

**BOARD NOTICE 188 OF 2011**

**FINANCIAL SERVICES BOARD**

**LONG-TERM INSURANCE ACT NO. 52 OF 1998**

**SHORT-TERM INSURANCE ACT NO. 53 OF 1998**

**Internal Model Application Process: Pre-application assessment fees**

I, Dube Phineas Tshidi, Registrar of Long-term Insurance and Short-term Insurance, hereby prescribe the fees for the pre-application assessment of internal models as set out in the Schedule.

This Notice comes into operation on 25 November 2011.



DP TSHIDI,

Registrar of Long-term Insurance and Short-term Insurance

## SCHEDULE

### Pre-application assessment fees

#### 1. Definitions

In this Schedule any word or expression to which a meaning has been assigned in the Long-term Insurance Act, 1998 or the Short-term Insurance Act, 1998, respectively, has the meaning so assigned to it, unless the context otherwise indicates, and -

**“extended review”** means a more detailed review of an element of the full or partial internal model of an insurer subsequent to a standard review, if the Registrar determines that such a review is necessary taking into account, amongst others, the materiality or complexity of a risk or risks, or the potential risk from the use of an inappropriate internal model;

**“intensive review”** means an in depth and comprehensive review of an element of the full or partial internal model of an insurer subsequent to an standard review, if the Registrar determines that such a review is necessary taking into account, amongst others, the materiality or complexity of a risk or risks, or the potential risk from the use of an inappropriate internal model;

**“pre-application assessment”** means the standard, and where required, the extended or intensive review of the full or partial internal model of an insurer to determine if that insurer qualifies for submitting an application for the use of a full or partial internal model for the calculation of the solvency capital requirement; and

**“standard review”** means a review of the all the elements of the full or partial internal model of an insurer, which review constitutes a basic, typical or complex review as determined by the Registrar taking into account, amongst others, the size of the insurer, the risks and legal entities addressed by the internal model, the classes of insurance business conducted by the insurer and the type of internal model.

#### 2. Fees

2.1 The following fees are payable in respect of a pre-application assessment:

ITEM		FEE (RAND)
STANDARD REVIEW	Basic	800,000
	Typical	1,400,000
	Complex	2,600,000
EXTENDED REVIEW		Between R 400 000 and R 1 400 000
INTENSIVE REVIEW		Between R 700 000 and R 2 200 000

- 2.2 The standard review fee is payable by an insurer that participates in the pre-application assessment.
- 2.3 The extended review or intensive review fee is payable by an insurer in addition to the standard review fee and in respect of each element of the full or partial model of the insurer that is subjected to an extended review or intensive review.
- 2.4 The exact fee payable in respect of an extended review or intensive review will be determined by the Registrar taking into account the complexity of the element to be reviewed.

### **3. Payment of fees**

- 3.1 The standard review fee is payable in two equal installments. The first installment is due on 10 June or 28 October, whichever date is the first date following the date on which the Registrar notified the insurer that the undertaking qualifies to take part in the pre-application assessment. The second installment is due six months later.
- 3.2 The extended review fee or intensive review fee is payable within 60 days of the date on which the Registrar notified the insurer that such a review is necessary.
- 3.3 The fees are payable to the Financial Services Board and payment may be by means of a cheque or a money transfer (in which case proof of the transfer must be provided).
- 3.4 The Financial Services Board, a public entity listed in Schedule 3A of the Public Finance Management Act No.1 of 1999, is not liable for value added tax and is not registered as a VAT vendor under the Value-Added Tax Act No. 89 of 1991. The amounts in this schedule therefore do not include VAT.