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SOUTH AFRICAN RESERVE BANK
Prudential Authority

Administrative penalty order (issued in terms of section 167(1) of the Financial Sector Regulation Act 9 2017 (AVBOB Mutual Assurance Society))

1. The Prudential Authority (PA) hereby imposes an administrative penalty of R5 000 000 (five million rand) in terms of section 167(1) of the Financial Sector Regulation Act 9 of 2017 (FSRA) on AVBOB Mutual Assurance Society (Avbob).
2. R3 000 000 (three million rand) of the administrative penalty will be suspended for a period of three years from the date the penalty is imposed, subject to Avbob not committing a similar offence during this period.
3. The remaining balance of R2 000 000 (two million rand), inclusive of costs, must be paid within 14 working days from the date of this order.
4. The penalty arises from the following contraventions of the Insurance Act No. 18 of 2017 (Insurance Act), by Avbob:
 - a. AVBOB failed to adopt, implement and document an effective governance framework in terms of section 30(1)(a) of the Insurance Act due to the failure of the board of directors in their oversight role over the board nominations process as prescribed in the AVBOB Mutual Assurance Society Incorporation (Private) Act, 7 of 1951 (respectively "the AVBOB Act" and "the Regulations"). This is so as the board of directors failed to detect the irregularities in the nomination of directors which protracted for a period of three years in 2017, 2018 and 2019.
 - b. Avbob failed to have procedures in place to identify non-compliance with section 30 of the Insurance Act as required in terms of section 31(1) of the Insurance Act. This is so as no effective governance framework was adopted and implemented by the insurer which led to the irregularities in the board nomination process over a three-year period in 2017, 2018 and 2019, not being picked up.

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Fundi Tshazibana
Chief Executive Officer

Date: