



"FA12"

NOTIFICATION FORM IF012
NOTIFICATION FOR FAILING TO MEET OR THE RISK OF FAILING TO MEET
THE MINIMUM OR SOLVENCY CAPITAL REQUIREMENTS

Purpose of this document

This notification form needs to be completed by or on behalf of a solo insurer to notify the Prudential Authority of any deteriorating circumstances that could lead to a failure or risk of failure to meet the financial soundness requirements within the following three months, as required in terms of section 39(3) of the Insurance Act, 2017 (the Act).

Important information to complete this form

Before completing this form, read the Fact Sheet Application and Notification Forms (Fact Sheet) that is available on the website of the SARB. The Fact Sheet contains important information on consent and declarations required. Please note: this application could include a prescribed fee, in accordance with [Prudential Standard IAF, 2019](#) with the process for payment found [here](#).

1. Company information and reason for notification

1.1 Provide the following details for this notification:

Insurer number	1127
Insurer name	3Sixty Life Limited
Date of failure or risk of failure to meet requirements	2020/10/28
Date of most recent dividend payment	2020/03/05
Effective date for notification	2020/12/01

1.2 Describe the reason for the notification

Breach in SCR due to Covid 19 claims resulted in 3Sixty Life from the first wave. Claims declined a bit from September to November. Claims picked up in December 2020 breaching 100% of premium collected. Prudential Authority issued 3Sixty Life with a section 39 letter from the Prudential Authority on 16 December 2020

2. Contact and Basic Information

2.1 Contact details of the person for correspondence related to this form

This must be someone who works for the insurance company and not a professional advisor.

Title	Mr
First names	Leo
Surname	Makgamathe
Position	CEO
Business address	91 Central Road, Houghton Estate, 2198
Contact number	011 483 1188
Email address	Leo.makgamathe@3sixtylife.co.za

2.2 Details of professional advisors

2.2.1 Have you used third-party professional advisors to help with this form?

- No** → Continue to section 2.3
 Yes → Complete the remainder of this section

2.2.2 Provide the name and contact details of the third-party professional advisor(s) used (i.e. the consultants, auditors, actuaries and/or lawyers used in compiling this form). This information should be included in an attachment accompanying this form, e.g.:

Name of firm	
Title	
First names	
Surname	
Position	
Business address	
Contact number	
Email address	

2.3 Other information

2.3.1 Is there any additional information that is not requested elsewhere in this form, that is relevant for the Prudential Authority to assess this form?

- No** → Continue to section 3
- Yes** → Complete question 2.3.2

2.3.2 Provide a summary or list of the additional information, including the reasons for providing this additional information and attach to this form.

Attached to the notification is an action plan on how 3Sixty Life will improve MCR and SCR.

3. Specific Information**3.1 Specific information on the failure or risk of failure to meet requirements**

3.1.1 When did the insurer become aware of any possible failure or risk of failure to meet the requirements?

3Sixty Life management became aware of a possible breach on 28 October 2020. From there the risk and audit committees were informed of the possible breach as a result of a spike in claims linked to Covid 19's first wave and early stages of second wave related claims. The Group CEO then requested a meeting with the Prudential Authority to inform them of the potential challenges faced by the insurer. This was followed up with a meeting between the Prudential Authority, 3Sixty Life Management and the chairs of risk, audit and board of the insurer.

3.1.2 Provide details regarding the extent of the failure or risk of failure to meet the requirements, including the MCR and SCR cover ratios after the failure to meet the requirements.

The MCR cover is 0.20 as at 31 December 2020. A capital injection of approximately R23million would have been required to meet the MCR.
The SCR cover is 0.22. A capital injection of approximately R63million would have been required to meet the SCR.

- 3.1.3 Furnish full reasons for the failure or expected failure to maintain a financially sound condition, including the cause(s) thereof.

The spike in death claims emanating from the 1st and 2nd COVID 19 waves.
 R66m more claims paid in 2020 compared to 2019.
 R312m in claims paid for 2019
 R378m in claims paid for 2020

- 3.1.4 If the date of the most recent dividend payment is after the date of the failure or risk of failure to meet the requirements, provide the reason(s) for paying the dividend?

N/A

- 3.1.5 Is the failure to meet in relation to:

- SCR** → Continue to section 3.2
 MCR → Complete question 3.3

3.2 Information on SCR

- 3.2.1 Is the standardised formula used to calculate the SCR?

- No**
 Yes → Complete question 3.2.2

- 3.2.2 What model is used to calculate the SCR?

- Full internal model**
 Partial internal model
 Insurer-specific parameters

3.3 Information on MCR

3.3.1 Provide any reason(s) why the insurer believes the Prudential Authority should not take regulatory action.

The decline in MCR is due to the spike of Covid 19 related deaths in both the 1st and 2nd waves which adversely affected the life industry locally and globally and was thus beyond management's control.

3.4 Proposed actions by the insurer to restore financial soundness

3.4.1 What action(s) are proposed by the insurer to restore financial soundness?

1. Capital injection
2. Premium increase effective 01 February 2021
3. Investigating future mortality risk to inform potential premium increase effective 01 April 2021

3.4.2 What is the expected impact of the proposed actions in question 3.4.1?

To ensure that the SCR and MCR are improved

3.4.3 Explain the expected timeframe required to implement the proposed actions and to restore financial soundness.

1. Capital injection - 28 February 2021
2. Premium increase - 01 February 2021
3. Mortality risk review - 01 April 2021

3.5 Further specific information on the failure or risk of failure to meet the requirements

3.5.1 Describe the current controls to monitor financial soundness.

1. Improvement of quality checks on claims submitted

3.5.2 What improvements, if any, will be made to controls in future to detect the deterioration in financial soundness position earlier?

1. Daily monitoring of claims and overall cash flows

3.5.3 Was the potential failure or risk of failure to meet the requirements identified in the most recent ORSA?

No → Complete question 3.5.4

Yes → Complete question 3.5.5

3.5.4 Why was the potential failure or risk of failure to meet the requirements not identified in the most recent ORSA?

The ORSA mortality risk stress was lower than actual experience. It also did not anticipate a 2nd COVID-19 wave.

3.5.5 Provide details of any findings in the most recent ORSA report relating to a possible failure or risk of failure to meet the requirements.

None

4. Attachment Checklist

4.1 Compulsory attachments

Complete the following table with details of the attachments provided.

Attachment Number	Question Number	Description	Number of pages/sheets	Attached
A1	5	Consent and Declarations	4	<input checked="" type="checkbox"/>

4.2 Other Attachments

Complete the following table with details of the attachments provided, also indicating the number of pages of each attachment. For example, attachments might be required if there was not sufficient space to include the information in the form itself or if your responses in this form refer to external documents. Add additional rows for each attachment included:

Attachment Number	Question Number	Description	Number of pages/sheets	Attached
e.g. B1	2.2		9	<input checked="" type="checkbox"/>

5. Consent and Declarations

To assess the application or notification, the Prudential Authority needs to ensure that the information in the application or notification is accurate and complete, and may be verified and shared with other regulatory authorities. Please see the Fact Sheet on the SARB website for the required consent and declarations that must accompany this form.