



ASSUPOL HOLDINGS LIMITED AND ITS SUBSIDIARIES

Incorporated in the Republic of South Africa
(Registration no. 2010/015888/06)
CTSE Share code: 4AASP
ISIN: ZAE400000051

UNAUDITED CONDENSED INTERIM FINANCIAL RESULTS
for the six months ended 31 December 2023

Assupol Holdings Limited and its subsidiaries ('the Group') present the unaudited condensed interim financial results for the six months ended 31 December 2023.

Assupol Holdings Limited ('Assupol Holdings' or 'the company') is incorporated and domiciled in South Africa. Its registered office and principal place of business is at Summit Place Office Park, Building 6, 221 Garstfontein Road, Menlyn, Pretoria. The company's shares are listed on Cape Town Stock Exchange ('CTSE'). The directors are aware of their responsibilities in terms of the CTSE listing requirements and confirm that Assupol Holdings complies with these requirements.

The preparation of these results is the responsibility of the Board of Directors. The condensed interim financial results have not been audited. The requirement to review the interim financial results was waived by the shareholders of Assupol Holdings at the annual general meeting of the company held on 6 December 2023.

Corporate activities

During April 2023, Assupol Holdings released an announcement on the CTSE news service wherein Budvest Proprietary Limited, a material shareholder of Assupol Holdings which holds approximately 45% of Assupol Holding's ordinary shares, through its wholly owned subsidiary K2022679730 (South Africa) Proprietary Limited, as well as the International Finance Corporation, a significant minority shareholder of the company which holds approximately 19% of the ordinary shares, noted their intention to commence a sale process in respect of their interests in Assupol Holdings. Following the successful conclusion of the sale process, holders of the ordinary shares were advised that Assupol and Sanlam, through its wholly owned subsidiary Sanlam Life, entered into an implementation agreement on 1 February 2024.

The salient details regarding the transaction were announced on 2 February 2024 on the CTSE news service. A circular, detailing the offer, was distributed to the ordinary shareholders and holders of B shares on 15 March 2024. Further information regarding the transaction will be made available on the CTSE news service and Assupol's website.

Adoption of IFRS 17 - Insurance contracts

The international financial reporting standard for insurance contracts, IFRS 17, became effective for the insurance company in the Group, namely Assupol Life Limited ('Assupol Life'), on 1 July 2023. The IFRS based results presented in these statements were aligned to the standard, with the comparative periods being restated on the same basis. Key financial performance metrics, namely the embedded value, value of new business, cash generation and the Group's solvency position, were not materially impacted by this standard. The impact of the implementation as reported in the condensed financial statements has not been audited. The impact of this adoption is provided in notes 7 and 8 to these statements.

Group results

The continuous deterioration of the economy in South Africa has an impact on spendable income of all South Africans. This was already noticed in the increase in lapses during the June 2023 financial year. Actuarial assumptions were strengthened in the 2023 financial year and seems to be sufficient to provide for the lapses experienced in the current period.

The provision of a reliable electricity supply remains problematic in South Africa, creating challenges when communicating with new and existing policyholders. Where possible the Group, has provided alternative channels or resources to assist our intermediaries and clients in this regard.

Despite these challenges, new business volumes of all the distribution channels have increased, and this is supported by the 9.4% growth seen in recurring premiums new business reported. The decline of 93.9% for single premium products is due to the closure of two endowment lines for new business. The closure also resulted in a decline of 23.4% in the value of new business. The utilisation of the deferred tax asset, that was created from the sale of the single premiums, has resulted in an increased effective tax rate of 28.7% (December 2022: 14.3%).

For the six-month period, the after taxation returns on the shareholders' assets outperformed the long-term investment return assumption by R36.7 million (Dec 2022: R0.6 million). The investment return achieved for the period was 6.55% compared to 4.95% for the comparable period in the previous financial year and 8.77% for the year ended 30 June 2023.

The adjustment of the yield and real return curves, in the valuation of insurance assets and liabilities, has increased after-taxation profit by R193.9 million since the June 2023 year-end.

The management of expenses remains a major focus area for the Group with a reported saving of 6.0% against budget for the reporting period.

The Group is in a financially sound position and held, at the end of the reporting period, eligible own funds exceeding the solvency capital requirement with a SCR cover ratio of 178%.

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GROUP REVIEW
for the six months ended 31 December 2023 (continued)

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The **key financial performance statistics** for the Assupol Group for the six-month period ended 31 December 2023 are set out below:

	Six months ended 31 December 2023	Six months ended 31 December 2022	Change	Year ended 30 June 2023
	Unaudited	Restated ^(a) Unaudited		Restated ^(a) Unaudited
Earnings performance				
Insurance contract revenue (R'm)	2 467	2 239	10.2%	4 578
Profit attributable to ordinary shareholders (R'm)	663	865	-23.3%	1 127
Value of new business (R'm)	128	167	-23.4%	269
Adjusted operating profit ('AOP') (R'm) ^(b)	455	393	15.6%	713
Return on equity	13%	18%		23%

(a) The numbers / ratios, with the exception of the value of new business, have been restated as a result of IFRS 17.

(b) The adjusted operating profit is calculated by adjusting the reported profit before taxation to exclude the impact of short-term market fluctuations on the investment returns of shareholder funds, as well as non-recurring transactions or events such as the discontinuation of a business relationship, non-recurring actuarial adjustments and non-core transactions. The calculation does not take into account the economic impact of actuarial adjustments on new business during a financial period. Where a non-recurring transaction continues to occur in a subsequent financial year, the transaction is reassessed to determine whether or not it should be included in the adjusted operating profit. The standard corporate income tax rate in South Africa is applied to the result of the above calculation.

	Six months ended 31 December 2023	Six months ended 31 December 2022	Change	Year ended 30 June 2023
	Unaudited	Unaudited		Unaudited
New business				
Recurring premiums (R'm) ^(c)	584	534	9.4%	1 014
Single premiums (R'm)	59	969	-93.9%	2 025
Total new business premiums (R'm) ^(c)	643	1 503	-57.2%	3 039
Annual premium equivalent (R'm) ^(c)	590	631	-6.5%	1 216
Present value of new business premiums (R'm)	2 226	2 937	-24.2%	5 533
Value of new business margin	5.7%	5.7%	0.1%	4.9%

(c) The recurring premiums, total new business premiums and the annual premium equivalent for the period ended 30 June 2023 were adjusted to reflect the correct amounts. The amounts for the periods June 2021 and June 2022 were also adjusted. The following table provides a summary of the corrections made:

	Jun 2023	Jun 2022	Jun 2021
Recurring premiums (R'm)			
- as previously disclosed	409	397	549
- restated	1 014	943	1 044
Total new business premiums (R'm)			
- as previously disclosed	2 434	1 480	773
- restated	3 039	2 025	1 268
Annual premium equivalent (R'm)			
- as previously disclosed	612	505	571
- restated	1 216	1 051	1 066

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The **embedded value ("EV")** represents an estimated value of the Group that comprises shareholders' funds which is the aggregate of free surplus funds and required capital to support the in-force business; plus the present value of in-force business; less the cost of required capital. The EV does not consider changes as a result of IFRS 17. The Group will follow guidance from the Actuarial Society of South Africa, once issued.

	Six months ended 31 December 2023	Six months ended 31 December 2022	Change	Year ended 30 June 2023
Group embedded value (R'm)	<i>Unaudited</i>	<i>Unaudited</i>		<i>Unaudited</i>
Shareholders' funds	5 134	5 078	1.1%	5 251
Value of in-force business	1 822	1 793	1.6%	1 782
Gross	2 496	2 424	3.0%	2 361
Cost of required capital	(674)	(631)	6.8%	(579)
Embedded value of covered business ^(a)	6 956	6 871	1.2%	7 033
Embedded value of other Group operations ^(b)	53	63	-15.5%	37
Closing group embedded value	7 009	6 934	1.1%	7 070
Return on embedded value (%)	7.69%	9.93%		12.10%

(a) Covered business is business written under a life insurance license and is valued by using the methodology outlined in the Advisory Practice Note, APN 107, of the Actuarial Society of South Africa.

(b) Other Group operations include the value of Assupol Holdings as well as other subsidiaries in the Group that are not included in the value of covered business.

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EV earnings (R'm)	Six months ended 31 December 2023				Six months ended 31 December 2022	Year ended 30 June 2023
	Adjusted net worth	Value of in-force	Cost of required capital	Total		
Covered business EV						
Opening EV	5 251	2 361	(579)	7 033	6 791	6 791
Opening adjustments	-	4	-	4	9	29
Opening EV (adjusted)	5 251	2 365	(579)	7 037	6 800	6 820
Dividends paid	(599)	-	-	(599)	(551)	(551)
Deferred bonus shares	(2)	-	-	(2)	5	6
EV after adjustments	4 650	2 365	(579)	6 436	6 254	6 275
Unwinding of risk discount rate	-	176	(37)	139	127	254
Expected profits	253	(253)	-	-	-	-
New business	(9)	191	(54)	128	167	268
Operating experience variations	13	(40)	(46)	(73)	53	(76)
Taxation	(39)	-	-	(39)	47	136
Assumption changes	-	56	(24)	32	(34)	(233)
Investment experience	265	-	68	333	263	427
Miscellaneous	1	1	(2)	-	(6)	(18)
Closing EV	5 134	2 496	(674)	6 956	6 871	7 033
Other Group operations ^(a)						
Opening EV	115	(78)	-	37	(35)	(34)
Dividends received	599	-	-	599	551	551
Deferred bonus shares	(17)	-	-	(17)	-	-
Dividends paid	(562)	-	-	(562)	(449)	(449)
EV after adjustments	135	(78)	-	57	67	68
Expected profits	13	(13)	-	-	-	-
Actual profits	(5)	-	-	(5)	(4)	(20)
Assumption changes	-	1	-	1	-	(11)
Closing EV	143	(90)	-	53	63	37
Total closing group EV	5 277	2 406	(674)	7 009	6 934	7 070

(a) The descriptions of line items included under Other Group operations were changed to provide a better reflection of the underlying EV earnings. The disclosures for the periods ended 31 December 2022 and 30 June 2023 were adjusted accordingly.

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for the six months ended 31 December 2023 (continued)

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Key share statistics relating to the issued shares of Assupol Holdings are provided below:

	Six months ended 31 December 2023	Six months ended 31 December 2022	Change	Year ended 30 June 2023
Share statistics	<i>Unaudited</i>	<i>Unaudited</i>		<i>Unaudited</i>
Share price - closing (R) ^(a)	11.00	9.25	18.9%	10.90
Number of ordinary shares in issue ('000) ^(b)	430 364	428 126	0.5%	428 126
Market capitalisation (R'm) ^(a)	4 734	3 960	19.5%	4 667
Earnings per share (cents) ^(d)	156	203	-23.5%	265
Diluted earnings per share (cents) ^(d)	155	202	-22.9%	263
Diluted adjusted operating profit per share (cents) ^(d)	106	92	15.6%	166
Group embedded value per share (R)	16.29	16.20	0.6%	16.52
Dividend per qualifying ordinary share (cents) ^(c)	-	-	-	132

(a) Market information is based on the information on CTSE on which the company's shares trade.

(b) The B4 and B5 shares were issued during the reporting period. The B6 shares that were awarded to senior management in terms of the deferred bonus scheme in September 2023 have not been issued as yet due to the requisite approval from the Prudential Authority.

(c) It is the policy of the company to declare a dividend on an annual basis. The dividends per qualifying share were declared as follows:

- In respect of the year ended 30 June 2022: An ordinary dividend of 64 cents and a special dividend of 42 cents per qualifying share was declared on 30 September 2022 and was paid on 17 October 2022.
- In respect of the year ended 30 June 2023: An ordinary dividend of 68 cents and a special dividend of 64 cents per qualifying share was declared on 22 September 2023 and was paid on 16 October 2023.

A qualifying share included listed ordinary shares but excluded shares held by the Share Incentive Trust. It also included 'B' shares that qualify to be converted to ordinary shares after the restricted period ended in September 2023 and that are unrestricted at the record date.

(d) The numbers / ratios have been restated as a result of IFRS 17.

ASSUPOL HOLDINGS LIMITED and its subsidiaries
**STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31 December 2023**

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<i>R'000</i>	Note	Six months ended 31 December 2023 <i>Unaudited</i>	Six months ended 31 December 2022 Restated ^(a) <i>Unaudited</i>	Year ended 30 June 2023 Restated ^(a) <i>Unaudited</i>
Insurance contract revenue	6	2 467 290	2 238 575	4 577 551
Insurance service expenses		(2 075 141)	(1 781 590)	(3 875 802)
Net expenses from reinsurance contracts held		(20 325)	(28 150)	(37 285)
Insurance service result		371 824	428 835	664 464
Investment income		304 079	243 915	540 116
Net fair value gains on financial assets		162 067	147 920	200 037
Fair value adjustments on investment contract liabilities		(186 790)	(125 171)	(328 924)
Net insurance finance income and expenses		355 767	366 159	389 970
Net reinsurance finance income and expenses		(1 566)	(5 557)	5 614
Investment result		633 557	627 266	806 813
Fee income		29 545	64 426	131 928
Operating and administrative expenses		(70 676)	(73 001)	(172 619)
Investment management expenses		(6 824)	(10 839)	(21 972)
Other income		4 258	3 948	9 124
Finance charges		(30 945)	(30 845)	(71 088)
Other income and expenses		(74 642)	(46 311)	(124 627)
Profit before taxation		930 739	1 009 790	1 346 650
Income taxation expense		(267 255)	(144 561)	(219 352)
PROFIT FOR THE PERIOD		663 484	865 229	1 127 298
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		663 484	865 229	1 127 298
Profit and comprehensive income attributable to:				
Owners of Assupol Holdings Ltd		663 484	865 229	1 127 298
Group earnings per share (cents)				
Basic earnings per share		155.5	203.3	264.6
Diluted earnings per share		155.5	201.8	262.6

(a) These results have been restated as a result of IFRS 17.

ASSUPOL HOLDINGS LIMITED and its subsidiaries
STATEMENT OF FINANCIAL POSITION
as at 31 December 2023

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<i>R'000</i>	Note	Six months ended 31 December 2023 <i>Unaudited</i>	Year ended 30 June 2023 Restated ^(a) <i>Unaudited</i>	As at 1 July 2022 Restated ^(a) <i>Unaudited</i>
ASSETS				
Property and equipment		243 469	233 480	228 091
Intangible assets		327 468	285 153	230 671
Deferred tax asset		501	-	-
Financial assets: Investments				
At fair value through profit or loss				
Equity securities		3 025 364	3 036 095	2 031 500
Debt securities		2 623 565	2 565 568	2 390 943
Deposits and money market securities		1 276 704	1 553 350	1 374 258
At amortised cost				
Deposits and money market securities		2 097 748	2 266 766	1 557 610
Insurance contract assets	7	3 319 628	3 113 235	2 984 936
Reinsurance contract assets	7	5 647	5 638	6 790
Other receivables		37 087	38 134	24 708
Current taxation asset		150	2 219	-
Cash and cash equivalents		592 253	564 841	439 128
TOTAL ASSETS		13 549 584	13 664 479	11 268 635
EQUITY				
Share capital		717 622	701 451	682 095
Treasury shares		(19 725)	(18 206)	(18 206)
Employee benefits reserve		154 444	171 080	183 987
Black Economic Empowerment reserve		14 300	14 300	14 300
Retained earnings		4 457 480	4 353 358	3 673 882
TOTAL EQUITY		5 324 121	5 221 983	4 536 058
LIABILITIES				
Policyholder liabilities: Investment contracts				
At fair value through profit or loss		3 507 369	3 513 085	2 524 658
At amortised cost		2 092 783	2 286 852	1 596 889
Insurance contract liabilities	7	1 549 677	1 597 222	1 552 615
Reinsurance contract liabilities	7	38 859	56 853	59 590
Other obligations		558 753	549 746	446 328
Employee benefits		32 848	72 998	73 982
Deferred revenue liability		683	684	486
Deferred taxation liability		262 373	147 638	263 009
Other payables		167 726	217 409	192 666
Current taxation liability		14 392	9	22 354
TOTAL LIABILITIES		8 225 463	8 442 496	6 732 577
TOTAL EQUITY AND LIABILITIES		13 549 584	13 664 479	11 268 635

(a) These balances have been restated as a result of IFRS 17. Refer to note 8.

ASSUPOL HOLDINGS LIMITED and its subsidiaries

**STATEMENT OF CHANGES IN EQUITY
for the six months ended 31 December 2023**

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<i>R'000</i>	SHARE CAPITAL	TREASURY SHARES	EMPLOYEE BENEFITS RESERVE	BEE RESERVE	RETAINED INCOME	TOTAL CAPITAL
Balance at 30 June 2022	682 095	(18 206)	183 987	14 300	4 250 128	5 112 304
IFRS 17 opening balance adjustment (Refer note 8.3)	-	-	-	-	(576 246)	(576 246)
B shares issued	19 356	(19 356)	-	-	-	-
Deferred bonus recognition	-	-	4 779	-	-	4 779
Dividend paid	-	-	-	-	(446 987)	(446 987)
Profit for the period ^(a)	-	-	-	-	865 229	865 229
Balance at 31 December 2022	701 451	(37 562)	188 766	14 300	4 092 124	4 959 079
Deferred bonus recognition	-	-	2 927	-	-	2 927
Vesting of deferred bonus shares	-	19 356	(19 356)	-	-	-
Deferred bonus: Adjustment for bad leavers	-	-	(1 257)	-	(1 257)	(2 514)
Other movements	-	-	-	-	422	422
Profit for the period ^(a)	-	-	-	-	262 069	262 069
Balance at 30 June 2023	701 451	(18 206)	171 080	14 300	4 353 358	5 221 983
B shares issued	16 171	(16 171)	-	-	-	-
Vesting of deferred bonus shares	-	14 652	(14 652)	-	-	-
Deferred bonus recognition	-	-	1 786	-	-	1 786
Deferred bonus: Adjustment for bad leavers	-	-	(3 770)	-	-	(3 770)
Dividend paid	-	-	-	-	(559 218)	(559 218)
Other movements	-	-	-	-	(144)	(144)
Profit for the period	-	-	-	-	663 484	663 484
Balance at 31 December 2023 ^(b)	717 622	(19 725)	154 444	14 300	4 457 480	5 324 121

(a) The profit for the period has been restated as a result of IFRS 17.

(b) The transactions for the six months ended 31 December 2023 and the impact of the adoption of IFRS 17 have not been audited.

ASSUPOL HOLDINGS LIMITED and its subsidiaries
**CONDENSED STATEMENT OF CASH FLOWS
for the six months ended 31 December 2023**

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<i>R'000</i>	Six months ended 31 December 2023 <i>Unaudited</i>	Six months ended 31 December 2022 Restated ^(a) <i>Unaudited</i>	Year ended 30 June 2023
Cash flows from operating activities			
Cash generated from operations	(8 555)	1 145 166	2 369 250
Net acquisition of financial instruments at fair value through profit or loss	389 330	(497 026)	(1 158 275)
at amortised cost	80 650	(356 837)	(659 527)
Interest received			
on fair value through profit or loss assets	267 484	201 675	297 972
on amortised cost assets	101 760	70 755	143 483
Dividends received	23 203	28 453	49 064
Dividends paid	(559 218)	(446 987)	(446 987)
Finance charges	(30 945)	(30 845)	(71 088)
Taxation paid	(136 567)	(147 076)	(359 296)
Net cash flows from operating activities	127 142	(32 722)	164 596
Cash flows from investing activities			
Acquisition of property and equipment	(41 067)	(30 461)	(45 833)
Acquisition of intangible assets	(50 718)	(40 782)	(84 001)
Proceeds on disposal of equipment	2 160	2 189	6 175
Net cash flows from investing activities	(89 624)	(69 054)	(123 659)
Cash flows from financing activities			
Subordinated debt raised	-	350 073	350 000
Payment of subordinated debt	(321)	-	(247 816)
Payment of principal lease payments	(9 785)	(8 672)	(17 408)
Net cash flows from financing activities	(10 106)	341 401	84 776
Net increase in cash and cash equivalents	27 412	239 624	125 713
Cash and cash equivalents at beginning of the period	564 841	439 128	439 128
Cash and cash equivalents at end of the period	592 253	678 752	564 841

(a) The December 2022 disclosure was adjusted to agree with the restatement of disclosure as per note 41 of the financial statements for the year ended 30 June 2023. This restatement was due to a previous classification error where interest received on amortised cost assets at maturity was previously incorrectly included in the net acquisition of financial instruments at amortised cost.

1. GENERAL INFORMATION

Assupol Holdings Limited and its subsidiaries operate in the financial services industry and all products and services are offered only in the Republic of South Africa.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Statement of compliance

The Group has applied the provisions of the Companies Act, no 71 of 2008 as amended, which allows for summarised financial results as disclosed in this report.

The unaudited condensed interim financial results for the six months ended 31 December 2023 have been prepared in accordance with the International Financial Reporting Standard IAS 34 and the reporting requirements of CTSE. It should be noted that IAS 34 has specific requirements on the periods that should be disclosed.

The interim results do not include all the notes normally included in the annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 30 June 2023 and any public announcements made by the Group during the interim reporting period. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new standards effective as of 1 July 2023.

IFRS 17 - Insurance contracts is effective for annual reporting periods starting 1 January 2023 and has been adopted by the Group. Other than IFRS 17, amendments to standards effective from 1 January 2023 do not have a material effect on the Group's interim financial statements. The impact of IFRS 17 has been included in notes 7 and 8.

IFRS 9 - Financial instruments: Assupol Holdings implemented IFRS 9 in the year ended June 2019. Assupol Life elected to defer the implementation of this standard to coincide with the implementation of IFRS 17 based on an assessment performed by management in line with the deferral provisions in IFRS 4. The key changes affecting the Group is the introduction of an expected credit loss model. Through this model, the value of certain assets are impaired on a forward looking basis, through the recognition of an expected credit loss. The impact of IFRS 9 has been included in note 9.

The Group's operations are cyclical over the 12-month period of a financial year. The actuarial assumptions are reviewed in March of each year and adjustments are made where necessary. Consequently, the results of the last six months of a financial year could differ significantly from the first six months.

2.2 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these interim financial statements.

3. SEGMENT REPORTING

The Group's operating segments are based on the legal entities within the Group with Assupol Life being analysed further between its individual business, group business and other operations. The Group Executive Committee makes decisions about resource allocation on the performance of these operations and financial information is provided on that basis.

- Individual business: This operating segment pertains to Assupol Life's distribution channels for individual business. It also includes single premium products as well as the Cornerstone distribution channel.
- Group business: This segment includes Assupol Life's group schemes.
- Other operations: This segment includes those transactions of Assupol Life that are not allocated to individual and group business (shareholders' funds) as well as all Assupol Holdings, Assupol Investment Holdings, and the other smaller and dormant entities in the Assupol Group.

The segment information provided in these statements, include:

- Insurance revenue: Refer note 6.
- Insurance and reinsurance liabilities: Refer notes 7.1.1 and 7.1.2.
- Contract service margin ('CSM'): Refer note 7.2.

4. SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The critical accounting estimates and judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 30 June 2023, except for certain judgements made and accounting matters related to IFRS 17 included in note 8.

Other estimates and assumptions include:

- Impairment tests are performed on all cash generating units to which goodwill is allocated;
- The calculation of current and deferred taxation; and
- Measurement and accounting of lease assets, liabilities and finance charges in terms of IFRS16.

5. RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and interest rate risk), credit risk and liquidity risk. These risks can affect the values of the Group's financial assets and liabilities, as well as the Group's insurance contract assets and liabilities.

5.2 Liquidity risks arising out of the subordinated debt agreements

The table below analyses the settlement value for the subordinated debt agreement differentiating between relevant maturity groupings, based on the remaining period at the end of the reporting period to the contractual maturity date.

<i>R'000</i>	Six months ended 31 December 2023 <i>Unaudited</i>	Six months ended 31 December 2022 <i>Unaudited</i>	Year ended 30 June 2023 <i>Unaudited</i>
Contractual undiscounted cash flows			
Within 1 year	38 407	300 878	38 684
1 to 2 years	208 176	34 972	437 938
3 to 5 years	209 898	412 726	-
Total	456 481	748 576	476 622

5.3 Fair value estimation

The tables below analyses each class of financial instrument and insurance contracts, per category.

December 2023 (R'000)	Financial assets and liabilities at FVTPL	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount	Fair value
Financial assets - Investments	6 925 634	2 097 748	-	9 023 382	9 023 958
Other receivables: Sundry	-	24 692	-	24 692 *	24 692
Cash and cash equivalents	-	592 253	-	592 253 *	592 253
Investment contract liabilities	3 507 369	-	2 092 783	5 600 152	5 600 727
Other liabilities: Subordinated debt	-	-	351 934	351 934	352 128
Accounts payable	-	-	76 637	76 637 *	76 637
June 2023 (R'000)					
Financial assets - Investments	7 155 013	2 266 766	-	9 421 779	9 366 454
Other receivables: Sundry	-	18 545	-	18 545 *	18 545
Cash and cash equivalents	-	564 841	-	564 841 *	564 841
Investment contract liabilities	3 513 085	-	2 286 852	5 799 937	5 744 612
Other liabilities: Subordinated debt	-	-	352 254	352 254	352 304
Accounts payable	-	-	82 901	82 901 *	82 901

* Where the payment terms are less than 90 days the carrying value approximates fair value.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.4 Fair value hierarchy

The measurement at fair value, grouped into levels 1 to 3, is based on the degree to which the fair value is observable:

- Level 1: Valued with reference to quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data thus unobservable inputs.

The valuation techniques and assumptions applied for purposes of measuring fair value of financial assets and liabilities are determined as follows:

For level 1:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

For level 2:

- The fair value of other financial assets and financial liabilities (excluding derivatives) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- Observable inputs generally used to measure the fair value of securities classified as level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data. The specific inputs used are:
 - > Risk free rate: 8.25% to 9.03%
- The fair value of derivatives is calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. The specific inputs used are:
 - > Equity index level strike: 65 050 to 75 600 (index level 70 705 at period end);
 - > Equity volatility: 15.74% to 21.13%;
- The fair value of financial guaranteed contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from the market-based credit information and the amount of loss, given the default.

For level 3:

- When classifying fair value measures within level 3 of the valuation hierarchy the determining factors are generally based on the significance of the unobservable factors when compared to the overall fair value measurement. The Group applies various due diligence procedures, as considered appropriate, to validate the underlying information used in the valuations.

The table below analyses financial instruments carried at fair value by valuation method. There were no transfers between the various levels during the current and previous periods.

December 2023 (R'000)	Level 1	Level 2	Level 3	TOTAL
Local listed shares	1 106 134	-	-	1 106 134
Derivatives: Equity options	-	1 484 060	-	1 484 060
Unit trusts	435 170	-	-	435 170
Debt securities	608 206	2 015 359	-	2 623 565
Deposits and money market securities ^(a)	1 276 704	2 097 748	-	3 374 452
Total financial assets	3 426 214	5 597 167	-	9 023 381
Net investment contract liabilities ^(a)	-	5 600 727	-	5 600 727
Total financial liabilities	-	5 600 727	-	5 600 727

(a) Includes financial instruments designated as 'at amortised cost' as the fair values have been estimated in accordance with note 5.3.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.4 Fair value hierarchy (continued)

June 2023 (R'000)	Level 1	Level 2	Level 3	TOTAL
Local listed shares	1 079 520	-	-	1 079 520
Derivatives: Equity options	-	1 534 519	-	1 534 519
Unit trusts	422 056	-	-	422 056
Debt securities	603 980	1 961 588	-	2 565 568
Deposits and money market securities ^(a)	1 445 672	2 374 444	-	3 820 116
Total financial assets	3 551 228	5 870 551	-	9 421 779
Net investment contract liabilities ^(a)	-	5 744 612	-	5 744 612
Total financial liabilities	-	5 744 612	-	5 744 612

(a) Includes financial instruments designated as 'at amortised cost' as the fair values have been estimated in accordance with note 5.3.

6. INSURANCE REVENUE

The following tables present an analysis of the insurance revenue recognised in the period:

For the six months ended 31 December 2023 (R'000)	Individual business	Group business	Other operations	Total
Amounts relating to changes in liabilities for remaining coverage	1 475 238	264 863	-	1 740 101
- Expected incurred claims and other insurance service expenses	1 267 239	232 348	-	1 499 587
- Change in risk adjustment for non-financial risk for risk expired	126 365	9 001	-	135 366
- CSM recognised for services provided	323 032	23 514	-	346 546
- Experience adjustments for premium receipts	(241 398)	-	-	(241 398)
Recovery of insurance acquisition cash flows	598 389	128 800	-	727 189
Total insurance revenue	2 073 627	393 663	-	2 467 290

For the six months ended 31 December 2022 (R'000)	Individual business	Group business	Other operations	Total
Amounts relating to changes in liabilities for remaining coverage	1 477 246	196 473	-	1 673 719
- Expected incurred claims and other insurance service expenses	1 193 107	181 738	-	1 374 845
- Change in risk adjustment for non-financial risk for risk expired	120 025	6 260	-	126 285
- CSM recognised for services provided	327 366	8 475	-	335 841
- Experience adjustments for premium receipts	(163 252)	-	-	(163 252)
Recovery of insurance acquisition cash flows	507 299	57 557	-	564 856
Total insurance revenue	1 984 545	254 030	-	2 238 575

7. INSURANCE CONTRACT ASSETS AND LIABILITIES

7.1 Analysis of insurance and reinsurance contracts

The following reconciliations show how the liability for remaining coverage and liability for incurred claims of insurance and reinsurance contracts changed during the year as a result of cash flows and amounts recognised in the income statement.

A second reconciliation is presented for contracts measured under the General Measurement Model ('GMM') and Variable Fee Approach ('VFA'), which separately analyses changes in the estimates for the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

7.1.1 Insurance contracts: Analysis of insurance contracts by segment

For the six months ended 31 December 2023 (R'000)	Individual business	Group business	Other operations	Total
Opening assets	3 113 235	-	-	3 113 235
Opening liabilities	(1 348 947)	(248 275)	-	(1 597 222)
Net opening balance	1 764 288	(248 275)	-	1 516 013
Net closing balance	2 036 126	(266 175)	-	1 769 951
For the year ended 30 June 2023 (R'000)				
Opening assets	2 984 936	-	-	2 984 936
Opening liabilities	(1 446 348)	(106 267)	-	(1 552 615)
Net opening balance	1 538 588	(106 267)	-	1 432 321
Net closing balance	1 764 288	(248 275)	-	1 516 013

Refer to note 7.1.3 for detail of the movement between the net opening balance and net closing balance.

7.1.2 Reinsurance contracts: Analysis of reinsurance contracts by segment

For the six months ended 31 December 2023 (R'000)	Individual business	Group business	Other operations	Total
Opening assets	5 638	-	-	5 638
Opening liabilities	(56 853)	-	-	(56 853)
Net opening balance	(51 215)	-	-	(51 215)
Net closing balance	(33 212)	-	-	(33 212)
For the year ended 30 June 2023 (R'000)				
Opening assets	6 790	-	-	6 790
Opening liabilities	(59 590)	-	-	(59 590)
Net opening balance	(52 800)	-	-	(52 800)
Net closing balance	(51 215)	-	-	(51 215)

Refer to note 7.1.4 for detail of the movement between the net opening balance and net closing balance.

7. INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

7.1 Analysis of insurance and reinsurance contracts (continued)

7.1.3 Insurance contracts: Analysis by remaining coverage and incurred claims

Contracts measured applying GMM and VFA measurement models

For the six months ended 31 December 2023 (R'000)	Liability for remaining coverage			Total
	Excluding loss component	Loss component	Liability for incurred claims	
Opening assets	3 847 669	(177 250)	(557 184)	3 113 235
Opening liabilities	(1 472 598)	(44 570)	(80 054)	(1 597 222)
Net opening balance	2 375 071	(221 820)	(637 238)	1 516 013
Changes in the statement of comprehensive income				
Insurance revenue:				
Contracts under the fair value approach	648 558	-	-	648 558
Other contracts	1 818 732	-	-	1 818 732
	2 467 290	-	-	2 467 290
Insurance service expenses:				
Amortisation of insurance acquisition cash flows	(727 190)	-	-	(727 190)
Incurred claims and other insurance service expenses	-	-	(1 219 147)	(1 219 147)
Losses and reversals of losses on onerous contracts	-	(122 277)	-	(122 277)
Adjustments to liabilities for incurred claims	-	-	(6 527)	(6 527)
	(727 190)	(122 277)	(1 225 674)	(2 075 141)
Insurance service result	1 740 100	(122 277)	(1 225 674)	392 149
Net finance expenses from insurance contracts	390 254	(34 487)	-	355 767
Total changes	2 130 354	(156 764)	(1 225 674)	747 916
Investment components	20 823	-	(20 823)	-
Cash flows				
Premiums received	(2 688 001)	-	-	(2 688 001)
Insurance acquisition cash flows	978 167	-	-	978 167
Claims and other insurance service expenses paid	-	-	1 215 856	1 215 856
Total cash flows	(1 709 834)	-	1 215 856	(493 978)
Net closing balance	2 816 414	(378 584)	(667 879)	1 769 951

7. INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

7.1 Analysis of insurance and reinsurance contracts (continued)

7.1.3 Insurance contracts: Analysis by remaining coverage and incurred claims (continued)

Contracts measured applying GMM and VFA measurement models

For the year ended 30 June 2023 (R'000)	Liability for remaining coverage			Total
	Excluding loss component	Loss component	Liability for incurred claims	
Opening assets	3 361 144	79 624	(455 832)	2 984 936
Opening liabilities	(1 445 668)	(27 876)	(79 071)	(1 552 615)
Net opening balance	1 915 476	51 748	(534 903)	1 432 321
Changes in the statement of comprehensive income				
Insurance revenue:				
Contracts under the fair value approach	1 274 400	-	-	1 274 400
Other contracts	3 303 151	-	-	3 303 151
	4 577 551	-	-	4 577 551
Insurance service expenses:				
Amortisation of insurance acquisition cash flows	(1 232 658)	-	-	(1 232 658)
Incurred claims and other insurance service expenses	-	-	(2 317 228)	(2 317 228)
Losses and reversals of losses on onerous contracts	-	(325 872)	-	(325 872)
Adjustments to liabilities for incurred claims	-	-	(44)	(44)
	(1 232 658)	(325 872)	(2 317 272)	(3 875 802)
Insurance service result	3 344 893	(325 872)	(2 317 272)	701 749
Net finance expenses from insurance contracts	337 666	52 304	-	389 970
Total changes	3 682 559	(273 568)	(2 317 272)	1 091 719
Investment components	19 620	-	(19 620)	-
Cash flows				
Premiums received	(4 979 678)	-	-	(4 979 678)
Insurance acquisition cash flows	1 737 094	-	-	1 737 094
Claims and other insurance service expenses paid	-	-	2 234 557	2 234 557
Total cash flows	(3 242 584)	-	2 234 557	(1 008 027)
Net closing balance	2 375 071	(221 820)	(637 238)	1 516 013

7. INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

7.1 Analysis of insurance and reinsurance contracts (continued)

7.1.4 Reinsurance contracts: Analysis by remaining coverage and incurred claims

Contracts measured applying GMM and VFA measurement models

	Remaining coverage component			Total
	Excluding loss recovery component	Loss recovery component	Incurred claims component	
For the six months ended 31 December 2023 (R'000)				
Opening assets	6 187	(103)	(446)	5 638
Opening liabilities	(48 705)	6 536	(14 684)	(56 853)
Net opening balance	(42 518)	6 433	(15 130)	(51 215)
Changes in the statement of comprehensive income				
Net expenses from reinsurance contracts	(85 008)	14 534	50 149	(20 325)
Net finance expenses from insurance contracts	(1 544)	(22)	-	(1 566)
Total changes	(86 552)	14 512	50 149	(21 891)
Cash flows				
Premiums paid	90 062	-	-	90 062
Amounts recovered	-	-	(50 168)	(50 168)
Total cash flows	90 062	-	(50 168)	39 894
Net closing balance	(39 008)	20 945	(15 149)	(33 212)
For the year ended 30 June 2023 (R'000)				
Opening assets	7 328	(11)	(527)	6 790
Opening liabilities	(33 041)	(275)	(26 274)	(59 590)
Net opening balance	(25 713)	(286)	(26 801)	(52 800)
Changes in the statement of comprehensive income				
Net expenses from reinsurance contracts	(202 213)	6 865	158 063	(37 285)
Net finance expenses from insurance contracts	5 760	(146)	-	5 614
Total changes	(196 453)	6 719	158 063	(31 671)
Cash flows				
Premiums paid	179 648	-	-	179 648
Amounts recovered	-	-	(146 392)	(146 392)
Total cash flows	179 648	-	(146 392)	33 256
Net closing balance	(42 518)	6 433	(15 130)	(51 215)

7. INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)
7.1 Analysis of insurance and reinsurance contracts (continued)
7.1.5 Insurance contracts: Analysis by measurement component
Contracts measured applying GMM and VFA measurement models

For the six months ended 31 December 2023 (R'000)	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM		Total
			Contracts under fair value	Other	
Opening assets	8 005 061	(1 579 794)	(156 778)	(3 155 252)	3 113 237
Opening liabilities	(965 189)	(215 287)	(45 054)	(371 694)	(1 597 224)
Net opening balance	7 039 872	(1 795 081)	(201 832)	(3 526 946)	1 516 013
Changes in the statement of comprehensive income					
Changes that relate to current services					
CSM recognised for services provided	-	-	22 656	323 890	346 546
Change in risk adjustment for non-financial risk for risk	-	146 367	-	-	146 367
Experience adjustments	(256 021)	-	-	-	(256 021)
	(256 021)	146 367	22 656	323 890	236 892
Changes that relate to future service					
Contracts initially recognised in the year	756 775	(159 899)	-	(411 894)	184 982
Changes in estimates that adjust the CSM	(167 668)	10 609	(6 388)	163 447	-
Losses / reversals of losses on onerous contracts	(24 810)	1 612	-	-	(23 198)
	564 297	(147 678)	(6 388)	(248 447)	161 784
Changes that relate to past service					
Adjustments to liabilities for incurred claims	(5 934)	(593)	-	-	(6 527)
	(5 934)	(593)	-	-	(6 527)
Insurance service result	302 342	(1 904)	16 268	75 443	392 149
Net finance expenses from insurance contracts	637 943	(120 474)	(7 089)	(154 613)	355 767
Total changes	940 285	(122 378)	9 179	(79 170)	747 916
Cash flows					
Premiums received	(2 688 001)	-	-	-	(2 688 001)
Insurance acquisition cash flows	978 167	-	-	-	978 167
Claims and other insurance service expenses paid	1 215 856	-	-	-	1 215 856
Total cash flows	(493 978)	-	-	-	(493 978)
Net closing balance	7 486 179	(1 917 459)	(192 653)	(3 606 116)	1 769 951

7. INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

7.1 Analysis of insurance and reinsurance contracts (continued)

7.1.5 Insurance contracts: Analysis by measurement component (continued)

Contracts measured applying GMM and VFA measurement models

For the year ended 30 June 2023 (R'000)	Estimates of present value of future cash flows	Risk Adjustment for non-financial risk	CSM		Total
			Contracts under fair value	Other	
Opening assets	7 540 600	(1 459 226)	(199 253)	(2 897 185)	2 984 936
Opening liabilities	(615 547)	(314 797)	(94 039)	(528 232)	(1 552 615)
Net opening balance	6 925 053	(1 774 023)	(293 292)	(3 425 417)	1 432 321
Changes in the statement of comprehensive income					
Changes that relate to current services					
CSM recognised for services provided	-	-	36 952	628 441	665 393
Change in risk adjustment for non-financial risk for risk expired	-	282 301	-	-	282 301
Experience adjustments	(467 521)	-	-	-	(467 521)
	(467 521)	282 301	36 952	628 441	480 173
Changes that relate to future service					
Contracts initially recognised in the year	1 345 867	(319 370)	-	(762 400)	264 097
Changes in estimates that adjust the CSM	(453 385)	47 946	75 217	330 222	-
Losses / reversals of losses on onerous contracts	(68 539)	26 062	-	-	(42 477)
	823 943	(245 362)	75 217	(432 178)	221 620
Changes that relate to past service					
Adjustments to liabilities for incurred claims	(40)	(4)	-	-	(44)
	(40)	(4)	-	-	(44)
Insurance service result	356 382	36 935	112 169	196 263	701 749
Net finance expenses from insurance contracts	766 464	(57 993)	(20 709)	(297 792)	389 970
Total changes	1 122 846	(21 058)	91 460	(101 529)	1 091 719
Cash flows					
Premiums received	(4 979 678)	-	-	-	(4 979 678)
Insurance acquisition cash flows	1 737 094	-	-	-	1 737 094
Claims and other insurance service expenses paid	2 234 557	-	-	-	2 234 557
Total cash flows	(1 008 027)	-	-	-	(1 008 027)
Net closing balance	7 039 872	(1 795 081)	(201 832)	(3 526 946)	1 516 013

7. INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

7.1 Analysis of insurance and reinsurance contracts (continued)

7.1.6 Reinsurance contracts: Analysis by measurement component

Contracts measured applying GMM and VFA measurement models

For the six months ended 31 December 2023 (R'000)	Estimates of present value of future cash flows	Risk Adjustment for non-financial risk	CSM		Total
			Contracts under fair value	Other	
Opening assets	5 789	320	(1 244)	773	5 638
Opening liabilities	(144 977)	5 843	5 181	77 100	(56 853)
Net opening balance	(139 188)	6 163	3 937	77 873	(51 215)
Changes in the statement of comprehensive income					
Changes that relate to current services					
CSM recognised for services provided	-	-	(163)	(2 517)	(2 680)
Change in risk adjustment for non-financial risk for risk expired	-	(518)	-	-	(518)
	-	(518)	(163)	(2 517)	(3 198)
Changes that relate to future service					
Contracts initially recognised in the year	-	-	-	847	847
Changes in estimates that adjust the CSM	(16 011)	1 090	2 160	12 761	-
Losses / reversals of losses on onerous contracts	14 655	(1 015)	-	-	13 640
	(1 356)	75	2 160	13 608	14 487
Changes that relate to past service					
Changes in the incurred claims component	(31 612)	(2)	-	-	(31 614)
	(31 612)	(2)	-	-	(31 614)
Insurance service result	(32 968)	(445)	1 997	11 091	(20 325)
Net finance expenses from reinsurance contracts	(5 455)	393	155	3 341	(1 566)
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-
Total changes	(38 423)	(52)	2 152	14 432	(21 891)
Cash flows					
Premiums paid	90 062	-	-	-	90 062
Amounts recovered	(50 168)	-	-	-	(50 168)
Total cash flows	39 894	-	-	-	39 894
Net closing balance	(137 717)	6 111	6 089	92 305	(33 212)

7. INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

7.1 Analysis of insurance and reinsurance contracts (continued)

7.1.6 Reinsurance contracts: Analysis by measurement component (continued)

Contracts measured applying GMM and VFA measurement models

For the year ended 30 June 2023 (R'000)	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM		Total
			Contracts under fair value	Other	
Opening assets	6 927	456	(1 314)	722	6 791
Opening liabilities	(106 741)	2 721	(5 418)	49 847	(59 591)
Net opening balance	(99 814)	3 177	(6 732)	50 569	(52 800)
Changes in the statement of comprehensive income					
<i>Changes that relate to current services</i>					
CSM recognised for services provided	-	-	(388)	(4 741)	(5 129)
Change in risk adjustment for non-financial risk for risk expired	-	651	-	-	651
	-	651	(388)	(4 741)	(4 478)
<i>Changes that relate to future service</i>					
Contracts initially recognised in the year	(9 203)	491	-	12 104	3 392
Changes in estimates that adjust the CSM	(28 278)	948	11 538	15 793	1
Losses / reversals of losses on onerous contracts	4 051	(205)	-	-	3 846
	(33 430)	1 234	11 538	27 897	7 239
<i>Changes that relate to past service</i>					
Changes in the incurred claims component	(41 107)	1 061	-	-	(40 046)
	(41 107)	1 061	-	-	(40 046)
Insurance service result	(74 537)	2 946	11 150	23 156	(37 285)
Net finance expenses from reinsurance contracts	1 907	40	(481)	4 148	5 614
Total changes	(72 630)	2 986	10 669	27 304	(31 671)
Cash flows					
Premiums paid	179 648	-	-	-	179 648
Amounts recovered	(146 392)	-	-	-	(146 392)
Total cash flows	33 256	-	-	-	33 256
Net closing balance	(139 188)	6 163	3 937	77 873	(51 215)

7. INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

7.2 Expected recognition of contractual service margin in profit or loss

An analysis of the expected recognition of the CSM remaining at the end of reporting period in profit or loss is presented below.

For the six months ended 31 December 2023 (R'000)	< 1 year	1 to 5 years	6 to 10 years	> 10 years	Total
Insurance contracts					
Individual business	274 925	796 259	1 071 184	1 339 842	3 482 210
Group business	24 007	69 530	93 536	129 487	316 560
Total CSM for insurance contracts	298 932	865 789	1 164 720	1 469 329	3 798 770
Reinsurance contracts					
Individual business	(6 943)	(20 110)	(27 054)	(44 288)	(98 395)
Total CSM for reinsurance contracts	(6 943)	(20 110)	(27 054)	(44 288)	(98 395)
For the year ended 30 June 2023 (R'000)					
Insurance contracts					
Individual business	271 456	786 210	1 057 666	1 464 186	3 579 518
Group business	11 319	32 784	44 103	61 054	149 260
Total CSM for insurance contracts	282 775	818 994	1 101 769	1 525 240	3 728 778
Reinsurance contracts					
Individual business	(6 204)	(17 969)	(24 173)	(33 464)	(81 810)
Total CSM for reinsurance contracts	(6 204)	(17 969)	(24 173)	(33 464)	(81 810)

8. IMPACT OF THE ADOPTION OF IFRS 17

The Group has applied IFRS 17 Insurance contracts from 1 July 2023. IFRS 17 have brought significant changes to the accounting for insurance and reinsurance contracts and as a result, the Group has restated certain comparative amounts and presented a third statement of financial position as at 1 July 2022.

The impact of adopting IFRS 17 on the Group has been outlined below:

8.1 Introduction

IFRS 17 replaces IFRS 4 Insurance contracts for annual periods beginning on or after 1 January 2023. The Group's initial application date is 1 July 2023 and as such the Group will first report on the IFRS 17 based results in the annual financial statements for the year ending 30 June 2024, with restated comparative information for 30 June 2023.

IFRS 17 establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts and aims to ensure that the Group provides relevant information that faithfully represents the insurance contracts of the Group. The standard provides a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds.

8.2 Transition to IFRS 17

On transition, IFRS 17 requires the standard to be applied retrospectively by using the full, modified retrospective or the fair value approach. The Group will use the full retrospective approach for business written since 1 July 2015. The fair value approach will be used for business written prior to 1 July 2015 as it was determined that following the modified retrospective approach would be impossible due to lack of access, effort and undue costs required to obtain data prior to 30 June 2015.

In applying the fair value approach, the CSM at the transition date is calculated as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date. The Group has applied the requirements of IFRS 13 Fair Value Measurement to determine the fair value of groups of contracts, with the exception of the demand deposit floor requirement which IFRS 17 specifies should not be applied.

The fair value is defined as the consideration that would be paid or received for a group of insurance contracts to enable a market participant to earn their required rate of return in a notional transaction involving the group of contracts. The Group has used the income approach (as defined by IFRS 13) to determine this amount.

8.3 Impact of adopting IFRS 17

The Group has quantified the impact of initial application of IFRS 17 on equity as at 1 July 2022 to be a decrease of R576.2 million. This difference arises largely due to the following:

- Changes in the best estimate liability, including:
 - Removal of the IFRS 4 compulsory and discretionary margins allowed for under IFRS 4, but not permissible in terms of IFRS 17.
 - Capitalisation of premium and benefit increases under IFRS 17
 - Change in expenses assumptions from IFRS 4 to IFRS 17
 - Adjustment to economic assumptions
- Recognition of the Contractual Service Margin (CSM) under IFRS 17:
 - IFRS 17 requires the recognition of the CSM which represent unearned profit that will be released as insurance contract services are provided.

It is important to note that while IFRS 17 does result in changes to the timing of profit recognition from insurance contracts, it does not change the overall profitability of insurance and reinsurance contracts.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)

8.3 Impact of adopting IFRS 17 (continued)

Included below is the reconciliation of the consolidated statement of financial position from IFRS 4 to IFRS 17 at transition:

<i>R'000</i>	At 30 June 2022 As reported	IFRS 17 transition adjustments <i>Unaudited</i>	At 1 July 2022 Restated <i>Unaudited</i>
ASSETS			
Property and equipment	228 091	-	228 091
Intangible assets	230 671	-	230 671
Financial assets: Investments			
At fair value through profit or loss			
Equity securities	2 031 500	-	2 031 500
Debt securities	2 390 943	-	2 390 943
Deposits and money market securities	1 374 258	-	1 374 258
At amortised cost			
Deposits and money market securities	1 557 610	-	1 557 610
Policyholder assets			
Insurance contract assets	2 567 083	(2 567 083)	-
Reinsurance assets	66 302	(66 302)	-
Insurance and other receivables	208 180	(183 472)	24 708
Insurance contract assets	-	2 984 936	2 984 936
Reinsurance contract assets	-	6 790	6 790
Cash and cash equivalents	439 128	-	439 128
TOTAL ASSETS	11 093 766	174 869	11 268 635
EQUITY			
Share capital	682 095	-	682 095
Treasury shares	(18 206)	-	(18 206)
Employee benefits reserve	183 987	-	183 987
Black Economic Empowerment reserve	14 300	-	14 300
Retained earnings	4 250 128	(576 246)	3 673 882
TOTAL EQUITY	5 112 304	(576 246)	4 536 058
LIABILITIES			
Policyholder liabilities: Investment contracts			
At fair value through profit or loss	2 524 658	-	2 524 658
At amortised cost	1 596 889	-	1 596 889
Insurance contract liabilities	-	1 552 615	1 552 615
Reinsurance contract liabilities	-	59 590	59 590
Long term financing obligations	446 328	-	446 328
Employee benefits	73 982	-	73 982
Deferred revenue liability	486	-	486
Deferred taxation liability	702 519	(439 510)	263 009
Insurance and other payables	614 246	(421 580)	192 666
Current taxation	22 354	-	22 354
TOTAL LIABILITIES	5 981 462	751 115	6 732 577
TOTAL EQUITY AND LIABILITIES	11 093 766	174 869	11 268 635

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)

8.4 Accounting policies

8.4.1 Summary of measurement methods

The Group issues insurance contracts that are accounted for using different measurement methods.

The insurance asset or liability under IFRS 17 comprises of the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). These components and the respective IFRS 17 measurement models are described in more detail below.

8.4.1.1 General measurement model (GMM)

IFRS 17 introduces a default measurement model, known as GMM which measures insurance and reinsurance contracts using unbiased and probability-weighted estimates of the present value of the future cash flows, including a risk adjustment for non-financial risk and a contractual service margin.

On initial recognition, under the GMM, the LRC for a group of insurance contracts are measured as the total of:

- i. Fulfilment cash flows, which comprise:
 - a. Present value of future cashflows; and
 - b. Risk adjustment for non-financial risk.
- ii. Contractual service margin

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period is determined as the sum of:

- i. the LRC comprising:
 - a. estimates of fulfilment cash flows related to future services and;
 - b. the CSM of the group at that date;
- ii. the LIC comprising the future cashflows related to past service allocated to the group of insurance contracts at that date.

8.4.1.2 Variable fee approach (VFA)

IFRS 17 introduces the Variable Fee Approach measurement model which is a variation of the GMM for insurance contracts issued that are substantially investment-related service contracts under which an entity promises an investment return based on underlying items. i.e. Insurance contracts with direct participation features. The VFA does not apply to reinsurance contracts held.

At initial recognition, the measurement principles outlined above for GMM are the same as those for the VFA. It is only on subsequent measurement, that there are differences between the two measurement models.

For groups of insurance contracts measured under the VFA, the fulfilment cash flows will be determined as the obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for future services. Changes in the fair value of the underlying items do not adjust the CSM. For groups of insurance contracts measured under the VFA, the CSM at the start of the period is implicitly accreted with interest equal to the effect of the time value of money on the variable fee in each period. The Group has chosen not to apply the risk mitigation option and therefore any changes in financial risk of its share of the fair value of the underlying items will be adjust the CSM.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)

8.4 Accounting policies (continued)

8.4.2 Definitions and classifications

Products sold by the Group are classified as insurance contracts when the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

This assessment is made on a contract-by-contract basis at the contract issue date. In making this assessment, the Group considers all its substantive rights and obligations, whether they arise from contract, law or regulation.

The Group determines whether it contains significant insurance risk, by assessing if an insured event could cause the Group to pay to the policyholder additional amounts that are significant in any single scenario with commercial substance even if the insured event is extremely unlikely or the expected present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract.

Some contracts issued by the Group which have the legal form of an insurance contract but do not transfer significant insurance risk to the Group are not classified as insurance contracts and follow financial instruments or service contracts accounting applying IFRS 9 or IFRS 15 respectively.

The Group issues certain insurance contracts to allow policyholders to participate in investment returns with the Group, in addition to compensation for losses from insured risk.

The Group assesses, on a contract-by-contract basis, whether participating contracts meet the definition of insurance contracts with direct participation features, which need to satisfy all three of the following criteria:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns from the underlying items; and
- a substantial proportion of the cash flows that the Group expects to pay to the policyholder should be expected to vary with the cash flows from the underlying items.

In assessing whether the conditions above are met, the Group uses its expectations at the issue date of the contracts.

The Group applies its judgement to assess whether the amount expected to be paid to the policyholder constitutes a substantial share of fair value returns from the underlying items and whether the variable cash flows represent a substantial proportion of the cash flows.

The Group also issues investment contracts with discretionary participation features for some insurance contracts. These contracts have similar economic characteristics as insurance contracts, and they are linked to the same pool of assets as insurance contracts. The Group applies insurance contract accounting to these contracts.

The Group holds reinsurance contracts to mitigate certain risk exposure. These are majority quota share reinsurance. A reinsurance contract is an insurance contract issued by a reinsurer to compensate the Group for claims arising from one or more insurance contracts issued by the Group.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)

8.4 Accounting policies (continued)

8.4.3 Separating components from insurance and reinsurance contracts

Some insurance contracts issued by the Group have several components in addition to the provision of the insurance coverage service, such as an investment component, an investment management service, an embedded derivative and a provision of some other distinct goods or non-insurance services.

The Group assesses its products to determine whether some of these components are distinct and need to be separated and accounted for applying other standards. When these non-insurance components are non-distinct, they will be accounted for together with the insurance component as part of the accounting for an insurance contract.

The Group first considers the need to separate distinct embedded derivatives and investment components before assessing the need to separate any non-insurance services component.

8.4.3.1 Separating investment components

The Group issues certain life insurance policies which include an investment component under which the Group is required to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. Investment components are only separated from the insurance contract if they are distinct. Those distinct investment components are accounted for applying IFRS 9.

In assessing whether an investment component is distinct, the Group considers whether the investment and insurance components are not highly interrelated and a contract with equivalent terms to the investment component is sold (or could be sold) separately in the same market or in the same jurisdiction by other entities (including entities issuing insurance contracts).

In determining whether investment and insurance components are highly interrelated the Group assesses whether the Group is unable to measure one component without considering the other and the policyholder is unable to benefit from one component unless the other component is present, i.e. whether cancelling one component also terminates the other.

The Group applies IFRS 17 to account for non-distinct investment components as part of its insurance contracts.

8.4.3.2 Separating promises to transfer distinct goods or non-insurance services

After the Group has determined whether to separate embedded derivatives and investment components, it considers the separation of any promise to transfer goods or non-insurance services embedded in the contract. The Group separates from the host insurance contract only distinct promises to transfer goods or non-insurance services to a policyholder. Once separated, such promises are accounted for applying IFRS 15.

In determining whether an obligation to deliver a good or non-insurance service promised to a policyholder is distinct, the Group considers whether the policyholder can benefit from the good or service either on its own or together with other resources readily available to the policyholder that are either sold separately or it is something that the policyholder already has.

A good or non-insurance service that is promised to the policyholder is not distinct if the cash flows and risks associated with the good or service are highly interrelated with the cash flows and risks associated with the insurance components and the Group provides a significant service in integrating the good or non-insurance service with the insurance components.

The Group has not identified any distinct goods or non-insurance services.

8.4.3.3 Separating insurance components of a single insurance contract

Once the embedded derivatives, investment components and the goods and services components are separated, the Group assesses whether the contract should be separated into several insurance components that, in substance, should be treated as separate contracts.

To determine whether a single legal contract does not reflect the substance of the transaction and its insurance components recognised and measured separately instead, the Group considers whether there is an interdependency between the different risks covered, whether components can lapse independently of each other and whether the components can be priced and sold separately.

When the Group enters into one legal contract with different insurance components operating independently of each other, insurance components are recognised and measured separately applying IFRS 17.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)

8.4 Accounting policies (continued)

8.4.4 Level of aggregation

The Group identifies portfolios by aggregating insurance contracts that are subject to similar risks and managed together. In grouping insurance contracts into portfolios, the Group considers the similarity of risks rather than the specific labelling of the product lines. The Group determines that all contracts within each product line, as defined for management purposes, have similar risks and, therefore, represent a portfolio of contracts when they are managed together.

Each portfolio is sub-divided into groups of contracts to which the recognition and measurement requirements of IFRS 17 are applied. At initial recognition, the Group segregates contracts based on when they were issued. A portfolio contains all contracts that were issued within a 12-month period. Each portfolio is then further disaggregated into three groups of contracts:

- a) contracts that are onerous on initial recognition;
- b) contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- c) any remaining contracts in the portfolio

In determining the appropriate group, the Group measures a set of contracts together using reasonable and supportable information. The Group applies significant judgement in determining at what level of granularity the Group has sufficient information to conclude that all contracts within a set will be in the same group. In the absence of such information the Group assesses each contract individually.

The determination of whether a contract or a group of contracts is onerous is based on the expectations as at the date of initial recognition, with fulfilment cash flow expectations determined on a probability-weighted basis. The Group determines the appropriate level at which reasonable and supportable information is available to assess whether the contracts are onerous at initial recognition and whether the contracts not onerous at initial recognition have a significant possibility of becoming onerous subsequently.

All groups include only contracts issued within a 12-month period. The composition of groups established at initial recognition is not subsequently reassessed.

If the facts and circumstances indicate that some contracts are onerous, the Group performs an additional assessment to determine whether some contracts are onerous. In making the assessment, the Group uses information about estimates provided by its internal reporting.

Reinsurance contracts held are assessed separately from underlying insurance contracts issued. The Group disaggregates a portfolio of its reinsurance contracts held into three groups of contracts:

- a) those that on initial recognition have a net gain;
- b) those that on initial recognition have a net cost that is not immediately recognised in profit or loss; and
- c) those that on initial recognition have a net cost that is immediately recognised in profit or loss.

8.4.5 Recognition

The Group recognises groups of insurance contracts issued from the earliest of the following dates:

- the beginning of the coverage period of the group of contracts;
- the date when the first payment from a policyholder in the group becomes due (in the absence of a contractual due date, this is deemed to be when the first payment is received); and
- when the Group determines that a group of contracts becomes onerous.

The Group recognises only contracts issued within a one-year period meeting the recognition criteria by the reporting date. Subject to this limit, a group of insurance contracts can remain open after the end of the current reporting period and new contracts are included to the group when they meet the recognition criteria in subsequent reporting periods until such time that all contracts expected to be included within the group have been recognised.

Investment contracts with discretionary participation features are initially recognised at the date the Group becomes a party to the contract.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)

8.4 Accounting policies (continued)

8.4.6 Contract boundaries

The Group includes in the measurement of a group of insurance contracts all the future cash flows expected to arise within the boundary of each of the contracts in the group.

In determining which cash flows fall within a contract boundary, the Group considers its substantive rights and obligations arising from the terms of the contract, and also from applicable laws and regulations. The Group determines that cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums or the Group has a substantive obligation to provide the policyholder with services.

A substantive obligation to provide services ends when:

- the Group has the practical ability to reassess the risks of a particular policyholder and as a result change the price charged or the level of benefits provided for the price to fully reflect the new level of risk; or
- the boundary assessment is performed at a portfolio rather than individual contract level, there are two criteria that both need to be satisfied: the Group must have the practical ability to reprice the portfolio to fully reflect risk from all policyholders', and the Group's pricing must not take into account any risks beyond the next reassessment date.

In determining whether all the risks have been reflected either in the premium or in the level of benefits, the Group considers all risks that policyholders would transfer had it issued the contracts (or portfolio of contracts) at the reassessment date. Similarly, the Group concludes on its practical ability to set a price that fully reflects the risks in the contract or portfolio at a renewal date by considering all the risks that it would assess when underwriting equivalent contracts on the renewal date for the remaining service. The assessment on the Group's practical ability to reprice existing contracts takes into account all contractual, legal and regulatory restrictions. In doing so, the Group disregards restrictions that have no commercial substance. The Group also considers the impact of market competitiveness and commercial considerations on its practical ability to price new contracts and repricing existing contracts. Judgement is required to decide whether such commercial considerations are relevant in concluding as to whether the practical ability exists at the reporting date.

Cash flows are within the boundaries of investment contracts with discretionary participation features if they result from a substantive obligation of the Group to deliver cash at a present or future date.

The Group assesses the contract boundary at initial recognition and at each subsequent reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)**8.4 Accounting policies (continued)****8.4.7 Measurement of insurance contracts issued****8.4.7.1 Measurement on initial recognition for contracts other than the premium allocation approach ('PAA')**

The Group measures a group of contracts on initial recognition as the sum of the expected fulfilment cash flows within the contract boundary and the contractual service margin representing the unearned profit in the contracts relating to services that will be provided under the contracts.

Fulfilment cash flows ('FCF') within contract boundary

The FCF are the current unbiased and probability-weighted estimates of the present value of the future cash flows, including a risk adjustment for non-financial risk. In arriving at a probability-weighted mean, the Group considers a range of scenarios to establish a full range of possible outcomes incorporating all the reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of expected future cash flows. The estimates of future cash flows reflect conditions existing at the measurement date including assumptions at that date about the future.

The Group estimates expected future cash flows for a group of contracts at a portfolio level and then allocated them to the groups in that portfolio in a systematic and rational way.

When estimating future cash flows, the Group includes all cash flows within the contract boundary including:

- premiums and any additional cash flows resulting from those premiums;
- claims paid, reported claims that have not yet been paid, claims incurred but not yet reported, future claims expected to arise from the policy and potential cash inflows from recoveries on future claims covered by existing insurance contracts;
- for deferred variable annuity, investment-linked insurance policies and investment contract with discretionary participation features, payments that vary based on the returns on underlying items and resulting from any embedded guarantees;
- an allocation of insurance acquisition cash flows attributable to the portfolio to which the issued contract belongs;
- claim handling costs;
- costs of providing contractual benefits in kind, such as home and vehicle repair;
- policy administration and maintenance costs including recurring commissions that are expected to be paid to intermediaries for policy administration services only (recurring commissions that are insurance acquisition cash flows are treated as such in the estimate of future cash flows);
- transaction-based taxes;
- an allocation of fixed and variable overheads directly attributable to the fulfilment of insurance contracts including overhead costs such as accounting, human resources, information technology and support, building depreciation, rent, and maintenance and utilities;
- costs incurred for performing investment activities that enhance insurance coverage benefits for the policyholder; and
- costs incurred for providing investment-related service to policyholders.

For fulfilment cash flows of reinsurance contract held, see 8.4.8.

The Group recognises and measures the liability for the unpaid amounts arising from all groups in aggregate and does not allocate such fulfilment cash flows to specific groups when coverage on contracts has been provided.

The cash flow estimates include both market variables, which are consistent with observable market prices, and non-market variables, which are not contradictory with market information and based on internally and externally derived data.

The Group updates its estimates at the end of each reporting period using all newly available, as well as historic evidence and information about trends. The Group determines its current expectations of probabilities of future events occurring at the end of the reporting period. In developing new estimates, the Group considers the most recent experience and earlier experience, as well as other information.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)**8.4 Accounting policies (continued)****8.4.7 Measurement of insurance contracts issued (continued)****8.4.7.1 Measurement on initial recognition for contracts other than the premium allocation approach ('PAA') (continued)***Discount rates*

The time value of money and financial risk is measured separately from expected future cash flows with changes in financial risks recognised in profit or loss at the end of each reporting period unless the Group has elected the accounting policy to present the time value of money separately in the statement of comprehensive income.

The Group measures the time value of money using discount rates that reflect the liquidity characteristics of the insurance contracts and the characteristics of the cash flows, consistent with observable current market prices and exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts (e.g. credit risk).

Expected future cash flows that vary based on the returns on any financial underlying items are discounted at rates that reflect this variability.

In determining discount rates for cash flows that do not vary based on the returns of underlying items, the Group uses the 'bottom-up approach' to estimate discount rates starting by adjusting a liquid risk-free yield curve to reflect the differences between the liquidity characteristics of the financial instruments that underlie the rates observed in the market and the liquidity characteristics of the insurance contracts (i.e. liquidity risk premium).

The Group estimates the discount rate applicable to each group of contracts on initial recognition, based on recognised contracts. In the following reporting period, as more contracts are included to the group, result in a change to the determination of the discount rates at the date of initial recognition and the discount rate applicable to the group on initial recognition is then revised from the start of the reporting period in which the new contracts are added to the group. The Group has re-estimated using a weighted average discount rate over the period the contracts in the group are issued.

Risk adjustment for non-financial risk

The Group measures the compensation it would require for bearing the uncertainty about the amount and timing of cash flows arising from insurance contracts, other than financial risk separately as an adjustment for non-financial risk. It uses the Value at Risk (VaR) method in estimating the risk adjustment. The VaR measures the maximum expected shortfall of the actual liability outcome at a given confidence level and time horizon. This method is similar to the SCR in the Solvency Assessment and Management (SAM). The Group's chosen level of confidence is the 85th percentile, or equivalently about a 1-in-8 event.

In addition, the risk adjustment allows for diversification of risks at an entity level under IFRS 17. The impact of diversification is allocated back to portfolios in proportion to the size of the per-portfolio risk adjustment.

Contractual service margin (CSM)

The CSM is a component of the overall carrying amount of a group of insurance contracts representing unearned profit the Group will recognise as it provides insurance contract services over the coverage period.

At initial recognition, the Group measures the CSM at an amount that, unless a group of insurance contracts is onerous, results in no gains recognised in profit or loss arising from:

- the expected fulfilment cash flows of the group;
- the amount of any derecognised asset for acquisition cash flows allocated to the group; and any other asset or liability previously recognised for cash flows related to the group; and
- any cash flows that have already arisen on the contracts as of that date.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)**8.4 Accounting policies (continued)****8.4.7 Measurement of insurance contracts issued (continued)****8.4.7.1 Measurement on initial recognition for contracts other than the premium allocation approach ('PAA') (continued)***Contractual service margin (CSM) (continued)*

If a group of contracts is onerous, the Group recognises a loss on initial recognition, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows, and the CSM of the group being nil. A loss component is recognised for any loss on initial recognition of the group of insurance contracts. Refer 8.4.7.4.

The Group determines, at initial recognition, the group's coverage units and allocates the group's CSM based on the coverage units provided in the period.

For groups of insurance contracts acquired with claims in their settlement period, at initial recognition, the Group allocates the newly acquired contracts into separate portfolios, even if the Group already issues such product. This is because the coverage for adverse claims development in the newly acquired contracts is different to the contracts originally issued. The Group allocates such newly acquired contracts into annual groups based on the expected profitability of acquired contracts as at the date of acquisition. The Group uses the consideration received or paid as an approximation of premiums to calculate the CSM on initial recognition. When, on initial recognition, the acquired contracts are determined to be onerous, then for contracts acquired in a portfolio transfer, the excess of the fulfilment cash flows over the consideration received is recognised in profit or loss. For contracts acquired as part of a business combination, the excess, representing the extent to which the contract is onerous, is recognised as part of goodwill or as a gain on a bargain purchase.

Insurance acquisition cash flows

The Group includes insurance acquisition cash flows in the measurement of a group of insurance contracts if they are directly attributable to either the individual contracts in a group, or to the group itself, or the portfolio of insurance contracts to which the group belongs.

The Group estimates insurance acquisition cash flows not directly attributable to the group but directly attributable to the portfolio at a portfolio level and then allocates them to the group of newly written and renewed contracts on a systematic and rational basis.

The Group recognises an asset in respect of costs in securing a portfolio or group of insurance contracts, such as costs of selling and underwriting, when these costs are already paid before the recognition of the group of insurance contracts to which these costs relate to. The Group recognises such an asset for each existing or future group of insurance contracts to which insurance acquisition cash flows are allocated. Such assets are derecognised when the insurance acquisition cash flows allocated to the group of insurance contracts are included in the measurement of the group. The related portion of the asset for insurance acquisition cash flows is derecognised when the associated group of contracts is recognised, and its balance is included in the group's fulfilment cash flows. When only some of the insurance contracts expected to be included within the group is recognised as at the end of the reporting period, the Group determines the related portion of the asset that is derecognised and included in the group's fulfilment cash flows on the basis of a systematic and rational allocation method taking into consideration the timing of recognition of the contracts into the group.

At each reporting date, the Group reviews the carrying amounts of the asset for insurance acquisition cash flows to determine whether there is an indication that the asset has suffered an impairment. If any such indication exists, the Group adjusts the carrying amount of the asset so that the carrying amount of the asset does not exceed the expected net cash inflow for the associated future groups of contracts and an impairment loss is recognised in profit or loss for the difference. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent the impairment conditions no longer exist or have improved and the cumulative amount of impairment loss reversal does not exceed the impairment loss recognised for the asset in prior years.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)

8.4 Accounting policies (continued)

8.4.7 Measurement of insurance contracts issued (continued)

8.4.7.2 Subsequent measurement under the general model

After initial recognition, at the end of each reporting period, the carrying amount of the group of insurance contracts will reflect a current estimate of the liability for incurred claims (LIC) as at that date and a current estimate of the liability for remaining coverage (LRC).

The LRC represents the Group's obligation to investigate and pay valid claims under existing contracts for insured events that have not yet occurred, comprising (a) fulfilment cash flows relating to future service and (b) the CSM yet to be earned.

The LIC includes the Group's liability to pay valid claims for insured events that have already incurred, other incurred insurance expenses arising from past coverage service and includes the liability for claims incurred but not yet reported. It also includes the Group's liability to pay amounts the Group is obliged to pay the policyholder under the contract, including repayment of investment components, when a contract is derecognised. The current estimate of LIC comprises the fulfilment cash flows related to current and past service allocated to the group at the reporting date.

In estimating the total future fulfilment cash flows, the Group distinguishes between those relating to already incurred claims and those relating to future services.

At the end of each reporting period, the fulfilment cash flows are updated by the Group to reflect the current estimates of the amounts, timing and uncertainty of future cash flows, as well as discount rates to ensure that the estimates measured in the statement of financial position are always current.

Experience adjustments are the difference between:

- (a) Premium received (and any related cash flows paid such as insurance acquisition cash flows and insurance premium taxes) and the estimate at the beginning of the period of the amounts expected in the period; or
- (b) The actual amounts of insurance service expenses incurred in the period (excluding insurance acquisition expenses) and the estimate at the beginning of the period of the amounts expected to be incurred in the period.

Subsequent to initial recognition, the CSM of a group of insurance contracts accretes interest at the discount rates 'locked in' on initial recognition, which represent a historic curve of discount rates that were applied for initial measurement. The curve is made up of discount rates used to discount those cash flows that do not vary with the returns of the underlying items.

The carrying amount of the CSM for insurance contracts without direct participating features at the end of the reporting period is the carrying amount at the beginning of the period adjusted for:

- the effect of any new contracts added to the group;
- interest accreted on the carrying amount of CSM measured at the discount rates determined at initial recognition;
- the changes in fulfilment cash flows related to future service, except that:
 - such increases in fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss that results in the group of contracts becoming onerous or more onerous; or
 - such decreases in fulfilment cash flows reverse a previously recognised loss on a group of onerous contracts;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by allocation of the CSM remaining at the end of the reporting period over the current and remaining coverage period.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)**8.4 Accounting policies (continued)****8.4.7 Measurement of insurance contracts issued (continued)****8.4.7.2 Subsequent measurement under the general model (continued)***Changes in fulfilment cash flows*

At the end of each reporting period, the Group re-estimates the LRC fulfilment cash flows, updating for changes in assumptions relating to financial and non-financial risks.

For insurance contracts without direct participating features, the following changes in fulfilment cash flows are considered to be related to future services and adjust (or 'unlock') the CSM:

- Experience adjustments relating to the premiums received in the period that relate to future services, and any related cash flows such as acquisition cash flows and premium-based taxes measured at the 'locked in' discount rates applicable when the contracts in the group were initially recognised.
- The change in the estimate of the present value of expected future cash flows in the liability for remaining coverage measured at the 'locked in' discount rates applicable when the contracts in the group were initially recognised.
- Changes in the risk adjustment for non-financial risk relating to future services. The Group has elected not to disaggregate the change in the risk adjustment for non-financial risk between (i) a change related to non-financial risk and (ii) the effect of the time value of money and changes in the time value of money. If the Group made such a disaggregation, it shall adjust the CSM for the change related to non-financial risk, measured at the discount rates applicable when the contracts in the group were initially recognised.
- Differences between the amount of investment components that were expected to be payable in the period and the amount of investment components that actually became payable. Both these amounts are measured at the discount rates applicable when the contracts in the group were initially recognised.

The following adjustments do not relate to future service and thus do not adjust the CSM:

- Changes in fulfilment cash flows for the effect of the time value of money and the effect of financial risk and changes thereof;
- Changes in the fulfilment cash flows relating to the LIC; and
- Experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows)

If an increase in fulfilment cash flows relating to future coverage exceeds the CSM of the group, the Group recognises the difference in profit or loss as an expense, creating a 'loss component' for the group. Subsequently, any further increases in fulfilment cash flows relating to future coverage are also recognised in profit or loss as they occur, increasing the loss component of the group of insurance contracts. Any subsequent decreases in fulfilment cash flows related to future coverage do not adjust the CSM, until the loss component of the group is fully reversed through profit or loss.

Recognition of the CSM in profit or loss

An amount of the CSM is released to profit or loss in each period during which the insurance contract services are provided.

In determining the amount of the CSM to be released in each period, the Group follows three steps:

- determine the total number of coverage units in the group. The amount of coverage units in the group is determined by considering for each contract the quantity of benefits provided under the contract and the expected coverage period.
- to each of the coverage units provided in the current period and expected to be provided in the future.
- recognise in profit or loss the amount of CSM allocated to the coverage units provided during the period.

The number of coverage units changes as insurance contract services are provided, contracts expire, lapse or surrender and new contracts are added into the group. The total number of coverage units depends on the expected duration of the obligations that the Group has from its contracts, which can differ from the legal contract maturity because of the impact of policyholder behaviour and the uncertainty surrounding future insured events. In determining a number of coverage units, the Group exercises judgement in estimating the likelihood of insured events occurring and policyholder behaviours to the extent that they affect expected period of coverage in the group, the different levels of service offered across periods (e.g. policyholder exercising an option and adding an additional coverage for a previously guaranteed price) and the 'quantity of benefits' provided under a contract.

In determining the number of coverage units, the Group applies the present value of total benefits per policy. The total benefits comprise, where applicable, basic death benefits, accidental death benefits, disability benefits, dread disease benefits, retrenchment benefits and annuity benefits.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)**8.4 Accounting policies (continued)****8.4.7 Measurement of insurance contracts issued (continued)****8.4.7.2 Subsequent measurement under the general model (continued)***Recognition of the CSM in profit or loss (continued)*

The amount of CSM allocated to each coverage unit changes over time, as the amount of CSM changes. The allocation of the CSM to coverage units is done at the end of the period, after reflecting all the other CSM adjustments (the accretion of interest and the effect of change in assumptions relating to future coverage), but before any of it is released to profit or loss. The amount of CSM remaining at the end of the reporting period is allocated equally to both the coverage units provided in the period and the remaining coverage units relating to future periods.

The Group does not issue insurance contracts generating cash flows in a foreign currency that is different from the functional currency of the Group.

The Group issues universal life contracts with embedded guaranteed annuity options. During the accumulation phase the cash flows of these contracts are dependent on the returns of the underlying items because of a general obligation for the Group to adjust the cash flows in view of the return from the underlying items. However, these underlying items are not specified and the Group has full discretion in forming the portfolios of underlying items that should be considered for adjusting the cash flows of these contracts for the associated financial variables.

This structure results in the VFA not being applicable to these contracts. Instead, the Group applies the general model when accounting for such contracts. The effects of financial variables do not impact the CSM measurement for a group of indirect participating contracts as changes in financial risk are recognised directly in profit or loss as part of total insurance finance income or expenses except when the change triggers a change in the way the Group applies its discretion. In this instance, the change will adjust the CSM.

The Group specifies at inception what they regard as their commitment under the contract, which enables the Group to calculate the amount recognised in profit or loss (for changes in assumptions related to financial risk on that commitment) and the amount adjusting the CSM (because of the exercise of discretion in relation to the entity's commitment).

The CSM of indirect participating contracts accretes interest at the original locked-in non-asset dependent discount rates determined for a group of contracts at initial recognition. Those changes in fulfilment cash flows related to future coverage that adjust the CSM are also measured at the original 'locked-in' discount rates determined on initial recognition.

8.4.7.3 Subsequent measurement for direct participating contracts (accounted under VFA)

The Group issues insurance contracts with substantial investment-related services. When assessing whether a contract meets the definition of a direct participating contracts, the Group applies the definition of IFRS 17. Under the definition, direct participating insurance contracts are contracts for which:

- The contractual terms specify policyholder participation in a share of a clearly identified pool of underlying items;
- The payment to the policyholder is expected to be a substantial share of fair value returns on the underlying items; and
- The Group expects a substantial proportion of the variability in the payments due to the policyholder to be due to changes in the fair value of the underlying items.

The assessment of whether a contract meets the definition of a direct participating contract is performed on initial recognition using the Group's expectations existing at inception of the contract. In applying the definition of a direct participating contract, the Group considers the legal enforceability of the contractual link with the participating policyholder to a share of returns from a clearly defined pool of underlying items.

The Group's obligation to the policyholders consists of the obligation to pay policyholders the fair value of the underlying items less a variable fee for future services provided under the insurance contract.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)**8.4 Accounting policies (continued)****8.4.7 Measurement of insurance contracts issued (continued)****8.4.7.3 Subsequent measurement for direct participating contracts (accounted under VFA) (continued)**

In determining the policyholder's share of returns from the underlying items and how substantial the degree of variability in total payments to the policyholder is due to returns from underlying items, the Group makes the assessment:

- over the duration of the insurance contracts; and
- on a present value probability-weighted average basis.

When calculating the probability-weighted average of multiple scenarios where some of those scenarios result in the payments to the policyholder not equalling a substantial share of the fair value of the underlying items, the Group applies judgement of whether a contract meets the definition of a direct participating contract.

The CSM for direct participating contracts is measured using the VFA.

The carrying amount of the CSM for direct participating contracts at the end of the reporting period is the carrying amount at the beginning of reporting period adjusted for:

- The effect of any new contracts added to the group;
- The change in the amount of Group's share of the fair value of the underlying items except for:
 - the amount of CSM the Group chooses to present in profit or loss to offset the impact from its risk mitigation instruments;
 - the decrease in the amount of Group's share of the fair value of the underlying items that exceeds the carrying amount of the CSM giving rise to a loss that makes the associated group of contracts onerous, or that results in a loss for an existing onerous group becoming more onerous; or
 - the increase in the amount of Group's share of the fair value of the underlying items that reverses a previously recognised loss on an onerous group of contracts.
- The changes in fulfilment cash flows relating to future service, except that:
 - the amount of the CSM the Group chooses to present in profit or loss to offset the impact from its risk mitigation instruments;
 - such increases in the fulfilment cash flows exceed the carrying amount of CSM and the group of contracts becomes onerous or more onerous; or
 - such decreases in the fulfilment cash flows reverse a previously recognised loss on an onerous group of contracts; and
- The effect of any currency exchange differences on the CSM;
- The amount recognised as insurance revenue because of the transfer of insurance contract services in the period. This amount is determined by allocating the CSM remaining at the end of the reporting period (after all other adjustments but before any allocation) over the current and remaining coverage period based on the amount of coverage units provided in the period. This process is explained in section G.2 above.

All CSM adjustments are measured considering a current measure of the time value of money with full allowance of its dependency on the financial variables affecting the fair value returns of the underlying items.

Applying the VFA, the changes in fulfilment cash flows that adjust the CSM are changes in the amount of Group's share of the fair value of the underlying items and changes in fulfilment cash flows that do not vary based on the returns of the underlying items. The changes in fulfilment cash flows that do not vary based on the returns of the underlying items are:

- changes in the effect of the time value of money and financial risks not arising from the underlying items, for example the impact of financial guarantees;
- experience adjustments arising from premiums received in the period related to future service;
- changes in the estimate of future expected cash flows of the liability for remaining coverage;
- differences arising from timing of payment of investment components; and
- changes in the risk adjustment for non-financial risk related to future service.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)

8.4 Accounting policies (continued)

8.4.7 Measurement of insurance contracts issued (continued)

8.4.7.4 Onerous contracts

The Group considers an insurance contract to be onerous if the expected fulfilment cash flows allocated to the contract plus any previously recognised acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total result in a net cash outflow.

The onerous assessment is done on an individual contract level assessing future expected cash flows on a probability-weighted basis including a risk adjustment for non-financial risk. Contracts expected on initial recognition to be loss-making are grouped together and such groups are measured and presented separately. Once contracts are allocated to a group, they are not re-allocated to another group, unless they are substantively modified.

On initial recognition, the CSM of the group of onerous contracts is nil and the group's measurement consists entirely of fulfilment cash flows. A net outflow expected from a group of contracts determined to be onerous is considered to be the group's 'loss component'. It is initially calculated when the group is first considered to be onerous and is recognised at that date in profit or loss. The amount of the group's loss component is tracked for the purposes of presentation and subsequent measurement.

After the loss component is recognised, the Group allocates any subsequent changes in fulfilment cash flows of the LRC on a systematic basis between 'loss component' and 'LRC excluding the loss component'.

The subsequent changes in the fulfilment cash flows of the LRC to be allocated are:

- insurance finance income or expense,
- changes in risk adjustment for non-financial risk recognised in profit or loss representing release from risk in the period; and
- estimates of the present value of future cash flows for claims and expenses released from the LRC because of incurred insurance service expense in the period.

The Group determines the systematic allocation of insurance service expenses incurred based on the percentage of loss component to the total outflows included in the LRC, excluding any investment component amount.

Any subsequent decreases relating to future service in fulfilment cash flows allocated to the group arising from changes in estimates of future cash flows and the risk adjustments for non-financial risk are allocated first only to the loss component, until it is exhausted. Once it is exhausted, any further decreases in fulfilment cash flows relating to future service create the group's CSM.

A group of insurance contracts becomes onerous (or more onerous) on subsequent measurement if the following amounts exceed the carrying amount of the CSM:

- (a) for a group of direct participating contracts, the decrease in the amount of the Group's share of the fair value of the underlying items; and
- (b) unfavourable changes relating to future service in the fulfilment cash flows allocated to the group, arising from changes in estimates of future cash flows and the risk adjustments for non-financial risk.

For onerous groups of contracts, revenue is calculated as the amount of insurance service expense expected at the beginning of the period that form part of revenue and reflects only:

- the change in the risk adjustment for non-financial risk due to expected release from risk in the period (excluding the amount systematically allocated to the loss component);
- the estimates of the present value of future cash flows related to claims expected to incur in the period (excluding the systematic allocation to the loss component); and
- the allocation, based on the coverage units, of the portion of premiums that relates to the recovery of the insurance acquisition cash flows.

All these amounts are accounted for in reduction of the LRC excluding the loss component.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)

8.4 Accounting policies (continued)

8.4.7 Measurement of insurance contracts issued (continued)

8.4.7.4 Onerous contracts (continued)

The Group recognises amounts in insurance service expense related to the loss component arising from:

- changes in fulfilment cash flows arising from changes in estimates related to future service that establish or further increase the loss component;
- subsequent decreases in fulfilment cash flows that relate to future service and reduce the loss component until it is exhausted;
- changes, for direct participating contracts only, in the entity's share of decrease in the fair value of the underlying items, that result in or further increase the loss component;
- for direct participating contracts only, subsequent increases in the entity's share of the fair value of the underlying items that reduce the loss component until it is exhausted; and
- systematic allocation to the loss component arising both from changes in the risk adjustment for non-financial risk and from incurred insurance services expenses.

8.4.8 Reinsurance contracts held

8.4.8.1 Recognition

The Group uses treaty reinsurance to mitigate some of its risks exposures. Reinsurance contracts held are accounted under IFRS 17 when they meet the definition of an insurance contract, which includes the condition that the contract must transfer significant insurance risk.

Reinsurance contracts transfer significant insurance risk only if they transfer to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts, even if a reinsurance contract does not expose the issuer (reinsurer) to the possibility of a significant loss. The effect of non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

Reinsurance contracts held are accounted for separately from underlying insurance contracts issued and are assessed on an individual contract basis. In aggregating reinsurance contracts held, the Group applies the general approach and disaggregates a portfolio of its reinsurance contracts held into three groups of contracts:

- a) contracts that on initial recognition have a net gain;
- b) contracts that, on initial recognition, have no significant possibility of resulting in a net gain subsequently; and
- c) any remaining reinsurance contracts held in the portfolio.

In determining the timing of initial recognition of a reinsurance contract, the Group assesses whether the reinsurance contract's terms provide protection on losses on a proportionate basis. The Group recognises a group of reinsurance contracts held that provides proportionate coverage:

- (i) at the same time as the onerous group of underlying contracts is recognised, or
- (ii) for all the other reinsurance contracts held that provide proportionate coverage, at the start of the coverage period of that group of reinsurance contracts; or at the initial recognition of any of the underlying insurance contracts, whichever is later.

The boundary of a reinsurance contract held includes cash flows resulting from the underlying contracts covered by the reinsurance contract. This includes cash flows from insurance contracts that are expected to be issued by the Group in the future if these contracts are expected to be issued within the boundary of the reinsurance contract held.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)**8.4 Accounting policies (continued)****8.4.8 Reinsurance contracts held (continued)****8.4.8.2 Reinsurance contracts held measured under the general model**

The Group's quota share life reinsurance contracts held are accounted for applying the measurement requirements of the general model for estimates of cash flows and discount rates. The Group measures the reinsurance contracts held and the underlying insurance contracts issued using consistent assumptions. The Group includes in the estimates of the present value of expected future cash flows for a group of reinsurance contracts held the effect of any risk of non-performance by the reinsurer, including the effects of any collateral and losses from disputes. The effect of non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is always recognised in profit or loss as part of the insurance service result.

In determining the asset representing the risk adjustment for non-financial risk transferred to the reinsurer, the Group assesses the amount of risk transferred by the Group to the reinsurer by calculating the risk adjustment of the underlying contracts before and after the effect of the reinsurance contracts held. The difference is then recognised as the asset representing the risk adjustment reinsured.

On initial recognition, the Group recognises any net cost or net gain on purchasing the group of reinsurance contracts held as a reinsurance CSM, unless the net cost of purchasing reinsurance coverage relates to events that occurred before the purchase of the group of reinsurance contracts, where the Group recognises such a cost immediately in profit or loss as an expense as part of insurance service result.

For a group of reinsurance contracts held covering an onerous underlying group of contracts, the Group adjusts the CSM of the group of reinsurance contracts held and recognise an income when a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group. A loss recovery component of the asset for the remaining coverage of a group of reinsurance contracts held is created and subsequently adjusted for any changes in the amount.

For a group of reinsurance contracts held, the Group adjusts the carrying amount of the CSM at the end of a reporting period to reflect changes in the FCF applying the same approach as for insurance contracts issued, except when the underlying contract is onerous and the change in the FCF for underlying insurance contracts is recognised in profit and loss by adjusting the loss component. The respective changes in reinsurance contracts is also recognised in profit and loss.

8.4.9 Investment contracts with discretionary participation features

The Group issues investment contracts with discretionary participation features (DPF) which provide the investor with the contractual right to receive a non-discretionary amount and, as a supplement to that amount, additional amounts that are expected to be a significant portion of the total contractual benefits based on the return of a specified pool of underlying items.

The Group recognises investments contracts with DPF at the date when the Group becomes a party to the contract. The investment contracts with DPF are aggregated in the same manner as insurance contracts. The Group identifies portfolios of such investment contracts with DPF and within that portfolio aggregates them based on three expected profitability levels (onerous, marginally profitable, profitable). Groups only comprise of contracts issued not more than a year apart.

At initial recognition, similar to insurance contracts, the Group estimates the fulfilment cash flows based on the present value of expected future cash flows and a risk adjustment for non-financial risk. Any net inflows is accounted for as the initial CSM.

In estimating future cash flows, the Group considers the contract boundary which only includes cash flows if they result from a substantive obligation of the Group to deliver cash at a present or future date.

In estimating the risk adjustment for non-financial risk for investment contracts with DPF, the Group considers other non-financial risks, such as the risks arising from the contract holder behaviour (e.g. lapse risk) and expense risk.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)**8.4 Accounting policies (continued)****8.4.9 Investment contracts with discretionary participation features (continued)**

The Group discounts cash flows using discount rates that reflect the characteristics of the fulfilment cash flows, including the extent of their dependency on the fair value of the underlying items.

The Group allocates the CSM over the group's whole duration period in a systematic way reflecting the transfer of investment services under a contract.

The Group measures investment contracts with DPF under the VFA because they meet the VFA criteria. See G.4 for the accounting policies for direct participating contracts accounted under VFA.

8.4.10 Modification and derecognition

The Group derecognises the original contracts and recognises the modified contract as a new contract, if the terms of insurance contracts are modified and the following conditions are met:

- (a) if the modified terms were included at contract inception and the Group would have concluded that the modified contract:
 - is outside of the scope of IFRS 17;
 - results in a different insurance contract due to separating components from the host contract;
 - results in a different contract boundary;
 - includes in a different group of contracts.
- (b) the original contract met the definition of an insurance contract with direct participation features, but the modified contract no longer meets the definition;
- (c) the original contract was accounted applying the PAA, but the modified contract no longer meets the PAA eligibility criteria for that approach.

If the contract modification meets any of the conditions, the Group performs all assessments applicable at initial recognition, derecognises the original contract and recognises the new modified contract as if it was entered for the first time.

If the contract modification does not meet any of the conditions, the Group treats the effect of the modification as changes in the estimates of fulfilment cash flows.

For insurance contracts accounted for applying the GMM, a change in the estimates of fulfilment cash flows results in a revised end of period CSM (before the current period allocation). A portion of the revised end of period CSM is allocated to the current period as if the revised CSM amount applied from the beginning of the period but reflecting the change in the coverage units due to the modification during the period. This portion is calculated using updated coverage unit amounts determined at the end of the period and weighted to reflect the fact that the revised coverage existed for only part of the current period.

The Group derecognises an insurance contract when, and only when the contract is:

- extinguished (when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- modified and derecognition criteria are met.

When the Group derecognises an insurance contract from within a group of contracts, the Group:

- Adjust the fulfilment cash flow allocated to the group to eliminate the present value of the future cash flows and risk adjustment for non-financial risk relating to the rights and obligations that have been derecognised from the group;
- Adjust the CSM of the group for the change in the fulfilment cash flows (unless it relates to the increase or reversal of the loss component);
- Adjust the number of coverage units for expected remaining insurance contract service to reflect the coverage units derecognised from the group and recognise in profit or loss in the period the amount of CSM based on that adjusted number.

When the Group derecognises an insurance contract because it transfers the contract to a third party, the Group adjusts the CSM of the group from which the contract has been derecognised for the difference between the change in the carrying amount of the group caused by the derecognised FCF and the premium charged by the third party for the transfer.

When the Group derecognises an insurance contract due to modification, it derecognises an in-force insurance contract and recognises a new one. The Group adjusts the CSM of the group from which the modified in-force contract has been derecognised for the difference between the change in the carrying amount of the group as a result of adjustment to fulfilment cash flows due to derecognition and the premium the Group would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium actually charged for the modification.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)**8.4 Accounting policies (continued)****8.4.11 Presentation**

The Group has presented separately in the consolidated statement of financial position the carrying amount of portfolios of insurance contracts that are assets and those that are liabilities, portfolio of reinsurance contracts held that are assets and those that are liabilities.

The Group disaggregates the amounts recognised in the consolidated statement of comprehensive income into an insurance service result sub-total that comprises insurance revenue and insurance service expenses and, separately from the insurance service result, the insurance finance income or expenses. The Group has voluntarily included the insurance finance income or expenses line in another sub-total: investment result, which also includes the income from all the assets backing the Group's insurance liabilities.

The Group includes any assets for insurance acquisition cash flows recognised before the corresponding groups of insurance contracts are recognised in the carrying amount of the related portfolios of insurance contracts issued.

The Group does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

8.4.11.1 Insurance revenue

As the Group provides insurance services under a group of insurance contracts issued, it reduces its LRC and recognises insurance revenue, which is measured at the amount of consideration the Group expects to be entitled to in exchange for those services.

For groups of insurance contracts measured under the GMM, insurance revenue consists of the following:

- The sum of the changes in the LRC:
 - a) the insurance service expense incurred in the period measured at the amounts expected at the beginning of the period, excluding:
 - amounts allocated to the loss component;
 - amounts relating to risk adjustment for non-financial risk
 - repayments of investment components;
 - insurance acquisition expenses;
 - b) amounts related to income tax that are specifically chargeable to the policyholder;
 - c) the change in the risk adjustment for non-financial risk, excluding:
 - changes that relate to future service that adjust the CSM; and
 - amounts allocated to the loss component;
 - d) the amount of CSM for the services provided in the period;
 - e) experience adjustments for premium receipts (and any related cash flows such as insurance acquisition cash flows) that relate to current or past services, if any.
- The portion of premiums that can be seen as recovering those acquisition cash flows are included in the insurance service expenses in each period. Both amounts are measured on the same basis used for the allocation of the CSM to profit or loss under d) above.

8.4.11.2 Insurance service expense

Insurance service expense arising from insurance contracts issued comprises of:

- changes in the LIC related to claims and expenses incurred in the period excluding repayment of investment components;
- changes in the LIC related to claims and expenses incurred in prior periods (related to past service);
- other directly attributable expenses incurred in the period;
- amortisation of insurance acquisition cash flows, which is recognised at the same amount in both insurance service expense and insurance contract revenue; and
- changes in the LRC related to future service that do not adjust the CSM, because they are changes in the loss components of onerous groups of contracts.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)**8.4 Accounting policies (continued)****8.4.11 Presentation (continued)****8.4.11.3 Income or expenses from reinsurance contracts held**

Insurance finance income or expenses present the effect of the time value of money and the change in the time value of money, together with the effect of financial risk and changes in financial risk.

The use of OCI presentation for insurance finance income and expense

The Group has an accounting policy choice to either present all of the period's insurance finance income or expenses in profit or loss or to split the amount between profit or loss and other comprehensive income (OCI). In considering the choice of presentation of insurance finance income or expenses, the Group considers the assets held for that portfolio and how they are accounted for. The Group has chosen to not disaggregate finance income or expenses and will present finance income or expenses in profit and loss.

For contracts with cash flows affected by underlying items not meeting the definition of direct participating contracts (indirect participating contracts)

For indirect participating contracts where the entity holds the underlying items, the Group considers on a portfolio-by-portfolio basis whether to disaggregate the presentation of total insurance finance income or expenses. When disaggregated, the amount presented in profit or loss is based on a systematic allocation of the expected total insurance finance income or expenses over the duration of the contracts in the group. The systematic allocation is based only on the characteristics of the group of insurance contracts and does not, for example, depend on the returns on assets, unless those returns affect the cash flows of the insurance contracts. Over the duration of the contracts in the group, the total amount recognised in OCI will equal to nil. At any time, the cumulative amount recognised in OCI is the difference between the amount recognised in the statement of financial position and the amount determined using the 'systematic allocation approach'.

8.4.12 Transition

The Group has adopted IFRS 17 retrospectively, applying the fair value approach when the full retrospective approach was impracticable. The Group applied the full retrospective approach to all insurance contracts, which were issued subsequent to 1 July 2015; and the fair value approach to the insurance policies which were issued prior to 30 June 2015.

8.4.12.1 Contracts measured under the full retrospective approach

The Group concluded that reasonable and supportable information that was necessary to apply the full retrospective approach was available for all insurance contracts issued within 7 years prior to transition.

Applying the fully retrospective approach, the Group identified, recognised and measured each group of insurance contracts and assets for insurance acquisition cash flows as if IFRS 17 had always applied, derecognised any existing balances that would not exist had IFRS 17 always been applied and recognised any resulting net difference in equity. As permitted under the transition requirements of IFRS 17, the Group did not perform any impairment assessment on the assets for insurance acquisition cash flows relating to periods prior to transition.

Level of aggregation

To the extent that reasonable and supportable information was not available as at the date of initial recognition, the Group applied the annual grouping exemption and identified groups of insurance contracts based on profitability as at transition date.

The Group assessed the CSM on the date of transition in order to determine whether contracts belong to one of three profitability groups. In determining the three profitability groupings: groups of onerous contracts, groups of contracts that have no significant possibility of becoming onerous subsequently, and groups that are neither onerous nor have no significant possibility of becoming onerous subsequently, the Group assessed the likelihood of changes in profitability as at the transition date.

Direct participating contract

The Group assessed whether the contract meets the definition of a direct participating contract at the transition date as the Group did not have reasonable and supportable information for the assessment at the date of inception or initial recognition.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)

8.4 Accounting policies (continued)

8.4.12 Transition (continued)

8.4.12.1 Contracts measured under the full retrospective approach (continued)

Expected cash flows

The Group estimated the cash flows at the date of initial recognition by estimating these cash flows at the date of transition, adjusted by actual cash flows that were known to have occurred between then and the date of initial recognition including cash flows from contracts that have ceased to exist by the date of transition.

The Group applied the simplified assumption that the expectations as at the date of transition were also valid at the date of initial recognition, so that only the known cash flows that have occurred since initial recognition are adjusted for.

The Group defined discretionary cash flows for indirect participating contracts at the date of transition.

Discount rates

To the extent that the Group did not have reasonable and supportable information to determine discount rates applicable on the date of initial recognition of the group of contracts, the Group estimated the discount rates using an observable yield curve that for at least three years prior to the transition (i.e. 2019-21) approximated the current yield curve used for subsequent measurement applying IFRS 17.

Where such an observable yield curve did not exist, the Group estimated the discount rates by identifying the average spread between the observable yield curve and discount rates determined by applying measurement requirements of IFRS 17 and applying the spread to the observable yield curve in order to determine the discount rates for the relevant prior periods.

Risk adjustment for non-financial risk

The Group estimated the amount of risk adjustment for non-financial risk by adjusting the risk adjustment at the date of transition by the expected release of risk before the transition date. The expected release of risk was determined by reference to similar insurance contracts issued by the Group at the transition date.

Insurance acquisition cash flows

The Group allocated the insurance acquisition cash flows that occurred during the period from the initial recognition date and the transition date using a systematic and rational allocation method between groups of insurance contracts that are recognised at the transition date and the groups that are expected to be recognised after the transition date.

The CSM balances of the associated groups of contracts are adjusted for the amount of insurance acquisition cash flows paid before the transition date that has been allocated to that group to the extent insurance contracts expected to be in the group have been recognised. An asset is recognised for the remaining portion of those insurance acquisition cash flows that will be allocated after transition date to insurance contracts within the group that are expected to be recognised then.

Where the Group determined that it does not have reasonable and supportable information to make the allocation, the Group recognised nil amounts as at transition date for:

- the adjustment to the CSM of groups that are recognised at the transition date and any asset for insurance acquisition cash flows relating to that group; and
- the asset for insurance acquisition cash flows for groups of insurance contracts that are expected to be recognised after the transition date.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)

8.4 Accounting policies (continued)

8.4.12 Transition (continued)

8.4.12.1 Contracts measured under the full retrospective approach (continued)

CSM

For contracts measured under the GMM, the amount of the CSM remaining at the date of transition was determined by comparing the remaining coverage units with the coverage units provided before the transition date. If there was a loss component identified, then the Group determined the amounts allocated to the loss component before the date of transition using a systematic basis of allocation for the amounts to be allocated subsequent to the recognition of the loss component and transition date.

For direct participating contracts measured under the VFA, the Group estimated the total CSM or total loss component as total fair value of the underlying items less fulfilment cash flows of the Group as at the date of transition adjusted for:

- Amounts charged to the policyholders before the date of transition, including those deducted from underlying items.
- Amounts paid before the date of transition that did not depend on changes in the underlying items.
- The change in the risk adjustment for non-financial risk caused by the release from risk before the date of transition.

The calculated amount is used as a proxy for the total CSM for all services to be provided under the contracts. The allocation of the total CSM was determined by comparing the remaining coverage units at the date of transition to the coverage units provided under the group of contracts before transition date.

If the estimation of the approximate total CSM results in a negative amount, this indicated that the group of contracts on initial recognition was onerous. The loss component was adjusted to nil and the LRC excluding the loss component was adjusted increasing by the same amount.

Reinsurance contracts held

For a group of reinsurance contracts held that was purchased before or at the same time the underlying insurance contracts were issued, the Group determines the loss-recovery component of the asset for remaining coverage at transition by multiplying the loss component of the liability for remaining coverage for the underlying insurance contracts at the transition date with the percentage of claims for the group of underlying onerous insurance contracts that the Group expects to recover from the group of reinsurance contracts held. Where the Group does not have a reasonable and supportable information to determine the loss-recovery component of the asset for remaining coverage, the Group does not identify such loss-recovery component.

Insurance contract revenue

For those groups of contracts for which coverage has expired at the transition date, there is no revenue recognised after the date of transition.

For groups of contracts, other than direct participating contracts, that were determined to be onerous at the date of transition, the loss component was estimated at the transition date. Provided there is still coverage remaining after the date of transition, revenue for such groups is recognised, but in considering changes in the LRC the Group excludes subsequent increases and decreases in the loss component.

For direct participating contracts with remaining coverage, that at transition date were determined to have been onerous on initial recognition, the Group does not track any loss component. Revenue is recognised in the same way as for other non-onerous groups of contracts. The increase in the entity's share of the fair value of the underlying items that occurred in prior periods would have created a CSM at transition date, which would then be allocated to future periods and included in the determination of those periods' revenue.

Insurance finance income or expenses

The Group has elected not to disaggregated presentation of insurance finance income or expenses.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)

8.4 Accounting policies (continued)

8.4.12 Transition (continued)

8.4.12.2 Contracts measured under the fair value approach

The Group concluded that reasonable and supportable information for application of the modified retrospective approach was not available for all insurance contracts issued more than 7 years prior to the date of transition and therefore applied the fair value approach for those contracts.

Level of aggregation

The Group included contracts into groups of contracts issued more than one year apart as there was no reasonable and supportable information available to make the division.

Measurement at the transition date

In applying the fair value approach at the transition date, the CSM or loss component of the LRC was estimated as the difference between the fair value and the fulfilment cash flows of the group of contracts as of that date. In determining fair value, the Group followed the requirements of IFRS 13 Fair Value Measurement, except for that standard's requirement in relation to demand features (that fair value cannot be less than the amount repayable on demand), because that would contradict IFRS 17 requirement to incorporate cash flows on a probability-weighted basis.

Discount rates

In determining discount rates at the date of initial recognition, the Group used discount rates as at the date of transition.

Insurance acquisition cash flows

The Group determined the asset for insurance acquisition cash flows at the transition date at an amount equal to the amount the Group would have incurred at the transition date to obtain rights to:

- recover insurance acquisition cash flows from premium of insurance contracts before the transition date but not yet recognised at the transition date;
- obtain future insurance contracts after the transition date without having to pay again for those costs already paid;
- obtain future renewals of insurance contracts recognised at transition date.

The Group did not include an amount for insurance acquisition cash flows in the measurement of the groups of insurance contracts recognised at the transition date.

Insurance finance income or expenses

The Group chose to not disaggregate the presentation of insurance finance income or expense.

Reinsurance contracts held

For a group of reinsurance contracts held that was purchased before or at the same time the underlying insurance contracts were issued, the Group determines the loss-recovery component of the asset for remaining coverage at transition by multiplying the loss component of the liability for remaining coverage for the underlying insurance contracts at the transition date with the percentage of claims for the group of underlying onerous insurance contract that the Group expects to recover from the group of reinsurance contracts held. Where the Group does not have a reasonable and supportable information to determine the loss-recovery component of the asset for remaining coverage, the Group does not identify such loss-recovery component.

Acquired insurance contracts

The Group chose to classify as a liability for incurred claims the liability for settlement of claims incurred before a group of insurance contracts was acquired in a portfolio transfer or in a business combination within the scope of IFRS 3, Business Combinations.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)**8.5 Significant judgements and estimates***Critical accounting judgements and key sources of estimation uncertainty*

In the application of the Group's accounting policies, which are described in note 8.4, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Assessment of significance of insurance risk: The Group applies its judgement in assessing whether a contract transfers to the issuer significant insurance risk. A contract transfers significant insurance risk only if an insured event could cause the Group to pay additional amounts that are significant in any single scenario and only if there is a scenario that has commercial substance in which the issuer has a possibility of a loss on a present value basis upon an occurrence of the insured event, regardless of whether the insured event is extremely unlikely. The assessment of whether additional amounts payable on occurrence of insured event are significant and whether there is any scenario with commercial substance in which the issuer has a possibility of a loss on a present value basis involves significant judgement and is performed at initial recognition on a contract-by-contract basis. This assessment is performed after separation of non-closely related derivatives, distinct investment components and promises to transfer distinct goods and non-insurance services. Refer to note 7.4.B for more details.

Separation of insurance contracts into components from insurance contracts: The Group issues some insurance contracts that combine protection for the policyholder against different types of insurance risks in a single contract. IFRS 17 does not require or permit separating insurance components of an insurance contract unless the legal form of a single contract does not reflect the substance of its contractual rights and obligations. Overriding the 'single contract' unit of account presumption involves significant judgement and is not an accounting policy choice. In determining whether a legal contract does not reflect its substance such that separate insurance elements are required to be recognised, the Group considers the interdependency between the different risks covered, the ability of all components to lapse independently of each other and the ability to price and sell the components separately.

Consideration whether there are investment components: The Group considers all the terms of the contracts it issues to determine whether there are amounts payable to policyholder in all circumstances, regardless of contract cancellation, maturity, and the occurrence or non-occurrence of insured event. Some amounts, once paid by policyholder, are repayable to policyholder in all circumstances. The Group considers such payments to meet the definition of investment component, notwithstanding that the amount repayable varies over the term of the contract as it is repayable only after it has first been paid by the policyholder.

Determination of contract boundary: The measurement of a group of insurance contracts includes all the future cash flows arising within the contract boundary. In determining which cash flows fall within a contract boundary, the Group considers its substantive rights and obligations arising from the terms of the contract, and also from applicable law and regulation. Cash flows are considered to be outside of the contract boundary if the Group has practical ability to reprice existing contracts to reflect their reassessed risks and if the contract's pricing for coverage up to the date of reassessment considers only the risks till that next reassessment date. The Group applies its judgement in assessing whether it has the practical ability to set a price that fully reflects all the risks in the contract or portfolio. The Group considers contractual, legal and regulatory restrictions when making its assessment. In doing so, the Group disregards restrictions that have no commercial substance. The Group also applies judgement to decide whether commercial considerations are relevant. Refer to note 8.4.6 for more details.

Level of aggregation: The Group defines the portfolio as insurance contracts subject to similar risks and managed together. Contracts within a product line are expected to be in the same portfolio as they have similar risks and are managed together. The assessment of which risks are similar and how contracts are managed requires the exercise of judgement.

8. IMPACT OF THE ADOPTION OF IFRS 17 (continued)**8.5 Significant judgements and estimates (continued)**

Assessment of directly attributable cash flows: The Group applies judgement in assessing whether cash flows are directly attributable to a specific portfolio of insurance contracts. Insurance acquisition cash flows are included in the measurement of a group of insurance contracts only if they are directly attributable to either the individual contracts in the Group, or to the Group itself, or the portfolio of insurance contracts to which the Group belongs. When estimating FCF, the Group also allocates to the FCF fixed and variable overheads directly attributable to the fulfilment of insurance contracts. Refer to note 8.4.7 for more details.

Assessment of whether the retrospective approach on transition is impracticable: The Group assessed all information available to the Group and determined that it would be impracticable to apply the fully retrospective approach to all insurance contracts. Refer to note 8.4.12 for more details.

Disaggregation of changes in the risk adjustment for non-financial risk: The Group does not disaggregate the risk adjustment for non-financial risk into an insurance service component and an insurance finance component, which would otherwise require a significant judgement and additional disclosure. The Group presents changes in the risk adjustment for non-financial risk included in the LRC that do not relate to future service as insurance revenue and changes in the risk adjustment for non-financial risk related to current and past service as insurance service expense.

Key sources of estimation uncertainty*Technique for estimation of future cash flows*

In estimating FCF included in the contract boundary, the Group considers all the range of possible outcomes in an unbiased way specifying the amount of cash flows, timing and a probability of each scenario reflecting conditions existing at the measurement data, using a probability-weighted average expectation. The probability-weighted average represents the probability-weighted mean of all possible scenarios. In determining possible scenarios, the Group uses all the reasonable and supportable information available to them without undue cost and effort, which includes information about past events, current conditions and future forecasts.

Cash flow estimates include both market variables directly observed in the market or derived directly from markets and non-market variables such as mortality rates, accident rates, average claim costs, probabilities of severe claims, policy surrender rates. The Group maximizes the use of observable inputs for market variables and utilises internally generated Group-specific data. For life insurance contracts, the Group uses national statistical data for estimating the mortality rates as the national statistical data is more current than internal mortality statistics.

Method of estimating discounts rates

In determining discount rates for different products, the Group uses the bottom-up approach.

For cash flows of non-participating contracts that do not depend on underlying items, the Group applies the bottom-up approach. Under this approach, the Group estimates discount rates as points on a liquid risk-free rate curve for the same currency and duration as the cash flows of insurance contract with a premium for the illiquidity of the insurance contract to be explicitly added to the risk-free rate. The liquidity premium adjusts for the fact that yield curves derived from observable market prices reflect liquid assets, whereas insurance contracts are difficult to sell, or surrender quickly without incurring significant costs. The Group applies judgement in determining the liquidity characteristics of the group of insurance contracts.

9. IMPACT OF THE ADOPTION OF IFRS 9

9.1 Introduction

The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, as well as a new impairment model for financial assets. This standard replaces the multiple classification and measurement models in IAS 39 (Financial instruments - recognition and measurement) with a single model that has only two classification categories: amortised cost and fair value.

Assupol Life elected to defer the implementation of this standard to coincide with the implementation of IFRS 17.

9.2 Impact of adopting IFRS 9

IFRS 9 has resulted in a reduction of R2.5 million in total equity as at 1 July 2023. This is driven by the recognition of expected credit losses on the deposits and money market securities carried at amortised cost. There were no changes to classification due to the adoption of IFRS 9. The annual financial statements will contain further disclosures in respect of the IFRS 7 requirements on initial recognition of IFRS 9.

Included below is the reconciliation of the consolidated statement of financial position to IFRS 9 at transition:

<i>R'000</i>	At 30 June 2023 As reported Restated ^(a)	IFRS 9 adjustment	At 1 July 2023
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
ASSETS			
Property and equipment	233 480	-	233 480
Intangible assets	285 153	-	285 153
Financial assets: Investments			
At fair value through profit or loss			
Equity securities	3 036 095	-	3 036 095
Debt securities	2 565 568	-	2 565 568
Deposits and money market securities	1 553 350	-	1 553 350
At amortised cost			
Deposits and money market securities	2 266 766	(2 494)	2 264 272
Insurance contract assets	3 113 235	-	3 113 235
Reinsurance contract assets	5 638	-	5 638
Other receivables	38 134	-	38 134
Current taxation asset	2 219	-	2 219
Cash and cash equivalents	564 841	-	564 841
TOTAL ASSETS	13 664 479	(2 494)	13 661 985
EQUITY			
Share capital	701 451	-	701 451
Treasury shares	(18 206)	-	(18 206)
Employee benefits reserve	171 080	-	171 080
Black Economic Empowerment reserve	14 300	-	14 300
Retained earnings	4 353 358	(2 494)	4 350 864
TOTAL EQUITY	5 221 983	(2 494)	5 219 489
LIABILITIES			
Policyholder liabilities: Investment contracts			
At fair value through profit or loss	3 513 085	-	3 513 085
At amortised cost	2 286 852	-	2 286 852
Insurance contract liabilities	1 597 222	-	1 597 222
Reinsurance contract liabilities	56 853	-	56 853
Other obligations	549 746	-	549 746
Employee benefits	72 998	-	72 998
Deferred revenue liability	684	-	684
Deferred taxation liability	147 638	-	147 638
Other payables	217 409	-	217 409
Current taxation	9	-	9
TOTAL LIABILITIES	8 442 496	-	8 442 496
TOTAL EQUITY AND LIABILITIES	13 664 479	(2 494)	13 661 985

(a) These balances have been restated as a result of IFRS 17.

10. RELATED PARTY TRANSACTIONS

<i>R'000</i>	Six months ended 31 December 2023 <i>Unaudited</i>	Six months ended 31 December 2022 <i>Unaudited</i>	Year ended 30 June 2023
Remuneration and restricted incentives - Executive directors and prescribed officers			
Salary, pension fund contributions and other benefits	12 831	13 392	25 915
Cash bonus	-	-	2 554
Restricted incentives	810	1 565	3 386
Non-executive directors' fees ^(a)			
Board fees	5 494	4 970	9 656
Committee fees	2 192	2 392	4 506
<i>(a) The fees include deemed VAT applicable to non-resident non-executive directors.</i>			
Units ('000)			
Securities held by directors and prescribed officers			
Direct beneficial	20 577	19 880	19 839
Indirect beneficial	1 009	718	986

ASSUPOL HOLDINGS LIMITED and its subsidiaries

ANNEXURE A

Abbreviations

AOP	Adjusted operating profit
Company	Assupol Holdings Limited
CSM	Contract service margin
CTSE	Cape Town Stock Exchange
DPF	Discretionary participation features
EV	Embedded value
FCF	Fulfilment cash flows
GM	General model (reinsurance)
GMM	General measurement model
Group	Assupol Holdings Limited and its subsidiaries
IFRS	International financial reporting standard
LIC	Liability for incurred claims
LRC	Liability for remaining coverage
OCI	Other comprehensive income
PAA	Premium allocation approach
SAM	Solvency Assessment and Management
SCR	Solvency capital requirement
VaR	Value at risk
VFA	Variable fee approach method