

CONFIDENTIAL STATEMENT NOT AVAILABLE TO PUBLIC

SHEET REFERENCE NUMBER

REGISTRAR OF LONG-TERM INSURANCE REFERENCE NUMBER

FINAL PRINTOUT DATE

G08-99-A

No number available

2008/07/16 09:42

**Statement G8
RISK REPORT ISSUED BY DIRECTORS,
of ABC Limited
as at the end of the financial period 31/01/2008**

1. Are the insurer's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the published financial statements?
 - If "NO", provide particulars.

2. In all material respects, are such controls and systems are based on established written policies and procedures and implemented by trained, skilled personnel, whose duties have been segregated appropriately?
 - If "NO", provide particulars.

3. Are the controls monitored by the insurer and are all employees required to maintain the highest ethical standards in ensuring that the insurer's business practices are conducted in a manner that, in all reasonable circumstances, is above reproach?
 - If "NO", provide particulars.

4. Has anything come to the attention of the directors to indicate that any material malfunction in the functioning of the aforementioned controls, procedures and systems has occurred during the period under review?
 - If "YES", provide particulars.

5. Is there any reason to believe that the insurer will not be a going concern in the year ahead?
 - If "YES", disclose and explain reasons.

6. Has there been any developments after year-end which may have a material impact on the financial soundness of the insurer?
 - If "YES", provide particulars.

7. Did the Board meet at least quarterly?
 - If "NO", how frequently have they met.

8. Are at least half of the directors on the Board non-executive?
 - If "NO", provide particulars.

CHAIRMAN _____

DIRECTOR _____

PUBLIC OFFICER _____

DATE _____

AUDITORS (initial) _____

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Statement G9
RISK REPORT ISSUED BY MANAGEMENT
of ABC Limited
as at the end of the financial period 31/01/2008

GENERAL

- 1. Was business materially affected in an adverse manner by changes in the legal/social/business environment?
 - If "YES", provide particulars.
- 2. Do the provisions for intimated and unintimated claims include all expected amounts to dispose of such claims?
 - If "NO", provide particulars.

RISK MANAGEMENT

- 3. Is a risk management function operative?
 - If "YES", provide a brief description.
 - If "NO", explain how risks are managed.
- 4. List the insurer's five major risk areas.
 -
 -
 -
 -
 -
- 5. Attach copies of the insurer's risk management procedures.

ANTI-MONEY LAUNDERING MEASURES

Internal controls, policies and procedures

- 6. Do you have clear policies, procedures and controls to deter money laundering? In particular there should be:
 - a) Written procedures covering the prevention of money laundering.
 - b) Designated person(s) responsible for developing, maintaining and promulgating anti-money laundering procedures.
 - c) Clear reporting lines for dealing with any suspected money laundering activities.
 - If "NO", provide particulars.
- 7. Do you have a designated person for communicating with law-enforcement agencies regarding any suspected money laundering ("Money laundering control officer")?
 - If "NO", provide particulars.
- 8. Do your written procedures cover the following requirements:
 - a) To be aware of the potential risk of money laundering?
 - b) To report all suspicious transactions internally?
 - c) To investigate all reported suspicious transactions?
 - d) To report all transactions ultimately considered suspicious to the Financial Intelligence Centre?
 - If "NO", provide particulars.
- 9. Does the money laundering control officer have the necessary access to systems and records to fulfil the responsibilities outlined in 7 and 8?
 - If "NO", provide particulars.
- 10. Do you verify, on a regular basis, compliance with policies, procedures and controls relating to money laundering activities (for example as part of internal audits)?
 - If "NO", provide particulars.

Identification procedures

- 11. Do you have know-your-customer requirements in place and is it applied?
 - If "NO", provide particulars.
- 12. Do you seek satisfactory evidence of the identity of a prospective customer at the time of entering into a business relationship?
 - If "NO", provide particulars.
- 13. Do your procedures recognise the possibility of linked once-off transactions?
 - If "NO", provide particulars.

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Record Keeping

14. Do you retain records of customer identification and transactions?
• If "NO", provide particulars.

15. Are records kept for a period of at least five years after the relationship with the customer has ended?
• If "NO", provide particulars.

Recognition and reporting of suspicious transactions

16. Do your procedures ensure that identification of any suspicious transactions prompt further investigation?
• If "NO", provide particulars.

17. Have you taken steps to ensure:
a) Each relevant employee knows to which person suspicions should be reported?
b) Is there a clear reporting chain through which those suspicions will be passed without delay to the "money laundering control officer"?
• If "NO", provide particulars.

18. Is the person appointed as "money laundering control officer" considered to be sufficiently senior to command the necessary authority?
• If "NO", provide particulars.

19. Has the money laundering control officer established contact with the relevant authorities and is he/she familiar with reporting procedures and requirements of the FIC Act?
• If "NO", provide particulars.

20. Do your procedures ensure that any suspicions reported to the money laundering control officer are properly investigated?
• If "NO", provide particulars.

Education and training

21. Have you taken appropriate measures to make employees aware of:
a) Policies and procedures put in place to prevent money laundering, including those for identification, record keeping and internal reporting?
b) The legal requirements, and in particular, employees' own responsibilities?
• If "NO", provide particulars.

22. Have you provided relevant employees with training in the recognition and handling of suspicious transactions?
• If "NO", provide particulars.

23. Does your education and training programme take account of the following:
a) All new employees should be provided with a general background to money laundering, the legal requirements and the need to report any suspicious transactions to the "money laundering control officer".
b) Training should be provided on factors that may give rise to suspicions and on the procedures to be adopted when a transaction is deemed to be suspicious.
c) Staff should be trained in identity verification procedures.
d) A higher level of instruction covering all aspects of money laundering procedures and legislation should be provided to supervisors and managers.
e) "Money laundering control officers" should receive training on all aspects of the legislation, regulations and internal policies. They also require training in investigation and validation procedures and on reporting and communication arrangements with the Financial Intelligence
• If "NO", provide particulars.

24. Do you provide refresher training at appropriate intervals?
• If "NO", provide particulars.

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DERIVATIVES

25. Does the insurer make use of derivative instruments?

Board of Directors

(a) Has the Board of Directors approved the use of derivative instruments including their strategic use, related procedures and monetary exposure limits?

- If "YES", please provide details.
- If "NO", give reasons.

(b) Has the Board of Directors documented clearly the objectives and policies for use of derivatives and does it monitor their use to ensure that it is in line with the objectives & policies?

- If "YES", provide a short description of the objectives and policies, the mandate provided to the investment manager and procedures to follow when changes are required to the mandate.
- If "NO", give reasons.

(c) Is the approval to use derivative instruments specific as to the purpose, (e.g. hedging or trading) product type and market and credit risk limits?

(d) Does senior management formally approve the overall exposure position?

(e) Does the insurer make use of the full time services of an investment manager for this purpose? (Internal or external investment manager)
 • Provide details.

Systems & control

(f) Is the person responsible for the control of the derivatives sufficiently independent of the day-to-day operators to ensure efficient control?

- If "NO", give reasons.

(g) Are appropriate systems in place to enable the frequent and effective monitoring of positions and able to cope with the volumes and volatility of transactions undertaken?

- If "NO", give reasons.

(h) Has the insurer established appropriate and independent performance measures to analyse and monitor risks of all transactions undertaken individually and in aggregate for its derivative activities, including interest rate risk, foreign currency risk, fraud, error, unauthorised access to confidential information and other operational risks?

- If "NO", provide details.

(i) Is the insurer satisfied that sufficient control procedures have been put in place, including independent agreement and reconciliation positions, independent checking of prices, agreements of manager's profits to accounting profit, appropriate authorisation where dealing limits have been exceeded, etc?

- If "NO", provide details.

(j) How often does internal audit reviews of derivative activities take place?

(k) How frequently are derivative positions marked to fair or market value?

(l) Are adequate controls in place such that market data used to value derivatives is relevant, accurate and obtained on a timely basis from a reliable source?

- If "NO", provide details.

(m) Are valuation models which are used to value the open positions and derivative instruments tested and approved and amendments to the programmes controlled and do models include appropriate tests for robustness of the portfolio to stress changing investment conditions?

- Provide details.

Over the counter derivatives (OTC)

(n) Does the insurer invest in OTC (over-the-counter) derivative instruments?

- If "YES", provide:

(i) A description of OTC valuation methods used including implied volatility and procedure for evaluation of the counterparties.

(ii) The ten largest OTC traders used and aggregate exposure to each counterparty.

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Credit Derivatives

- (o) Does the insurer invest in credit derivative instruments?
 • If "YES", quantify as a % of total liabilities _____
- (p) What is the purpose of your company's involvement in Credit Risk Transfer activities?
 • Provide details.
- (q) What does your company see as the key risks and pitfalls inherent in its Credit Risk Transfer activities?
 • Provide details.
- (r) What are your company's credit risk management systems / procedures?
 • Provide details.
- (s) Does your company have staff with appropriate skill levels dealing with Credit Risk Transfer activities?
 • Provide details. _____
- (t) Does your company have a dedicated credit portfolio management unit?
 • Provide details. _____
- (u) How does your company assess the credit risk in its credit derivative transactions?
 • Provide details.
- (v) How much attention does your company give to review of credit derivatives documentation and related legal issues?
 • Provide details.
- (w) How is the valuation of your company's credit derivative position done?
 • Provide details.
- (x) Does your company have an independent valuation (pricing) unit, separate from the front office, in charge of determining fair value and marking-to-market of positions?
 • If so to whom does the unit report, provide details. _____
- (y) What limits are placed on your company's Credit Risk Transfer positions? How are these limits determined?
 • Provide details.

HEDGE FUNDS

- 26. Does the insurer invest in "hedge funds that employ leverage (gross market exposure in excess of capital)?
 • If "YES", please indicate whether these investments are made in internal or external hedge fund structures _____
- (a) Where investments are made in an internal hedge fund structure please confirm whether these internal hedge funds are in compliance with the Long-term Insurance Act, as set out in Directive 143.A.i, issued 25 February 2004.
 • If "NO", provide details. _____
- (b) Please provide details on the instruments through which the insurer invest in a hedge fund _____

Name of Hedge Fund	Operational		Description of Instruments	Hedge Fund Strategy
	In- / Outside RSA - R'000			

- (c) Please provide the following information on the investments in hedge funds in respect of the liabilities these investments are backing:

Type of policyholder fund	Linked		Non-Linked	
	Inside RSA - R'000	Outside RSA - R'000	Inside RSA - R'000	Outside RSA - R'000
Individual				
Retirement Funds				
Other Institutions				
Shareholders Funds				

COUNTERPARTIES

- 27. Does the insurer evaluate and review the credit quality of its counterparties?
 • If "YES", provide details of evaluation and review process of counterparties. _____
 • If "NO", provide details.
- 28. Does the insurer monitor its exposure to counterparties for all asset types?
 • If "YES", what is the aggregate exposure to each counterparty. _____
 • If "NO", provide details. _____

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INFORMATION, ACCOUNTING AND ADMINISTRATION

29. Were there any changes to accounting policies? []
 • If "YES", indicate the effect in rands and provide particulars of changes.

Item	Period under review R'000	Previous period (restated figures for comparative purposes) R'000
Balance sheet		
Income statement		

30. Were any significant problems experienced with regard to the information/accounting/administrative systems during the reporting period? []
 • If "YES", provide particulars.

31. Is a business continuance plan in place? []
 • If "YES",
 • Is the plan in writing. []
 • When was it last fully tested. []
 • If "NO", provide an explanation.

32. Are underwriting, financial and investment results which can be relied upon for making management decisions, available to management when needed and do they indicate:
 • How frequently these results are available? []
 • Whether these results are generally available within one month after the reporting period? []
 • If "NO", provide an explanation.

CAPITAL AND FUNDS

33. Did the issued share-capital change during the reporting period? []
 • If "YES", provide details.

34. Did the insurer issue preference shares, debentures or mortgages or other debt instruments during the period under review? []
 • If "YES", complete statement D3.

35. Is the valuation data checked for adequacy and accuracy? []
 • If "YES", complete table below.

How often (describe period)	By whom	Date of completion of last
0		
0		
0		

36. Is the issuing of redeemable preference shares to supplement capital, during the following financial period, under consideration? []

37. Is the issuing of redeemable preference shares, by subsidiaries, to supplement capital, during the following financial period, under consideration? []

38. Is the issuing of debt instruments to supplement capital, during the following financial period, under consideration? []

39. Did the insurer issue a securitised insurance instrument (e.g. catastrophe bond) during the financial period under review? []
 • If "YES", provide details.

40. Is the issuing of guarantees or similar undertakings under consideration in respect of:- []
 • Subsidiaries/related party(ies)? []
 • Any other person? []
 • If "YES", provide particulars and procedures.

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41. Are dividends on preference shares, issued by the insurer, in arrears or will such dividends be likely to be in arrears during the following financial period? []
- If "YES",
 - State the (likely) amount in arrears in R'000. []
 - Attach particulars of how and when the position will be rectified/addressed.
42. Were preference shares, issued by the insurer, not redeemed on redemption date or will such preference shares be likely not to be redeemed during the following financial period where redemption must take place? []
- If "YES",
 - State the (likely) amount not redeemed in R'000. []
 - Attach particulars of how and when the position will be rectified/addressed.
43. Are any payments (interest and capital) on debt instruments, issued by the insurer, in arrears or will any payments on a debt instrument be likely to be in arrears during the following reporting period? []
- If "YES",
 - State the (likely) amount in arrears in R'000. []
 - Attach particulars of how and when the position will be rectified/addressed.
44. Do holders of preference shares get voting rights:- []
- If preference dividends are in arrears? []
 - If their shares are not redeemed on due date? []
 - If "YES", provide details.
45. What is the proportion of preference share voting rights in relation to total issued shares? [] 0.0%

ASSETS

46. Did the insurer purchase a securitised insurance instrument (e.g. catastrophe bond) during the period under review? []
- If "YES", provide details.

SYSTEM OF CONTROL

47. Is the system subject to:-
- | Y/N | Frequency of reviews | |
|---------------------|----------------------|--------|
| • internal reviews? | | months |
| • external reviews? | | months |

48. Were any material weaknesses reported? []
- If "YES", provide particulars.

OUTSOURCING

49. Have any business activities been outsourced? []
- If "YES", provide full details and attach outsourcing agreements/arrangements.

MANAGEMENT

50. Briefly list significant finding that emanated from the external audit conducted on the insurer. []
- Please provide details.

CHAIRMAN _____

DIRECTOR _____

PUBLIC OFFICER _____

DATE _____

AUDITORS (initial) _____

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Statement G10
STATUTORY VALUATION METHOD
of ABC Limited
as at the end of the financial period 31/01/2008

1. VALUATION OF ASSETS

1. What rate is used in the conversion of foreign currency assets in the Statutory valuation method?

Currency Exchange rate	Dollar	Sterling	Euro	Other: Specify

2. CAPITAL ADEQUACY REQUIREMENT

1. Give a description of all management actions envisaged in calculating the Capital Adequacy Requirement, with an indication of the magnitude of further management actions that can be utilised. Furthermore, separately quantify the effect of each of the management actions used to reduce the Capital Adequacy Requirement (from the figures shown in statement C5 to the figures shown in statement C6).
2. State whether the Board of Directors has been made aware of the management actions envisaged and the conditions under which the management actions would be

3. DISCRETIONARY MARGINS

1. Define all discretionary margins used in the statutory valuation method and give the reason(s) why they have been added.
2. Quantify the explicit discretionary margins.

4. BONUSES

1. Except in the case of market-related and linked policies, disclose where the maintenance of the bonus rates last declared is not assumed for all future years.
2. Give details of the reductions or increases in the assumed bonus rates.

5. SHAREHOLDERS' PARTICIPATION

1. For certain policy portfolios, shareholders may participate in the net investment returns earned on the underlying policy assets. A provision for the portion the insurer expects to allocate to shareholders must be included in the liabilities. If applicable, state the basis of the calculation for this provision.

6. MODELLING OF HIV/AIDS

1. What was the general assumption regarding pattern I lives exposure and pattern II lives exposure? Differentiate between product lines as you see fit.
2. Provide a brief description of the general approach to model the impact of HIV/AIDS (ASSA2000 model, HA1 tables, R6B tables etc.)
3. If the ASSA2000 model was used:
 - Attach the "Assumptions" [Lite model] or "Assumption - *****" [Full model] worksheet(s) to the long-term statutory return.
 - If the model was recalibrated, did you deviate from the guidelines given in the Guidance Manual of the ASSA 2000 model? Explain the reason for deviating from the guidelines (if applicable)

STATUTORY ACTUARY _____

DATE _____

AUDITORS (Initial) _____

