

# Solvency Assessment and Management 2014 Update



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# Introduction

Four years ago the Financial Services Board (FSB) and the South African insurance industry embarked on a journey to establish a risk-based supervisory regime for the prudential regulation of both long-term and short-term insurers in South Africa – namely the Solvency Assessment and Management (SAM) project.

The objectives of SAM have remained the same since the project was first initiated, namely to better protect policyholders and beneficiaries and contribute to financial stability through:

- aligning capital requirements with the underlying risks of an insurer; and
- providing incentives to insurers to adopt more sophisticated risk monitoring and risk management tools.

Through the SAM Governance structure<sup>1</sup>, the development of the SAM framework has been guided by the following principles:

- SAM must be consistent with international best practice in insurance supervision – specifically the Insurance Core Principles (ICPs) as set by the International Association of Insurance Supervisors (IAIS) – and meet the criteria for Solvency II third-country equivalence, while at the same time be appropriate for the characteristics of the South African insurance industry; and
- SAM should be a proportionate, risk-based approach to regulation and supervision with appropriate treatment both for small insurers and large, cross-border groups.

An initial SAM Roadmap<sup>2</sup> was published in November 2010. As the SAM project developed and the requirements for the project became clearer, the SAM roadmap has been updated each year through the SAM 2012 Update<sup>3</sup> and the SAM 2013 Update<sup>4</sup> respectively. This document gives further clarity on the way forward and the priorities for the SAM project in 2014.

The SAM project is nearing the end of its development phase. Since 2009 more than 111 discussion documents have been published on the various components of the SAM framework. All SAM discussion documents are escalated through the SAM Governance structure before being accepted as a final position paper by the SAM Steering Committee. Position papers are then published as part of a

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<sup>1</sup> See Annexure 2 for a diagram of the SAM Governance structure.

<sup>2</sup> <https://www.fsb.co.za/Departments/insurance/Documents/FSBSAMRoadmap.pdf>

<sup>3</sup> <https://www.fsb.co.za/Departments/insurance/Documents/FSBSAMRoadmap.pdf>

<sup>4</sup> [https://www.fsb.co.za/Departments/insurance/Documents/SAM\\_2012\\_Update.pdf](https://www.fsb.co.za/Departments/insurance/Documents/SAM_2012_Update.pdf)

<sup>4</sup> <https://www.fsb.co.za/Departments/insurance/Documents/SAM%202013%20Update.pdf>

broader consultation process designed to ensure that there is wide input into the development of the SAM framework. For reference, a list of SAM position papers and discussion documents is provided in Annexure 1.

As part of the development phase, two SAM quantitative impact studies have been completed; with a third quantitative impact study (SA QIS3) now underway. In addition, a study was conducted to help inform the development of the SAM Pillar II requirements, as well as gauge the readiness of insurers and insurance groups to implement these requirements, with the report having been published in June 2013. A follow-up SAM Pillar II review is underway.

The SAM project will enter its implementation phase from July 2014, with a 'light' parallel run planned for the second half of 2014, followed by a comprehensive parallel run from January 2015.

Through the hard work of all stakeholders involved in the SAM Governance structure, and the commitment of the South African insurance industry more generally, we are now nearing the final lap of the SAM project. Further work is required to nail down the final details of the SAM framework and ensuring that SAM implementation efforts are intensified, but the FSB remains confident that the SAM project is firmly on course for full implementation on 1 January 2016.

# Executive Summary

## ▪ Changing context for SAM

Over the last year, the SAM project has continued to be developed against a backdrop of regulatory change – at a local as well as an international level.

In South Africa, a key change in the regulatory environment is the announced move to a Twin Peaks model of financial regulation. Prudential regulation of insurers is due to shift to the South African Reserve Bank (SARB) by 2015. Preparations for the smooth transition of the SAM project to the SARB are well-advanced and it is not anticipated that there will be any impact on the SAM implementation plans.

Internationally, there is now more certainty on the implementation of Solvency II in Europe, by 1 January 2016, following political agreement of Omnibus II. The IAIS has also been very active in starting the development of an international global insurance capital standard for large internationally active insurance groups.

## ▪ SAM timelines

While these developments change the context in which SAM will be implemented, the SAM project is on track and the implementation date for SAM remains 1 January 2016.

The biggest change from the SAM 2013 Update is that the interim measures for SAM initially envisaged in the Insurance Laws Amendment Bill (ILAB) will now be introduced through alternative means, including:

- enhanced governance and risk management framework requirements will be introduced through a Board Notice; and
- a formal framework for insurance group supervision will be provided for through the Twin Peaks process.

The first public version of the SAM primary legislation is expected to be released for comment in the third quarter of 2014. The FSB is working closely with the National Treasury in order to co-ordinate the development and release of this document.

At the same time as the release of the primary legislation for public comment, the FSB will release a comprehensive version of the subordinate legislation to the SAM Governance structure for consideration.

## ▪ Finalising the development phase of SAM

All stakeholders within the SAM Governance structure have worked in a dedicated and constructive manner to reach a point where the details of the SAM framework are close to being finalised. However there are still a number of policy issues that need to be resolved in order to finalise the SAM framework.

The analysis of the SA QIS3 results, which are due from May 2014, will assist in making decisions on the outstanding Pillar I issues. On the Pillar II side, the Pillar II readiness follow-up review will provide further information to help finalise the Pillar II component of the framework. Continued work between the FSB and the insurance industry will be required to finalise the reporting templates under Pillar III prior to the parallel run which will start from the second half of 2014.

To assist any insurers considering applying to use an internal model to calculate their regulatory capital requirements, the FSB will shortly be publishing a general feedback document based on experience gained from the internal model approval process work performed to date.

A planned reinsurance discussion document will provide more clarity on the treatment of reinsurance within the SAM framework.

The Economic Impact Study will provide an overall review of the SAM developments in order to determine whether any further changes or transitional measures are required to avoid any unintended consequences arising from the introduction of the SAM regime.

SAM transitional arrangements will be outlined in the SAM primary and secondary legislation. The final transitional arrangements will be based on industry comments on draft legislation, suggestions from the SAM Economic Impact Study, and key findings from the Pillar II Readiness exercise.

- Moving to the implementation phase of SAM

2014 is a landmark year for SAM as the project will officially move from the development phase to the implementation phase with the introduction of the light parallel run in the second half of 2014. In the light parallel run, insurers and insurance groups will be required to produce quarterly returns under the SAM basis, in addition to their normal reporting.

In addition to the light parallel run, a thematic review on non-life data is planned for the latter half of 2014, to ensure that short-term insurers are on track to meet the SAM data requirements and that the future calibration of parameters for non-life underwriting risks in the standard formula yield meaningful results.

During 2015, implementation efforts will be increased with the move to the comprehensive parallel run. During this phase, insurers will be expected to complete quarterly as well as annual returns on the SAM basis in addition to their normal reporting. There will also be a mock ORSA exercise where insurers will be required to submit some ORSA information to the FSB.

While there is a lot of implementation activity that will be expected of insurers, the FSB will also be undertaking extensive implementation measures around the training, processes and systems that need to be put in place in order for the FSB to regulate the insurance industry on a SAM basis in their business as usual environment. These plans are being co-ordinated with the wider implementation activity for the establishment of the prudential authority under the Twin Peaks regulatory architecture.

# Context: Domestic and International Developments

Since the last SAM Update in 2013, there have been a number of domestic and international developments in the regulatory environment, as outlined below. While these developments change the context in which SAM will be implemented, it is important to note that they are not expected to impact on the implementation date of SAM, which remains 1 January 2016.

## ▪ Twin Peaks

In February 2011 the Minister of Finance announced that South Africa would be shifting to a “Twin Peaks” model of financial regulation. The objectives and key elements of this approach are contained in the National Treasury document “*A safer financial sector to serve South Africa better*”<sup>5</sup> published at the time. This was further elaborated in February 2013 through a Twin Peaks implementation plan entitled “*Implementing a twin peaks model of financial regulation in South Africa*”<sup>6</sup>. At the end of 2013, the National Treasury published the draft Financial Sector Regulation Bill (Twin Peaks Bill), which is the first in a series of Bills that sets out some detail around the architecture of the Twin Peaks model.

Twin Peaks will see the establishment of two new regulatory authorities:

- A Prudential Authority (PA) within the SARB, responsible for the oversight of the safety and soundness of banks, insurers, financial conglomerates and key financial market infrastructure.
- A Market Conduct Authority (MCA) to protect customers of financial services firms, and to improve the way financial service providers conduct their business. This Authority will also be responsible for ensuring the integrity and efficiency of financial markets, and promoting effective financial consumer education.

Under Twin Peaks, insurance regulation and supervision in South Africa will be split between the PA in the SARB (who will supervise financial soundness) and the MCA (the new FSB, responsible for the conduct of business of insurers).

The exact date of Twin Peaks implementation has yet to be determined. It is anticipated that a revised version of the Twin Peaks Bill will be tabled in Parliament in the third quarter of 2014. Depending on final decisions with respect

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<sup>5</sup> <http://www.treasury.gov.za/documents/national%20budget/2011/A%20safer%20financial%20sector%20to%20serve%20South%20Africa%20better.pdf>

<sup>6</sup> <https://www.fsb.co.za/Departments/twinpeaks/Documents/Twin%20Peaks%2001%20Feb%202013%20Final.pdf>

to the enactment, this may allow the Twin Peaks model to come into effect by the end of 2014.

The SARB is currently busy with internal implementation plans to prepare for taking over the prudential regulation of insurers and insurance groups. This will also enable a more effective approach to the supervision of financial conglomerates.

It is not anticipated that this transition will impact on the implementation plans for SAM.

- **Microinsurance** The July 2011 National Treasury Microinsurance Policy Document<sup>7</sup> outlines the twin policy concerns of promoting better access to formal insurance products while ensuring that consumer protection is strengthened. The overarching policy objective set out in the Microinsurance Policy Document is to extend access to a variety of good-value formal insurance products appropriate to the needs of low-income households, thereby supporting financial inclusion.

The Microinsurance Policy Document envisaged that the microinsurance regulatory framework would be provided for in a dedicated Microinsurance Act. However, the shift to a Twin Peaks model of financial regulation will see the prudential and market conduct aspects of regulation provided for under separate pieces of legislation. For the insurance sector, the prudential regulatory requirements will be provided for in a new Insurance Bill, while the market conduct regulatory requirements are likely to be provided for in a new overarching piece of legislation that will govern the conduct of business of all financial services supervised by the MCA.

Given this new envisaged legislative landscape, it no longer makes sense to proceed with a stand-alone Microinsurance Act. Rather, the prudential requirements applicable to microinsurers will be provided for in the Insurance Bill<sup>8</sup>. The prudential requirements for microinsurers will be based on the same principles as SAM. Work is currently underway to design simplified prudential requirements, which are proportionate to the simple products and low-risk model envisaged under the microinsurance framework, while still being risk-based.

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<sup>7</sup> The Microinsurance Policy Document is available on the FSB's website: <http://www.fsb.co.za/insurance/Microinsurance/PolicyDocumentMicroInsurance.pdf>

<sup>8</sup> Given the urgency of providing for an enabling regulatory environment for microinsurance, the National Treasury and FSB have agreed to investigate whether it will be possible to introduce certain of the regulatory proposals earlier as part of an interim phase. The interim measures will encompass changes to regulation and supervision that can be achieved without having to amend legislation. It is hoped that these changes can be introduced as soon as the second half of 2014.

Further details will be provided in a separate Microinsurance Update document to be released shortly.

▪ Taxation

As part of the 2014 Budget, the basis of taxing insurance risk policies was highlighted as needing further work.

Until such time as there is clarity on this issue, the working assumption of the SAM Governance structure for the purposes of the SAM tax dispensation is that the “four funds” approach will continue. This assumption will be revisited when further information is provided by National Treasury.

The technical specifications in the SA QIS3 reflect the latest thinking of the SAM Tax Task Group. The Task Group is of the view that for the interim period, until the implementation of IFRS4 Phase 2, the SAM framework will apply the current FSV basis for taxation. National Treasury is still required to endorse this approach as well as the transitional measures once SAM is implemented.

An insightful research document entitled “*The impact of the implementation of the Solvency II Directive principles on the taxation of insurers in jurisdictions comparable to South Africa*”<sup>9</sup> was produced by the SAM Tax Task Group. It provides useful and informative research on the tax base applied by various jurisdictions around the world that are currently adopting regimes similar to the Solvency II Directive.

▪ Reinsurance regulatory framework

In 2012 the FSB commissioned a project to review the reinsurance regulatory framework in South Africa, covering the following elements:

- an international scan of relevant reinsurance regulatory framework issues in other jurisdictions and international best practice;
- a market survey, including interviews with reinsurers, insurers and reinsurance brokers in the South African market; and
- a public policy assessment, including examination of national interest issues with respect to the local reinsurance industry in the context of the National Treasury’s Gateway to Africa initiative.

A report from the appointed consultant was received last year and is being used to formulate a regulatory policy paper planned for release by mid-2014.

These policy proposals will feed into the planned Insurance Bill.

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<sup>9</sup> <https://www.fsb.co.za/Departments/insurance/Documents/The%20impact%20of%20the%20implementation%20of%20the%20Solvency%20II.pdf>

▪ IAIS developments

The IAIS's ICPs provide a globally accepted framework for the supervision of the insurance sector. Part of the mandate given to the various SAM task groups and working groups was that the various SAM discussion documents and position papers must consider and be consistent with the ICPs, appropriately applied to the South African context.

In addition, the IAIS is developing a Common Framework for Supervision of Internationally Active Insurance Groups (ComFrame). The term Internationally Active Insurance Groups (IAIGs) encompasses the major global insurance and reinsurance groups<sup>10</sup>.

As part of ComFrame, the IAIS is committed to pursue a global capital standard for IAIGs, termed the Insurance Capital Standard (ICS). In order to test the development of the ICS, the IAIS is currently conducting field testing with approximately 30 IAIGs. The FSB is closely involved in the development of the ICS and the initial principles of the ICS are aligned with the principles underlying the SAM framework.

▪ Solvency II transitional equivalence arrangements

A guiding principle of the SAM development process is that SAM should comply with the criteria for Solvency II third-country equivalence, but should also accommodate the unique requirements of the South African insurance industry.

It is important to reiterate that equivalence does not mean identical – equivalence is defined in terms of high level Solvency II principles. Adherence to such principles does not restrict the SAM framework to being identical to the Solvency II framework by any means and it is important that the SAM framework remains appropriate to the South African insurance environment.

Third-country equivalence gives recognition that a supervisory regime provides a similar level of protection to that provided by Solvency II, and has particular implications for

- South African groups operating in the EU;
- EU groups with operations in South Africa; or
- EU insurers with reinsurance arrangements to South African reinsurers.

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<sup>10</sup> Internationally Active Insurance Groups are defined under ComFrame to meet the following criteria:

- either write more than \$10bn of premium or hold more than \$50bn of insurance related assets, and
- operate in more than 3 countries and write at least 10% of its business outside the home jurisdiction.

The European Commission has indicated that they will follow a two-phased approach to assessing the equivalence of a third-country's insurance supervisory regime. Prior to the European Commission being able to conduct a full assessment of whether the equivalence criteria are being met, they have indicated a willingness to consider jurisdictions as being 'deemed' to be equivalent to Solvency II for a period of time. There are a number of countries, including South Africa, that have indicated their interest in their insurance solvency regime being deemed equivalent. To this end, the FSB has been working with the European Insurance and Occupational Pensions Authority (EIOPA) on behalf of the European Commission to conduct a technical analysis of South Africa's current regulatory regime as well as future planned enhancements to the regime.

EIOPA has prepared a "*Factual Report*" on their findings based on the answers received by the FSB and discussions held and this report will be considered by the European Commission in due time.

The FSB continues to be committed to working with EIOPA and the European Commission as and when required.

# Timelines

The SAM project is nearing the end of its development phase and will enter an implementation phase from the second half of this year, with an effective implementation date of 1 January 2016.

This section of the update considers the timelines for:

- completing the development phase - including giving effect to the SAM framework through legislation; and
- the various elements of the SAM implementation phase.

## ▪ The SAM Road to Parliament

From the initial SAM Roadmap, the intention has always been to introduce SAM in a phased manner, rather than implementing all the changes at once. This phased approach was adopted to ensure that some of the more critical gaps in the insurance prudential framework could be addressed while some of the more fundamental framework proposals are being finalised. Particular gaps were identified with respect to solvency requirements for short-term insurers, governance and risk management requirements, and insurance group supervision.

Phase 1 saw the introduction, through Board Notice 169 of 2011 (BN169), of interim measures for the valuation of the assets and technical provisions and the calculation of the capital requirement for short-term insurers, designed to make the solvency basis more risk-based.

Phase 2 involves further interim measures relating to enhanced governance and risk management requirements and group supervision. The initial plan was to give effect to these interim measures through amendments to the current Long-term and Short-term Insurance Acts (“Insurance Acts”) by means of the ILAB. The ILAB was tabled in Parliament on 21 June 2013. It has since become apparent that the Bill is unlikely to be considered prior to the rising of Parliament in 2014. For this reason, these interim measures will now be introduced through alternative means, namely:

### **Governance and risk management framework**

- Enhanced governance and risk management framework requirements will be introduced through a Board Notice to be issued by the Registrar of Insurance (“Registrar”) under section 12 of the Insurance Acts. Section 12 was amended through the Financial Services Laws General

Amendment Act No. 45 of 2013<sup>11</sup>, which came into effect on 28 February 2014, to provide that the Registrar may prescribe such requirements. The draft Board Notice will be released for public comment by June 2014 and a final Board Notice published by November 2014 for implementation by 1 January 2015.

### **Insurance group supervision**

- The first draft of the Twin Peaks Bill was published for comment in December 2013. A revised second draft Twin Peaks Bill will be published after the elections. A formal framework for insurance group supervision will be provided for through the Twin Peaks process.
- The effective date of implementation of the formal framework for group-wide supervision will be announced later in 2014.

Further detail on these alternative means may be found in a statement from National Treasury dated 29 April 2014<sup>12</sup>.

Phase 3 – which is the final SAM framework – is intended to take effect through the implementation of a new Insurance Act that will replace the current Long-term and Short-term Insurance Acts. The new Insurance Act will consist of primary legislation supported by subordinate legislation.

The development of the legislation entails an iterative process whereby a number of drafts of the proposed legislation are produced through consultation with the SAM Governance structure and National Treasury.

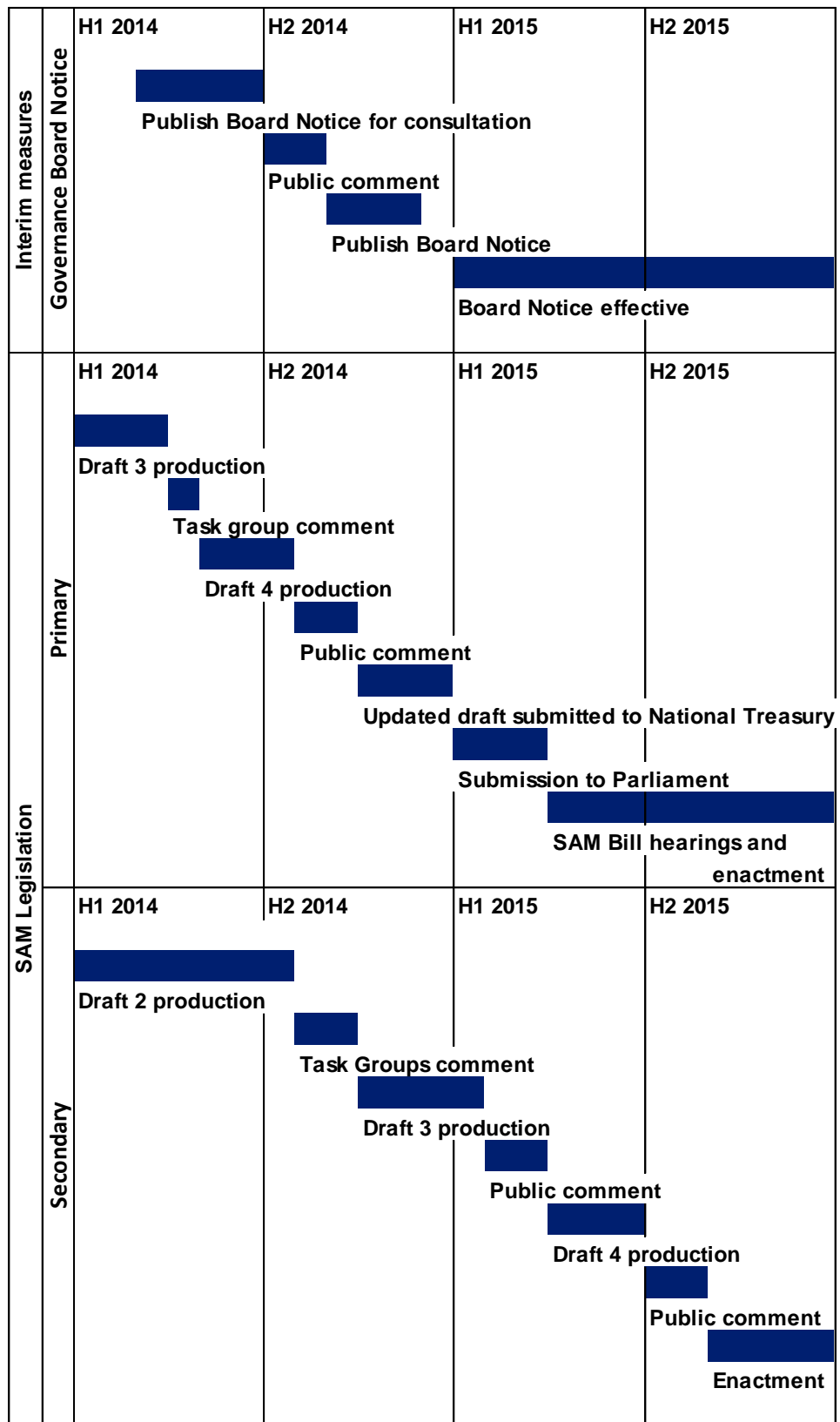
- Primary legislation: The third version of the primary legislation has recently been released for comment to the SAM Governance structure. These comments will inform the fourth draft of the SAM primary legislation which will be issued for comment by the general public in August 2014.
- Subordinate legislation: The second version of the subordinate legislation is currently under development, to be released to the SAM Governance structure by August 2014, with the first public version expected to be released in the first quarter of 2015.

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<sup>11</sup> [http://www.treasury.gov.za/comm\\_media/press/2014/2014021901%20-%20Gazette%2037351.pdf](http://www.treasury.gov.za/comm_media/press/2014/2014021901%20-%20Gazette%2037351.pdf)

<sup>12</sup> [http://www.treasury.gov.za/comm\\_media/press/2014/Final%20ILAB%20media%20statement%20%2029\\_04\\_14.pdf](http://www.treasury.gov.za/comm_media/press/2014/Final%20ILAB%20media%20statement%20%2029_04_14.pdf)

**Figure 1: Revised SAM Road to Parliament**

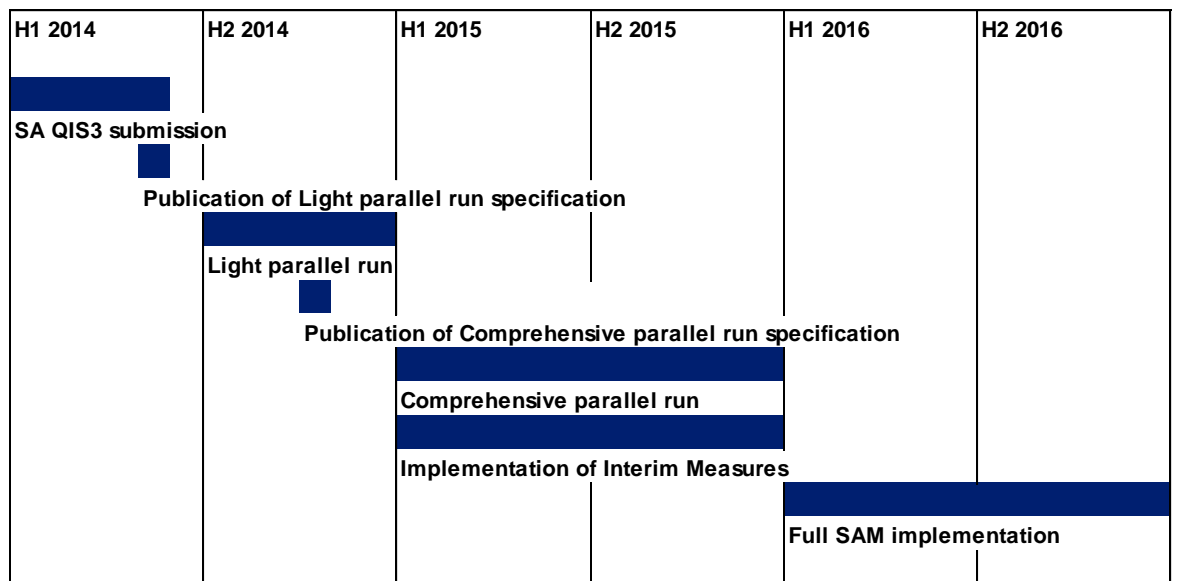


Although some of the timelines set out in Figure 1 have changed from those set out in the SAM 2013 update, the overall implementation date for SAM remains at 1 January 2016.

- **SAM Roll-out** As set out in the SAM 2013 Update, the SAM implementation phase will run from 1 July 2014, and will continue to the end of 2015.

SAM implementation at insurers will entail a two phase parallel run: a light phase through the second half of 2014, with a more comprehensive phase taking place during 2015.

**Figure 2: Revised SAM Roll-out**



SAM implementation in the SARB will entail a shift to a new Targeted Operating Model (TOM) that reflects the new supervisory functions and processes that will be involved in implementing the SAM framework.

Further detail on the SAM parallel run and the SAM TOM is provided later in this document.

## Pillar I: Quantitative Impact Studies

Quantitative impact studies are a vital tool in the consultative process between the FSB and the insurance industry in that they provide industry data, illustrating the impact of the proposals developed. A total of three quantitative impact studies were built into the SAM timeline.

- SA QIS 1 The results of the first quantitative impact study – SA QIS1 – which was largely based on Solvency II QIS5, were covered in a report issued in December 2011, entitled “*Report on the results of the 1<sup>st</sup> South African Quantitative Impact Study*”<sup>13</sup>.

- SA QIS 2 SA QIS2 tested various options for the SAM framework specifications. The “*Report on the results of the 2<sup>nd</sup> South African Quantitative Impact Study*”<sup>14</sup> was released at the end of January 2013.

There was strong participation in SA QIS2, with 121 insurers representing more than 98% of the South African insurance industry by volume of premium submitting results.

SA QIS2 highlighted a number of areas requiring further consideration in the development of the SAM framework, which informed the focus of SA QIS3.

- SA QIS 3 SA QIS3 is the final opportunity to test proposals before the SAM framework is finalised and the parallel run commences. The FSB has pointed out that more emphasis should now be placed on the embedding of the calculations in preparation for the SAM parallel run. In order to allow insurers more flexibility to plan their resources around critical year-end reporting, the FSB extended the submission period to approximately six months.

The submission of the SA QIS3 solo return is due by 30 April 2014 (subsequently extended to 14 May 2014), and submission of the group return is due by 14 May 2014.

The SA QIS3 results report is due to be released at the end of July 2014. This, together with the findings of the Economic Impact Study, will be taken into account in finalising the SAM framework and the specifications for the comprehensive parallel run.

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<sup>13</sup> [https://www.fsb.co.za/Departments/insurance/Documents/SAQIS1\\_Results\\_20111215.pdf](https://www.fsb.co.za/Departments/insurance/Documents/SAQIS1_Results_20111215.pdf)

<sup>14</sup> [https://www.fsb.co.za/Departments/insurance/Documents/SAM\\_SA\\_QIS2\\_Report.pdf](https://www.fsb.co.za/Departments/insurance/Documents/SAM_SA_QIS2_Report.pdf)

## Pillar I: Non-life Data Thematic Review

One of the key objectives of SAM is to ensure that insurers are able to quantify, manage and report on their risk profiles and technical provisions to support an appropriate level of financial strength. To achieve these objectives, the new regulatory framework involves a commensurate step-increase in data requirements for insurers to comply with requirements across all three pillars of SAM.

As may be expected, challenges in meeting these objectives remain, as evidenced by some of the data management practices observed in the non-life insurance industry in particular. Examples of SAM-related information requests where it was apparent that non-life insurers experienced challenges in meeting data requirements include:

- the SA QIS1 and SA QIS2 exercises;
- the compulsory data request issued in 2012;
- submissions in terms of BN169 for approval of alternative reserving methods; and
- internal model applications, to some degree.

As a result, the calibration of the Solvency Capital Requirement (SCR) standard formula is still strongly influenced by the Solvency II factors with appropriate adjustments for the current uncertainty.

To ensure that non-life insurers are indeed on track to meet the SAM requirements and that future calibration of parameters for the standard formula yield meaningful results, a thematic review on non-life data is planned for the latter half of 2014.

This review will provide a deeper understanding of the key data challenges short-term insurers face and highlight both good and poor industry practices. The insights gained will help inform:

- the FSB of insurers that pose a greater risk and therefore require closer attention; and
- the required enhancements to the existing measures to satisfy the overall SAM objectives through improved data quality in the non-life insurance industry.

## Pillar II Readiness

The compulsory Pillar II readiness exercise conducted during 2012 was developed by the FSB to assess industry efforts in preparation for Pillar II of the SAM framework. The SAM Pillar II Readiness Report was released in June 2013<sup>15</sup>.

The FSB is now conducting a Pillar II follow-up exercise. Questionnaires relating to solo insurers and insurance group ORSA developments have been distributed to industry for completion. The focus of this follow-up exercise is on the ORSA, but includes some information pertaining to progress made with implementation of Pillar II requirements since the previous assessment. The questionnaires are due for submission on 30 April 2014 and will be followed by targeted interviews with some insurers and insurance groups. The report on the follow-up exercise will be released in the third quarter of 2014.

The SAM Pillar II Task Groups issued the following Level 3 guidance during the course of 2013:

- Discussion Document 107 titled “*Own Risk and Solvency Assessment: further guidance*”;
- Discussion Document 96, titled “*General Stress Testing Guidance for Insurance Companies*”; and
- Discussion Document 97, titled “*Group Consideration for Stress Testing*”.

Insurers are encouraged to carefully review the guidance. While guidance is not intended to be binding, the guidance will significantly inform the supervisory approach. As such, insurers who do not adopt the guidance as published should be in a position to clearly demonstrate how their practices achieve the aims of the subordinate legislation proposals as well as the intention of the guidance.

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<sup>15</sup> <https://www.fsb.co.za/Departments/insurance/Documents/Pillar%20II%20Survey%20Report%20Final.pdf>

## Pillar III

The FSB and Industry Reporting (*FIRe*) Working Group, which consists of representatives from the FSB, the insurance industry and audit firms, has focussed on the development of the SAM Quantitative Reporting Templates (QRTs). The results from the *FIRe* Working Group are submitted to the Reporting Task Group for consideration, following which they are escalated to the Pillar III Sub-committee and then finally to the SAM Steering Committee for review and approval to be issued for public comment.

The current focus of the *FIRe* Working Group is on the QRTs for solo entities. The aim is to have the complete set of annual solo QRTs produced by the middle of 2014.

The following QRTs have been released for public comment to date:

- the Assets Template - (Discussion Document 91 v3);
- the Life Technical Provisions Template - (Discussion Document 91 v4);
- the Non-Life Technical Provisions Template - (Discussion Document 91 v5); and
- the Own Funds, SCR, MCR and Movement Analysis Template – (Discussion Document 91 v6.1).

Comments on the above templates have been received and are currently being considered before the complete set of annual solo QRTs is released.

After the solo insurer QRTs have been produced, the focus will shift to:

- insurance group QRTs;
- qualitative reporting requirements;
- the split between public and private reporting;
- the split between annual and quarterly reporting; and
- external audit verification.

The FSB will be holding information sessions once the draft QRTs have been finalised.

Discussion Document 29 (v5) setting out the proposed authorisation classes for insurance under the SAM framework was published in 2013. Comments have been received on the discussion document, and a revised discussion document is currently being produced. Once finalised, this will be escalated to the SAM Steering Committee for approval as a position paper. The authorisation classes will inform the granularity that will be required in the QRTs.

# Internal Model Approval Process (IMAP)

Under SAM insurers will be able to calculate the SCR using their own full or partial internal model as an alternative to the standard formula, subject to approval by the FSB through an internal model approval process.

An IMAP Guide was published in April 2011 outlining the process and criteria that will be applied by the FSB<sup>16</sup>.

Internal model approval is split into two phases: the pre-application phase and the formal application phase.

An insurer wishing to apply for internal model approval is required to complete the pre-application phase prior to beginning the formal application phase. Successful completion of pre-application does not, however, guarantee that the model will be approved.

Some insurers entered the IMAP during the Pre-Application Qualifying Criteria (PAQC) windows 1 and 2. Over the course of 2013 the FSB conducted pre-application reviews in line with the work plans agreed with these insurers. The FSB will be considering the formal applications towards the end of 2014.

Earlier versions of the SAM Roadmap and the IMAP Guide envisaged that any insurer that received FSB approval to utilise its internal model for statutory purposes would be required to run its internal model in parallel to the standard formula for the first calendar year after the initially-envisaged implementation date of January 2015. By implication, any capital relief that would possibly arise from the use of such an approved internal model was not envisaged to come into effect before 1 January 2016.

As set out in the SAM 2013 Update, the FSB revised this approach and will now consider granting regulatory capital relief immediately from the SAM implementation date of 1 January 2016, on condition that the internal model has been running throughout the comprehensive parallel run, alongside the standard formula, to the satisfaction of the FSB.

The current PAQC window opened in January 2014 and the FSB will continue to collaborate with insurers on internal model pre-applications. The FSB will shortly publish a general feedback document based on experience gleaned from the internal model work performed with insurers to date. Any insurer giving consideration to entering the current pre-application phase is strongly advised to consult this document.

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<sup>16</sup> <https://www.fsb.co.za/Departments/insurance/Documents/FSBIMAPGuide.pdf>

# Economic Impact Study

A SAM Economic Impact Study is being undertaken to consider the effects (costs and benefits) that the introduction of the SAM framework may have on the behaviour of insurers and the potential impact that such a change in behaviour may have on key financial regulatory objectives, developmental objectives and the broader South African economy. In addition, the study will consider potential options for mitigation of any adverse impact of SAM, including transitional arrangements.

A SAM Economic Impact Study Task Group, with representatives from the National Treasury, FSB, industry and other stakeholders has been established to oversee the study. The study will be conducted in two phases:

- *phase 1* - analysis of the results of a quantitative and qualitative survey designed to assess the impact of SAM on insurers' capital, behaviour and business objectives; and
- *phase 2* - an economic modeling exercise (using the output from phase 1) to assess the impact of SAM on the economy under various scenarios. Both benefits and costs will be analysed.

Both phases of the study are currently nearing completion. It is expected that there will be a full report to the Economic Impact Task Group in May 2014. A summarised version of the report will be made public.

The findings of the SAM Economic Impact Study will be taken into account in finalising the development of the SAM framework, including potential transitional arrangements.

# Proportionality

As previously stated, a guiding principle of the policy approach adopted by the FSB in developing the SAM regime is that the principle of proportionality should be taken into account. According to this principle, regulatory and supervisory requirements under SAM should be applied in a manner which is proportionate to the nature, scale and complexity of the risks inherent in the business of the insurer or reinsurer.

The intention of the principle of proportionality is to achieve the objectives of the SAM regime in a manner that is appropriate for each insurer's risk profile. There have been several key developments in this area:

**Pillar I** – It is envisaged that proportionality will primarily be addressed through simplifications in the secondary legislation. Although there are currently simplifications in the text, more work is expected to be done in this area by the various task groups before and after the SA QIS3 exercise.

**Pillar II** – Current proposals for systems of governance indicate some areas where proportionality may be applied. Furthermore, the Pillar II follow-up exercise may highlight some aspects of how proportionality could be applied in the context of the ORSA.

**Pillar III** – Proportionality will be addressed through thresholds in the reporting requirements. Proposals in this regard are currently being developed by the FIRE Working Group and the Reporting Task Group.

The FSB is furthermore assessing proportionality from an overall industry perspective in order to assist the effective supervision of solo insurers and insurance groups based on the nature, scale and complexity of the risks faced.

# Transitional Arrangements

As per previous communications, the transitional arrangements will be legislated and will be applicable from 1 January 2016. They will involve concessions, with specified applicable time periods, on certain requirements stipulated in the SAM framework.

The final transitional arrangements will be described in the primary and secondary legislation. The final transitional arrangements will be based on industry comments made on previous legislative drafts, suggestions from the SAM Economic Impact Study, as well as key findings observed from the Pillar II Readiness exercise.

It is expected that the SAM transitional measures will include a general measure allowing the smooth transition for those insurers that face a significant change in regulatory capital requirements under SAM compared to the current Insurance Acts. This general measure may be further augmented by specific measures where the impact of certain requirements is phased in over a number of years.

From initial results, it seems that there will not be a need for grandfathering of capital instruments under the SAM regime, however further research will be required to verify whether this is the case.

In addition to the Pillar I transitional arrangements, it is also expected that there may need to be transitional arrangements for some of the Pillar II and Pillar III requirements. For Pillar III there may be specific transitional measures required in order to allow a smooth transition from the parallel run to full SAM implementation.

## Parallel run

As previously indicated, a parallel run will be put in place in order to facilitate a smooth transition to the new SAM regime.

Under the parallel run insurers will be required to calculate and provide information on the proposed SAM basis in addition to what is required under the current requirements and statutory returns prescribed in terms of the existing Insurance Acts.

The purpose of the parallel run is to serve as a dry run in advance of implementation date in January 2016, given the necessity for the insurance industry to be prepared for the anticipated changes well in advance of that date. It should be noted that this does not only affect insurers, but also other stakeholders such as auditors and tax analysts.

This dry run will also enable the FSB to test and embed the processes it has to put in place to evaluate and supervise insurance companies on the basis that it will use from January 2016.

It should be noted that over the period of the parallel run, the current Insurance Acts will still be effective and SAM will only become effective once the new legislation is enacted and effective from 1 January 2016. Appropriate Pillar III transitional measures will be considered in order to move effectively from the parallel run reporting requirements to the SAM environment.

The SAM parallel run will consist of two phases:

- A “light” phase whereby reporting will be largely based on the summaries of the QRTs developed to date, based on the SA QIS3 calculations, with simplified specifications in some areas. This part of the parallel run will be conducted during the second half of 2014.
- A “comprehensive” phase consisting of the completion of the majority of the QRTs along with a mock-ORSA exercise, to be conducted throughout 2015.

A summary of the various components of the parallel run is set out in the following table.

**Table 1: Components of the parallel run**

Component	Light parallel run	Comprehensive parallel run
<b>Timing</b>	1 July 2014 to 31 December 2014	1 January 2015 to 31 December 2015
<b>Pillar I</b>	Calculations adapted from the SA QIS3 specifications, with a simplified approach to the calculation of the SCR.	Calculations of financial soundness position for both quarterly and annual calculations. IMAP firms expected to use internal models to calculate the SCR in addition to the standard formula calculation.
<b>Pillar II</b>		Compliance with the Governance Board Notice Mock ORSA exercise
<b>Pillar III</b>	Quarterly reporting, based on the summary sheets of the QRTs that have been published for comment.	Annual and quarterly QRTs, with some exemptions. Full qualitative reporting requirements
<b>Groups<sup>17</sup></b>	Smaller groups: No requirements Larger groups: One bi-annual group calculation, reported in line with SA QIS3	Interim requirements for groups Smaller groups: One annual group calculation, reported in line with final SAM measures Larger groups: Two bi-annual group calculations, reported in line with final SAM measures

▪ Light parallel run

The purpose of the light parallel run is to allow insurers to move from a QIS environment to a business as usual process environment as envisaged under SAM.

In the light phase insurers will not be required to produce all the information required for annual reporting, but rather to produce information in line with what would be expected for quarterly reporting.

Although the quarterly quantitative reporting templates have not yet been developed, it is expected that the quarterly templates will consist primarily of the summary templates that have been developed for the annual returns. These templates have not yet been finalised, but an early indication of the templates is available through the various versions of Discussion Document 91 that have been released by the SAM Governance structure.

It is expected that the following templates will be required to be completed for the light parallel run:

- DD91 v6 – OF1: Statement of Solvency Position;
- DD91 v6 – OF2: Statement of Assets, Liabilities and Basic Own Funds;
- DD91 v6 – OF3: Statement of Tiering of Own Funds;
- DD91 v3 – D1: Assets;

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<sup>17</sup> The distinction between smaller and larger groups will be communicated to insurance groups directly by the FSB.

- DD91 v5 – TPS1: Non-Life Technical Provisions;
- DD91 v5 – TP1: Life Technical Provisions;
- DD91 v6 – MCR: Minimum Capital Requirement; and
- DD91 v6 – SCR: Solvency Capital Requirement.

In addition to the above summary templates, it is expected that there will also be some movement data required. For the light parallel run this movement data will be collected at an aggregate level instead of at the line of business.

The calculations will be based on the SA QIS3 specifications; however, there will be no full recalculation of the SCR required – the SCR to be reported in the light parallel run could be the SCR that was calculated in SA QIS3 (if the SA QIS3 SCR is not more than 1 year old) or approximated from the SA QIS3 SCR using simplifications.

As the final reporting segmentation will not be available by the time that the specifications are released, the SA QIS3 segmentation will be used for the light parallel run. Wherever comparatives from the previous reporting period are required, insurers may use the results from the SA QIS3 exercise.

For the group calculations, only the larger groups (as will be communicated to groups on an individual basis) will be required to submit the results of one bi-annual group calculation. The results of this calculation will be required to be submitted three months after the relevant month-end, and will be based on the SA QIS3 specifications and template.

Full specifications of the information that will need to be submitted will be released in May 2014. These specifications will mainly refer to relevant sections of the SA QIS3 technical specifications and the various versions of DD91 that have already been released.

The timelines for reporting under the light parallel run will be based on the following principles:

- The FSB will produce the specifications (templates and guidance) by May 2014, and industry workshops will be held shortly thereafter to assist the industry in preparation for the light parallel run.
- Quarterly reports will be expected 2 months after the relevant quarter end.
- The quarterly returns will be in line with an insurer's own financial year, and any movement data will be required on a cumulative basis.
- The light parallel run timeline from 1 July 2014 to 31 December 2014 refers to the period during which the reporting will be required to be submitted, not the valuation date of the reporting.
- In order to give additional time to digest the specifications, the earliest date for submission of quarterly returns will be 31 August 2014.

The principles above result in reporting as set out in Table 2 below:

**Table 2: Reporting timelines under the light parallel run solo calculation for various year-end dates.**

Light Parallel Run				
Financial Year End	Quarterly reporting			
	Reporting date	Submission date	Reporting date	Submission date
31- Jan	31- Jul- 14	30- Sep- 14	31- Oct- 14	31- Dec- 14
28- Feb	31- May- 14	31- Aug- 14	31- Aug- 14	31- Oct- 14
31- Mar	30- Jun- 14	31- Aug- 14	30- Sep- 14	30- Nov- 14
30- Apr	31- Jul- 14	30- Sep- 14	31- Oct- 14	31- Dec- 14
31- May	31- May- 14	31- Aug- 14	31- Aug- 14	31- Oct- 14
30- Jun	30- Jun- 14	31- Aug- 14	30- Sep- 14	30- Nov- 14
31- Jul	31- Jul- 14	30- Sep- 14	31- Oct- 14	31- Dec- 14
31- Aug	31- May- 14	31- Aug- 14	31- Aug- 14	31- Oct- 14
30- Sep	30- Jun- 14	31- Aug- 14	30- Sep- 14	30- Nov- 14
31- Oct	31- Jul- 14	30- Sep- 14	31- Oct- 14	31- Dec- 14
30- Nov	31- May- 14	31- Aug- 14	31- Aug- 14	31- Oct- 14
31- Dec	30- Jun- 14	31- Aug- 14	30- Sep- 14	30- Nov- 14

**Financial Quarter end**

Q1
Q2
Q3
Q4

▪ Comprehensive parallel run

The comprehensive parallel run will be the 'full dry run' whereby insurers will be required to complete the calculations in line with the SAM requirements. Specifically, insurers will be expected to calculate and report on most of the quarterly and annual Pillar I calculations, and be expected to report on these calculations using the developed QRTs along with the qualitative reporting requirements. There are certain areas where full reporting may not be required; for instance, it is expected that the movements analysis and some of the non-life technical provision templates may not be required for the comprehensive parallel run.

For the group calculations, the larger groups (as will be communicated to groups on an individual basis) will be required to submit the results of two bi-annual group calculations, with the smaller groups only required to submit the results for one annual group calculation. The results of these calculations will be required to be submitted three months after the relevant month-end, and will be based on the final measures for SAM.

In addition to the reporting, insurers will also be expected to obtain a reduced scope audit opinion on the reporting. The reduced scope of the audit will refer to both the areas that will require auditing, as well as the level of assurance given by the audit. This reduced scope audit will facilitate the smooth transition for auditors to the SAM regime, as they will be expected to produce a full audit on a business as usual basis from 2016.

With regard to the Pillar II requirements, the FSB will conduct a “Mock ORSA” exercise in 2015. The scope and the requirements of the “Mock ORSA” exercise will be informed by the Pillar II readiness follow-up exercise that is being conducted during 2014. The timing of the submission of the Mock ORSA results to the FSB in 2015 should tie in with the intended ORSA cycle of the insurer on a business as usual basis, but should be by no later than 31 August 2015. Those insurance groups who are intending to submit an application under SAM for exemption from the solo ORSAs, will be allowed to only submit a group ORSA in the mock ORSA exercise. However, the FSB would like to stress that the exemption from submitting solo ORSAs under SAM will only be granted upon due consideration of the applications received.

Firms that are applying for statutory approval of an internal model with the view of using these models from 1 January 2016 to calculate the SCR will be required to calculate the SCR using both the standard formula and their internal model.

The intention with the comprehensive parallel run is for insurers to demonstrate that they are able to meet the SAM requirements as fully as possible, so that insurers as well as the FSB will be in a strong position to fully implement SAM from 1 January 2016.

Once the quantitative reporting templates have been developed in June 2014, a communication document will be released to provide clarity to insurers on what information will need to be reported during the comprehensive parallel run. This will be followed by a full technical specification, to be released in October 2014.

- Timelines for reporting

The timelines for reporting SAM results under the parallel run will be based on the following principles:

- The templates and guidance will be produced by October 2014, and workshops will be held in November 2014 to ensure that the industry knows what is expected.
- Quarterly reports will be expected 2 months after the relevant quarter end. Annual reports will be expected five months after the relevant annual year end.

- The comprehensive parallel run timeline from 1 January 2015 to 31 December 2015 refers to the period during which the reporting will be required, not the valuation date. For example, an insurer who has a 31 December year-end will be expected to produce their comprehensive phase annual return for the 2014 year-end by 31 May 2015.
- In order to give additional time to those insurers who would be expected to report their annual return results in the first quarter of 2015, additional time will be allowed such that the returns will only be due by 31 March 2015. This will be relevant to those insurers who have August and September year-ends.

The above principles will result in reporting timelines as set out in the Table 3 below.

Table 3: Reporting timelines under the comprehensive parallel run solo calculation for various year-end dates.

Comprehensive Parallel Run										
Financial Year End	Annual reporting		Quarterly reporting							
	Reporting date	Submission date	Reporting date	Submission date	Reporting date	Submission date	Reporting date	Submission date	Reporting date	Submission date
<b>31-Aug</b>	<b>31-Aug-14</b>	<b>31-Mar-15</b>	30-Nov-14	31-Jan-15	28-Feb-15	30-Apr-15	31-May-15	31-Jul-15	31-Aug-15	31-Oct-15
30-Sep	30-Sep-14	31-Mar-15	31-Dec-14	28-Feb-15	31-Mar-15	31-May-15	30-Jun-15	31-Aug-15	30-Sep-15	30-Nov-15
<b>31-Oct</b>	<b>31-Oct-14</b>	<b>31-Mar-15</b>	31-Jan-15	31-Mar-15	30-Apr-15	30-Jun-15	31-Jul-15	30-Sep-15	31-Oct-15	31-Dec-15
30-Nov	30-Nov-14	30-Apr-15	30-Nov-14	31-Jan-15	28-Feb-15	30-Apr-15	31-May-15	31-Jul-15	31-Aug-15	31-Oct-15
<b>31-Dec</b>	<b>31-Dec-14</b>	<b>31-May-15</b>	31-Dec-14	28-Feb-15	31-Mar-15	31-May-15	30-Jun-15	31-Aug-15	30-Sep-15	30-Nov-15
31-Jan	31-Jan-15	30-Jun-15	31-Jan-15	31-Mar-15	30-Apr-15	30-Jun-15	31-Jul-15	30-Sep-15	31-Oct-15	31-Dec-15
<b>28-Feb</b>	<b>28-Feb-15</b>	<b>31-Jul-15</b>	30-Nov-14	31-Jan-15	28-Feb-15	30-Apr-15	31-May-15	31-Jul-15	31-Aug-15	31-Oct-15
31-Mar	31-Mar-15	31-Aug-15	31-Dec-14	28-Feb-15	31-Mar-15	31-May-15	30-Jun-15	31-Aug-15	30-Sep-15	30-Nov-15
<b>30-Apr</b>	<b>30-Apr-15</b>	<b>30-Sep-15</b>	31-Jan-15	31-Mar-15	30-Apr-15	30-Jun-15	31-Jul-15	30-Sep-15	31-Oct-15	31-Dec-15
31-May	31-May-15	31-Oct-15	30-Nov-14	31-Jan-15	28-Feb-15	30-Apr-15	31-May-15	31-Jul-15	31-Aug-15	31-Oct-15
<b>30-Jun</b>	<b>30-Jun-15</b>	<b>30-Nov-15</b>	31-Dec-14	28-Feb-15	31-Mar-15	31-May-15	30-Jun-15	31-Aug-15	30-Sep-15	30-Nov-15
31-Jul	31-Jul-15	31-Dec-15	31-Jan-15	31-Mar-15	30-Apr-15	30-Jun-15	31-Jul-15	30-Sep-15	31-Oct-15	31-Dec-15

**Financial Quarter end**

Q1
Q2
Q3
Q4

## Target Operating Model

The SAM project will also necessitate changes within the FSB (and in future the SARB) to enable effective supervision of the new regime. A key project is underway within the FSB to ensure that systems, processes, and staff are adequate to this end. In scoping and managing this project, full cognizance is taken of the Twin Peaks reforms.

From a risk-based supervision perspective, SAM will provide deeper insight into the risks present within supervised entities. As such, SAM will significantly enhance the capability of the FSB to further mature their risk-based approach.

From a staffing perspective a significant amount of training will have to be provided to both front-line supervisors as well as technical support staff. Key training areas have been identified, and training will be rolled out during the remainder of the year and thereafter.

From a process perspective a number of new processes need to be introduced to cater for new applications, notifications, and general supervision under SAM. These are currently being considered.

From a systems perspective no major modifications to existing systems are currently being considered in response to SAM, although broader system initiatives are being considered as part of the Twin Peaks transition.

# Annexure 1: List of discussion documents and position papers

Note:

- Discussion Document 3 is available on the SAM website for further detail.
- Final position papers (Final PP) are those that have been finalised and approved by the SAM Steering Committee not to be published again.
- Position papers (PP) have been approved by the SAM Steering Committee but are still open for inputs before being declared final.
- Discussion documents and final discussion documents (DD) are under development and still in the process of being escalated through the SAM structures.

## FINAL POSITION PAPERS

Doc number:	Current status	SAM Committee or Task Group allocation:	Pillar	Document title:	Current Version No:
12	Final PP	REPORTING	Pillar III	High-Level principles of information to be received by the supervisory authority	(v 4)
14	Final PP	REPORTING	Pillar III	Solvency and Financial Condition Report: Undertakings using an approved internal model	(v 3)
15	Final PP	REPORTING	Pillar III	Structure of the Regulatory Return	(v 3)
16	Final PP	REPORTING	Pillar III	Single group-wide Regulatory return	(v 7)
17	Final PP	REPORTING	Pillar III	Report to Supervisors: Undertakings reporting and disclosure policy	(v 4)
19	Final PP	REPORTING	Pillar III	Level of harmonisation and quantum of data	(v 4)
21	Final PP	REPORTING	Pillar III	Process of Reporting and Disclosure	(v 5)
22	Final PP	REPORTING	Pillar III	Mandating an External Audit	(v 3)
23	Final PP	REPORTING	Pillar III	Supervisory enquiries	(v 3)
24	Final PP	REPORTING	Pillar III	Information on contracts and from external experts	(v 2)
25	Final PP	CAPITAL RESOURCES	Pillar I	Own Funds – Supervisory Approval of Ancillary Own Funds	(v 4)
27	Final PP	INSURANCE GROUPS	Pillar I	Group Own Funds	(v 7)
28	Final PP	CAPITAL RESOURCES	Pillar I	Treatment of Expected Profits Included in Future Cash Flows as a Capital Resource	(v 6)
30	Final PP	TECHNICAL PROVISIONS	Pillar I	Counterparty default adjustments for reinsurance contracts and SPV's	(v 5)
32	Final PP	TECHNICAL PROVISIONS	Pillar I	Methods and approaches to best estimate liabilities	(v 6)
33	Final PP	REPORTING	Pillar I	Regulatory Balance Sheet (Article 51(1) (d)) Detailed content of SFCR and RTS	(v 4)
34	Final PP	ORSA	Pillar II	Own Risk and Solvency Assessment	(v 7)
34	Final PP	ORSA	Pillar II	Errata to Position Paper 34 (v 7)	(v 7)
35	Final PP	ORSA	Pillar II	Use Test	(v 6)

36	Final PP	REPORTING	Pillar III	Contents of SFCR and RSR: Capital Management	(v 7)
39	Final PP	ASSETS	Pillar I	Assets and liabilities other than technical provisions	(v 8)
42	Final PP	TECHNICAL PROVISIONS	Pillar I	Calculation of technical provisions as a whole	(v 2)
43	Final PP	INTERNAL MODELS	Pillar I	Internal Models: Validation	(v 2)
49	Final PP	REPORTING	Pillar III	SFCR & RSR Executive summary, Business and Performance	(v 5)
51	Final PP	REPORTING	Pillar III	Detail contents of SFCR and RSR: System of Governance	(v 4)
52	Final PP	REPORTING	Pillar III	Solvency Financial Condition Report (SFCR) and Report to Supervisor (RSR) Detailed Requirements - Risk Profile	(v 4)
54	Final PP	INTERNAL MODELS	Pillar I	Internal Models: Model Governance	(v 4)
55	Final PP	INTERNAL MODELS	Pillar I	Internal Models: Statistical Quality and Calibration	(v 2)
56	Final PP	INTERNAL MODELS	Pillar I	Internal Models: Documentation and Data Requirements	(v 3)
57	Final PP	INTERNAL MODELS	Pillar I	Partial Internal Models	(v 2)
73	Final PP	CAPITAL REQUIREMENTS	Pillar I	Treatment of new business in SCR	(v 3)
77	Final PP	CAPITAL REQUIREMENTS	Pillar I	Removal of Health SCR Module in SAM	(v 3)
85	Final PP	INSURANCE GROUPS	Pillar I	Treatment of insurance operations (in "non-equivalent" jurisdictions), under the final measures to regulate the solvency of South African Insurance Groups ("Groups")	(v 9)
92	Final PP	INSURANCE GROUPS	Pillar I	Assessment of Group Solvency	(v 10)
96	Final PP	STRESS TESTING	Pillar II	General Stress Testing Guidance for Insurance Companies	(v 4)
97	Final PP	STRESS TESTING	Pillar II	Group Considerations for Stress Testing	(v 5)

## POSITION PAPERS

<b>Doc number:</b>	<b>Current status</b>	<b>SAM Committee or Task Group allocation:</b>	<b>Pillar</b>	<b>Document title:</b>	<b>Current Version No:</b>
2	PP	STEERING COMMITTEE	SC	The inclusion of non-represented insurance companies	(v 1)
6	PP	STEERING COMMITTEE	Pillar I	Interim measures relating to technical provisions and capital requirements for short-term insurers	(v 2)
9	PP	STEERING COMMITTEE	Pillar III	The Communications Strategy I	(v 3)
26	PP	CAPITAL RESOURCES	Pillar I	Classification and Eligibility of own funds	(v 8)
37	PP	TECHNICAL PROVISIONS	Pillar I	Risk Margin	(v 6)
39	PP	ASSETS	Pillar I	Errata to Position Paper 39 (v 8) – Assets and Liabilities other than technical provisions	(v 8)
40	PP	TECHNICAL PROVISIONS	Pillar I	Risk Free-Rate: Dashboard	(v 3)
41	PP	TECHNICAL PROVISIONS	Pillar I	Contract Boundaries	(v 7)
47	PP	CAPITAL REQUIREMENTS	Pillar I	Equity Risk	(v 3)
50	PP	REPORTING	Pillar III	Detailed contents of SFCR & RSR: Quantitative, Qualitative and Supplementary internal model disclosure and reporting requirements.	(v 6)
83	PP	GOVERNANCE	Pillar II	The Role of the Statutory Actuary	(v 5)
87	PP	TECHNICAL PROVISIONS	Pillar I	Future Management Actions in Technical provisions	(v 6)
89	PP	CAPITAL REQUIREMENTS	Pillar I	Calculation of SCR on total balance sheet	(v 2)
107	PP	ORSA	Pillar II	Further guidance to Position Paper 34 (v 5.1)	(v 5.2)

## DISCUSSION DOCUMENTS

Doc number:	Current status	SAM Committee or Task Group allocation:	Pillar	Document title:	Current Version No:
1	DD	INSURANCE GROUPS	Pillar I	Interim measures for Insurance Groups	(v 8.1)
3	DD	SAM	-	SAM Discussion Document and Position Paper Index.	-
7	DD	INSURANCE GROUPS	Pillar I	Background to Insurance Group Supervision	(v 2)
8	DD	INSURANCE GROUPS	Pillar I	Proposal for Insurance Groups	(v 2)
10	DD	GOVERNANCE	Pillar II	Interim measures: The System of Governance	(v 6)
11	DD	SAM COMMUNICATIONS	Pillar III	A comprehensive glossary based on Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)	(v 2)
13	DD	REPORTING	Pillar III	Undertakings disclosure policy	(v 2)
18	DD	REPORTING	Pillar III	Structure of the Report to Supervisors	(v 3)
20	DD	REPORTING	Pillar III	Quantum of data	(v 2)
29	DD	TECHNICAL PROVISIONS	Pillar I	Authorisation classes of business under SAM	(v 5)
31	DD	TECHNICAL PROVISIONS	Pillar I	Illiquidity Premium	(v 2.1)
38	DD	INSURANCE GROUPS	Pillar I	Third country equivalence for Insurance Groups	(v 1)
44	DD	CAPITAL REQUIREMENTS	Pillar I	Concentration Risk	(v 2)
45	DD	CAPITAL REQUIREMENTS	Pillar I	Currency Risk	(v 2)
46	DD	CAPITAL REQUIREMENTS	Pillar I	Illiquidity Premium Risk	(v 1)
48	DD	CAPITAL REQUIREMENTS	Pillar I	SCR Standard formula – Correlations	(v 3)
53	DD	CAPITAL RESOURCES	Pillar I	Treatment of Participation in Financial and Credit Institutions in Own Funds	(v 9)
58	DD	CAPITAL REQUIREMENTS	Pillar I	Structure of spread and counterparty default risk – SCR	(v 2)
59	DD	CAPITAL REQUIREMENTS	Pillar I	Life SCR - Lapse Risk	(v 3)
60	DD	TECHNICAL PROVISIONS	Pillar I	Segmentation	(v 1.3)
61	PP	CAPITAL REQUIREMENTS	Pillar I	SCR Standard Formula: Operational Risk	(v 4)
62	DD	CAPITAL REQUIREMENTS	Pillar I	Life SCR – Catastrophe Risk (for Mortality and Morbidity)	(v 2.6)
63	DD	CAPITAL REQUIREMENTS	Pillar I	Life SCR – Expense Risk	(v 2)
64	DD	CAPITAL REQUIREMENTS	Pillar I	Life SCR – Longevity Risk	(v 3)
65	DD	CAPITAL REQUIREMENTS	Pillar I	Life SCR – Morbidity/ Disability Risk	(v 3)
66	DD	CAPITAL REQUIREMENTS	Pillar I	Life SCR – Mortality Risk	(v 2)
67	DD	CAPITAL REQUIREMENTS	Pillar I	Life SCR – Revision Risk	(v 2)
68	DD	CAPITAL REQUIREMENTS	Pillar I	SCR – Simplifications for First Party Insurance Structures	(v 2)
69	DD	CAPITAL REQUIREMENTS	Pillar I	Health Underwriting Risk	(v 1)

70	DD	CAPITAL REQUIREMENTS	Pillar I	Property Risk	(v 2)
71	DD	GOVERNANCE	Pillar II	System of Governance	(v 5.1)
72	DD	CAPITAL REQUIREMENTS	Pillar I	User – Specific Parameters in the Standard Formula for SCR calculation	(v 2.4)
74	DD	CAPITAL REQUIREMENTS	Pillar I	Minimum Capital Requirement (MCR)	(v 3)
75	DD	CAPITAL REQUIREMENTS	Pillar I	Treatment of risk-mitigation techniques in the SCR	(v 4)
76	DD	CAPITAL REQUIREMENTS	Pillar I	Loss absorbing capacity of Technical Provisions	(v 3)
78	DD	CAPITAL REQUIREMENTS	Pillar I	Non-Life Underwriting Risk Structure	(v 2)
79	DD	CAPITAL REQUIREMENTS	Pillar I	Catastrophe Risk Calibration	(v 2)
80	DD	CAPITAL REQUIREMENTS	Pillar I	Calibration of Premium and Reserve Risk and Catastrophe Risk	(v 2)
81	DD	GOVERNANCE	Pillar II	Interim Requirements – Governance, Risk Management, Internal Controls	(v 2)
82	DD	INSURANCE GROUPS	Pillar I	Final Measures for Insurance Groups	(v 3)
84	DD	STRESS TESTING	Pillar II	Short-term Insurance Industry Stress Tests	(v 2.1)
86	DD	REPORTING	Pillar III	Regulatory Reporting Materiality	(v 2)
88	DD	STRESS TESTING	Pillar II	Macro Prudential Stress Testing	(v 4)
90	DD	CAPITAL REQUIREMENTS	Pillar I	Ring fenced funds	(v 1)
91	DD	REPORTING	Pillar III	Quantitative Reporting Templates (QRT's): Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)	(v 6.1)
93	DD	INSURANCE GROUPS	Pillar I	Group Governance	(v 1.8)
94	DD	CAPITAL REQUIREMENTS	Pillar I	Interest Rate Risk	(v 3.1)
95	DD	CAPITAL REQUIREMENTS	Pillar I	Treatment of liquidity risk (including that arising from the expected profits included in future cash flows (EPIFC))	(v 2)
99	DD	TECHNICAL PROVISIONS	Pillar I	Choice of rating scale for assessing counterparty default risk	(v 3)
101	DD	CAPITAL REQUIREMENTS	Pillar I	Interpretation of SCR stresses and impact on management actions and dynamic policy behaviour	(v 1.2)
102	DD	CAPITAL REQUIREMENTS	Pillar I	Life SCR – Structure and Correlations	(v 2)
103	DD	INTERNAL MODELS	Pillar I	The Treatment of New Business on Internal Models under SAM	(v 3)
104	DD	CAPITAL REQUIREMENTS	Pillar I	Treatment of pure linked insurance products	Draft
105	DD	CAPITAL REQUIREMENTS	Pillar I	Market Risk SCR – Structure and Correlations	(v 2)
106	DD	CAPITAL REQUIREMENTS	Pillar I	Volatility Risk	(v 2.1)
108	DD	CAPITAL REQUIREMENTS	Pillar I	Retrenchment Risk	(v 1.1)
109	DD	CAPITAL REQUIREMENTS	Pillar I	SCR Structure	(v 2)
110	DD	INSURANCE GROUPS	Pillar I	Intragroup Support	Draft
111	DD	CAPITAL REQUIREMENTS	Pillar I	Calibration of Credit and Counterparty default risk in SCR	Draft

# Annexure 2: SAM Governance Structure

Figure 3: SAM Governance Structure

