UPDATE ON PROGRESS WITH THE SOLVENCY ASSESSMENT AND MANAGEMENT (SAM) PROJECT

Introduction

This newsletter has been compiled by the SAM Communication Task Group to promote awareness amongst stakeholders of the important developments in the SAM project and of the progress made by the Financial Services Board (FSB) and the SAM Task Groups on the various key issues.

SAM 2012 Update

Given the sheer magnitude of the SAM project, the large number of stakeholders involved in the process and the difficulty to accurately estimate the duration of the various inter-linking processes in advance, the FSB has thought it pragmatic to issue a SAM 2012 Update communication.

There have been several revisions to the various timelines that were originally envisaged in the SAM Roadmap as published in November 2010. The purpose of the SAM 2012 Update document is therefore to highlight the various revisions to these timelines, as well as to highlight the changes to some of the structures and processes currently in place. The SAM 2012 Update should be read in conjunction with the SAM Roadmap, as many of the timelines in the original Roadmap have become outdated and should be replaced by the equivalent information in the Update.

The principal change contained within the SAM 2012 Update document is that the final date for full implementation of the SAM framework has been changed from 1 January 2014 to 1 January 2015. This means that all insurers are required to fully implement the SAM framework by 1 January 2015, while the SAM framework and the existing regime should run in parallel during 2014. Whereas the final implementation date has moved, the update is clear that a lot of work remains, and that the FSB expects insurers to be in a position to complete the SAM calculations and report on them as at January 2014.

The SAM 2012 Update document covers the following aspects:

- Changes to the SAM Governance Structure
- Adjusted Primary and Secondary Legislation Timelines
- Adjusted South African Quantitative Impact Studies (QIS) Timelines
- Adjusted Internal Model Approval Process (IMAP) Timelines
- Details of a Pillar II Readiness Exercise
- Transitional Equivalence Arrangements
Please refer to the SAM 2012 Update that was issued by the FSB on 12 March 2012 for further detailed information on the above.

SA QIS2 update

Various industry stakeholders brought it to the attention of the FSB that the current timelines for SA QIS2 might be difficult for insurers to implement, and that a consultation process on the technical specifications would be appreciated.

The amended timelines are as follows:

- Publishing of draft SA QIS 2 technical specification for comment: 31 May 2012
- Final date for submission of comments: 22 June 2012
- Publication of final SA QIS 2 technical specification: 13 July 2012
- Submission of results for solo calculations: 15 October 2012
- Submission of results for group calculations: 5 November 2012
- SA QIS 2 report published by FSB: 31 January 2013

In particular, it should be noted that the timeline above:

- Allows 6 weeks between the publication of the draft technical specification and the final specification. This will give insurers additional time to digest the specifications and to start with preparation work;
- Reduces the time to complete the solo calculations by two weeks, but this should be offset by the additional 6 weeks that insurers have to start with preparation work;
- Gives 3 additional weeks after the solo submission date for groups to submit their calculations; and
- Will result in the SA QIS 2 report being produced a month later than originally planned.

Pillar II readiness review

Mention is made in the 2012 SAM Update of the intention to conduct a SAM Pillar II readiness survey. While there has been a lot of activity to date from both the FSB and the industry in the implementation efforts relating to Pillar I through SA QIS 1 and the IMAP process, less work has been undertaken to date by the FSB on ascertaining the state of development work underway by insurers to prepare themselves for Pillar II of the SAM framework.

The intention is to issue a questionnaire for compulsory completion by insurers, which will be followed-up by targeted interviews with a representative sample of insurers. The responses to the questionnaire and the interviews will be treated as confidential.

A draft questionnaire is currently under consideration by the various SAM structures. The draft time line is to issue the questionnaire during May 2012 for completion by the end of June 2012 with targeted follow up interviews during August to October 2012. A report on the general findings will be issued by the end of January 2013.

Discussion Documents

The following Discussion Documents have recently been approved by the SAM Steering Committee for industry comment.

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<th>Title</th>
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<td>75</td>
<td>Treatment of risk-mitigation techniques in</td>
<td>Technical Provisions</td>
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These Discussion Documents and a comment Template can be found on the FSB website www.fsb.co.za under the Insurance Division by accessing the SAM link.

**Position Papers**

Discussion Documents that have been in the public domain for comment will eventually take the form of Position Papers before feeding into the legislation drafting process. The following Discussion Documents were recently approved by the FSB SAM Steering Committee for adoption as Position Papers.

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<td>Regulatory Balance Sheet (Article 51(1) (d)) Detailed content of SFCR and RTS</td>
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<td>Detail Contents of SFCR and RSR: Capital Management</td>
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<td>Detailed contents of SFCR and RSR: System of Governance</td>
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<td>Solvency Financial Condition Report (SFCR) and Report to Supervisor (RSR) Detailed Requirements - Risk Profile</td>
<td>Reporting and Disclosure</td>
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These Position Papers together with a Comment Template can be found on the SAM website and on the FSB website www.fsb.co.za under the Insurance Division by accessing the SAM link.

**Final Position Papers**

At the FSB SAM Steering Committee meeting on the 29th February 2012 the following Position Papers were accepted and approved as “Final” Position Papers. These Final Position Papers have been subjected to a comprehensive public comment process and as such do not require any further industry input. These papers will now be construed by the FSB Drafter as the final input from industry for the design of the SAM Secondary Legislation.
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<td>High-level principles of information to be received by the supervisory authority</td>
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**SAM Workshop**

The SAM Communication Task Group is in the process of finalising a SAM Workshop that will be taking place on 18 May 2012 in Cape Town and the 21 May 2012 in Pretoria. The proposed workshop will cover the following topics:

- An update on SAM progress
- An update on Interim Measures
- Preparation for SA QIS2
- Tax challenges
- Progress update regarding SAM Primary Legislation

The Communications Task Group is also looking into the possibility of obtaining a key-note speaker from Europe. Further information pertaining to the final arrangements will be communicated to the industry in due course.

**General**

Since the FSB and the industry embarked on the project during 2009, there has been significant progress in the development and implementation of the framework, and accordingly the FSB would like to sincerely thank the industry and all other stakeholders for their participation in the project.

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