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**3SIXTY LIFE LIMITED**

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Date: 07 December 2021

Mr. Kuben Naidoo  
 The Prudential Authority (PA)  
 South African Reserve Bank  
 370 Helen Joseph Street  
 Pretoria  
 0002

**Re: Notification for failing to meet the minimum and solvency capital requirements as required in terms of section 39(3) of the Insurance Act No. 18 of 2017 (Insurance Act)**

Dear Kuben

1. For some odd reason I missed your response to my letter dated the 4<sup>th</sup> of October 2021 where I was responding to your letter dated the same day regarding possible regulatory actions on 3Sixty Life. Sadly, the Regulator has proceeded to restrict the business of 3Sixty Life without responding to my arguments that restricting the business of 3Sixty Life will trigger an avalanche that will be detrimental to both policyholders and shareholders of 3Sixty Life, resulting in a zero-sum outcome.
2. The purpose of this letter is to acknowledge that 3Sixty Life was yet to resolve its regulatory solvency capital requirements as of 1 December 2021 and therefore would be implementing the following with a view of not increasing its insurance liabilities and exposures.
  - (a) 3Sixty Life accepts that it will not write any new business that will result in an increase of the current exposure levels.
  - (b) For avoidance of doubt 3Sixty Life intends to continue with the reinstatement and renewal of existing policies because we are of the view that these are not the same as new business and do not bring about new liabilities.
  - (c) 3Sixty Life will not enter new insurance contracts with the exception of prudently entering into new insurance contracts through internal channels, Doves, Numsa Financial Services and 3Sixty Client Solutions for purposes of replacing policies that would ordinarily lapse. This will be done such that the exposures and liabilities do not increase from levels as at November 2021 ("Current Exposure Levels"). On a net basis, there will therefore not be new liabilities taken.
3. The rest of this letter sets out the reasoning as to why the Regulator should be considerate of our approach. The situation we find ourselves in is mainly because of Covid, a catastrophic risk event that has resulted in underwriting losses in most months of the year. I believe that businesses that have a chance of survival should be given a longer lease of life to survive this pandemic, we believe you have been patient with us, and we are grateful for that. However, the situation has not deteriorated to warrant harsher actions to be imposed on us by the Regulator.

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There are eight factors that you should take into consideration in your analysis of 3Sixty Life.

- 3.1. Our strategy to meet the solvency requirement was premised on the sale of our shares in Salt EB, a transaction was concluded, and we were ready for pay away. Sadly, the FSCA started initiated Regulatory actions against Salt EB and that collapsed the transaction. We have engaged the FSCA and they have subsequently approved the transaction, unfortunately the buyers have flagged the FSCA activity as a major risk event and have been frightened as a result. Also, the FSCA appointed Statutory Managers into one of Salt EB's main client more than 3 years ago and the investors believe the FSCA has a vested interest in the renewal of the contract and will most probably influence for Salt EB not to be re-appointed. It is hard to argue against this fear as the FSCA as Regulator though a referee, has become an industry player through the Statutory Managers in the Fund.
- 3.2. I was one of the people who attended parliamentary hearings on the new Financial Sector Regulations Act, the promise of the new regulation was that the 'Twin Peaks' would provide an integrated Regulatory environment, it was expected that the FSCA and the PA would function as twins and provide regulation in a seamless and integrated manner. Whilst we made commitment to the PA to recapitalise 3Sixty Life, our strategy was undermined by the FSCA's regulatory action on SALT EB; and we do not think the PA as a Twin to the FSCA should take this matter lightly. If 3Sixty Life is placed under Curatorship it will be a failure of the Twin Peaks promise to the country, Regulatory harmony was promised but we would have suffered from Regulatory disharmony.
- 3.3. I have been Acting CEO of 3Sixty Life for the past 9 months, during this period we have been able to change the management team and install a more competent team and discontinued all toxic and undesirable business. We have been able to reduce our overhead expenses significantly and stabilised the expense profile. This has resulted in the turnaround of the business and significant green-shoots have been harvested. For the month of October, we made an operating profit of R2.9M despite payment of R800k worth of claims from a Dignity business which we terminated, these claims were incurred without receiving a premium income. It is obvious that ordinarily our profit would have been R3.7M for the month had it not been for the Dignity claims. For the month of November 3Sixty Life forecasts to make a profit of R2M despite the start of the Omicron wave.
- 3.4. It is therefore apparent from the points above that the situation at 3Sixty Life is not deteriorating and as a result the Regulator should not act in haste and create an uncertain environment for the contemplated recapitalization of 3Sixty Life by the shareholder.
- 3.5. 3Sixty Life has resolved to institute a premium increase of 19% from January 2022 on its book of business. In terms of the ORSA, the impact of this action is that 3Sixty Life is projected to restore solvency by the end of 2022. The combination of premium increase and achieved overhead reduction has set 3Sixty Life on a path to success. These projections exclude the envisaged recapitalization, this picture underscores the fact that 3Sixty Life is a good case for turnaround and should be given a little more time.
- 3.6. Perhaps a less important matter is that of the 4 black insurance companies that existed when the PA was established, 2 don't exist anymore; a 50% reduction or elimination of black insurance companies. Should 3Sixty Life unnecessarily face the same fate it will mean the black business elimination increases from 50 to 75%. You and me know that this is not the direction this country should be heading towards, and in 3Sixty Life you have an organisation that has

demonstrated its bona fide and has been failed by the FSCA and consequently the Twin Peaks regulation in its efforts to restore solvency levels on time.

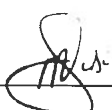
- 3.7. The possibility of stopping 3Sixty Life from writing new business for the replacement of lapses to maintain its current position would contribute to a further loss of jobs when the country is facing a bloodbath in this regard. We believe that given the possibility of internal turnaround and shareholder recapitalization, 3Sixty Life should be allowed to continue to operate at the Current Exposure Levels.
- 3.8. We have engaged with the team from the Regulator, and we argued strongly as in our letter to you that:
  - a. 3Sixty Life has already voluntarily discontinued underwriting certain business and reduced its revenue from R65M to R54M per month effective 01 September 2021, we have also declined several opportunities to tender for new business. However, as you know, 3Sixty Life has internal channels that provide it with significant part of its business. These channels support many jobs which we would like to avoid putting at risk.
  - b. We would like to retain the premium levels at Current Exposure Levels which are already reduced from August 2021 premiums by 17%. This we wish to achieve by prudently replacing the ordinary lapses with new business from inhouse channels. We agree with you that we should not increase our liabilities, but we believe the Regulator must rather cap us at our Current Exposure Levels. We commit not to increase the liabilities of the business until the solvency position is restored. The Regulator is aware that if we do not maintain the Current Exposure Levels by replacing lapses in internal channels, the Regulator will have inadvertently triggered a death spiral for 3Sixty Life as the company will soon be unable to cover its overhead expenses. I do not believe this is the desired outcome of the Regulator.

## Conclusion

Considering that the SALT EB transaction has become complex, though it is proceeding with different timelines, 3Sixty Global Solutions Group has decided to cede Doves' properties to the value of R130M to 3Sixty Life. We have engaged our Actuarial Consultant to give us a determination of what impact this will have on the solvency and in my call with the PA I committed to send his report attached to my letter, unfortunately his report will only be available by end of business day 7 December 2021. We beg for your indulgence to await the report by end of business day.

I hope this meets with your approval.

Kindest regards,



Khandani Msibi  
Acting Chief Executive Officer

