



Conduit to work with the Prudential Authority to expedite the recapitalisation of Constantia Insurance Co Limited (CICL)

- *Conduit Capital's Constantia Insurance Group is a cash-generative, profitable group of insurance companies, with sufficient resources to meet policyholder claims.*
- *Policyholders are not at risk from the decision by the Prudential Authority.*
- *Constantia is close to concluding a recapitalisation transaction to support future growth, therefore, the regulatory decision by the Prudential Authority is unnecessary.*
- *The decision only affects Constantia Insurance Company Limited. None of the other insurance companies or assets owned by Conduit are impacted in any way.*
- *Both Conduit and Constantia are working with the Prudential Authority and stakeholders to immediately resolve the matter and allow the recapitalisation to be completed as quickly as possible and in the interests of all policyholders and partners.*
- *Conduit remains committed to finalising the recapitalisation of Constantia.*

Conduit Capital is a JSE-listed insurance investment holding company. Conduit owns 100% of the Constantia Group of insurance companies, a diversified and growing niche insurance group.

The Constantia businesses provide important coverage to people, professionals, and institutions across South Africa and in 19 other African countries. Constantia is cash flow positive, has significant cash reserves, and generates underwriting profits in all of its major lines.

To meet growth capital requirements, and overcome temporary challenges relating to equity market movements and adverse industry developments (including Covid-19) over which Constantia has no control, Conduit has been actively working to recapitalise the Constantia business. Discussions are at an advanced stage and are expected to be concluded imminently.

Despite the positive performance of the business and the status of the imminent transaction, the Prudential Authority has decided to apply for the appointment of a provisional curator to oversee the recapitalisation of Constantia Insurance Company Limited. While Conduit feels this is not necessary, it will work closely with the PA to deliver a favourable outcome.

Peter Todd, the interim CEO of Conduit Capital, said: *"We believe the decision by the Prudential Authority was premature given the strong performance of the business over the past two years and given how close we are to concluding the recapitalisation of Constantia. We have received an offer from a new investor and are well advanced with a second investor, so the decision of the Prudential Authority has come as a surprise. We have worked actively to keep the PA abreast of these developments throughout the process."*

Constantia has seen a remarkable improvement in operating performance since 2020. Gross premiums increased and the company achieved operating profitability. The capital position is temporary, and outside of the control of Constantia. This has also not impacted the operational performance of the company in any way.

Once concluded, the recapitalisation transaction will place Constantia on a strong footing to continue to deliver on its strategy, and continue to drive superior value for policyholders and partners.



“The improved operating performance and increase in cash reserves means the business has sufficient resources to meet all current and future claims obligations”, says Todd. “There is no reason for policyholders or partners to be concerned. The Prudential Authority has indicated its intention to support the recapitalisation and sees the appointment of the provisional curator as the means through which it can best support and expedite the conclusion of the process,” he said.

Constantia will continue to operate its business as usual in the best interests of policyholders and work closely with the interim curator to expedite the recapitalisation process. Constantia Life Limited and Constantia Life and Health Limited are not in any way affected by the decision.

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