

February 16, 2009

Enquiries: R Humavindu & D Nashidengo

Circular Letter: PI/STI/1/2009

TO: ALL REGISTERED SHORT-TERM INSURANCE COMPANIES

RE: SALES OF TRADEMARKS

Introduction

It has come to the attention of the Registrar that some companies use sale of trademarks as their inter companies loans to inflate the company solvency position.

Purpose of the Circular

The purpose of the circular, therefore, is to redirect the Insurers to comply with the provisions of the Short Term Insurance Act No.4 of 1998 in conducting the short term insurance business.

Assets to be held in terms of the Act

Section 27(2) & Schedule 2 of the Short Term Insurance Act No.4 of 1998 depict the kinds of assets to be held by a registered insurers and re-insurers. In terms of the Act, the sale of trademark is not listed as an asset on schedule 2 of the Act. The Registrar will therefore not consider it as assets for the purpose of solvency and hence, if the sale of trademarks is used, then section 29(3) of the Act will be applied.

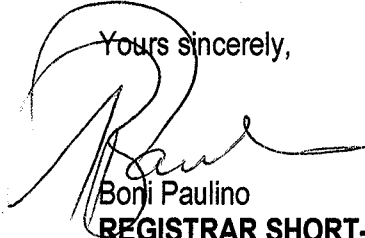
Compliance

Failure to comply with the circular will result in exclusion of the said assets when valuating the assets of the insurer or reinsurer in terms of section 29 of the Act. This exclusion will lead to the insurer and / or re-insurer's non-compliance with section 20, 26, 27 as well as to the short fall in the required capital to be held.

General Offence and Penalties

The non compliance to the provision of section 20, 26, and 27 of the Act will result in a penalty as defined in section 70 of the Short Term Insurance Act no.4 of 1998.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Bonji Paulino', is written over the closing 'Yours sincerely,'.

Bonji Paulino

REGISTRAR SHORT-TERM INSURANCE COMPANIES