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SOUTH AFRICAN RESERVE BANK
Prudential Authority

Insurance Act No. 18 of 2017

Notice of the variation of licensing conditions in terms of section 26 of the Insurance Act, 2017 (Act No. 18 of 2017): Mutual & Federal Risk Financing Limited

I, Fundi Tshazibana, with the concurrence of the Financial Sector Conduct Authority, and acting in terms of section 126(1)(a) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) read with section 26(1)(a) and 26(4) of the Insurance Act, 2017 (Act No. 18 of 2017) (the Insurance Act), hereby give notice of the variation of licensing conditions of Mutual & Federal Risk Financing Limited (MFRF).

In terms of this notice, the classes and sub-classes of the non-life insurance business that MFRF is currently licensed to conduct are hereby varied to include:

CLASS OF BUSINESS	SUB-CLASS	DESCRIPTION
Marine	Personal lines	Inside and outside South Africa

Extent of the variation and conditions

- (i) The varied licensing conditions came into effect on 15 December 2022.
- (ii) MFRF is only permitted to conduct non-life insurance business in the approved classes and sub-classes specified in Annexure A, and subject to the conditions as set out in Annexure B, attached hereto.

Fundi Tshazibana
Chief Executive Officer

Date:

Annexure A

Approved classes and sub-classes of non-life insurance business

CLASS OF BUSINESS	SUB-CLASS	DESCRIPTION
Motor	Personal Lines	Inside the Republic of South Africa (RSA)
	Commercial Lines	
Property	Personal Lines	Inside RSA
	Commercial Lines	
Agriculture	Commercial Lies	Inside RSA
Engineering		Inside RSA
Marine	Personal Lines	Inside and outside RSA
	Commercial Lines	
Aviation	Personal Lines	Inside RSA
Transportation	Personal Lines	Inside RSA
	Commercial Lines	
Liability	a. Director and Officers b. Employer Liability c. Product Liability d. Professional Indemnity e. Public Liability	Inside and outside RSA
	Other	
Consumer Credit	Personal Lines	Inside RSA
Trade Credit		Inside RSA
Guarantee		Inside RSA
Accidental and Health	a. Personal Lines – Individual	Inside RSA
	b. Commercial Lines – Individual	Outside RSA in respect of Commercial Lines - Group
	c. Commercial Lines Group	
Miscellaneous	Personal Lines – In respect of Pet Insurance, Warranty and Terrorism business.	Inside RSA
	Commercial Lines – In respect of Emergency Assistance product and Terrorism business.	

CLASS OF BUSINESS	SUB-CLASS	DESCRIPTION
Reinsurance	Proportional Non-Proportional	Inside and outside RSA Proportional and Non-Proportional inwards reinsurance in respect of the classes and sub-classes under Annexure B (Condition number B.2)

Annexure B

License conditions as per section 25(8) of the Act

B.1 Business outside the Republic of South Africa (Republic), as contemplated in section 5(5) of the Act:

B1.1 Is only in respect of direct business and inwards reinsurance business in the following classes and subclasses and jurisdictions listed in paragraph B.5 below. Further approval from the PA is required for the addition of any other jurisdiction.

Nature of Business	Class of Business	Sub-class of Business
Direct Business	Accident and Health	Group
Inward Reinsurance (Non-Proportional)	Marine	Commercial Lines

B1.2 The value of any direct and inwards reinsurance business written outside the South Africa must not exceed 15% of MFRF's total Gross Written Premium on an annual basis. Should the 15% limit be exceeded, further approval in terms of section 26(1)(a) of the Act from the PA is required.

B.2 Reinsurance inward is only offered in respect of the following classes:

Class	Class of Business	Sub Class of Business
Reinsurance Inward (Proportional)	Property	Commercial Lines
Reinsurance Inward (Proportional)	Agriculture	Commercial Lines
Reinsurance Inward (Proportional)	Accident and Health	Commercial Lines - Group
Reinsurance Inward (Proportional and Non-Proportional)	Marine	Commercial Lines
Reinsurance Inward (Non-Proportional)	Liability	Other

B.3 Miscellaneous class is only conducted in respect of the approved class and subclass. The risks covered are limited to the following:

B.3.1 Personal lines – Warranty (Extended warranty on electronic goods and personal motor vehicles)

B.3.2 Personal lines – This covers the vet medical expenses under the Pet Insurance product.

B.3.3. Personal lines – Terrorism business which covers the loss of profit following riots.

B.3.4 Commercial lines – This covers crisis management at schools.

B.3.5 Commercial lines – Terrorism business which covers the loss of profit following riots.

B4 MFRF (the insurer) may only conduct insurance business through cell structures (which includes the promoter cell), subject to the following conditions:

B4.1 No shares may be issued, whether directly or indirectly, to any independent intermediary or its associates, respectively (as defined in the Regulations under the Short-term Insurance Act, 1998), through a cell structure, except for the purpose of providing cover for such independent intermediary or associate's own risk (corporate self-insurance) in that cell structure.

B4.2 Benefits to policyholders shall not be limited to the funds available in the third party cell or the financial performance or position of the third party cell owner. Provisions that limit policyholder liabilities arising from the insurance business conducted through third party cell structures to the capital or profits available in respect of a specific cell structure (claims limitation) are prohibited.

B4.3 Benefits to policyholders shall not be withheld due to non-performance by reinsurers in terms of reinsurance arrangements, unless if there is prior consent from policyholders in respect of commercial policy.

B4.4 The shareholder agreement entered into with each cell owner must explicitly reflect the following:

- a) risk sharing arrangements between the insurer and the cell owner;
- b) circumstances by which recapitalisation by the cell owner will be required;
- c) extent to which the insurer may provide financial support to the cell owner and the conditions that apply; and
- d) extent to which a cell owner is made liable for losses in severely distressed conditions.

B4.5 In the event of termination of the shareholder agreement with a cell owner which conducts third party business, the insurer shall retain the policies under the same terms, conditions and price.

B4.6 Third parties shall be issued with a policy from MFRF.

B4.7 No cells may be made available to any other insurer, except of the purposes of providing cover for such insurer's own risk, but excluding reinsurance cover.

B4.8 Cells may be made available under binder agreements as envisaged in section 48(2) of the STIA with the restrictions applicable to that section of the STIA.

B.5 Approved jurisdictions:

B5.1 Namibia

B5.2 Seychelles