

Notes to the consolidated financial statements (continued)

	2020 R'000	2019 R'000
30. Life assurance fund		
The carrying value of the assurance funds agree with the amount of the actuarial values of liabilities under life insurance policies and contracts at that date. Policyholder liabilities are liabilities for insurance contracts.		
Insurance contract assets	(76 188)	(44 175)
Balance at beginning of year	(44 175)	(21 324)
Movement during the year	(32 013)	(22 851)
Net assurance fund at end of year	(76 188)	(44 175)
Gross assurance fund	(242 048)	(180 106)
Reinsurer's share	165 860	135 931
Net assurance fund	(76 188)	(44 175)

Insurance contracts

Insurance contracts are predominantly credit life policies sold by motor dealerships and life insurance policies, distributed by independent financial advisors, that provide for death, disability and critical illness benefits.

The insurance contract reserves are established by discounting future expected net claims, net expense and commission outgo less the future net office premiums (if any) on a policy-by-policy basis using the following main assumptions (before the compulsory margins required by SAP104):

- FSB SAM Nominal yield curve is used to determine investment returns;
- Inflation curve as derived from the FSB SAM yield curves;
- Mortality and disability assumptions are set with reference to standard tables or reinsurance rates where appropriate (mortality and morbidity investigations are conducted annually to confirm assumptions);
- Per policy expense assumptions are based on the medium-term projected level of expenses and volume of business; and
- Lapse rates are based on the most recent lapse experience investigation.

IBNR provisions have been created for both individual and group business. IBNR's are calculated based on the run-off period on claims reported in the last 12 months. A combination of the basic chain ladder method and simplistic deterministic methods are used depending on the product and the statistical significance of data available.

Policyholder reasonable benefit expectations have been allowed for, all contractual obligations have been considered and all business is written on a non-profit sharing basis.