

**CESSION OF LIFE INSURANCE POLICY AS COLLATERAL  
SECURITY TO IGF**

WHEREAS

1. Regulation 4 issued under Section 45 of the Short-Term Insurance Act, 1998 (“the Act”) provides for the safe-guarding of premiums received by agents, brokers and other persons on behalf of registered insurers and relating to short-term insurance business carried on in the Republic; and
2. \_\_\_\_\_ (“the intermediary”) carries on business as an insurance broker on behalf of registered insurers and relating to short-term insurance business and is subject to the requirements of the Act; and
3. Intermediary Guarantee Facility Limited (“IGF”) has given a guarantee (“the guarantee”) as envisaged in terms of the Act and in the form prescribed in the regulations promulgated in terms of the Act, in terms whereof, inter *alia*:
  - 3.1. IGF guarantees that the intermediary shall comply with the provisions of Regulation 4.3 (1) of the Act and shall pay all premiums received by it on behalf of registered insurers to such insures in terms of Regulation 4.3 (1) of the Act; and
  - 3.2. If the intermediary shall fail to pay the insurers in terms of Regulation 4.3 (1) of the Act, IGF shall pay on demand in terms of Regulation 4.2 of Act, to, or to the order of the South African Insurance Association, an amount not exceeding R\_\_\_\_\_.
3. The intermediary has indemnified IGF in respect of all and any claims, loss, demand, liability, costs and expenses of whatsoever nature which IGF may at any time sustain or incur by reason of or in consequence it having given the guarantee and the intermediary has undertaken to pay IGF on demand any sum or sums of money which IGF may be called upon to pay under or in terms of the guarantee; and
4. \_\_\_\_\_ (“the surety”) has bound himself as a surety and co-principal debtor together with the intermediary in respect of the payment to IGF on demand of any and all amounts which IGF pays in connection with or pursuant to the guarantee.

NOW THEREFORE

1. As continuing security for the obligations which the surety now has and may from time to time in the future have to IGF arising from or out of the deed of suretyship, dated \_\_\_\_\_, the surety cedes to the creditor all of his right, title and interest in and to a life assurance policy (“the policy”), policy no. \_\_\_\_\_, underwritten by \_\_\_\_\_ (“the insurer”) in terms whereof the insurer insures the life of the surety.

2. The surety undertakes forthwith to deliver to IGF the original policy document issued to the surety by the insurer, to be retained by the IGF for surety's and IGF's respective rights and interests.
3. If the surety commits a breach of any of the surety's obligations set out herein or if IGF becomes entitled to claim payment from the surety in respect of any of the obligations from which the cession has been given, IGF shall be entitled, but not obliged, without prejudice to any right which IGF may have in terms of the cession or otherwise at law, without notice to the surety and without first obtaining any order of court, to:
  - 3.1. receive any benefit ("the benefit") payable in terms of the policy to the surety, his trustee in insolvency, the executor of his estate and/or his successor-in-title or nominated beneficiary or heir;
  - 3.2. terminate and/or surrender the policy and receive from the insurer all amounts due in terms of the policy as at the date of such termination and/or surrender ("the surrender value");
  - 3.3. pay all premium and costs ("the premium") of whatever nature due and payable to the insurer in terms of or in respect of the policy, in the event that the surety shall fail to pay the premium to the insurer, and to receive at the date of maturity of the policy, payment from the insurer of the benefit payable on maturity ("the maturity benefit");
  - 3.4. apply the benefit, surrender value and/or maturity benefit after deducting there from all costs and expenses, including but not limited to the premium paid as envisaged in terms of clause 3.3, incurred in and about the realisation of the benefit, the surrender value and/or the maturity benefit, to the surety's indebtedness, without prejudice to IGF's rights to recover from the surety any balance which may remain owing to IGF after the application of the benefit, surrender value and/or maturity benefit. All of the afore-going is without prejudice to such other rights as IGF may have by law.
4. The surety shall render to IGF such assistance as IGF may require for the purpose of enforcing its rights in respect of the policy, the continuation of the policy, the payment of the premium, the termination and/or surrender of the policy and the procuring of the payment by the insurer of the benefit, the surrender value and/or the maturity benefit to IGF.
5. The surety hereby absolves IGF absolutely from any liability for any loss or damage which the surety may suffer as a consequence, directly or indirectly, of the termination and/or surrender of the insurance policy, the payment of the benefit, the surrender value and/or the maturity benefit by the insurer to IGF, or from lawful exercise by IGF of any of its rights set out and contained in its agreement.
6. During the subsistence of this cession, the surety undertakes to IGF that the surety shall:

- 6.1. pay all premium and costs of whatever nature due and payable to the insurer in terms of or in respect of the policy;
  - 6.2. take all steps required by the insurer or at law to prevent the lapse of the policy;
  - 6.3. exercise the option, if applicable, granted to the surety from time to time by the insurer to increase the benefits due and payable in terms of the policy, in order to compensate the surety in respect of the inflationary changes in the value of money;
  - 6.4. not do, omit or do, or cause to be done or to be omitted to be done any thing or matter which jeopardises the continued validity and enforceability of the policy, or the payment of the benefit, surrender value and/or the maturity value, or which reduces or is likely to reduce the benefit, the surrender value and/or the maturity value; and
  - 6.5. advise the insurer in writing of the cession, and deliver or cause to be delivered to IGF a copy of such written notification delivered to the insurer.
7. The provisions of this deed shall continue to be of full force and effect and binding on the surety notwithstanding;
    - 7.1. any variation or amendment to any agreement or other undertaking for the time being in existence between the surety, IGF and/or any other person;
    - 7.2. the temporary extinction of any of the surety's obligations to IGF it being recorded that this deed is a continuing covering security in favour of IGF;
    - 7.3. any indulgence which may be shown or given by IGF to the surety. No such indulgences shall constitute a waiver of any of the rights of IGF, who shall not thereby be precluded from exercising any rights against the surety which may have arisen in the past or which might arise in the future;
    - 7.4. IGF's receipt of any dividend or other benefit in any liquidation or judicial management or sequestration, compromise or composition; or
    - 7.5. IGF's release in whole or in part of any other security and/or any other person to any suretyship or other undertaking.
  8. The surety hereby consents to the jurisdiction of the Witwatersrand Local Division of the Supreme Court of South Africa in respect of any proceedings which may be instituted against the surety pursuant to or in connection with any of the provisions of this deed.

9. The surety chooses *domicilium citandi et executandi* (“*domicilium*”) for the purposes of receiving any notice, the serving of any process and for any other purpose arising from this deed, at

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The surety shall be entitled from time to time, by written notice to IGF, to vary the surety’s *domicilium* to any other address within the Republic of South Africa which is not a post or *poste restante*. Any notice given to the surety at the surety’s *domicilium* for the time being which;

9.1. is delivered by hand shall be deemed to have been received by the surety at the time of delivery;

9.2. is posted to the surety by prepaid registered post shall be deemed to have been received by the surety on the fourth day after the date of posting.

10. No addition to, variation, or consensual cancellation of this deed shall be any force or effect unless in writing and signed both by IGF and by the surety.

11. All costs of and incidental to this deed including the stamp duty payable thereon shall be borne and paid by the surety.

12. Collateral security provided by intermediaries will be held for a three-year prescription period, except where:

12.1. the Intermediary’s auditors certify that there are no premiums outstanding to insurers;

12.2. the Underwriting Committee recommends the release of the security;

12.3. the financial position of the Intermediary has improved to the point where a new guarantee has been issued without the need for collateral security.

**SIGNED** at \_\_\_\_\_ on this the \_\_\_\_\_

day of \_\_\_\_\_ 20\_\_\_\_\_.

**AS WITNESSES:**

1. \_\_\_\_\_

2. \_\_\_\_\_

\_\_\_\_\_  
THE SURETY