

# Flash Facts

## Associated Groups

in the Sanlam Umbrella Fund

Associated groups of companies can, upon special request, be accommodated (and ring fenced), in the Sanlam Umbrella Fund.

Where two or more separate companies are rated together (same rate and same Free Cover Limit for all), the risk profile of all the companies in total is considered when setting the rate and Free Cover Limit. This means that groups subsidise each other. If, for example, a higher risk group is rated together with a lower risk group, the lower risk group may be negatively affected since lower risk groups normally have a better risk profile than higher risk groups. This may in turn lead to selective lapsation, meaning that the employer with the better risk profile may decide to obtain their own insurance if they can obtain better rates on their own, which would probably lead to an increase in the remaining group's rates. Employers who are rated together as if one (i.e. as an "association") need to understand the risks involved.

### Examples of approved associations

The following are examples of associations approved by our Insurers:

- One employer is the holding company and the other a subsidiary (when company A has more than 50% shareholding in company B, then company B is a subsidiary of company A).

**Note:** a company consisting of a head office and branches automatically complies as it is one company/one legal entity.

- Companies/entities that have the same sole owner. A strict minimum of 10 members per company/entity will be required to form an association.
- Existing arrangements where the companies were rated together at the previous insurer, and Sanlam is quoting to take over the existing arrangement. When new employers are added after the business has transferred to Sanlam, the normal requirements will apply as per the above bullet points before any new employers may join the existing association.

### Examples that do not constitute an association

Two unrelated employers/companies, registered as two separate legal entities, are not considered as an association, even if they:

- have the same directors and/or shareholders;
- are situated in the same building/sharing the same business property;
- are companies within the same franchise, or separate companies in the same industry;
- have the same owner, but with less than 10 members per entity.

## Procedures and administration of associated groups

Administration of a ring fenced group as an association is only possible if the following procedures are followed, and the conditions outlined below are accepted by all parties involved.

- Each company/employer (separate legal entity) will be registered as a separate participating employer under the Fund, have their own set of special rules and will be administered as a separate participating employer.
- A joint quotation will be prepared with information of all employers grouped together, and a uniform risk and administration and consultancy fee will be applied to each employer/company separately.
- On receipt of the acceptance and confirmation of the association, each employer/company will be installed as a separate participating employer under the Fund.
- A separate installation pack will be required for each employer/company, with the legally nominated signatory of each employer/company respectively signing the joint quotation.
- In case a new associated employer/company wants to join the Fund, the applicable group rate of the existing group at the time will be applied to them. Should the membership of the associated group vary by more than 15%, Sanlam reserves the right to recalculate the applicable rates from the time of the actual change of membership.
- Each participating employer will be administered as a separate pay point, and be charged as such.
- Each subsidiary is a separate participating employer, and must as such pay its own contributions. It would be in contravention of Section 13A of the Pension Funds Act if the subsidiaries pay contributions to the holding company, and the holding company then pays the contributions to the fund on behalf of the subsidiaries. Section 13A(1) stipulates that the employer of any member of a fund must pay the contributions to the fund. The contributions must accordingly be paid by the employer directly to the fund, and not via any other party, such as the employer's holding company. If every subsidiary has mandated the holding company to submit contribution schedules on its behalf, the holding company can submit the contribution schedules on behalf of the various subsidiaries. The holding company can, however, not pay contributions to the fund on behalf of the subsidiaries.
- The Contracted Benefit Consultant for the associated group will be required to convene and chair an annual Joint Forum meeting for each participating employer at their respective premises.