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**3SIXTY LIFE LIMITED**

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The Prudential Authority  
370 Helen Joseph Street  
Pretoria  
0002

Date: 2 July 2021

Dear Nelisiwe

**Re: Failure of 3Sixty Life to meet minimum capital requirements**

Thank you for the meeting held via Microsoft Teams on the 28<sup>th</sup> of June. As indicated to you the Board of NUMSA Investment Company (NIC) considered the matter of the solvency of 3Sixty Life, the Board considered various scenarios including exiting the insurance company; however, after much deliberation the Board resolved to exit the retirement fund industry and rescue the 3Sixty Life business. The Board resolved to dispose of Salt Employee Benefits and use the proceeds to recapitalize 3Sixty life. To this end a sale of shares agreement was entered into with the minority shareholders of Salt EB who are the previous owners of SALT EB. This way of disposal is much smoother and easier to execute as the Purchaser knows the business and no extensive due diligence would be required. The agreements entered into with the Purchaser has a long stop date of 16 August 2021.

At the time of initial engagement with the Prudential Authority (PA) we were functioning under the illusion that the whole country understands that we are in a deep crisis and where we can save enterprises we should act with speed and haste. The Purchaser sought funding from ABSA who is also our banker and it is them who funded our acquisition of Salt EB. ABSA was aware of the deteriorating solvency position of 3Sixty Life due to covid-19 claims and we had hoped that they would expedite the process. We therefore expected them to conclude the transaction much quicker than our entry into Salt EB, we also asked the PA to provide us with the contact details of the Chief Executive Officer of ABSA, Mr. Daniel Mminele for us to appeal to him for a bridging funding arrangement after concluding heads of agreements with the Purchaser. Unfortunately, Mr. Mminele left ABSA before the team reached an agreement with ABSA as the process followed the business-as-usual steps within the Bank.

These developments have resulted in us being unable to meet the deadline of 30 June 2021 to recapitalize 3Sixty Life and therefore it continues to trade in an insolvent state. The decision to dispose of SALT EB stands as all condition's precedent between us and the purchaser have been fulfilled. Moreover, ABSA and the Purchaser have concluded negotiations with ABSA and they have now appointed a legal firm to draft agreements. Unfortunately, this process has dragged long, and its implications is that we have no option but to ask for an extension of the grace period for us to meet the minimum capital requirement to 31 August 2021. Moreover, the Group is leveraging its other assets to raise debt to top up any shortfall to the MCR.

**Directors:** Ms Neo Bodihe (Chairman), Mr Leo Makgamathe (Chief Executive Officer), Mr Malebo Chadi (Chief Financial Officer), Mr Khandani Msibi (Non-Executive Director), Dr Osborn Mahanjana (Non-Executive Director), Ms Olu Luthanga (Non-Executive Director), Mr Oupa Ralake (Non-Executive Director), Mr Robert Shaw (Non-Executive Director), Mr Bheki Mthethwa (Independent Non-Executive Director), Ms Gugu Ngcobo (Independent Non-Executive Director), Mr Leo Mlambo (Independent Non-Executive Director), Ms Karen Smith (Independent Non-Executive Director), Adv. Tabogo Moshaleka (Group Company Secretary)

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In addition to all the recapitalization activities mentioned above, and as a result of the Covid pandemic the Group is undergoing substantial changes in form and substance. 3Sixty Life will belong to a group of companies that include Doves Group, Numsa Financial Services, 3Sixty Client Solutions and Independent Crematorium SA. This Group is a funeral services and life insurance group, the Board resolved to find a shareholder for this Group and the proceeds will be mainly used to further recapitalize 3Sixty Life to weather future Covid-19 waves. This and other interventions stated above are mutually exclusive with any regulatory action that the PA may contemplate, we are of the view that regulatory action will not be in the interest of policyholders either as the Group is entwined and 3Sixty Life would face a different existential crisis with asymmetrical control.

Furthermore, it is inconceivable that the Regulator is regulating with pre-Covid regulations when we are in the midst of crises of global proportions due to a fast-mutating virus. 3Sixty Life, like all insurers is required to maintain reserves for a "once in a hundred years" event, a rainy day. Covid is that rainy day, that once in a 100 years event and it has arrived on our shores, we have found that Regulations require more reserving in our actuarial determinations which exacerbates the insolvency position. We noted that a reprieve was given to the Banks in the same environment and no reprieve was given to insurance companies. We think the PA should consider relaxing current regulations to take into account current realities imposed by Covid-19 on the life insurance industry.

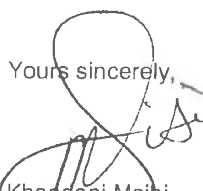
As indicated the Board of 3Sixty Life has appointed me to act as CEO for the company until we can stabilize and bring the business back to profitability. I am pleased to inform you that we have seen some progress in May and June in claims ratio and overheads, considering the seasonal impact of claims in the winter months. Our work with the management team is to make this business profitable enough to self-sustain and maintain its going concern status and meet solvency requirements. Our execution of the premium increase as indicated earlier and focus on overheads have started to yield results. Our May numbers reflected a profit of R7.4m with insurance profits contributing R4.2m and we expect to break even in June despite higher claims driven by a more infectious strain, the Delta strain. We accept that nobody can really ascertain the direction of Covid-19 and we celebrate the green shoots still with trepidation, hence our plea with the Regulator to consider the context we are in with regards to solvency calculations.

At the meeting the PA noted that 3Sixty Life hasn't had stable management for a longtime, I need to point out that 3Sixty Life had stable management for a longtime until we relocated our offices from Cape Town to Johannesburg, thereafter we entered a period of management instability.

The recent changes are because of a misconduct by the CEO and as indicated his services has been terminated and criminal proceedings instituted, the PA will be provided with a report within 10 days. It appeared to us that whilst the CFO may have not been involved in the misconduct of the same nature as

the CEO; the activities took place in his full view and we needed to replace him with a stronger individual that can function objectively and assertively with the any CEO. Also, considering the current environment, we find ourselves and missed regulatory deadlines coupled with poor financial control management, we reviewed the CFO role and took a decision to appoint a more experienced and qualified CFO, with strong experience in the Life insurance industry. We have appointed Ellan Cornish as CFO and the notification of her appointment to the PA is currently being processed.

The Group is committed to remain in the insurance business and has made significant changes to achieve that objective, we believe that the PA will be acting in the interest of the policyholders and employees working with a shareholder that has demonstrated Bonafede in extending the grace period to end August.

Yours sincerely,  
  
 Khandani Msibi  
 Acting CEO

