

Solvency Assessment and Management

**Manual for the completion of the
SA QIS1 Return for solo insurers**



Version 1

15 June 2011

Table of Contents

Introduction	3
Aim of this Manual	3
The SA QIS1 spreadsheets	4
Overview SA QIS1 spreadsheets	4
Structure of the SA QIS1 spreadsheet: where can the core concepts be found in the spreadsheet?	4
Completing the SA QIS1 spreadsheet	7
Results	25
Submission of the spreadsheets	25

Please note that this manual does not replace the SA QIS1 Technical Specifications. If there are inconsistencies between this manual and the SA QIS1 Technical Specification, the specification takes precedence.

The manual is based on the SA QIS1 spreadsheets with a release date of 15 June 2011.

Introduction

1. The new Solvency and Assessment Management regime (“SAM”) being developed by the Financial Services Board (“FSB”) for the regulation of South African insurers¹ is largely being based on the developing EU risk-based regime, Solvency II. The development of Solvency II in Europe has been regularly tested, and supported, by so-called Quantitative Impact Studies (“QIS”), the most recent being QIS5 which was carried out in 2010. In order to continue the development of SAM in South Africa, the FSB is running its first QIS (called “SA QIS1”). The structure of SA QIS1 is similar to QIS5 but is adapted where necessary to be relevant to the SAM development project.
2. The documents for the SA QIS1 exercise are available on both the SAM website and the FSB website (www.fsb.co.za). From a technical perspective, the core documents are an extensive Technical Specification, with annexes, and a number of spreadsheets and qualitative questionnaires to be completed by insurers.
3. Insurers should submit their completed SA QIS1 spreadsheets and questionnaires to saqis1@fsb.co.za by 16 September 2011.
4. SA QIS1 is testing the financial position of individual insurers (“solo”) whose solvency capital requirement (SCR) is calculated using the Standard Formula. SA QIS1 also applies to individual insurers intending to apply to use a full or partial internal model for the determination of the SCR. The consolidation to group level is not being tested. Insurance groups are requested, where possible, to complete and submit the spreadsheet for each entity within the group.
5. Participation in SA QIS1 is encouraged as this will assist the FSB with the development of SAM and in particular help to ensure that the definition and calibration of the standard formula for the determination of the SCR is appropriate for the South African industry.
6. SA QIS1 tests various options for the calculation of elements of the technical provisions and the SCR standard formula. Insurers are encouraged to provide the information for each option tested. (Note that this is not referring to simplifications which are covered in point 10 below).

Aim of this Manual

7. The aim of this manual is to offer assistance in the completion of the SA QIS1 exercise. This manual is limited to the ‘solo’ aspects of the spreadsheet for insurers using the standard formula for the determination of the SCR. A separate manual exists for the Internal Model sheets.
8. The manual is intended to provide practical assistance by discussing the content of each input tab within the spreadsheet relevant to ‘solo’ insurers. It does not provide the detail regarding the calculation of each element. It is therefore important that insurers consult the SA QIS1 Technical Specifications when completing the spreadsheets.
9. The EU Solvency II Directive and the EIOPA former Consultation Papers have formed the basis for the content of the SA QIS1 Technical Specification. SA QIS1 is a test. The Technical Specifications should therefore not be seen as purporting to represent or pre-judge the final outcome of the discussions on the SAM primary and sub-ordinated legislation.
10. SA QIS1 is also testing the feasibility of the calculations. SAM emphasises the principle of proportionality and as such SA QIS1 contains a number of simplifications. Insurers who meet the conditions to use the simplifications are nevertheless encouraged to try, if possible, to carry out the standard calculations, so that the practicality of these is sufficiently tested.
11. The qualitative questionnaire includes a number of general questions regarding the feasibility and practicability of SA QIS1. Insurers are again encouraged to complete these.

¹ The term “insurers” includes insurance groups and reinsurers

The SA QIS1 spreadsheets

Overview SA QIS1 spreadsheets

12. The SA QIS1 spreadsheets and qualitative questionnaires can be found (along with the SA QIS1 Technical Specifications) on both the SAM website and the FSB website.
13. From the point of view of this manual, the most important spreadsheet is the SA QIS1 spreadsheet.
14. This spreadsheet is intended to capture the SA QIS1 submission of individual companies. Companies which are part of a group are expected, where possible, to complete the spreadsheet for each legal entity. This spreadsheet is used to present the balance sheet and solvency under SA QIS1, also comparing this with the current FSB statutory solvency position and the current published accounting basis.
15. Insurers are requested not to make adjustments to the spreadsheet structure (including the addition of extra tabs). The only exception to this rule relates to the internal model sheets as explained in the internal model manual. *Please also ensure that your submission does not contain any external links.*
16. For QIS5, EIOPA produced a number of “Simplification” and “Helper” tabs to assist insurers with the calculation of technical provisions and the SCR. These spreadsheets can be found on the EIOPA website (the site link is provided below)². The FSB have updated four of the Helper tabs for SA QIS1 (relating to the health CAT risk sub module, the non-life non-proportional reinsurance adjustment factor, and the non-life CAT risk sub-module). These may be found on the FSB and SAM website. Insurers may find it helpful to download these tools (both the unadjusted EIOPA tools and the FSB tools) where their own software is currently unable to perform the required calculations. The EIOPA Helper tab may need to be adapted to be relevant to SA QIS1. Note that the Helper tabs are not part of the Technical Specifications.
17. The simplification tabs help to carry out the simplified calculations as specified in the QIS5 Technical Specifications.
18. Where insurers have made use of the EIOPA Simplification or Helper tabs (or the FSB versions), they are encouraged to submit these along with their submission of the other SA QIS1 information to provide further insight.

Structure of the SA QIS1 spreadsheet: where can the core concepts be found in the spreadsheet?

19. Spreadsheet Technicalities:

Each sheet is password protected (*although the password is left blank for the Internal Model sheets to allow for any additional columns or rows to be inserted as required*). Insurers are therefore generally only able to input information in the turquoise (light blue) input cells (unless specifically allowed to replace a formula).

The spreadsheet contains hyperlinks to the Technical Specifications, directing the user to the relevant paragraphs. (Where a letter has been added to the numbering in the Technical Specification (i.e. TP.3.0.A), the hyperlink links to the closest number (e.g. TP.3.1). In order for these hyperlinks to work, the Word version of the Technical Specification must be open.

The SA QIS1 spreadsheet is fairly substantial. Calculation may be quicker if the ‘calculation function’ is set to manual. Recalculation will take place when pressing the F9 key.

The value of a number of input cells is chosen by means of a ‘drop down menu’. By clicking on these cells a ‘pointer’ appears. Clicking on the pointer the list of options to choose from will become visible.

20. The SA QIS1 spreadsheet is subdivided into a number of tabs, as detailed below.

² <https://eiopa.europa.eu/consultations/qis/quantitative-impact-study-5/spreadsheets-and-it-tools/index.html>

21. The “P.Index tab” summarises the structure of the spreadsheet. All insurers are required to complete tabs starting with an “I” and those starting with “SF”. For insurers who will be applying to use an internal model (whether full or partial) for the calculation of their solvency capital model from the SAM implementation date (2014), they will need to complete the tabs beginning with an “IM”.
22. The “I.Sign-off” tab contains a declaration by the public officer. This sheet needs to be printed and signed, and then submitted together with the rest of the submission. The public officer only signs off that the information attached forms the submission of the insurer. The public officer does not guarantee that the values contained in the submission are necessarily calculated correctly.

A grey introduction tab	<ul style="list-style-type: none"> • I.Sign-off • P. Index
Turquoise (light blue) tabs (I: Input)	<ul style="list-style-type: none"> • I.Participant • I.Valuation • I.Assets • I.Participations • I.Own funds items details • I.Current situation • I.Premiums • I.Geographical diversification • I.SA QIS1 insurance obligations
Blue tabs (SF: Standard Formula)	<ul style="list-style-type: none"> • SF.SCR_G • SF.MCR_G • O.Overview
Purple tabs related to internal models (IM: Internal Models)	Insurers using the standard model to calculate the SCR may ignore these tabs. Guidance regarding completing these internal models tabs is provided in a separate manual.
A grey data tab that stores all input variables and results in one long data column	<ul style="list-style-type: none"> • D.Datasets
A white tab that contains a list of the headings (“language”) used in the spreadsheet	<ul style="list-style-type: none"> • SA QIS1.Lang.EN

23. The spreadsheet also uses a colour code for the individual cells:

- The turquoise cells are input cells. These turquoise cells can be found in both the turquoise and blue tabs.
- Terracotta coloured cells contain the result of intermediate calculations.
- Blue cells give the final outcome of the relevant calculation.
- Yellow cells are also output cells, often containing simple formulae.

24. It should be noted that various “types” of cells can occur in a tab, irrespective of the colour of the tab.

25. Within the spreadsheets information regarding SAM Pillar I (i.e. technical provisions and the solvency capital requirements) is collected.

Balance sheet	<ul style="list-style-type: none"> • Information on the balance sheet, including own funds, is primarily contained in the turquoise tabs. • There is no dedicated separate output tab for a summary of the balance sheet and composition of own funds. The turquoise tab ‘Valuation’ fulfils that role. The blue ‘Overview’ output sheet also contains a summary of this information, but in conjunction with the capital requirements. • The turquoise tab ‘Valuation’ contains the balance sheet. The asset side needs to be filled out in section 1; the liability side in section 2. The balance sheet data is requested on three valuation bases: current accounting basis, current FSB basis and SA QIS1. Please note that some elements of the balance sheet in this tab can be filled out only after the more detailed tabs (e.g. ‘Current situation’ and ‘SA QIS1 insurance obligations’) have been completed.
---------------	--

	<ul style="list-style-type: none"> • The turquoise tab 'Valuation' also requests, in section 3, information on the own funds. Under both the current FSB basis and SAM, capital elements need to fulfil certain requirements to count as eligible capital. These conditions differ, however, between the current FSB basis and SA QIS1. • Section 4 of this tab requests information about the valuation methods applied to arrive at the SA QIS1/SAM values. • The turquoise tab 'Assets' requests more detailed information about assets and asset related risks used to determine the market and counterparty risk modules. The totals in the balance sheet need to be consistent with the more detailed figures to be provided here. • The turquoise tab 'Participations' requests more detail on the nature and value of any participations held. The nature of the participation needs to be indicated by means of a code, to be selected from a drop down menu. • The turquoise tab 'Own funds items details' gives a summary of the results of own funds already provided in the tab 'Valuation', but also requests additional information on other capital elements. • The turquoise tab 'Current situation' requests a more detailed breakdown of the technical provisions, on the current FSB basis. This tab uses the SA QIS1 segmentation. The totals in the balance sheet need to be consistent with the more detailed figures to be provided here. This tab also asks for the current required capital. • The turquoise tab 'SA QIS1 insurance obligations' requests, similarly, a more detailed breakdown of the technical provisions on a SA QIS1 basis. This tab also uses the SA QIS1 segmentation. Again, the totals in the balance sheet need to be consistent with the more detailed figures to be provided here.
Capital requirements: SCR and MCR	<ul style="list-style-type: none"> • The blue tab SF.SCR_G contains most of the input cells to determine the SCR using the standard formula. The term SF relates to Standard Formula. For each of the risks identified in SA QIS1, the impact of a predefined scenario on the net asset value of the insurer needs to be calculated here. The input requested generally consists of the value of the assets and liabilities both before and after the relevant specified scenario. For each scenario, only the value of the assets and liabilities sensitive to the specific scenario should be included. For some risks – e.g. premium and reserve risk for non-life – different information is required as the spreadsheet applies a different formula to calculate the capital requirement. • The calculation of the SCR also depends, to a lesser extent, on information collected in other tabs. The turquoise tab 'Premiums' asks for premium volumes, which are used for the calculation of the SCR for non-life and non-SLT Health premium risk. The turquoise tab 'Geographical diversification' is used to calculate a possible diversification effect in the calculation of the SCR for non-life and non-SLT Health underwriting risk. • The tab SF.MCR_G requests additional information necessary for the calculation of the MCR. Much of this information is already available elsewhere. The relatively straightforward formulae for the MCR allow for a quick understanding of the calculation.
Overall financial position: balance sheet and capital position	<ul style="list-style-type: none"> • The blue tab 'Overview' presents an overview of the financial position under SA QIS1, with a comparison to the current FSB basis. SAM implies, as outlined above, changes to both the preparation of the balance sheet and the determination of the solvency position. These should be seen in conjunction. The overview sheet thus also addresses both. • The 'Overview' tab also contains information on the application of eligibility criteria to available own funds in relation to the SCR and MCR.

26. The next chapter provides a more detailed description of each of the tabs.

Completing the SA QIS1 spreadsheet

27. This chapter describes in more detail the way in which the SA QIS1 spreadsheet may be completed for all sheets except the internal model sheets which are covered by a separate manual. The default reporting date to be used by all participants should be 31 December 2010. On application to the FSB, a participant may use the closest year-end for which information is available.
28. In SA QIS1, where more than one alternative is tested, only the “base” case is used by the spreadsheet to determine the standard formula SCR. Information regarding the alternative approach(es) is requested to facilitate an assessment of the impact of the alternative(s). Insurers are strongly encouraged to complete all approaches and supply the requested data. Such information is very helpful in further discussions.
29. The order of completion of the spreadsheet is important. Generally, the more detailed information should be completed first. The risk margin can only be calculated after the relevant SCR sub-modules have been completed. Where relevant, the order of completion is indicated.
30. The spreadsheet contains a few control cells that check for consistency within the sheets. Insurers are also requested to check the spreadsheets (and any Helper tabs used) for consistency.
31. The FSB currently only allows approved reinsurance to be taken into account in the calculation of net technical provisions. Where reinsurance information relating the current FSB basis is requested, only approved reinsurance should be reported. Otherwise, for “SAM purposes” all reinsurance may be taken into account as described by the Technical Specifications.

Tab Participant
Section 1 Participant information
<ul style="list-style-type: none"> • In this section general information is requested about the insurer. Please complete the turquoise input cells. The first section also provides a reminder of the colour code used in this tab. Most input cells are self-explanatory. • In cell D9 please choose the name of the insurer from the drop-down list. In cell D10 please insert an abbreviation of the name of the company. The insurer name will be carried through to the other sheets. • Cell D12 asks for the reporting basis. For SAQIS1, this has been set to ‘legal entity’. • For cell D13, under the ‘type of reported data’ please fill in, by means of choosing from a drop down menu, the type of company: life, non-life, life reinsurance, and non-life reinsurance. Cell captives should choose either “life” or “non-life”. • In cell D14 please indicate if the assets include investments in participations or related entities. If not, the tab Participations may be ignored (or deleted). Please note that insurers that are not considered part of a group may still hold participations, e.g. a non-life company that is 100% owner of a technical expertise bureau. Such participations need to be reported in the tab ‘Participations’. • In cell D15 please indicate if non-life or health insurance is pursued in more than one geographical area. If not, the tab ‘Geographical diversification’ may be ignored (or deleted). If the answer is ‘yes’, the tab ‘Geographical diversification’ should be completed. Please also see, however, the comments on this tab in this manual. • The same principle applies to cell D16. This cell relates to internal models. • The default reporting year has been set at 2010 (cell D17). Please adjust if a different reporting date applies. • Cell D18 has a default date of 31-12-2010. Please adjust this date if a different reporting date applies. • The reporting currency is ZAR (cell D19). • In cell D21, the FSB registration number for the legal entity will be entered automatically, based on the insurer name chosen in cell D9. • Cell D22 asks whether then insurer is part of a group. If this is true, the name of the group should be inserted into D23.
Section 2 Contact information
Insurers are requested to provide the contact details of two contact people for SA QIS1 purposes.

Tab Valuation

Section 1 Balance sheet – Assets

- In this section information is required on the value of the assets, on three bases:
 - Current accounting basis
 - Current FSB basis (i.e. the statutory basis which is the admissible assets, before applying the spreading requirements.)
 - SA QIS1 valuation principles

The 'current bases' may best be compared to the current annual accounts; the 'Current FSB basis' to the current statutory prudential reporting to the FSB.

The 'SA QIS1 valuation principles' refer to a market consistent valuation, as outlined in the SA QIS1 technical specification.
- Please see the comment in column G. The spreadsheet automatically copies the values inserted in column F, the current accounting bases, to column G, the current FSB basis. Insurers need to check whether each balance sheet item is indeed equal. If not, the formula in the relevant cell in column G needs to be overwritten, by inserting the correct amount under the current FSB basis. Please do not change the yellow cells: the totals are calculated by the spreadsheet.
- It is important that for the SA QIS1 basis a best effort is made to provide market consistent values. Please also see section 4 of this tab on the valuation method used.
- The columns J, K and L are added to provide more detail on the consequences from a change in valuation approach, and a possible reclassification of items. Please indicate in column J if any reclassification has taken place from the current FSB basis to SA QIS1; the reclassification amount is to be entered on a current FSB valuation basis. A reclassification leading to an increase of an amount should be entered as a positive value; a decrease as a negative value. Columns K and L ask for information on differences in valuation due to moving from the current FSB basis, after any reclassification, to a SA QIS1 valuation basis. For balance sheet items that show an increase in value under SA QIS1, please provide the increase (so not the final value) in column K, as a positive number. If balance sheet items show a decrease in value, please use column L, and insert the decrease as a negative value.
- The value of goodwill is set at nil under SA QIS1 and the current FSB basis.
- Intangible assets may have a value under SA QIS1. Please see section V1.4 of the Technical Specifications.
- Where investments are held in collective investment funds, a 'look through' approach should be applied, i.e. assessing the nature of the underlying assets and reporting accordingly. Similarly, in the calculation of the SCR, the underlying assets are then subjected to the relevant sub-modules.
- For the valuation of participations, please refer to Technical Specifications, section SCR.15.
- Mortgages with the property provided as collateral should be included under 'collateralised loans made'.
- Under SA QIS1, reinsurance is reported on a 'gross' basis. On the liability side of the balance sheet the technical provisions are reported on a gross basis; reinsurance recoverables are reported on the asset side of the balance sheet. Please follow the same approach for the reporting in columns F and G. The SA QIS1 values of any reinsurance recoverables should be completed after the determination of the technical provisions on a SA QIS1 basis, as the expected amount of the reinsurance recoverables will in principle depend on the valuation of the technical provisions.
- The calculation of the value of recoverables from reinsurance needs to be performed in two steps, as follows:
 - Calculate the Best Estimate of the recoverables. Do not include a risk margin.
 - The result from that calculation should be adjusted to take account of expected losses due to default from the counterparty (unexpected losses are reflected in the SCR). The adjustment should be based on an assessment of the probability of default of the counterparty and the average loss resulting there from (loss-given-default).
- Deferred acquisitions costs are not recognised on a SA QIS1 basis. SAM is based on an estimation of future cash flows; 'deferred' acquisition costs are a cash outflow that took place in the past. The (future) premiums may indeed include an expense charge to cover these acquisitions costs; this is then reflected in the determination of the technical provisions. When completing this line on a 'current' and the current FSB basis, insurers are requested to include any deferred acquisition costs explicitly on the asset side of the balance sheet, and not deduct the amount at the liability side. This will improve the comparability of the results.

Section 2 Balance sheet – Liabilities

- The liabilities are to be reported under the same three valuation bases as the assets:
 - Current accounting basis
 - Current FSB basis
 - SA QIS1 valuation principles
- Similarly, there are additional columns that provide more detail on the consequences from a change in valuation approach, and a possible reclassification of items. Insurers are urged to carefully consider and report any reclassification, as the segmentation under SA QIS1 differs from the current FSB basis segmentation.
- The explanation in section 1 also applies to this section. Also here, the turquoise input cells in column G contain a formula which sets them equal to the value in column F. Insurers need to check whether each balance sheet item is indeed equal. If not, the formula in the relevant cell in column G needs to be overwritten, by inserting the correct amount under the current FSB basis.
- However, please first go to the tabs 'Current situation' and 'SA QIS1 insurance obligations' and complete the relevant sections there as the requested information on the technical provisions can only be provided after these more detailed tabs have been completed. Please note that gross (of reinsurance) figures are requested here.
- The current FSB basis amounts are to be reported as 'calculated as a whole'. As outlined earlier, under SAM the technical provisions are, in most cases, determined as the sum of Best Estimate and Risk Margin. The value under SA QIS1 will thus differ from the current FSB basis figure. The Risk Margin is determined by the Cost-of Capital method, and is thus not simply the difference between the current FSB basis technical provisions and the SA QIS1 Best Estimate.
- The Risk Margin depends on the calculation of the relevant SCR components, and can thus only be completed at a later stage.
- In the valuation of financial liabilities (for example senior liabilities and subordinated liabilities), the credit standing at inception applies. Later changes in the credit standing are not taken into account in the valuation. On the other hand, changes in the general risk free interest rate do apply.
- Row 104 calculates the value of the assets minus the liabilities; this is the 'balancing item'.

Section 3 Information on own funds

- Insurers are strongly advised to study for themselves the section in the Technical Specifications on Own funds, including transitional provisions to be used in SA QIS1.
- The excess of assets over liabilities (minus holdings of own shares) plus subordinated liabilities and ancillary own funds gives us a company's Own Funds.
- Adjustments (deductions or changes of tier) should be made in respect of the following:
 - Participations in financial and credit institutions – where participation means the ownership, directly or by way of control, of 20% or more of the voting rights or capital of an insurer, or otherwise exerts significant control.
 - Ring-fenced funds (RFF) – If an item of capital has a reduced capacity to fully absorb losses on a going concern basis because this capital is not transferable and can only be used within the fund, an adjustment is required to eligible own funds and to the SCR. A notional SCR is calculated for each RFF and an SCR for the risks arising from the rest of the business outside the RFF. Any restricted own funds (i.e. those in the ring-fenced fund) that are in excess of the notional SCR of each RFF are deducted. (For the purposes of SA QIS1 it was assumed that no ring-fenced funds exist in South Africa.)
 - Restricted reserves – In certain jurisdictions, reserves may be required, by national law or by a company's articles of association to be established and used only for certain prescribed purposes. For the purpose of SA QIS1, these should not be considered to be ring-fenced funds. Reserves of this nature should only be eligible for inclusion in own funds in relation to the risks they cover. Any amount in excess of that covering the related risks should therefore be excluded from own funds if it is not available at all (On the spreadsheet, data should be entered in the appropriate cell under Deduction), or deducted from Tier 1 and included in Tier 2 if it would be available for all losses in a winding up (On the spreadsheet, data should be entered in the appropriate cell under Change of Tier).
 - Deferred tax assets – An amount representing net deferred tax assets should be moved from Tier 1 to Tier 3.
- Transitional measures allow an existing capital instrument (or one to be issued before the implementation of SAM) to be included as capital under SAM if it meets a minimum set of criteria but falls short of the full SAM criteria.

- The criteria in SA QIS1 aim to make transitional measures practicable for the purposes of SA QIS1 only and are not indicative of the content of the final transitional provisions (please also see Technical Specifications section OF.4).
- Insurers should complete these cells using data based on the criteria in OF40 – OF45 and Annex Q of the Technical Specifications.

Section 4 Information on valuation methods applied to determine the SAM balance sheet

- This section requests information on the valuation methods used. Please note that all values are to be reported as a percentage of the total SA QIS1/SAM balance sheet.

Tab Assets

Section 1 Information on bonds

- This section asks for a detailed breakdown of investments in borrowings by or demonstrably guaranteed by a national government, exposures to multilateral organisations and to the European Central Bank or South African Reserve Bank. The exposures need to be reported with their value in both Rands and the reporting currency of the insurer.

Section 2 Information on currency risk exposures (in Rands)

- This section asks for more detailed information on currency risk exposures. As above, the exposures need to be reported with their value in Rands.
- The information provided here should be consistent with that provided in the currency risk section in the sheet 'I.SF.SCR_G'. Participants should therefore check that the total asset exposure and the total liability exposure provided in this sheet across all currencies is equal to asset and liability value in cell I241 and J241 in the I.SF.SCR_G sheet.

Section 3A Information on spreads – aggregates for approach 1

- This section asks for more detailed information on spread risk on products for approach 1, broken down into various types and rating classes. The information on the modified duration facilitates a further sensitivity analysis. There is a Helper tab available on the EIOPA website to assist with the calculation of these figures.

Section 3B Information on spreads – aggregates for approach 2

- This section asks for more detailed information on spread on products for approach 2, broken down into various classes of debt. The information on the modified duration and term to maturity facilitates further sensitivity analyses.

Section 4 Information on the concentration of assets used for market risk concentration calculation

- There is a Helper tab available on the EIOPA website to assist with the calculation of these figures.

Section 5 Information on the counterparty default risk

- There is a Helper tab available on the EIOPA website to assist with the calculation of these figures.
- “Deposits with ceding institutions” refers to the situation where the reinsurer is required to deposit funds with the insurer immediately following the notification of a large claim rather than following the standard reinsurance claim settlement procedures.

Tab Participations

- Participation means ownership, directly or by way of control, of 20% or more of the voting rights or capital of an undertaking.
- This section asks for a detailed breakdown of the nature and value of any participations held by the insurer.
- As mentioned before, please note that ‘solo’ insurers (not part of a group for SA QIS1 purposes) may still hold participations, e.g. a non-life company that is 100% owner of a technical expertise bureau. Such participations need to be reported here.
- Such participations may be any of the types described in rows 17-20. If the participation is deemed to be of a strategic nature, the category in row 17 (RUS) applies.
- If the participation is not deemed to be of a strategic nature, then categories 18 to 20 will apply. These categories are similar to the categories used for equities: ‘global’ (RUG), South Africa (RUZ) or ‘other’ (RUO).
- CRD refers to the Capital Requirements Directive which is banking regulation and is applicable for certain types of investments.
- Please use row 29 and further to provide the requested information. The cells in column C can be used to select the correct category.
- In column D (“current accounting basis value”), for comparison purposes, participants should input the

- value of this participation using the valuation methodology applicable under the current accounting basis.
- Participations for SA QIS1 need to be valued on the balance sheet using a market consistent valuation. This value can be determined using one of 3 methods (marked to market, adjusted equity method or marked to model)
 - The 'adjusted equity method' essentially means the net asset value of the participation. This should be determined on a market consistent basis i.e. according to SAM valuation principles. The term 'adjusted' is used because assets and liabilities are adjusted to their SAM (market consistent) values. A pro rata adjustment needs to be applied where the participation is less than 100%.
 - For each participation, only one value is needed across column E-G depending on which valuation method is used (i.e. if a marked to model approach is used, the value of the participation is inserted in column G with column E and F being left blank)
 - Column H and I are only required to be completed if the participation needs to be deducted from Tier 1 or Tier 2 capital. The values in these cells should have a positive sign.
 - The "capital requirement/SCR of participation" should be calculated by multiplying the value of the participation by the applicable SCR risk charge. (i.e. 22% for strategic participations).
 - Rows 7-20 provide a summary overview, based on the data provided in the input cells in row 29 and further.

Tab Own fund items details
Section 1 Information given on the Valuation tab on other capital elements
<ul style="list-style-type: none"> • This section contains no input cells. The information in this tab has already been supplied in the Valuation tab.
Section 2 Calculation based on the detailed list of capital elements
<ul style="list-style-type: none"> • This section contains no input cells. This section provides a summary overview, based on the information provided in section 3 of this tab.
Section 3 Detailed list of other capital elements
<ul style="list-style-type: none"> • This section asks for detailed information on any other capital elements. The columns C, D and E contain drop down menus. The codes in column C refer to the categories which are described in the earlier sections. Please refer to the Own Funds section of the Technical Specifications to assist with the classification of each capital element per Tier.

Tab Current situation
Section 1 Current FSB basis position
<ul style="list-style-type: none"> • Capital information is requested separately for life and non-life insurers.
Section 2 Provisions calculated according to the current accounting bases – totals
<ul style="list-style-type: none"> • The totals in this section are calculated by the spreadsheet, based on the more detailed information to be provided in section 3. • Please note that this data concerns the current FSB valuation basis.
Section 3 Detailed information on the technical provisions valued according to current bases
<ul style="list-style-type: none"> • NB Please note that the information requested here should be reported on a current FSB valuation basis. This includes only reporting approved reinsurance arrangements. • This section asks for the amount of technical provisions, per line of business. The segmentation in this tab reflects the SA QIS1 segmentation. Insurers are requested to use a best effort approach to allocate the current FSB valuation reserves to each segment. This will allow for a more detailed comparison between the current basis and the one under SA QIS1. (Please be consistent in the allocation to split the current FSB basis and the allocation to calculate the "new" SA QIS1 values.) • With regard to the segmentation, each insurance contract should be allocated to the line of business that best reflects the underlying risk at the inception of the contract. • Additionally, for both "Total calculated actuarial reserve" and "Total IBNR claims reserves, insurers are requested to split the margins from the best estimate reserve (again on a best effort basis). Where this split isn't possible, insurers should overwrite the formulae in rows 43, 49, 58 and 64 and insert the unsplit reserve. • The upper half of this section concerns the gross technical provisions; the lower half the net technical provisions. • Line 37 links the columns in the spreadsheet to the lines of business as specified in section V.2.1. of the Technical Specification. • For non-life obligations a distinction is made between proportional and non- proportional reinsurance.

Columns O – AB relate to direct business, columns AC - AP relate to proportional incoming reinsurance. Columns AQ – AT relate to non-proportional incoming reinsurance.

- Insurers are requested to ensure consistency between the numbers provided here (and summarised in section 2) and the amounts reported in the balance sheet in the tab 'Valuation'.

Tab Premiums

Section 1 Premiums by lines of business and volume measures for underwriting risk

- This tab requests information about written and earned premiums, per line of business. The information is used later in the calculation of the capital requirements, especially for non-life.
- In columns D and E please provide the gross written and earned premiums respectively, i.e. before any premiums paid to reinsurers. Columns F and H request the ceded premiums, i.e. the premiums paid to reinsurers. Column G asks which part of the written premium is ceded for the purpose of finite reinsurance. The net written and earned premiums, in columns I and J, are calculated by the spreadsheet.
- Please see the comment in cell K11. For non-life business and health similar to non-life business (Health non SLT), the turquoise input cells in the columns K, L and M are derived from the tab 'Geographical diversification' if that tab has been completed.
- If not, in columns K and L please provide the expected net premium turnover for the next year; for SA QIS1 this means 2011 (adjusted accordingly if a different reporting date is used). These numbers are used in the calculation of the capital requirements, for non-life and Non-SLT Health (premium risk).
- The term P_{lob}^{PP} in column M is defined as the present value of net premiums of existing contracts which are expected to be earned after the following year (i.e. for SA QIS1 from 2012 onwards) for each LoB³. This term is only relevant for contracts with a coverage period that exceeds the following year. For annual contracts without renewal options P_{lob}^{PP} is zero. Insurers may not calculate P_{lob}^{PP} where it is likely not to be material compared to $P_{lob}^{t,earned}$.
- Often column M will not apply to many smaller non-life companies.

Section 2 Premiums and expenses information needed for SCR and MCR calculations

- In cell E71, please input the annual expenses in respect of unit-linked business. This amount concerns the expenses incurred by the insurer, and not the expense loadings charged to the policyholders.
- The gross earned premium amounts in cells H67-H69 relate to the year before the reporting year; for SA QIS1 this is 2009 (adjusted accordingly if a different reporting date is used).

Tab Geographical diversification

Section 1 Total and calculation of diversified volume measures for the non-life and Health non-SLT underwriting risks modelling

- The information in this tab is used to calculate a possible diversification benefit – reduction in the capital requirement – due to geographical diversification⁴, for premium and reserve risk.
- This first section contains no input cells. The spreadsheet uses the information provided in the second section to calculate totals and the size of a possible diversification effect.

Section 2 Net written premium and forthcoming premiums, net claims outstanding by geographical areas

- This section requests information about the amount of premiums and claims provisions per line of business and per geographical area. Please note that net premiums and the net (best estimate) provisions for claims outstanding (net PCO) are requested here. The geographical segments are defined in Annex 7 to the Technical Specifications.
- Insurers may choose to allocate all of their business in a line of business to the main geographical segment in order to simplify the calculation. This may be relevant to many smaller insurers operating largely or solely on their home market.
- The Technical Specifications state that the diversification factor DIV_{lob} should be set to 1 for the line of business credit and suretyship. Please also see the sections in the tab SF.SCR_G on premium and reserve risk.

³ Please refer to Technical Specifications section SCR.9.2 on Non-life premium and reserve risk.

⁴ Please refer to Technical Specifications section SCR.9.33.

Tab SA QIS1 insurance obligations

Section 1 Segmented calculations of the best estimate and recoverables (before risk margin)

- This section asks for detailed information on the gross best estimate, and on the reinsurance recoverables.
- Columns G-J asks for the gross amounts of best estimates. In some cases, however, technical provisions may be calculated 'as a whole', whereby no distinction is made between Best Estimate and Risk Margin. If this approach applies, please insert the appropriate numbers in column G.
- With regard to the segmentation, each insurance contract should be allocated to the line of business that best reflects the underlying risk at the inception of the contract.
- Direct insurers offering non-life insurance report direct insurance in rows 21-36. Any incoming reinsurance accepted by direct insurers is to be reported in rows 38-53 (for proportional reinsurance) or 55-58 (for non-proportional reinsurance).
- Reinsurers report any incoming non-life reinsurance business as follows: Reinsurers ignore rows 21-36. Proportional incoming reinsurance is reported in rows 38-53. Incoming non-proportional reinsurance is reported in rows 55-58.
- Technical provisions established for annuities stemming from non-life contracts, but which are estimated using actuarial life techniques, are reported under life insurance obligations, in rows 67 and 68, depending on whether the business is classified as health business or not.
- For non-life business, separate best estimates are required for the premium and the claims provisions. These are reported in columns I and J. Please report the total in column H (including any amount of technical provisions calculated 'as a whole' if this would apply).
- For life type business there is no distinction between premium and claims provisions.
- Columns K– V are used to report the reinsurance recoverables. For non-life business a distinction is made between recoverables related to either the premium or the claims provisions. For non-life business, special columns are also available to report recoverables from special purpose vehicles or finite reinsurance. These are beyond the scope of this manual. Companies that have no such recoverables may limit themselves to completing column R, for recoverables due to the premium provision, and column V, for recoverables due to the claims provision. The totals in the yellow cells are calculated by the spreadsheet.
- For life business only columns K-N are used, as there is no distinction between premium and claims provisions.
- As outlined earlier, the calculation of the value of recoverables from reinsurance is in two steps, as follows:
 - Calculate the Best Estimate of the recoverables. Do not include a risk margin.
 - The result from that calculation should be adjusted to take account of expected losses due to default from the counterparty (unexpected losses are reflected in the SCR). The adjustment should be based on an assessment of the probability of default of the counterparty and the average loss resulting there from (loss-given-default).

Section 2 (a) Risk margin, (b) technical provisions, (c) underwriting risks volume measures, (d) expected profits in future premiums (EPIFP)

- Columns G and H relate to the risk margin, to be calculated separately for each of the identified segments. Please report the calculated amount in column G; in column H please report the method used for the calculation, by selecting from a drop down menu.
- Please note that under SA QIS1, diversification between lines of business in the SCR is recognised in the calculation of the risk margin for individual companies. As the SCR for a company with more lines of business is less than the simple sums of the SCRs for each line of business, the risk margin calculated based on such a 'diversified' SCR is also less than when the risk margin for each line of business were to be calculated using its 'own' SCR⁵.
- The risk margin per line of business in this sheet should include the diversification benefit (i.e. the diversification benefit should be allocated to each line of business).
- There is a Helper tab available on the EIOPA website to assist with the calculation of the risk margin for both life and non-life companies.
- The Technical Specifications allow for a number of approaches to the calculation of the risk margin. The simplest method, for non-life companies, consists of taking a fixed percentage of the Best Estimate as the risk margin. Insurers who meet the conditions to use the simplifications, are nevertheless encouraged to try, if possible, to carry out the standard calculations, so that the practicality of these is sufficiently tested. The Helper tabs on the EIOPA website may be of use in this case.
- Columns O - Q of this section are related to an issue termed 'expected profits in future premiums' (EPIFP). The SAM valuation of technical provisions is based on expectations regarding outgoing (benefits etc.) and incoming (premiums) cash flows, of the existing (in-force) business. Higher agreed (future) premiums imply – ceteris paribus – lower technical provisions and an increase in net asset value and own funds. The so-termed 'expected profits in future premiums' are thus 'recognised' at balance sheet date (please note that a risk margin still needs to be held). The question has arisen whether this 'recognition' of profit margins in future premiums might lead to a representation of the financial position of an insurer that may turn out to have been too optimistic, especially in times of stress. To shed some more light on this issue, SA QIS1 also asks for the calculation of the Best Estimate under the assumption termed '100% lapse'. More precisely, the assumption to be made is that no further premiums will be received in the future (on the existing (in force) business). For some policies the prescribed scenario implies termination; for some policies it implies a change to a paid-up status. It should be stressed that the prescribed scenario does not equate to full surrender with payment of all surrender values.
- Please note that this approach applies equally to life and non-life business. Please refer to the Technical Specifications (OF 2.4) for a more precise description of the scenario to be applied (and the simplifications that can be used).
- The Best Estimate numbers calculated under this scenario need to be split between policies that are converted to a "paid up" status (reported in column O) and those that are assumed to lapse (reported in column P). The spreadsheet then calculates the EPIFP component, reported in row column Q, as the difference between the SA QIS1 technical provisions and the sum of O and P, with a floor of nil.

Section 3 illiquidity premium information

- SA QIS1 tests 3 approaches for the application of an illiquidity premium within the technical provisions.
- For all three cases, insurers are requested to report the allocation of insurance obligations to the various buckets, in terms of the amounts of (best estimate) technical provisions in each bucket, for each line of business. Please also report the corresponding modified durations.
- Columns F-I relate to the base case (with a 100% or 0% bucket), columns J-K tests the impact of having no illiquidity premium, and columns L – R test to original EU QIS5 bucket approach.
- This additional data is requested to facilitate a possible further analysis of the sensitivity of the (best estimate) technical provisions to the discount rate used, more particularly the illiquidity premium component thereof. There is a Helper tab on the EIOPA website to assist with the calculation of the requested modified duration.

Section 4 Other information needed for the SCR and MCR

- The technical provisions to be reported here again are the best estimate amounts.
- Insurers are reminded that the capital at risk numbers required are on a SA QIS1 basis, and thus probably different from the numbers under the current FSB valuation basis.

⁵ Only the SCR components representing risks inherent in the insurance portfolio are relevant here.

Tab SF.SCR_G

- This tab contains both most of the input cells required to calculate the SCR and the outcomes of the subsequent calculations.
- Please note that the spreadsheet may be 'expanded' or 'reduced' by clicking on the 'plus' or 'minus' symbols at the left of the spreadsheet. In this way the user can 'hide' the non relevant parts of the tab.
- The structure of the tab may usefully be compared to the 'SCR tree' included in the SA QIS1 Technical Specification.
- Sections 1-3 contain the 'top end' of the tree: the SCR and how the SCR is derived from the BSCR, with the inclusion of operational risk and possible adjustments due to profit sharing and deferred taxes.
- Sections 4-9 contain the 'lower end' of the tree, with each section containing a further subdivision as also symbolised in the SCR tree:
 - Section 4: intangible asset risk
 - Section 5: market risk
 - Section 6: counterparty default risk
 - Section 7: life underwriting risk
 - Section 8: health underwriting risk
 - Section 9: non-life underwriting risk
- As outlined earlier, for most of the sub-modules, the impact of a prescribed scenario on the net asset value needs to be calculated, thereby considering a possible impact on both sides of the balance sheet. Inputs are required for the value of both assets and liabilities, before and after the 'shock'. (Assets include reinsurance recoverables that will need to be recalculated in each shock scenario.) The spreadsheet then calculates the difference, also before and after the shock. This provides insight into the effects of a scenario.
- For each scenario, only the value of the assets and liabilities sensitive to the specific scenario should be included. Please note that the spreadsheet uses the terms 'initial net asset value' and 'net asset value after shock' etc. in the sub-modules. This then only refers to the difference between the assets and liabilities included in the scenario, and not the overall net asset value. The manual uses the same interpretation when describing the sub-modules.
- A few examples:
 - In section 2, on deferred taxes, the amounts to be reported are deferred tax assets (on the asset side) and deferred liabilities (on the liability side). These amounts are requested at their initial values and their values after the relevant scenario.
 - In section 5, on interest rate risk, first of all the initial values are to be reported: on the asset side the total value of all assets subject to interest rate risk (and thus included in the scenario); on the liability side all liabilities subject to interest rate risk (please note that discounting applies to all insurance liabilities). In the next two rows ('gross'), the values of assets and liabilities after the prescribed upward and downward interest rate scenarios are to be reported, without taking the effect of any profit sharing into account. The remaining two rows concern the same scenarios but now with the effect of any profit sharing taken into account.
 - For equity risk, more detailed information is requested about the initial values of the equity holdings, given the varied treatment under the equity scenario.
 - In section 7, on life underwriting risk, the same approach applies: please provide the values of assets and liabilities sensitive to the relevant life scenario.
- For some risks – e.g. premium and reserve risk for non-life - no such scenario results are required; the spreadsheet applies a different formula to calculate the capital requirement.
- SA QIS1 tests the feasibility of the calculations. Because SAM emphasises the principle of proportionality, SA QIS1 contains a number of simplifications. Insurers who meet the conditions to use the simplifications, are nevertheless encouraged to try, if possible, to carry out the standard calculations so that the practicality of these is sufficiently tested.
- In the spreadsheet, two calculations of the impact of each of the prescribed scenarios on the net asset value of the insurer are requested: without and with taking profit sharing into account. In the spreadsheet this is referred to as 'gross' and 'net' (of profit sharing effects). Insurers that do not offer products with profit sharing features should complete both input cells, with the same numbers.
- To avoid circularity in the calculation, any reference to technical provisions within the calculations for the individual SCR modules is to be understood to exclude the risk margin. In other words, when calculating the impact of a scenario on the net asset value, it is assumed that the risk margin stays the same.
- In their calculations, insurers may take into account the effect of financial risk mitigation (e.g. hedging), provided certain conditions are met. Importantly, the risk mitigation technique must be legally effective and

there must be an effective transfer of risk to a third party. So-called rolling hedge programmes are recognised, if certain conditions have been met. Dynamic hedging should not be treated as a risk mitigation technique. Please note that risk mitigation may entail other risks, e.g. counterparty default risk, and these should be reflected in the SCR calculation. Insurers using financial risk mitigation should refer to the Technical Specifications, section SCR.12.

SCR SA QIS1 Standard formula components

- This section summarises, in column H (the terracotta cells), which of the sub-modules are 'available', i.e. if a calculation has been performed. The spreadsheet indicates this by checking for each sub-module whether an SCR has been calculated.
- Please note that in the various sub-modules the insurer should indicate whether a particular risk is 'applicable'. It is important that these input cells are completed carefully, so that a comparison can be made between the two.
- Furthermore, in this section the insurer is asked which approach has been taken in the calculation of the sub-modules. The reply is by means of a drop down menu in column J. Please note that this tab refers to the standard formula and not an internal model.
- Please select the relevant option in the cells in column J. Insurers much choose between the following options (Standard model, Simplification, Helper, NA, Not modelled or Other) The default option should be the "Standard Model". Where insurers have made use of the EIOPA QIS5 or the FSB Helper tabs, they should choose the option "Helper". Insurers using a simplification detailed in the SA QIS1 Technical Specification should choose "Simplification". The option "Other" should be chosen when an insurer has used its own approach different to that specified in SA QIS1's Technical Specification. 'NA' means 'not applicable'. 'Not modelled' refers to risks to which an insurer is exposed but where it has not calculated the SCR for SA QIS1 purposes.

Section 1 Solvency Capital Requirement and Basic Solvency Capital Requirement under the standard formula

- This section gives an overview of the outcome and composition of the SCR and BSCR. The only input required is the applicability of the main risk categories.
- The BSCR is calculated both before and after taking the effects of any profit sharing into account. The two BSCR figures will be the same for insurers not offering products with profit sharing features.

Section 2 Adjustment for the risk absorbing effect of technical provisions and deferred taxes

- This section considers two adjustments: for the risk absorbing capacity of technical provisions and deferred taxes. The adjustment should be calculated under the modular approach. Please see section SCR.2 of the Technical Specifications for a description of this method.
- The effect is calculated by explicitly considering the situation both before and after the relevant scenario.
- For the modular approach:
 - For the adjustment for the risk absorbing capacity of technical provisions:
 - Insurers need to input the value of the Maximum Allowed Loss-absorbing capacity (MAL_{TP}) (as defined in SCR2.22) in cell F75.
 - This adjustment for the risk absorbing capacity of technical provisions is then calculated by the spreadsheet, using this and other information already provided.
 - For the adjustment for deferred taxes:
 - The prescribed scenario for this risk is the 'instantaneous loss amount': the adjustment is equal to the change in the value of deferred taxes that would result from an instantaneous loss equal to the BSCR + the adjustment for the loss absorbing capacity of technical provisions (due to profit sharing) under the modular approach + the capital requirement for operational risk.
 - Cells I82 and J82 already contain the initial values of any deferred tax assets or liabilities.
 - In cells I83 and J83 please insert the values of any deferred tax assets or liabilities after the shock. The spreadsheet then calculates the differences.

Section 3 Operational risk

- The spreadsheet calculates the SCR for operational risk, based on information already provided.
- The formula for the determination of operational risk is fairly straightforward, and based on the volume of the business. Three indicators are used: gross earned premiums and their growth (if higher than 10%), gross technical provisions and for unit linked business the expenses. For the calculation of the capital requirement, the first step is to determine the maximum of a specified percentage of premiums (and premium growth if relevant) and a specified percentage of technical provisions is determined. This amount is capped by a ceiling of 30% of the BSCR. A percentage of the annual expenses is then added.
- The data required for this calculation is derived from elsewhere in the spreadsheet.

Section 4 Intangible asset risk

- The capital requirement for intangible assets is equal to 80% of the value of the intangible assets. As this amount has already been provided in the balance sheet in the tab 'I.Valuation', the spreadsheet calculates the capital requirement without further input.

Section 5 Market risk

- The outcomes for the individual sub-risks distinguished under market risks are combined to give an SCR for market risk, thereby assuming the existence of a diversification benefit: the total for SCR market risk is less than the simple sum of the SCR for each of the sub-risks. Mathematically this is achieved by using a correlation matrix, where the correlation between sub-risks is between minus one and one. For the calculation of market risk, two matrices are being used: one that represents the assumed 'interdependence' between each of these outcomes for a scenario with falling interest rates, and one for the scenario with increasing interest rates. The spreadsheet will determine which correlation matrix to use based on the outcome of the upward and downward interest rate shocks.
- Where investments are held in collective investment funds, a 'look through' approach should be applied, i.e. assessing the nature of the underlying assets. The underlying assets are then subjected to the relevant sub-modules. An exception applies to participations. Please see the earlier section on participations.
- The first part of the Market risk section requests information on the applicability of the various market risks, similar to the main introduction to this tab, by selecting from the drop down menu.

Interest rate risk

- This sub-module requests the calculation of the effect of a change in interest rate on the net asset value⁶. This sub-module relates to the swap rate component of the interest rate term structure.
- Both the asset and the liability side of the balance sheet are in principle affected by a change in interest rates. The scenarios of a higher or lower interest rate are essentially defined by multiplying the interest rate term structure at balance sheet date (end of 2010 – or other date as appropriate) by a factor, the size of which is greatest at the shorter end of the curve⁷.
- Please note that in SA QIS1 discounting also applies to non-life obligations. A discounting Helper tab can be found on the EIOPA website.
- The first row with input cells (row 139) concerns the initial value, i.e. before a shock. Please report in cell I140 the value of assets that are sensitive to (a change in) interest rates and in cell J139 the value of liabilities that are sensitive to (a change in) interest rates.
- In the next rows the insurer should report the value of assets and liabilities after the prescribed scenario. Both an upward and a downward shock apply, both before a change in profit sharing is taken into account (gross) and with profit sharing taken into account (net).
- The spreadsheet calculates the relevant changes in net asset value.

Equity risk

- This sub-module requests the calculation of the effect of a fall in equity prices on the net asset value of the insurer. For the determination of the capital requirement for equity risk, the following split is considered:
 - Equities listed on regulated markets in EEA or OECD countries ('Global'): a fall of 49%
 - Equities listed on the Johannesburg Stock exchange ("South Africa"): a fall of 53%
 - Other equities (e.g. in emerging markets (excl SA), non-listed, hedge funds etc): a fall of 59%
 - Please note that these numbers already include the effect of a so-called 'symmetric adjustment mechanism', as indicated in the Solvency II Directive.
- In essence, the equity shock will be higher after equity markets have risen, and lower after equity markets have fallen. The numbers of 49%, 53% and 59% are derived from the base levels of 39%, 43% and 49%, to which a nominal adjustment of 10% has been applied.
- Participations are subject to a different approach⁸:
 - The equity shock is nil for participations in financial and credit institutions. Please note that in the determination of own funds the value of participations in financial and credit institutions is deducted; applying a further shock would then be inconsistent.
 - The equity shock is 22% for strategic participations, whether listed or not
 - Other participations are subject to the general shock in SA QIS1 as above, i.e. 49%, 53% or 59%.
- There is no requirement in SA QIS1 for the so-called 'duration based approach', as described in the Directive article 304, to be calculated by life insurers. Insurers are requested to provide their opinions on whether this approach should be considered in the qualitative questionnaire.

⁶ Interest rate volatility is mentioned in Technical Specifications SCR.5.15, but not separately distinguished in the prescribed scenarios.

⁷ See Technical Specification SCR.5.21 for an overview of these factors, and an example.

⁸ Please see the earlier section on participations.

<p>Property risk</p> <ul style="list-style-type: none"> • This sub-module requests the calculation of the effect of a fall in property prices on the net asset value of the insurer. The scenario to be applied is a fall of 25%. The shock applies in principle to direct and indirect property investments, including property investment for the own use of the insurer. • Please note⁹ that not all property-related investments are considered as property but rather as equity; these need to be included in the equity risk sub-module. These are: <ul style="list-style-type: none"> ○ An investment in a company engaged in real estate management, or ○ An investment in a company engaged in real estate project development or similar activities, or ○ An investment in a company which took out loans from institutions outside the scope of the insurance group in order to leverage its investments in properties. • The underlying idea is that these investments are no longer comparable to 'straightforward' property investments.
<p>Spread/Credit Default risk</p> <ul style="list-style-type: none"> • Spread risk arises from the sensitivity to changes in the level (or volatility) of credit spreads over the risk free interest rate term structure. • SA QIS1 is testing two approaches: the approach tested under QIS5 and the proposed Canadian approach. The QIS5 approach is the base approach for SA QIS1. The spreadsheet automatically uses the values provided under this approach to determine the value of the Market Risk SCR. • Under the QIS5 approach: <ul style="list-style-type: none"> ○ The capital requirement for spread risk relates not only to bonds, but also to structured products and credit derivatives. A proper description of this module is beyond the scope of this manual. Insurers holding more complex investments exposed to credit risk are referred to the Technical Specifications. ○ Nevertheless a few observations: <ul style="list-style-type: none"> ▪ No capital requirement should apply for the purposes of this sub-module to borrowings by or demonstrably guaranteed by the South Africa government or a national government of an EEA state issued in the currency of the government, or issued by some international organisations, the European Central Bank or the South African Reserve Bank¹⁰. There is a capital requirement, however, for exposures to non-EEA and non-SA governments and central banks dominated and funded in the domestic currency. ▪ The Technical Specifications also allow for simplified calculations. ▪ Reinsurance default risk is included in the counterparty default risk sub-module. More generally, the counterparty default risk associated with a risk-mitigating transaction should be addressed in the counterparty default risk module rather than in the spread risk sub-module. ○ A Helper tab is available on the EIOPA website to assist with the calculation of this approach. • Under the proposed Canadian approach: <ul style="list-style-type: none"> ○ The capital requirement for capital default risk follows a modified Basel II/III approach using 'loss given default' (LGD) and 'probability of default' (PD) instead of a widening of spreads. ○ The same assets considered in the calculation of the QIS5 approach need to be considered here. ○ The total capital requirement is the sum across the capital required for each credit risk exposure which is determined by multiplying the value of the credit risk exposure by the applicable LGD and its probability of default (which is dependent on the term to maturity of the credit risk exposure). ○ The Technical Specifications allow for a simplified approach to be followed for the determination of the "loss given default" assumption.
<p>Currency Risk</p> <ul style="list-style-type: none"> • The insurer may have investments or liabilities denominated in currencies other than Rands. All other currencies are referred to as foreign currencies. Since foreign currency exposure may exist on either side of the balance sheet, two scenarios are prescribed: an upward shock, defined as an increase in the value of the foreign currency against the local currency, and a downward shock, defined as a fall in the value of the foreign currency against the local currency. • The scenario to be applied is an instantaneous rise or fall in the value of 25% of the foreign currency against the local currency. Please note that for currencies pegged to the Rand, a shock of 0% is applicable¹¹. • The outcomes of these two scenarios should be calculated separately for each foreign currency; the relevant capital charge for each foreign currency is the outcome which is most detrimental to the net asset

⁹ Please see Technical Specifications SCR.5.44 and SCR.5.45.

¹⁰ Please see Technical Specifications SCR.5.88.

¹¹ Please see Technical Specifications SCR.5.63.

value of the insurer. The total SCR for currency risk is the sum of these outcomes.

- A simplification is allowed if the insurer is able to demonstrate that all exposure to foreign currencies is only in one direction.

Concentration risk

- Concentration risk, as included in this sub-module, is the risk related to an accumulation of exposures with the same counterparty. It extends to assets covered in the equity risk, spread risk (e.g. corporate bonds etc.) and property risk sub-modules. It excludes assets already covered in the counterparty risk module, to avoid overlap.
- In essence, a capital requirement results if an exposure to (an investment in) an individual counterparty¹² exceeds a certain threshold. The threshold is defined as a percentage of total assets, with the percentage dependent on the rating of the counterparty. 'Total assets' includes government bonds, although these (often) do not attract a capital charge under this module, as indicated below.
- The total assets do not include:
 - assets held in respect of life insurance contracts where the investment risk is borne by the policyholders
 - exposures of an insurer (or reinsurer) to a counterparty belonging to the same group, under certain conditions
 - assets covered in the counterparty default risk module.
- The capital requirements resulting from individual 'excess' exposures are then combined to a total capital requirement.
- For property concentration risk, insurers should identify the exposures to a single property higher than 10% of 'total assets'¹³. For this purpose the insurer should take into account direct and indirect property, ownership and other real estate exposure. Properties located in the same building or sufficiently nearby should be considered as a single property.
- Please refer to the Technical Specifications for the treatment of participations in the concentration risk module (SCR.5.127 and section SCR.15 on Participations).
- No capital requirement should apply for the purposes of this sub-module to borrowings by or demonstrably guaranteed by the South African government or by a national government of an EEA state, issued in the currency of the government, or issued by some international organisations, the European Central Bank or the South African Reserve Bank.¹⁴
- Bank deposits can be exempted from this sub-module if fully and properly covered by a government guarantee scheme in the EEA area or South Africa (in Rand).
- The concentration risk sub-module by its nature does not request to report changes to the value of assets and liabilities. The 'initial asset value' is the net asset value before any shock. The net asset value after the shock (gross) is the initial asset value minus the SCR for concentration risk, without any change in profit sharing taken into account. The net asset value after the shock (net) is the initial asset value minus the SCR for concentration risk, with any change in profit sharing taken into account.
- The EIOPA website contains a Helper tab to facilitate the calculation. Please note that there is no need to list all investments in this Helper tab. A concentration risk charge only results if exposures exceed a certain threshold.

Illiquidity premium risk

- As an illiquidity premium is recognised in the interest rate term structure, a scenario with a lower illiquidity premium is included. This sub-module relates to the illiquidity premium component of the interest rate term structure.
- The scenario consists of an assumed 65% reduction of the illiquidity premium.
- The 65% fall is restricted to the illiquidity premium that is used for the calculation of technical provisions (i.e. for lines of business where the only underwriting risk is longevity and/or expense risk as specified in section V.2.3 of the Technical Specification).

31 December 2010 - FSB volatility stress (life), market risk stress (non-life)

- This section, while not part of the SCR standard formula, has been added to provide for the information requested in paragraph SCR.5.14A in the Technical Specifications.
- Life insurers should provide the results of the FSB volatility stress.
- Non-life insurers should provide the results of the FSB market risk stress.
- Non-life insurers should only provide information in the "Reduction in liability due to release of discretionary margins" cell if they have allowed for less prudence in their liability valuation basis when calculating the

¹² Exposures to the same group as defined in the Solvency II Directive should be treated as one exposure.

¹³ To determine the amount of total assets, investments in government bonds should be included.

¹⁴ Please see Technical Specifications SCR.5.88.

liability under stressed conditions. The “Reduction in liability due to management actions” and the CAR cells should be left blank.

- Life insurers should provide the implied volatilities for both equity options and interest swaptions for the first 5 years and quinquennially thereafter.

Section 6 Counterparty default risk

- Counterparty default risk is the risk of possible losses due to unexpected default, or deterioration in the credit standing, of the counterparties and debtors of an insurer. Please note that the exposures to credit spread risk (or credit default risk) that are covered under the credit spread/default risk sub-module – in essence investments – do not come under the counterparty default risk sub-module, and vice versa.
- The sub-module differentiates between two types of exposures, denoted by type 1 and type 2, with a different treatment according to their varying characteristics.
 - Type 1 covers exposures which may not be diversified and where the counterparty is likely to be rated. These exposures can be more or less considered on an individual basis. They include, inter alia, reinsurance arrangements, securitisations and derivatives or other risk mitigating contracts, cash at bank, deposits with ceding institutions and letters of credit and guarantees.
 - Type 2 covers exposures which are usually diversified and where the counterparty is likely to be unrated. These exposures are considered on a more aggregated basis. They include, inter alia, receivables from intermediaries, but also, importantly, mortgage loans. Type 2 also includes, inter alia, deposits with ceding institutions or letters of credit if the number of independent counterparties exceeds 15.
- The main variables in the calculation are the estimated ‘loss given default’ (LGD) of an exposure, and the ‘probability of default’ (PD) of a counterparty. The calculations take collateral into account. Importantly, the sub-module also covers the counterparty default risk of risk mitigation contracts. For example: a reinsurance programme may reduce the net loss of an event to an insurer, but also generate an increase of the reinsurance recoverables, and thereby the associated counterparty default risk.
- The input cells in this section require the insurer to indicate the applicability of both types, and the outcomes of the calculation of type 1 and type 2 exposures. There is a Helper tab available on the EIOPA website to assist with the calculations prescribed by this sub-module.
- The input cells ‘counterparty default risk of type 1 exposures’ or ‘type 2 exposures’ relate to the outcomes of this sub-module before any profit sharing is taken into account (‘gross’ results). In the third input cell (F289) the insurer can report any loss absorbing capacity of the technical provisions if counterparty risk were to crystallise. It is expected that this may not apply to many companies.

Section 7 Life underwriting risk

- The Technical Specifications, and the input cells in the spreadsheet, also provide for Simplifications for these risks. As mentioned before, insurers are encouraged to aim, if possible, to apply the standardised approach.
- Insurers are reminded that, as elsewhere in this tab, the term technical provisions is to be understood to exclude the risk margin.
- For all life underwriting risk sub modules, the asset value required within the spreadsheet should be set equal to the assets the insurer has allocated to back the line of business that is exposed to the risk being stressed. The size of the assets relative to liabilities is not important as long as the change in the net asset value due to the shock (gross and net of the loss absorbing capacity) is accurately reflected.

Mortality Risk

- Mortality risk is the risk of dying early (technically: earlier than in the assumptions underlying the Best Estimate). Mortality risk is applicable to obligations where the amount currently payable on death exceeds the technical provisions, and consequently, an increase in mortality rates leads to an increase in the technical provisions.
- In SA QIS1, the capital requirement for mortality risk is calculated by assuming a permanent 15% increase of mortality rates for each age and each policy subject to mortality risk.
- Some insurance policies provide benefits in case of both death and survival, contingent on the life of the same insured person. These obligations do not need to be ‘unbundled’. For these contracts the mortality scenario can be applied allowing for the natural hedge between death benefits and survival benefits. Please note, however, that a floor of nil applies at the level of the contract if the net result of the scenario is favourable to the insurer.

Longevity Risk

- Longevity risk is more or less the ‘mirror image’ of mortality risk. It applies to policies where a decrease in mortality rates would lead to an increase of the technical provisions. Typical examples are pension annuities or policies providing a lump sum in the event of survival of the insured life to a specified date. In SA QIS1, the capital requirement for longevity risk is calculated by assuming a (permanent) 20%

decrease in mortality rates for each age and each policy subject to longevity risk.

- As mentioned under 'mortality risk', some insurance policies provide benefits in case of both death and survival, contingent on the life of the same insured person. These obligations do not need to be 'unbundled'. For these contracts the longevity scenario can be applied, again allowing for the natural hedge between death benefits and survival benefits. Also here, a floor of nil applies at the level of the contract if the net result of the scenario is favourable to the insurer.
- SA QIS1 is also testing two alternative approaches to allowing for longevity risk:
 - Alternative 1: SCR.7.30B requests insurers to calculate the impact of a (permanent) 25% decrease in mortality rates for ages younger than 60 and a 15% decrease for ages older than or equal to 60.
 - Where this isn't possible, insurers should assume a (permanent) 15% decrease in mortality rates for annuity business and a 25% decrease in mortality rates for other business subject to longevity risk.
 - Insurers need to indicate which approach they have used by choosing the appropriate option from the drop down box in cell F326.
 - Alternative 2: SCR.7.30C additionally requires insurers to calculate the impact of applying an additional 1.5% in absolute terms to their assumed best estimate annual mortality improvement assumption. This information is requested separately for annuity in payment business and other longevity business.

Life disability-morbidity risk

- Morbidity or disability risk is the risk of loss, or adverse changes in the value of insurance liabilities, resulting from changes in the level, trend or volatility of disability or morbidity rates. It is expected that the majority of insurance obligations for which this risk is relevant will be included under the health module rather than the life underwriting module. The Technical Specifications state that this life sub-module is likely to be applicable only where it is not appropriate to unbundle contracts, i.e. where this insurance cover is provided as a 'rider' (addition) to a life contract.
- The specified scenario consists of both an increase of disability rates and a decrease of recovery rates:
 - An increase of 35% in disability rates for the next year, together with a (permanent) 25% increase (over best estimate) in disability rates at each age in following years
 - Plus, where applicable, a permanent decrease of 20% in morbidity/disability recovery rates.

Life lapse risk

- Lapse risk is the risk of loss or change in liabilities due to a change in the expected exercise rates of policyholders' options. Please note that the term 'lapse' should be seen in a broad sense. The sub-module covers e.g. surrender, termination, conversion to a paid-up status, restriction but also increase, extension, resumption of insurance cover etc. Insurers should carefully consider all exercise options their policyholders may have.
- For some policies, a lapse – in any form – may be beneficial to (the net asset value of) the insurer, for other policies a lapse may be detrimental to the insurer. The sub-module thus includes a scenario with a decrease in lapse rates (take-up rates) and a scenario with an increase in lapse rates (take-up rates). Capital requirements should be calculated based on a policy-by-policy comparison of the surrender value and best estimate provisions. The so-called 'surrender strain' of a policy is defined as the difference between the amount currently payable on surrender and the best estimate provisions held. 'Surrender value' again should be read with the mentioned broad meaning. In particular, the surrender value may be nil if no compensation is paid on termination.
- The sub-module specifies three calculations:
 - Lapse shock down: a reduction of 50% in the assumed take-up rates in all future years for all policies adversely affected by such risk. The change in the rate has a ceiling of 20% points in absolute terms.
 - Lapse shock up: an increase of 50% in the assumed take-up rates in all future years for all policies adversely affected by such risk. The resulting shocked rate should not exceed 100%.
 - Lapse mass shock: this consists of the combination of the following:
 - The surrender of 30% of the insurance policies with a positive surrender strain, excluding policies for non-retail business
 - The surrender of 70% of the insurance policies with a positive surrender strain for non-retail business.
- The outcome of the sub-module is the maximum of these three outcomes. The spreadsheet requests the outcomes of all three calculations.

Expense risk

- The expense risk scenario is defined as the combination of:
 - An increase of 10% in future expenses compared to the best estimate anticipations, and

<ul style="list-style-type: none"> ○ An increase by 1% per annum of the expense inflation above the anticipations. • An expense payment should not be included in the scenario if the amount is already fixed at the valuation date. • For policies with adjustable expense loadings, realistic management actions regarding these loadings should be taken into account.
Revision risk
<ul style="list-style-type: none"> • This risk module should only be applied to annuities where the benefits payable under the underlying insurance could increase as a result of changes in the legal environment or in the state of health of the person insured. • This includes annuities arising from non-life claims, but excludes annuities arising from health obligations which are treated in the Health SLT module. • The prescribed scenario consists of an increase of 3% in the annual amount payable for annuities exposed to revision risk. The impact should be assessed considering the remaining run-off period of the annuities. • Please note that this sub-module also provides an input cell for a user specified parameter (USP). Insurers intending to apply to use a USP should report the parameter in the relevant input cell. The reported USP parameter should include the credibility weighting (i.e. already be the relevant weighted average of the own historic volatility and the standard market-wide parameter).
Life CAT risk
<ul style="list-style-type: none"> • The life CAT sub-module is restricted to policies contingent on mortality risk, i.e. where an increase in mortality leads to an increase in technical provisions. • The scenario consists of an absolute increase in the rate of policyholders dying over the following year of $12 * \min(\max(35% * \text{MortRate} ; 0.0002); 0.0005)$ where, MortRate is the average underlying mortality rate per mille per month.
Section 8 Health underwriting risk
<ul style="list-style-type: none"> • The section on Health underwriting risks differentiates between products that actuarially are similar to life (SLT) or not similar (non SLT). This corresponds with the structure of the tabs on premiums and technical provisions. • Correspondingly, the sub-modules that apply to calculate the SCR reflect either those of the Life section or the Non-life section. For this reason the explanation in this section will regularly refer to the sub-modules there, rather than copying the text.
Capital requirement for Health underwriting risk
<ul style="list-style-type: none"> • The only input required in this first section relates to the applicability of a certain risk (i.e. in column H).
SLT Health (similar to life technique) underwriting risk
<ul style="list-style-type: none"> • Again, the only input required relates to the applicability of a certain risk.
Mortality risk
<ul style="list-style-type: none"> • The calculation here is similar to that in the Life sub-module.
Longevity risk
<ul style="list-style-type: none"> • The calculation here is similar to that in the Life sub-module.
Disability-morbidity risk
<ul style="list-style-type: none"> • SA QIS1 distinguishes between medical expense and income protection.
Disability-morbidity risk for medical expense
<ul style="list-style-type: none"> • This sub-module for medical expenses has no direct equivalent in the Life section. • The sub-module contains two main scenarios: claims shock up and claims shock down. The scenario claims shock down need only be analysed for policies that include a premium adjustment mechanism which foresees an increase of premiums if claims are higher than expected and a decrease of premium if claims are lower than expected. Otherwise insurers may assume that the result of this scenario is nil. • The claims shock up consists of an assumed increase of 1 percentage-point in claims inflation, together with a 5% permanent relative change of claims. • The claims shock down, if applicable, consists of the mirror image.
Disability-morbidity risk for income protection

<ul style="list-style-type: none"> The calculation here is similar to that in the Life sub-module.
Health lapse risk
<ul style="list-style-type: none"> The methodology of this scenario is similar to that under 'Life', but with differences in parameters. For lapse up and lapse down the assumed change in lapse rates is 20% instead of 50%.
Expense risk
<ul style="list-style-type: none"> The calculation here is similar to that in the Life sub-module.
Revision risk
<ul style="list-style-type: none"> The methodology of this scenario is similar to that under 'Life', but a difference in a parameter: the assumed stress is 4% instead of 3%. Please note that this sub-module also provides an input cell for a user specified parameter (USP). Insurers intending to apply to use a USP should report the parameter in the relevant input cell. The reported USP parameter should include the credibility weighting (i.e. already be the relevant weighted average of the own historic volatility and the standard market-wide parameter).
Non-SLT Health (similar to non-life technique)
<ul style="list-style-type: none"> In general the approach taken is comparable to non-life.
Premium and reserve risk
<ul style="list-style-type: none"> The underlying methodology and calculation is similar to that in the non-life sub- module. Where insurers are intending to apply to use user specified parameters, input cells have been included for insurers to specify the value of these parameters. Please note that the reported USP parameters should include the credibility weighting (i.e. the relevant weighted average of the own historic volatility and the standard market-wide parameter).
Health non-SLT lapse risk
<ul style="list-style-type: none"> The underlying methodology and calculation is similar to that in the non-life sub- module.
Health CAT risk
<ul style="list-style-type: none"> The Health CAT risk module considers scenarios for an arena disaster, a concentration scenario and a pandemic scenario. A Helper tab can be found on the FSB and SAM website to assist with the calculation of this sub module. Section SCR.8.5 (paragraphs SCR.8.95 onwards) of the Technical Specification provides the full description of each scenario.
Section 9 Non-life underwriting risk
<ul style="list-style-type: none"> Non-life underwriting risk is composed of premium and reserve risk, non-life lapse risk and non-life CAT risk.
Non-life premium and reserve risk
<ul style="list-style-type: none"> This module combines the treatment of two main sources of underwriting risk: premium risk and reserve risk. Summarising very briefly: <ul style="list-style-type: none"> Reserve risk relates to the risk that the (best estimate) claims provisions (PCO: provision for claims outstanding) may turn out to be insufficient, and in essence thus relates to a past risk period. Premium risk relates to the coming period and the risk that premiums (including premium provisions) turn out to be insufficient. The capital requirement for both premium and reserve risk is in essence based on the multiplication of two components: <ul style="list-style-type: none"> An indicator for the volume of the business (exposure) An indicator for the volatility of the business For premium risk, the volume indicator is basically the size of the (expected) net premiums for the forthcoming year; for reserve risk the volume indicator is the best estimate provision for claims outstanding, net of recoverables from reinsurance and special purpose vehicles. For the volatility indicator, SA QIS1 uses the standard market-wide parameters rather than an insurer's user specified parameters (USP), for both premium and reserve risk. These parameters are based on the standard deviation of the underlying risk; the parameters are approximately three times the standard deviation. If an insurer intends to apply to use a USP, they should provide the value of these parameters (in column I). These parameters are based on the own history of loss ratios of the individual insurer. In this case the volatility is determined as a weighted average of the own historic volatility and the standard market-wide

parameter: a longer history of own data gives a greater weight to the own figures and a correspondingly lower weight to the standard market-wide parameters.

- Please note that the reported USP parameters should include the credibility weighting (i.e. the relevant weighted average of the own historic volatility and the standard market-wide parameter).
- The spreadsheet also requires the input of the factor DIV, representing a geographical diversification benefit, as already mentioned when discussing the tabs 'Premiums' and 'Health non SLT and non-life'. As mentioned there:
 - Insurers may choose to allocate all of their business in a line of business to the main geographical segment in order to simplify the calculation. This may be relevant to many smaller insurers operating largely or solely on their home market. The DIV factor should then be set at 1 (100%).
 - The Technical Specifications state that the diversification factor DIV_{lob} should be set to 1 (100%) for the line of business credit and suretyship.
- The spreadsheet also provides for the input of an adjustment factor NP for non- proportional reinsurance, allowing insurers to take into account the risk-mitigating effect of particular per risk excess of loss reinsurance. The calculation of this factor is outlined in Annex 8 of the Technical Specifications, and beyond the scope of this manual. The FSB has, however, updated the EIOPA Helper tab to assist insurers with the calculation of these adjustment factors. (See helper tab file SA QIS1_Helper sheet_CAT_NonLife_NPadj_20110615.) Insurers not calculating this factor should input a value of 100% in the cells for the NP adjustment factor.
- The other data necessary to perform the calculation of premium and reserve risk is already available elsewhere in the spreadsheet, and need not be provided again.
- The input data is requested by line of business. The spreadsheet takes care of the aggregation.

Non-life lapse risk

- Non-life insurance contracts can include policy options which significantly influence the obligations arising from them. These may include options to terminate the contract before the end of the previously agreed insurance period or options to renew contracts according to previously agreed conditions.
- Where non-life contracts contain no such policyholder options, or where the assumptions on the exercise rate of such options have no material influence on the premium provisions, these contracts need not be included in the calculations. Where this applies to the whole portfolio (except possibly for a non-material part), the three components requested may be set to nil.
- This may well be the case for smaller non-life companies offering fairly straightforward products. These insurers should input a value of nil in the three input cells.
- Insurers for which this lapse risk is more material should refer to the Technical Specifications.

Non-life CAT risk

- The non-life CAT risk module consists of scenarios for the man-made catastrophes and natural catastrophes.
- There are two FSB Helper tabs that insurer may find useful to assist with the calculation of this sub-module. (Refer to SA QIS1_Helper sheet_CAT_Nat_20110615 and SA QIS1_Helper sheet_CAT_Man_Made_20110615.)

Tab SF MCR

Section 1 MCR Top level calculation

- Section 1 contains the top level calculation for the MCR. As the MCR is subject to an absolute minimum, this section requests the relevant amount of AMCR (Absolute Minimum Capital Requirement). Life insurers are requested to complete cell J17, non-life companies cell J22.

Section 2 MCR Detailed calculation

- This section requests, in four subsections, more detailed information required to calculate the MCR. Please note carefully which section applies.
- Only section 2.4 contains input cells. All other information necessary for these calculations is derived from elsewhere in the spreadsheet.

Results

32. The completed spreadsheet provides insight into the major components of the financial position of an insurer, and potentially, the most important quantifiable risks. The spreadsheet also presents a comparison between the financial position under the current regime and under SA QIS1.
33. Insurers are encouraged to use this exercise in their further preparation for SAM. The spreadsheets – SA QIS1 return and Helper tabs - may also be of use for further analysis by the insurer, e.g. considering the impact of a possible change in investment strategy or reinsurance programme. Insurers are also invited to consider whether the SCR standard formula as tested in SA QIS1 is deemed to be a sufficiently sound method to represent their risk position.
34. SA QIS1 also includes qualitative questionnaires. It is important for a successful SA QIS1 that insurers complete the relevant questionnaires.

Submission of the spreadsheets

35. An insurer should submit its completed SA QIS1 return for each solo entity electronically to saqis1@fsb.co.za. Insurers are again encouraged to submit any Helper tabs and similar programmes used to complete the main spreadsheet. This data greatly assists an assessment of the submission, and will also, importantly, enable the FSB to provide a productive feedback of the findings to individual insurers, where relevant.
36. Insurers are also reminded to submit the qualitative questionnaires. These also provide further opportunity to submit any comments the insurer may have.
37. Once again, please take note that the spreadsheet structure should not be altered in any way (except if required to do so in the internal model sheets). This includes the addition of new tabs. **Any links to external spreadsheets should be broken (preferably choosing to hardcode all input cells).**