

CICL Provisional Curator Statement

01 August 2022

Constantia Insurance Company Limited (CICL) is licensed in terms of the Insurance Act, 2017 (Act No. 18 of 2017) (Insurance Act) to conduct non-life insurance business.

CICL is wholly-owned by Constantia Risk and Insurance Holdings Limited, which is in turn a wholly owned subsidiary of Conduit Capital Limited. Other subsidiaries also include Constantia Life and Health Assurance Company Limited (CLAH) and Constantia Life Limited (CLL), the life insurance companies), which are licensed to conduct life insurance business under the Insurance Act.

On Tuesday 26 July 2022 the Prudential Authority (PA) obtained an order from the High Court of South Africa, placing **CICL under provisional curatorship** (Order). A copy of the Order is available on CICL's website: www.constantiagroup.co.za

Only CICL is under provisional curatorship. CLAH and CLL are not under provisional curatorship.

It is worth noting, that the PA acknowledged in its application to the High Court to place CICL under provisional curatorship, that CICL has maintained a positive trend in key areas of operations. In the past 24 months the CICL business has continually returned positive underwriting results, liquidity cash assets have nearly doubled, operational expenses have reduced significantly and measures were put in place to reduce the volatility on the equity portfolio.

The decision by the PA to apply to the High Court to place CICL under **provisional curatorship** was primarily based on the fact that CICL has to date, been unable to restore the regulatory capital requirements. The matter is therefore essentially one of capital adequacy. CICL's investment portfolio was severely affected by the Covid-19 pandemic and CICL has experienced volatility which has negatively impacted its investment portfolio and its regulatory capital requirements.

In terms of the Order, Messrs Ashish Desai and Gerdus Dixon of Deloitte & Touche have been provisionally appointed as the curator and alternate curator, respectively, of the business of CICL. Short resumes of the curator and alternate curator can be found at <https://www2.deloitte.com/za/en/profiles/ashish-desai.html> and <https://www2.deloitte.com/za/en/profiles/gerdus-dixon.html>

Provisional curatorship was identified by the PA as the most suitable and most effective mechanism to preserve the current financial position of CICL and facilitate ongoing discussions with potential investors to recapitalize the business. The Order includes the customary consequences of provisional curatorship:

- (i) the powers of the board of directors and management of CICL vest in the curator;
- (ii) CICL's non-life insurance licence is suspended (this is only in relation to new business and is not applicable to renewals or amendments to current policies);
- (iii) the curator is required to continue to safeguard the interests of its policyholders and preserve the business;
- (iv) the curator must conduct CICL's business in a prudent manner and in terms of the Order granted as well as any governing legislation.

CICL management has committed to continue to co-operate with the curator in order to ensure that CICL continues to provide the required services to current policyholders and to ensure that CICL is able to restore its capital ratios in compliance with the Insurance Act.

The curator is currently in discussions with CICAL management and suitable investors for a recapitalization of CICAL. The curator will investigate all feasible measures which could be adopted to restore these ratios.

The curator intends to perform his duties and to investigate all options available in terms of governing legislation to assist CICAL to be permitted to commence underwriting new insurance policies and to be released of its provisional curatorship.

Further communication will be made available by the curator on CICAL's website and the curator will endeavour to contact impacted stakeholders in due course.

Please direct any further queries to the curator at curator@constantigroup.co.za.