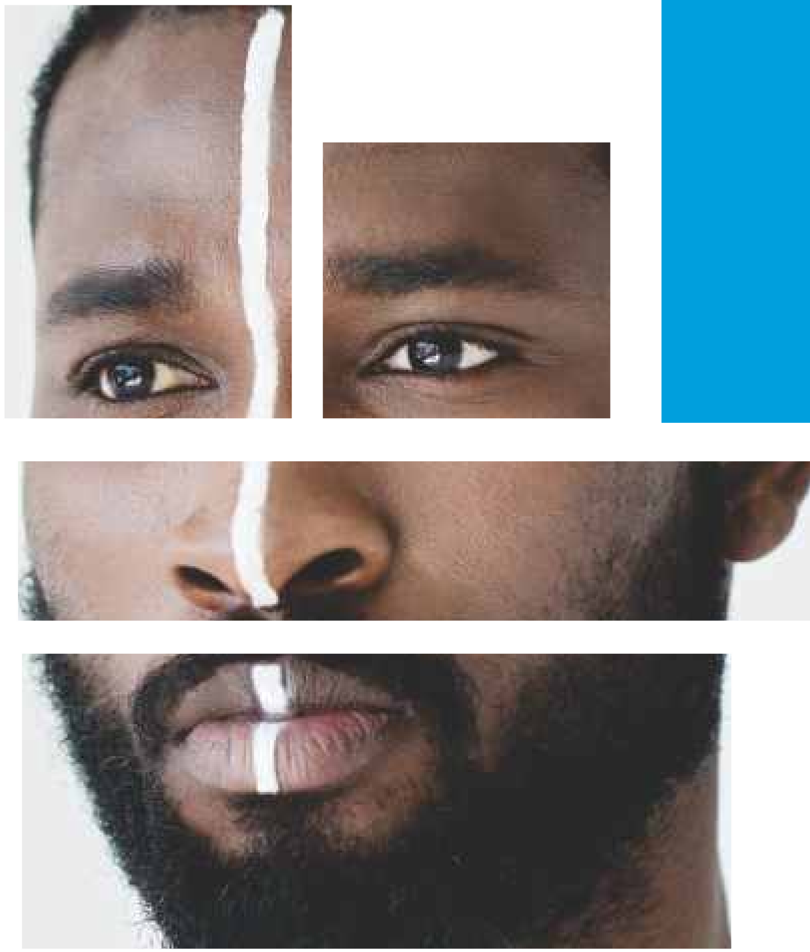
What’s your story?



Financial Services

The South African Insurance Industry Survey 2018

October 2018

kpmg.co.za

EDITOR'S NOTE

Our experience suggests that most insurers are now undertaking some form of emerging technology implementation. Some are pushing their way towards the cutting edge by partnering with InsurTechs to develop new artificial intelligence, machine learning and robotic solutions while others are doing more fundamental work, focusing on transforming their capabilities with investments in the customer agenda which requires a reform of the front, middle and back offices.

CONTENTS

"At its core insurance is a beautiful concept - it is a community coming together to help protect each other. Somewhere along the way we lost touch of this"

Marnus van Heerden, CEO, Pineapple

Mark Danckwerts
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INTRODUCTION

Rarely has the geo-political and economic landscape been so unpredictable. International agreements are being reviewed. Social expectations are changing. National and regional tax and regulatory environments are evolving. After a year of continued global economic uncertainty and rapidly shifting social expectations, it is perhaps not surprising that insurers find themselves asking questions that are not easy to answer.

A recent survey by KPMG International found that whilst most insurance CEOs are confident in the strength of the global economy over the next four years, this level of confidence is down from what it was two years ago. Confidence in the prospects for the industry fell twelve percentage points to seventy percent, suggesting that many CEOs expect a year of moderate growth.

In some cases, insurers have reason to be confident in the short term. In a market characterised by rapidly changing customer preferences, pernicious new competitors and constant technological change, those insurers that have reacted appropriately to improve and transform their capabilities have reason to be confident. Many have used to their advantage the possibility of delighting customers with new products and ways of reaching them; some have gotten close to their pernicious enemies and even joined them. The shift from protection to prevention is also giving insurers reasons for optimism. Many continue to get closer to their customers and increase their relevance using technology – driving apps, health apps and devices in the home that monitor physical risks. Rather than waiting to be disrupted, many insurers globally are starting to become disruptors themselves and have recognised that transformational growth comes at a cost as implementing new technologies, establishing new systems and shifting business models takes time, investment and resources. Eighty one percent of CEOs we surveyed globally believe that they have in some way or another actively disrupted the insurance sector. Surprisingly, less than one third admitted to struggling with the current pace of technological change.

Over the last two years there has been a trend towards improving customer focus. Some insurers have made much progress in transforming their businesses by realigning their operating models with their go to market strategies, but the reality is that most are still focused on making incremental changes to their current models and processes and are only now starting on the journey to real disruption. Please read more about the keys to customer-centricity in the article entitled – *Aligning Behind Your Customer Agenda: becoming a connected enterprise* on page 28 of this publication. Pursuing a truly customer centric strategy means transformation from front to middle to back office.

Certainly, technology and innovation are not the only paths to revolutionary growth. Many insurers are continuing to refocus their portfolios – jettisoning unprofitable business and segments, divesting non-core businesses and exiting low-margin markets. Even more are looking for alternative sources of revenue and tapping into new service areas for growth. For many, the focus has been on improving customer segmentation and tapping into niche markets and underserved demographics. For a somewhat humorous and very tongue-in-cheek take on feeling marginalised and underserved by the insurance fraternity in some aspects of her life, please read *Insuring the Arts* on page 18, by one of our senior insurance managers.

These are not easy times for insurers' risk and compliance functions. New risks are moving onto and upwards on the agenda. Our research shows that insurance company CEOs are focused on three big risks: emerging technology risks, operational risks and regulatory risks. As a result, many are pouring new investment into improving their governance and risk functions. On face value, this seems like good news for the risk function. More investment and improved capabilities will certainly be important as risk managers get their heads around a wider and more uncertain risk environment. In today's analytical enterprise, the risk function desperately needs more data analytic capability and more resources capable of identifying new risks and supporting growth. Another way that risk managers can better protect themselves and their stakeholders is by shifting their roles from being the "police" of the organisation to focus more on being enablers of the business – they should be looking for the unexpected opportunities that could emerge. Risk management functions will need to find ways to think differently about the way they serve the business and the value they return to stakeholders and customers.

As a result, most insurers are now undertaking multiple change programmes across the business, putting a lot of pressure on business and operating models. In this environment, insurers need to be increasing their focus on governance and controls while Boards and executive committees must allocate enough time to reviewing progress, risks and issues. Regulators across the world are making executives more accountable for these risks through formal structures and reporting. South Africa's Financial Sector Conduct Authority (the FSCA), is considering a regime which requires a clear allocation of responsibility to senior individuals and establishes a set of binding conduct rules to help regulators hold individuals who are in breach of them accountable and undertake enforcement action. Schalk Engelbrecht, our ethics officer, talks about turtles, green apples, conduct and accountability on page 12.

No publication on the insurance industry would be complete without a discussion on why a new insurance act is important for South Africa. If you haven't been paying attention to it, Derek Vice, one of our insurance partners, tells you on page 4 why the new Insurance Act, no. 18 of 2017 is a giant leap in the long journey towards a risk-based prudential regime.

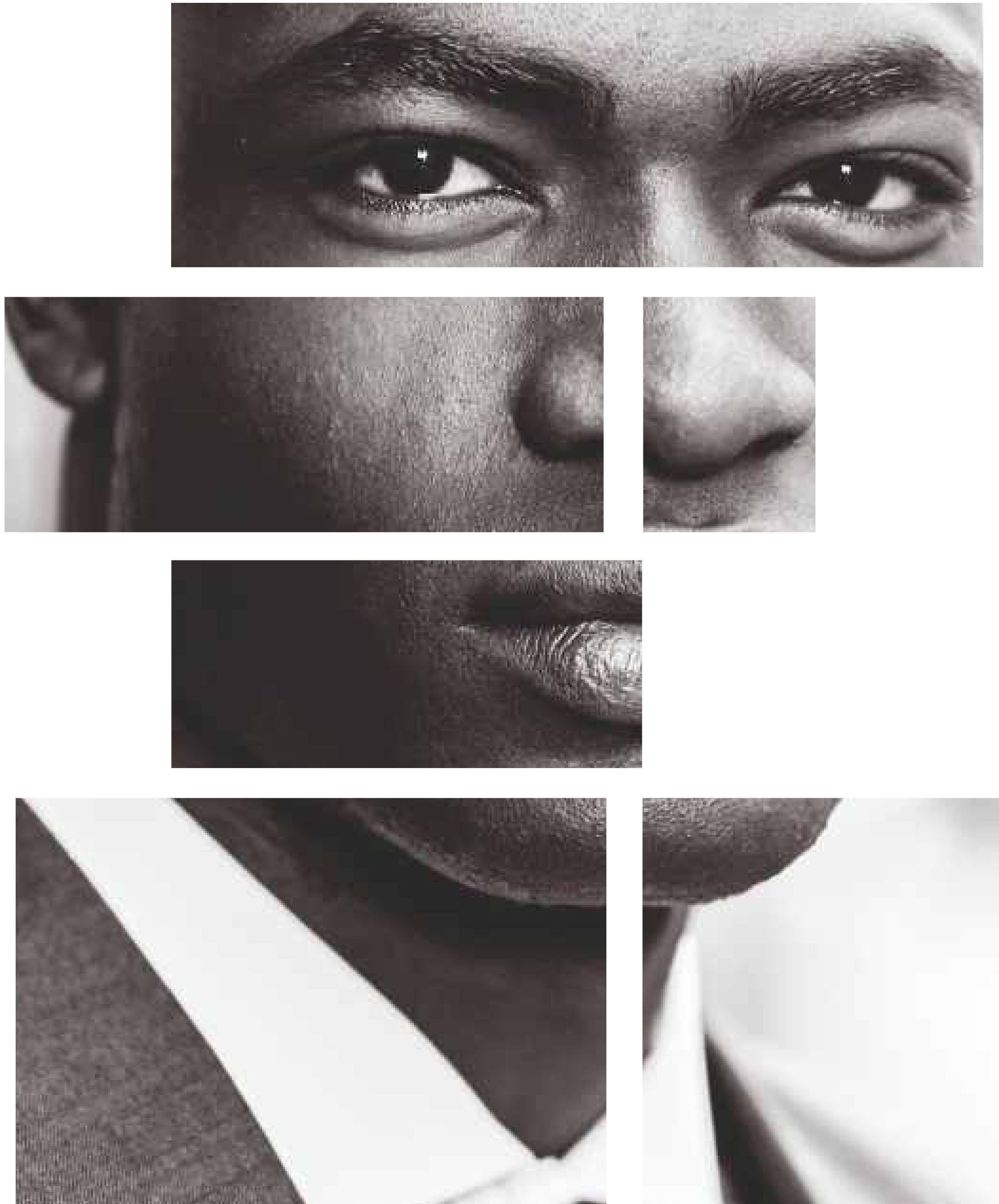
Nishen Bikhani, another of our insurance partners, is currently in Hong Kong working on what is arguably the biggest IFRS17 implementation in the world. In his article on page 23, *The Early Bird Implements IFRS17 Their Way,* Nishen gives his opinion on why it's time to stop talking about IFRS17 and start doing IFRS17.

It is with great pride that we release this years' annual KPMG insurance survey. Other than the articles referred to already and as always, we have analysed the financial results of the year gone by for 38 short-term insurers, 22 long-term insurers and 8 reinsurance companies. Each analysis is accompanied by a further article on that industry discussing the results and putting them into context.

We trust that you will find this publication insightful and invite you to contact any of us should you require any additional information. Lastly, I would like to thank the dedicated and superb team of insurance specialists at KPMG that contributed to this publication.

“I have no doubt that the industry is resilient and will embrace practices, technologies and processes that will assist in proactively securing its sustainability, ensuring continued growth”

Edwyn O'Neill, Group CEO, Bryte Insurance



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DEMYSTIFYING THE NEW INSURANCE ACT

Consider the following. For the year ended March 2011, the MSCI World (global stock funds) Index dropped by 52%. The worst ever performance of the Johannesburg Stock Exchange (JSE) was for the twelve months ended 31 May 1970. Over this period, the JSE index dropped by 49.5%. Over the twelve months to February 2009, the JSE dropped by 39.8% and for the period to 31 August 1980 it dropped by 36.2%[1].

Shall we talk natural catastrophes? The damage from the Gauteng hail storms in 2012 amounted to more than R1 billion[2]. It is estimated that over the following four years, weather-related insured losses amounted to R2.5 billion[3]. Add to this the Knysna fires (total property damage of around R4 billion[4] with insured losses close to R3 billion[5]) and the St Francis fires (with property damage estimated at R300 million[6]).

Or how about pandemics? By June 2018, there were 1,053 reported cases of listeriosis in South Africa, with 212 deaths[7] In West Africa in March 2016, Ebola infected 28,616 people resulting in 11,310 deaths[8]. Unlike property damage, many of these pandemics affect the poorer and uninsured portions of the market[9]. Although this is usually the case, it is not always so. The Spanish flu of 1918-1920 killed approximately 75 million people. Many of the people killed by this pandemic were "previously healthy adults". During the first year of this pandemic, life expectancy in the United States dropped by about 12 years.[10] Quantifying the impact of these and the impact directly on mortality claims against life insurers is difficult. In 2010, 66% of all worldwide HIV/ AIDS related deaths occurred in sub-Saharan Africa (approximately 1.2 million deaths per annum). Which of the 1.2 million individuals had life insurance is hard to tell. Either way, HIV/AIDS had a significant impact on the mortality rates of life insurers.

[1] Position Paper 47 – Equity Risk
[2] https://www.fanews.co.za/article/short-term-insurance/15/general/1217/hail-storms-batter-gauteng-suburbs-while-consumers-and-insurers-count-the-cost-of-damage/14860
[3] https://www.fin24.com/Money/Insurance/impact-of-east-rand-declared-catastrophe-zone-by-insurers-20161111
[4] https://www.iol.co.za/personal-finance/insurance-lessons-from-knysna-devastation-11430535
[5] https://businesstech.co.za/news/finance/195666/the-most-catastrophic-event-in-south-african-insurance-history/
[6] https://www.fanews.co.za/article/short-term-insurance/15/general/1217/an-expensive-lesson-in-underwriting-residential-fire-risk/12861
[7] https://www.foodstuffsa.co.za/sas-listeria-outbreak-need-know/
[8] http://apps.who.int/iris/bitstream/handle/10665/208883/ebolasitrep_10Jun2016_eng.pdf;jsessionid=A5609269A0EA627CC04A4FA20147CE5D?sequence=1
[9] https://www.reuters.com/article/us-global-pandemic-insurance/world-bank-launches-pandemic-bond-to-tackle-major-outbreaks-idUSKBN19J2JJ
[10] https://en.wikipedia.org/wiki/Spanish_flu

What does all this have to do with the Insurance Act? The introduction of the Insurance Act, no. 18 of 2017 (the Act) sees the final step in the long journey toward a **risk-based prudential regime.** The Act is law makers' way of trying to ensure that insurance companies are adequately prepared to deal with these shocks. It deals with ensuring these companies have both enough money and adequate processes to survive these stresses. Technically these are referred to as having adequate capital and a risk management system, respectively.

Many insurers might look back fondly on the days of simple calculations such as holding 10% of approved net written premium as capital and for non-life insurers, an easy 7% IBNR. However harking back to those days is akin to wishing for unwashed scalpels in surgery rooms and leeches to balance the humours. Times have moved on and our understanding of corporate failures has too. Core to this understanding is embracing the uncertainties of global markets and human and natural catastrophes and attempting to quantify and manage them.

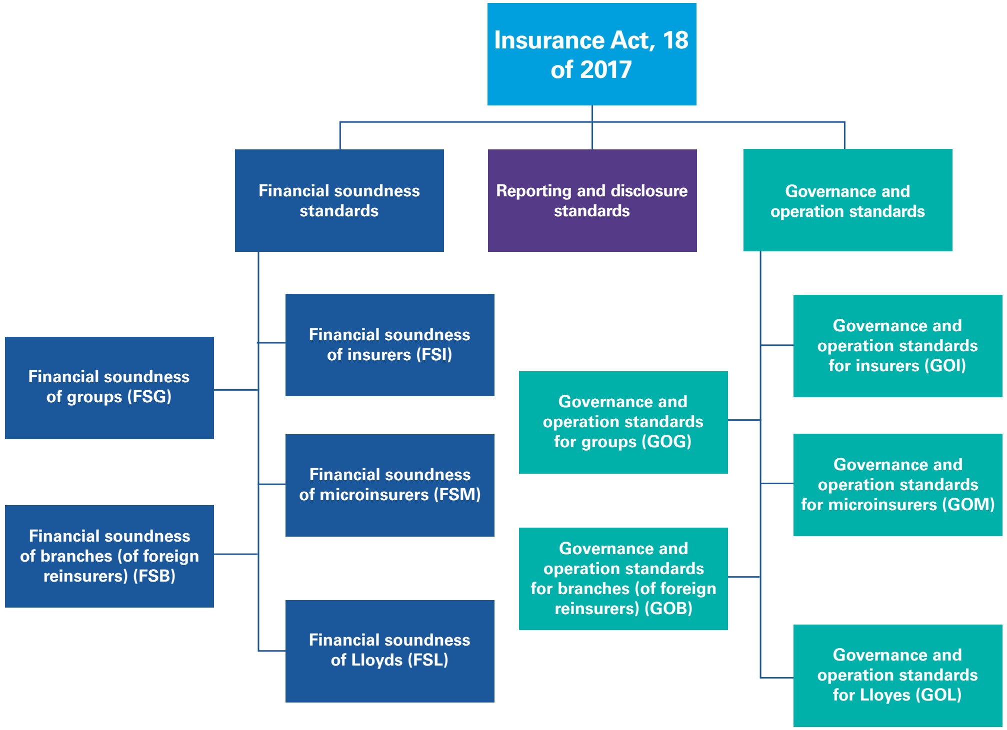
In this article we hope to arm, not the educated, but the uninformed user with the basics of the new Insurance Act. We will explore the key objectives of the Act and provide some context to the regulations and the significantly more complicated governance and measurement regimes that have come in to force with it.

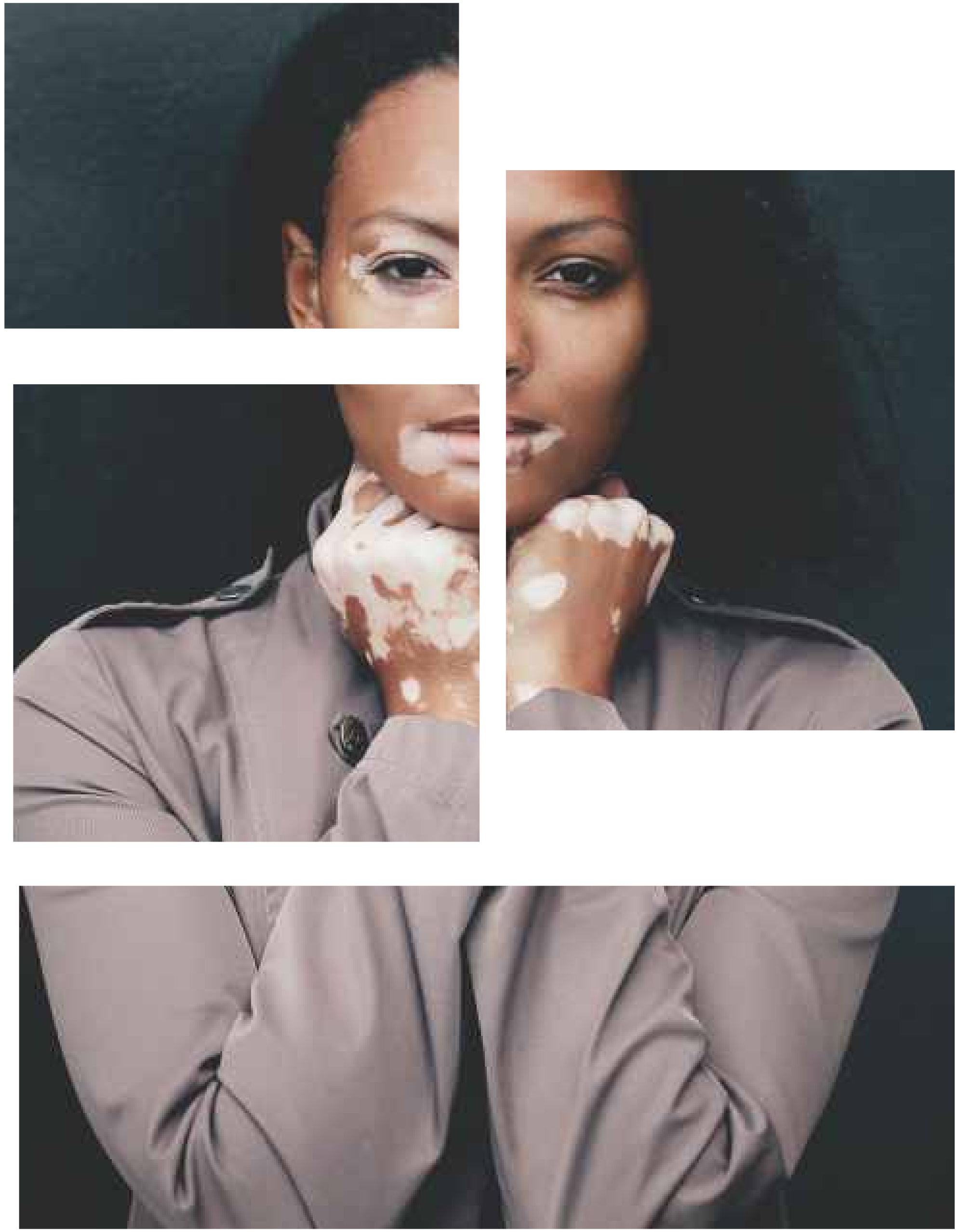
We will explore the core constituents of the Act in the context of its objective which can be paraphrased as:

- To provide for a legal framework for the prudential regulation and supervision of insurance business in the Republic;
- Promote the maintenance of a fair, safe and stable insurance market;
- To introduce a legal framework for microinsurance to promote financial inclusion; and
- To replace certain parts of the Long-term Insurance Act, 1998, and the Short-term Insurance Act, 1998 (the Acts).

A Legal Framework

It is important to note that the Act is a framework piece of legislation which is supported by various underlying documents known as the Prudential Standards (the Standards). The Standards deal variously with: financial soundness; governance and risk management; and reporting – broadly the three pillars of the prudential framework. The Act allows for various legal forms of insurance entities namely, solo insurers (insurers), insurance groups (groups), microinsurers, branches of foreign reinsurers and the Lloyd's representative office in South Africa. Detailed regulations have been established for each of these entities, as illustrated below.





“What a year 2017 was, with the largest insured losses the country has ever recorded in a single year. The industry demonstrated its resilience and maturity that is so vital to the country's badly needed economic recovery and sustainable growth by meeting all arising obligations without fail. Kudos to the industry!”

Ibrahim Ibisomi, CFO, African Reinsurance Corporation

Prudential Supervision

One of the most significant developments brought about through this process is the establishment of the **Prudential Authority** (PA). Before the Financial Sector Regulation Act (the FSR Act), the Financial Services Board (FSB) acted as the prudential regulator for insurers and the South African Reserve Bank (SARB) acted as the prudential regulator for banks. This created the unwieldy situation where a company could have one regulator, its parent another and its ultimate parent could be regulated by either of them. Clearly in a post credit crisis world, financial conglomerate and group supervision is essential and this important step has taken South Africa one step closer to this objective.

A Prudential Framework that Promotes a Safe and Stable Insurance Market

The new Act introduces a **risk-based framework**. Simplistically speaking, this means that the more uncertain a balance sheet position is over a time horizon (in this case one year), the more capital is required to support that balance sheet.

Let's consider an insurer that backs its insurance obligations with shares. Based at what happened at the JSE in 2009, it is entirely plausible that the shares backing those obligations could drop by 39% in twelve months. Both the MSCI world index and the JSE have dropped by significant amounts like this – more than once. Consequently, a balance sheet where shares back insurance obligations is riskier compared to one backed only by cash or government bonds. As a result of this, an insurer that holds significant amounts of shares should hold greater amounts of capital to support this uncertainty. This is generally referred to as **"stressing"** the balance sheet or applying **"shocks"** to the balance sheet - moving from a starting position and seeing how different that position could be if specific variables change.

However, before we get to shocking, we need to deal with some of the anomalies that the accounting standards introduce. Consider that a company could hold the above shares at their cost or their fair value. If the cost is significantly lower than the fair value, the starting point of any shock would be unreasonable. For this reason, the risk based regime requires insurers to **prepare an economic balance sheet** view of the company. Shocking the cost price of a share carried at R10 by 39% would lead to a capital requirement of R3.90 (alternatively, we could view this as the assets being worth only R6.10). Against insurance obligations of R10 we might conclude that the company is not sufficiently capitalised. However, this conclusion is meaningless if the current fair value of these shares is R100. Although the capital requirements would increase to R39 (39% of R100), the excess assets would be R61, which are clearly sufficient to meet the insurance obligations of R10.

The notion of an economic balance sheet (sometimes referred to as a market-consistent valuation) is particularly important when we consider the various ways in which insurers currently value their liabilities (i.e. the obligations arising under their insurance contracts). It is a common practice for non-life insurers to include prudence in the accounting for their insurance contract liabilities. This is understandable, but results in a misleading balance sheet when used as a starting point for calculating capital. If we accept that insurance provisions contain uncertainty (i.e. risk) then we should shock these amounts. Such shocks would be overstated if applied to a prudent carrying value of the liabilities.

It is even more complicated for life insurers. Many life insurers choose not to carry the embedded value of their insurance book on their balance sheet. In many instances the present value of a profitable book is not recognised at all or only recognised for those policies that are potentially loss making. Not only would this distort the shocks which are applied to life business, it might also hide entirely the true sources of uncertainty for a life insurer.

Company A expects to make R10 billion over the life of a particular book of business. A portion of this business is expected to make a loss of R1 billion. An increase in **mortality or morbidity rates** would generally increase the liabilities. In contrast an increase in lapse rates would generally reduce the assets. Only recognising the R1 billion liability could lead us to conclude that the most significant risk for this company is that mortality or morbidity rates (i.e. the rates at which people die or are injured) increase. A 10% increase in these rates might increase the R1 billion liability by R100 million[11]. However if the R10 billion asset was recognised, it

[11] We have made a simplifying assumption that mortality and lapse rates have a linear relationship with the liability value.

would be clear that the company has sufficient assets to meet this shock. More importantly, it might also become more apparent that a 10% increase in lapse rates is significantly more detrimental to the company. When a policy lapses, the expected future profits will not realise.

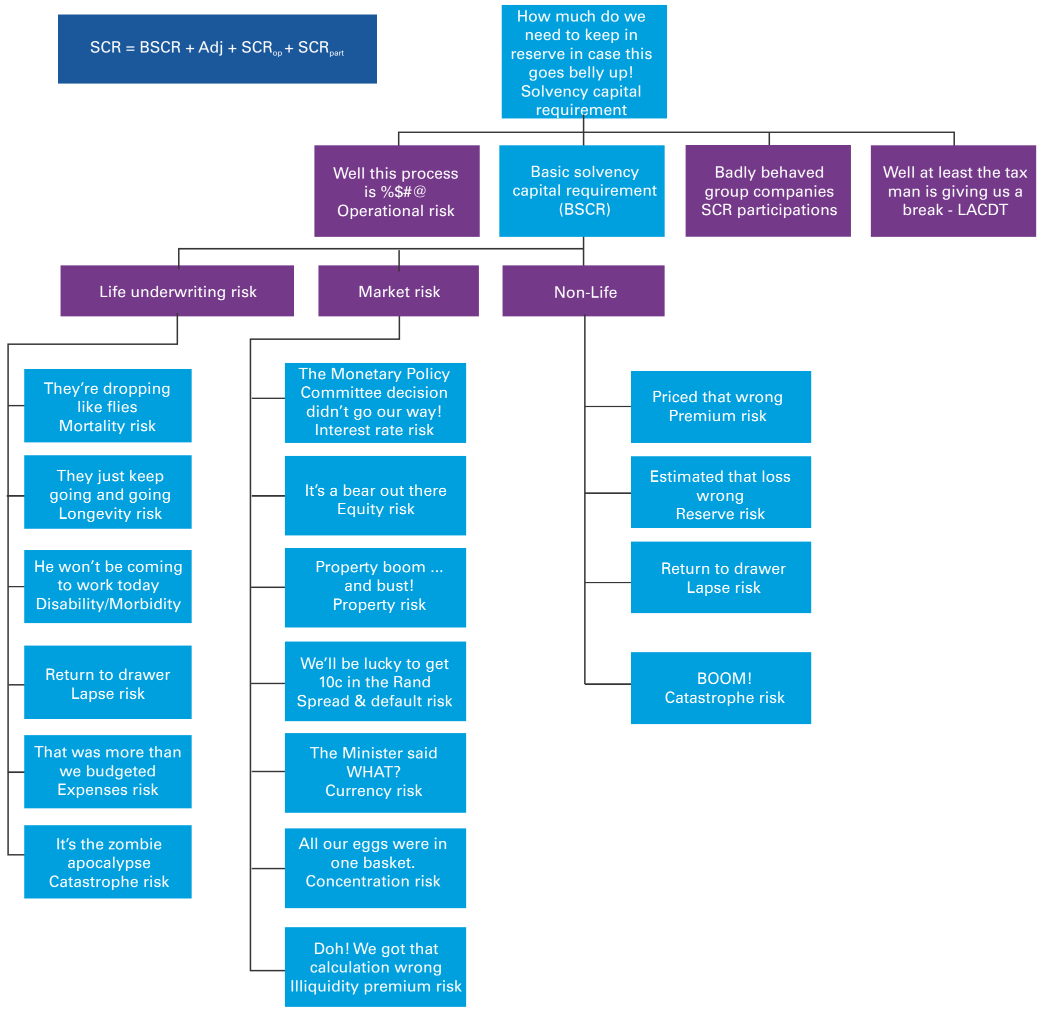
Lapse risk is the most significant contributor to life insurance underwriting risk. In an impact study conducted as part of the development of the new insurance act, lapse risk was identified as the most significant contributor to the capital requirement for life insurers[12].

Broadly speaking then

— the quantitative approach to prudential regulation takes;
— an economic, market-consistent view of an insurers' balance sheet then;
— stresses this balance sheet for known areas of uncertainty to;
— establish how much the economic position could change over a year.

Technically this is what is referred to as the **Value-at-Risk** (VaR). The VaR is calculated considering a one year time horizon. The VaR is also set to consider worst- case scenarios, i.e. one-in-two hundred year variations (1/200). The 1/200 requirement is also referred to as a **99.5% confidence level**, which is to say that it should be right 199 out of 200 times – or 99.5% of the time.

The VaR considers various areas of uncertainty in building up a view of the extent to which an insurer's balance sheet can change over a one year horizon. These areas are the modules and sub-modules which make up the **Solvency Capital Requirement** (SCR). The SCR is the amount of capital (excess regulatory assets) that an insurer must hold to cover the VaR at a 99.5% confidence level. The table alongside summarises "where things can go wrong" (i.e. the modules and sub-modules of SCR) and "how much insurers need to keep in reserve in case things go belly up!" (i.e. SCR).



[12] Quantitative Impact Study 3 conducted by the Financial Services Board

Governance and Risk Management

It is often said that companies do not fail because of a lack of capital but because of poor decisions and risk management. By the time a company is insolvent (on most bases of measuring insolvency) the company is often far down a path of no return.

- Over-committed on property exposures,
- Locked into debt spirals,
- Balancing on circular inter-company loans,
- Exposed to open derivative positions, encumbered assets,
- Inaccessible investments,
- Down-side risk

These are all examples (mostly South African) of insurance and financial services failures.

It is in this context that the Act includes various structural requirements for insurance companies. Many of these have been drip fed into the industry over the last few years. Key reforms and structural requirements not in place ten years ago include requirements for:

- A risk committee, to identify, monitor and manage the key risks facing the entity;
- A remuneration committee, to ensure that practices promote the interest of not only the shareholder, but other stakeholders – notably the policyholders;
- Mandatory control functions (internal audit, risk, compliance and actuarial) and accountable individuals for these functions (called the Head of the Control function);
- An annual consideration of how the business strategy impacts the future capital of the company;
- Rules around outsourcing and contracting with third parties; and
- Fit and proper requirements for the leadership of the entity.

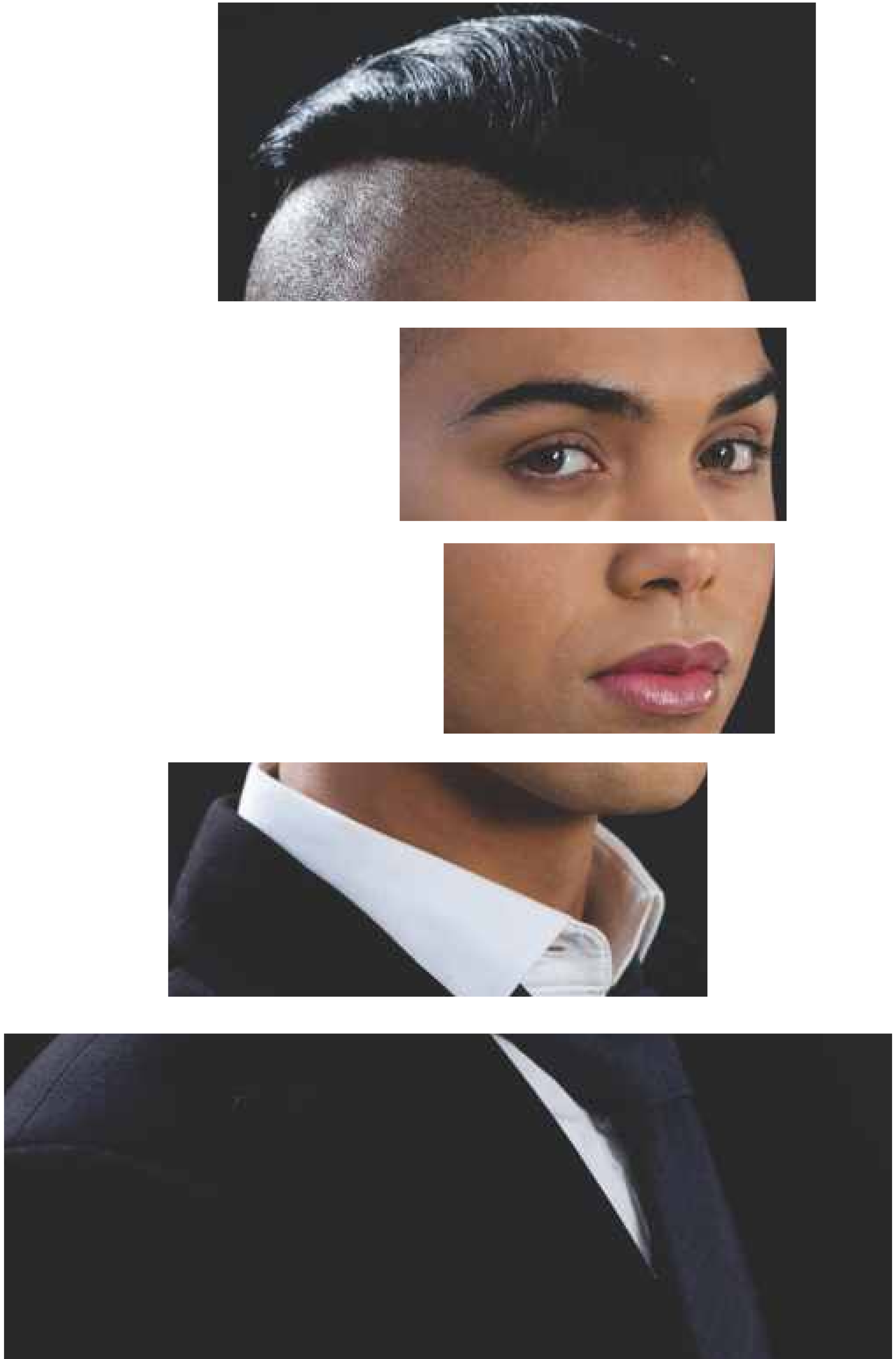
Another significant development is the requirement for insurers to perform an Own Risk and Solvency Assessment, requiring insurers to consider the entirety of their risks and controls, how their strategies impact future solvency requirements and risks not specifically covered in the modules and sub-modules.

Fairness

It is interesting to note that the objectives of the Act include “fairness”. It should be noted that this is a reference to a fair legislative framework rather than fairness to customers as referred to in the Treating Customers Fairly requirements. Conduct aspects are not generally incorporated into the Act or the subordinate legislation. Market conduct and fair customer outcomes are the ambit of the Financial Sector Conduct Authority and beyond the scope of this article.

Conclusion

The Act is a significant step forward for South Africa… it should help protect customers' interests when things go belly up! Furthermore, it puts us on a level playing field with the international community and embeds international best practice. Although we have simplified things somewhat, follow us @KPMG for a more advanced understanding of the new Insurance Act - available soon.



"In the fast changing world of insurance - with the introduction of IFRS 17, new technologies and changing regulations – it is more important than ever to be able to simplify the complexity for all stakeholders and to listen carefully to what customers really want. "

Hennie Nel, Group CFO, Santam

ORSA

The KPMG actuarial team has deep skills and experience in developing and reviewing ORSA and risk management frameworks. Our professionals are well placed to support you whether your business is focused on life insurance, non-life insurance or the provision of medical cover. We offer high level reviews to in-depth investigations. While the light touch approach helps our clients focus their efforts for the next ORSA cycle, the in-depth investigations helps firms fulfill the independent ORSA review regulatory requirement.

Our ORSA service options can be structured to suit your needs and may include one or more of the following:

- ORSA benchmarking
- ORSA policy design and implementation review
- ORSA process review
- ORSA independent review

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CONDUCT REGULATION IN THE INSURANCE INDUSTRY: IN SEARCH OF LOST CORPORATE ETHICS

The end of accountability: "Then call someone who can help me!" For all the current talk of "business ethics," "the governance of ethics" and "corporate social responsibility," our everyday experience of corporations is still of large impersonal structures where accountability vanishes. Many corporations seem deliberately arranged in a way to avoid accountability.

To illustrate, consider the frustration of trying to recover an incorrect debit payment to your internet service provider. This often requires an agonising and protracted telephone conversation with a call centre operator, armed with a script and your account details on file. When the operator fails to help, or when your unresolved issue must be explained again to a new and uninitiated call centre operator, the most patient and empathetic among us grit our teeth and remind ourselves that it's not the call centre operator's fault, and their work-life must already be a nightmare. But if it is not the operator's fault, then who is responsible, accountable or just able in a corporation? The inclination is to think that the call centre is a sort of gatekeeper protecting those who are really at fault, ultimately accountable or who have real power to act and fix mistakes on your invoice or debit order. If you were to attempt to trace the person at fault or the official who can smile, shake your hand and solve the problem, you are likely to find only more functionaries with tightly defined mandates and very limited authority. I'm afraid it is turtles all the way down (or up), and you can never quite see the face of Magritte's bureaucrat behind the green apple.

Post-mortem: Who moved our ethics?

How did ethics and accountability get lost in the organisational maze? Most likely its death was not premeditated, but the unintended consequence (collateral damage) of the pursuit of efficiency, speed and client satisfaction.

Many companies have thousands of employees and millions of clients. To effectively "service" millions of clients, the process cannot be face-to-face or one-on-one. The "happy" client is manufactured in a complex realisation of Adam Smith's pin factory. If a single employee was responsible for meeting the needs of a client "cradle-to-grave", we would not be able to serve millions of clients. Hence every client is serviced by hundreds of employees, from those who sell, to those who process, to those who receive information, to those who evaluate, to those who investigate, to those who deal with complaints and so forth. Thousands of turtles up and down.

This system has its benefits. A large number of clients can be managed and serviced, with greater speed, and with more accurate record keeping. With a bit of luck, no travel or physical interaction is required. Much like we prefer today.

In the process, however, ethics, accountability and "treating customers fairly" becomes increasingly remote and difficult to achieve. There are a couple of reasons. First, bureaucracies eliminate individual discretion and decision-making. Within the corporate maze a functionary is not supposed to exercise moral reasoning. In the process of managing a claim, an insurance company employee must often stick to the policy and process. He or she must obey and repeat. Statements like "the system doesn't allow it" or "the computer says no" are therefore not an attempt to frustrate, but quite likely a sincere admission.

Secondly, when an action or activity is divided into a number of smaller activities, the ends and consequences thereof become unclear, and responsibility becomes diffused. The result is that we can easily disengage from the activity and its consequences. If I supply pins to a company that manufactures grenades, am I responsible for the people killed by the grenade?

To complicate matters further, it is both difficult and potentially counterproductive to measure individual success in terms of "fair treatment" or "customer satisfaction", while "sales" and "speed of resolution" are easily measurable and contribute to financial results.

To summarise, in corporations that provide services and products by way of an army of functionaries busy with a number of small specialised tasks, it is difficult for anyone to feel responsible for the ultimate treatment of the customer, the quality of the product, or to be motivated to care.

Finding Fairness: "It's about culture, stupid!"

And yet this is what is required. In the wake of serious harm caused to customers of financial services (through, among other practices, reckless lending, mis-selling, unauthorised accounts and unclaimed benefits), regulators are trying to re-insert ethics. This is being done through conduct regulation.

Conduct regulations shift our ethics-related focus from policies, compliance and prudential controls to variables less tangible but more important – character, culture and behaviour. To promote positive outcomes in the industry, and to protect customers, regulators want insurers to focus on:

- Leadership and the way it promotes ethical conduct;
- Organisational culture and whether it promotes ethical conduct and good customer outcomes;
- The moral 'fitness' (character) of senior managers and staff;
- Individual accountability (especially on senior levels);
- Risky forms of conduct; and
- Remuneration and incentive structures and what kinds of conduct they promote.

It is hoped that a focus on character, culture and conduct will lead to the fair treatment of customers. If the right people operate in the right culture their conduct will be aimed at the fair treatment of customers. They will treat people in a way they wish to be treated themselves.

This is a hopeful development. Many don't make decisions based on their employer's official rules and policies. They often do not consider possible disciplinary consequences. When in doubt, they look up and they look around. They see what others do (and have always done). They act in a way that might earn recognition or praise, or align their behaviour to the behaviour of star performers. In the world of conduct in corporations, it's culture all the way down.

Beware the con of conduct compliance

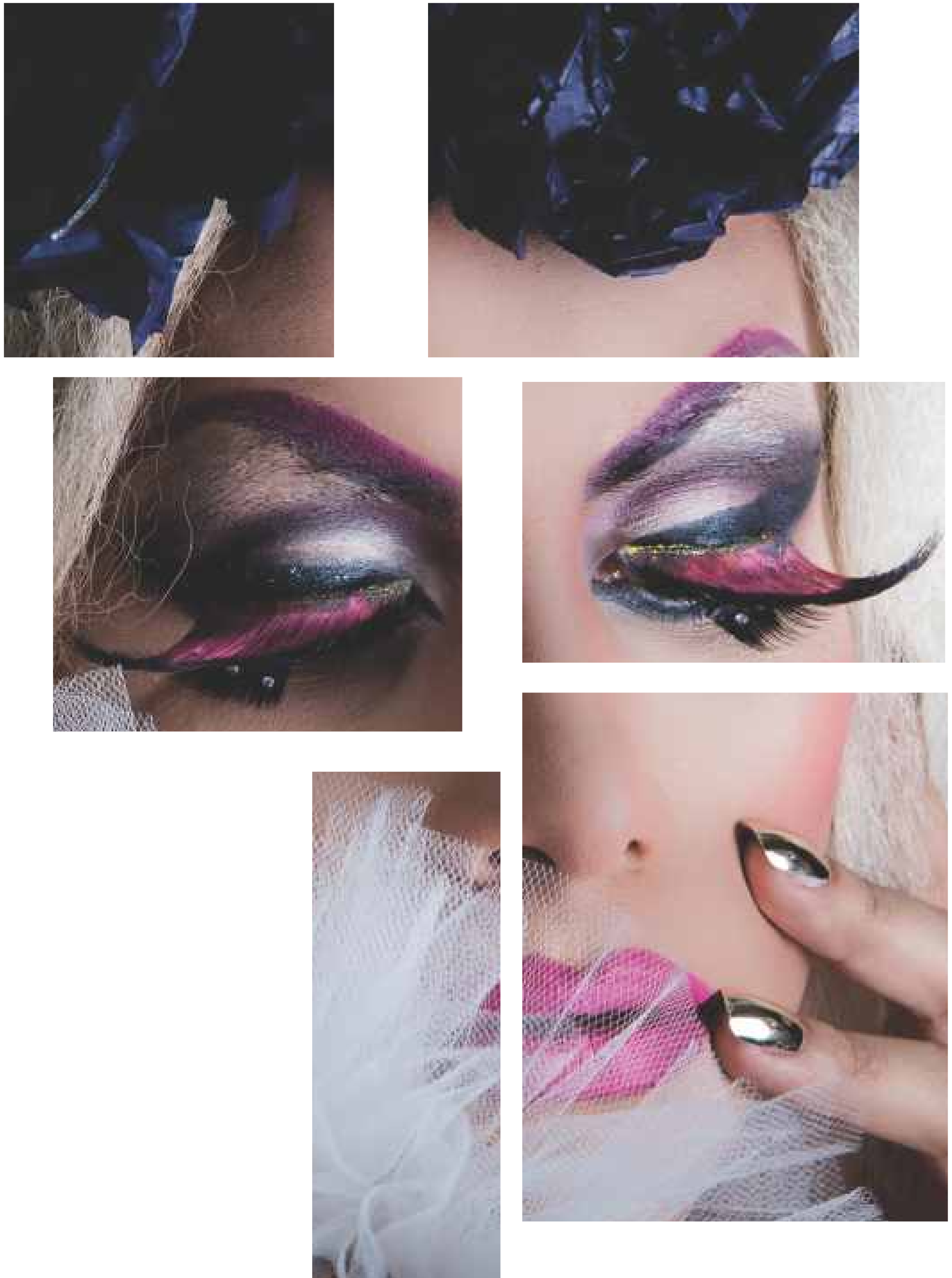
Unfortunately the pin factory cannot tell the difference between a call to ethics and a compliance process. The factory readies itself to manage conduct requirements as it would anything else. It starts by asking what evidence may be required by the regulator, and then designs a process (with a number of small specialised tasks) to gather the needed evidence. An Ethics & Conduct Officer is appointed who performs a conduct risk assessment. The result is a risk register listing undesirable forms of conduct in every area of the corporation, the allocation of risk owners and plans for implementing mitigating controls. Risk owners report quarterly in committee packs that are scanned by those responsible for governance. In no time at all you can find no trace of character, culture or conduct.

While these measures are no doubt important, it would be a costly failure if the result of conduct regulation was a parallel production process that creates paper trails (attendance registers, online compliance, and signed declarations) to demonstrate a corporate conscience that does not exist.

It would be a success if conduct interventions managed to inspire boards, executives and frontline staff to ask simple questions on a daily basis:

— Should we be selling this product?
— Would I buy what I am selling?
— Will selling this product help this specific customer?
— If I was the customer, what other information would I want?
— What will the customer think of me when he/she tries to claim or when this product matures in 20 years?

Whether turtles, green apples or pins; whether intentional avoidance or accidental oversight of accountability, there is a lot to be done.
To summarise, in corporations that provide services and products by way of an army of functionaries busy with a number of small specialised tasks, it is difficult for anyone to feel responsible for the ultimate treatment of the customer, the quality of the product, or to be motivated to care.



"The most successful companies in today's times are the ones that are customer obsessed. It's about doing things right, doing it quickly and most of all, doing what you said you would do."

"To survive and thrive, innovation and the ability to rapidly adapt to change has to be embedded in your business's DNA."

Tom Creamer, CEO, Telesure Group

Market Conduct

The Financial Sector Regulation Act (FSR Act) was given effect to on 1 April 2018, establishing the Financial Sector Conduct Authority (FSCA). What does this mean for you, and what can you expect from the newly formed FSCA in terms of their implementation of their regulatory mandate?

If you have not already commenced with your market conduct programme, it is important that you start now.

KPMG employs a cross-functional approach to market conduct that combines KPMG professionals across legal, regulatory compliance, technology advisory and change management. Our tailored market conduct approach and local and global experience has proven to add significant value to our clients. We combine our understanding of market conduct with deep client and industry insight and sector specific knowledge and expertise to provide a commercially relevant and practical market conduct solution.

Our team offers a range of services including the full implementation of Market Conduct systems and processes, gap analysis and framework reviews, detailed product reviews, conduct risk identification exercises, regulatory readiness assessments and training.

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"Are insurance products in their current form going to attract new clients to the industry in future? Do we need simpler, more transparent products that feature as part of a wider platform of services that are more relevant to clients, or is streamlining and enhancing the insurance value chain going to result in the most benefit? Different parts of the market may require different solutions."

Michael Goemans, CEO, Investec Life

Lyndall Green

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A note from the author:

I am a musician and much of this article stems from my personal frustrations around insuring my instruments.

This article applies to all sorts of bespoke equipment and other valuables sought to be insured by all manner of people.

INSURING THE ARTS

"A musician is someone who loads R90 000 worth of equipment into a R20 000 car, to drive 150km to play a gig paying R600." This quote of unknown origin is true of many musicians, not only within South Africa, but around the world. Sadly, it should also include the line "…with absolutely no insurance." Although many musicians would place their instruments and equipment far above their spouse and children when asked for a list of priorities, and would run into a burning building to save their beloved pieces, they often do not have the necessary insurance in place to replace the items they hold dear should the unthinkable happen. Unfortunately, the unthinkable happens more often than we would like. Parking your car in a less-than-secure parking lot of the pub you are playing at for the night often makes you a prime target. Auditoriums that house our local orchestras are located in city centres and are not always well guarded, especially at night. While instruments and musical equipment are unlikely to be the targets themselves, they are the unfortunate collateral damage of car thefts and break-ins. Often the high value of the pieces is not even known to the thief – items are stripped down and sold for scrap, losing the majority of the value in the process. This is especially true of lesser known instruments – clarinets, cellos or flutes. Instruments found after being dumped by criminals may be too damaged to be of any use in the future. Many instruments are also damaged in car accidents. Even the smallest bumper bashing may damage items that are being transported in the boot of a car. All in all, insurance for musical instruments and equipment is a largely overlooked by musicians and insurers.

For some musicians, the thought of insuring their instruments and equipment has never crossed their minds. Musicians are stereotypically not known for their financial planning and administrative prowess (we mean no offence to our readers who are musicians.) My favourite response while discussing this topic with a bagpiper: "Insurance? For what? Who would want to steal bagpipes? Most people don't like them even when they are played by someone who knows how." Although true, it is not likely to stop a thief, especially if they happen to be in a car that has become the latest target.

For those who have at least considered insurance, the cost of insuring is often much higher than anticipated. As instruments are likely to leave the house to be played at various locations, insuring these under household contents results in a nasty shock when the claim is repudiated on the basis that the instrument was not stolen while in the house.

Obtaining a quote or insurance cover is also tricky. Instruments are generally not loaded onto insurance companies' underwriting systems, making it difficult to receive a quote quickly, or being able to properly compare quotes between insurers.

Loading various instruments onto your insurance policy can be cumbersome, especially when dealing with a call centre agent or broker who does not fully understand what exactly you are trying to insure. Is there really a difference between a clarinet and an oboe? Each instrument has to be separately disclosed to the insurance company, along with full descriptions and serial numbers. In the case of instruments of high value, and those not recently purchased, a valuation has to be obtained before the instrument can be insured. Valuations may be difficult to obtain, especially if the instrument is unique in nature.

The instrument itself is only a portion of the total set up that requires insurance cover – pedals, cables, bows, tuners, amplifiers and many other additional items contribute significantly to the overall cost for an individual. A guitarist may spend more on the pedal board and amp than on the guitar itself, although the focus of an insurance quote would be on the guitar. Some policies also include a threshold for specified items that can be insured after being removed from the house, either individually or in aggregate. This is a problematic area for musicians who have a tendency to buy more guitars and amps than necessary, and who more than exceed this threshold. The cost of transportation and insurance for those who regularly play in different cities within South Africa has become so high that many musicians own multiple instruments that are then housed in each city.

As a result of the above, musicians who have contemplated obtaining insurance cover do not ultimately follow through as necessary, simply because of the administrative nightmare or the cost of the exercise. They believe the cost outweighs the benefits, given the perceived smaller risk to the instruments and equipment.

For the few who have taken out insurance, it is sometimes difficult to determine when a claim has arisen. Damage to instruments may arise as a result of a specific incident; as part of normal wear and tear; or as a result of a manufacturers default. Insurance contracts are often not completely understood, or forgotten in entirety when a loss arises, resulting in no claims being recognised where there potentially should be a pay-out. Insurance policies are also not updated regularly and new valuations are not obtained when the value of the instrument has changed. Replacement values for both instruments and equipment are sensitive to exchange rate fluctuations, as the majority of these items are imported.

Given the emergence of many new insurance products and technologies over the past years, the overall poor insurance coverage is hopefully something that will change going forward. The ability to “switch on” your insurance as needed for items such as sports equipment is potentially something that could be rolled out to cover musical instruments and equipment. Differentiating the risk between when instruments are in the safety of ones' house, versus when the instrument has been removed from the house to be played at an external venue would likely have a significant impact on premiums. It may also help musicians to accurately price the cost of insurance into their own charge out rates.

Another area of potential improvement is collaboration between larger music distributors and brokers/insurers. A reminder regarding insurance cover at the point of sale may also improve the current level of market penetration. The acquisition of a new instrument is not often a well thought out plan, and a trip to buy guitar strings or a new set of drum sticks often results in a new instrument, and insurance may not have been top of mind. Even the most diligent individual who has insurance cover over other instruments may not consider insurance at that point in time. Much like buyers are reminded of insurance when purchasing a car or piece of jewellery, a quick discussion as part of the sale may be all that is needed to add onto the person's existing cover, or cause the individual to consider insurance cover for the first time.

Insuretech

The insuretech industry has experienced rapid investment and growth in a very short space of time. In this cluttered marketplace it is crucial for insurers to collaborate with the best emerging technologies to get and maintain their competitive edge, yet the right companies are not easy to find.

KPMG-Matchi has proven and practical approaches to help you find high quality and relevant insuretech solutions from around the world. We do this in a way that builds internal support and leads to real business impact.

We help our clients to access and unlock the leading-edge technology and deep customer insight of the world's best fintech/insuretech firms for their own operations.

Leveraging our reach of more than 4,500 fintech firms from around the world, the KPMG Global Fintech network, and an ecosystem of over 6,000, we have pioneered targeted approaches to find the best emerging technology to address real business issues or opportunities for clients.

kpmg.co.za

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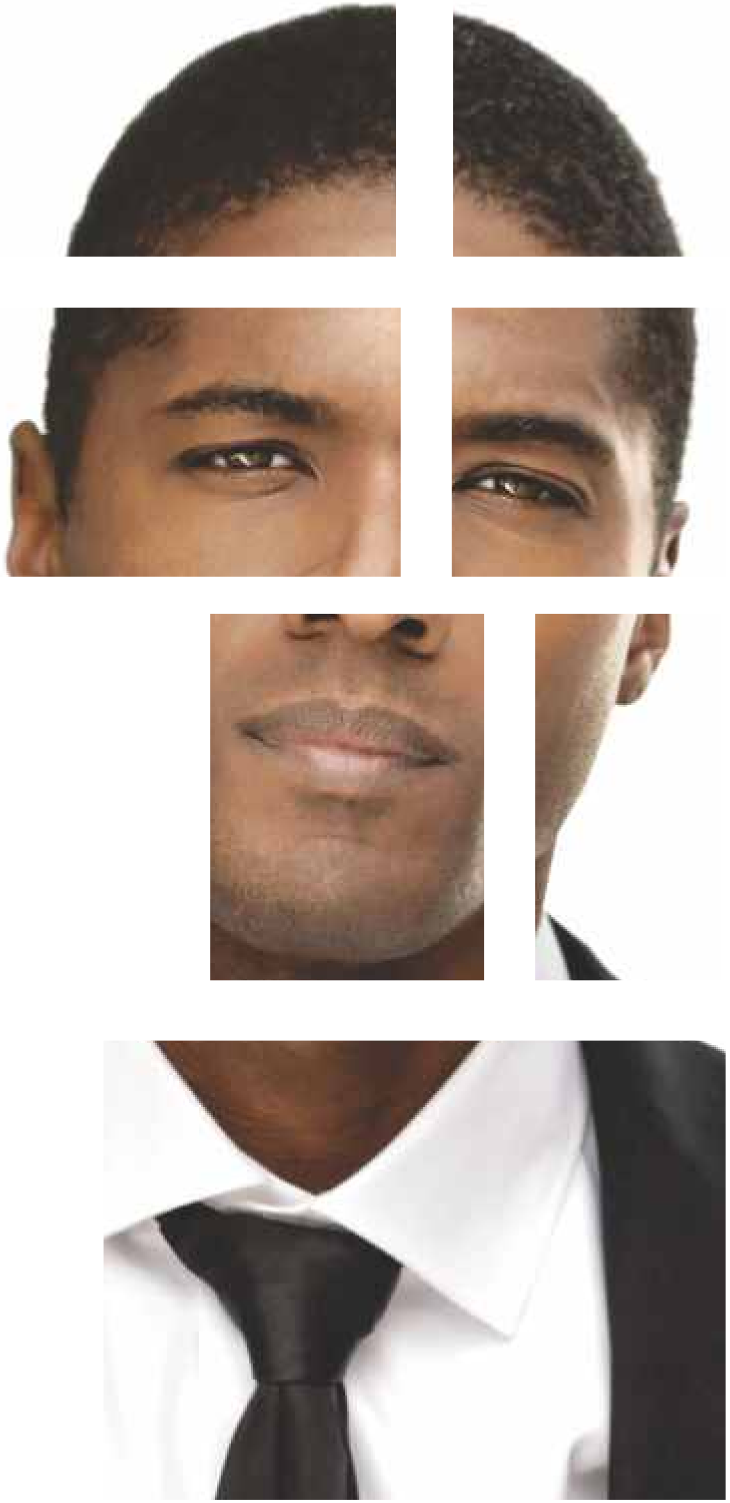

"Life insurers, on a global basis, are having to become health management service providers. The insurance products offered are simply the vehicles for policyholders to access such services"

Wesley Clay, Managing Director, Hannover Re

THE EARLY BIRD IMPLEMENTS IFRS 17 THEIR WAY

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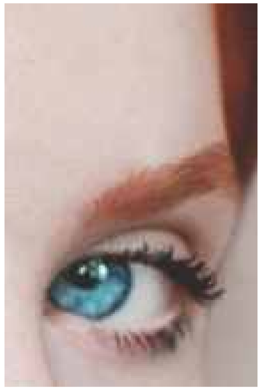
The KPMG South African Insurance Survey has consistently included articles on IFRS 17: Insurance Contracts. This year is no different. While previous issues have posited on the implications and application of this transformational standard on the industry, in this year's issue we speak with experience after having access to the final standard. Being based in Hong Kong to work on IFRS 17 transition projects until the end of the year, it has been sobering to experience the sheer magnitude of effort and resources that are required by global insurance groups to bring this standard to life. It's important to note, those insurers who have already commenced this IFRS17 journey (the "early birds") have more opportunities and time to lobby for their interpretation of the standard. They are better positioned to implement the standard their own way.

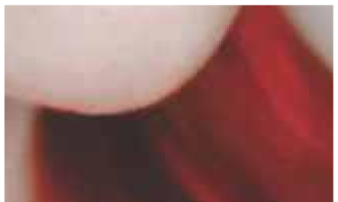
KPMG benchmarked the state of readiness of the global industry in December 2017, and then again in July 2018. In a recent study, KPMG collected feedback from more than 160 respondents in over 30 countries. This benchmarking included the largest 10 insurers in the world that use IFRS as their framework for financial reporting. Besides providing a benchmarking on the state of readiness, the publication also delivers a valuable starting point for those insurers who plan to commence their implementation journey in 2018.

Key Themes

The links to the detailed benchmarking analysis (and other KPMG thought leadership) have been provided at the end of this piece, but to provide context we reflect on some of the key themes from the analysis.

— *Smaller insurers need to get started.*
  While more than 65% of insurers classified in the "large insurer" cohort were in the design and implementation phases, 30% of small insurers had not begun this journey. Most had not performed an impact assessment. This is particularly concerning as experience on more recent transition projects – such as IFRS 9: Financial Instruments or Solvency Assessment & Management – have shown that the "watch and wait" approach compromises the entity's ability to explore and investigate options and often leads to sub-standard outcomes. Further, this compromises the ability to source available and credible talent in the market to support the transition.





- *Dry and parallel runs are crucial.*
  The majority of respondents agreed that it is paramount to have extensive periods of dry runs and parallel runs. With under 30 months to go until the standard will be effected in South Africa (for 31 December year-ends), insurers will need to assess whether they can deliver on fit for purpose interim and year-end reporting. It is crucial that readiness and dry runs are factored into the overall project planning.
- *Resolution of technical issues.*
  The International Accounting Standards Board (IASB) has set up a Transition Resource Group (TRG) who have met three times already to discuss some of the more complex questions coming out of the application of the standard. Various CFO forums and industry groups are in place to solicit feedback on particular areas of difficulty, in order to feed these into the TRG. If organisations are not far down the path of thinking about the complexities specific to their organisation, their window for lobbying for support of their preferred view closes with each passing month. The topics that continue to present challenges to the sector include:
  - The identification of portfolios and groups;
  - The approach to setting discount rates;
  - The judgements and approach to determine the risk adjustment;
  - Transition approaches (full retrospective, modified retrospective or fair value);
  - Qualification to use Variable Fee Approach or Premium Allocation Approach; and
  - Gaps in disclosure and reporting.

Lessons From the Front Line

KPMG is leading the charge by working with a number of global insurance groups to implement this standard. In a meeting for one such multi-national insurance group, we noted that the collective team comprised of more than 40 individuals each focused on different disciplines. Most of those individuals were full time employees (of our client) and their sole focus was on IFRS17. They were comprised of actuaries, accountants and IT specialists. Understandably, not all implementation projects at all insurers will require such large investments in staffing. It was clear that, even with a large team in place, the volume of work required was too much to contain. We were all likely to all be fully productive and engaged for a while to come.

Resources and Cost

The benchmarking study highlighted 90% of the respondents experienced difficulties in securing sufficiently skilled people. Further concerns were expressed by 50% of the respondents that they are concerned about securing the necessary budgets.

For those who have commenced the recruitment process, simple searches on talent platforms demonstrate that there are few individuals with these skill sets in the South African market. With most insurance groups having some form of international presence, competing for the same scarce skills in a global job market is even more challenging. Those players who have arrived earlier to the party do not need to jostle for scarce skills and more importantly will not be completely reliant on a stretched consulting or outsourced model closer to the effective date.

Structuring the Project Team

Drawing on conversations that we have had with large international insurance groups, most of the activity has been coordinated from central teams at a group level. Over the past year, projects have been fairly dynamic – often changing course or areas of emphasis as various technical subject matters are being addressed. With fairly rudimentary impact assessments and application guidance having been developed over the last 12 months – with a deep appreciation for the various grey-areas that are still being debated in the market – a number of projects are entering into the second phase. Business units are being brought into the fold to make more granular and detailed assessments of impacts. Often this phase is staggered, with focus on soliciting feedback from the most material business units with a structured timetable to obtain feedback from all business units by the end of 2018. This will allow sufficient time to ensure that any system design and implementation requirements can be met.

An important and challenging part of the process for implementers has been the mechanisms used in gathering feedback from all stakeholders. From shareholders, boards and analysts to regulators and external auditors, strong coordination is required to address concerns raised and challenges received on application guidance and methodology. Coordination is also needed to build processes and systems that, not only meet the requirements of the standard, but are also well positioned to powerfully represent the position and performance of a company.

The most common team structure that we have seen to date is shown below, with the focus shifting in coming months from application guidance to focus on data, systems and processes:

Decision Making to Progress Matters

A consistent theme in the implementation journey has been the appropriate timing and the right level of engagement with key decision makers in executive committees, risk management teams and the Board. With the array of sensitive decisions and options that are available, careful consideration needs to be given when it comes to these stakeholders getting sufficient information to make meaningful decisions that will move the objectives of the organisation forward. We have found that regular and deliberately planned engagement has had the outcome of driving decision making forward and has kept projects in line with the implementation timetable. This will go a long way when addressing the concerns of over one third of the benchmarking survey respondents, who foresee a high (or extremely high) degree of challenge in meeting the planned implementation date.

In Summary

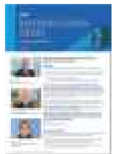
The key takeaways are -

— Just get started and revisit your roadmap to implementation and cross check against it regularly;
— Build a buffer for time to design, configure and test systems, processes and controls;
— Use simulations and assumptions to help address the impact on business;
— Allow time for testing, dry runs and parallel runs; and
— Open up the dialogue with business and stakeholders.

> "Understanding policyholder journeys during the claims process and removing all the pain points is key to acquiring new policyholders and retaining them."
>
> **S'khumbuzo Mlangeni, CFO, Standard Insurance**

Publications and Resources

The following thought leadership is available to help you on this journey.

Picture	Synopsis	Link
	**In it to Win It: Benchmarking 2.0** We surveyed more than 160 insurance executives around the world to benchmark their readiness for IFRS 17 and IFRS 9 and examine how they are navigating change on the frontline (2018).	https://home.kpmg.com/xx/en/home/insights/2017/12/ifrs-17-and-9-implementation-benchmarking-highlights.html
	**Illustrative disclosures for insurers** Your essential guide to preparing financial statements under IFRS 17 and IFRS 9. Based on an example insurer that is not a first-time adopter of IFRS (2018).	https://home.kpmg.com/content/dam/kpmg/xx/pdf/2017/07/ifrs17-first-impressions-2017.pdf
	**Insurance contracts: First impressions** This First Impressions provides an overview of the new standard and how it may affect insurers' financial statements. It includes examples and our insights to help you assess the potential impacts and to prepare for 2021 (2018).	https://home.kpmg.com/xx/en/home/insights/2017/05/insurance-contracts-new-standard-first-impressions-ifrs17-ifrs4-180517.html
	**Navigating the new world: Preparing for insurance accounting change** Overview of the key impacts of forthcoming insurance accounting changes, lessons learned and a practical methodology to help insurers plan for the changes efficiently and securely (2018).	https://home.kpmg.com/xx/en/home/industries/insurance/navigating-new-world-preparing-insurance-accounting-change-fs.html
	**Insurance – Transition to IFRS 17** This web page includes summaries of the discussions in the Transition Resource Group and observations of the topics discussed, e.g., Identifying the insurance contract, Measuring the CSM and Accounting for reinsurance contracts held (2018).	https://home.kpmg.com/xx/en/home/insights/2018/01/ifrs17-transition-trg-newsletter.html
	**Introducing IFRS 17** Insight and detailed analysis on the impact of IFRS 17 Insurance Contracts (2018)	https://home.kpmg.com/xx/en/home/insights/2017/05/insurance-contracts-new-standard-first-impressions-ifrs17-ifrs4-180517.html

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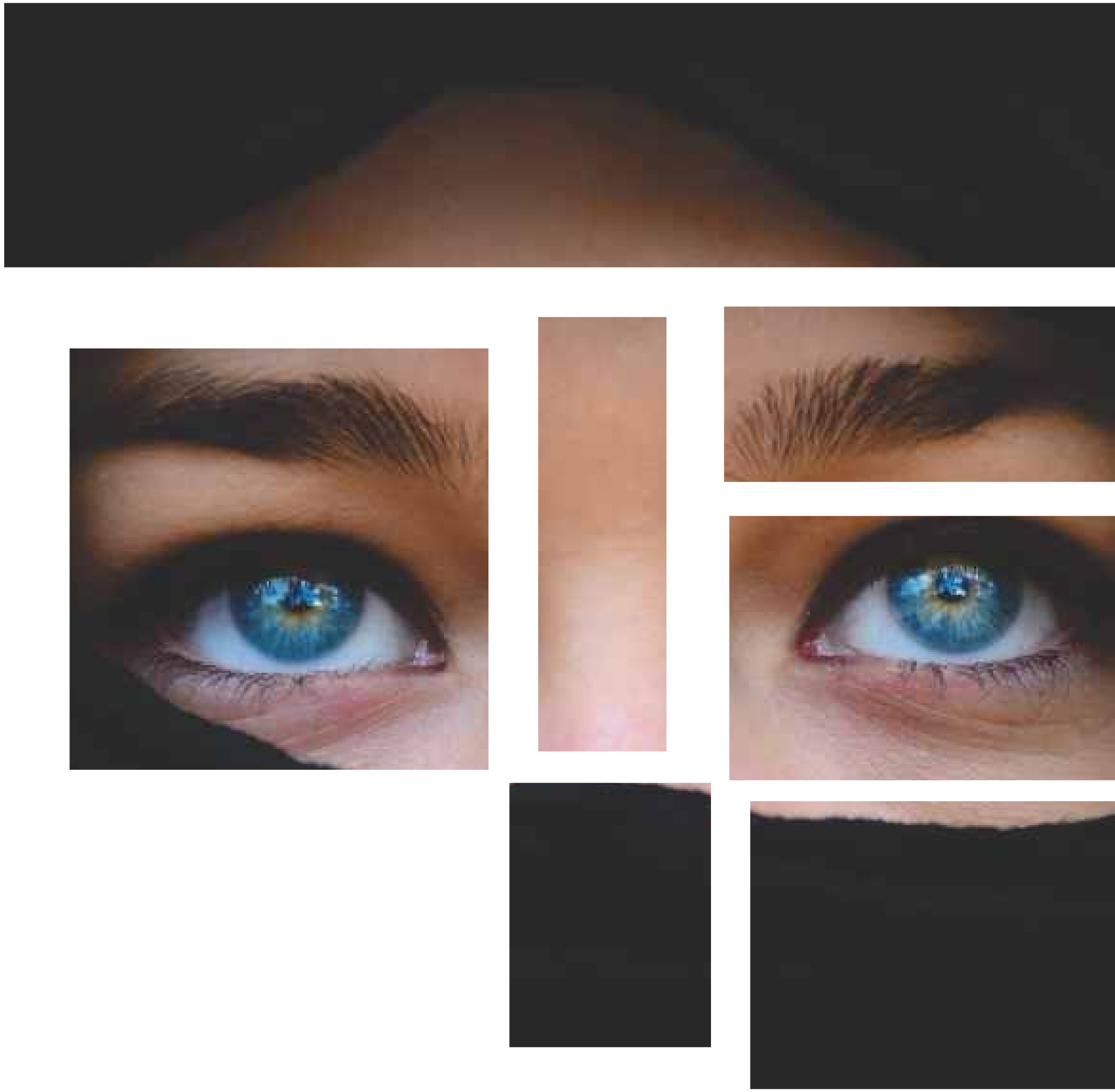
ALIGNING BEHIND YOUR CUSTOMER AGENDA – BECOMING A CONNECTED ENTERPRISE

The key to customer-centricity lies in the ability to design and deliver compelling, seamless customer experiences. It requires alignment within the entire organisation — across the front, middle and back office. We call that a connected enterprise. This article looks at the fundamental capabilities essential for short-term personal lines insurers to become customer-centric, agile and digitally transformed connected enterprises.

As a short-term personal lines insurer, can you say with confidence that you know your customer? Do you know your customer's motivations, preferences, and needs? Does your customer agenda inform your business strategy? And do all relevant parts of your organisation that affect customer experience, directly or indirectly, understand and act in accordance with your identified customer agenda?

Organisations become successful outperformers when they establish a customer agenda and take specific steps to align their capabilities behind it. The customer agenda is based on a deep understanding of who the customer is and what the customer needs and values, along with how the organisation can deliver value to that customer while capturing value itself.

No single short-term insurance proposition can adequately satisfy all market needs. Just as fast-food chains operate a different capability footprint and deploy different processes than three-star Michelin restaurants, short-term insurers must develop and deploy differentiated processes and capabilities based on their identified customer agenda (which is the foundation of their strategies and business models).



Any business — generically speaking — may have an online channel, or an analytics function, or a call center, or campaign management, or partnerships and alliances. However, the extent, maturity, and prominence of these capabilities should be fine-tuned and 'connected' as a function of the customer agenda, the business model and strategy deployed by that business.

Why? KPMG commissioned Forrester Consulting to conduct a global study to gain a better understanding of success factors in delivering against a company's customer agenda. The study covered many types of industries, including short-term insurance. Our research shows that when companies move away from the limitations of operating in functional silos and toward what KPMG defines as a connected enterprise — an organisation that is connected and aligned across businesses, functions, and channels — they outperform their competitors.

Making customer centricity work

To succeed in winning the loyalty of 21st century customers, short-term insurers need an enterprise-wide approach that connects the capabilities of the front, middle and back offices — so they can appropriately focus on the customer agenda. A connected enterprise approach enables insurance companies to see and serve their customers as people with a wide variety of insurance needs and preferences, and not just as policyholders according to how their business units define them — as, for example, homeowners, vehicle owners, business owners, or insured lives.

While the theory of aligning a business' capabilities to its customer agenda and business model is not new and rarely disputed, our research has found that the short-term insurance industry as a whole is significantly lagging other industries in applying and extracting the value of this theory.

80%

Prioritising interconnection for short-term personal lines insurance

of short-term peronal lines insurance companies cite an interconnected and aligned organisation as a top or high priority

21%

Short-term personal lines insurance

or fewer are getting a strong or acceptable return on any single interconnected and aligned ROI metric

28%

Across all industries

or fewer are getting a strong or acceptable return on any single interconnected and aligned ROI metric

The focus must be on interconnecting the efforts of the front, middle, and back office to align with the connected enterprise agenda — so insurers can better understand and deliver against their customers' ever- changing and heightened expectations (figure 1). This customer-centric approach helps companies address misaligned, incompatible or competing agendas; identify projects or efforts that may no longer be relevant to the current strategy; and create a common understanding and buy-in to the customer agenda across the organisation.

What's more, although insurers place a higher priority on creating an interconnected and aligned organisation than the average of all global industries surveyed (80 percent of short-term insurance respondents versus a study average of 77 percent), more than three- quarters of respondents say such efforts haven't generated the returns they need (see figure 2).

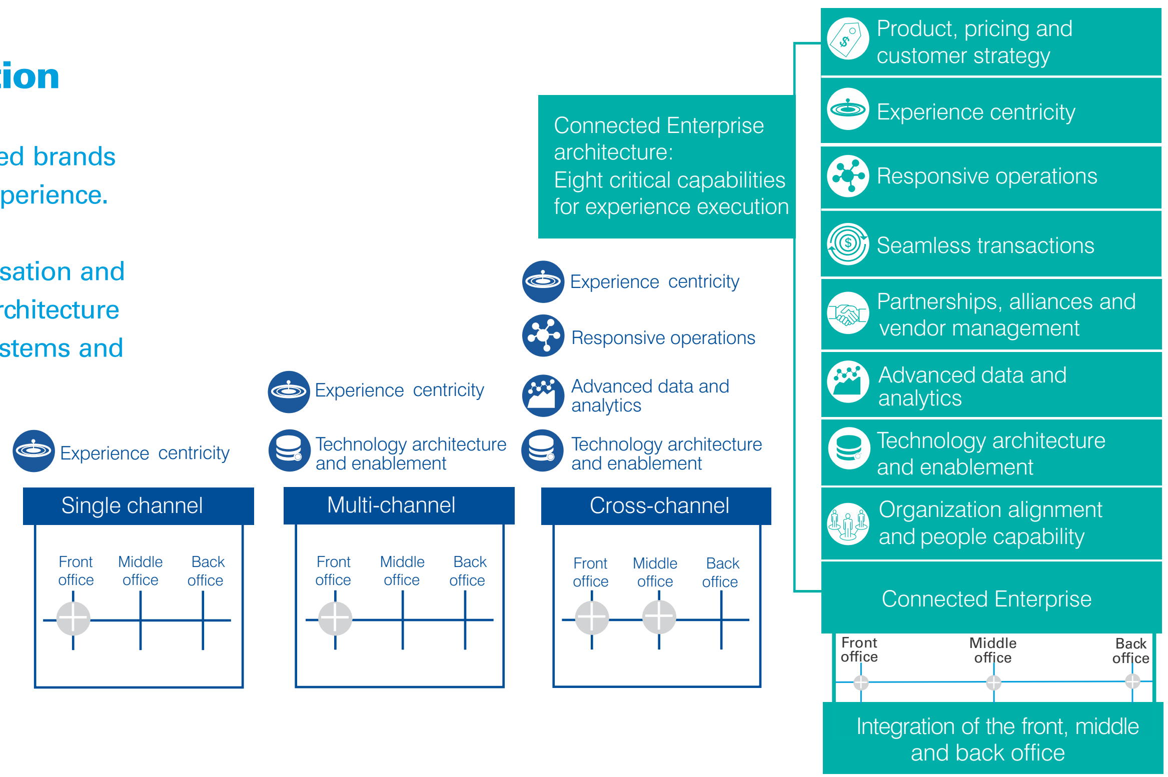
In practice, insurers often falter in their efforts to interconnect and align internal operations with the customer agenda. They may consider improvements in a variety of areas — from customer service, infrastructure, and partnerships to their strategies for pricing, locations, channels, data, analytics, or acquisitions. But in the pursuit of "customer centricity," they may simply not know how best to target their efforts, or even what those efforts should be. KPMG's research shows that outperformers focus specifically on eight fundamental and integrated capabilities:

Figure 1: The Connected Enterprise evolution

Evolving technology and consumer behaviour over time have forced brands to change the way they operate to deliver the desired customer experience.

For mature organisations, it is much more than a channel harmonisation and integration effort. They're investing in a connected enterprise, an architecture of eight fundamental capabilities that aligns people, operations, systems and processes around the customer to capture business value.

Figure 1:



Companies that invest in the eight capabilities are achieving demonstrable success. Indeed, using a measure of interconnection/alignment that factors in three business outcomes - customer experience, business objectives and self-reported ROI - our research shows that mature insurers (those investing in all eight capabilities) are more likely to achieve interconnected and aligned success compared with their less mature peers (figure 2). When compared across all industries, we see mature companies are more likely to achieve a strong or acceptable ROI than their short-term insurance counterparts (48 percent versus 29 percent).These results demonstrate that short-term insurers have substantial opportunities to achieve greater value from their investments.

Most companies have already begun the journey in some way — so the goal is not necessarily to start anew. However, it is important to integrate existing investments in a meaningful way. Our research shows the benefits are worth the investment. Mature organisations outperform less mature firms by margins ranging from +1 to +22 percentage points across objectives aligned to all eight capabilities. Furthermore, 73 percent of mature insurers report providing experiences that exceed customer expectations, compared with just 60 percent of less mature firms.

Customer experience can be the difference between gaining a loyal customer and losing a dissatisfied one.

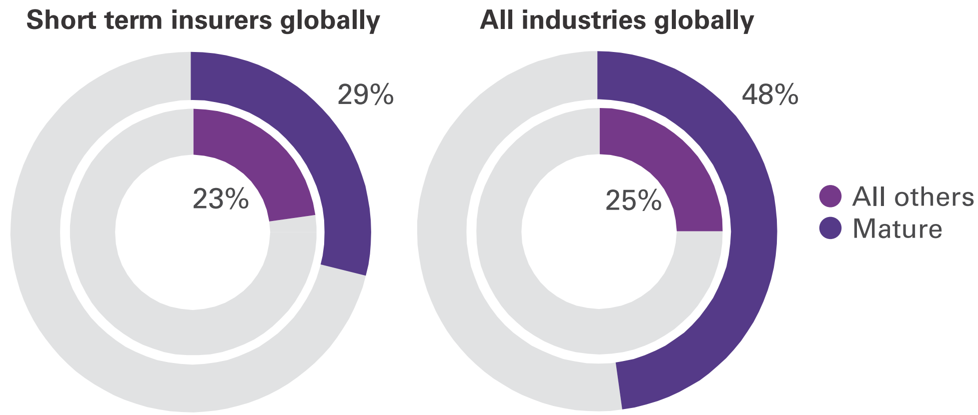
Three-quarters or more of respondents across all the industries surveyed, reported they would be making a moderate or significant investment in any single connected enterprise capability over the next 12 months. Budgets, however, will be relatively conservative, with the vast majority (83 percent) devoting just 15 percent or less (see figure 3). Short-term insurance trails other industries measured in the study in near-term investment, with just 17 percent investing 16 percent or more of sales within the next year — lagging other industries by margins of -7 to -14 percentage points. When compared across all industries, mature companies are more likely to achieve a strong or acceptable ROI than their short-term insurance counterparts (48 percent versus 29 percent).

Few short-term insurers (22 percent) are investing in all eight connected enterprise capabilities (figure 3 and 4). They seem to be unsure about the distinctions between multichannel and connected enterprise, and, as a result, short-term insurers may not be maximizing and deriving synergies of their investments across the enterprise.

Figure 2: The race for growth is on

Mature insurers across the globe that invest in the eight connected enterprise capabilities are more likely to see enterprise inter-connection and alignment. Ability to achieve greater overall success across customer experience, execution on business objectives, and return on investment:

> The Forrester study reveals that over the next 12 months, insurance companies intend to lay the groundwork for a connected enterprise with efforts extending across each of these integrated capabilities.

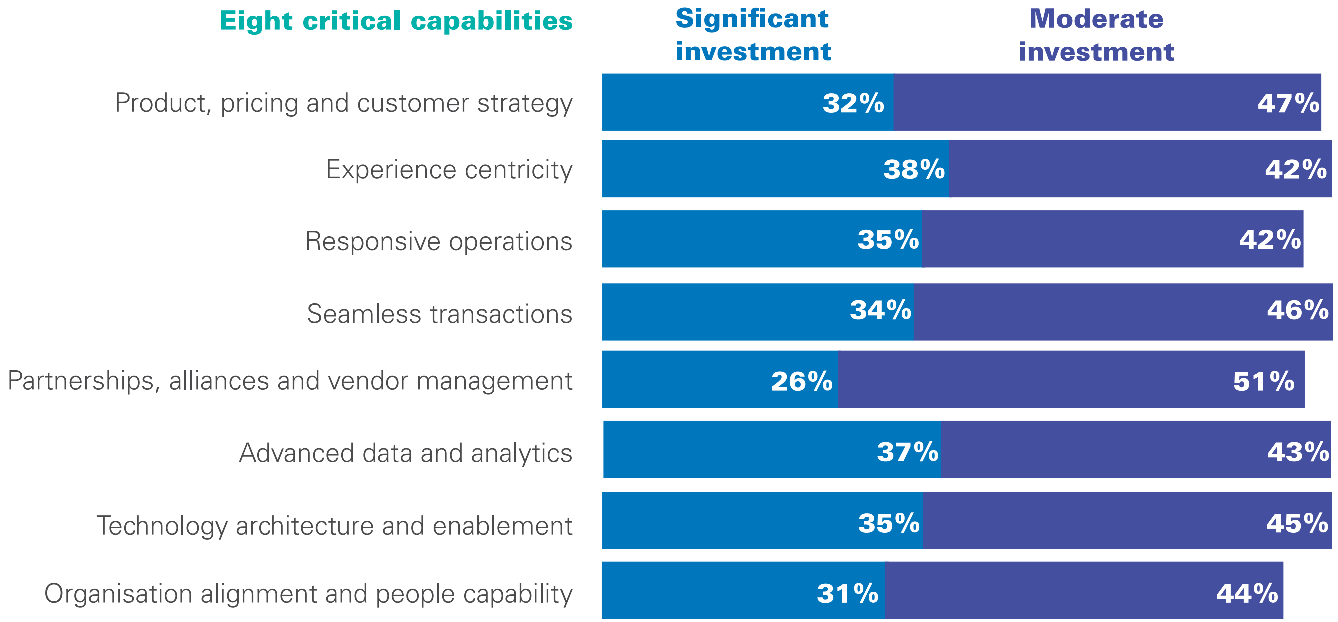


Base: 56 global professionals at short-term insurance organisations investing in all eight interconnected and aligned capabilities and 194 not investing in all eight capabilities.

Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG International

Figure 3: Investment in a connected enterprise

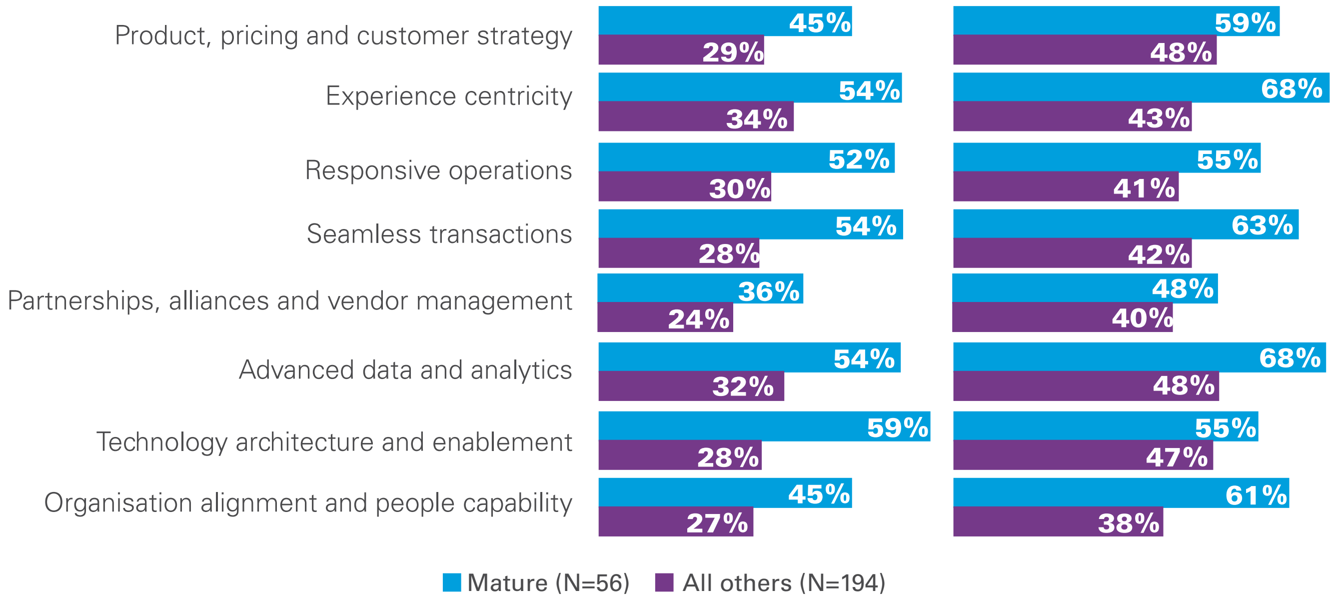
Investment in the eight capabilities spans the entire organisation, from customer-facing interactions through to back-office operations.



Base: 250 professionals involved with interconnected and aligned strategy decisions at short-term insurance organisations
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG International

Figure 4: Multi-year horizon investments

Significant investments in connected enterprise capabilities over the next 12 months, with continued investments



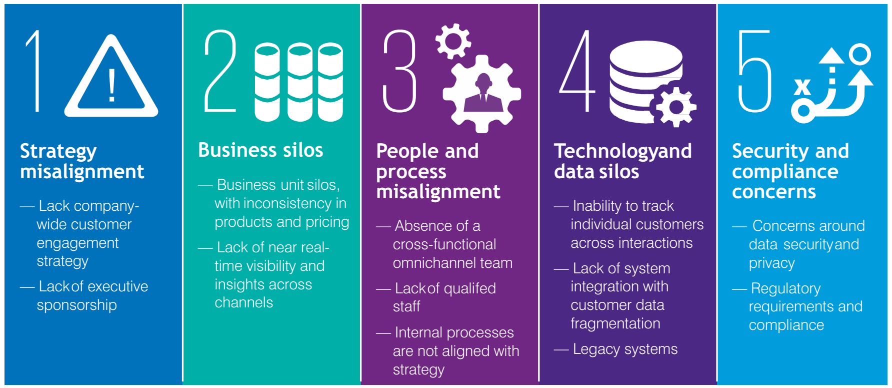
Base: 250 professionals involved with interconnect and aligned strategy decisions at short-term personal lines insurance organisations
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG

To actually align the front, middle and back office around the established customer agenda can be an enormous challenge without a properly structured and orchestrated approach.

The journey starts with understanding the organisation's best customers and then building the business around those customers, specifically by aligning core operations, policy administration, claims management, financial management and other back-office and support functions to create the best experience for those customers.

Our research points to the need for insurers to move from a channel focus to an interconnection and strategic alignment focus, but they face considerable obstacles in doing so. Five challenges stand out — and they stand in the way of creating a truly connected enterprise (figure 5):

Figure 5: Top five obstacles to success



Base: 250 professionals involved with omnichannel strategy at short-term personal lines insurance organisations
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG International

1. Strategy misalignment

Having executive and board- level support backing the connected enterprise strategy isn't just nice to have, it's essential. Despite the strategic importance of an interconnected initiative that is aligned to business and customer strategies, 25 percent of short-term insurers surveyed indicated that their firms lack a companywide strategy for customer engagement. More troubling was the number of firms lacking an executive sponsor to back their connected enterprise and aligned initiative, an issue cited by 23 percent of the insurers.

2. Business silos

Federated and siloed business units without an integrated customer strategy will contribute to inconsistencies in products and pricing across the enterprise. Lack of near real time visibility and insights at the customer and product level also creates challenges across physical and digital channels. Business units must be interconnected and aligned across the organisation if the connected enterprise strategy is to succeed. By viewing customers holistically, and not as standalone product policyholders, insurers will be able to increase penetration at the customer and household level.

3. People and process misalignment

Resource competency challenges in defining, designing, and managing a customer-centric organisation further compounds the limitations that insurers face, with 26 percent indicating they face this hurdle. Nearly 28 percent of short-term insurers cited the lack of cross-functional teams to drive the connected enterprise strategy as one of their top five challenges. They said the lack of alignment, transparency, and effective communications also extends to their partner ecosystem.

4. Technology and data silos

Business and technology initiatives at insurance companies have been plagued for years by the issues of multiple — and aged — core systems. Carriers often have to support duplicate systems housing customer and process information. Fragmented and redundant systems make it nearly impossible to achieve the data integration needed to get a 360-degree view of the customer or effectively provide a seamless experience across businesses and channels. Not surprisingly, 25 percent of respondents cited their top concern is that customer data is housed in multiple databases. Some 24 percent of the insurers cite three other related concerns: legacy systems; the lack of system integration across channels; and difficulty in sharing and leveraging analytic insights across the organisation.

5. Security and compliance concerns

Few things worry insurance firms more than regulation and compliance, especially when it comes to ensuring the security and privacy of their customers' personal data. Of all the concerns expressed when it came to making good on their connected enterprise strategy, security and privacy led the list, cited by 28 percent of respondents. Some 23 percent cited concerns about complying with regulatory requirements.

Connected enterprise is playing a critical role in differentiating the great insurers from the good insurers. Given system issues, competency and commitment shortages, and the demands to streamline processes and make maximum use of data, true change will be difficult. However, falling behind will create challenges that could be insurmountable. It's time for insurers to get serious about winning, serving and retaining their customers.

To succeed insurance companies must:

— Prioritise investments based on connected enterprise capability maturity.
To avoid the risk of disjointed initiatives and wasted investment, insurers should conduct an objective assessment of their maturity level for each of the eight connected enterprise capabilities — identifying where they are doing well, any gaps between current and desired state, and where they need to focus to fill those gaps. They should prioritise initiatives and investments based on this assessment and develop a road map to deliver a compellingly differentiated experience across the customer journey.

— Tackle the limitations of legacy systems with technology architecture strategies.
It's time for insurers to stop kicking the can down the road and take steps to create the high-performance technology architectures they need to meet customer and business expectations.

— Implement connected enterprise metrics that measure short- and long-term results.
Delivering a connected enterprise strategy is an evolutionary approach, not an overnight transformation. Even for sophisticated multichannel practitioners, many long-used operational metrics will only scratch the surface of what a profitable interconnected and aligned strategy can deliver. Along with measuring overall sales and profit performance, professionals responsible for the strategy must implement key performance indicators that measure the customer view - metrics like share of wallet, channel transitions and customer lifetime value.

— Educate decision makers to gain buy-in for required connected enterprise investments.
To capture funding, professionals must advocate for the role that interconnected and aligned capabilities can play in delivering expected ROI and meeting business objectives. Sharing this knowledge across the enterprise serves many purposes: It allows management to avoid questions that might stymie needed funding approval processes; improves the odds of successfully winning those investment budgets by keeping all parties focused on the key objectives; and takes at least some of the competition out of choosing among non-synergistic competing initiatives.

— Build up the connected enterprise talent pool.
The market for employees with experience in executing connected enterprise strategies is heating up. Insurers will have to hire more creatively and faster than ever before or risk losing the battle for the right employees. It's easier - and less expensive - to hire mindsets over skillsets: teaching employees new skills is much easier than changing their attitudes.

To deliver on ever-increasing consumer expectations for a true "customer first" experience and to achieve business and financial goals, organisations must take a holistic approach, addressing each of the eight critical capabilities. But investing in these capabilities is only part of the equation - organisations must also have a clear understanding of where and how they're investing to understand the true value of a connected enterprise.

The path forward is first to understand where your organisation is today through a broad-ranging maturity assessment (Figure 6) that covers all eight capability areas of your enterprise architecture, from the front to the middle and back office. This effort can help identify relative competencies and leading practice. It can also help to inform the business case and road map for investing in relevant capability areas across the enterprise value chain, with a keen focus on unlocking ultimate business value.

Insurers can drive profitable growth by making transformation and business decisions based on what their customers value most. A value-centric mindset, capability, methodology and comprehensive measurement system are required to get the economics of customer experience right and capture desired financial outcomes.

Figure 6: So, what does good look like for your customers... and you?

Connected Enterprise capabilities	What good looks like for customers	What good looks like for organisations
Product, pricing and customer strategy	Connection to the brand, relevance of product and experience	Products/services, pricing and promotions are optimized, leveraging real-time data
Experience centricity	Experience the brand promise across all touchpoints	Experience decisions made to help optimise the economic value of priority customers
Responsive operations	Receive products and services when, where and how it is convenient	Leverage innovation-driven demand, distribution, and servicing across the firm
Seamless transactions	Seamless product/service transactions across channel(s)	Performance and experience driven transactional activities across the firm
Partnerships, alliances and vendor management	Reap the benefit of partnerships without compromising perception	Identify and leverage synergies with third parties to overcome enterprise barriers
Advanced data and analytics	Personalised interactions with brand-oriented customer data	Leverage real-time customer data to customize and enhance the experience
Technology architecture and enablement	Frictionless use of technology across the journey and experience	Culture of innovation and agility driving speedy, quality tech implementation
Organisation alignment and people capability	Seamless and consistent experience across all brand interactions	Culture of an outside-in and inside-out experience centricity

Source: KPMG International

“Change will not come if we wait for some other person or some other time. We are the ones we’ve been waiting for. We are the CHANGE that we seek” - Inspired by Barack Obama

Zelda Mostert, CFO, Chubb Insurance

Short term insurers

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SHORT-TERM INSURANCE INDUSTRY UPDATE

A look back at 2017 indicates that South Africa's gross domestic product (GDP) growth amounted to 1.3% beating the forecasted 1% growth. This is an improvement on 2016 where GDP growth only reached 0.3%. Much of the 2017 growth can be attributed to its fourth quarter, which saw strong growth after the decision by the Monetary Policy Committee to cut the repo rate by 25 basis points. This provided much-needed stimulus to the economy.

As expected, the low GDP growth and tough trading conditions are reflected in the 2017 financial results reported by the short-term insurance industry. Growth in the short-term insurance industry is hard to come by and it is being hindered by these unfavourable macroeconomic factors, political instability and increasing unemployment rates.

Pressure points

— The first year of the Trump presidency has resulted in substantial global economic and political uncertainty with issues ranging from nuclear warfare threats from North Korea and significant tax reforms and threats of tariffs on certain imports from the European Union and China. In addition to this, Brexit is still a dark cloud of uncertainty hanging over the European Union and indeed the rest of the world. This and the continued unrest in the Middle East resulted in global GDP growth for 2017 of 3%, which represents a slight increase from 2016. The increase can be contributed to Central Bank's maintenance of lenient monetary policies to spur growth and a rebound in global trade.

— The Rand is a volatile emerging market currency and 2017 was no exception with the Rand beginning the year at R13.74 against the dollar, reaching a high of R14.47 in October 2017 and ending off the year at R12.26 after a rally against the dollar on the back of the positive outcome in the ANC Elective Conference. The year also saw South Africa's sovereign credit rating being downgraded after yet another cabinet reshuffle, this time removing the finance minister and his deputy. In the context of these developments, the 10-year benchmark government bond yields reached new heights.

— Cape Town faced a drought and the threat of "Day Zero" loomed ever closer. The cost to the economy as a result of the drought is estimated at R5.9bn with estimated job losses of 30 000.

— The unemployment rate at December 2017 was 26.7%, which was a slight increase from 26.5% in the previous period. The high unemployment rate coupled with low growth, resulted in disposable household incomes shrinking and insurance increasingly being seen as a luxury product.

Growth

Growth in the industry is highly sought after due to these tough economic conditions. The price elasticity of demand relating to insurance products means that any proposed premium rate increases are met with resistance by consumers as disposable incomes are shrinking. Further to that, with the availability of digital aggregators, consumers can instantly compare quotes with other insurers and change their insurance provider in a few easy steps.

As a result, the insurance company is forced to be innovative through partnerships, new products and the use of technology to stimulate real growth. The African market is underdeveloped and under-insured. Given the growing middle class and changing demographics, expansion into other African territories was seen to be a key driver for growth. However, because of the tough economic conditions that insurers faced in their domestic markets, there has been a marked slowdown in partnerships within other African territories when compared to previous years (with the exception of Santam) as expected returns and growth expansion have not lived up to expectations. Various other factors contribute to this including an underestimation of cultural and religious differences as well as the slowdown in the global economy as a whole.

Unpacking the results[1]

Intermediated Insurers

In terms of the intermediated insurers, Santam has been the biggest winner with premium growth of over 15% at a group level. This growth is as a result of Santam's successful expansion into other African territories as well as the purchase of a commercial book of business from Absa Insurance. Santam's underwriting margin has however decreased slightly from 2016 as the group was significantly affected by catastrophe claims and large commercial fire claims.

Hollard has successfully integrated Regent Insurance into its operations and its premium growth is a result of this combination.

The newly rebranded Old Mutual Insure (previously Mutual & Federal), saw a slight rise in premiums and has achieved a significant growth in net underwriting profit up from R80m in 2016 to R310m in 2017 in part due to the restructuring of its reinsurance agreements as can be seen in the net cost of catastrophe events of R196m for 2017.

Bryte Insurance successfully rebranded from Zurich Insurance after it was acquired by Canadian-based Fairfax Financial Holdings. Bryte has sought growth through expansion and partnerships and have done so by partnering with Carmague Underwriting Managers and OnPoint as well as acquiring Holmes Underwriting Agency. This has driven growth for Bryte post its rebranding.

On the whole, management expense ratios remained consistent year-on-year and gross claims incurred ratios increased slightly due to the catastrophe events during the year, despite South Africa's status of a benign catastrophe event territory.

Direct Insurers

Direct insurers such as Outsurance and Telesure (consisting of Auto and General, Dial Direct, Budget and First for Women) also saw slight increases in premium. The muted growth is further indicative of the tough trading conditions. However, both firms managed to turn an underwriting profit due to the decreased claims ratios attributed to positive prior year claims development, generous accident claims environment and improved underwriting practices, some as a result of new forms of Insuretech. Gross claims incurred ratios and management expense ratios for the other direct insurers have remained fairly consistent from 2016.

Gross underwriting margins remained healthy within the direct insurer's space, with Outsurance the best performer in this regard.

[1] Our analysis of results is based upon June 2017 and December 2017 financial results. Where the March 2018 results were available, these were considered otherwise we relied on March 2017 and updated discussions with management of the largest insurers.

Specialist insurers

Specialist insurers, Sasria and Export Credit Insurance Company ("ECIC"), did not have a good 2017. Sasria experienced significant claims as a result of the #FeesMustFall protests which took place on campuses across the country in 2016 and affected their 2017 performance.

ECIC saw a slowdown in premiums as firms slowed their expansion plans into African territories. ECIC also took on liabilities from the Department of Trade and Industry which had an adverse effect on their results. Notably, the specialist insurer also received its first claim in 2017, reducing its margins.

Bancassurance

Growth in premiums is largely off the back of the growth in each bank's client base and more so each bank's home loan book. Absa Insurance, which has the widest product offering of all the bancassurers, was the top performer.

Standard Insurance saw a slight increase in premiums but with a deteriorating gross claims incurred ratio, its gross underwriting margin decreased from 2016.

Nedgroup Insurance's premium growth was muted and the gross claims incurred ratio deteriorated due to exposure to catastrophe events of 2017 which led the insurer to record an underwriting loss.

Key themes in the industry

The ever-increasing use of Artificial Intelligence, machine learning and "chatbots" is forcing insurers to rethink their products, distribution channels and their end-user / customer experience. A recent survey by KPMG suggests that service and mobile app accessibility are some of the key factors consumers take into account when selecting an insurer. Given that the industry is well developed and highly competitive in South Africa, it is critical that insurers take steps to ensure their service to consumers is quick and efficient. The use of apps can only serve to enhance the service offered. The American insurer, Lemonade, has made significant strides in this space resulting in an average claims processing time of just three seconds. Whilst this is extreme, many South African insurers are starting to see success with the use of Insuretech, mainly to reduce the costs of back office processing. On the other hand, consumers are increasingly concerned about privacy. Recent data breaches in the industry and indeed most industries, have meant that increased attention needs to be given to cyber security to protect consumer data. Furthermore, with the implementation of the General Data Protection Regulation ("GDPR") by the European Union, South African insurers that serve this market will need to adhere to the policies set by this regulation, in addition to complying with South Africa's Protection of Personal Information (POPI) Act.

The tough economic climate coupled with new stricter solvency requirements, has forced reinsurers to rethink the quality of their treaties. This has resulted in many reinsurers clearing out their books of bad business and the hardening of reinsurance rates, which has had an adverse effect on insurers.

Outlook

According to a report by Standard & Poor's, insurers can expect slight increases in growth despite the benign economic environment but it is unlikely that high historical profits will be repeated. This is in line with the current trend given the results of 2017. It is also expected that growth through acquisitions will slow down as insurers will look to focus on their domestic markets.

The insurance industry, being one of the oldest in the world, is currently facing an inflection point with the flurry of new regulations and accounting standards, disruption through non-traditional competitors, the threat of those who successfully increase revenues and / or reduce costs through the use of Insuretech and a tough economic environment.

SHORT TERM INSURERS | Statement of Financial Position | R'000

Accounting year end	Dec-17	Dec-16	Dec-17	Dec-16	Dec-17	Dec-16 Restated	Nov-17	Nov-16
Group/Company	Absa idirect Limited		Absa Insurance Company Limited		Absa Insurance Risk Management Services Limited		AIG South Africa Limited	
Share capital and share premium	118 510	118 510	31 000	31 000	20 000	20 000	557 500	437 500
Retained earnings/(deficit)	104 134	64 748	1 119 300	1 123 644	27 245	27 121	73 264	141 650
Reserves	-	-	6 058	2 740	-	-	-	-
Total shareholders' funds	**222 644**	**183 258**	**1 156 358**	**1 157 384**	**47 245**	**47 121**	**630 764**	**579 150**
Gross outstanding claims	79 472	70 211	475 154	445 931	51 088	69 543	2 008 852	1 648 063
Gross unearned premium reserve	26 962	25 012	690 462	688 959	182	559	649 690	825 147
Reinsurers' share of expected salvages and recoveries	-	-	-	-	-	-	-	-
Owing to cell owners	-	-	-	-	61 443	60 995	-	-
Deferred reinsurance commission revenue	-	-	5 274	5 747	-	-	184 655	237 566
Deferred tax liability	-	-	-	-	2	6	-	-
Other liabilities	48 949	39 897	179 781	222 072	13 625	-	1 342 145	951 400
Total liabilities	**155 383**	**135 120**	**1 350 671**	**1 362 709**	**126 340**	**131 103**	**4 185 342**	**3 662 176**
Total investments including investments in subsidiaries	**302 568**	**224 361**	**1 720 491**	**1 656 945**	**84 366**	**73 379**	**651 474**	**739 319**
Deferred tax asset, intangible assets and PPE	8 220	7 641	26 592	80 310	-	-	204 473	201 515
Reinsurers' share of outstanding claims	30 396	27 233	264 886	274 788	51 088	69 543	1 849 616	1 484 551
Reinsurers' share of unearned premium reserve	4 821	4 149	50 379	55 074	182	559	564 401	722 956
Gross expected salvages and recoveries	-	-	-	-	-	-	-	-
Deferred acquisition costs	-	-	123 072	121 381	-	-	102 112	123 235
Cash and cash equivalents	20 161	47 945	114 404	183 863	27 011	31 747	913 102	381 600
Other assets	11 861	7 049	207 205	147 732	10 938	2 996	530 928	588 150
Total assets	**378 027**	**318 378**	**2 507 029**	**2 520 093**	**173 585**	**178 224**	**4 816 106**	**4 241 326**
International solvency margin	46%	41%	53%	52%	N/A	N/A	247%	245%
Total assets/Total liabilities	243%	236%	186%	185%	137%	136%	115%	116%
Change in shareholders' funds	21%		0%		0%		9%	

SHORT TERM INSURERS | Statement of Financial Position | R'000

Accounting year end	Mar-17	Mar-16	Dec-17	Dec-16	Jun-17	Jun-16	Jun-17	Jun-16
Group/Company	Alexander Forbes Insurance Company Limited		Allianz Global Corporate and Specialty South Africa Limited		Auto and General Insurance Company (RF) Limited		Bidvest Insurance Limited	
Share capital and share premium	67 915	67 915	90 500	90 500	53 506	53 506	10 000	10 000
Retained earnings/(deficit)	166 525	119 558	31 612	24 553	650 754	518 076	302 865	304 036
Reserves	-	-	-	-	-	-	34 751	117 234
Total shareholders' funds	**234 440**	**187 473**	**122 112**	**115 053**	**704 260**	**571 582**	**347 616**	**431 270**
Gross outstanding claims	275 770	312 867	993 245	946 724	394 865	351 281	103 424	106 074
Gross unearned premium reserve	27 575	26 213	367 675	290 424	133 800	138 153	311 100	340 543
Reinsurers' share of expected salvages and recoveries	-	-	-	-	40 406	41 572	-	-
Owing to cell owners	-	-	-	-	-	-	-	-
Deferred reinsurance commission revenue	5 262	5 136	127 775	98 064	-	-	-	-
Deferred tax liability	-	-	-	-	3 098	-	19 886	32 652
Other liabilities	109 795	123 430	185 898	213 396	181 453	169 909	14 120	42 722
Total liabilities	**418 402**	**467 646**	**1 674 593**	**1 548 608**	**753 622**	**700 915**	**448 530**	**521 991**
Total investments including investments in subsidiaries	**331 416**	**327 220**	-	-	**960 824**	**570 695**	**538 813**	**495 556**
Deferred tax asset, intangible assets and PPE	10 766	10 875	4 978	4 337	-	4 044	-	-
Reinsurers' share of outstanding claims	215 486	241 726	961 830	928 932	59 643	52 374	-	-
Reinsurers' share of unearned premium reserve	20 707	19 704	367 636	290 388	-	-	-	-
Gross expected salvages and recoveries	-	-	-	-	84 363	86 700	-	-
Deferred acquisition costs	2 455	2 340	83 462	72 714	14 009	14 967	64 142	56 138
Cash and cash equivalents	33 148	19 679	161 939	176 978	29 810	301 424	115 736	258 498
Other assets	38 864	33 575	216 860	190 312	309 233	242 293	77 455	143 069
Total assets	**652 842**	**655 119**	**1 796 705**	**1 663 661**	**1 457 882**	**1 272 497**	**796 146**	**953 261**
International solvency margin	57%	49%	20558%	2149%	50%	43%	96%	124%
Total assets/Total liabilities	156%	140%	107%	107%	193%	182%	178%	183%
Change in shareholders' funds	25%		6%		23%		(19%)	

SHORT TERM INSURERS | Statement of Financial Position | R'000

Accounting year end	Dec-17	Dec-16	Jun-17	Jun-16	Dec-17	Dec-16	Dec-17	Dec-16
Group/Company	Bryte Insurance Company Limited		Budget Insurance Company (RF) Limited		Centriq Insurance Company Limited		Chubb Insurance South Africa Limited	
Share capital and share premium	4 650	4 650	80 001	80 001	55 000	55 000	115 000	115 000
Retained earnings/(deficit)	1 489 850	1 352 587	371 525	207 060	190 751	190 960	92 744	63 642
Reserves	51 891	125 946	-	-	-	-	2 417	2 581
Total shareholders' funds	**1 546 391**	**1 483 183**	**451 526**	**287 061**	**245 751**	**245 960**	**210 161**	**181 223**
Gross outstanding claims	2 288 759	1 607 642	206 443	198 827	716 650	676 830	673 510	467 878
Gross unearned premium reserve	622 025	618 151	41 488	16 360	2 102 927	1 704 866	214 708	221 975
Reinsurers' share of expected salvages and recoveries	-	-	26 896	26 182	-	-	-	-
Owing to cell owners	-	-	-	-	1 143 776	1 029 037	-	-
Deferred reinsurance commission revenue	35 778	17 378	-	-	36 652	22 292	46 726	48 867
Deferred tax liability	-	-	-	-	-	-	554	829
Other liabilities	992 785	705 095	84 456	63 320	956 925	754 831	119 327	101 918
Total liabilities	**3 939 347**	**2 948 266**	**359 283**	**304 689**	**4 956 930**	**4 187 856**	**1 054 825**	**841 467**
Total investments including investments in subsidiaries	**3 228 744**	**3 215 283**	**582 059**	**30 654**	**3 996 712**	**3 309 776**	**273 172**	**186 441**
Deferred tax asset, intangible assets and PPE	276 035	290 716	285	872	31 363	15 138	3 004	4 556
Reinsurers' share of outstanding claims	1 323 101	336 178	22 346	22 044	266 242	279 543	554 116	370 612
Reinsurers' share of unearned premium reserve	221 595	139 588	-	-	120 036	78 492	155 487	165 575
Gross expected salvages and recoveries	-	-	55 972	54 871	-	-	-	-
Deferred acquisition costs	82 476	78 496	1 509	-	31 305	25 321	30 767	32 470
Cash and cash equivalents	318 237	316 293	54 437	409 123	316 595	274 827	121 704	104 913
Other assets	35 550	54 895	94 201	74 186	440 428	450 719	126 736	158 123
Total assets	**5 485 738**	**4 431 449**	**810 809**	**591 750**	**5 202 681**	**4 433 816**	**1 264 986**	**1 022 690**
International solvency margin	58%	50%	60%	42%	33%	42%	168%	154%
Total assets/Total liabilities	139%	150%	226%	194%	105%	106%	120%	122%
Change in shareholders' funds	4%		57%		0%		16%	

SHORT TERM INSURERS | Statement of Financial Position | R'000

Accounting year end	Jun-17	Jun-16	Dec-17	Dec-16	Mar-17	Mar-16	Jun-17	Jun-16
Group/Company	Clientele General Insurance Limited		Compass Insurance Company Limited		Corporate Guarantee (South Africa) Limited		Dial Direct Insurance (RF) Limited	
Share capital and share premium	42 500	42 500	114 284	114 284	42 900	42 900	20 001	20 001
Retained earnings/(deficit)	144 576	110 507	100 446	81 834	25 741	23 185	223 800	170 785
Reserves	3 169	2 419	214	(234)	-	-	-	-
Total shareholders' funds	**190 245**	**155 426**	**214 944**	**195 884**	**68 641**	**66 085**	**243 801**	**190 786**
Gross outstanding claims	5 754	5 707	584 836	435 359	8 236	6 655	126 605	115 806
Gross unearned premium reserve	3 627	5 033	106 119	93 781	480 121	406 040	109 865	97 461
Reinsurers' share of expected salvages and recoveries	-	-	-	-	-	-	12 638	13 510
Owing to cell owners	-	-	-	-	-	-	-	-
Deferred reinsurance commission revenue	-	-	32 739	29 492	-	-	-	-
Deferred tax liability	4 015	5 040	-	-	-	140	310	-
Other liabilities	48 220	45 073	245 631	220 428	6 380	5 347	63 104	37 646
Total liabilities	**61 616**	**60 853**	**969 325**	**779 060**	**494 737**	**418 182**	**312 522**	**264 423**
Total investments including investments in subsidiaries	**201 337**	**177 087**	**463 073**	**407 094**	**443 326**	**298 276**	**416 783**	**85 832**
Deferred tax asset, intangible assets and PPE	16 083	14 735	8 141	5 917	932	82	-	1 120
Reinsurers' share of outstanding claims	-	-	522 648	393 042	-	-	13 296	13 463
Reinsurers' share of unearned premium reserve	-	-	109 719	93 622	-	-	-	-
Gross expected salvages and recoveries	-	-	-	-	-	-	26 178	28 100
Deferred acquisition costs	-	-	30 081	26 635	-	-	423	-
Cash and cash equivalents	31 302	22 663	19 654	20 323	56 584	116 578	36 027	278 971
Other assets	3 139	1 794	30 953	28 311	62 536	69 331	63 616	47 723
Total assets	**251 861**	**216 279**	**1 184 269**	**974 944**	**563 378**	**484 267**	**556 323**	**455 209**
International solvency margin	54%	51%	263%	280%	83%	240%	59%	47%
Total assets/Total liabilities	409%	355%	122%	125%	114%	116%	178%	172%
Change in shareholders' funds	22%		10%		4%		28%	

SHORT TERM INSURERS | Statement of Financial Position | R'000

Accounting year end	Dec-17	Dec-16	Mar-17	Mar-16	Mar-17	Mar-16	Jun-17	Jun-16
Group/Company	Enpet Africa Insurance Limited		Escap SOC Limited		Export Credit Insurance Corporation of South Africa SOC Limited		First for Women Insurance Company (RF) Limited	
Share capital and share premium	3 000	3 000	379 500	379 500	316 051	316 051	82 000	82 000
Retained earnings/(deficit)	90 023	91 172	4 726 121	2 584 705	656 603	1 933 635	97 931	27 735
Reserves	23 868	23 286	5 647	(3 953)	2 597 222	2 998 170	-	-
Total shareholders' funds	**116 891**	**117 458**	**5 111 268**	**2 960 252**	**3 569 876**	**5 247 856**	**179 931**	**109 735**
Gross outstanding claims	149 998	125 958	3 626 581	8 795 818	525 079	760 054	118 415	101 146
Gross unearned premium reserve	-	-	968 766	1 148 664	2 711 440	3 350 658	37 356	29 227
Reinsurers' share of expected salvages and recoveries	-	-	-	-	-	-	20 938	20 241
Owing to cell owners	-	-	-	-	-	-	-	-
Deferred reinsurance commission revenue	-	-	41 428	48 448	-	-	-	-
Deferred tax liability	1 054	593	50 382	58 929	23 044	43 357	-	-
Other liabilities	1 824	1 340	6 755	132 645	1 731 043	30 387	62 076	43 495
Total liabilities	**152 876**	**127 891**	**4 693 912**	**10 184 504**	**4 990 606**	**4 184 456**	**238 785**	**194 109**
Total investments including investments in subsidiaries	**113 763**	**98 711**	**8 175 557**	**8 469 632**	**6 685 902**	**7 072 663**	**271 553**	**43 096**
Deferred tax asset, intangible assets and PPE	-	-	-	-	11 663	14 471	150	55
Reinsurers' share of outstanding claims	27 323	32 821	938 612	3 824 648	-	-	23 022	18 902
Reinsurers' share of unearned premium reserve	-	-	414 285	484 479	-	-	-	-
Gross expected salvages and recoveries	-	-	-	-	-	-	21 986	21 274
Deferred acquisition costs	-	-	20 714	24 224	-	-	624	-
Cash and cash equivalents	122 939	106 644	23 935	90 996	284 614	439 960	32 081	161 360
Other assets	5 742	7 173	232 077	250 777	1 578 303	1 905 218	69 300	59 157
Total assets	**269 767**	**245 349**	**9 805 180**	**13 144 756**	**8 560 482**	**9 432 312**	**418 716**	**303 844**
International solvency margin	282%	276%	202%	105%	2475%	1274%	742%	446%
Total assets/Total liabilities	176%	192%	209%	129%	172%	225%	175%	157%
Change in shareholders' funds	0%		73%		(32%)		64%	

SHORT TERM INSURERS | Statement of Financial Position | R'000

Accounting year end	Jun-17	Jun-16	Dec-17	Dec-16	Jun-17	Jun-16	Sep-17	Sep-16
Group/Company	Guardrisk Insurance Company Limited		HDI Global SA Limited		The Hollard Insurance Company Limited		Indequity Specialised Insurance Limited	
Share capital and share premium	224 414	224 414	17 955	17 955	1 642 601	1 642 601	11 470	11 470
Retained earnings/(deficit)	254 890	169 151	32 985	31 642	1 581 361	2 094 497	18 139	10 987
Reserves	-	-	59	4	4 012	4 012	(510)	(206)
Total shareholders' funds	**479 304**	**393 565**	**50 998**	**49 601**	**3 227 974**	**3 741 110**	**29 099**	**22 251**
Gross outstanding claims	1 338 865	1 456 962	340 445	532 858	3 348 912	3 301 658	4 928	3 886
Gross unearned premium reserve	3 502 841	3 155 242	125 650	95 399	1 823 678	1 813 689	260	272
Reinsurers' share of expected salvages and recoveries	-	-	-	-	-	-	-	-
Owing to cell owners	4 742 411	5 152 780	-	-	-	-	-	-
Deferred reinsurance commission revenue	113 940	109 142	27 483	18 298	-	-	-	-
Deferred tax liability	16 376	10 767	-	-	166 581	129 368	154	289
Other liabilities	1 172 145	792 615	70 844	52 678	2 595 625	1 995 030	6 300	2 884
Total liabilities	**10 886 578**	**10 677 508**	**564 422**	**699 233**	**7 934 796**	**7 239 745**	**11 642**	**7 331**
Total investments including investments in subsidiaries	**7 343 293**	**6 826 524**	**42 053**	**33 007**	**3 614 597**	**3 671 371**	**6 569**	**3 940**
Deferred tax asset, intangible assets and PPE	24 543	35 587	202	224	289 656	255 340	2 883	1 602
Reinsurers' share of outstanding claims	1 186 495	2 297 643	336 038	530 094	1 688 748	1 658 556	42	53
Reinsurers' share of unearned premium reserve	589 301	521 396	123 159	93 494	1 304 701	559 899	-	-
Gross expected salvages and recoveries	-	-	-	-	-	388 443	2 095	2 263
Deferred acquisition costs	87 184	77 462	20 801	13 482	143 311	144 297	-	-
Cash and cash equivalents	1 039 080	442 424	23 733	18 328	2 080 702	2 173 264	28 884	21 378
Other assets	1 095 986	870 037	69 435	60 205	2 041 055	2 129 685	268	346
Total assets	**11 365 882**	**11 071 073**	**615 420**	**748 834**	**11 162 770**	**10 980 855**	**40 741**	**29 582**
International solvency margin	15%	13%	1066%	1498%	39%	46%	56%	48%
Total assets/Total liabilities	104%	104%	109%	107%	141%	152%	350%	404%
Change in shareholders' funds	22%		3%		(14%)		31%	

SHORT TERM INSURERS | Statement of Financial Position | R'000

Accounting year end	Jun-17	Jun-16	Dec-17	Dec-16	Dec-17	Dec-16	Feb-17	Feb-16
Group/Company	Momentum Short Term Insurance Company Limited		Mutual & Federal Risk Financing Limited		Nedgroup Insurance Company Limited		Oakhurst Insurance Company Limited	
Share capital and share premium	654 050	529 302	4 550	4 550	5 000	5 000	20 000	20 000
Retained earnings/(deficit)	(323 166)	(265 121)	203 563	180 934	642 064	601 366	193 307	157 195
Reserves	-	-	-	-	-	-	4 379	5 582
Total shareholders' funds	**330 884**	**264 181**	**208 113**	**185 484**	**647 064**	**606 366**	**217 686**	**182 777**
Gross outstanding claims	138 542	80 263	610 976	573 818	202 876	167 714	113 802	131 813
Gross unearned premium reserve	1 820	1 446	362 981	326 796	395 508	262 405	18 497	9 706
Reinsurers' share of expected salvages and recoveries	-	-	-	-	-	-	7 481	2 334
Owing to cell owners	-	-	761 467	733 713	-	-	-	-
Deferred reinsurance commission revenue	-	-	74 401	75 444	25	1 340	622	1 218
Deferred tax liability	-	-	5 748	2 622	48 084	32 186	10 270	3 179
Other liabilities	56 968	37 642	595 489	406 681	97 611	134 760	43 694	43 231
Total liabilities	**197 330**	**119 351**	**2 411 062**	**2 119 074**	**744 104**	**598 405**	**194 366**	**191 481**
Total investments including investments in subsidiaries	**406 258**	**295 687**	**702 761**	**778 461**	**1 019 892**	**947 593**	**151 684**	**158 877**
Deferred tax asset, intangible assets and PPE	61 271	51 079	-	-	2 271	1 224	2 755	1 800
Reinsurers' share of outstanding claims	3 809	824	427 579	359 773	91 771	80 405	34 563	61 601
Reinsurers' share of unearned premium reserve	218	186	313 970	323 595	6 833	5 438	2 668	4 910
Gross expected salvages and recoveries	-	-	-	-	-	-	31 877	30 634
Deferred acquisition costs	182	145	74 401	75 444	201 885	90 397	1 372	1 955
Cash and cash equivalents	54 728	32 582	588 807	418 147	19 648	48 427	129 833	94 711
Other assets	1 748	3 029	511 657	349 138	48 867	31 287	57 300	19 770
Total assets	**528 214**	**383 532**	**2 619 175**	**2 304 558**	**1 391 167**	**1 204 771**	**412 052**	**374 258**
International solvency margin	53%	45%	210%	674%	66%	63%	39%	40%
Total assets/Total liabilities	268%	321%	109%	109%	187%	201%	212%	195%
Change in shareholders' funds	25%		12%		7%		19%	

SHORT TERM INSURERS | Statement of Financial Position | R'000

Accounting year end	Dec-17	Dec-16	Jun-17	Jun-16	Dec-17	Dec-16	Jun-17	Jun-16
Group/Company	Old Mutual Insure Limited		OUTsurance Insurance Company Limited		PPS Short-term Insurance Company Limited		Regent Insurance Company Limited	
Share capital and share premium	1 797 000	1 797 000	25 000	25 000	270 613	223 613	200 503	455 504
Retained earnings/(deficit)	2 480 000	2 924 000	3 573 388	3 193 954	(152 335)	(134 267)	18 359	66 065
Reserves	84 000	89 000	74 187	80 887	-	-	767 184	536 650
Total shareholders' funds	**4 361 000**	**4 810 000**	**3 672 575**	**3 299 841**	**118 278**	**89 346**	**986 046**	**1 058 219**
Gross outstanding claims	2 910 000	2 994 000	1 278 541	1 126 364	27 861	16 337	288 676	338 625
Gross unearned premium reserve	799 000	815 000	449 188	440 692	1 018	126	346 455	358 114
Reinsurers' share of expected salvages and recoveries	-	-	-	-	-	-	-	-
Owing to cell owners	-	-	-	-	-	-	-	-
Deferred reinsurance commission revenue	63 000	58 000	-	-	-	-	-	-
Deferred tax liability	-	-	-	-	-	-	24 815	36 188
Other liabilities	2 774 000	1 290 000	560 824	614 561	21 824	16 486	172 436	201 596
Total liabilities	**6 546 000**	**5 157 000**	**2 288 553**	**2 181 617**	**50 703**	**32 949**	**832 382**	**934 523**
Total investments including investments in subsidiaries	**5 313 000**	**5 611 000**	**5 002 470**	**4 727 844**	-	-	**1 089 256**	**1 522 681**
Deferred tax asset, intangible assets and PPE	456 000	448 000	199 158	170 632	53 587	48 493	109 475	254 685
Reinsurers' share of outstanding claims	1 027 000	964 000	110 726	14 237	1 079	2 235	35 859	51 079
Reinsurers' share of unearned premium reserve	319 000	318 000	-	-	-	-	358	694
Gross expected salvages and recoveries	287 000	292 000	-	-	-	-	-	-
Deferred acquisition costs	123 000	129 000	-	-	64	14	-	-
Cash and cash equivalents	319 000	119 000	304 366	189 827	110 363	63 708	469 096	92 592
Other assets	3 063 000	2 086 000	344 409	378 918	3 888	7 845	114 384	71 011
Total assets	**10 907 000**	**9 967 000**	**5 961 129**	**5 481 458**	**168 981**	**122 295**	**1 818 428**	**1 992 742**
International solvency margin	57%	63%	51%	48%	N/A	103%	75%	78%
Total assets/Total liabilities	167%	193%	260%	251%	333%	371%	218%	213%
Change in shareholders' funds	(9%)		11%		32%		(7%)	

SHORT TERM INSURERS | Statement of Financial Position | R'000

Accounting year end	Jun-17	Jun-16	Mar-17	Mar-16	Dec-17	Dec-16	Mar-17	Mar-16
Group/Company	Renasa Insurance Company Limited		Safire Insurance Company Limited		Santam Limited		Sasria SOC Limited	
Share capital and share premium	56 550	56 550	10 053	10 053	103 000	103 000	-	-
Retained earnings/(deficit)	800	(1 482)	123 416	101 404	6 980 000	6 552 000	5 284 277	4 937 786
Reserves	-	-	36 778	30 714	-	(6 000)	480 286	434 750
Total shareholders' funds	**57 350**	**55 068**	**170 247**	**142 171**	**7 083 000**	**6 649 000**	**5 764 563**	**5 372 536**
Gross outstanding claims	151 673	144 487	95 987	79 121	9 376 000	7 821 000	809 034	694 038
Gross unearned premium reserve	24 628	21 775	61 343	54 557	3 053 000	2 919 000	393 280	350 357
Reinsurers' share of expected salvages and recoveries	-	-	-	-	-	-	-	-
Owing to cell owners	-	-	131 305	105 281	-	-	-	-
Deferred reinsurance commission revenue	-	-	-	-	284 000	247 000	7 219	5 968
Deferred tax liability	-	-	7 412	6 095	14 000	42 000	18 159	15 361
Other liabilities	135 540	134 227	63 056	53 701	6 174 000	6 182 000	104 861	159 665
Total liabilities	**311 841**	**300 489**	**359 103**	**298 755**	**18 901 000**	**17 211 000**	**1 332 553**	**1 225 389**
Total investments including investments in subsidiaries	**6 111**	**6 111**	**279 726**	**190 089**	**13 208 000**	**14 046 000**	**4 031 555**	**4 591 336**
Deferred tax asset, intangible assets and PPE	6 921	6 749	18 043	17 539	344 000	388 000	8 946	14 624
Reinsurers' share of outstanding claims	131 313	124 949	39 343	32 431	4 015 000	2 866 000	137	823
Reinsurers' share of unearned premium reserve	22 088	19 390	9 072	9 446	1 153 000	1 043 000	24 065	19 894
Gross expected salvages and recoveries	-	-	-	-	-	-	-	-
Deferred acquisition costs	4 483	3 890	11 291	10 514	490 000	437 000	53 269	45 428
Cash and cash equivalents	134 387	114 080	25 881	45 275	2 026 000	1 610 000	2 790 334	1 767 111
Other assets	63 888	80 388	145 994	135 632	4 748 000	3 470 000	188 810	158 709
Total assets	**369 191**	**355 557**	**529 350**	**440 926**	**25 984 000**	**23 860 000**	**7 097 116**	**6 597 925**
International solvency margin	43%	42%	76%	75%	36%	37%	339%	348%
Total assets/Total liabilities	118%	118%	147%	148%	137%	139%	533%	538%
Change in shareholders' funds	4%		20%		7%		7%	

SHORT TERM INSURERS | Statement of Financial Position | R'000

Accounting year end	Dec-17	Dec-16	Sep-17	Sep-16
Group/Company	Standard Insurance Limited		Unitrans Insurance Limited	
Share capital and share premium	30 000	30 000	15 150	15 150
Retained earnings/(deficit)	1 398 854	1 302 193	370 384	328 312
Reserves	140	140	-	-
Total shareholders' funds	**1 428 994**	**1 332 333**	**385 534**	**343 462**
Gross outstanding claims	572 727	388 739	135 520	72 569
Gross unearned premium reserve	44 190	49 495	148 045	135 722
Reinsurers' share of expected salvages and recoveries	-	-	-	-
Owing to cell owners	-	-	-	-
Deferred reinsurance commission revenue	97	2 819	2 606	4 829
Deferred tax liability	7 221	6 813	8 390	7 589
Other liabilities	125 191	118 847	123 571	83 846
Total liabilities	**749 426**	**566 713**	**418 132**	**304 555**
Total investments including investments in subsidiaries	**1 463 324**	**1 495 282**	**101 197**	**94 482**
Deferred tax asset, intangible assets and PPE	1 903	1 665	-	-
Reinsurers' share of outstanding claims	113 841	71 749	57 824	45 514
Reinsurers' share of unearned premium reserve	606	8 531	64 368	52 038
Gross expected salvages and recoveries	-	-	-	-
Deferred acquisition costs	2 654	5 343	33 288	35 327
Cash and cash equivalents	206 190	178 618	494 054	330 738
Other assets	389 902	137 858	52 935	89 918
Total assets	**2 178 420**	**1 899 046**	**803 666**	**648 017**
International solvency margin	62%	63%	220%	259%
Total assets/Total liabilities	291%	335%	192%	213%
Change in shareholders' funds	7%		12%	

SHORT TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Dec-17	Dec-16	Dec-17	Dec-16	Dec-17	Dec-16 Restated	Nov-17	Nov-16
Group/Company	Absa idirect Limited		Absa Insurance Company Limited		Absa Insurance Risk Management Services Limited		AIG South Africa Limited	
Gross premiums written	500 244	467 279	2 350 748	2 340 964	3 648	15 900	2 014 110	2 285 294
Net premiums written	488 560	441 651	2 188 487	2 216 199	-	-	255 591	235 954
Earned premiums	**487 357**	**442 050**	**2 182 289**	**2 211 753**	**-**	**-**	**272 493**	**253 252**
Total net investment income	**23 018**	**19 666**	**157 700**	**153 626**	**7 129**	**(5 076)**	**84 633**	**85 695**
Reinsurance commission revenue	603	178	13 405	22 006	-	-	628 245	696 365
Other income	4 185	4 173	29 669	33 547	19	16	-	-
Total income	**515 163**	**466 067**	**2 383 063**	**2 420 932**	**7 148**	**(5 060)**	**985 371**	**1 035 312**
Net claims incurred	354 358	358 884	1 444 594	1 494 562	4 782	(8 024)	305 146	290 011
Acquisition costs	80 215	63 969	358 285	386 393	-	-	336 898	357 789
Cell owners' transactions	-	-	-	-	-	-	-	-
Management and other expenses	25 885	23 253	373 074	291 871	2 242	903	436 500	418 864
Total expenses	**460 458**	**446 106**	**2 175 953**	**2 172 826**	**7 024**	**(7 121)**	**1 078 544**	**1 066 664**
Net profit/(loss) before taxation	**54 705**	**19 961**	**207 110**	**248 106**	**124**	**2 061**	**(93 173)**	**(31 352)**
Taxation	15 319	5 589	52 454	70 739	-	595	(24 787)	(7 753)
Net profit/(loss) after taxation	**39 386**	**14 372**	**154 656**	**177 367**	**124**	**1 466**	**(68 386)**	**(23 599)**
Other comprehensive income/(expense)	-	-	-	8 283	-	-	-	-
Total comprehensive income/(loss) for the year	**39 386**	**14 372**	**154 656**	**185 650**	**124**	**1 466**	**(68 386)**	**(23 599)**
Transfer to/(from) retained earnings	-	-	-	-	-	-	-	-
Other comprehensive (income)/expense	-	-	-	-	-	-	-	-
Dividends	-	-	159 000	152 000	-	-	-	-
Change in retained earnings	**39 386**	**14 372**	**(4 344)**	**33 650**	**124**	**1 466**	**(68 386)**	**(23 599)**
Net premium to gross premium	98%	95%	93%	95%	0%	0%	13%	10%
Claims incurred to earned premium	73%	81%	66%	68%	N/A	N/A	112%	115%
Management and other expenses to net earned premium	5%	5%	17%	13%	N/A	N/A	160%	165%
Combined ratio	94%	101%	99%	97%	N/A	N/A	165%	146%
Operating ratio	90%	96%	92%	90%	N/A	N/A	134%	112%
Return on equity	18%	8%	13%	15%	0%	3%	(11%)	(4%)

SHORT TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Mar-17	Mar-16	Dec-17	Dec-16	Jun-17	Jun-16	Jun-17	Jun-16
Group/Company	Alexander Forbes Insurance Company Limited		Allianz Global Corporate and Specialty South Africa Limited		Auto and General Insurance Company (RF) Limited		Bidvest Insurance Limited	
Gross premiums written	1 633 203	1 501 552	946 649	764 034	3 249 310	3 033 732	512 323	391 791
Net premiums written	413 054	384 102	594	5 354	1 416 319	1 344 249	360 978	346 960
Earned premiums	**412 695**	**383 645**	**(190)**	**1 324**	**1 420 672**	**1 343 257**	**390 420**	**343 950**
Total net investment income	**29 497**	**23 631**	**10 029**	**7 007**	**57 051**	**59 204**	**33 041**	**42 346**
Reinsurance commission revenue	294 267	291 293	256 292	195 494	730 628	680 688	38 653	7 768
Other income	66 091	59 960	6 000	4 552	64 632	58 821	-	-
Total income	**802 550**	**758 529**	**272 131**	**208 377**	**2 272 983**	**2 141 970**	**462 114**	**394 064**
Net claims incurred	278 870	272 266	13 910	(24 070)	910 032	857 290	160 888	128 614
Acquisition costs	79 744	71 079	127 658	102 042	462 933	428 760	89 146	82 881
Cell owners' transactions	-	-	-	-	-	-	-	-
Management and other expenses	379 327	370 481	120 750	123 497	720 424	679 426	142 906	103 708
Total expenses	**737 941**	**713 826**	**262 318**	**201 469**	**2 093 389**	**1 965 476**	**392 940**	**315 203**
Net profit/(loss) before taxation	**64 609**	**44 703**	**9 813**	**6 908**	**179 594**	**176 494**	**69 174**	**78 861**
Taxation	17 642	12 139	2 754	1 957	46 915	50 069	19 033	17 384
Net profit/(loss) after taxation	**46 967**	**32 564**	**7 059**	**4 951**	**132 679**	**126 425**	**50 141**	**61 477**
Other comprehensive income/(expense)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the year	**46 967**	**32 564**	**7 059**	**4 951**	**132 679**	**126 425**	**50 141**	**61 477**
Transfer to/(from) retained earnings	-	-	-	-	-	-	82 483	112 127
Other comprehensive (income)/expense	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	102 500	133 795	118 500
Change in retained earnings	**46 967**	**32 564**	**7 059**	**4 951**	**132 679**	**23 925**	**(1 171)**	**55 104**
Net premium to gross premium	25%	26%	0%	1%	44%	44%	70%	89%
Claims incurred to earned premium	68%	71%	(7321%)	(1818%)	64%	64%	41%	37%
Management and other expenses to net earned premium	92%	97%	(63553%)	9328%	51%	51%	37%	30%
Combined ratio	108%	110%	(3172%)	451%	96%	96%	91%	89%
Operating ratio	100%	104%	2107%	(78%)	92%	91%	82%	77%
Return on equity	20%	17%	6%	4%	19%	22%	14%	14%

SHORT TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Dec-17	Dec-16	Jun-17	Jun-16	Dec-17	Dec-16	Dec-17	Dec-16
Group/Company	Bryte Insurance Company Limited		Budget Insurance Company (RF) Limited		Centriq Insurance Company Limited		Chubb Insurance South Africa Limited	
Gross premiums written	4 115 205	3 736 734	1 559 479	1 368 580	2 477 174	2 144 058	550 649	555 486
Net premiums written	2 664 143	2 975 221	757 593	675 723	746 637	590 087	125 319	117 329
Earned premiums	**2 742 276**	**2 917 985**	**732 465**	**664 815**	**412 383**	**570 448**	**122 498**	**106 148**
Total net investment income	**428 837**	**455 697**	**38 512**	**21 718**	**228 391**	**296 358**	**21 924**	**16 357**
Reinsurance commission revenue	118 110	141 524	356 421	310 194	336 757	257 979	122 669	119 384
Other income	4 407	4 380	62 419	46 176	67 010	76 573	4 120	3 393
Total income	**3 293 630**	**3 519 586**	**1 189 817**	**1 042 903**	**1 044 541**	**1 201 358**	**271 211**	**245 282**
Net claims incurred	1 797 626	2 092 908	507 216	456 818	422 928	515 458	84 953	64 136
Acquisition costs	646 894	653 515	25 550	26 068	278 639	261 637	97 123	97 681
Cell owners' transactions	-	-	-	-	12 420	99 979	-	-
Management and other expenses	683 800	791 918	428 482	427 603	249 394	248 029	48 610	47 808
Total expenses	**3 128 320**	**3 538 341**	**961 248**	**910 489**	**963 381**	**1 125 103**	**230 686**	**209 625**
Net profit/(loss) before taxation	**165 310**	**(18 755)**	**228 569**	**132 414**	**81 160**	**76 255**	**40 525**	**35 657**
Taxation	28 047	(30 823)	64 104	37 018	21 369	21 347	11 423	8 853
Net profit/(loss) after taxation	**137 263**	**12 068**	**164 465**	**95 396**	**59 791**	**54 908**	**29 102**	**26 804**
Other comprehensive income/(expense)	(78 649)	(160 605)	-	-	-	-	-	-
Total comprehensive income/(loss) for the year	**58 614**	**(148 537)**	**164 465**	**95 396**	**59 791**	**54 908**	**29 102**	**26 804**
Transfer to/(from) retained earnings	-	-	-	-	-	1 342	-	-
Other comprehensive (income)/expense	78 649	160 605	-	-	-	-	-	-
Dividends	-	-	-	67 500	60 000	-	-	-
Change in retained earnings	**137 263**	**12 068**	**164 465**	**27 896**	**(209)**	**53 566**	**29 102**	**26 804**
Net premium to gross premium	65%	80%	49%	49%	30%	28%	23%	21%
Claims incurred to earned premium	66%	72%	69%	69%	103%	90%	69%	60%
Management and other expenses to net earned premium	25%	27%	58%	64%	60%	43%	40%	45%
Combined ratio	110%	116%	83%	90%	149%	134%	88%	85%
Operating ratio	94%	101%	77%	87%	94%	83%	70%	70%
Return on equity	9%	1%	36%	33%	24%	22%	14%	15%

SHORT TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Jun-17	Jun-16	Dec-17	Dec-16	Mar-17	Mar-16	Jun-17	Jun-16
Group/Company	Clientele General Insurance Limited		Compass Insurance Company Limited		Corporate Guarantee (South Africa) Limited		Dial Direct Insurance (RF) Limited	
Gross premiums written	351 661	302 189	1 301 779	1 099 754	83 000	27 493	907 119	884 529
Net premiums written	351 661	302 189	81 833	69 931	83 000	27 493	416 093	406 391
Earned premiums	**351 661**	**302 189**	**85 592**	**74 076**	**8 919**	**15 012**	**403 689**	**406 541**
Total net investment income	**10 250**	**8 355**	**39 635**	**30 085**	**42 436**	**34 824**	**30 248**	**26 059**
Reinsurance commission revenue	-	-	451 733	378 975	-	-	217 994	212 998
Other income	1 826	1 652	1 680	2 015	59	2 035	29 090	21 283
Total income	**363 737**	**312 196**	**578 640**	**485 151**	**51 414**	**51 871**	**681 021**	**666 881**
Net claims incurred	38 799	34 586	71 907	44 725	25 845	25 559	287 780	290 036
Acquisition costs	163 101	140 047	428 144	357 550	1 247	1 301	9 317	7 583
Cell owners' transactions	-	-	-	-	-	-	-	-
Management and other expenses	76 781	60 668	42 437	39 146	22 161	20 988	310 315	276 331
Total expenses	**278 681**	**235 301**	**542 488**	**441 421**	**49 253**	**47 848**	**607 412**	**573 950**
Net profit/(loss) before taxation	**85 056**	**76 895**	**36 152**	**43 730**	**2 161**	**4 023**	**73 609**	**92 931**
Taxation	23 222	21 252	7 539	10 038	(394)	274	20 594	26 223
Net profit/(loss) after taxation	**61 834**	**55 643**	**28 613**	**33 692**	**2 555**	**3 749**	**53 015**	**66 708**
Other comprehensive income/(expense)	-	-	449	718	-	-	-	-
Total comprehensive income/(loss) for the year	**61 834**	**55 643**	**29 062**	**34 410**	**2 555**	**3 749**	**53 015**	**66 708**
Transfer to/(from) retained earnings	(265)	(95)	-	-	-	-	-	-
Other comprehensive (income)/expense	-	-	-	-	-	-	-	-
Dividends	27 500	24 500	10 000	-	-	-	-	70 000
Change in retained earnings	**34 069**	**31 048**	**19 062**	**34 410**	**2 555**	**3 749**	**53 015**	**(3 292)**
Net premium to gross premium	100%	100%	6%	6%	100%	100%	46%	46%
Claims incurred to earned premium	11%	11%	84%	60%	290%	170%	71%	71%
Management and other expenses to net earned premium	22%	20%	50%	53%	248%	140%	77%	68%
Combined ratio	79%	78%	106%	84%	552%	319%	96%	89%
Operating ratio	76%	75%	60%	44%	76%	87%	89%	82%
Return on equity	33%	36%	13%	17%	4%	6%	22%	35%

SHORT TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Dec-17	Dec-16	Mar-17	Mar-16	Mar-17	Mar-16	Jun-17	Jun-16
Group/Company	Enpet Africa Insurance Limited		Escap SOC Limited		Export Credit Insurance Corporation of South Africa SOC Limited		First for Women Insurance Company (RF) Limited	
Gross premiums written	57 929	58 888	2 978 536	3 411 047	144 262	411 894	857 803	761 475
Net premiums written	41 493	42 561	2 531 657	2 820 903	144 262	411 894	24 235	24 604
Earned premiums	**41 493**	**42 818**	**2 641 361**	**2 731 242**	**475 955**	**621 103**	**16 106**	**20 057**
Total net investment income	**18 703**	**16 195**	**648 939**	**506 533**	**135 374**	**254 300**	**19 042**	**11 694**
Reinsurance commission revenue	3 127	3 160	33 991	24 601	-	-	234 183	208 166
Other income	(71)	93	3 741	992	3 458	14 051	28 811	19 849
Total income	**63 252**	**62 266**	**3 328 032**	**3 263 368**	**614 787**	**889 454**	**298 142**	**259 766**
Net claims incurred	35 827	13 051	260 945	1 079 355	(246 342)	(76 167)	40 959	33 140
Acquisition costs	255	280	4 181	(1 610)	622	228	12 590	8 626
Cell owners' transactions	-	-	-	-	-	-	-	-
Management and other expenses	7 186	6 128	102 113	68 314	1 964 585	619 836	147 186	151 059
Total expenses	**43 268**	**19 459**	**367 239**	**1 146 059**	**1 718 865**	**543 897**	**200 735**	**192 825**
Net profit/(loss) before taxation	**19 984**	**42 807**	**2 960 793**	**2 117 309**	**(1 104 078)**	**345 557**	**97 407**	**66 941**
Taxation	5 682	11 975	819 377	585 631	130 241	357 059	27 211	18 815
Net profit/(loss) after taxation	**14 302**	**30 832**	**2 141 416**	**1 531 678**	**(1 234 319)**	**(11 502)**	**70 196**	**48 126**
Other comprehensive income/(expense)	547	318	9 600	(2 939)	(443 661)	935 119	-	-
Total comprehensive income/(loss) for the year	**14 849**	**31 150**	**2 151 016**	**1 528 739**	**(1 677 980)**	**923 617**	**70 196**	**48 126**
Transfer to/(from) retained earnings	35	4 062	-	-	(42 713)	626 844	-	-
Other comprehensive (income)/expense	(547)	(318)	(9 600)	2 939	443 661	(935 119)	-	-
Dividends	15 416	4 920	-	-	-	-	-	50 000
Change in retained earnings	**(1 149)**	**21 850**	**2 141 416**	**1 531 678**	**(1 277 032)**	**615 342**	**70 196**	**(1 874)**
Net premium to gross premium	72%	72%	85%	83%	100%	100%	3%	3%
Claims incurred to earned premium	86%	30%	10%	40%	(52%)	(12%)	254%	165%
Management and other expenses to net earned premium	17%	14%	4%	3%	413%	100%	914%	753%
Combined ratio	97%	38%	13%	41%	361%	88%	(208%)	(76%)
Operating ratio	52%	0%	(12%)	23%	333%	47%	(326%)	(135%)
Return on equity	12%	26%	42%	52%	(35%)	0%	39%	44%

SHORT TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Jun-17	Jun-16	Dec-17	Dec-16	Jun-17	Jun-16	Sep-17	Sep-16
Group/Company	Guardrisk Insurance Company Limited		HDI Global SA Limited		The Hollard Insurance Company Limited		Indequity Specialised Insurance Limited	
Gross premiums written	6 949 397	6 295 073	456 904	607 120	10 475 094	10 386 327	53 956	49 069
Net premiums written	3 268 209	3 014 965	4 784	3 311	8 245 096	8 138 915	52 109	46 833
Earned premiums	**2 960 435**	**3 081 325**	**4 198**	**4 145**	**8 189 034**	**8 147 850**	**52 121**	**46 806**
Total net investment income	**667 773**	**525 840**	**3 257**	**4 365**	**653 201**	**1 049 668**	**1 658**	**1 572**
Reinsurance commission revenue	493 467	335 475	47 846	45 733	-	-	-	-
Other income	120 885	106 040	2 028	2 173	157 762	190 258	59	103
Total income	**4 242 560**	**4 048 680**	**57 329**	**56 416**	**8 999 997**	**9 387 776**	**53 838**	**48 481**
Net claims incurred	714 833	653 078	2 779	1 397	4 693 830	4 798 541	24 774	19 884
Acquisition costs	792 254	763 192	32 082	30 573	876 289	903 800	3 924	3 577
Cell owners' transactions	384 341	305 885	-	-	-	-	-	-
Management and other expenses	2 226 315	2 228 259	20 294	16 941	2 644 448	2 515 170	15 254	12 939
Total expenses	**4 117 743**	**3 950 414**	**55 155**	**48 911**	**8 214 567**	**8 217 511**	**43 952**	**36 400**
Net profit/(loss) before taxation	**124 817**	**98 266**	**2 173**	**7 505**	**785 430**	**1 170 265**	**9 886**	**12 081**
Taxation	39 078	32 012	830	2 160	139 986	(184 027)	2 734	3 373
Net profit/(loss) after taxation	**85 739**	**66 254**	**1 343**	**5 345**	**645 444**	**1 354 292**	**7 152**	**8 708**
Other comprehensive income/(expense)	-	-	55	55	-	-	304	206
Total comprehensive income/(loss) for the year	**85 739**	**66 254**	**1 398**	**5 400**	**645 444**	**1 354 292**	**7 456**	**8 914**
Transfer to/(from) retained earnings	-	-	-	-	-	1 035 750	-	-
Other comprehensive (income)/expense	-	-	(55)	(54)	-	-	(304)	(206)
Dividends	-	70 000	-	4 000	1 158 580	1 989 240	-	13 487
Change in retained earnings	**85 739**	**(3 746)**	**1 343**	**1 346**	**(513 136)**	**(1 670 698)**	**7 152**	**(4 779)**
Net premium to gross premium	47%	48%	1%	1%	79%	78%	97%	95%
Claims incurred to earned premium	24%	21%	66%	34%	57%	59%	48%	42%
Management and other expenses to net earned premium	75%	72%	483%	409%	32%	31%	29%	28%
Combined ratio	109%	107%	174%	77%	100%	101%	84%	78%
Operating ratio	87%	90%	97%	(29%)	92%	88%	81%	74%
Return on equity	18%	17%	3%	11%	20%	36%	25%	39%

SHORT TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Jun-17	Jun-16	Dec-17	Dec-16	Dec-17	Dec-16	Feb-17	Feb-16
Group/Company	Momentum Short Term Insurance Company Limited		Mutual & Federal Risk Financing Limited		Nedgroup Insurance Company Limited		Oakhurst Insurance Company Limited	
Gross premiums written	629 847	591 842	2 629 062	2 332 612	1 141 961	1 115 543	666 558	540 309
Net premiums written	622 875	586 545	99 017	27 510	977 673	967 013	552 571	455 670
Earned premiums	**622 532**	**586 705**	**53 207**	**44 006**	**845 965**	**920 304**	**541 539**	**467 979**
Total net investment income	**30 185**	**24 886**	**16 899**	**11 804**	**84 403**	**73 156**	**15 119**	**16 216**
Reinsurance commission revenue	-	-	417 771	361 414	19 016	20 164	27 135	17 469
Other income	-	-	-	-	37 233	37 757	-	-
Total income	**652 717**	**611 591**	**487 877**	**417 224**	**986 617**	**1 051 381**	**583 793**	**501 664**
Net claims incurred	449 115	467 364	5 019	2 107	589 037	501 722	300 761	282 085
Acquisition costs	76 436	80 232	418 793	360 046	84 750	178 288	71 895	54 177
Cell owners' transactions	-	-	-	-	-	-	-	-
Management and other expenses	194 660	186 330	35 861	26 960	257 327	252 426	161 366	134 009
Total expenses	**720 211**	**733 926**	**459 673**	**389 113**	**931 114**	**932 436**	**534 022**	**470 271**
Net profit/(loss) before taxation	**(67 494)**	**(122 335)**	**28 204**	**28 111**	**55 503**	**118 945**	**49 771**	**31 393**
Taxation	(9 449)	(17 127)	5 575	8 080	14 805	37 345	13 660	8 706
Net profit/(loss) after taxation	**(58 045)**	**(105 208)**	**22 629**	**20 031**	**40 698**	**81 600**	**36 111**	**22 687**
Other comprehensive income/(expense)	-	-	-	-	-	-	(1 203)	(10 669)
Total comprehensive income/(loss) for the year	**(58 045)**	**(105 208)**	**22 629**	**20 031**	**40 698**	**81 600**	**34 908**	**12 018**
Transfer to/(from) retained earnings	-	-	-	-	-	-	-	-
Other comprehensive (income)/expense	-	-	-	-	-	-	1 203	10 669
Dividends	-	-	-	-	-	250 000	-	-
Change in retained earnings	**(58 045)**	**(105 208)**	**22 629**	**20 031**	**40 698**	**(168 400)**	**36 111**	**22 687**
Net premium to gross premium	99%	99%	4%	1%	86%	87%	83%	84%
Claims incurred to earned premium	72%	80%	9%	5%	70%	55%	56%	60%
Management and other expenses to net earned premium	31%	32%	67%	61%	30%	27%	30%	29%
Combined ratio	116%	125%	79%	63%	108%	99%	94%	97%
Operating ratio	111%	121%	47%	36%	98%	91%	91%	93%
Return on equity	(18%)	(40%)	11%	11%	6%	13%	17%	12%

SHORT TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Dec-17	Dec-16	Jun-17	Jun-16	Dec-17	Dec-16	Jun-17	Jun-16
Group/Company	Old Mutual Insure Limited		OUTsurance Insurance Company Limited		PPS Short-term Insurance Company Limited		Regent Insurance Company Limited	
Gross premiums written	8 751 000	8 718 000	7 396 117	7 019 816	141 589	93 011	1 323 264	1 385 079
Net premiums written	7 631 000	7 676 000	7 259 781	6 916 359	135 987	87 017	1 308 862	1 350 517
Earned premiums	**7 647 000**	**7 680 000**	**7 251 285**	**6 906 719**	**135 096**	**86 891**	**1 320 185**	**1 358 785**
Total net investment income	**686 000**	**124 000**	**398 780**	**369 948**	**5 854**	**3 594**	**531 451**	**129 117**
Reinsurance commission revenue	159 000	157 000	-	-	1 010	5 636	2 102	5 678
Other income	-	-	-	-	6 361	5 633	20 616	24 721
Total income	**8 492 000**	**7 961 000**	**7 650 065**	**7 276 667**	**148 321**	**101 754**	**1 874 354**	**1 518 301**
Net claims incurred	4 925 000	5 183 000	3 566 093	3 555 140	98 954	62 986	577 231	627 182
Acquisition costs	1 496 000	1 321 000	26 086	29 204	8 025	11 587	303 057	288 750
Cell owners' transactions	-	-	-	-	-	-	-	-
Management and other expenses	1 132 000	1 208 000	1 566 430	1 488 892	65 833	60 465	391 048	385 378
Total expenses	**7 553 000**	**7 712 000**	**5 158 609**	**5 073 236**	**172 812**	**135 038**	**1 271 336**	**1 301 310**
Net profit/(loss) before taxation	**939 000**	**249 000**	**2 491 456**	**2 203 431**	**(24 491)**	**(33 284)**	**603 018**	**216 991**
Taxation	157 000	87 000	717 022	636 568	(6 423)	(12 244)	52 760	52 985
Net profit/(loss) after taxation	**782 000**	**162 000**	**1 774 434**	**1 566 863**	**(18 068)**	**(21 040)**	**550 258**	**164 006**
Other comprehensive income/(expense)	(4 000)	(39 000)	(6 700)	(2 937)	-	-	-	-
Total comprehensive income/(loss) for the year	**778 000**	**123 000**	**1 767 734**	**1 563 926**	**(18 068)**	**(21 040)**	**550 258**	**164 006**
Transfer to/(from) retained earnings	(1 000)	(39 000)	(6 700)	(2 937)	-	-	(240 599)	33 826
Other comprehensive (income)/expense	4 000	39 000	-	-	-	-	-	-
Dividends	1 225 000	-	1 395 000	1 202 000	-	8 200	838 563	109 165
Change in retained earnings	**(444 000)**	**123 000**	**379 434**	**364 863**	**(18 068)**	**(29 240)**	**(47 706)**	**21 015**
Net premium to gross premium	87%	88%	98%	99%	96%	94%	99%	98%
Claims incurred to earned premium	64%	67%	49%	51%	73%	72%	44%	46%
Management and other expenses to net earned premium	15%	16%	22%	22%	49%	70%	30%	28%
Combined ratio	97%	98%	71%	73%	127%	149%	96%	95%
Operating ratio	88%	97%	66%	68%	123%	145%	56%	86%
Return on equity	18%	3%	48%	47%	(15%)	(24%)	56%	15%

SHORT TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Jun-17	Jun-16	Mar-17	Mar-16	Dec-17	Dec-16	Mar-17	Mar-16
Group/Company	Renasa Insurance Company Limited		Safire Insurance Company Limited		Santam Limited		Sasria SOC Limited	
Gross premiums written	1 255 126	1 189 676	337 613	294 545	24 500 000	22 469 000	1 843 402	1 683 895
Net premiums written	132 931	132 410	223 714	189 809	19 692 000	18 101 000	1 698 156	1 544 811
Earned premiums	**132 776**	**133 451**	**221 007**	**189 819**	**19 681 000**	**18 165 000**	**1 659 405**	**1 506 649**
Total net investment income	**7 168**	**6 441**	**18 379**	**12 053**	**1 664 000**	**827 000**	**436 997**	**318 067**
Reinsurance commission revenue	231 746	217 220	22 285	23 784	1 200 000	1 103 000	28 453	26 123
Other income	21 701	19 713	17 658	18 010	(95 000)	-	568	124
Total income	**393 391**	**376 825**	**279 329**	**243 666**	**22 450 000**	**20 095 000**	**2 125 423**	**1 850 963**
Net claims incurred	101 366	101 796	125 298	118 662	13 008 000	11 833 000	766 681	587 056
Acquisition costs	193 920	183 362	63 771	54 245	4 354 000	3 916 000	236 850	205 515
Cell owners' transactions	-	-	2 821	2 068	-	-	-	-
Management and other expenses	94 770	84 468	51 208	48 213	3 312 000	2 821 000	377 534	349 023
Total expenses	**390 056**	**369 626**	**243 098**	**223 188**	**20 674 000**	**18 570 000**	**1 381 065**	**1 141 594**
Net profit/(loss) before taxation	**3 335**	**7 199**	**36 231**	**20 478**	**1 776 000**	**1 525 000**	**744 358**	**709 369**
Taxation	1 053	2 127	10 106	5 923	302 000	427 000	201 095	205 250
Net profit/(loss) after taxation	**2 282**	**5 072**	**26 125**	**14 555**	**1 474 000**	**1 098 000**	**543 263**	**504 119**
Other comprehensive income/(expense)	-	-	6 064	10 501	6 000	(140 000)	-	-
Total comprehensive income/(loss) for the year	**2 282**	**5 072**	**32 189**	**25 056**	**1 480 000**	**958 000**	**543 263**	**504 119**
Transfer to/(from) retained earnings	-	-	-	-	3 000	(11 000)	(45 536)	(57 365)
Other comprehensive (income)/expense	-	-	(6 064)	(10 501)	(6 000)	140 000	-	-
Dividends	-	-	4 113	3 612	1 043 000	1 887 000	151 236	183 205
Change in retained earnings	**2 282**	**5 072**	**22 012**	**10 943**	**428 000**	**(778 000)**	**346 491**	**263 549**
Net premium to gross premium	11%	11%	66%	64%	80%	81%	92%	92%
Claims incurred to earned premium	76%	76%	57%	63%	66%	65%	46%	39%
Management and other expenses to net earned premium	71%	63%	23%	25%	17%	16%	23%	23%
Combined ratio	119%	114%	99%	104%	99%	96%	82%	74%
Operating ratio	114%	109%	90%	98%	90%	92%	55%	53%
Return on equity	4%	9%	15%	10%	21%	17%	9%	9%

SHORT TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Dec-17	Dec-16	Sep-17	Sep-16
Group/Company	Standard Insurance Limited		Unitrans Insurance Limited	
Gross premiums written	2 473 659	2 249 006	283 950	249 426
Net premiums written	2 314 086	2 100 067	175 157	132 689
Earned premiums	**2 291 494**	**2 092 148**	**175 164**	**125 731**
Total net investment income	**152 001**	**154 732**	**36 190**	**34 019**
Reinsurance commission revenue	13 075	22 750	6 907	4 587
Other income	-	-	3 005	1 417
Total income	**2 456 570**	**2 269 630**	**221 266**	**165 754**
Net claims incurred	1 193 869	1 011 764	113 831	56 168
Acquisition costs	356 573	323 761	38 521	43 467
Cell owners' transactions	-	-	-	-
Management and other expenses	309 934	342 207	10 959	11 059
Total expenses	**1 860 376**	**1 677 732**	**163 311**	**110 694**
Net profit/(loss) before taxation	**596 194**	**591 898**	**57 955**	**55 060**
Taxation	160 533	161 435	15 883	16 079
Net profit/(loss) after taxation	**435 661**	**430 463**	**42 072**	**38 981**
Other comprehensive income/(expense)	-	-	-	-
Total comprehensive income/(loss) for the year	**435 661**	**430 463**	**42 072**	**38 981**
Transfer to/(from) retained earnings	-	-	-	-
Other comprehensive (income)/expense	-	-	-	-
Dividends	339 000	466 000	-	-
Change in retained earnings	**96 661**	**(35 537)**	**42 072**	**38 981**
Net premium to gross premium	94%	93%	62%	53%
Claims incurred to earned premium	52%	48%	65%	45%
Management and other expenses to net earned premium	14%	16%	6%	9%
Combined ratio	81%	79%	89%	84%
Operating ratio	74%	72%	69%	57%
Return on equity	30%	32%	11%	11%

Long term insurers

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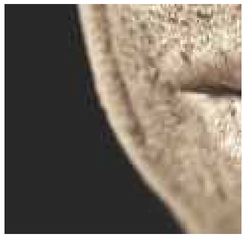
LIFE INSURANCE RESULTS: THE LIFE INSURANCE JOURNEY



The life insurance industry in South Africa continues to evolve. We have identified three trends which seem to be of particular relevance to South African insurers.

The concept of the one-stop financial service provider is of increasing prevalence. In the past year Discovery obtained a banking licence; Capitec launched funeral insurance (underwritten by Sanlam); FNB and Liberty Life obtained a short-term insurance licence; and Investec Life reinvigorated their offering.

Corporate activity continues with the ongoing managed separation of Old Mutual, which resulted in the listing on the Johannesburg Stock Exchange (JSE) of Old Mutual Limited in June 2018. It is anticipated that Old Mutual's controlling stake in Nedbank will be unbundled before the end of 2018. Meanwhile, Sanlam continued to expand in 2017. They purchased a $1 billion stake in Saham Finances (a Pan-Africa insurance group) and onboarded Brightrock as a new underwriting manager.

News coverage of life insurers in the last twelve months has shown an increased focus on customer fairness and market conduct. This is unsurprising, with the establishment of the Financial Sector Conduct Authority as a separate entity to the Prudential Authority. This is also a worldwide trend as consumer education on financial products and regulators' responsibilities both continue to grow. Focus appears to be shifting from fairness at the claims stage to fairness at the sales and onboarding stage. The focus is to identify and avoid what could turn out to be unfair, rather than remediate unfair treatment after the event.

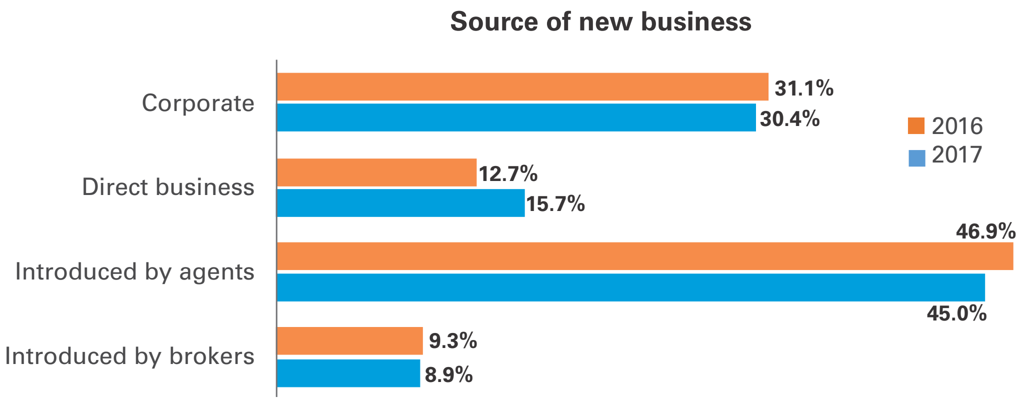
Another conduct challenge is the significant number of unpaid claims and benefits which insurers are attempting to resolve. During the period, FNB Life identified R160 million in unclaimed policies.[1] Similarly, Liberty Life is actively searching for approximately 3 000 members of the funds its administration business closed. Amounts owing to members of these funds are estimated at R100 million.[2] They are not alone. "The FSB has estimated that pension fund administrators have R42 billion in unclaimed pension and provident fund benefits."[3] Since most of the larger life insurance offices act as pension and provident fund administrators, it is probable they have exposure to these amounts. MMI, Old Mutual and Sanlam have all identified significant amounts of unpaid benefits and established related funds for these amounts. Member counts on these are in the tens of thousands.[4]

The Life Insurance Ombud was active in 2017, having managed to recover more than R190 million for complainants during the year[5] and issuing some clarifying statements on what they believe to be fair and unfair practices in South Africa.

New Business

According to the Association for Savings and Investment South Africa (ASISA)[6] statistics for the twelve months to December 2017, life insurers' new business is still predominantly introduced by agents. This channel still accounted for 45% of new business, down on the 46.9% from 2016. Corporate business and broker business have also seen a decline in their share of new business numbers, as new business sourced through direct channels continues to show similar rates of growth seen over the last eight years. Direct business accounted for 15.7% of new business numbers in 2017 – up from 12.7% in the prior year. It is worth noting that these statistics measure numbers of policies and are therefore not necessarily indicative of actual premium volumes. With the Retail Distribution Review (RDR) on the horizon, as well as increasing direct interactions through various technology solutions, this appears to be a trend that may continue.

[1] https://www.timeslive.co.za/news/south-africa/2018-05-29-fnb-life-on-the-lookout-for-beneficiaries-of-unclaimed-r160m/
[2] https://www.timeslive.co.za/sunday-times/business/2018-08-04-liberty-trying-to-trace-members-of-funds-closed-in-error/
[3] https://www.iol.co.za/weekend-argus/workers-owed-billions-in-unclaimed-benefits-11147999
[4] https://www.iol.co.za/weekend-argus/workers-owed-billions-in-unclaimed-benefits-11147999
[5] https://www.fanews.co.za/article/compliance-regulatory/2/life-ombudsman/1097/ombudsman-for-long-term-insurance-recovers-more-than-r190-million-for-complainants/24441
[6] Due to the timing of some year ends, we have used June 2017, December 2017 and June 2018 results depending on what is available. The detailed financial information presented subsequently includes only full year results to either June 2017 or December 2017.



New business margins between major reporting life insurers are not always comparable. Although an indicator of the quality of new business, the new business margins vary significantly between product types and segments. The mix of business, particularly between low margin investment products and higher margin risk products can also be distorting. Furthermore, within the risk product margins, the mix between market segments remains varied. Until the introduction of a common accounting measurements standard (in the form of *IFRS 17: Insurance Contracts*), new business margin remains one of the most comparable statistics between reporting life insurers in South Africa.

For the six months to December 2017, Discovery reported new business margins on individual life business of 11.5% (full year 2017: 10.6%). This compares favourably to the Old Mutual mass and foundation product margins of 10.6% for the full year to December 2017 (2016: 9.4%). They are both predominantly lower income market products.

In comparison, the Old Mutual personal finance new business margins were reported at 2.4% (2016: 1.7%). Sanlam's personal finance margins were 3.2% (2016: 2.8%). Sanlam reported a margin of 2.94% across all business units. The Liberty product mix continues to place strain on the insurer's margins, with new business margins coming in at 0.5%. This is a reduction from 1.1% in 2016. The MMI margins are comfortably in the middle of the pack at 1.3% (but still lower than 1.6% in 2016).

While the new business margin is a good indicator of the quality of new business, it is not a volume measure. Consequently, writing good new business does not necessarily lead to increased total net profits over time. For this reason many life insurers also report the value of new business. As a measure of total value, this translates the margin into a volume measure. It is important to note that reporters vary in their interpretation of this metric.

Unsurprisingly, with declining new business margins, the value of new business for both MMI and Liberty was down (23% and 52% respectively). Sanlam reported an increase in the embedded value of new business of 15%. And Old Mutual an increase of 35% and 17% for the personal finance and the mass and foundation segments respectively.

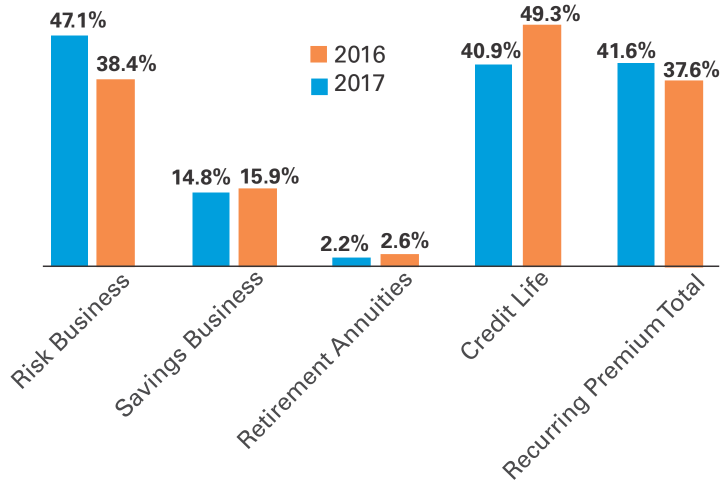
Lapses

Lapse rates remain a challenge for life insurers. The significant upfront acquisition costs in the industry mean that persistency is important to recover some of this cost. The tough economic conditions continue to put strain on the consumer, which leads to higher lapse rates. It will be interesting to see whether there is improved persistency through better advice and selling in an RDR world.

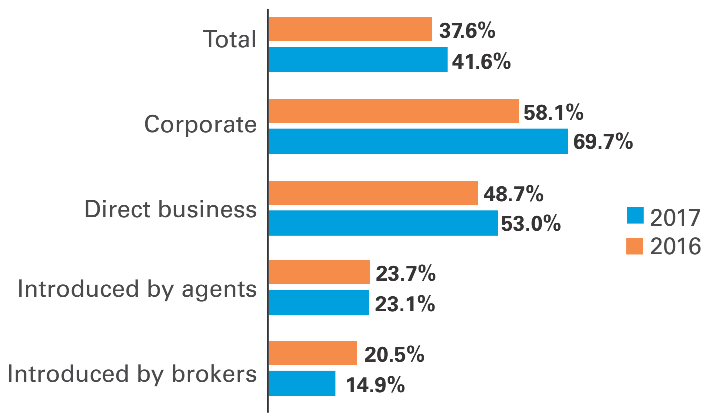
Using the ASISA statistics, we calculated that first year policy lapses increased from 37.6% in 2016 to 41.6% in 2017[7*]. This is on recurring premium business as a whole. Risk business, in particular, showed a dramatic increase from 38.4% to 47.1%. Meanwhile savings, retirement annuities and credit life all showed a reduction in lapse rates. By channel, direct business lapse rates averaged out at twice that of agent and broker business. It is interesting to note that the direct channel has taken a greater share of the new business, but concurrently shows higher lapse rates.

[7] *Using ASISA statistics this "lapse rate" was calculated as = (first year number of policies lapsed/new business sales). Although not directly comparable to a true first year lapse statistic we believe this is a reasonable proxy and applied over comparative periods provides some insight to changes in the industry.

First year lapse rates*



First year lapses by source*

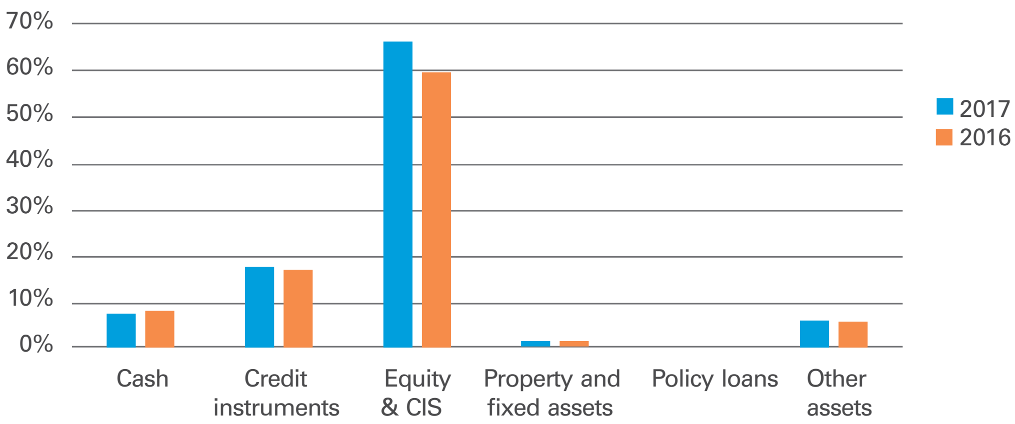


Asset Allocation and Assets Under Management (AUM)

Most of the large and listed life insurance companies provide both risk products and investment solutions to the consumer. AUM statistics are important when comparing individual performance. The Discovery Life investment arm reported a healthy 22% growth in AUM. This put their half year (December 2017) AUM at R77.8 billion. In contrast, the Old Mutual emerging market segment reported 17% growth on its R736 billion AUM. Liberty's modest 4% growth to R609 billion AUM talks to the realignment of the book over the period to its new strategic direction.

Life insurance asset allocation continues to be dominated by collective investment schemes and equities. This is not surprising in that these balance sheets are backing long-term policyholder investments, which will usually be invested in equities and unit trusts. It is worth noting that these are only "on balance sheet" assets for life insurers. Assets under management by investment management entities in the group are not included in these assets.

Life insurance asset allocation



Conclusion

The life insurance industry in South Africa continues to develop amid a plethora of regulatory change and challenges. This is coupled with technological innovation and business model disruption. On the horizon, the introduction of IFRS 17 will fundamentally change the way life insurers measure, report and disclose their insurance contracts. All of this means that the industry remains vibrant, dynamic and challenging for the foreseeable future.

LONG TERM INSURERS | Statement of Financial Position | R'000

Accounting year end	Jun-17	Jun-16	Dec-17	Dec-16	Jun-17	Jun-16	Mar-17	Mar-16
Group/Company	1Life (RF) Insurance Limited		Absa Life Limited		AVBOB Mutual Assurance Society		Alexander Forbes Life Limited	
FSB classification	Traditional		Traditional		Traditional		Traditional	
Share capital and premium	398 000	398 000	24 000	24 000	-	-	10 000	10 000
Retained earnings/(deficit)	816 444	751 815	1 178 708	1 226 779	6 180 916	5 778 852	436 474	412 272
Other reserves	-	-	6 070	11 781	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-
Total shareholder's funds	**1 214 444**	**1 149 815**	**1 208 778**	**1 262 560**	**6 180 916**	**5 778 852**	**446 474**	**422 272**
Policy holder liabilities under insurance and reinsurance contracts and contracts with DPF's	292 632	239 476	2 099 889	2 039 087	7 739 794	7 017 638	436 518	366 523
Policy holder liabilities under investment contracts	489	-	27 941 155	26 710 022	-	-	76 009 838	72 396 289
Reinsurance contract liability	158 080	133 443	-	-	-	-	-	-
Cell owners' interest	-	-	89 891	95 478	-	-	-	-
Current tax payable	5 532	25 502	-	9 710	3 491	-	7 137	2 799
Deferred tax liability/(asset)	312 136	314 931	14 423	9 640	253 092	311 874	-	-
Other liabilities	99 511	68 939	584 954	488 756	687 725	603 483	1 862 684	1 858 604
Total liabilities	**868 380**	**782 291**	**30 730 312**	**29 352 693**	**8 684 102**	**7 932 995**	**78 316 177**	**74 624 215**
Total investments	**411 027**	**97 898**	**30 866 262**	**29 528 732**	**11 642 047**	**11 072 610**	**76 138 667**	**72 516 611**
Assets arising from insurance contracts	1 314 121	1 293 490	-	-	-	-	37 205	32 825
PPE; goodwill and intangible assets	-	-	60 769	94 117	188 807	119 812	10 280	10 966
Reinsurers' share of policyholder liabilities	186 642	161 700	29 151	37 096	13 436	11 787	380 672	319 759
Deferred acquisition costs	-	-	295 305	369 561	-	-	-	-
Cash & cash equivalents	77 372	295 336	187 740	204 023	2 487 607	2 082 969	1 988 404	2 020 566
Other assets	93 662	83 682	270 057	183 224	443 023	372 778	207 100	145 440
Income/Deferred tax asset	-	-	229 806	198 500	90 098	51 891	323	320
Deposits held with cell option	-	-	-	-	-	-	-	-
Total assets	**2 082 824**	**1 932 106**	**31 939 090**	**30 615 253**	**14 865 018**	**13 711 847**	**78 762 651**	**75 046 487**
Regulatory surplus assets to CAR	2.00	1.83	3.10	3.20	4.80	4.60	1.67	1.62
Total assets/Total liabilities	240%	247%	104%	104%	171%	173%	101%	101%
Increase in shareholders' funds	6%		(4%)		7%		6%	

LONG TERM INSURERS | Statement of Financial Position | R'000

Accounting year end	Jun-17	Jun-16	Jun-17	Jun-16	Dec-17	Dec-16	Jun-17	Jun-16
Group/Company	Assupol Holdings		Bidvest Life Limited		Centriq Life Insurance Company Limited		Clientele Life Limited	
FSB classification	Traditional		Traditional		Cell captive		Traditional	
Share capital and premium	562 612	572 935	65 027	10 000	15 000	15 000	4 853	4 853
Retained earnings/(deficit)	2 293 006	1 720 370	92 098	71 770	8 219	5 939	706 285	622 325
Other reserves	88 804	63 703	9 199	23 131	-	-	17 663	25 644
Non-controlling interests	-	-	-	-	-	-	-	-
Total shareholder's funds	**2 944 422**	**2 357 008**	**166 324**	**104 901**	**23 219**	**20 939**	**728 801**	**652 822**
Policy holder liabilities under insurance and reinsurance contracts and contracts with DPF's	-	-	18 164	28 897	103 427	66 801	643 232	679 362
Policy holder liabilities under investment contracts	1 817 524	1 298 259	295 749	-	1 898	1 916	1 159 676	909 819
Reinsurance contract liability	-	-	55	280	173 783	218 231	-	-
Cell owners' interest	-	-	-	-	169 011	139 840	-	-
Current tax payable	14 269	-	-	14 654	-	-	2 032	7 283
Deferred tax liability/(asset)	712 713	561 081	1 717	4 081	29	-	13 588	11 044
Other liabilities	400 753	379 664	20 416	1 374	26 671	20 511	263 596	263 788
Total liabilities	**2 945 259**	**2 239 004**	**336 101**	**49 286**	**474 819**	**447 299**	**2 082 124**	**1 871 296**
Total investments	**3 344 765**	**2 699 605**	**419 712**	**93 078**	**213 224**	**188 768**	**2 226 344**	**1 888 993**
Assets arising from insurance contracts	1 870 751	1 231 996	-	-	-	-	-	-
PPE; goodwill and intangible assets	184 128	174 993	7 665	-	-	-	57 627	59 277
Reinsurers' share of policyholder liabilities	24 819	84 467	1 243	1 333	33 062	17 786	2 504	2 789
Deferred acquisition costs	-	-	-	-	-	-	-	-
Cash & cash equivalents	304 718	245 554	38 283	44 165	2 721	2 827	115 150	165 020
Other assets	110 474	101 217	29 478	15 611	75 169	39 637	382 545	376 167
Income/Deferred tax asset	50 026	58 180	6 044	-	79	989	26 755	31 872
Deposits held with cell option	-	-	-	-	173 783	218 231	-	-
Total assets	**5 889 681**	**4 596 012**	**502 425**	**154 187**	**498 038**	**468 238**	**2 810 925**	**2 524 118**
Regulatory surplus assets to CAR	1.89	1.92	15.40	8.64	3.70	5.50	2.43	2.35
Total assets/Total liabilities	200%	205%	149%	313%	105%	105%	135%	135%
Increase in shareholders' funds	25%		59%		11%		12%	

LONG TERM INSURERS | Statement of Financial Position | R'000

Accounting year end	Jun-17	Jun-16	Jun-17	Jun-16	Dec-17	Dec-16	Jun-17	Jun-16
Group/Company	Guardrisk Life Limited		Hollard Life Assurance Company Limited		Liberty Group Limited		Momentum Ability Limited	
FSB classification	Cell captive		Traditional		Traditional		Traditional	
Share capital and premium	70 000	70 000	20 000	20 000	29 000	29 000	10 000	10 000
Retained earnings/(deficit)	109 272	98 996	1 458 587	1 893 269	17 997 000	18 163 000	13 467	34 859
Other reserves	-	-	-	-	386 000	313 000	-	-
Non-controlling interests	-	-	-	-	-	-	-	-
Total shareholder's funds	**179 272**	**168 996**	**1 478 587**	**1 913 269**	**18 412 000**	**18 505 000**	**23 467**	**44 859**
Policy holder liabilities under insurance and reinsurance contracts and contracts with DPF's	2 227 299	1 755 923	5 783 194	4 952 383	219 896 000	212 896 000	76 067	245 677
Policy holder liabilities under investment contracts	578 318	1 143 309	2 083 894	4 411 196	99 783 000	90 983 000	1 416 187	1 470 339
Reinsurance contract liability	904 329	661 004	-	-	663 000	555 000	-	-
Cell owners' interest	3 026 360	2 916 572	-	-	-	-	512 735	744 823
Current tax payable	100 276	-	-	-	898 000	552 000	676	14 069
Deferred tax liability/(asset)	-	(3 522)	529 139	552 214	2 953 000	2 516 000	345	617
Other liabilities	173 747	170 572	1 693 804	1 233 777	37 273 000	38 971 000	2 907	61 057
Total liabilities	**7 010 329**	**6 643 858**	**10 090 031**	**11 149 570**	**361 466 000**	**346 473 000**	**2 008 917**	**2 536 582**
Total investments	**4 724 055**	**4 827 389**	**8 961 459**	**10 550 711**	**331 393 000**	**316 596 000**	**1 080 824**	**1 273 866**
Assets arising from insurance contracts	1 052 608	734 382	-	-	7 484 000	7 314 000	485 994	293 044
PPE; goodwill and intangible assets	557	1 168	104 177	18 604	22 762 000	24 667 000	-	-
Reinsurers' share of policyholder liabilities	599 748	677 362	375 374	135 610	1 408 000	1 285 000	254 824	207 201
Deferred acquisition costs	-	-	-	-	730 000	698 000	-	-
Cash & cash equivalents	479 974	302 667	1 223 768	1 700 414	9 729 000	8 877 000	198 195	642 604
Other assets	328 307	235 717	854 379	621 300	6 372 000	5 525 000	12 547	164 726
Income/Deferred tax asset	4 352	34 169	49 461	36 200	-	16 000	-	-
Deposits held with cell option	-	-	-	-	-	-	-	-
Total assets	**7 189 601**	**6 812 854**	**11 568 618**	**13 062 839**	**379 878 000**	**364 978 000**	**2 032 384**	**2 581 441**
Regulatory surplus assets to CAR	2.80	1.90	2.60	2.60	N/A	N/A	7.60	4.20
Total assets/Total liabilities	103%	103%	115%	117%	105%	105%	101%	102%
Increase in shareholders' funds	6%		(23%)		(1%)		(48%)	

LONG TERM INSURERS | Statement of Financial Position | R'000

Accounting year end	Jun-17	Jun-16	Dec-17	Dec-16	Dec-17	Dec-16	Feb-17	Feb-16
Group/Company	MMI Group Limited		Nedgroup Life Assurance Company Limited		Nedgroup Structured Life Limited		Oakhurst Life Limited	
FSB classification	Traditional		Traditional		Traditional		Traditional	
Share capital and premium	1 041 000	1 041 000	55 000	55 000	26 351	26 351	20 000	20 000
Retained earnings/(deficit)	8 512 000	8 675 000	1 086 937	1 059 987	48 254	42 751	(2 192)	764
Other reserves	7 447 000	7 398 000	-	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-
Total shareholder's funds	**17 000 000**	**17 114 000**	**1 141 937**	**1 114 987**	**74 605**	**69 102**	**17 808**	**20 764**
Policy holder liabilities under insurance and reinsurance contracts and contracts with DPF's	119 363 000	121 330 000	2 801 785	3 471 807	-	-	4 204	32
Policy holder liabilities under investment contracts	221 463 000	218 927 000	7 665 606	6 507 261	10 468 009	8 799 565	-	-
Reinsurance contract liability	-	-	- -	-	-	-	-	
Cell owners' interest	-	-	- -	-	-	-	-	
Current tax payable	-	-	35 930	20 169	649	382	-	-
Deferred tax liability/(asset)	994 000	1 420 000	4 502	-	-	-	21	10
Other liabilities	22 402 000	22 715 000	147 259	119 395	606	1 349	1 265	240
Total liabilities	**364 222 000**	**364 392 000**	**10 655 082**	**10 118 632**	**10 469 264**	**8 801 296**	**5 490**	**282**
Total investments	**350 100 000**	**348 356 000**	**11 343 425**	**10 370 006**	**10 468 009**	**8 799 565**	**18 807**	**18 938**
Assets arising from insurance contracts	-	-	- -	-	-	-	-	
PPE; goodwill and intangible assets	4 790 000	4 640 000	2 444	192 532	-	-	-	-
Reinsurers' share of policyholder liabilities	1 714 000	1 735 000	134 269	127 270	-	-	2 121	18
Deferred acquisition costs	-	-	- -	-	-	-	-	
Cash & cash equivalents	14 054 000	16 499 000	90 538	208 136	59 691	54 614	1 405	1 438
Other assets	10 266 000	9 955 000	226 343	335 433	16 169	16 219	571	584
Income/Deferred tax asset	298 000	321 000	-	242	-	-	394	68
Deposits held with cell option	-	-	-	-	-	-	-	-
Total assets	**381 222 000**	**381 506 000**	**11 797 019**	**11 233 619**	**10 543 869**	**8 870 398**	**23 298**	**21 046**
Regulatory surplus assets to CAR	2.40	2.70	7.20	10.90	1.49	1.48	N/A	N/A
Total assets/Total liabilities	105%	105%	111%	111%	101%	101%	424%	7463%
Increase in shareholders' funds	(1%)		2%		8%		(14%)	

LONG TERM INSURERS | Statement of Financial Position | R'000

Accounting year end	Dec-17	Dec-16	Dec-17	Dec-16	Jun-17	Jun-16	Dec-17	Dec-16
Group/Company	Old Mutual Alternative Risk Transfer Limited		Old Mutual Life Assurance Company (South Africa) Limited		OUTsurance Life Insurance Company Limited		Professional Provident Society Insurance Company Limited	
FSB classification	Cell captive		Traditional		Traditional		Traditional	
Share capital and premium	12 425	12 425	6 423 000	6 423 000	435 002	435 002	10 000	10 000
Retained earnings/(deficit)	29 465	21 804	44 403 000	43 961 000	203 635	91 828	367 572	358 117
Other reserves	475	142	93 000	202 000	(613)	(112)	-	-
Non-controlling interests	-	-	-	-	-	-	-	-
Total shareholder's funds	**42 365**	**34 371**	**50 919 000**	**50 586 000**	**638 024**	**526 718**	**377 572**	**368 117**
Policy holder liabilities under insurance and reinsurance contracts and contracts with DPF's	1 069 328	962 494	313 764 000	297 007 000	233 022	195 721	30 038 652	27 098 131
Policy holder liabilities under investment contracts	2 332 841	2 216 634	255 470 000	229 242 000	-	-	1 881 570	1 464 987
Reinsurance contract liability	-	-	-	-	-	-	-	-
Cell owners' interest	203 788	193 879	-	-	-	-	-	-
Current tax payable	-	-	1 169 000	1 448 000	5 296	255	-	-
Deferred tax liability/(asset)	-	-	5 511 000	4 496 000	42 842	36 871	373 349	263 514
Other liabilities	150 646	97 243	37 711 000	48 631 000	35 806	48 854	366 040	347 438
Total liabilities	**3 756 603**	**3 470 250**	**613 625 000**	**580 824 000**	**316 966**	**281 701**	**32 659 611**	**29 174 070**
Total investments	**2 949 140**	**2 790 615**	**634 672 000**	**593 141 000**	**784 463**	**667 883**	**30 308 802**	**27 169 393**
Assets arising from insurance contracts	-	-	-	-	-	-	-	-
PPE; goodwill and intangible assets	-	-	3 882 000	3 698 000	-	-	956 643	853 624
Reinsurers' share of policyholder liabilities	417 600	357 036	300 000	617 000	97 995	89 163	93 308	68 021
Deferred acquisition costs	-	-	1 202 000	1 000 000	-	-	-	-
Cash & cash equivalents	280 155	231 780	12 381 000	25 083 000	38 262	14 478	1 230 228	1 087 385
Other assets	147 232	124 544	12 086 000	7 370 000	13 052	18 564	395 485	288 222
Income/Deferred tax asset	4 841	646	21 000	501 000	21 218	18 331	52 717	75 542
Deposits held with cell option	-	-	-	-	-	-	-	-
Total assets	**3 798 968**	**3 504 621**	**664 544 000**	**631 410 000**	**954 990**	**808 419**	**33 037 183**	**29 542 187**
Regulatory surplus assets to CAR	5.40	5.20	3.00	3.20	5.00	3.90	2.60	2.60
Total assets/Total liabilities	101%	101%	108%	109%	301%	287%	101%	101%
Increase in shareholders' funds	23%		1%		21%		3%	

LONG TERM INSURERS | Statement of Financial Position | R'000

Accounting year end	Jun-17	Jun-16	Dec-17	Dec-2016 Restated
Group/Company	Regent Life Assurance Company Limited		Sanlam Limited	
FSB classification	Traditional		Traditional	
Share capital and premium	144 688	144 688	22 000	22 000
Retained earnings/(deficit)	439 133	551 029	52 125 000	47 255 000
Other reserves	21	(1 633)	5 273 000	6 113 000
Non-controlling interests	147 047	47 449	6 017 000	5 696 000
Total shareholder's funds	**730 889**	**741 533**	**63 437 000**	**59 086 000**
Policy holder liabilities under insurance and reinsurance contracts and contracts with DPF's	33 914	108 596	197 536 000	192 232 000
Policy holder liabilities under investment contracts	250 627	253 379	345 573 000	306 073 000
Reinsurance contract liability	-	-	-	-
Cell owners' interest	-	-	3 217 000	1 153 000
Current tax payable	2 103	-	1 603 000	1 728 000
Deferred tax liability/(asset)	146 328	138 145	2 435 000	2 069 000
Other liabilities	202 415	227 974	119 782 000	110 218 000
Total liabilities	**635 387**	**728 094**	**670 146 000**	**613 473 000**
Total investments	**778 460**	**1 044 603**	**656 020 000**	**592 953 000**
Assets arising from insurance contracts	-	-	6 400 000	5 022 000
PPE; goodwill and intangible assets	21 520	17 663	8 765 000	8 484 000
Reinsurers' share of policyholder liabilities	133 348	128 864	1 063 000	958 000
Deferred acquisition costs	-	-	3 659 000	3 597 000
Cash & cash equivalents	379 532	211 967	21 960 000	18 761 000
Other assets	53 416	62 661	33 633 000	40 904 000
Income/Deferred tax asset	-	3 869	2 083 000	1 880 000
Deposits held with cell option	-	-	-	-
Total assets	**1 366 276**	**1 469 627**	**733 583 000**	**672 559 000**
Regulatory surplus assets to CAR	6.30	5.20	5.80	5.80
Total assets/Total liabilities	215%	202%	109%	110%
Increase in shareholders' funds	(1%)		7%	

LONG TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Jun-17	Jun-16	Dec-17	Dec-16	Jun-17	Jun-16	Mar-17	Mar-16
Group/Company	1Life (RF) Insurance Limited		Absa Life Limited		AVBOB Mutual Assurance Society		Alexander Forbes Life Limited	
FSB classification	Traditional		Traditional		Traditional		Traditional	
Recurring premiums	1 180 602	1 080 138	3 395 421	3 178 727	3 132 260	2 700 073		
Single premiums	-	-	-	-	-	-		
Other premiums	-	-	-	-	-	-	442 750	394 885
Reinsurance premiums	136 242	133 695	581 792	520 099	1 959	1 957	306 926	271 099
Net premium income	**1 044 360**	**946 443**	**2 813 629**	**2 658 628**	**3 130 301**	**2 698 116**	**135 824**	**123 786**
Service fees from investment contracts	**8**	**-**	**38 600**	**98 562**	**-**	**-**	**513 295**	**486 225**
Total net investment income	**32 097**	**16 496**	**2 393 903**	**493 768**	**519 919**	**922 145**	**2 725 869**	**4 370 461**
Commission received	6 279	13 310	-	-	-	-	86 446	87 931
Other unallocated income	11 360	13 032	-	-	13 311	536	278 278	259 492
Total income	**1 094 104**	**989 281**	**5 246 132**	**3 250 958**	**3 663 531**	**3 620 797**	**3 739 712**	**5 327 895**
Death/Disability	no split is provided (total is R 430 883)	no split is provided (total is R 442 127)	921 023	736 099	794 692	605 957		
Maturities			94 750	52 367	727	881		
Annuities			-	-	-	-		
Surrenders			154 691	160 960	201 866	192 371		
Withdrawals & other benefits			72 602	84 714	161 784	128 462	305 678	271 692
Reinsurance recoveries	(93 688)	(113 181)	(228 659)	(163 162)	(1 005)	(1 038)	(258 145)	(229 049)
Net policyholder benefits under insurance contracts	**337 195**	**328 946**	**1 014 407**	**870 978**	**1 158 064**	**926 633**	**47 533**	**42 643**
Change in preference share liability	-	-	-	-	-	-	-	-
Change in assets arising from insurance contracts	4 006	(73 729)	-	-	-	-	-	-

LONG TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Jun-17	Jun-16	Jun-17	Jun-16	Dec-17	Dec-16	Jun-17	Jun-16
Group/Company	Assupol Holdings		Bidvest Life Limited		Centriq Life Insurance Company Limited		Clientele Life Limited	
FSB classification	Traditional		Traditional		Cell captive		Traditional	
Recurring premiums	1 718 402	1 366 644	42 717	45 515	321 745	255 525	1 648 789	1 547 600
Single premiums	932 788	1 044 943	-	-				
Other premiums	38 433	36 245	-	-				
Reinsurance premiums	237 822	205 223	1 803	2 272	313 535	244 951	128 888	124 736
Net premium income	**2 451 801**	**2 242 609**	**40 914**	**43 243**	**8 210**	**10 574**	**1 519 901**	**1 422 864**
Service fees from investment contracts	**68 560**	**46 433**	**-**	**-**	**8 768**	**6 433**	**11 219**	**9 231**
Total net investment income	**138 729**	**170 428**	**5 624**	**2 735**	**17 528**	**14 326**	**184 392**	**149 387**
Commission received	11 624	12 220	11 352	1 807	17 527	6 342	-	-
Other unallocated income	10 719	13 715	-	-	164	129	140 388	141 355
Total income	**2 681 433**	**2 485 405**	**57 890**	**47 785**	**52 197**	**37 804**	**1 855 900**	**1 722 837**
Death/Disability	330 894	275 395	9 391	23 985			184 076	181 183
Maturities	97 346	114 995	-	-	136 947	115 548	-	-
Annuities	-	-	-	-			-	-
Surrenders	56 664	59 869	-	-			180 042	189 045
Withdrawals & other benefits	510 794	590 221	-	-			55 249	22 049
Reinsurance recoveries	(208 815)	(184 033)	(939)	(10 261)	(130 034)	(108 365)	(100 675)	(99 536)
Net policyholder benefits under insurance contracts	**786 883**	**856 447**	**8 452**	**13 724**	**6 913**	**7 183**	**318 692**	**292 741**
Change in preference share liability	-	-	-	-	-	-	-	-
Change in assets arising from insurance contracts	-	-	-	-	-	-	285	226

LONG TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Jun-17	Jun-16	Jun-17	Jun-16	Dec-17	Dec-16	Jun-17	Jun-16
Group/Company	Guardrisk Life Limited		Hollard Life Assurance Company Limited		Liberty Group Limited		Momentum Ability Limited	
FSB classification	Cell captive		Traditional		Traditional		Traditional	
Recurring premiums	5 001 190	2 256 774	5 733 995	5 452 912	split provided, but includes investment contracts (total is R36 973 000)	split provided, but includes investment contracts (total is R38 013 000)	747 796	2 125 941
Single premiums	294 728	369 307	611	850			3 011	1 395
Other premiums	-	-	125 345	105 330			-	-
Reinsurance premiums	3 748 360	1 540 810	1 344 416	639 687	1 252 000	1 147 000	622 280	1 844 756
Net premium income	**1 547 558**	**1 085 271**	**4 515 535**	**4 919 405**	**35 721 000**	**36 866 000**	**128 527**	**282 580**
Service fees from investment contracts	**-**	**-**	**-**	**-**	**1 436 000**	**1 330 000**	**5 391**	**5 507**
Total net investment income	**400 283**	**229 874**	**611 088**	**644 652**	**32 185 000**	**19 138 000**	**60 774**	**139 760**
Commission received	26 039	32 986	-	-	-	-	-	-
Other unallocated income	-	-	67 322	104 751	399 000	577 000	-	-
Total income	**1 973 880**	**1 348 131**	**5 193 945**	**5 668 808**	**69 741 000**	**57 911 000**	**194 692**	**427 847**
Death/Disability			2 285 756	2 076 012	split provided but included payments to investment contracts (nett total is R36 878 000)	split provided but included payments to investment contracts (nett total is R37 485 000)	200 717	579 908
Maturities			2 100 194	1 243 597			-	-
Annuities			72 587	103 129			4 037	3 895
Surrenders			94 111	89 030			-	-
Withdrawals & other benefits	1 422 834	607 135	53 560	60 059			-	-
Reinsurance recoveries	(1 322 691)	(373 451)	(983 815)	(888 764)	(1 462 000)	(1 074 000)	(204 610)	(562 100)
Net policyholder benefits under insurance contracts	**100 143**	**233 684**	**3 622 393**	**2 683 063**	**35 416 000**	**36 411 000**	**144**	**21 703**
Change in preference share liability	356 755	190 690	-	-	-	-	-	-
Change in assets arising from insurance contracts	(318 227)	(227 624)	-	-	-	-	(241 713)	(186 580)

LONG TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Jun-17	Jun-16	Dec-17	Dec-16	Dec-17	Dec-16	Feb-17	Feb-16
Group/Company	MMI Group Limited		Nedgroup Life Assurance Company Limited		Nedgroup Structured Life Limited		Oakhurst Life Limited	
FSB classification	Traditional		Traditional		Traditional		Traditional	
Recurring premiums Single premiums Other premiums	21 052 000	23 223 000	1 912 960	1 871 657	-	-	5 619	65
Reinsurance premiums	2 831 000	3 815 000	77 569	234 733	-	-	968	11
Net premium income	**18 221 000**	**19 408 000**	**1 835 391**	**1 636 924**	**-**	**-**	**4 651**	**54**
Service fees from investment contracts	**2 350 000**	**2 345 000**	**-**	**-**	**4 888**	**4 334**	**-**	**-**
Total net investment income	**15 453 000**	**26 502 000**	**668 148**	**460 007**	**5 165**	**5 072**	**1 597**	**1 213**
Commission received	-	-	-	47 436	-	-	-	-
Other unallocated income	490 000	1 104 000	28 949	43 379	42	1 444	3 702	1 148
Total income	**36 514 000**	**49 359 000**	**2 532 488**	**2 187 746**	**10 095**	**10 850**	**9 950**	**2 415**
Death/Disability	8 396 000	8 106 000	681 459	501 158				
Maturities	4 420 000	5 343 000	628 806	501 711				
Annuities	3 668 000	3 722 000	90 065	211 082				
Surrenders	2 770 000	2 794 000	63 983	150 594	-	-		
Withdrawals & other benefits	2 012 000	3 534 000	-	-			4 798	33
Reinsurance recoveries	(2 123 000)	(2 564 000)	100 019	184 834			(2 566)	(18)
Net policyholder benefits under insurance contracts	**19 143 000**	**20 935 000**	**1 364 294**	**1 179 711**	**-**	**-**	**2 232**	**15**
Change in preference share liability	-	-	-	-	-	-	-	-
Change in assets arising from insurance contracts	-	-	-	-	-	-	-	-

LONG TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Dec-17	Dec-16	Dec-17	Dec-16	Jun-17	Jun-16	Dec-17	Dec-16
Group/Company	Old Mutual Alternative Risk Transfer Limited		Old Mutual Life Assurance Company (South Africa) Limited		OUTsurance Life Insurance Company Limited		Provisional Provident Society Insurance Company Limited	
FSB classification	Cell captive		Traditional		Traditional		Traditional	
Recurring premiums Single premiums Other premiums	993 380	953 905	48 320 000	50 224 000	440 375	391 521	no split provided (total is R3 836 490)	no split provided (total is R3 425 141)
Reinsurance premiums	1 000 661	959 961	1 311 000	1 324 000	35 644	33 365	(238 795)	(210 978)
Net premium income	**(7 281)**	**(6 056)**	**47 009 000**	**48 900 000**	**404 731**	**358 156**	**3 597 695**	**3 214 163**
Service fees from investment contracts	**5 437**	**5 661**	**6 772 000**	**5 811 000**	**-**	**-**	**68 714**	**44 041**
Total net investment income	**273 283**	**56 018**	**68 110 000**	**33 503 000**	**60 087**	**60 601**	**1 877 392**	**1 536 805**
Commission received	-	-	-	-	-	-	-	-
Other unallocated income	3 781	2 476	-	-	-	-	1 601 228	219 132
Total income	**275 220**	**58 099**	**121 891 000**	**88 214 000**	**464 818**	**418 757**	**7 145 029**	**5 014 141**
Death/Disability	482 519	429 352	67 602 000	52 161 000	71 511	68 930	no split provided (total is R2 752 002)	no split provided (total is R2 295 786)
Maturities					-	-		
Annuities					-	-		
Surrenders					-	-		
Withdrawals & other benefits					-	-		
Reinsurance recoveries	(1 024 989)	(995 969)	844 000	1 028 000	(21 450)	(24 557)	(170 158)	(149 585)
Net policyholder benefits under insurance contracts	**(542 470)**	**(566 617)**	**66 758 000**	**51 133 000**	**50 061**	**44 373**	**2 581 844**	**2 146 201**
Change in preference share liability	325 444	408 940	-	-	-	-	-	-
Change in assets arising from insurance contracts	(60 564)	(121 833)	-	-	-	-	-	-

LONG TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Jun-17	Jun-16	Dec-17	Dec-2016 Restated
Group/Company	Regent Life Assurance Company Limited		Sanlam Limited	
FSB classification	Traditional		Traditional	
Recurring premiums Single premiums Other premiums	793 786	802 781	no split provided (total is R58 431 000)	no split provided (total is R52 659 000)
Reinsurance premiums	58 703	84 086	9 546 000	7 626 000
Net premium income	**735 083**	**718 695**	**48 885 000**	**45 033 000**
Service fees from investment contracts	**-**	**-**	**5 499 000**	**5 530 000**
Total net investment income	**61 018**	**77 385**	**57 907 000**	**34 736 000**
Commission received	-	-	1 685 000	1 396 000
Other unallocated income	57 613	57 200	-	-
Total income	**853 714**	**853 280**	**113 976 000**	**86 695 000**
Death/Disability	220 365	206 272	split provided but included payments to investment contracts and change in insurance contracts (nett total is R47 899 000)	split provided but included payments to investment contracts and change in insurance contracts (nett total is R41 566 000)
Maturities	27 409	23 703		
Annuities	-	(27)		
Surrenders	71 939	82 109		
Withdrawals & other benefits	7 452	2 301		
Reinsurance recoveries	(47 685)	(53 762)	7 911 000	5 441 000
Net policyholder benefits under insurance contracts	**279 480**	**260 596**	**39 988 000**	**36 125 000**
Change in preference share liability	-	-	-	-
Change in assets arising from insurance contracts	-	-	-	-

LONG TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Jun-17	Jun-16	Dec-17	Dec-16	Jun-17	Jun-16	Mar-17	Mar-16
Group/Company	1Life (RF) Insurance Limited		Absa Life Limited		AVBOB Mutual Assurance Society		Alexander Forbes Life Limited	
FSB classification	Traditional		Traditional		Traditional		Traditional	
Change in policy holder liabilities under insurance contracts	-	-	65 343	2 527	690 253	780 747	5 873	(5 791)
Fair value adjustments on policyholder liabilities under investment contracts	-	-	1 942 547	359 720	-	-	2 695 690	4 347 066
Acquisition costs	138 633	125 646	662 882	545 024	592 662	522 412	14 062	9 924
Administration, management & other expenses	516 130	444 735	499 184	485 614	842 236	723 729	857 924	814 753
Total expenses	**995 964**	**825 598**	**4 184 363**	**2 263 863**	**3 283 215**	**2 953 521**	**3 621 082**	**5 208 595**
Equity-accounted earnings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(Loss) before tax	**98 140**	**163 683**	**1 061 769**	**987 095**	**380 316**	**667 276**	**118 630**	**119 300**
Tax	33 511	56 117	286 840	132 132	(21 761)	160 303	44 428	37 504
Profit/(Loss) after tax	**64 629**	**107 566**	**774 929**	**854 963**	**402 077**	**506 973**	**74 202**	**81 796**
Other comprehensive income	**-**	**-**	**-**	**-**	**(13)**	**475**	**-**	**-**
Total comprehensive income/(loss) for the year	**64 629**	**107 566**	**774 929**	**854 963**	**402 064**	**507 448**	**74 202**	**81 796**
Other transfer to/(from) retained income	-	-	-	-	-	-	-	-
Other comprehensive income not charged against retained earnings	-	-	-	-	-	-	-	-
Ordinary dividends	-	-	823 000	829 000	-	-	50 000	37 000
Allocated to preference shareholders	-	-	-	-	-	-	-	-
Allocated to non-controlling interests	-	-	-	-	-	-	-	-
Change in retained earnings	**64 629**	**107 566**	**(48 071)**	**25 963**	**402 064**	**507 448**	**24 202**	**44 796**
Management expenses to net premium and service fees on investment contracts	49%	47%	18%	18%	27%	27%	132%	134%
Tax as a % of NIBT	34%	34%	27%	13%	(6%)	24%	37%	31%
Comments	Company		Company		Society		Company	

LONG TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Jun-17	Jun-16	Jun-17	Jun-16	Dec-17	Dec-16	Jun-17	Jun-16
Group/Company	Assupol Holdings		Bidvest Life Limited		Centriq Life Insurance Company Limited		Clientele Life Limited	
FSB classification	Traditional		Traditional		Cell captive		Traditional	
Change in policy holder liabilities under insurance contracts	(579 107)	(327 882)	(9 155)	(1 972)	14 267	10 227	(36 130)	(10 314)
Fair value adjustments on policyholder liabilities under investment contracts	19 068	52 490	-	-	(1 018)	(193)	99 346	90 401
Acquisition costs	536 552	479 591	11 576	9 862	17 868	7 529	747 584	710 252
Administration, management & other expenses	854 229	759 515	41 981	20 370	4 054	4 988	164 346	160 447
Total expenses	**1 617 625**	**1 820 161**	**52 854**	**41 984**	**42 084**	**29 734**	**1 294 123**	**1 243 753**
Equity-accounted earnings	**-**	**174**	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(Loss) before tax	**1 063 808**	**665 418**	**5 036**	**5 803**	**10 113**	**8 070**	**561 777**	**479 084**
Tax	292 624	193 513	3 495	(3 922)	2 833	2 271	151 328	137 055
Profit/(Loss) after tax	**771 184**	**471 905**	**8 531**	**1 880**	**7 280**	**5 799**	**410 449**	**342 029**
Other comprehensive income	**(3 647)**	**(1 574)**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income/(loss) for the year	**767 537**	**470 331**	**8 531**	**1 880**	**7 280**	**5 799**	**410 449**	**342 029**
Other transfer to/(from) retained income	3 647	(760)	(13 932)	(88 886)	-	-	(19 183)	(10 237)
Other comprehensive income not charged against retained earnings	3 647	1 574	-	-	-	-	-	-
Ordinary dividends	202 195	304 859	2 135	204 000	5 000	5 500	307 306	273 067
Allocated to preference shareholders	-	4 724	-	-	-	-	-	-
Allocated to non-controlling interests	-	98	-	-	-	-	-	-
Change in retained earnings	**572 636**	**171 108**	**20 328**	**(113 234)**	**2 280**	**299**	**83 960**	**58 725**
Management expenses to net premium and service fees on investment contracts	34%	33%	103%	47%	24%	29%	11%	11%
Tax as a % of NIBT	28%	29%	(69%)	68%	28%	28%	27%	29%
Comments	Group		Company		Company		Company	

LONG TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Jun-17	Jun-16	Jun-17	Jun-16	Dec-17	Dec-16	Jun-17	Jun-16
Group/Company	Guardrisk Life Limited		Hollard Life Assurance Company Limited		Liberty Group Limited		Momentum Ability Limited	
FSB classification	Cell captive		Traditional		Traditional		Traditional	
Change in policy holder liabilities under insurance contracts	293 938	157 212	(2 300 634)	(1 151 204)	6 787 000	(556 000)	206 767	203 858
Fair value adjustments on policyholder liabilities under investment contracts	-	-	-	-	9 043 000	3 867 000	63 437	123 487
Acquisition costs	-	-	481 530	488 690	4 205 000	4 203 000	-	-
Administration, management & other expenses	1 408 051	948 966	2 215 338	2 065 847	9 691 000	10 009 000	156 740	202 954
Total expenses	**1 840 660**	**1 302 928**	**4 018 627**	**4 086 396**	**65 142 000**	**53 934 000**	**185 375**	**365 422**
Equity-accounted earnings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(Loss) before tax	**133 220**	**45 203**	**1 175 318**	**1 582 412**	**4 599 000**	**3 977 000**	**9 317**	**62 425**
Tax	39 444	8 815	319 556	350 930	2 036 000	1 247 000	2 709	16 645
Profit/(Loss) after tax	**93 776**	**36 388**	**855 762**	**1 231 482**	**2 563 000**	**2 730 000**	**6 608**	**45 780**
Other comprehensive income	**-**	**-**	**-**	**-**	**(85 000)**	**113 000**	**-**	**-**
Total comprehensive income/(loss) for the year	**93 776**	**36 388**	**855 762**	**1 231 482**	**2 478 000**	**2 843 000**	**6 608**	**45 780**
Other transfer to/(from) retained income	-	-	-	-	(75 000)	-	-	-
Other comprehensive income not charged against retained earnings	-	-	-	-	31 000	(139 000)	-	-
Ordinary dividends	83 500	-	1 290 444	1 692 400	2 600 000	3 500 000	28 000	70 000
Allocated to preference shareholders	-	-	-	-	-	-	-	-
Allocated to non-controlling interests	-	-	-	-	-	282 000	-	-
Change in retained earnings	**10 276**	**36 388**	**(434 682)**	**(460 918)**	**(166 000)**	**(1 078 000)**	**(21 392)**	**(24 220)**
Management expenses to net premium and service fees on investment contracts	91%	87%	49%	42%	26%	26%	117%	70%
Tax as a % of NIBT	30%	20%	27%	22%	44%	31%	29%	27%
Comments	Company		Company		Group		Company	

LONG TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Jun-17	Jun-16	Dec-17	Dec-16	Dec-17	Dec-16	Feb-17	Feb-16
Group/Company	MMI Group Limited		Nedgroup Life Assurance Company Limited		Nedgroup Structured Life Limited		Oakhurst Life Limited	
FSB classification	Traditional		Traditional		Traditional		Traditional	
Change in policy holder liabilities under insurance contracts	(1 946 000)	(251 000)	(730 037)	(485 151)	-	-	-	-
Fair value adjustments on policyholder liabilities under investment contracts	5 845 000	15 767 000	219 298	(115 919)	-	-	-	-
Acquisition costs	3 175 000	3 110 000	369 916	335 963	-	-	-	-
Administration, management & other expenses	5 982 000	6 068 000	396 325	366 270	2 452	2 604	10 598	1 368
Total expenses	**32 199 000**	**45 629 000**	**1 619 796**	**1 280 874**	**2 452**	**2 604**	**12 830**	**1 383**
Equity-accounted earnings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(Loss) before tax	**4 315 000**	**3 730 000**	**912 692**	**906 872**	**7 643**	**8 246**	**(2 880)**	**1 032**
Tax	1 570 000	1 150 000	235 742	254 294	2 140	2 309	(77)	(268)
Profit/(Loss) after tax	**2 745 000**	**2 580 000**	**676 950**	**652 578**	**5 503**	**5 937**	**(2 957)**	**764**
Other comprehensive income	**(11 000)**	**321 000**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income/(loss) for the year	**2 734 000**	**2 901 000**	**676 950**	**652 578**	**5 503**	**5 937**	**(2 957)**	**764**
Other transfer to/(from) retained income	(60 000)	19 000	-	-	-	-	-	-
Other comprehensive income not charged against retained earnings	11 000	(321 000)	-	-	-	-	-	-
Ordinary dividends	2 812 000	2 723 000	650 000	900 000	-	-	-	-
Allocated to preference shareholders	36 000	33 000	-	-	-	-	-	-
Allocated to non-controlling interests	-	-	-	-	-	-	-	-
Change in retained earnings	**(163 000)**	**(157 000)**	**26 950**	**(247 422)**	**5 503**	**5 937**	**(2 957)**	**764**
Management expenses to net premium and service fees on investment contracts	29%	28%	22%	22%	50%	60%	228%	2533%
Tax as a % of NIBT	36%	31%	26%	28%	28%	28%	3%	(26%)
Comments	Company		Company		Company		Company	

LONG TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Dec-17	Dec-16	Dec-17	Dec-16	Jun-17	Jun-16	Dec-17	Dec-16
Group/Company	Old Mutual Alternative Risk Transfer Limited		Old Mutual Life Assurance Company (South Africa) Limited		OUTsurance Life Insurance Company Limited		Provisional Provident Society Insurance Company Limited	
FSB classification	Cell captive		Traditional		Traditional		Traditional	
Change in policy holder liabilities under insurance contracts	106 834	95 149	split not provided, incl in claims expense line	split not provided, incl in claims expense line	28 469	51 533	2 767 894	1 472 126
Fair value adjustments on policyholder liabilities under investment contracts	194 302	6 865	26 695 000	10 616 000	-	-	140 061	15 295
Acquisition costs	34 427	26 363	6 878 000	5 634 000	-	-	-	-
Administration, management & other expenses	61 922	50 424	10 710 000	9 308 000	237 542	239 629	1 204 160	1 134 417
Total expenses	**119 895**	**(100 709)**	**111 041 000**	**76 691 000**	**316 072**	**335 535**	**6 693 959**	**4 768 039**
Equity-accounted earnings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(Loss) before tax	**155 325**	**158 808**	**10 850 000**	**11 523 000**	**148 746**	**83 222**	**451 070**	**246 102**
Tax	147 664	151 553	3 662 000	3 509 000	36 939	23 271	441 615	207 829
Profit/(Loss) after tax	**7 661**	**7 255**	**7 188 000**	**8 014 000**	**111 807**	**59 951**	**9 455**	**38 273**
Other comprehensive income	**333**	**-**	**(97 000)**	**(84 000)**	**(501)**	**(112)**	**1 936**	**(582)**
Total comprehensive income/(loss) for the year	**7 994**	**7 255**	**7 091 000**	**7 930 000**	**111 306**	**59 839**	**11 391**	**37 691**
Other transfer to/(from) retained income	-	-	95 000	28 000	-	-	-	-
Other comprehensive income not charged against retained earnings	(333)	-	97 000	-	501	112	(1 936)	582
Ordinary dividends	-	-	6 841 000	4 924 000	-	-	-	-
Allocated to preference shareholders	-	-	-	-	-	-	-	-
Allocated to non-controlling interests	-	-	-	-	-	-	-	-
Change in retained earnings	**7 661**	**7 255**	**442 000**	**3 034 000**	**111 807**	**59 951**	**9 455**	**38 273**
Management expenses to net premium and service fees on investment contracts	(3358%)	(12766%)	20%	17%	59%	67%	33%	35%
Tax as a % of NIBT	95%	95%	34%	30%	25%	28%	98%	84%
Comments	Company		Company		Company		Company	

LONG TERM INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Jun-17	Jun-16	Dec-17	Dec-2016 Restated
Group/Company	Regent Life Assurance Company Limited		Sanlam Limited	
FSB classification	Traditional		Traditional	
Change in policy holder liabilities under insurance contracts	(79 166)	(32 703)	-	-
Fair value adjustments on policyholder liabilities under investment contracts	6 221	10 957	32 588 000	13 204 000
Acquisition costs	199 394	196 539	8 832 000	8 140 000
Administration, management & other expenses	(238 305)	193 301	18 882 000	17 717 000
Total expenses	**167 624**	**628 690**	**100 290 000**	**75 186 000**
Equity-accounted earnings	**(73)**	**(1 611)**	**2 646 000**	**2 095 000**
Profit/(Loss) before tax	**686 017**	**222 979**	**16 332 000**	**13 604 000**
Tax	87 864	67 867	4 342 000	3 026 000
Profit/(Loss) after tax	**598 153**	**155 112**	**11 990 000**	**10 578 000**
Other comprehensive income	**-**	**-**	**(1 810 000)**	**(5 138 000)**
Total comprehensive income/(loss) for the year	**598 153**	**155 112**	**10 180 000**	**5 440 000**
Other transfer to/(from) retained income	(6 808)	(330)	(46 000)	(1 647 000)
Other comprehensive income not charged against retained earnings	-	-	(772 000)	3 300 000
Ordinary dividends	641 587	-	5 400 000	4 916 000
Allocated to preference shareholders	-	-	-	-
Allocated to non-controlling interests	(61 654)	(27 143)	(908 000)	(301 000)
Change in retained earnings	**(111 896)**	**127 639**	**4 870 000**	**2 478 000**
Management expenses to net premium and service fees on investment contracts	(32%)	27%	35%	35%
Tax as a % of NIBT	13%	30%	27%	22%
Comments	Company		Group	

Reinsurers

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REINSURANCE INDUSTRY RESULTS

We are delighted to present and comment on the financial results of the South African reinsurance industry for the 2017 financial year.

From a local perspective, the results of the reinsurance industry need to be interpreted in the context of the results of the short-term insurance and long-term insurance industries as set out in this publication. In summary, the life insurance industry experienced low growth in new business, declining new business margins, an increase in first year policy lapses on recurring premium business. From the perspective of the short-term insurance industry, direct insurers and bancassurers saw muted growth in premium. Specialist insurers such as Sasria and ECIC did not experience favourable results after a number of claims due to the #FeesMustFall protests and a slowdown in premiums as firms slowed expansion plans into African territories, respectively.

Financial indicators

It is important to note our performance analysis is based on locally registered professional reinsurers participating in this survey; reflecting 91% of the reinsurance market share in terms of gross written premium. The reinsurance industry remains competitive, however this is not something new in the context of South Africa. As noted in KPMG's 2016 insurance industry survey, the level of competition is expected to increase now that foreign reinsurers may operate branches under the new Insurance Act, effective from 1 July 2018.

What the immediate future holds for reinsurance operations

There were many catastrophic losses in 2017. It goes without saying that the number of natural catastrophe events has become more frequent in recent years. Many industry players are questioning whether this has become the "new normal" – a slightly over-used phrase in recent years. As a result, we expect to see hardening of insurance rates with more focus by (re)insurers on the pricing of insurance products. From a global perspective, noted by Cover Magazine, "The negative impact of catastrophe losses on underwriting earnings in 2017 has further eroded the segment's historical earnings, although the market's capacity to absorb these events has once again proven resilient, and balance sheets remain solid going into the critical January 1, 2018, renewal season."[1]

[1] https://www.cover.co.za/market-segment-outlook-global-reinsurance/

Technology

One cannot ignore the changing technological landscape. Reinsurers will need to ensure that innovation and technology are at the top of their agendas. Trends adopted by reinsurers' customers i.e. by insurers, will need to be emulated if they wish to remain relevant and maintain or grow market share.

Growth

Despite subdued local and global economic growth, local reinsurers still achieved respectable growth levels. Gross written premium (GWP) and investment income improved in the 2017 financial year when compared to the 2016 financial year, by 16% (2016: 13%) and 10% (2016: 23%) respectively. Economic factors such as low GWP growth, increasing political instability and unemployment rates and South Africa's sovereign credit rating downgrade, contributed towards the constrained growth in investment income when compared to 2016.

Performance

Overall the reinsurance market has seen a hardening in premium rates. This will mean higher insurance premiums, lower coverage, increased underwriting criteria, lower capacity (insurance carriers will write fewer policies with lower limits) and increased competition among insurance carriers. This has been observed during the course of 2018.

In addition to this, the industry also experienced claims deterioration. This stems from both the number and severity of losses, particularly in the short-term sectors of the market, including:

— Cape storms during June 2017
— Cape fires during June 2017
— Kwa-Zulu Natal gale force winds during September 2017
— Gauteng and neighbouring provinces storms during October 2017
— Kwa-Zulu Natal and neighbouring provinces storms during October 2017
— Vaal Marina tornado during December 2017
— Gauteng storms on 31 December 2017

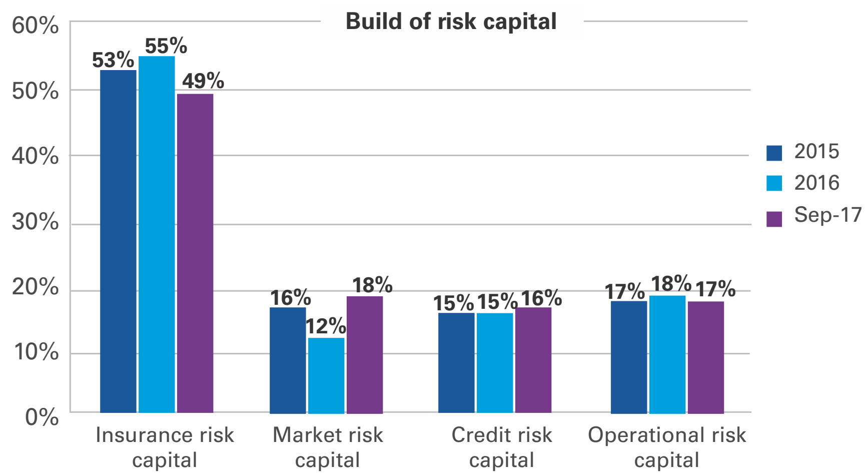
Key financial performance metrics of the reinsurance industry:

Performance metric	2017	2016
IFRS (Loss)/Profit	(R55 million)	R406 million
Combined ratio	113%	108%
Return on equity	-1%	6%

The reinsurance market reported an industry loss of R55 million (2016: R406 million profit). The combined ratio for the industry deteriorated to 113% (2016: 108%). The return on equity (ROE) for the industry was -1% (2016: 6%).

The industry results continued to be affected by the performance of the Rand, where the average performance was largely consistent with that observed during in 2016. The majority of the market is exposed to currency fluctuations through business placed in other territories and ultimately net assets and liabilities in foreign jurisdictions.

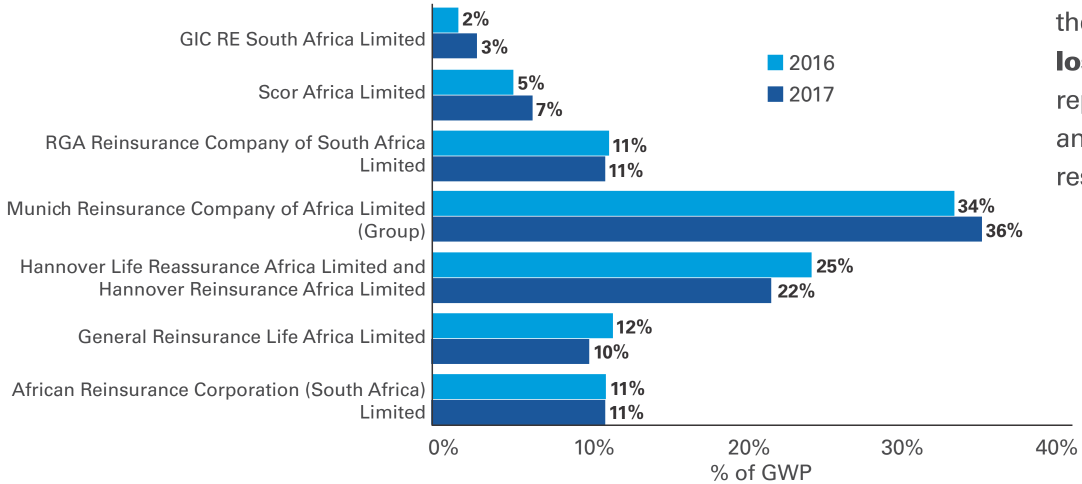
If we turn our focus to the regulatory results, the Financial Services Board (FSB) reported that for the nine month period ended 30 September 2017, the credit risk component of the capital adequacy ratio (CAR) had increased to 16%. However, the increase is considered marginal when compared to the 2015 results in which the credit risk component made up 15% of total CAR. The results were measured on the existing regulatory basis at the time, i.e. not a Solvency Assessment and Management (SAM) basis.



The insurance risk capital is a factor of underwriting risk, based on volumes of earned premium, while operational risk capital is a formulaic calculation based on earned premium volumes and gross technical provisions. Not surprisingly, insurance risk capital makes up the largest component of risk capital. Both insurance risk capital and operational risk capital moved marginally as expected, with no major reasons for fluctuations identified based on the performance of the industry over the course of 2017.

The market risk capital is largely driven by exposure to the equity market. Market risk capital has moved in line with what we have expected, based on the performance of the equity market, where we saw poorer returns in 2016 compared to 2017. It is important to note that the sovereign default downgrade came through during November 2017. As a result, the impact of the downgrade is not reflected in the credit risk component set out in the graphical representation on page 88. We can expect the credit risk component to increase over the course of 2018, as the credit risk associated with the market in general will be affected by the downgrade. Consequently, the capital requirements will be impacted too.

Illustrated below is the share of the reinsurance market by GWP, as reported in the audited financial statements of the reinsurers participating in this survey, including a combined view of long-term and short-term results.



Munich Reinsurance Company of Africa Limited and Hannover Reinsurance Group remain the dominant players in the local reinsurance industry. Their combined market share accounts for 58% (2016: 59%) measured by GWP volumes. The market share distribution across reinsurers remained relatively consistent between 2016 and 2017, with only marginal movements noted across industry players.

Other important key performance indicators of the industry based on the results of reinsurers participating in the 2017 KPMG survey is as follows:

Performance indicator	2017	2016
Management and other expenses to earned premium	14%	14%
Policyholder benefits and entitlements to earned premium	91%	85%
Net commission to earned premium	8%	9%
Underwriting loss	R1 425 million	R832 million

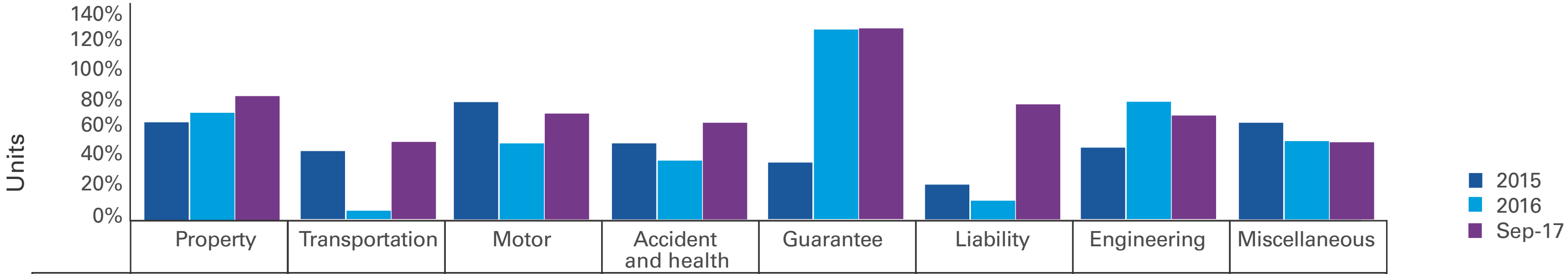
Short-term reinsurance industry results

The FSB ST quarterly report for September 2017 notes that four of the six operational reinsurers had reported **underwriting** losses and two reinsurers had reported **operating** losses. Compared to the results at 31 December 2016, four of the seven operational reinsurers reported **underwriting** losses and of the four reporting underwriting losses, two reinsurers reported an **operating loss.**[2] It is important to note that all results included in the FSB quarterly reports are collated on a regulatory basis (i.e. measured under the Long-term and Short-term Insurance Acts). The results are therefore different to the IFRS results as the measurement bases differ (i.e. legal versus substance over form).

[2] At the time of commenting on the 2017 results the December 2017 FSB results were not available.

Illustrated below are claims incurred (includes movement in outstanding claims and incurred but not reported (IBNR) provisions) expressed as a percentage of earned premium. The information displayed is extracted from the FSB ST quarterly report for September 2017.

Claims ratio



	Property	Transportation	Motor	Accident and health	Guarantee	Liability	Engineering	Miscellaneous
2015	66%	46%	80%	53%	35%	25%	50%	65%
2016	73%	4%	51%	41%	129%	14%	80%	53%
Sep-17	84%	51%	74%	66%	132%	81%	72%	55%

Overall the loss ratio[3] worsened in 2017 and as at 30 September 2017 the loss ratio amounted to 77% (2016: 62%). The combined ratio also worsened in 2017 and as at 30 September 2017 the combined ratio[4] amounted to 100% (2016: 64%). The South African insurance industry experienced an unusually high number of large and catastrophe losses during 2017, as noted earlier in this analysis. The effect of this can be seen in the higher loss ratios experienced in the property and liability claims ratios set out above. The increased accident and health loss ratio is largely attributable to the experience of two reinsurers.

Other important key performance indicators as recorded in the FSB ST quarterly report for September 2017 are:

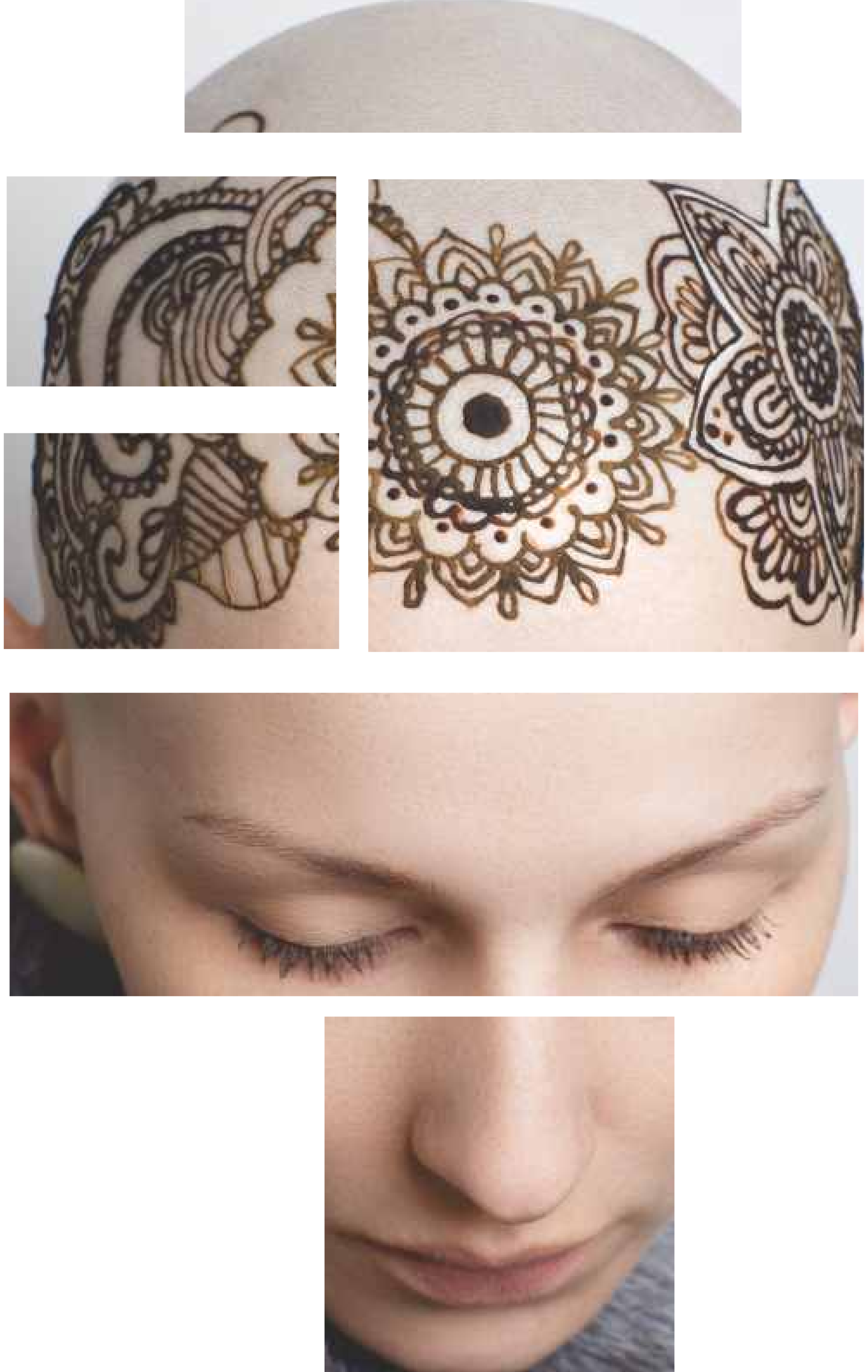
Performance indicator[5]	2016 (% of net written premium)	Sep-17 (% of net written premium)
Management expenses	20	16
Commission	17	17
Underwriting result	4	-11
CAR cover ratio (median)	3.3	2.6

We noted in our 2016 reinsurance results analysis that the management expenses had increased as a result of:

- Increased cost of regulatory compliance;
- Prevailing inflation levels;
- Investment in human and material resources to support growth; and
- Improved client service.

One year later, the management expense ratio has shown an improvement, however, we can expect an increase in management expenses post-2017 as reinsurers prepare for IFRS 17 and SAM implementation.

[3] Expressed as a percentage of net earned premium during the period.
[4] Claims + commission + expenses less total investment income as a percentage of net earned premium.

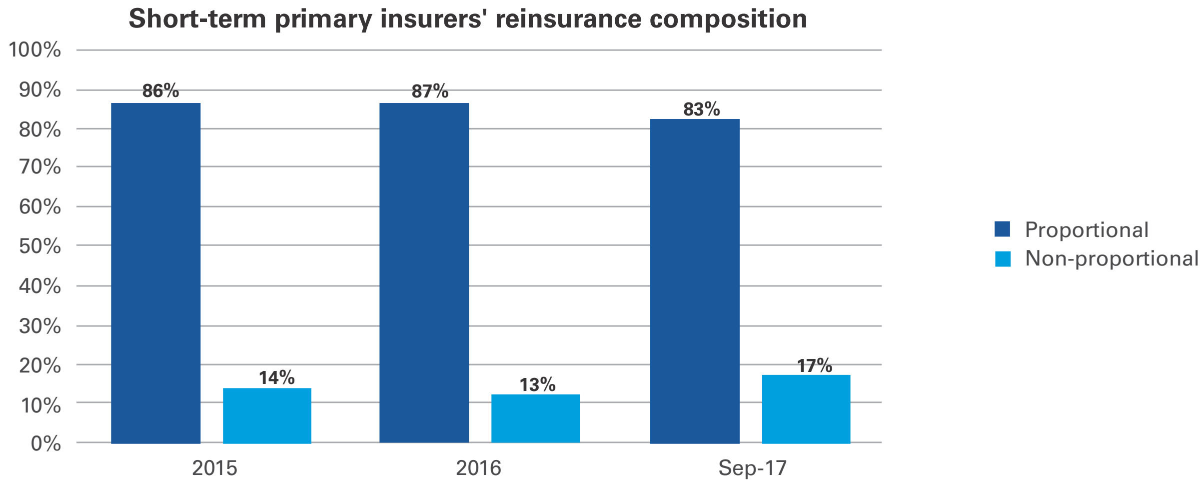


“The success of transitioning to IFRS17 reporting will not be measured by achieving compliance with the standard’s requirements, but rather by how insurers will be able to derive strategic value from the data sets and processes required for this new reporting regime."

Adriana Weilbach, CFO, Telesure Group

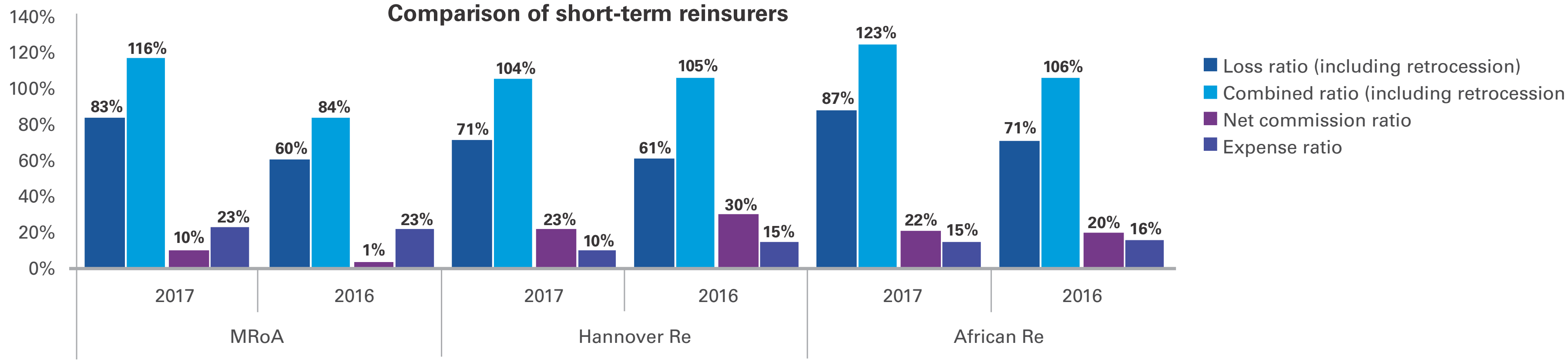
Illustrated below is the composition of reinsurance cover purchased by South African cedants. The composition, between proportional and non-proportional cover, is expressed as a percentage of reinsurance premium.

The underlying data is as per FSB quarterly report on the results of the short-term insurance industry for the period ended 30 September 2017.



The proportion of non-proportional cover overall has increased during the 2017 financial year to 17% (2016: 13%), attributable mainly to primary insurers optimising their reinsurance by ceding less business and retaining more risk for the net account.

Individual underwriting performance – Short-term



Munich Re

Munich Re experienced an underwriting loss if R140 million in 2017 as opposed to an underwriting profit of R136 million. The increase in GWP resulted from larger risk participations, new business and key strategic alliances. However, the increased claims provisions related to the catastrophe events experienced during 2017.

Hannover Re

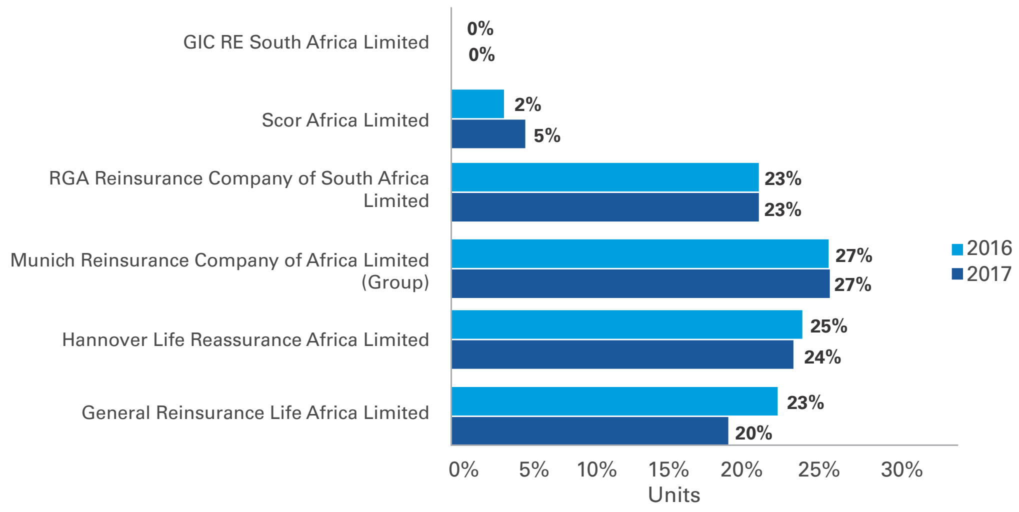
Hannover Re's underwriting loss remained relatively stable increasing slightly from R28 million in 2016 to R30 million in 2017. Non-life GWP increased by 4% (2016: 2%) while net earned premiums increased by 27% (2016: decrease of 38%). The results have also been impacted by the catastrophe events experienced during 2017, evidenced by the increased loss ratio.

African Re

African Re's results tell a similar story when compared to that of Hannover Re and Munich Re. African Re achieved 16% (2016: 5%) growth in terms of GWP, with net earned premiums increasing by 14% (2016: 3%). However, the underwriting loss increased from R41 million in 2016 to R175 million in 2017, with the primary contributor being increased claims attributable to the catastrophe events.

Long-term reinsurance industry results

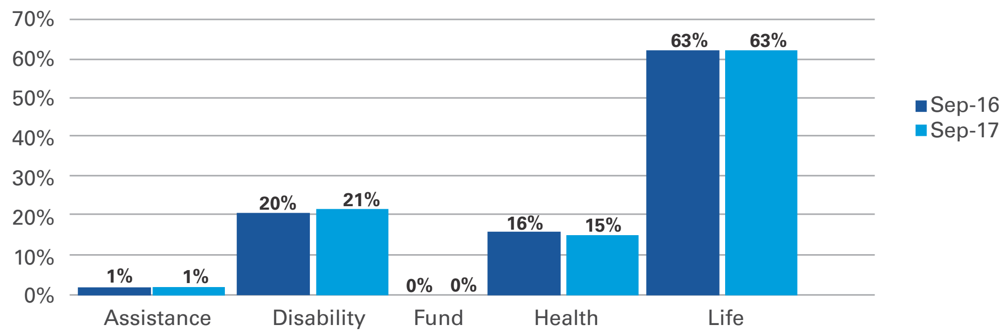
Alongside we illustrate market share in terms of GWP for long-term reinsurers separately, as reported in the audited financial statements of the reinsurers participating in this survey.



The South African long-term reinsurance recorded GWP of R 11.2 billion for the 2017 year (2016: R 10.1 billion), representing a growth of 11%. This growth did not filter through to profits for most reinsurers, with the exception of Munich Re that recorded an underwriting profit.

This diagram indicates the net premiums according to the classes of policies of reinsurers for the nine month period ended 30 September 2017 as well as comparative figures for the nine month period ended 30 September 2016 – the figures are as per the FSB quarterly report:

Net premiums per class of business



Other important key performance indicators as recorded in the FSB LT quarterly report for September 2017 are:

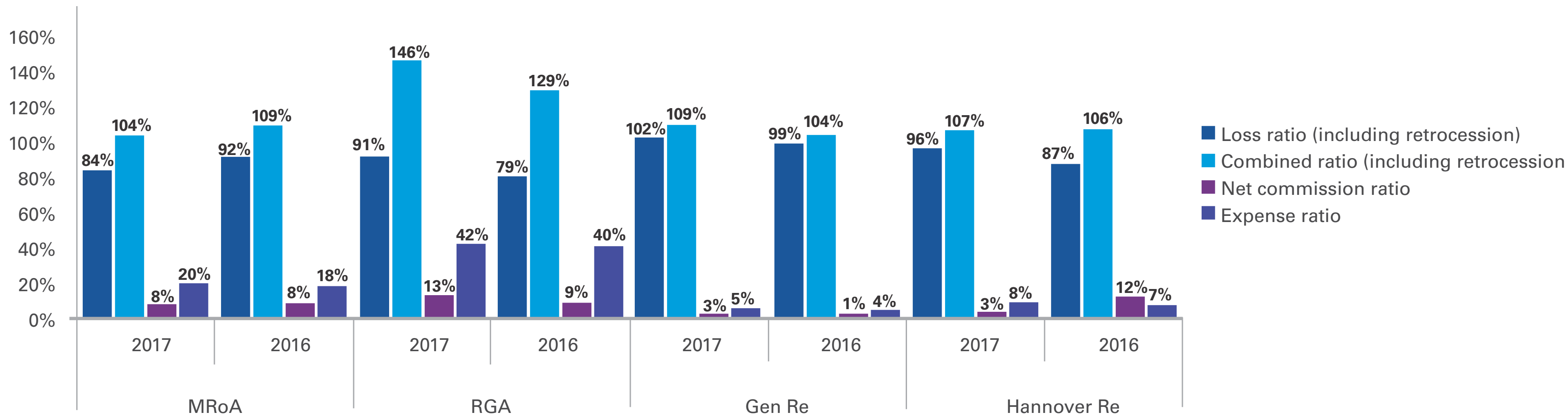
Performance indicator	2016	Sep-17
Claims (as a % of net premiums)	78	77
Commission (as a % of net premiums)	6	6
Management expenses (as a % of net premiums)	8	8
Return on investment[5]	12[6]	6
CAR cover ratio (median)	3.6	3.5

The results of the long-term reinsurance market have remained largely consistent with that of 2016, with no significant change in profit margins.

Total assets recorded in the FSB LT quarterly report for September 2017 was R21.7 billion (2016: R19.4 billion). This represents a 12% increase from the 2016 financial year. The majority of the increase in assets are recorded in the government and semi-government asset class.

Individual underwriting performance - long-term

Comparison of long-term reinsurers



[5] Return on investment is calculated according to the formula R=2i/A+B-i where i is all investment income plus realised and unrealised surplus on sale of investments, A is initial value of investments and B is end value of investments.
[6] One reinsurer received a special dividend from a subsidiary.

"Can insurers attract the customers of the future with their current business models? Customer experiences and expectations are being shaped by the other products and services they consume, which are increasingly instant and tech enabled. To succeed in future insurers must adapt to this. Is doing insurance the way it was done last century going to work? I don't think so."

Michael Goemans, CEO, Investec Life

Munich Re

The Munich Re long-term division recovered from the underwriting loss incurred in 2016, with an underwriting profit result of R122 million incurred for 2017 (2016: underwriting loss of R47 million). This increase is largely due to an increase in GWP of 14% (2016: 14%) and an improved claims experience.

RGA

RGA increased its GWP and earned premiums by 14% (2016: 53%). The underwriting loss of R198 million experienced in the prior year has increased to R316 million in the current year, largely attributable to increased claims costs, management expenses and acquisition costs.

General Re

General Re is a composite reinsurer, however, the short-term operation is significantly smaller than its long-term operation. Of the total GWP (R2.4 billion) only 5% pertains to short-term operations. General Re did not experience GWP or net earned growth during 2017, compared to growth of 6% experienced in GWP and 5% in net earned premiums during 2016. Muted growth in GWP and increased claims experience contributed towards the increase in the underwriting loss from R100 million in 2016 to R211 million in 2017.

Hannover Life

Hannover Life experienced GWP growth of 4% (2016: 7%) during 2017, with no growth experienced over net earned premium. The results have remained relatively flat with no significant movements noted in the results from 2016 to 2017.

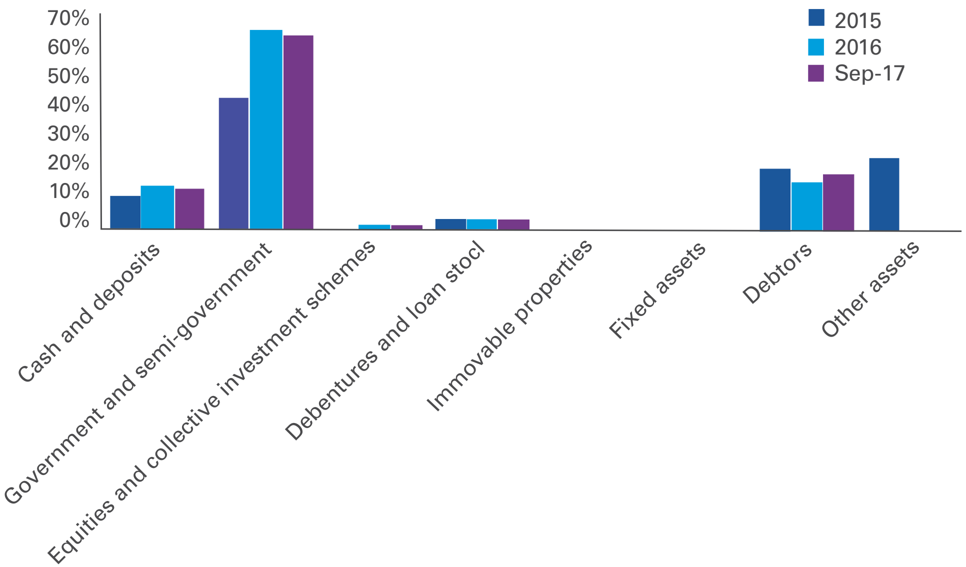
Investment performance

Reinsurers achieved an average return on investments (including cash and cash equivalents) of 6.5% (2016: 6.9%) compared to an average prime rate of 10.25% and the average 10-year government bond yield of 8.75%.[7]

Consistent with 2016, Munich Re was the top performer in terms of investment returns with 8.1% (2016: 9.4%) investment income on investments, including cash. RGA and African Re followed closely with 7.8% (2016: 7.6%) and 7.5% (2016: 6.4%) respectively, including cash. All other companies surveyed have an average investment return of 4.7% (2016: 4.9%). Investment income in total, for reinsurers surveyed, has increased by 10% (2016: 23%) year on year.

As can be seen from the graph below, reinsurers' assets are mostly allocated to government bonds:[8]

Asset allocation



[7] https://za.investing.com/rates-bonds/south-africa-10-year-bond-yield-historical-data
[8] FSB LT quarterly report for September 2017

What is playing on the minds of reinsurers?

Africa

- South African reinsurers are continuing with their focus on other African territories. However, the same challenges remain:
  - Timeliness of recovering monies from certain African countries. This characteristic mostly resides with oil producing countries which are affected by crude oil prices and which ultimately has an impact on the availability of the USD currency; and
  - Regulatory constraints.

Innovative ideas are required to access these markets successfully.

Accounting

In May 2017 the International Accounting Standards Board (IASB) issued IFRS 17 Insurance Contracts. This standard is expected to affect the manner in reinsurance contracts are accounted for. It is expected that long-term (re)insurers will be affected the most. Accounting for these contracts will require IT systems to be overhauled as far as it relates to the measurement of insurance contracts.

Many South African reinsurers will however benefit from being part of global groups with global operating systems and accounting applications. In addition, reinsurers generally administer fewer contracts when compared to direct writers. As with direct insurers, it is expected that reinsurers will be placing an increased amount of focus, in addition to committing a higher level of resources, towards IFRS 17 implementation over the next few years.

Regulatory

The Insurance Act, no. 18 of 2017 (the Act) came into effect on 1 July 2018. This Act replaces the prudential aspects of the Long-term and Short-term Insurance Acts (the Acts). As a result, the regulations as set out in the Reinsurance Regulatory Review have come into effect.

We expect to see a change in the types of reinsurance structures. One of these changes is to allow foreign reinsurers to operate in South Africa through a branch, where previously only incorporated entities were permitted. Many locally registered reinsurers with foreign parents are in an advanced stage in deciding whether or not to convert to a branch. However, certain complexities as part of this conversion process will need to be resolved before such decisions are made.

Complexities include:

- Consideration of direct and indirect taxation consequences of the decision by an existing reinsurer to restructure its business and operate using a branch structure; and
- Limitations related to which investments should be held to meet technical provisions and how these assets can be utilised and/or transferred.

The new prudential standard GOI 3.3 Reinsurance and Other Forms of Risk Transfer by Insurers will form part of the subordinate legislation to the new Insurance Act. The prudential standard states that retrospective application of reinsurance contracts will no longer be allowed. Contracts will only become effective at date of signature by both parties:

8.2 “To achieve clarity and certainty on reinsurance coverage, a reinsurance arrangement must be unambiguous, and there must be complete and final agreement on all material terms and conditions of the arrangement, documented in writing, by all parties prior to the arrangement's effective date.”

8.3 “Where, in extraordinary circumstances, a comprehensive reinsurance arrangement can only be duly executed by all parties after the effective date, the insurer, in respect of the reinsurance coverage during this interim period, must …obtain contractually binding summary documents.”

This is part of the subordinate legislation that became effective under the new Insurance Act from 1 July 2018, subject to the transitional arrangements.

Indirect taxation

While Binding General Ruling (BGR) 32 came into effect during 2016, the industry is still grappling with meeting its requirements. The BGR deals with the VAT treatment of specific supplies in the short-term reinsurance industry and is effective in respect of policy documents entered into on or after 1 June 2016. Other parts of the BGR came into effect from 1 September 2016. Common areas of difficulty experienced by reinsurers, based on our experience:

1. Taxable supply of reinsurance by a local reinsurer to a non-resident cedant and treatment of cedant commission, i.e. supply of cedant services to a non-resident reinsurer.
2. Treatment of indemnity payment and recoveries.
3. Time of supply aspects as far as it relates to facultative and non-proportional treaty reinsurance and proportional treaty reinsurance as well as supply of intermediary or cedant services.
4. Documentation requirements as far as it relates tax invoices, credit and debit notes and recipient-created tax invoices, credit and debit notes.
5. Documentary proof requirements and conditions for zero rating, input tax and other deductions.

Based on our experience to date, the insurance industry as a whole is experiencing challenges with complying with all the requirements of the BGR. There appears to be differing interpretations over part of this legislation. As a result, we foresee many applications for specific rulings, where reinsurers believe some aspects of the BGR cannot be complied with and Voluntary Disclosure Programmes (VDP) conducted by reinsurers not in compliance with the BGR. It is therefore expected that with time, SARS we become more active in its oversight.

We look forward to seeing how reinsurers will embrace the changes and challenges that the industry is being faced with. We expect that each industry participant will apply an approach that is unique to their business model and that will serve their business strategy best.

“You will either step forward into growth or you will step back into safety” – Abraham Maslow

REINSURERS | Statement of Financial Position | R'000

Accounting year end	Dec-17	Dec-16	Dec-17	Dec-16	Mar-17	Mar-16	Dec-17	Dec-16
Group/Company	**African Reinsurance Corporation (South Africa) Limited**		**General Reinsurance Africa Limited**		**GIC RE South Africa Limited**		**Hannover Life Reassurance Africa Limited**	
Share capital and share premium	80 300	80 300	4 000	4 000	253 900	111 500	112 500	112 500
Retained earnings/(deficit)	633 784	607 358	1 555 789	1 498 014	(59 788)	(33 181)	432 291	472 990
Reserves	51 702	51 702	(27 308)	(59 930)	1 733	1 665	(10 467)	(29 692)
Total shareholders' funds	**765 786**	**739 360**	**1 532 481**	**1 442 084**	**195 845**	**79 984**	**534 324**	**555 798**
Gross outstanding claims	1 488 963	1 053 455	1 490 927	1 296 493	478 388	237 564	249 987	243 265
Gross unearned premium reserve	213 864	185 009	208 155	185 525	332 165	183 409	12 231	17 611
Provision for profit commission	-	-	-	-	-	-	416 457	441 780
Policy holder liabilities under insurance contracts	-	-	2 414 278	2 175 058	16 895	23 731	3 051 643	2 374 873
Liabilities in respect of investment contracts	-	901	-	-	-	-	-	-
Deferred reinsurance commission revenue	39 894	34 276	-	-	76 129	46 737	32 972	36 986
Deferred tax liabilities / (assets)	18 466	26 098	(2 420)	(3 119)	(5 971)	(5 971)	329	(3 918)
Funds withheld	1 661 660	1 319 212	433	1 649	619 411	375 711	1 086 288	943 674
Other liabilities	285 944	247 963	299 021	234 559	27 218	8 995	255 182	238 129
Total liabilities	**3 708 791**	**2 866 914**	**4 410 394**	**3 890 165**	**1 544 235**	**870 176**	**5 105 089**	**4 292 400**
Total investments	**2 590 521**	**2 404 879**	**4 901 453**	**4 280 712**	**539 218**	**292 404**	**3 549 270**	**3 004 605**
Funds withheld	7 844	3 149	-	-	-	-	183 664	234 582
PPE and intangible assets	3 121	3 141	4 613	5 084	1 243	1 524	-	-
Retrocessionaires' share of outstanding claims	1 069 950	755 345	178 962	110 303	405 830	202 901	101 522	114 789
Retrocessionaires' share of unearned premium reserve	150 675	129 506	26 922	18 051	287 805	165 324	104	-
Retrocessionaires' share of profit commissions	-	-	-	-	-	-	7 689	21 320
Retrocessionaires' share of liabilities under life insurance contracts	-	-	-	-	3 059	5 833	915 792	702 565
Deferred aquisition cost	49 492	42 492	-	-	79 740	43 861	187 837	219 298
Cash & cash equivalents	48 259	1 090	247 815	401 643	77 673	37 542	146 822	189 487
Other assets	554 715	266 672	583 110	516 456	345 512	200 771	546 713	361 552
Total assets	**4 474 577**	**3 606 274**	**5 942 875**	**5 332 249**	**1 740 080**	**950 160**	**5 639 413**	**4 848 198**
CAR ratio	N/A	N/A	6.4	6.6	1.8	1.8	2.2	2.4
Return on equity	3%	11%	4%	14%	(14%)	(8%)	7%	6%
Total assets / total liabilities	121%	126%	135%	137%	113%	109%	110%	113%
Change in shareholders's funds	4%		6%		145%		(4%)	

REINSURERS | Statement of Financial Position | R'000

Accounting year end	Dec-17	Dec-16	Dec-17	Dec-16	Dec-17	Dec-16	Dec-17	Dec-16
Group/Company	**Hannover Reinsurance Africa Limited**		**Munich Reinsurance Company of Africa Limited**		**RGA Reinsurance Company of South Africa Limited**		**Scor Africa Limited**	
Share capital and share premium	72 778	72 778	34 915	34 915	51 982	51 982	307 200	160 500
Retained earnings/(deficit)	500 777	499 195	2 390 485	2 430 378	113 876	189 492	(56 107)	34 258
Reserves	190 964	156 027	451 833	445 789	28 562	333	3 190	(4 052)
Total shareholders' funds	**764 519**	**728 000**	**2 877 233**	**2 911 082**	**194 420**	**241 807**	**254 283**	**190 706**
Gross outstanding claims	1 695 112	1 546 881	6 056 749	4 726 450	989 434	746 985	1 445 310	1 146 030
Gross unearned premium reserve	796 045	813 211	1 155 328	691 764	-	-	311 742	192 795
Provision for profit commission	466 081	481 892	274 661	122 859	-	-	-	-
Policy holder liabilities under insurance contracts	-	-	2 014 413	1 657 379	1 453 065	1 352 051	174 075	60 268
Liabilities in respect of investment contracts	-	-	-	-	-	-	-	-
Deferred reinsurance commission revenue	108 223	114 274	273 290	159 675	-	-	69 688	56 284
Deferred tax liabilities / (assets)	(14 423)	(17 801)	54 044	23 944	(423)	(507)	(53 097)	(20 204)
Funds withheld	804 941	748 355	37 787	33 160	965 942	883 464	1 126 281	941 514
Other liabilities	460 434	401 776	2 205 726	1 635 531	49 074	48 563	475 346	252 184
Total liabilities	**4 316 413**	**4 088 588**	**12 071 998**	**9 050 762**	**3 457 092**	**3 030 556**	**3 549 345**	**2 628 871**
Total investments	**1 652 214**	**1 449 298**	**4 390 806**	**3 925 328**	**1 866 288**	**1 555 706**	**1 325 239**	**1 093 245**
Funds withheld	485 809	493 766	117 397	97 864	-	-	-	-
PPE and intangible assets	20 397	23 692	1 614 005	1 283 010	13 120	16 428	421	525
Retrocessionaires' share of outstanding claims	978 345	864 037	3 530 149	2 829 926	-	-	985 382	786 562
Retrocessionaires' share of unearned premium reserve	308 045	334 699	927 579	553 371	-	-	208 812	131 041
Retrocessionaires' share of profit commissions	323 753	333 428	219 715	100 124	-	-	-	-
Retrocessionaires' share of liabilities under life insurance contracts	-	-	22 559	13 348	965 942	883 464	86 628	40 516
Deferred acquisition cost	191 155	209 661	311 891	175 941	-	-	94 834	81 221
Cash & cash equivalents	162 854	174 081	435 562	590 300	95 425	136 176	311 797	225 452
Other assets	958 360	933 927	3 379 568	2 392 632	710 737	680 589	790 515	461 015
Total assets	**5 080 932**	**4 816 589**	**14 949 231**	**11 961 844**	**3 651 512**	**3 272 363**	**3 803 628**	**2 819 577**
CAR ratio	N/A	N/A	4.0	9.3	3.2	3.8	1.7	1.8
Return on equity	4%	8%	(1%)	3%	(39%)	(3%)	(36%)	(16%)
Total assets / total liabilities	118%	118%	124%	132%	106%	108%	107%	107%
Change in shareholders's funds	5%		(1%)		(20%)		33%	

REINSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Dec-17	Dec-16	Dec-17	Dec-16	Mar-17	Mar-16	Dec-17	Dec-16
Group/Company	**African Reinsurance Corporation (South Africa) Limited**		**General Reinsurance Africa Limited**		**GIC RE South Africa Limited**		**Hannover Life Reassurance Africa Limited**	
Gross premiums written	2 633 428	2 277 434	2 403 973	2 363 979	688 645	331 818	2 672 556	2 568 054
Net premiums written	753 353	661 428	2 280 434	2 276 800	95 796	40 037	1 888 633	1 900 565
Earned premiums	**745 667**	**651 365**	**2 266 835**	**2 268 062**	**69 521**	**30 713**	**1 892 682**	**1 900 943**
Total net investment income	193 166	152 809	351 056	318 548	22 279	8 087	181 507	158 040
Reinsurance commission revenue	590 658	489 511	17 183	13 716	137 399	61 933	67 526	74 217
Other income	36	900	29 180	22 953	-	-	-	-
Total income	**1 529 527**	**1 294 585**	**2 664 254**	**2 623 279**	**229 199**	**100 733**	**2 141 715**	**2 133 200**
Policyholder benefits & entitlements	645 607	459 859	2 309 878	2 240 464	70 282	35 411	1 811 953	1 645 215
Acquisition expense	752 288	620 820	80 024	41 970	126 667	57 983	118 535	300 920
Management & other expenses	113 473	101 717	105 049	99 788	58 789	13 997	158 354	138 767
Total expenses	**1 511 368**	**1 182 396**	**2 494 951**	**2 382 222**	**255 738**	**107 391**	**2 088 842**	**2 084 902**
Net profit/(loss) before tax	**18 159**	**112 189**	**169 303**	**241 057**	**(26 539)**	**(6 658)**	**52 873**	**48 298**
Tax	(8 266)	29 239	111 528	44 210	-	-	13 572	16 526
Net profit/(loss) after tax	**26 425**	**82 950**	**57 775**	**196 847**	**(26 539)**	**(6 658)**	**39 301**	**31 772**
Other comprehensive income/(loss)	-	-	32 622	82 885	-	-	19 225	35 281
Total comprehensive income/(loss) for the year	**26 425**	**82 950**	**90 397**	**279 732**	**(26 539)**	**(6 658)**	**58 526**	**67 053**
Minority shareholders' interest	-	-	-	-	-	-	-	-
Transfer to/(from) retained earnings	-	-	-	-	(68)	(272)	-	-
Dividends	-	-	-	-	-	-	80 000	100 000
Change in retained earnings	**26 425**	**82 950**	**57 775**	**196 847**	**(26 607)**	**(6 930)**	**(40 699)**	**(68 228)**
Net premium to gross premium	29%	29%	95%	96%	14%	12%	71%	74%
Policyholder benefits & entitlements to earned premium	87%	71%	102%	99%	101%	115%	96%	87%
Management & other expenses to earned premium	15%	16%	5%	4%	85%	46%	8%	7%
Comments	Company		Composite company		Composite company		Company	

REINSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Dec-17	Dec-16	Dec-17	Dec-16	Dec-17	Dec-16	Dec-17	Dec-16
Group/Company	Hannover Reinsurance Africa Limited		Munich Reinsurance Company of Africa		RGA Reinsurance Company of South Africa Limited		Scor Africa Limited	
Gross premiums written	2 533 214	2 445 112	8 438 682	6 888 635	2 628 650	2 314 978	1 546 209	1 075 363
Net premiums written	721 086	418 335	3 948 080	3 459 709	679 684	693 574	615 047	345 863
Earned premiums	**708 951**	**558 287**	**3 857 048**	**3 500 281**	**694 696**	**687 346**	**568 941**	**376 377**
Total net investment income	87 351	85 445	356 763	369 746	145 025	117 644	25 078	33 449
Reinsurance commission revenue	657 524	814 755	1 307 114	1 212 223	121 156	108 543	178 975	179 496
Other income	(20 368)	9 187	-	-	103 241	90 307	(4 614)	(613)
Total income	**1 433 458**	**1 467 674**	**5 520 925**	**5 082 250**	**1 064 118**	**1 003 840**	**768 380**	**588 709**
Policyholder benefits & entitlements	504 682	338 328	3 241 709	2 940 286	630 589	546 147	568 309	285 998
Acquisition expense	818 529	981 691	1 617 846	1 429 808	210 535	171 415	247 294	284 247
Management & other expenses	73 767	80 992	673 484	607 028	291 229	276 983	77 769	60 100
Total expenses	**1 396 978**	**1 401 011**	**5 533 039**	**4 977 122**	**1 132 353**	**994 545**	**893 372**	**630 345**
Net profit/(loss) before tax	**36 480**	**66 663**	**(12 114)**	**105 128**	**(68 235)**	**9 295**	**(124 992)**	**(41 636)**
Tax	4 898	7 420	5 361	24 151	7 382	16 675	(34 626)	(10 252)
Net profit/(loss) after tax	**31 582**	**59 243**	**(17 475)**	**80 977**	**(75 617)**	**(7 380)**	**(90 366)**	**(31 384)**
Other comprehensive income/(loss)	34 937	29 888	(16 374)	(124 623)	25 850	42 954	7 731	9 851
Total comprehensive income/(loss) for the year	**66 519**	**89 131**	**(33 849)**	**(43 646)**	**(49 767)**	**35 574**	**(82 635)**	**(21 533)**
Minority shareholders' interest	-	-	-	-	-	-	-	-
Transfer to/(from) retained earnings	-	-	(22 418)	2 535	-	-	-	-
Dividends	30 000	102 600	-	200 000	-	-	-	-
Change in retained earnings	**1 582**	**(43 357)**	**(39 893)**	**(116 488)**	**(75 617)**	**(7 380)**	**(90 366)**	**(31 384)**
Net premium to gross premium	28%	17%	47%	50%	26%	30%	40%	32%
Policyholder benefits & entitlements to earned premium	71%	61%	84%	84%	91%	79%	100%	76%
Management & other expenses to earned premium	10%	15%	17%	17%	42%	40%	14%	16%
Comments	Company		Composite company, group results		Company		Composite company	