 41, 44 and 45.	<p>The PA will not prescribe additional auditing requirements in respect of the information referred to sections 41, 44 and 45.</p> <p>As no requirements will be prescribed there is no obligation to disclose.</p>	None.

## 4. Conclusion

### 4.1 Information for supervisory purposes:

The PA will, prior to 1 July 2018, determine the form, manner and intervals at which information must be provided for supervisory purposes. This information is colloquially referred to as the Quarterly Reporting Template and Annual Quantitative and Qualitative Reporting Templates. The form, manner and intervals at which information must be provided will leverage off the form, manner and intervals at which information is provided as part of the parallel run.

Previously registered insurers –

- must continue to report as part of the parallel run and after 1 July 2018 report in accordance with the determination that will be made under section 44 (Information for supervisory purposes) of the Act;
- will only be required post 1 January 2019 to cause the information to be prescribed under section 47 (Auditing requirements) of the Act to be audited and reported on by its auditor in accordance with this section of the Act, **unless** the PA has in writing instructed the previously registered insurer to cause the information to be audited and reported on by its auditor.

#### **4.2 Annual disclosures:**

Previously registered insurers will only be required post 1 January 2019 to –

- publicly disclose information in accordance with section 45 (Annual disclosures) of the Act; and
- cause the information to be prescribed under section 47 (Auditing requirements) of the Act to be audited and reported on by its auditor.

#### **4.3 Annual financial statements:**

Previously registered insurers –

- must comply with section 46 (Annual financial statements and accounting requirements) the Act and the Companies Act;
- are required to submit its audited financial statements to the PA by no later than four months after its financial year end; and
- will only be required post 1 January 2019 to make their audited financial statements publicly available.

#### **4.4 Proposed Prudential Standard(s):**

A draft Prudential Standard or draft Prudential Standards will be consulted on post 1 July 2018 with an envisaged effective date of 1 January 2019 prescribing -

- the quantitative and qualitative information that an insurer must annually, by no later than four months after its financial year end, publicly disclose, and the form and manner in which the information must be disclosed (section 45 - Annual disclosures);
- the information referred to in sections 44 (Information for supervisory purposes) and 45 (Annual disclosures) that an insurer must annually cause to be audited and reported on by its auditor in accordance with auditing pronouncements as defined in section 1 of the Auditing Profession Act: as prescribed; and
- the period within which the audited annual financial statements of the insurer must be submitted to the PA and made available to the public after its financial year-end (section 47(2)(a) – Auditing requirements).