KPMG

Uncharted

The South African Insurance Industry Survey 2019

Financial Services

August 2019

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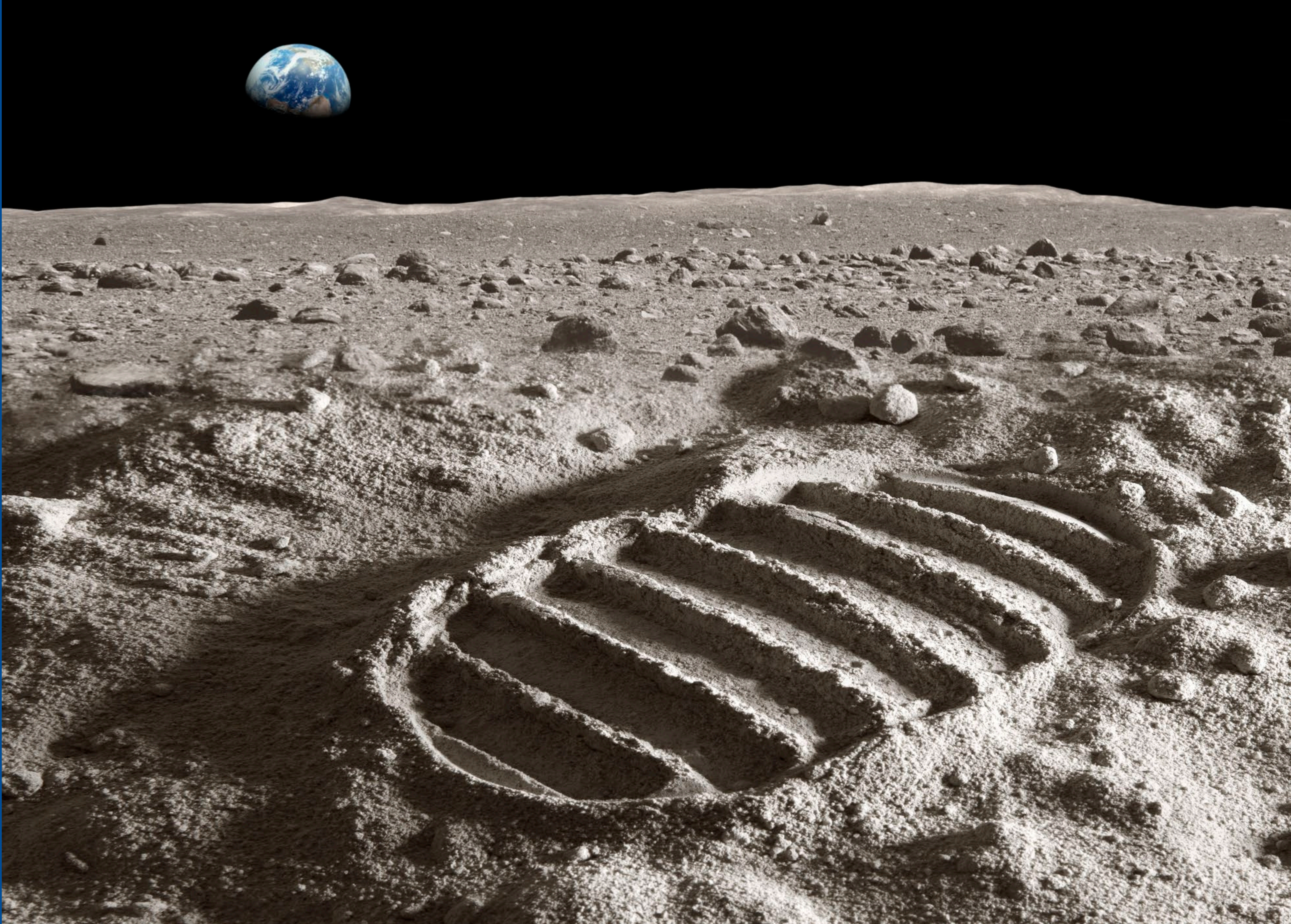

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Is it a bird; is it a plane?[1] Oh no Father, it's a drone! Well in my day my boy, a drone was a bee. What's it doing? Why Father it's scanning that pine plantation for disease, delivering medicine to poor and far-flung communities and taking pictures of that driverless motor car to see how damaged it is.

But Father, what is a bee? A bee was an insect that would buzz around happily all day long, flying from flower to flower to collect pollen and nectar to make honey and while it did that it would drop bits of pollen from one plant onto other plants to fertilise them. On sunny days there would be many bees working at the same time, and the air would be noisy with their droning.

I think I shall buy a drone Father; and I shall drop pollen all over and fill the meadows and dales with beautiful flowers! And how will you do that you silly boy; you have no bitcoins!

The insurance industry is having a moment. Old rules are being set aside and new realities are being explored. My fear was that South African insurers would do nothing but many have done much.

It is with great pride that we release another survey of the financial results of 37 of South Africa's short-term insurance companies, 22 long-term insurers and 8 reinsurance companies. I hope that you will enjoy reading the survey and the articles written by the extraordinary people in our insurance practice.

[1] It's a Bird... It's a Plane... It's Superman is the title of a 1966 Broadway musical composed by Charles Strouse

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Governance and Individual Accountability

Hiding behind the Accountability veil

Conduct regulation was recently introduced into South Africa. It manifests itself most patently in the establishment of the conduct regulator, being the Financial Sector Conduct Authority ("FSCA") and in the introduction of "a consolidated, comprehensive and consistent regulatory framework for the conduct of financial institutions", in the form of the Conduct of Financial Institutions ("COFI") Act (currently still a draft Bill).

The primary objective of the FSCA is the regulation and supervision of the "conduct of business" of all financial institutions. Conduct introduces a distinct shift in the manner and approach to the regulation and supervision of the financial services industry, by the FSCA. Key amongst these, is the potential introduction of an accountability regime, in one form or another.

Individual Accountability

The National Treasury's Explanatory Policy Paper accompanying the COFI Bill requires, *"…improvements in financial institutions' culture, including ensuring appropriate governance frameworks and that decision makers are **directly and personally held accountable** for weak governance and abusive practices by the institution, [for] ensuring that financial institutions better serve South Africans."*

The 2018 Financial Markets Review recommended that "regulators consider the implementation of an accountability regime that is equivalent and proportional for all market participants…"

We know that governance and accountability is a key focus of the FSCA, and that it is taking it very seriously. The comments made thus far provide a strong indication of the direction that the FSCA may move in, and the extent to which it may go, in order to drive accountability within financial institutions.

Accountability has always been a feature of corporate governance, but this presents a clear regulatory enforcement mechanism to be able to hold senior management to account.

Essentially in terms of the concept of "individual accountability", senior managers in a financial institution are held personally liable for regulatory breaches and conduct failures.

Enabling the regulator to link inappropriate customer outcomes to those individuals responsible for the decisions that resulted in those inappropriate outcomes will, in turn, ensure that important responsibilities within a financial institution are appropriately assigned to specific senior managers.

The focus on accountability is not just a South African concept; the concept of holding individuals within financial institutions personally accountable for abusive practices is becoming a regulatory focus area around the world. The UK, Australia, Hong Kong, Singapore and the US have all implemented forms of individual accountability and more countries are likely to follow suit over the coming years.

Why introduce "individual accountability"?

If we consider the UK example, there was significant criticism that the then existing regulatory framework was unable to hold individuals accountable for their personal responsibility and, as a consequence, there was concern that senior managers continued to shelter behind an accountability veil.

The inference is that senior managers were not seen to be adequately taking account for their responsibilities and that internal mechanisms within business, to hold senior managers to account, were lacking.

There is a strong interplay between culture and accountability. Accountability is one of the key indicators of a strong corporate culture. The threat of regulatory sanctions will hopefully engender an enhanced sense of accountability, which should in turn strengthen corporate culture ultimately driving down misconduct in the business.

The South African context

We don't have certainty on whether "individual accountability" will be introduced into South Africa; in what form it may be introduced or when it might happen.

However, it would be amiss to ignore the regulatory tone and direction that the FSCA is taking in this regard.

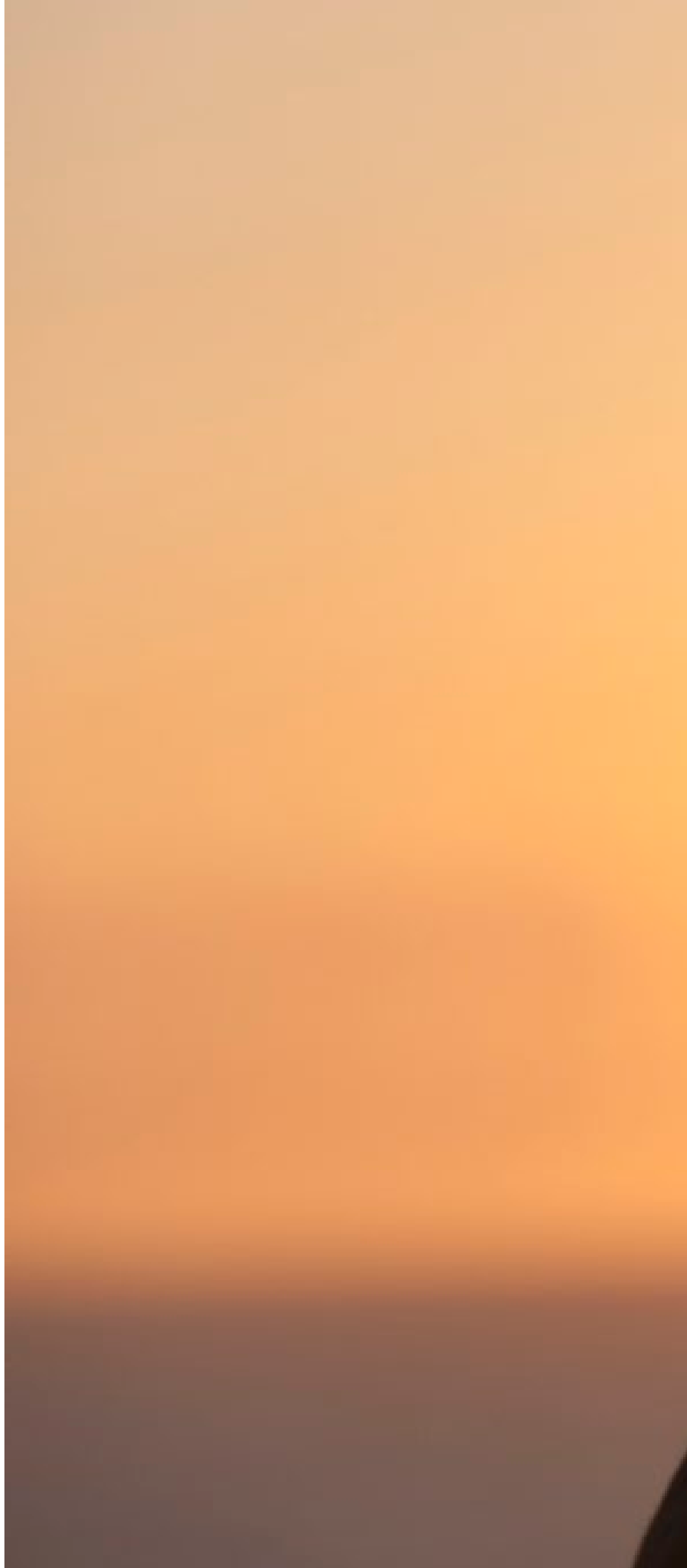
Either way, senior management will receive increased scrutiny and attention from the FSCA for their roles and accountability within financial institutions.

At its core the accountability regime requires that all financial institutions ensure that the "universe" of conduct responsibilities is properly identified and individual accountability is assigned to senior managers for each responsibility.

What should you think about?

A key question is whether your business would respond to the introduction of individual accountability purely as a regulatory burden or because developing consequence management mechanisms to hold senior managers to account for their responsibilities for the fair treatment of customers is the correct approach and builds a culture of integrity.

- Do you consider it necessary to introduce or enhance your accountability mechanisms and consequence for senior management failures in Conduct?
- Are responsibilities properly delegated and accountabilities properly defined to senior management across your business?
- Have you developed a comprehensive responsibilities universe reflecting how all senior management are responsible and accountable and how this responsibility is shared across the business?

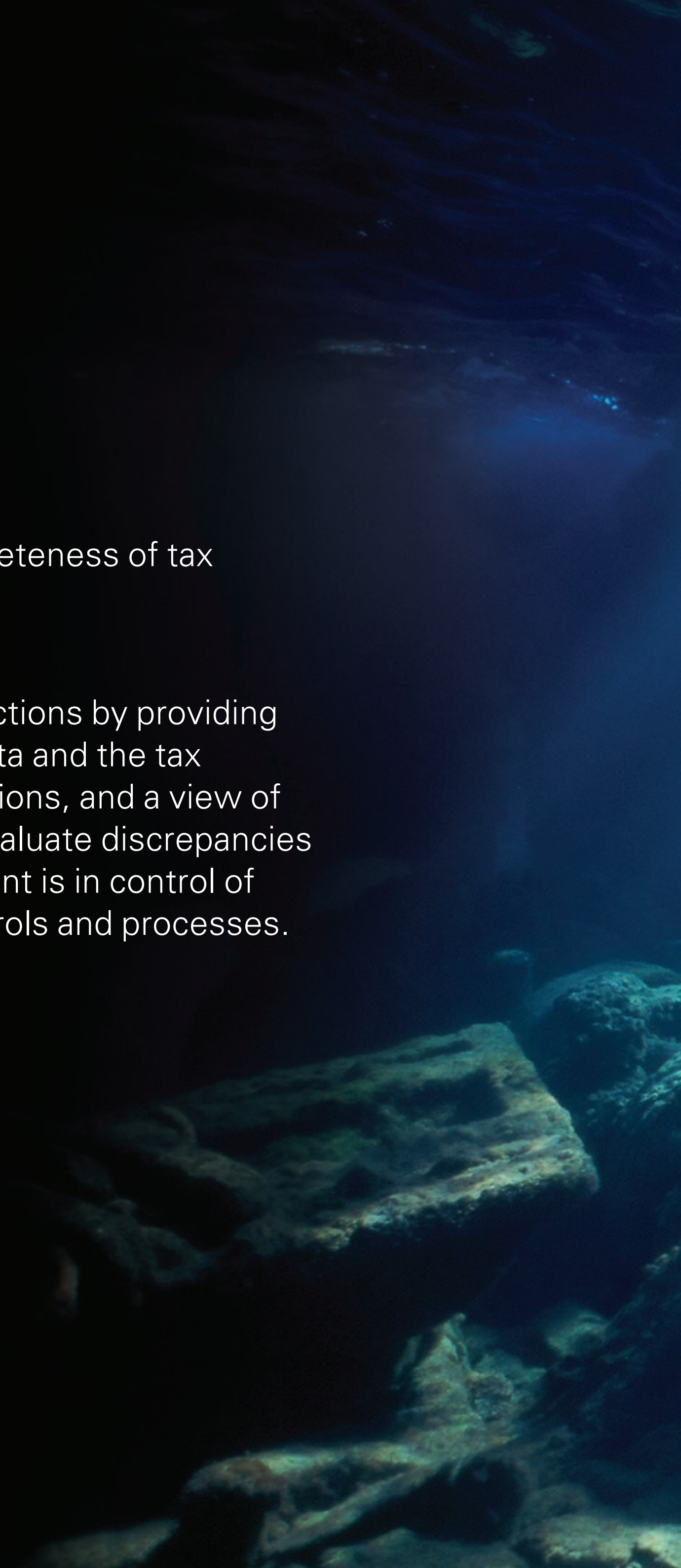


Tax Technology in the Insurance Industry

Visibility of tax data is often not good, making it difficult to evaluate the accuracy and completeness of tax decisions made by the organisation.

Technology and more specifically Data Analytics can provide substantial benefits to tax functions by providing better visibility and insight into tax data. This allows tax functions to be in control of their data and the tax decisions made across the organisation. Having visibility and insights to millions of transactions, and a view of trends and potential risk indicators at your fingertips, will give tax functions more time to evaluate discrepancies and improve overall value add to the organisation. Imagine a world where the Tax department is in control of the full end-to-end tax process, while simultaneously reducing risks through sufficient controls and processes.

KPMG can put you in control of your tax data and compliance.



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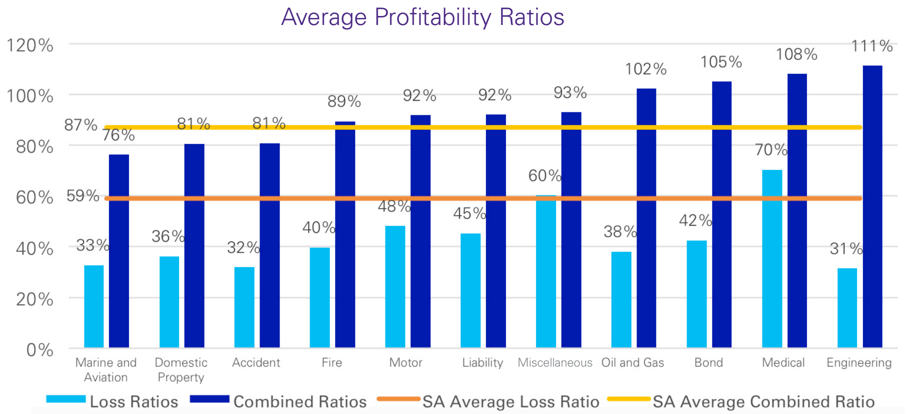
Insurance in Nigeria and Kenya: a financial performance comparison

In South Africa, the insurance industry is relatively mature, sophisticated and competitive. As South Africa continues to be a gateway to the rest of Africa, we thought it would be interesting to consider two of the other relatively large insurance markets in Africa. This article covers some of the insights gained from working in a number of African countries and predominantly focuses on the results of a recent benchmarking study conducted by KPMG of nine short term insurers in Nigeria and six short term insurers in Kenya for 2018. The focus areas of the study were profitability, use of reinsurance, reserving ratios and volumes of business written.

Profitability

The loss ratios for the companies covered were fairly low compared to what we see in the South African market, with the average estimated loss ratio being around 40%. The average loss ratio in the South African short term insurance market is around 59%.

Profitability is heavily influenced by expense management. The average estimated combined ratio was 92%, more than double the average loss ratio and higher than the South African average of 87%. Interestingly, acquisition costs didn't appear out of line with the South African industry and the high levels of expenses appear to be mostly driven by management expenses. More granular results by class are shown in the graph below:



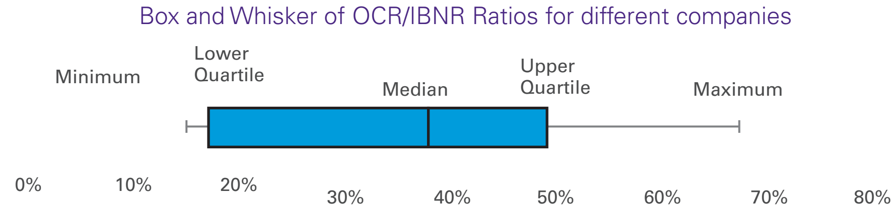
* The South African averages are based on the Short Term Insurance Industry Feedback provided by the Prudential Authority on 19 November 2018 and covers the 2017 financial year.

Generally, this is consistent with what we have observed in the Life Insurance industry in many African countries. Many companies have high overhead expenses and insufficient business volumes to comfortably spread these costs. Development of more efficient systems and processes would support the management of these expenses and it seems that there should be an opportunity for incumbents or new entrants in this respect. For example, it is not uncommon to still see companies capturing claim and policy records manually in excel spreadsheets.

Reserving Ratios

There is a number of reserving methodologies used by short term insurers within African territories. Some determine IBNR reserves using actuarial techniques while others simply set them in accordance with the minimum regulatory amount, mostly specified as a single percentage of the outstanding claims reserves (OCR) for all classes. Examples of these regulatory percentages are 10%, 15% and 25% of OCR for Nigeria, Uganda and Sierra Leone respectively.

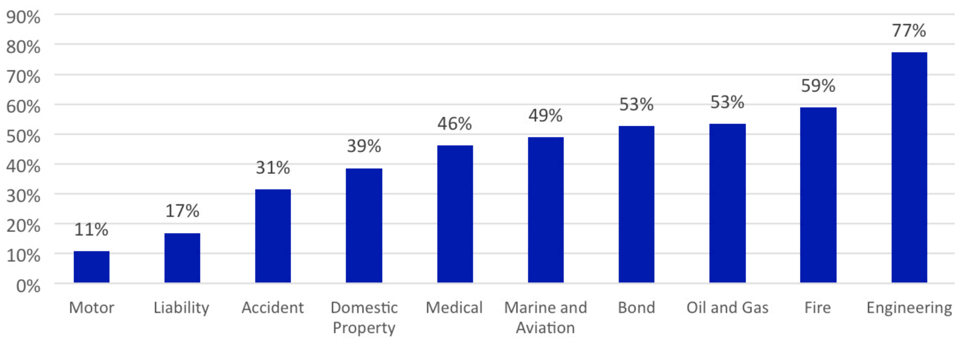
All the companies observed in this study used actuarial techniques to set their IBNR reserves. Interestingly, the observed IBNR/OCR ratios are generally higher than the regulatory percentages quoted above. If this result is generally true for insurance companies in Africa, a large number of these insurers could be under reserving. The observed OCR/IBNR ratios for the different companies are summarised in the box and whisker diagram below, showing 5 key statistics namely the minimum, lower quartile, median, upper quartile and maximum. The median ratio was 38% while the average was 36%.



Use of Reinsurance

Reinsurance appeared to be commonly used by the insurers covered in the study, with all having some reinsurance in place. Based on the ratios of net to gross premiums, the Engineering class had the highest average percentage ceded, while Motor business had the lowest. The average proportion of business ceded was 44%. The graph below illustrates the average percentage of premiums ceded by class:

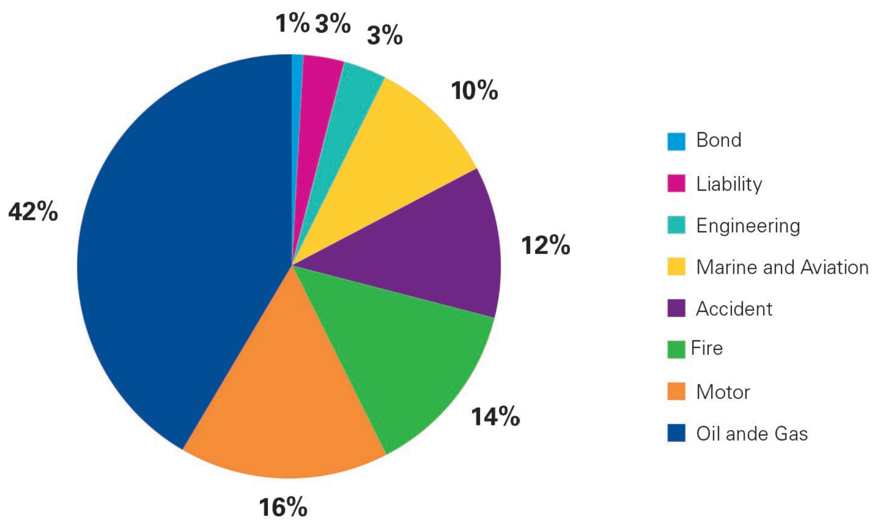
Average percentage of premiums ceded



Business Volumes

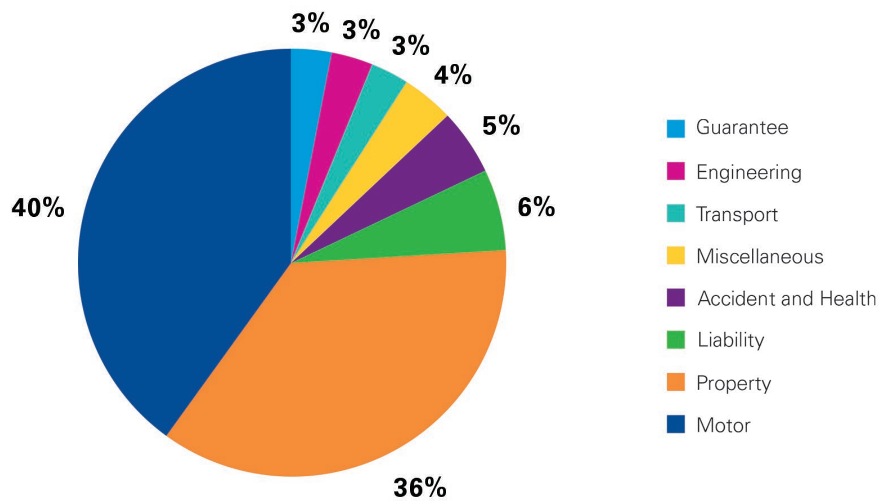
The gross written premiums for the Nigerian insurers under observation grew by 22% from 2017 to 2018, compared to a CPI inflation rate in the range of 13%. The largest class of business was Oil and Gas. The other main classes of business were Accident, Fire, Motor and Marine and Aviation. A split of the gross written premiums by class of business based on the sample of companies considered as part of this review is provided to the right:

Split of Gross Written Premium by class - Nigeria



It is interesting to note the structural difference between the Nigerian market and the South African market. The below diagram provides a split of the 2017 Gross Written Premium in South Africa by class of business:

Split of Gross Written Premium by class - South Africa



* These numbers are based on the Short Term Insurance Industry Feedback provided by the Prudential Authority on 19 November 2018 and covers the 2017 financial year.

Insurance training

Our tailor-made training courses are designed to meet the specific needs of your organisation – whether it's education on insurance regulations, market conduct, financial reporting and IFRS 17 or the latest industry developments. Our training courses can be conducted either at our premises or yours. We also offer annual training packages covering our entire suite of training courses, to which your staff are always welcome.

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The implications of new mobility models on insurance

New mobility models are changing the role of ownership

New mobility models like ride sharing and ride hailing will impact personal car ownership. Ride hailing services like Uber and Taxify processed over 2 million rides between them in South Africa last year. The average SA consumer is estimated to save R14 000 annually by utilising Mobility services like Uber. Insurance plays a critical role in enabling both consumers and corporations to engage with the Mobility ecosystem. It is vital that insurers recognise the needs within the market and transform to cater for the shift from Asset to Access based Mobility.

Despite the expected decline in personal ownership, the need for personal mobility remains and will be satisfied by other service providers. It is incumbent on financial services companies to identify these segments and design appropriate products and services.

Fewer insurable cars and lower margins are expected from increased competition for insurers competing for a declining insurable pool. Also the declining use of current vehicles will negatively impact newer insurance models like usage-based insurance. However, there is potential for developing alternative insurance models, especially those that leverage technology to determine risks at a granular and personal level.

Telematics continue to play an increasing role in measuring and pricing risk

Although the use of telematics for individual driver behaviour is well-known, it is also possible to create specific profiles of segments with similar driving characteristics. Telematics can measure the length of time spent in different risk rated areas – hence be able to measure risk more accurately at a granular level. These risks are dynamically adjusted and reflected in pricing. Drivers will now be able to decrease their premiums by changing their driving behaviour – which leads to more accurate risk rating than generic actuarial calculations. A natural consequence is the ability to transparently calculate month-to-date premiums in real time; which provides additional incentive to modify driver behaviour.

Driver assisted vehicles will meet fewer accidents

Driver assisted technologies, similar to those being incorporated in autonomous vehicles are expected to reduce the number and severity of accidents – which may also drive down premiums. These cars are sensor rich and have detecting abilities that are superior to the average human and it is expected that there will be a significant reduction in accidents. Together with increased ride hailing trends and shared ownership, it is inevitable that premiums will decrease, presenting a challenge for insurers. This may be counterbalanced by insurance companies using technology to drive down costs of assessment, e.g. use of drones for assessing accident damage.

It follows then that with reduced personal car ownership, cars used for ride sharing and ride hailing will be on the road for a lot longer every day, creating the need for preventing and estimating the risk of accident, breakdowns and theft.

Insurance for autonomous vehicles is a grey area

The first challenge is the pricing of insurance for automated vehicles, for which there is no established body of data upon which traditional actuarial models can rely. Model development may be an intensive area of research in its early days.

The moral debate of who is ultimately responsible for accidents and collateral damage is arguably the most difficult challenge – how does one apportion or attribute negligence to an autonomous vehicle, which effectively is the equivalent of a robot? Or is it shared between the owner, the operator and the manufacturer of the vehicle itself?

New models will need to be developed that move away from the traditional notion of personal liability. This is best described as a scenario where two identical autonomous vehicle crash into each other, due to a malfunction in one of them. A possible scenario would be a no-fault incident where each "driver" is responsible for their own damages. Coupled with a move to lower personal vehicle ownership, the future may be dominated by the fleet owners who account for the bulk of the liability rather than individual personal or vehicle cover.

Seeing is believing

KPMG Powered Enterprise is the outcome-driven transformation solution that prepares your business for the future.

This is where deep industry and process knowledge, global delivery capability, cloud technology and robotic process automation combine to drive sustainable change, rising performance and lasting value. KPMG's continuing investment in cloud applications, target operating models, processes and tools can give you instant access to leading practices and predictable outcomes.

At a time when disruption is changing everything, many businesses are struggling to transform. KPMG's solution can help make it happen.

See Powered Enterprise at work

- Transform the way you run your business
- Build agile functions that evolve as you grow
- Help your people to adopt and embrace change
- Exploit new technologies for value and performance
- Drive future success with the latest leading practice

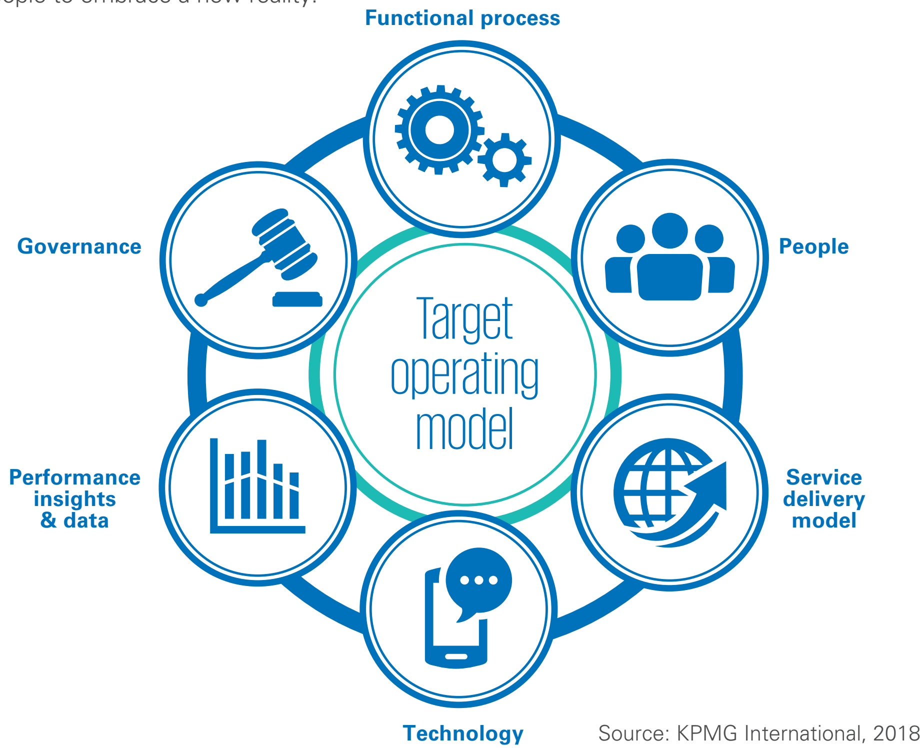
All power to the enterprise

This is not just about migrating finance or the supply chain into the cloud. From evidence-based HR to customer-centric business models, Powered Enterprise can unleash new levels of agility, insight, efficiency and performance. The value is multiplied when you join the dots across the business.

Driving transformation

Successful, sustainable transformation requires an understanding of how business change plays through every level and layer of the company. KPMG Powered Enterprise aligns the power of new and emerging technologies with the real-world challenges of organizational change.

This is the legacy you don't discard in five years' time: what you build today creates the context for what you need tomorrow. What's more, KPMG teams understand the human factors involved in business transformation, so we can help inspire and empower your people to embrace a new reality.



Source: KPMG International, 2018

What's in the box?

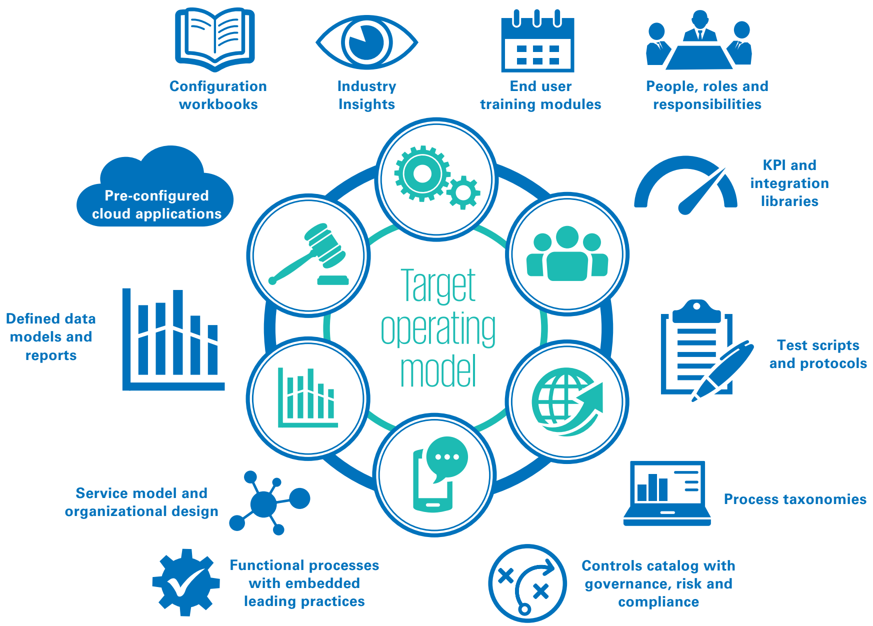
Powered Enterprise provides a formidable combination of leading practices and processes, proven technology solutions and a next-generation delivery framework. This is a truly integrated solution: every component has a role to play in extracting the maximum value from technology and helping to achieve the outcomes you need.

When all this comes together, backed by the business knowledge and experience of KPMG teams, the results are impressive.

- The **Powered operating model** shapes how transformation plays through every layer of your organization;
- the **Powered execution suite** is an integrated platform of next generation tools to help deliver that transformation;
- and **Powered managed services** ensures it is not just a one-off event.

Powered Enterprise is about the future agility of your business. Now you can embrace transformation as a positive state rather than a disruptive event and you can be ready for whatever is coming next. And the KPMG team will be on your side, all the way.

The Powered operating model



It's not what you put into the cloud that matters, but what you get out of it.

- A jump start to your digital transformation
- Immediate access to leading practices and processes
- Validated solutions with proven real-world usability
- High-touch change management and employee experience
- Reduced implementation risks and enhanced ROI
- A solid platform for continuing evolution and progress

And that's not all…

Powered Enterprise is the culmination of sustained investment and decades of experience in the solving of real-world business challenges. The investment and the learning continue. Ongoing collaboration with our clients and key industry players helps to align advances in technology with the evolving needs of the modern business. It's not just about access to technical upgrades or value-adding services, but shaping your own future.

Powered Enterprise is about business transformation and real, long-lasting change. Technology is simply the enabler. Working with you, we can help you navigate confidently into the digital future - creating a roadmap to top-decile performance and embedding the agility to continually evolve your business.

'Rise of the Humans' (2017).

What comes next is powered by KPMG

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IFRS 17[1] challenges in the South African Market

At the heart of any implementation project is the accounting solution. Although many implementation projects re-evaluate systems, processes and resource requirements, changes are often dictated by the accounting requirements.

In South Africa, insurers have experienced many accounting challenges. Some of these are locally specific, while others have global relevance.

We will be exploring these challenges ….

Cash-back – long or short-term insurance product?

Cash-back products are unique to South Africa. The big question for the short-term industry is whether these products could qualify as short duration contracts. It is an important consideration as it will impact the decision on the measurement model. If the contracts are short duration contracts, insurers may[2] apply the simplified premium allocation approach which is more closely aligned to their current accounting model.

Example

An insurer issued a motor policy in terms of which cash will be paid to the policyholder if the policyholder does not claim for three consecutive years. The policyholder will receive 10% of all premiums paid within this period (three years).

The insurer re-prices the insurance policy annually, on the policy's anniversary as if it was a new policy. The policyholder or the insurer may cancel the policy on each anniversary date.

In considering whether the cash-back product is a short-duration contract, the IFRS 17 definition of contract boundary has to be evaluated:

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with services.

A substantive obligation to provide services ends when the entity has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks[3].

We have applied the definition of contract boundary to the above example:

The insurer's substantive obligation to provide services ends after 12 months when the insurer has the ability to reassess the risks of the policyholder.

Consequently the contract boundary of the cash-back product (in the example) is 12 months and the insurer may apply the premium allocation approach.

Sources

[1] IFRS 17 Insurance Contracts, effective for year-ends commencing on or after 1 January 2021

[2] IFRS 17 par 53: Application of the premium allocation approach

An entity may simplify the measurement of a group of insurance contracts using the premium allocation approach if, and only if, at the inception of the group:

(a) the entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying the requirements in paragraphs 32–52; or

(b) the coverage period of each contract in the group (including coverage arising from all premiums within the contract boundary determined at that date applying paragraph 34) is one year or less.

[3] IFRS 17 par 34

Back to cash accounting for short-term insurers?

Many short-term insurers may elect to apply the premium allocation approach and may believe that the impact of IFRS 17 would therefore be limited.

However, IFRS 17 requires that an insurer, when applying the premium allocation approach to measure the liability for remaining coverage includes premiums *received*[4]. It should be noted that "received" in this case refers to "received in cash".

This however does not apply to insurance revenue – the measurement requirements are different to that for the liability. Insurance revenue for the period is the amount of *expected* premium receipts, adjusted to reflect the time value of money and the effect of financial risk[5]. As revenue is recognised based on expected premium receipts, revenue could still be recognised even if the cash has not been received.

What impact would this have on an insurer's accounting? We will illustrate this by way of an example.

Example

- Insurance contract with a contract boundary of 12 months, i.e. 1 January to 31 December 2019, was issued by new insurer.
- The insurer's year-end is 28 February 2019.
- The annual premium due is CU 1 200. The premium net of commission of 20% was received on 3 March 2019.
- Assume no claims and bad debts as at the reporting date and this contract is the only contract in the group.
- The expected pattern of release of risk is not significantly different from the passage of time.

What is the impact on the statement of financial position and statement of profit or loss for the year ended 28 February 2019?

Statement of profit or loss for the 2 months ended 28 February 2019	
	CU
Insurance revenue (1 200 x 2/12)	200
Insurance service expenses (20% x 1 200 x 2/12)	(40)
Insurance service result	**160**
Statement of financial position as at 28 February 2018	
	CU
Insurance asset	**160**
Retained earnings	**(160)**

The above example illustrates that in the measurement of the liability for remaining coverage, "cash accounting" is applied. The premium is only included in this liability once the cash has been received.

We have illustrated the impact when cash has been received below:

Liability for remaining coverage as at 31 March 2019	
	CU
Insurance asset as at 28 Feb 2019	160
Cash received (1 200 * 80%)	(960)
Insurance revenue for March	100
Insurance service expense for March	(20)
Closing balance – liability	**(720)**

Once the cash has been received, the asset becomes a liability for remaining coverage as the insurer has the obligation to provide future services.

Impact on insurers

As illustrated in the above example, there will no longer be any insurance receivables, although there may be an asset for remaining coverage before the cash has been received. This may create a significant challenge for existing systems and processes. The bookkeeping system should keep track of outstanding premiums, however these premiums receivable would not be recorded in the IFRS 17 measurement model.

Why does it make sense to include premiums only when the cash is received?

The premium allocation approach was included in IFRS 17 to be a proxy for the general measurement model. If IFRS 17 referred to premiums receivable, the premium allocation approach would no longer meet its objective of approximating the general model. The insurance contract liability under the premium allocation approach would be grossed up for the premiums receivable, unlike insurance contract liabilities under the general model which include all future cash flows at their carrying amount[6].

What is the issue with tax cash flows?

In South Africa the trustee principle is applied when taxing policyholder income that is accounted for in the applicable policyholder fund of a long-term insurance company. This is on the basis that insurers are deemed to hold and administer certain of their assets on behalf of various categories of policyholders while the balance of their assets represents shareholders' equity.

[4] IFRS 17 par 55
[5] IFRS 17 par B126
[6] ED/2019/4 Amendments to IFRS 17, issued June 2019, par BC 98.

Policyholder tax is withheld in each policyholder fund in respect of certain types/categories of income and paid to the South African Revenue Service (SARS) by the long-term insurer on behalf of the policyholder. The long-term insurer is liable to pay the tax. SARS will not try to recover the tax from the policyholder. The long-term insurer on-charges the tax to the policyholder, although the amount on-charged may not be exactly equal the proportionate amount of tax paid by the insurer.

Currently the taxes (calculated per policyholder fund) are included in the tax expense of the insurer (in its IFRS financial statements). There has been no change in the tax law which could challenge the inclusion of the taxes in the insurer's tax expense.

Insurers are arguing that the taxes paid on certain contracts, for example investment contracts with discretionary participation features (DPF), should be part of fulfilment cash flows as the tax is charged back to the policyholder.

The accounting challenge is that IFRS 17 differentiates between tax paid in a fiduciary capacity or not in a fiduciary capacity. If the insurer pays the tax in a fiduciary capacity, the tax is included in the fulfilment cash flows (when applying the general measurement model). If the insurer is not paying tax in a fiduciary capacity, the tax is not included in the fulfilment cash flows. The tax is then included in the tax line in the insurer's financial statements.

The relevant paragraphs in IFRS 17 are as follows:

Cash flows within the boundary of an insurance contract are those that relate directly to the fulfilment of the contract, including cash flows for which the entity has discretion over the amount or timing. The cash flows within the boundary include:

(j) payments by the insurer in a fiduciary capacity to meet tax obligations incurred by the policyholder, and related receipts[7].

The following cash flows shall not be included when estimating the cash flows that will arise as the entity fulfils an existing insurance contract:

(f) *income tax payments and receipts the insurer does not pay or receive in a fiduciary capacity*. Such payments and receipts are recognised, measured and presented separately applying IAS 12 Income Taxes[8].

What does fiduciary mean?

The definition of "fiduciary" refers to a trustee relationship – "when a party knowingly accepts the fiduciary duty on behalf of another party, they are required to act in the best interest of the principal, the party whose assets they are managing"[9].

The question is whether in a South African tax regime, the insurer is withholding the tax and paying it over to SARS on behalf of the policyholder.

We have explored the different views below.

Payments by the insurer in a fiduciary capacity: Included in fulfilment cash flows and never accounted for as IAS 12 income tax

Based on the fact that the trustee principle is applied when taxing a long-term insurance company, the expected tax expense should be included in the fulfilment cash flows when measuring the investment contracts with DPF and insurance contracts.

Current, deferred and future taxes "specifically chargeable to the policyholder" are generally accounted for under IAS 12[10] by most large life insurers. This view will challenge the accounting applied in current and prior years – i.e. to recognise the taxes in the tax line in the financial statements.

If argued that the tax cash flows are in essence payments made in a fiduciary capacity, they should be included in the fulfilment cash flows and as the insurance contract liability unwinds, the actual tax payable is an insurance service expense.

Some insurers reject this view on the basis that IFRS 17 should not change the previous view that the tax is within the scope of IAS 12 tax and paragraph B66(f) of IFRS 17 excludes taxes not paid in a fiduciary capacity.

Payments by insurer not made in a fiduciary capacity – not included as fulfilment cash flows, but as IAS 12 income taxes

This view argues that the insurer is legally the taxpayer. The tax amounts are not paid by the insurer in a fiduciary capacity to meet tax obligations incurred by the policyholder, but are tax obligations incurred by the insurer itself. If such amounts meet the definition of an income tax, then the tax paid should be recognised and presented in terms of IAS 12 as is currently done.

The impact of this view is that future taxes "specifically chargeable to the policyholder" are not taken into account to accurately measure the fulfilment cash flows (as explicit cash flows). As and when the insurance contract liability unwinds the actual tax is accounted for under IAS 12.

[7] IFRS 17 par B65
[8] IFRS 17 par B66
[9] https://www.investopedia.com/terms/f/fiduciary.asp
[10] IAS 12 Income Taxes

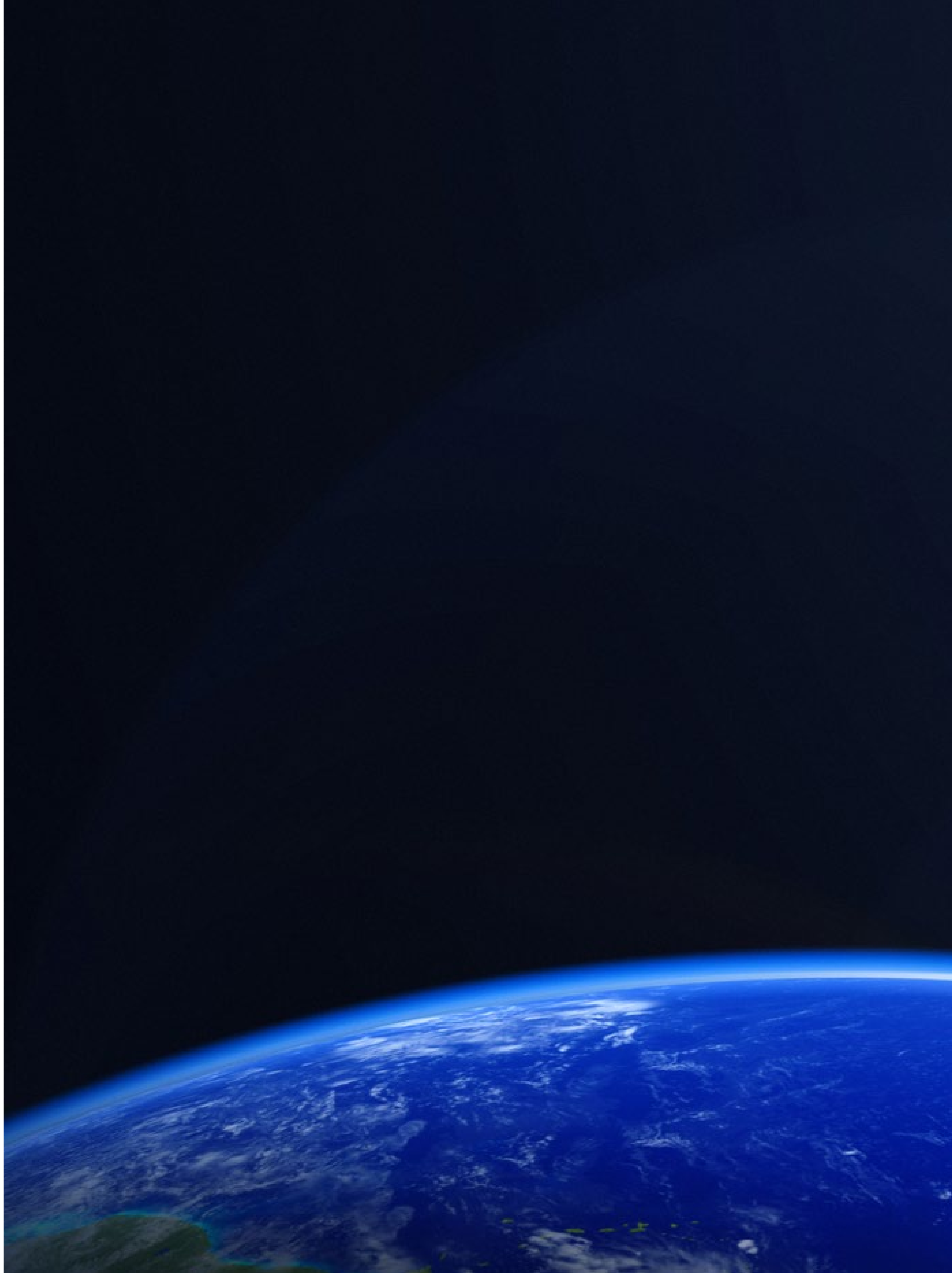
Insurers in South Africa agree that the impact of this view is not desirable. If the tax is excluded from the fulfilment cash flows, then the insurance liabilities will be too low by the required allowance for tax expected to be paid over the term of the contract. Consequently the contractual service margin will be inflated by the same amount.

One of the previous staff papers of the International Accounting Standards Board (IASB), included the following:

"Some respondents suggested that the fulfilment cash flows should include the amounts that insurers pay in some jurisdictions as a proxy for investment returns being taxed in the hands of policyholders. *The IASB decided to clarify that the cash flows excluded from the fulfilment cash flows are the income tax payments and receipts attributable to policyholders that do not arise directly as the insurer fulfils the contracts"* [11].

Insurers are arguing that the taxation arises as they fulfil the insurance contracts. We will wait to see if the IASB acknowledge their concerns and relooks at the IFRS 17 paragraphs. Currently it may be difficult to support that long-term insurers are paying the tax in a fiduciary capacity...

[11] 18 February – 22February 2013 IASB Agenda Ref 2C – Staff Paper - Comparison of the IASB's tentative decisions to the comment letter summary par 58



IFRS 17

Considerable accounting changes for insurers on the way

The new insurance contracts standard, IFRS 17, aims to increase transparency and to reduce diversity in the accounting for insurance contracts.

Responding to stakeholders' concerns and implementation challenges, the International Accounting Standards Board has proposed an effective date of 1 January 2022 for IFRS 17 – a one-year deferral – and amendments in seven important areas of the standard.

The magnitude of evolving insurance accounting change should not be underestimated. Even with the extra year, many insurers need to step up the pace of their implementation. There is much that needs to be done in what is still a relatively short time.

Our materials will help you understand the evolving proposals and assess the potential impact on your company.

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Dynamic Risk Assessment

Over the last 40 years many significant business, financial or economic crises were not foreseen and prevented. This was evident in the global financial crisis where companies and governments failed to anticipate both the crisis and the impact it would have on the global economy, despite the use of extensive risk identification, evaluation and management methodologies.

Current risk management practices

Traditional risk management methodologies that focus on the likelihood and severity of individual risks do not consider the velocity with which risks can impact operations, interconnectedness of risks or emerging risks that could result in structural breaks. Improvements are required to current risk management frameworks to better capture the aspects of the world we live in today. We call it Dynamic Risk Assessment ("DRA").

Dynamic Risk Assessment (DRA) – what should it include?

DRA is a new approach to the assessment or risk management that builds on current two-dimensional (risk probability and severity) practices. Based on many years of research and development KPMG has developed a framework to better capture some of the aspects mentioned above. This is done by combining behavioural science, risk velocity (the speed with which the risk can materialise) and contagion or interconnectedness. Instead of focusing on risks in silos, this framework focuses on the network of key risks and the timeframe within which risks are likely to materialise. By being able to visualise how each of the key risks may influence or be influenced by other risks within the network, a deeper understanding can be gained on which risks have the greatest potential to amplify risk consequences across the network. This enables organisations to have better informed risk conversations and changes the focus from individual risks to prioritising risk clusters and also the opportunities and competitive advantage that understanding these present.

The DRA objectives

The objectives of the analysis of systemic risks are to:

- assess and incorporate the potential impacts of current and emerging structural breaks (game changers) on your existing risk profile; and
- access the collective corporate knowledge, experience and history of the most knowledgeable and experienced people within the organisation to identify potential pathways of contagion – a proxy for expected, future correlation – between the risks identified, including the risk implications of emerging structural breaks.

The key is to extract a consolidated view of key risks from within the organisation in an unbiased manner and the methodology needs to consider how risks are connected so as to create risk clusters. This is achieved through network theory.

How can DRA be of benefit to insurers?

The principle objectives of the application of network theory to your organisation's risks are to:

- identify which risks the CEO and CRO should prioritise and focus on;
- identify emerging risks as a consequence of evolving structural breaks in the system;
- analyse and identify potential future relationships between the risks identified;
- analyse the systemic behaviours of individual risks;
- identify "centres of gravity", or risk clusters, within your re-evaluated risk profile;
- identify root points of origin / vulnerability within your risk network;
- use the insights obtained from the above analyses to formulate a longer term fiduciary risk agenda of what "must go right" within the organisation, and which risks "cannot be allowed to go wrong"; and
- identify, map and test the controls around the key risks for reporting and monitoring purposes.

Other benefits of the DRA process include being able to, in the context of key risks and how they may spread throughout the system, answer the questions:

- what are we missing?
- what are our weak links and potentially disastrous aggregate risks?
- what are our opportunities?
- what could be significant disruptive risks?
- what combination of risks have the potential to render us insolvent?

Regulatory considerations

With the introduction of the new insurance regulatory landscape in South Africa in July 2018, through the enactment of the Insurance Act of 2017 and subsequent supporting Standards, the Prudential Authority ("PA") set clear minimum expectations for the insurance sector across the three pillars. In particular, the Regulators expect insurers to introduce Own Risk and Solvency Assessment ("ORSA") practices and to formalise their existing Enterprise-wide Risk Management ("ERM") frameworks and governance structures in a way that aligns with local prudential standards (and international best practice).

The ORSA requires insurers to consider not only historical risks but also emerging risks and focus on all material foreseeable risks. The PA expects insurers to be adequately capitalised to be able to deal with a wide range of future scenarios. Such future adverse outcomes are tested through severe but plausible stress and scenarios tests and reverse stress testing.

Comparison of DRA with traditional risk assessment

A useful, stylised (actual risk descriptions have been removed) case study of a network depiction for a global entity illustrates the insights derived through the application of network theory.

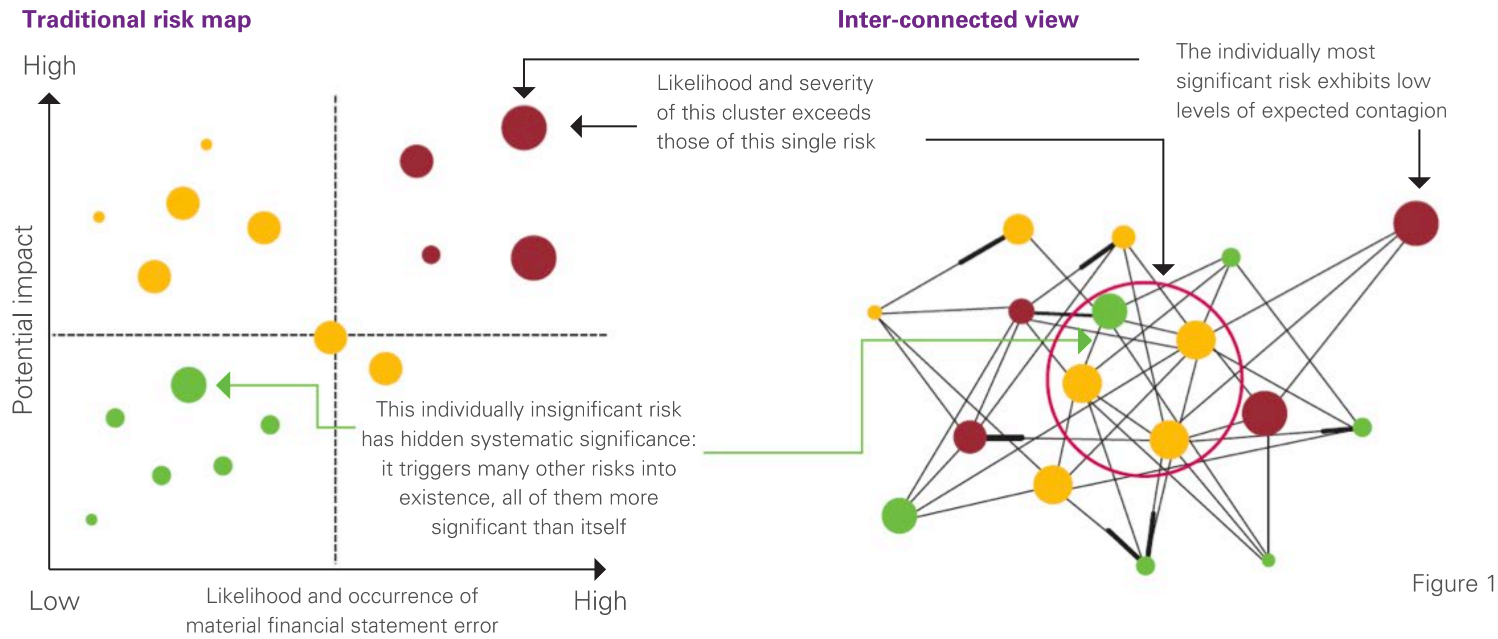

Figure 1

The focus of the traditional risk map, which follows a siloed approach, is on the risks in the upper right-hand quadrant, whereas the focus enabled by DRA, with an understanding of how risks are interconnected is quite different, with individual insignificant risks triggering many others in the risk network.

Four key insights are observable from Figure 1:

A "green" risk by virtue of its individual likelihood and severity in the diagram on the left conceals its systemic significance, which becomes apparent only when it appears in the centre of the entity's risk network as a risk with significant expected contagion potentials. The consequences of the risks it triggers exceeds its individual severity. This potential amplification effect – expected contagion – is not observable from the traditional risk depiction methodology on the left;

A "centre of gravity" was determined mathematically to exist between three amber coloured risks, and the green coloured risk. In network lexicon the "centre of gravity" denotes a risk cluster, which has been circled in red in the diagram on the right. The four risks within the risk cluster exhibit more connections to each other than what they exhibit connections to other risks in the network, so that these risks should be monitored and managed together;

Alarmingly, the severity and likelihood of the risk cluster were found to exceed the likelihood and severity of the most significant, single risk identified in the diagram on the left. As often happens in practice, a number of individually less significant risks can combine to produce an adverse collective outcome of which the severity and likelihood surpasses the most significant individual risk portrayed in the diagram on the left;

Lastly, the individually most significant risk in likelihood and severity may exhibit comparatively low expected contagion. When the individually most significant and likely risk manifests, it is expected to do so in relative isolation – see the red risk on the top right in the right-hand diagram. In this instance, its individual likelihood and severity overestimates its expected contagion and systemic importance.

Conclusion

Capturing the combined wisdom of experts within your organisation using a framework based on existing science, provides a mechanism to enhance risk management frameworks where they currently fall short.

In addition from the above case study it can be observed that network theory is a useful supplementary examination of an organisation's risk landscape: the traditional methodology may *obscure* the identification of *the most significant risk* (in this case the risk cluster); it may *underestimate* the *systemic importance* of an *individually significant risk* (the green dot above); and it may *remain silent* on a perspective that *individually significant risks* are, in some cases, *expected to exhibit a low systemic significance* (the red risk in Figure 1).

The DRA will serve as a powerful visualisation tool for material risks faced by the entity and its output can be used as a foundation for robust discussion and debate on appropriate selection of stress and scenarios tests for ORSA projections.

Based on many years of research, KPMG's mathematicians, data scientists, actuaries and behavioural psychologists have developed a comprehensive set of Dynamic Risk Assessment frameworks and tools.

Dynamic Risk Assessment

Dynamic approach to risk assessment – extracting the wisdom of experts within your business in an inter-connected world

The traditional, two dimensional approach to risk assessment, which considers likelihood and severity of risks falls short of requirements in the dynamic, interconnected world we find ourselves in. Through our patented Dynamic Risk Assessment framework, KPMG can support you in enhancing your risk management framework through intellectual property regarding behavioural science, risk velocity (the speed with which the risk can materialise) and contagion or interconnectedness. Instead of focusing on risks in silos, KPMG is helping clients gain a better understanding of the network of key risks and the timeframe within which risks are likely to materialise. By being able to visualise how each of the key risks may influence or be influenced by other risks within the network, a deeper understanding is gained on which risks have the greatest potential to amplify risk consequences across the network. This enables organisations to have better informed risk conversations and changes the focus from individual risks to prioritising risk clusters and also the opportunities and competitive advantage that understanding these presents!

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"A dynamic approach to risk"

There are inherent limitations to a traditional risk management approach, which focuses on evaluating likelihood and impact of independent risk events. KPMG helps organisations understand risk velocity (the speed with which risk can be realised), interconnectivity, and the impact of individual risks on the broader risk network. Instead of focussing on single risk events, organisations gain a better understanding of the network of risks, and which risks have the potential to amplify risk consequences across the network (i.e. risk contagion) if not appropriately understood and addressed

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Kenyan insurance sector grapples with increasing regulatory requirements

The global insurance industry is racing to comply with significant changes in the regulatory environment and accounting standards. *IFRS 17: Insurance Contracts* effective on 1 January 2022 is one such change. The sector, amongst the most highly regulated, is central to financial services providing risk coverage, wealth, investment and fund management opportunities to a wide public. In Kenya, the sector operates under strict regulations on capital, commissions paid to intermediaries, 'cash and carry' rules and management expenses. We identify some of the challenges faced by the industry across Kenya:

- **Risk based capital (RBC) -** The Insurance (Capital Adequacy) Guidelines require insurers to maintain a Capital Adequacy Ratio of at least 200 percent of the minimum capital requirement by 2020. In Kenya, RBC is computed as a function of *Insurance Risk, Market Risk, Credit Risk and Operational Risk.*

  Insurers are required to monitor their capital adequacy and solvency margins on a quarterly basis and file the results with the relevant authorities. The main objective here is to safeguard the insurer's ability to continue as a going concern and to provide stakeholders adequate returns by pricing insurance and investment contracts commensurate with the level of risk. Non-compliance with the required capital ratios can lead to the imposition of sanctions by regulators, who specify assets that are admissible in the determination of the capital. As a result, insurers need to re-look at the quality of their assets to meet these. For instance, premium debtors are not admissible and attract a significant capital charge.

- **Override commissions** - In January 2019, the Kenyan Insurance Regulatory Authority (IRA), through a circular, re-cautioned insurers, brokers, medical insurance providers and insurance against the payment of commissions and/ or administrative fees above the limits prescribed by the Insurance Act. The payment of override commissions has been used in the sector to win and retain business. However, the practice can result in, amongst other things, unfair competition and affect insurance product prices across the industry. The regulator has indicated punitive measures against non-compliance which could include temporary or permanent withdrawal of business licenses.

- **Application of cash and carry rules** - The "cash and carry" principle requires that premiums be paid upfront/ at the point at which the cover is issued in order to ensure that insurer is able to settle claims appropriately. The practical expediency of the cash and carry principle continues to draw mixed reactions from the different players in the insurance industry as there are parties who still need credit to finance the policies. Further, strict application of the rule has been hampered by the low level of insurance penetration in the region despite the growth in population. Inability to apply this rule has resulted in significant premium debtors and the depletion of working and regulatory capital for the insurers.

- **Excess expenditure** - The Kenyan Insurance Act, 2015 states that "No insurer shall spend in any financial year as expenses of management an amount in excess of the prescribed limits, and in prescribing those limits regard shall be made to the size and age of the insurer and the provision generally made for management expenses in the premium rates of insurers". A recent analysis of the available industry statistics indicates that expenses of management in insurance business are far greater than the prescribed limits. Attempts by the regulator to enforce the above rule have not borne much fruit due to the high inflation rate and increased standards of living, which have a direct correlation with the level of management expenses incurred by insurance companies.

Correlates with death and other morbid statistics

How well do we really understand death? Largely, death remains an enigma. The jury is out on what happens when we pass. Death wears many faces and appears at various times and in various places. Our cultural and social responses to death are as varied as the countries we live in. And yet, there are immeasurable statistics related to death. The insurance industry is built on statistics. Although statistics get us into trouble for being misleading and disingenuous, there is something gratifying in knowing some random statistics about a topic. So we thought we would find and share some random statistics about death, and some insight as to how these impact the insurance industry. *Remember, correlation does **not** mean causation, but it is fun to speculate as though it does.*

Longevity risk

I was surprised to discover at a braai and over a beer, that many people do not consider a long life expectancy a good thing. These people feel that the latter years of a 100 year life span will be spent alone and unwell. Despite these naysayers I tend to believe that, in general, a longer life expectancy at birth is a good thing.

In the Bronze and Iron Ages life expectancy at birth was approximately 26 years[1]. This appears to have remained fairly consistent over that time. Life expectancy slowly crept up to the 40s toward the end of the 19th century. Since then life expectancy has increased dramatically. New-borns in 2018 could expect to live to over 70 years (on average 74 years for a woman and 70 years for a man).

Japan has the longest life expectancy (*for a real country*) with a life expectancy of 85.3 years. Monaco actually wins at 89.4, *but is it really a country*? At 78.6 years, life expectancy in the US is 43rd in the world[2]. South African kids can expect to live for less than 70 years - 61.1 years for boys and 67.3 for girls[3].

In a fascinating article, "The changing relation between mortality and level of economic development", Samuel H Preston[4] explores the common idea that the richer a country is, the greater the life expectancy is. At its most basic level this assumption is not challenged but he pulls out a couple of key relationships. These provide interesting reading.

It is fairly evident that higher national income correlates strongly with greater life expectancy. However, this relationship plateaus. The benefits of "housing, medical and public health services, education, leisure, and health-related research" are combatted by the negative influences of "automobiles, cigarettes, animal fats and physical inertia." This relationship has become known as the Preston curve and is presented below (courtesy of Wikipedia).

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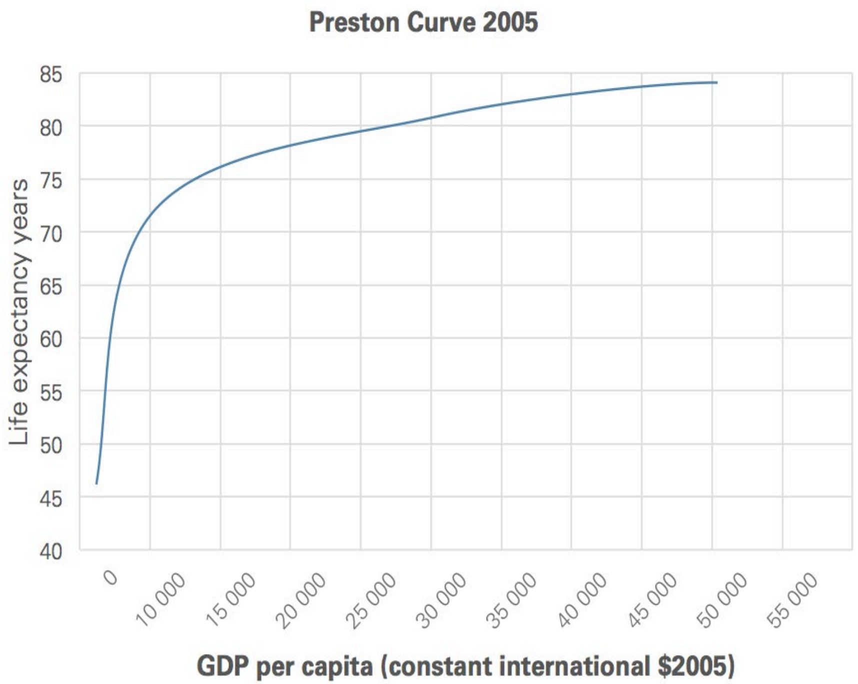
[1] https://en.wikipedia.org/wiki/Life_expectancy

[2] https://www.cbsnews.com/pictures/who-lives-longest-cias-top-20-nations-for-life-expectancy/22/

[3] https://www.statssa.gov.za/publications/P0302/P03022018.pdf

[4] Preston, S. H (1975). "The Changing Relation between Mortality and Level of Economic Development". Population Studies



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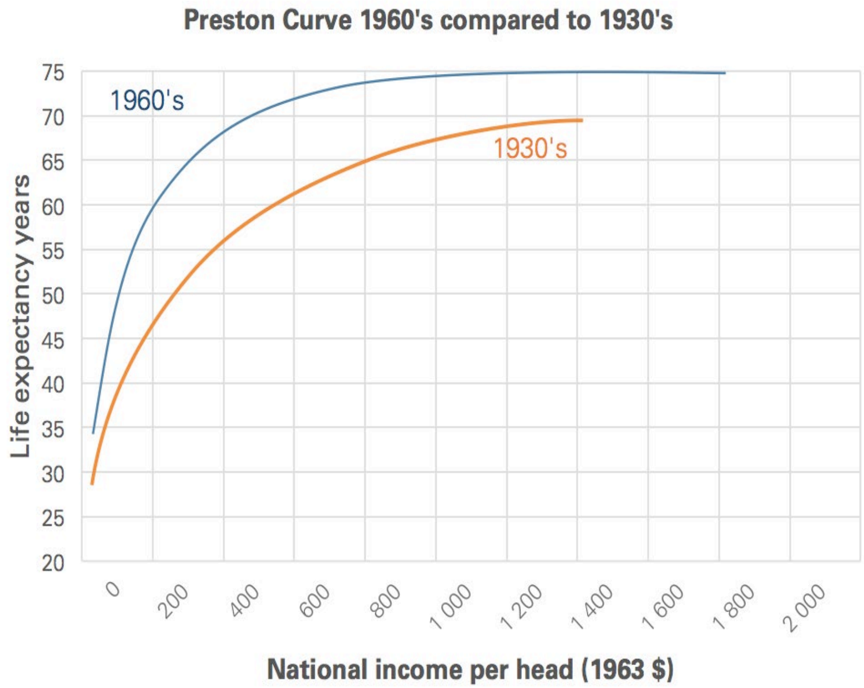

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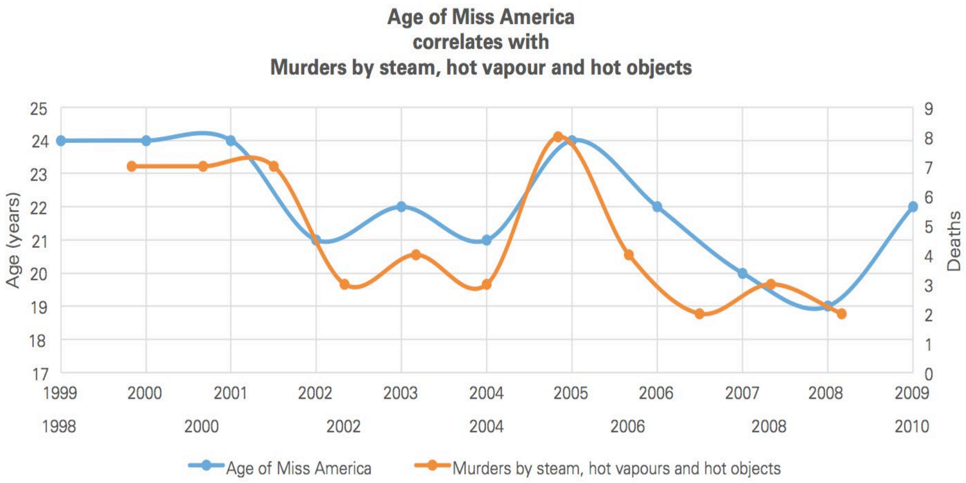
Preston states that "importantly the relationship between life expectancy and national income per head has shifted upwards during the 20th century." This means that at a given national income level per head, the life expectancy at birth is higher now than it was a few years ago, *i.e. you get more bang for your buck*. Overall life expectancy has increased at all income levels. Assuming this trend continues, this is good news… unless you are writing longevity risk.

Factors outside a country's current level of income account for the majority of the growth in life expectancy. This means that the benefits developed and derived in one country positively impact other countries. A significant growth in your own economy could have less impact on life expectancy than a major breakthrough in medical research elsewhere. On the face of it, this is logical – *Jenner popularises vaccines; and we all benefit*. This is true for both developed and less developed countries. A cure for cancer would benefit richer and poorer economies.

[5] By Radeksz - Own work, Public Domain, https://commons.wikimedia.org/w/index.php?curid=8921146
[6] By Radeksz - Own work, Public Domain, https://commons.wikimedia.org/w/index.php?curid=8921146

Of course, it has been noted that higher levels of health might actually cause higher national income. Healthy, long living people are more productive and this results in higher GDP per capita.[7] To caution against such confusing correlation with causation we have included the following important public announcement from Tyler Vigen:



100% of dead people died from something deadly

So what kills us? Contrary to popular belief you cannot die from extended separation from your electronic devices. The MO in FOMO[8] is not statistically significant when it comes to cause of death. Failure to check your Whatsapp messages and check-in is not deadly. Cardiovascular diseases are deadly; so are cancer, respiratory diseases, snakes and cars.

Almost a third of all deaths arise from cardiovascular diseases – 31.8% according to **www.ourworldindata.org**[9]. This includes heart attacks, strokes and high blood pressure. A, not so close, second is cancer – 17.08%. Below are the top 11 worldwide causes of death in 2017[10]:

Cause of death	% of total deaths (2017, worldwide)
Cardiovascular disease	31.80%
Cancer	17.08%
Respiratory disease	7.00%
Lower respiratory infections	4.57%
Dementia	4.49%
Digestive diseases	4.25%
Neonatal deaths	3.19%
Diarrheal disease	2.81%
Diabetes mellitus	2.45%
Liver disease	2.36%
Road accidents	2.22%

A few interesting observations from this (and the extended list). You are more likely to kill yourself than be killed - almost twice as many people die from suicide (1.42%) as from homicide (0.72%). Despite what the news might lead you to believe, you are much more likely to die in a road accident (2.22%) than from terrorism (0.06% in 2016) or in a war (0.21% in 2016).

Dementia kills people – *perhaps I was just ignorant but I suspect many other people also see dementia as a form of mental health issue* – however "dementia is more accurately defined as fatal brain failure: a terminal disease, like cancer, that physically kills patients, not simply a mental ailment that accompanies older age.[11]"

Although people are good at killing each other (0.72% death from homicide) your friendly neighborhood mosquito is much more deadly. 1.11% of deaths are attributable to malaria and ultimately a mozzie bite.

7 Bloom, D. E; Canning, D. (2007). "Commentary: The Preston Curve 30 years on: still sparking fires"
8 Fear Of Missing Out: urbandictionary.com
9 "Causes of Death" by Hannah Ritchie and Max Roser (https://ourworldindata.org/causes-of-death)

10 Why eleven you ask, because I wanted road accidents to make the list.
11 Redefining Dementia as a Terminal Illness by Catherine Elton, http://content.time.com/time/health/article/0,8599,1930278,00.html

Road accidents

Approximately 1.3 million[13 14] people die as a result of road accidents every year. Further, 20-50 million people are injured or disabled in these accidents annually[15]. That is a massive burden on any economy and a significant loss of human life. More concerning is that "road crashes are the leading cause of death among young people ages 15-29, and the second leading cause of death worldwide among young people ages 5-14.[16]" These are individuals who have already received significant economic investment. They are also part of various established social structures in society.

Pedestrians are more at risk: "the largest share of deaths at the global level are pedestrians (with 39 percent of the share), closely followed by those in motor vehicles (36 percent); motorcyclists (18 percent); and cyclists (6 percent). This share has remained fairly consistent with time.[17]"

GDP correlates negatively with road fatalities. In the table below[18] this is fairly evident.

Rank (worst 1 to best 186)	Country*	Road fatalities per 100,000 per year[19]	GDP per Capita (1 highest to 186 lowest)[20]
1	Liberia	35.9	179
2	Democratic Republic of the Congo	33.7	183
3	Central African Republic	33.6	185
184	Sweden	2.8	15
185	Norway	2.7	6
186	Switzerland	2.7	9

**South Africa ranks 38th for road deaths per 100,000 i.e. in the top quarter. Whereas we ranked 89th on the World Bank GDP data – roughly in the middle.*

That is not to say the correlation should be expected. Richer countries have more cars. Younger (more reckless) people are likely to afford cars. Better roads can lead to increased average speed. So why do poorer countries have higher rates of road accident fatalities?

The following causes are well supported:

- poor access and quality of health services (and public health) after the accident;
- poor enforcement of laws; and
- regular multi-person accidents (buses and taxis)[21].

The most commonly cited cause of accidents across multiple sources is distractions. Yes, the silicon device strikes again. *At least 75% of the people I swear at on the road are talking on their phone or texting. The other 25% are taxis.* Distractions however cause accidents, but not necessarily deaths.

Interestingly The Economist looked at this slightly differently. Their analysis compared motor deaths in relation to total deaths for a region. They identified Oman, Qatar and Saudi Arabia as the countries with the highest death rates (in 2015). As oil rich countries had the highest death rate on their metric, they hypothesised that it could be linked to the availability of cheap petrol. This encourages driving rather than other forms of public transport.

The Road Traffic Management Corporation (RMTC) provides detailed insight into these statistics for South Africa[22]. A couple of key statistics:

- Friday, Saturday and Sunday account for a significantly higher proportion of the deaths (16%, 25% and 22% respectively) compared to other days of the week (an average of 9.25%);
- The six hours between 16:00-22:00 are more deadly (per hour) than all the hours of the day;
- At 35% - accidents with pedestrians are consistent with the rest of the world in being the highest killer;
- Human factors dominated the cause of fatalities (89.3% in 2018) and not the state of our roads (6.5%) or vehicular failures (4.2%);
- Jay-walking is the most dominant human factor (32.7% of human factors); and
- Of the vehicular factors 60.6% of these fall in the category of "Tyres burst prior to accident."

13 "Causes of Death" by Hannah Ritchie and Max Roser (https://ourworldindata.org/causes-of-death)
14 ASIRT – Association for Safe International Road Travel https://www.asirt.org/safe-travel/road-safety-facts/
15 ASIRT – Association for Safe International Road Travel https://www.asirt.org/safe-travel/road-safety-facts/
16 ASIRT – Association for Safe International Road Travel https://www.asirt.org/safe-travel/road-safety-facts/
17 "Causes of Death" by Hannah Ritchie and Max Roser (https://ourworldindata.org/causes-of-death)
18 The table exclude excludes Micronesia, Kiribiti (a Micronesian state) and Monaco as their populations are too small to be meaningfully comparable… and therefore don't support my argument ;)
19 https://en.wikipedia.org/wiki/List_of_countries_by_traffic-related_death_rate
20 https://en.wikipedia.org/wiki/List_of_countries_by_GDP_(PPP)_per_capita
21 https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1123095/
22 "2018 State of Road Safety Report: Calendar Year January to December 2018" – RMTC (http://www.rtmc.co.za/)

From an insurance perspective this has some potential implications and opportunities:

- Adjusting premium on travel times and days would potentially differentiate between major risk categories;
- Introducing some advanced form of tyre monitoring would assist in reducing deaths and accidents; and
- We need to think of some fair way of incentivising pedestrian caution.

Murder and other killers

When it comes to actual murderers, humans are tops by a long margin. In 2016, humans killed 546,000 other humans, whereas snakes (*despite being responsible for original sin*) only killed 75,000 people. That is still a lot compared to the 13,000 dog-related deaths (which includes deaths from rabies). Scorpions are more deadly than hippos, crocs, lions, elephants, wolves or sharks - scorpions killed 3,500 people whereas crocodiles killed approximately 1,000 and hippos only 500. With an estimated 40 deaths from jellyfish in 2016, they accounted for many times more deaths than sharks (at a miserly six deaths[23]). *Jaws alone killed five people (and one dog) in 1975[24] so it seems sharks are changing their vicious ways*.

Murder rates are measured as the number of deaths per 100,000 deaths. They are generally referred to as intentional homicide rates to distinguish between manslaughter, self-defense and war related deaths. Intentional homicide resulted in a world average of 6.2 deaths per 100,000 deaths. Included in the table below are a few of the stand out countries in terms of intentional homicide rates, either due to the **rate** per 100,000 individuals or the total **count** (number of deaths in the latest recorded year). For comparability, we have included the total **population as well**.

Country	Rate	Count	Population (millions)
El Salvador	82.84	5 257	6
Honduras	56.52	5 150	9
Venezuela	56.33	17 778	32
South Africa	33.97	19 016	58
Brazil	29.53	61 283	208

Country	Rate	Count	Population (millions)
Mexico	19.26	24 599	126
India	3.22	42 678	1 324
Hong Kong	0.38	28	7
Singapore	0.32	18	6
Japan	0.28	362	125

I think the statistics speak for themselves, although Japan is just mind-blowing – I simply could not believe this number so I checked another source. This source reported Japanese murder cases slightly higher in 2018 at 920[25]. As these are murder cases, the number could include self-defense and manslaughter (i.e. not all 920 are intentional homicide).

In this context, the state (*as its own type of animal*), through death penalty executions, is remarkably low. "Amnesty International recorded at least 690 executions in 20 countries in 2018, down by 31% from 2017 (at least 993 executions). This figure represents the lowest number of executions that Amnesty International has recorded in the past decade[26]." That said these are conscious murders of individuals, rather than the accidental nature of other animal killings.

And what of euthanasia? A piece of 2016 research noted, "between 0.3% to 4.6% of all deaths are reported as euthanasia or physician-assisted suicide in jurisdictions where they are legal." 4.6% puts euthanasia in the top ten causes of death in some of these jurisdictions. More than 70% of these deaths involved individuals with cancer. Their cited reasons included ongoing pain and a loss of dignity[27]. This is therefore potentially a reallocation between the top end of the list (out of cancer and into assisted suicide). On a gross basis though these numbers are still insignificant – approximately 6,000 per annum.

What does this mean for insurers? State deaths, animal related deaths and assisted suicide are perhaps not things that need to be included in your terms and conditions. A focus on managing road accidents is likely to produce more meaningful results for the industry and the country.

[23] ISAF 2016 Worldwide Shark Attack Summary". Florida Museum of Natural History.
[24] https://www.quora.com/How-many-people-have-been-killed-in-all-the-shark-movies-from-sharks
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[26] https://www.amnesty.org/en/what-we-do/death-penalty/ : "China remains the world's top executioner – but the true extent of the use of the death penalty in China is unknown as this data is classified as a state secret; the global figure of at least 690 recorded in 2018 excludes the thousands of executions believed to have been carried out in China."
[27] "Attitudes and Practices of Euthanasia and Physician-Assisted Suicide in the United States, Canada, and Europe" Emanuel EJ, Onwuteaka-Philipsen BD, Urwin JW, Cohen J (https://www.ncbi.nlm.nih.gov/pubmed/27380345)

Pandemic/Epidemics

As Chandler once said, "So the Ebola virus… that's gotta suck huh?[28]" No discussion of death is complete without reference to epidemics (and pandemics). Epidemics are generally more localised, whereas pandemics are global. What makes these notable is their ability to appear, kill massive proportions of the population and then fade into history. Take the Black Death (Yersinia pestis), which killed an estimated 50% of the population of Europe, Asia and North Africa. Estimates vary upward of 75 million people over a period of approximately 20 years from 1331 to 1352. The table below summarises some of the more notable pandemics[29]:

Disease	Years	Death count (millions)	% of the population	Regions
Antonine Plague	165-180	5	30%	Europe, West Asia, North Africa
Plague of Justinian	541-542	25-50	40%	Europe, West Asia, Egypt
Black Death	1331-1352	75-200	50%	Europe, West Asia, North Africa
Cocoliztli Epidemic	1545–1548	5–15	80%	Mexico
Cocoliztli Epidemic	1576	2-2.5	50%	Mexico
Influenza	1889-1890	1	<1%	Worldwide
Spanish Flu	1918-1920	75	4%	Worldwide
HIV/AIDS	1960-present	35[30]	<1%	Worldwide

Some standout features of these events are the rapidness with which the earlier infections spread. This remains the major concern that a similar threat could evolve and within a limited period inflict significant casualties.

These are by no means the only serious epidemics in history. The reference list on Wikipedia lists at least 48 epidemics in the 21st century alone. Contrary to what Hollywood's ongoing obsession with the apocalypse would lead you to believe, most of these have no fatalities or limited fatalities listed against them. The top five epidemics this century (excluding the ongoing HIV/AIDS pandemic) and the related total deaths include:

- 2009 Flu Pandemic: 14,286
- West African Ebola: Over 11,300
- Haiti Cholera Outbreak: 9,985
- DRC Measles: Over 4,500
- Zimbabwean Cholera: 4,293

These events tend to impact the vulnerable sections of society: the poor; the old; and the sickly. From an insurance perspective these populations are often not insured. However a flu virus, which significantly impacted the older portions of our population could have a significant impact on the industry.

Drawing the final curtain[31] on this…

It is not surprising that many things correlate with death: the economy; the days of the week; the hours of the day; the age of Miss America. Death itself wears many faces, most microscopic, some human and a few animal. As an insurable risk the variability is massive and the change is notable. People are living longer, but dying of different things. Our technology has created new forms of death through vehicle accidents, electrocution, drugs, etc. but also allows for new means to manage and mitigate these and traditional risks. The ability of insurer's to create interactive behavioural loops with these causes has become a focus area in the recent past. At its core though, death remains a fundamental aspect of human experience. The insurer's ability to quietly and respectfully assist in this time of emotional trauma remains a fundamental need in the economy.

[28] Friends, Episode 5, Season 2

[29] https://en.wikipedia.org/wiki/List_of_epidemics

[30] HIV/AIDS still accounts for 1.71% of deaths – more than suicide, less than road accidents - "Causes of Death" by Hannah Ritchie and Max Roser (https://ourworldindata.org/causes-of-death)

[31] The euphemisms related to death are endless, a couple we came across in our research include: passed on; is no more; has ceased to be; has expired; has gone to meet his maker; is a stiff; he's bereft of life; he now rests in peace; he's pushing up the daisies; his metabolic processes are now history; he's off the twig; he's kicked the bucket; he's shuffled off his mortal coil, run down the curtain and joined the choir invisible; he's assumed room temperature; he's gone belly up; he's beyond the value and he bit the dust; he's brown bread and bought the farm; he's cashed in his chips, checked out, croaked and counting worms; and hundreds of others. http://montypython.50webs.com/scripts/Series_1/53.htm

Unravelling the regulatory conundrum - how we can help you

The volume, breadth and depth of regulation facing insurance firms is at an unprecedented level. This has imposed challenges and additional responsibilities in all areas of the financial services sector, all the way up to board level. We understand this regulatory burden, the expectations of regulators and how rules should be applied. We work with financial services in every sector, identifying relevant rules and their impact on your business. Our multi-disciplinary team and unrivalled experience means we understand the regulatory environment and are best placed to assist you with meeting your obligations.

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- Binder Regulations, Outsourcing compliance
- Protection of Personal Information, General Data Protection Regulations (GDPR), Data Management, Competition Law
- Retail Distribution Review (RDR)
- Market Conduct, Policyholder Protection, Conduct of Financial Institutions
- Financial Advisory and Intermediary Services Act (FAIS)

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Data Privacy

KEY REGULATORY CHALLENGES EMERGING FROM POPIA AND THE GDPR

Has anything really changed?

It has been almost six years since the Protection of Personal Information Act of 2013 ("POPIA") was promulgated and a year since the European Union's General Data Protection Regulations ("GDPR") came into effect. While POPIA still awaits an effective date for the provisions which require compliance from the entities processing personal information, there remains a heightened global focus on privacy as a fundamental consumer right.

In South Africa, the Policy Holder Protection Rules (for both the long term and short term insurance industries) dovetail with the requirements of POPIA insofar as confidentiality, privacy, security and retention of data is concerned, with the provisions relating to data management coming into effect on 1 January 2020.

The South African Information Regulator has officially occupied office since 1 December 2016. Notwithstanding that the substantive provisions of POPIA are not yet effective, the Information Regulator has informally been handling various complaints received from consumers and has been engaging with companies who have been the subject of material information security breaches. The Information Regulator has convened meetings with various government institutions, including the HAWKS, the National Prosecuting Authority, the National Credit Regulator and the Credit Bureau Association and other foreign data protection authorities, such as the United Kingdom's Information Commissioner Office.

A level of uncertainty remains insofar as the extent to which companies should already be implementing the requirements of POPIA from a consumer relations perspective, with certain service providers to insurers refusing to take any tangible steps towards compliance until an effective date for POPIA is announced. This places insurers in an unenviable position of balancing the longstanding relationships they may have with their key service providers with the need to provide a customer-centric service offering to their clients.

The GDPR remains high on the agenda

Globally, the GDPR remains high on the agenda for insurers, but it appears that the approach to compliance remains primarily reactive and uncoordinated. Mark Thompson, KPMG's Privacy Advisory Lead has remarked that "this often stems from the issue that it is not owned at the board level, where the board form a clear articulation of the organisation's privacy risk appetite, which is then translated into a risk-based remediation plan. This is surprising for a sector with risk management at its core." ("Privacy and the GDPR – Have you got it right?" The London Journal, 2018).

In South Africa, most insurers have done something in the way of data protection, either from a POPIA perspective or in terms of global policy which compels the incorporation of the GDPR into their action plans. However, true compliance remains a challenge. In certain instances, privacy gap analyses or impact assessments, which were conducted some years ago in response to the promulgation of POPIA in 2013, are still being relied upon with little implementation having been completed other than changes to key policies and contracts and ensuring that cybersecurity risks are managed.

Compliance requirements which require human intervention or which require fundamental changes to data management processes, particularly relating to the insurer's duty of transparency and obligation to provide access to personal information, remain problematic.

We set out below some of the key challenges that have emerged within the South African privacy / data protection landscape.

Key emerging challenges

Consent management

Consent is but one of the lawful justifications for processing of personal information. However, relying on consent as a justification for processing personal information potentially creates an additional administrative burden under both POPIA (and the GDPR). This is due to the specific requirement for consent under POPIA (and the GDPR) - that is, it cannot be implied and must be voluntary, specific and informed. In order to meet this requirement, any notice which an organisation uses to inform its data subjects of the nature and purpose of processing personal information must be sufficiently specific for data subjects to be in a position to provide such informed consent.

As data subjects may withdraw their consent at any time (subject to the provisions of section 11(2)(b) of POPIA), there is a need for insurers to put in place a process which enables them to manage consents and withdrawals of consent and respond accordingly.

Data subject requests

While data security remains top of mind in the context of data protection and privacy, the management of personal information insofar as access requests, deletion and portability are concerned is a significant challenge for financial services firms.

On 14 December 2018, the South African Information Regulator published the relevant forms to be used when a data subject wishes to request a correction or deletion of personal information in terms of POPIA. Few South African companies, however, have established formal processes through which such requests may be received and actioned across the organisation and the systems it uses. At best, requests for personal information have been handled on an ad hoc basis, without a complete understanding of the personal information retained by the insurer (in its various forms) about that individual.

While subject access requests might not currently be a burning issue for South African insurers, it should be noted that after the GDPR came into effect, the insurance industry in the United Kingdom experienced a 20% increase in subject access requests within a period of a week. Once South African consumers are alerted to their rights of access to their own personal information, a similar increase can be expected.

Management of third party vendors

The use of third party service providers to process personal information, such a tracing agents, credit bureaux, forensic investigation services and other service providers, are potential areas of risk. POPIA requires that all responsible parties (organisations which determine the purpose and means of processing personal information) ensure, through a written contract that its third party "operators" (persons who process person information for an on behalf of the responsible party), establish and maintain the relevant security measures referred to in POPIA.

Beyond the contractual requirement which POPIA imposes on responsible parties, the extent to which financial services companies should have insight into their third party "operators'" specific security measures and be involved in the monitoring of their compliance, will need to be considered in the context of the nature and volume of personal information being processed by the "operator" concerned. Additional monitoring processes will further add to the financial services firms' administrative burden, but will be necessary in order to manage its risk exposure and protect the rights of its customers.

Reporting obligations under the Cybercrimes Bill

Related to information security and privacy, financial institutions will need to be aware of the obligations which are sought to be placed on them under the current version of the Cybercrimes Bill.

The Cybercrimes Bill seeks, amongst other things, to impose obligations on electronic communications service providers and financial institutions to report cybercrimes and provide technical and other assistance to the police in their investigations of cybercrime.

Concluding remarks

Despite the lengthy hiatus since the promulgation of POPIA, other (and perhaps more urgent) drivers compel a renewed focus on privacy and responsible data management in the insurance industry. According to a KPMG survey (as published in The London Journal 2018) of nearly 7000 individuals globally, nearly 75% of respondents have low levels of trust in insurance organisations that process their personal data, with just 7.7% indicating that they trust insurers completely. This is in stark contrast when compared to banks, with 40% of respondents indicating that they have high levels of trust in banks processing their personal data.

These statistics should raise alarms with senior executives across the insurance sector, as in the absence of trust, customers are likely to be increasingly resistant to share their personal information, potentially undermining future insurance business models and strategies.

The imminent changes to the South African consumer protection landscape and the enforcement market conduct will require organisations to develop a thorough understanding of their privacy and data security risks and controls to identify those areas where additional efforts are required to strengthen the effectiveness of their programmes. This is necessary, both for the sake of managing the legislative risk involved and cultivating customer trust in this industry.

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Cyber insurance - how Insuretechs can unlock the opportunity

Not just digital, also physical - and intangible assets

Cyber risk is not a wholly digital risk – it spills over into the physical world of tangible assets too, e.g. hacking into a fire protection sprinkler system could lead to flooding and damage to physical property. An integrated view of cyber activity is critical to fully address the range of risks that it can give rise to. Cyber insurance has historically been focused on digital assets, such as clients' personal or transactional data. The increase in cyber attacks has led insurers and their customers to rethink the knock-on effect on other insurance lines like personal (reputation), property (physical damage), intellectual property (competitor information), etc.

The unfolding of cyber insurance developments from a single focus on digital to encompassing other asset classes is a nascent one, with insurers struggling to use traditional methods to model the risks, especially since there is not much data. Those who do so successfully, will be well-positioned to share in this growing market.

Intangible assets comprise a growing proportion of value

Between 1975 and 2015, the value of intangible assets as a proportion of total enterprise value (among S&P 500 companies) increased from 17% to 84%[1]. The increase in insurance cover for these assets has not followed suit – due, in part, to the inability of insurers to develop innovative products to insure them. Universal methods of brand valuation were absent for many years. Consider the brand value of Coca Cola which is a substantial portion of the value of the company, yet the actual product has been largely unchanged for decades. Companies with the largest intangibles are the "big tech" companies like Amazon and Microsoft where >95% of their value is in intangible assets[2].

From protection to prevention

Cyber insurance is a relatively recent development in the insurance sector, having been around only since the 1990's. Telecom and professional services companies used this to protect themselves in the event of accidental transfer of malware to clients or the loss of confidential client information. It took the form of a traditional insurance policy with very little specific information on the quantum of payments related to the risk event. The emergence of new cyber risks has created a much more complex landscape and insurers are no longer expected merely to offer cover after the events but also to assist in the prevention of such risks materialising. It is also expected that insurers will assist post the event to prevent further escalation of the consequences.

Companies are also increasingly crafting multi-pronged responses towards cyber threats. Previous findings suggested that companies may be complacent about cyber risk prevention in the presence of an insurance policy. However, the nature of the attendant reputational risks (which are difficult to insure against) has elevated the issue towards preparation for the inevitability of cyber risk events. This increased awareness has led to better preparation towards understanding and addressing cyber risks, beyond the tweaking of policy cover elements[3].

A huge opportunity for growth

The global Cyber insurance market is expanding quickly and is predicted to rise from US$2.5bn in 2015 to US$7.5bn by 2020, reaching US$20bn in premiums by 2025 (annual growth of 20-25%)

Although still a relatively small market, the growth is fuelled by increased and varied cyber risks as well as the growing value of intangible assets. Penetration levels are still relatively low: <15% in the US but <1% in other regions of the world, so there is potential for significant growth[3]. This is both an opportunity and a challenge since insurers have to migrate from a mindset of providing cover to one of actively managing risks, including prevention and event based responses.

However, the growth rate of the cyber insurance industry is ten times that of the cybersecurity sector. Aon found that there was a 37% increase in US cyber premiums between 2016 and 2017, demonstrating that even in the most developed market, growth remains significant. Forecasts tend to paint an optimistic picture too, with Munich Re suggesting that a $4 billion global market in 2017 will become a $7-8 billion market in 2020[7].

US$100bn

2015 global revenue from cyber services (risk mitigation, risk transfer and post-incident solutions

70% from risk mitigation services including hardware and software security solutions

2%[4] insurance and reinsurance solutions

Companies are under insured - and vulnerable

Global annual losses attributable to cyber-crime are estimated to be US$600bn and is expected to quadruple to more than US$2.1trn in 2019. The average insured loss from a cyber incident is now around US$2.3m,yet yearly global cyber premiums are estimated at US$2.5bn which is only 1% of total commercial premiums - and this is focused mostly on digital assets[4].

In South Africa, cyber-crime now makes up 55% of losses in the banking industry alone[5].

About half of all global CEOs (49%) say that a cyber attack is now a case of ‘when’, instead of ‘if’. Also, only 51% believe they are well-prepared for a cyber attack[6].

It is estimated that 60% of FORTUNE 500 companies currently lack any insurance against cyber incidents – mainly due to the lack of adequate cyber insurance solutions[1].

Intangible assets are largely uncovered, even though reputational damage post a cyber event (such as a data breach) is the single biggest cyber concern of corporate executives[6].

Cyber risk is not just about data breaches

Although cyber risk has been associated with digital assets like data breaches, it extends far deeper across multiple other lines of risk. The bulk of the damage due to a cyber event may actually be the physical asset, especially if cyber techniques are being used to gain access to a physical asset. For example:

Home - hacking an alarm system to gain entry to steal possessions.

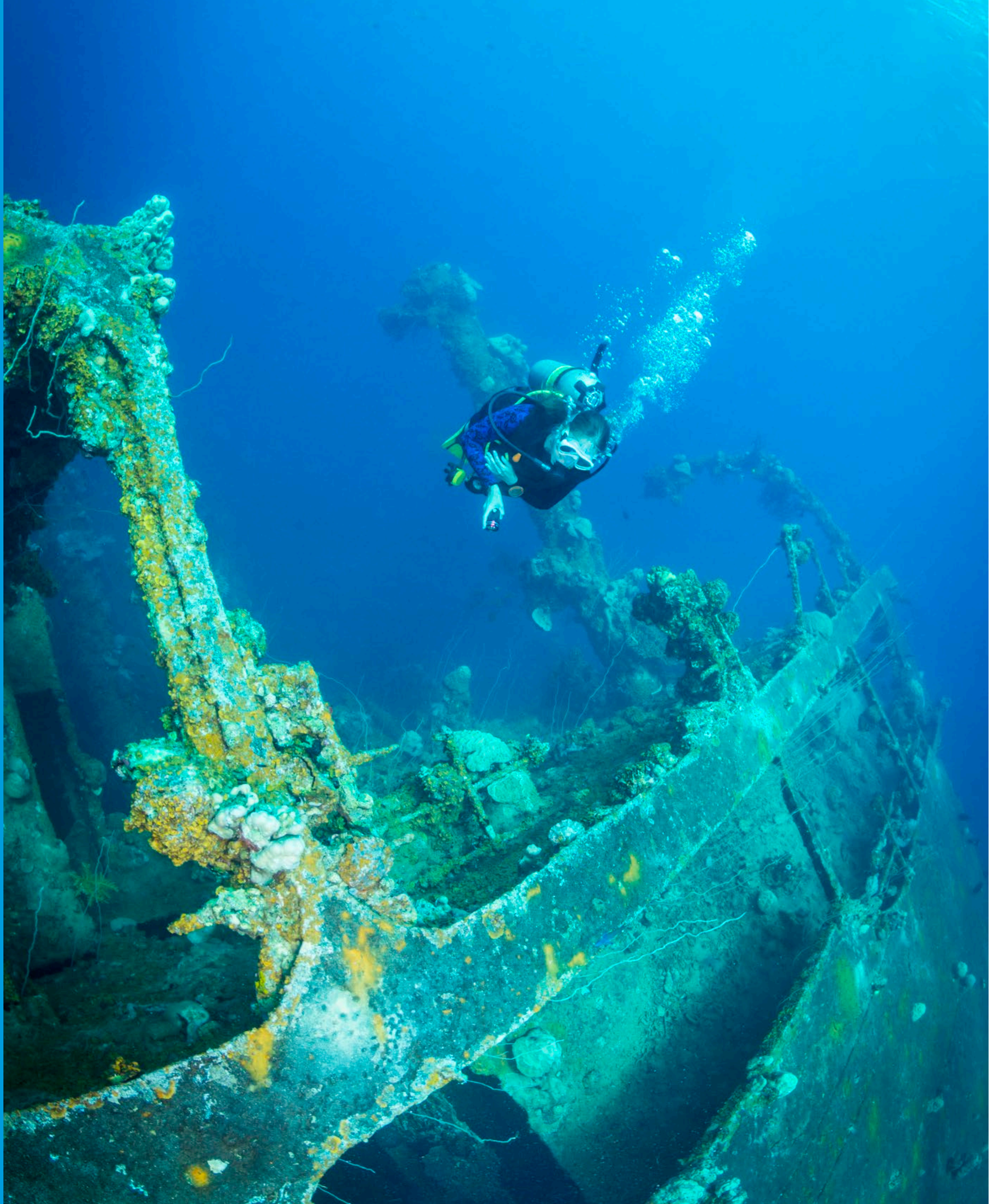
Property - hacking control systems for malicious purposes including sabotage: changing temperatures in competitor warehouses to destroy stock, setting off fire sprinkler systems to evacuate buildings.

Car - vehicle theft by controlling onboard computers to immobilise cars.

Aviation/shipping - stealing customers personal information through on-board internet access.

For these reasons, cyber risk is being recognised as an operational risk and monitored separately from general operational risks.

Cyber loss is both digital and physical



Risk modelling a key competency

The greatest challenge for insurers in developing cyber insurance products is the lack of data around cyber-security incidents. Historically, the superiority of risk models led directly to profitability and the ability to differentiate customers on the basis of risk levels. The unwillingness to report cyber events is understandable, given the potential for further reputational fallout which may exacerbate the loss.

A possible solution would be the establishment of anonymised databases for cyber events, which would allow for more rigorous risk modelling. As reporting and aggregation of cyber risk events improve, so will risk modelling capability.

Reputational damage is another risk that cannot be modelled. However, insured amounts could be heuristic in nature. In some cases, it could be the actual costs of mitigating fallout, e.g. costs of engaging PR companies, donations to appropriate NGOs, etc. Alternatively, this could cover the costs of cyber-related ransoms.

Cyber insurance trends

Newer technologies and the digitisation of universal processes has led to increased vulnerability to cyber threats. Several trends are emerging[8]:

- The growing demand for cyber insurance coverage in sectors beyond healthcare, retail, and financial institutions, such as professional services.
- Shifts in the factors driving sales, especially as more third parties becoming involved in distribution channels.
- The importance of first-party coverage is changing as new causes of loss emerge, such as cyber extortion and funds transfer fraud.
- Growing interest in coverage for bodily injury and/or property damage arising from a cyber event.
- Even though large organisations remain targets, they accounted for less than 20% of cyber losses in 2016. Smaller organisations, including those with less than $1m in annual revenue, accounted for larger percentages of the losses.

The best solution for managing cyber risk is prevention

Managing a cyber crisis is becoming an increasingly important part of the management toolset. Insurers now need a wider range of capabilities, not all of which can be developed in house. The drive towards establishing partnerships with external parties with specific skills is a trend that is increasing. The main component in the management of cyber events are:

Understanding risk: assimilating technical know-how to gain a deeper understanding of the drivers and symptoms of risk events to identify and quantify risk factors to adequately price and structure cyber insurance products.

Preventing risk: increasing awareness and implementation of solutions that could prevent risks – these range from simple incentives to clients (premium discounts), e.g. downloading anti-virus software all the way to a fully governed programme of risk prevention encompassing : cyber risk assessment, advisory services, security software, hardware solutions, training of personnel and compliance. Encouragingly, Gartner is forecasting that the market for spending on global information security will to grow 8.7% to US$124 billion from over US$114 billion in 2018, an increase of 12.4% from the previous year[9].

Fight cyber with cyber

It is clear that cyber risk will dominate the list of emerging risks as companies grapple with understanding and mitigating these. These risks can emanate from one person working alone with a computer in a foreign country or from a sophisticated global network of cyber criminals. Both can cripple an entire organisation's operations worldwide.

Most cyber insurance has been offered by the large traditional insurers. Some insurers are starting to recognise the opportunity and are also starting to focus on niches that they are comfortable with.

In addition, cyber risk is as applicable to small business as to larger ones – the difference is that the impact on a small business could be devastating yet it is estimated that only 15% of small businesses have cyber insurance. In South Africa, the SHA Cyber Security survey found that 42.5% of businesses do not have adequate anti-cyber-attack procedures in place. It found that around 60% of SMEs impacted, suffered a financial loss of between R50 000 and R1 million. It's also been reported that up to 60% of SMEs never recover after a significant cyber breach[10].

AIG was the largest writer by direct premiums of standalone cyber insurance in 2016 and added cyber coverage to its commercial casualty insurance in 2018,

i.e. it moved away from issuing policies that do not specify whether cyber losses are covered.

Tech startups are starting to emerge in the provision of cyber insurance with new technologies and value propositions, partly due to the opportunity to exploit a niche as well as solutions to address cyber risks.

Companies and insurers alike need to tap into the rapidly increasing insuretech universe which offers an array of highly sophisticated tools exploiting multiple emerging technologies to prevent and mitigate cyber risks.

InsureTechs unlocking opportunity

A. Data monitoring on cybersecurity

A key preventative measure is the continuous monitoring of cyber attacks. Several insuretechs have developed solutions which analyse data or hone in on behaviours that are indicative of potential attacks.

We work with an InsureTech that offers a security rating platform that continuously analyses data on cybersecurity behaviours in order to help organisations manage third party risk, benchmark performance, and assess and negotiate cyber insurance premiums.

B. Cyber risk modelling

The actuarial models of risk-based premiums provide challenges to cyber events that are not well documented or transparent. Some startups have utilised cutting edge probability-based models to develop pricing models for cyber insurance.

We work with an InsureTech that offers an economic cyber risk modelling platform specifically for the insurance industry to understand the impact of cyber risk in the context of dollars and probabilities. For insurers, cyber offers potential growth but also lots of uncertainty. How likely is it that any given client will be hacked — and, if they are, how much damage could there be? It is developing a system that can model these risks in financial and economic terms and has already won its first customers, including Brit Insurance, AM Best and Marsh.

C. Security readiness

Insurers and their customers have to determine their cybersecurity posture, which is essentially the level of trust they have in their ability to address cyber risks.

Insuretech companies are developing quantitative measures of readiness to assist insurers in managing their portfolio of cyber risks for their customers.

We work with an InsureTech that offers a product specifically for insurance companies to assess the security risk posture of potential and existing clients, as well as determining policy premiums.

We work with an InsureTech that offers a cybersecurity preparedness score for enterprises to understand the risk of breaches and unplanned outages and to procure cybersecurity insurance.

D. Cyber insurance providers

Inevitably, innovators will recognise the niche in an industry and attempt to fill these with focused products and services. Cyber security is one such opportunity and several startups are developing products that offer this type of product, competing directly with established insurers.

We work with an InsureTech that provides cyber insurance for the digital age that empowers clients to embrace technology. The company was founded with the intent of providing insurance products and services that enable companies to innovate despite the recurring threat of cyber risk.

They analyse, model and predict cyber risk, to create the best coverage for clients, and partner with brokers to deliver risk management programmes.

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Short-term insurance industry results

The South African economy grew by 1.4% in the fourth quarter of 2018, contributing to an overall growth rate of 0.8% for the entire year[1].

In 2018, South Africa entered recession, its second since the early 1990s. The 2018 recession spanned the first two quarters of the year, with the economy shrinking by 2.7% in the first quarter and contracting further by 0.5% in the second. Despite the recession, growth in the third (2.6%) and the fourth (1.4%) quarters was just enough to push overall growth for the year into positive territory. The real annual growth rate came in at 0.8% for the 2018 year. This is down from 1.4% in 2017 but up from 0.4% in 2016.

The finance, real estate and business services industries were strong supporters of overall growth in 2018. The agriculture, mining and construction industries did not contribute positively.

The table below summarises key metrics in the results of the 37 non-life insurer survey participants[2]:

	2018	2017
Increase in gross written premium	8.14%	5.46%
Increase in net earned premiums	7.05%	3.06%
(Decrease)/Increase in investment income	(11.54%)	29.96%
Claims incurred	55.53%	57.34%
Combined ratio	92.15%	93.35%
Operating ratio[3]	82.63%	81.83%
Management expense ratio[4]	27.36%	26.39%

The industry reported gross written premiums ("GWP") of R108.6 billion in 2018, an increase of 8% when compared to the R100.4 billion written in 2017. The strong growth suggested in GWP did not carry though to profits. Profits after taxation (PAT) were down by 2.05% from 2017. This is in contrast with other key metrics such as claims incurred and the combined ratios which suggests improve profitability.

Profitability

Key fine factors to the lower profit levels:

- Reduced investment performance - investment income reduced by 11.54% in 2018 when compared to 2017. Similar to our analysis of the life industry results, the impact of market movements on investment income was significant.
  - the JSE All Share Index (ALSI) was down 11% (SWIX 14%) in rand terms last year and even worse in dollars terms (24% down)[5].
  - interest rates were down in 2018 when compared to 2017.
  - the 91 day Treasury Bills tender rates were down in 2018, when compared 2017.
  - for the majority of 2018 the ZAR/USD exchange rates were better, when compared to 2017. However the Rand experienced significant weaknesses in the last quarter of 2018.
- The effective tax rate, for 2018, and when compared to profit before taxes, amounts to 27%, which higher than 2017 (23%).

- The management expense ratio suggests higher expenses in 2018 (27.36%), when compared to 2017 (26.39%).
- Recent experience seems to indicate a hardening in the reinsurance market on the back of worldwide lacklustre underwriting results for many reinsurers[7].

It is well-known that South Africa remains vulnerable to weather disasters and drought. However, the 2018 calendar year was a good one in terms of claims experience for the industry. The improved claims experience is as a result of reduced claims frequency and severity. According to the Prudential Authority Annual Report 2018/2019[6], released in July 2019, the industry did not experience any catastrophic events during 2018. According to the Santam Analyst Presentation 2018 there have been fewer commercial fire claims during 2018. In contrast, it was noted that the Listeriosis outbreak had negatively impacted liability business.

This is opposed to the 2017 calendar year, which saw various large losses, which included catastrophe events such as the Knysna fires and the Gauteng and KwaZulu-Natal storms. According to Aon[8], insurers no longer considered South Africa as a "low catastrophe risk" economy, with more than R5bn paid for losses incurred from natural disasters in 2017, the highest ever recorded. 2017 has been flagged as the costliest year on record for natural disasters, according to Aon Benfield's latest Weather, Climate and Catastrophe Insight Report.

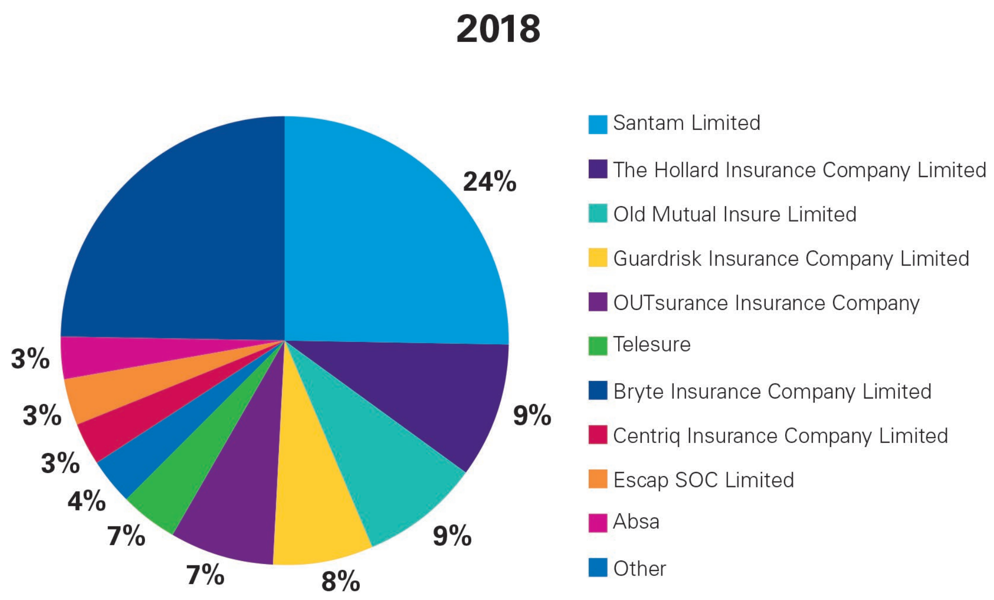
The table below reflects the claims incurred ratio for the non-life sector for the most recent years.

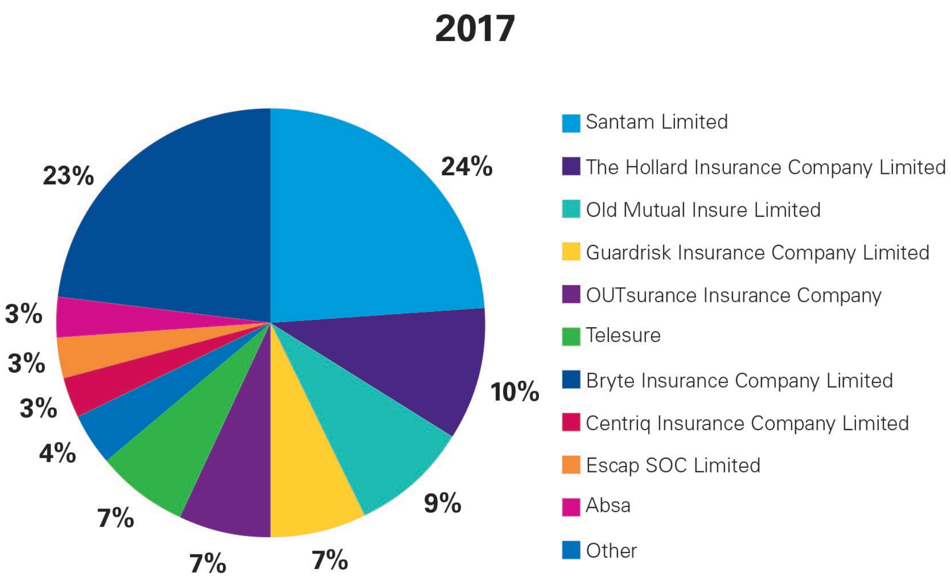
2018	2017	2016	2015
55.53%	57.34%	57.9%	57.1%

In 2019, the industry experienced storms in several areas in Kwa-Zulu Natal and the Eastern Cape, restoring the new normal as far as it relates to large losses.

Market share analysis

The top ten short-term insurers remained relatively stable during the 2018 year, with few movements in the raking in terms of premium size. These insurers dominated the industry, underwriting 76.9% of the GWP in 2018. Santam remains at the top and has secured 24.3% (2017: 24.4%) of the market share. The charts below indicate the GWP share[9] of the ten largest short-term insurance companies.



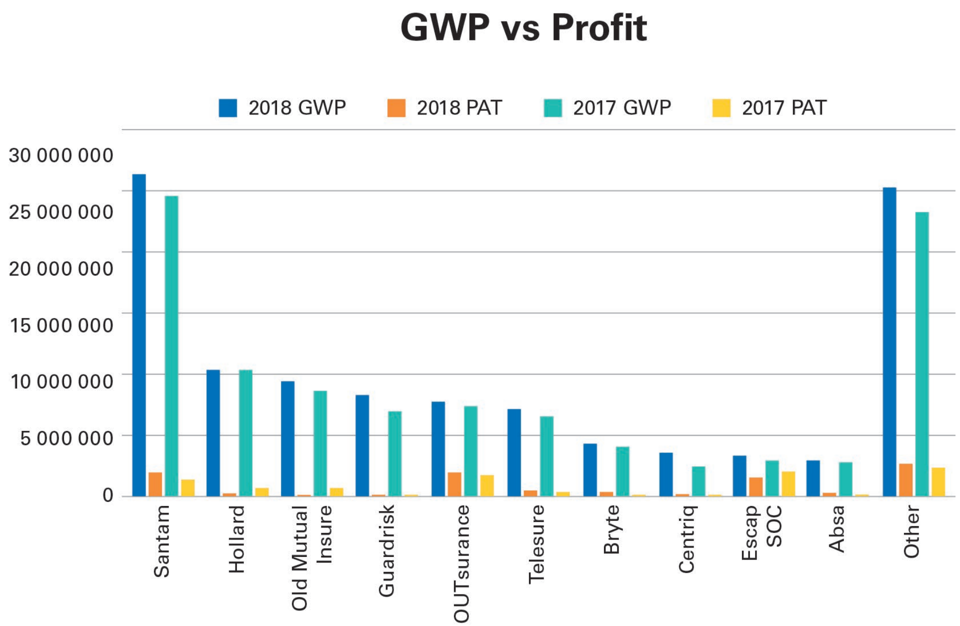


There has been no change in the top three positions since 2017. Guardrisk increased its market share to 8% in 2018, when compared to 7% in 2017 and consequently moved into fourth place. This resulted in Outsurance moving into fifth place in 2018.

Guardrisk reflected premium growth of 18% to R8.2 billion, when compared to 2017 (R6.9 billion). In the Guardrisk Business Report 2018[10], it was noted that during 2017, Guardrisk acquired Marine Underwriting Managers and C&G Underwriting Managers, both leaders in their respective fields of marine underwriting; and construction, engineering and guarantee underwriting. One of the cornerstones of Guardrisk's future growth plans is to add to its specialist underwriting capability, which these acquisitions have considerably strengthened.

Positions six and seven remained stable year-on-year, however Centriq moved into eighth place, from eleventh in 2017, removing M&F Risk Financing from tenth place.

The chart below indicates PAT: (profit after tax) compared to GWP for the ten largest short-term insurance companies.



According to the Prudential Authority Annual Report 2018/2019 the underwriting results (where the underwriting profit is expressed as a percentage of net earned premiums) stood at 10% for the primary insurers, cell captives, captives and reinsurers in the non-life insurance industry as at the end of December 2018.

Santam, Guardrisk, Bryte, Telesure and Absa achieved double digit growth in terms of PAT. OUTsurance managed to grow its PAT by 7%. The remaining top ten insurers experienced decreased profits.

Other developments

Corporate activities

Alexander Forbes sale of insurance business

The financial services group Alexander Forbes, which has a market capitalisation of about R8bn, announced in March 2019 its plan to sell its insurance businesses amid a shift in strategy towards an "advice-led and capital-light model".

Momentum Metropolitan has entered into a binding agreement to acquire Alexander Forbes' Short-term Insurance business (AFI). The transaction will be implemented towards the end of 2019, subject to the approval of regulators. The base price proposed is R1.938bn and covers 100% of the shares of AFI, the IT which supports the business and trademarks of the business. Accounting for any other adjustments, the maximum final price could equate to R2.055bn[11].

The sale of the short-term insurance business will bring much needed capital for Alexander Forbes to increase the size of its retirement administration business and revamp its IT systems. The short-term insurance business contributed 20% of Alexander Forbes's annual revenue. In the 2019 financial year ended in March, it collected R1.8bn in gross written premiums, up 5%.

New entrants and partnerships

For the 2018/2019 period, the PA received five applications for licenses from existing and prospective financial institutions, of which one was approved, one was declined, and three are in progress.

According to Prudential Authority this will increase competitiveness and promote inclusivity. The Prudential Authority believes competition will positively affect pricing going forward.

Foot note and sources

1 http://www.statssa.gov.za/?p=11969
2 The net earned premiums of the companies featured in this publication approximate 82% of the industry's net earned premiums and based on that, the survey results are a fair representation of the results of the overall industry
3 (claims incurred + net commission incurred +management expenses – investment income)/net earned premium
4 (Management and other expenses)/net earned premium
5 https://www.biznews.com/asset-management/2019/01/02/2018-worst-year-in-decade-sa-stocks
6 https://www.resbank.co.za/Lists/News%20and%20Publications/Attachments/9316/Prudential%20Authority%2 Annual%20Report%202018-2019.pdf
7 https://www.santam.co.za/media/2684698/santam-dec-2018-analyst-presentation-final.pdf
8 https://www.fin24.com/Opinion/sifiso-skenjana-something-in-the-weather-the-rapidly-rising-cost-of-natural disasters-20190502
9 The gross written premiums for Absa include the premiums for Absa idirect. Premiums for Telesure include premiums written by the other Telesure Group short-term underwriters being Dial Direct, Budget, First for Women and Auto and General
10 https://guardrisk.co.za/wp-content/themes/guardrisk/img/Guardrisk-business-report-2018.pdf
11 https://www.businesslive.co.za/bd/companies/financial-services/2019-06-18-alexander-forbes-seeks-to-plug-the gap-after-exiting-insurance/ and https://www.fin24.com/Companies/Financial-Services/alexander-forbes-seeks buyer-for-its-insurance-businesses-20190326

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

Accounting year end	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Nov-18	Nov-17	Mar-18	Mar-17
Group/Company	**Absa idirect Limited**		**Absa Insurance Company Limited**		**Absa Insurance Risk Management Services Limited**		**AIG South Africa Limited**		**Alexander Forbes Insurance Company Limited**	
Share capital and share premium	118,510	118,510	31,000	31,000	20,000	20,000	557,500	557,500	67,915	67,915
Retained earnings/(deficit)	(118,510)	104,134	1,450,013	1,119,300	30,041	27,245	(9,177)	73,264	251,953	166,525
Reserves	-	-	5,262	6,058	-	-	-	-	-	-
Total shareholders' funds	**-**	**222,644**	**1,486,275**	**1,156,358**	**50,041**	**47,245**	**548,323**	**630,764**	**319,868**	**234,440**
Gross outstanding claims	-	79,472	412,409	475,154	55,395	51,088	1,311,102	2,008,852	283,367	275,770
Gross unearned premium reserve	-	26,962	740,134	690,462	-	182	731,917	649,690	26,389	27,575
Reinsurers' share of expected salvages and recoveries	-	-	-	-	-	-	-	-	-	-
Owing to cell owners	-	-	-	-	63,566	61,443	-	-	-	-
Deferred reinsurance commission revenue	-	-	6,555	5,274	-	-	192,061	184,655	5,133	5,262
Deferred tax liability	-	-	-	-	2	2	-	-	-	-
Other liabilities	26,033	48,949	339,329	179,781	20,379	13,625	1,274,746	1,342,145	106,872	109,795
Total liabilities	**26,033**	**155,383**	**1,498,427**	**1,350,671**	**139,342**	**126,340**	**3,509,826**	**4,185,342**	**421,761**	**418,402**
Total investments including investments in subsidiaries	**-**	**302,568**	**2,194,343**	**1,720,491**	**73,789**	**84,366**	**767,205**	**651,474**	**257,673**	**331,416**
Deferred tax asset, intangible assets and PPE	-	8,220	48,983	26,592	-	-	183,179	204,473	11,265	10,766
Reinsurers' share of outstanding claims	-	30,396	62,402	264,886	55,395	51,088	1,233,476	1,849,616	242,304	215,486
Reinsurers' share of unearned premium reserve	-	4,821	64,779	50,379	-	182	638,007	564,401	19,837	20,707
Gross expected salvages and recoveries	-	-	-	-	-	-	-	-	-	-
Deferred aquisition costs	-	-	119,888	123,072	-	-	108,364	102,112	2,328	2,455
Cash and cash equivalents	-	20,161	377,312	114,404	57,520	27,011	587,302	913,102	32,191	33,148
Other assets	26,033	11,861	116,995	207,205	2,679	10,938	540,616	530,928	176,031	38,864
Total assets	**26,033**	**378,027**	**2,984,702**	**2,507,029**	**189,383**	**173,585**	**4,058,149**	**4,816,106**	**741,629**	**652,842**
International solvency margin	0%	46%	62%	53%	N/A	N/A	229%	247%	75%	57%
Total assets/Total liabilities	100%	243%	199%	186%	136%	137%	116%	115%	176%	156%
Change in shareholders' funds	(100%)		29%		6%		(13%)		36%	

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

Accounting year end	Dec-18	Dec-17	Jun-18	Jun-17	Jun-18	Jun-17	Dec-18	Dec-17	Jun-18	Jun-17
Group/Company	**Allianz Global Corporate and Specialty South Africa Limited**		**Auto and General Insurance Company (RF) Limited**		**Bidvest Insurance Limited**		**Bryte Insurance Company Limited**		**Budget Insurance Company (RF) Limited**	
Share capital and share premium	123,164	90,500	53,506	53,506	10,000	10,000	4,650	4,650	80,001	80,001
Retained earnings/(deficit)	52,068	31,612	765,802	650,754	303,208	302,865	1,245,424	1,489,850	524,042	371,525
Reserves	-	-	-	-	71,405	34,751	(23,436)	51,891	-	-
Total shareholders' funds	**175,232**	**122,112**	**819,308**	**704,260**	**384,613**	**347,616**	**1,226,638**	**1,546,391**	**604,043**	**451,526**
Gross outstanding claims	1,318,629	993,245	392,257	394,865	108,640	148,890	2,336,084	2,288,759	258,593	206,443
Gross unearned premium reserve	410,185	367,675	140,055	133,800	323,758	327,454	671,167	622,025	44,685	41,488
Reinsurers' share of expected salvages and recoveries	-	-	58,045	40,406	-	-	-	-	31,905	26,896
Owing to cell owners	-	-	-	-	-	-	-	-	-	-
Deferred reinsurance commission revenue	154,297	127,775	-	-	-	-	40,130	35,778	-	-
Deferred tax liability	-	-	-	3,098	28,988	19,886	-	-	-	-
Other liabilities	239,435	185,898	331,711	181,453	13,959	14,120	1,388,162	992,785	94,459	84,456
Total liabilities	**2,122,546**	**1,674,593**	**922,068**	**753,622**	**475,345**	**510,350**	**4,435,543**	**3,939,347**	**429,642**	**359,283**
Total investments including investments in subsidiaries	**-**	**-**	**1,119,142**	**960,824**	**584,685**	**538,813**	**2,152,175**	**3,228,744**	**733,237**	**582,059**
Deferred tax asset, intangible assets and PPE	4,576	4,978	1,561	-	-	-	166,023	276,035	689	285
Reinsurers' share of outstanding claims	1,288,374	961,830	69,064	59,643	22,671	45,466	1,370,251	1,323,101	30,643	22,346
Reinsurers' share of unearned premium reserve	410,405	367,636	-	-	17,544	16,354	268,185	221,595	-	-
Gross expected salvages and recoveries	-	-	105,391	84,363	22,091	-	-	-	67,144	55,972
Deferred aquisition costs	91,839	83,462	13,609	14,009	74,321	64,142	92,825	82,476	554	1,509
Cash and cash equivalents	228,277	161,939	158,420	29,810	98,773	115,736	643,738	318,237	89,054	54,437
Other assets	274,307	216,860	274,189	309,233	39,873	77,455	968,984	35,550	112,364	94,201
Total assets	**2,297,778**	**1,796,705**	**1,741,376**	**1,457,882**	**859,958**	**857,966**	**5,662,181**	**5,485,738**	**1,033,685**	**810,809**
International solvency margin	(3110%)	20558%	52%	50%	104%	96%	37%	58%	71%	60%
Total assets/Total liabilities	108%	107%	189%	193%	181%	168%	128%	139%	241%	226%
Change in shareholders' funds	44%		16%		11%		(21%)		34%	

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

Accounting year end	Dec-18	Dec-17	Dec-18	Dec-17	Jun-18	Jun-17	Dec-18	Dec-17	Mar-18	Mar-17
Group/Company	**Centriq Insurance Company Limited**		**Chubb Insurance South Africa Limited**		**Clientele General Insurance Limited**		**Compass Insurance Company Limited**		**Corporate Guarantee (South Africa) Limited**	
Share capital and share premium	55,000	55,000	115,000	115,000	42,500	42,500	114,284	114,284	42,900	42,900
Retained earnings/(deficit)	230,328	190,751	110,528	92,744	176,542	144,576	135,758	100,446	27,637	25,741
Reserves	-	-	1,752	2,417	3,618	3,169	201	214	-	-
Total shareholders' funds	**285,328**	**245,751**	**227,280**	**210,161**	**222,660**	**190,245**	**250,243**	**214,944**	**70,537**	**68,641**
Gross outstanding claims	768,881	716,650	520,308	673,510	6,465	5,754	486,897	584,836	9,771	7,767
Gross unearned premium reserve	3,485,703	2,102,927	186,581	214,708	3,358	3,627	96,764	106,119	523,948	480,590
Reinsurers' share of expected salvages and recoveries	-	-	-	-	-	-	-	-	-	-
Owing to cell owners	1,322,647	1,143,776	-	-	-	-	-	-	-	-
Deferred reinsurance commission revenue	51,617	36,652	41,730	46,726	-	-	29,682	32,739	-	-
Deferred tax liability	-	-	318	554	6,398	4,015	-	-	-	-
Other liabilities	1,027,541	956,925	114,960	119,327	53,017	48,220	316,756	245,631	5,380	6,380
Total liabilities	**6,656,389**	**4,956,930**	**863,897**	**1,054,825**	**69,238**	**61,616**	**930,099**	**969,325**	**539,099**	**494,737**
Total investments including investments in subsidiaries	**5,321,288**	**3,996,712**	**238,323**	**273,172**	**227,893**	**201,337**	**540,557**	**463,073**	**448,994**	**443,326**
Deferred tax asset, intangible assets and PPE	30,870	31,363	2,981	3,004	16,161	16,083	10,757	8,141	2,576	932
Reinsurers' share of outstanding claims	323,372	266,242	405,404	554,116	-	-	433,415	522,648	-	-
Reinsurers' share of unearned premium reserve	200,348	120,036	137,697	155,487	-	-	97,203	109,719	-	-
Gross expected salvages and recoveries	-	-	-	-	-	-	-	-	-	-
Deferred aquisition costs	42,873	31,305	27,366	30,767	-	-	27,098	30,081	-	-
Cash and cash equivalents	384,630	316,595	143,798	121,704	46,278	31,302	42,680	19,654	87,925	56,584
Other assets	638,336	440,428	135,608	126,736	1,566	3,139	28,632	30,953	70,141	62,536
Total assets	**6,941,717**	**5,202,681**	**1,091,177**	**1,264,986**	**291,898**	**251,861**	**1,180,342**	**1,184,269**	**609,636**	**563,378**
International solvency margin	17%	33%	208%	168%	55%	54%	271%	263%	145%	83%
Total assets/Total liabilities	104%	105%	126%	120%	422%	409%	127%	122%	113%	114%
Change in shareholders' funds	16%		8%		17%		16%		3%	

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

Accounting year end	Jun-18	Jun-17	Jun-18	Jun-17	Mar-18	Mar-17	Dec-18	Dec-17	Jun-18	Jun-17
Group/Company	**Dial Direct Insurance (RF) Limited**		**Discovery Insure Limited**		**Escap SOC Limited**		**The Federated Employers Mutual Assurance Company (RF) Proprietary Limited**		**First for Women Insurance Company (RF) Limited**	
Share capital and share premium	20,001	20,001	2,176,139	1,969,264	379,500	379,500	-	-	82,000	82,000
Retained earnings/(deficit)	280,908	223,800	(626,706)	(895,094)	6,223,310	4,726,121	3,038,000	3,110,000	104,796	97,931
Reserves	-	-	1,507	2,544	9,784	5,647	-	-	-	-
Total shareholders' funds	**300,909**	**243,801**	**1,550,940**	**1,076,713**	**6,612,594**	**5,111,268**	**3,038,000**	**3,110,000**	**186,796**	**179,931**
Gross outstanding claims	108,553	126,605	321,451	361,058	4,953,336	3,626,581	2,378,000	2,266,000	116,442	118,415
Gross unearned premium reserve	118,725	109,865	12,390	12,725	933,704	968,766	143,000	147,000	44,742	37,356
Reinsurers' share of expected salvages and recoveries	12,145	12,638	-	-	-	-	-	-	24,667	20,938
Owing to cell owners	-	-	-	-	-	-	-	-	-	-
Deferred reinsurance commission revenue	-	-	-	-	-	41,428	-	-	-	-
Deferred tax liability	-	310	-	-	85,197	50,382	-	-	-	-
Other liabilities	45,083	63,104	503,404	309,338	2,549	6,755	645,000	901,000	56,835	62,076
Total liabilities	**284,506**	**312,522**	**837,245**	**683,121**	**5,974,786**	**4,693,912**	**3,166,000**	**3,314,000**	**242,686**	**238,785**
Total investments including investments in subsidiaries	**439,845**	**416,783**	**1,631,393**	**1,292,917**	**10,324,844**	**8,175,557**	**5,998,000**	**6,261,000**	**287,375**	**271,553**
Deferred tax asset, intangible assets and PPE	514	-	429,209	143,598	-	-	71,000	73,000	145	150
Reinsurers' share of outstanding claims	13,561	13,296	10,676	66,585	1,294,152	938,612	6,000	20,000	22,821	23,022
Reinsurers' share of unearned premium reserve	-	-	3,834	4,960	479,606	414,285	-	-	-	-
Gross expected salvages and recoveries	25,416	26,178	-	-	-	-	-	-	27,893	21,986
Deferred aquisition costs	129	423	31,329	29,915	-	20,714	-	-	246	624
Cash and cash equivalents	62,377	36,027	37,390	7,787	14,344	23,935	23,000	43,000	43,303	32,081
Other assets	43,573	63,616	244,354	214,073	474,434	232,077	106,000	27,000	47,699	69,300
Total assets	**585,415**	**556,323**	**2,388,185**	**1,759,834**	**12,587,380**	**9,805,180**	**6,204,000**	**6,424,000**	**429,482**	**418,716**
International solvency margin	73%	59%	61%	57%	242%	202%	325%	319%	356%	742%
Total assets/Total liabilities	206%	178%	285%	258%	211%	209%	196%	194%	177%	175%
Change in shareholders' funds	23%		44%		29%		(2%)		4%	

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

Accounting year end	Jun-18	Jun-17	Jun-18	Jun-17	Sep-18	Sep-17	Jun-18	Jun-17	Jun-18	Jun-17
Group/Company	**Guardrisk Insurance Company Limited**		**The Hollard Insurance Company Limited**		**Indequity Specialised Insurance Limited**		**Legal Expenses Insurance Southern Africa Limited**		**Momentum Short Term Insurance Company Limited**	
Share capital and share premium	224,414	224,414	1,642,601	1,642,601	14,470	11,470	16,634	16,634	798,613	654,050
Retained earnings/(deficit)	375,467	254,890	1,330,287	1,581,361	21,070	18,139	411,455	386,685	(287,147)	(323,166)
Reserves	-	-	4,012	4,012	(2,265)	(510)	9,925	8,653	-	-
Total shareholders' funds	**599,881**	**479,304**	**2,976,900**	**3,227,974**	**33,275**	**29,099**	**438,014**	**411,972**	**511,466**	**330,884**
Gross outstanding claims	1,672,900	1,338,865	3,085,426	3,348,912	5,061	4,928	253,726	259,624	141,141	127,539
Gross unearned premium reserve	3,856,490	3,502,841	1,755,950	1,823,678	293	260	-	-	19,336	12,823
Reinsurers' share of expected salvages and recoveries	-	-	-	-	-	-	-	-	-	-
Owing to cell owners	4,991,574	4,742,411	-	-	-	-	-	-	-	-
Deferred reinsurance commission revenue	120,698	113,940	-	-	-	-	-	-	-	-
Deferred tax liability	14,520	16,376	223,310	166,581	183	154	12,286	11,353	-	-
Other liabilities	1,390,475	1,172,145	2,736,781	2,595,625	3,316	6,300	76,271	77,000	76,148	56,968
Total liabilities	**12,046,657**	**10,886,578**	**7,801,467**	**7,934,796**	**8,853**	**11,642**	**342,283**	**347,977**	**236,625**	**197,330**
Total investments including investments in subsidiaries	**8,790,531**	**7,343,293**	**3,221,672**	**3,029,237**	**8,697**	**6,569**	**520,768**	**483,772**	**590,296**	**408,006**
Deferred tax asset, intangible assets and PPE	18,105	24,543	343,966	289,656	2,142	2,883	130,985	129,106	121,817	61,271
Reinsurers' share of outstanding claims	1,213,536	1,186,495	1,548,649	1,688,748	31	42	-	-	1,469	3,809
Reinsurers' share of unearned premium reserve	635,781	589,301	1,203,812	1,304,701	-	-	-	-	215	218
Gross expected salvages and recoveries	-	-	-	-	2,080	2,095	-	-	-	-
Deferred aquisition costs	88,169	87,184	116,443	143,311	-	-	-	-	220	182
Cash and cash equivalents	841,226	1,039,080	2,221,041	2,080,702	29,088	28,884	109,833	140,287	34,074	54,728
Other assets	1,059,190	1,095,986	2,122,784	2,626,415	90	268	18,711	6,784	-	-
Total assets	**12,646,538**	**11,365,882**	**10,778,367**	**11,162,770**	**42,128**	**40,741**	**780,297**	**759,949**	**748,091**	**528,214**
International solvency margin	17%	15%	38%	39%	57%	56%	54%	52%	69%	53%
Total assets/Total liabilities	105%	104%	138%	141%	476%	350%	228%	218%	316%	268%
Change in shareholders' funds	25%		(8%)		14%		6%		55%	

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

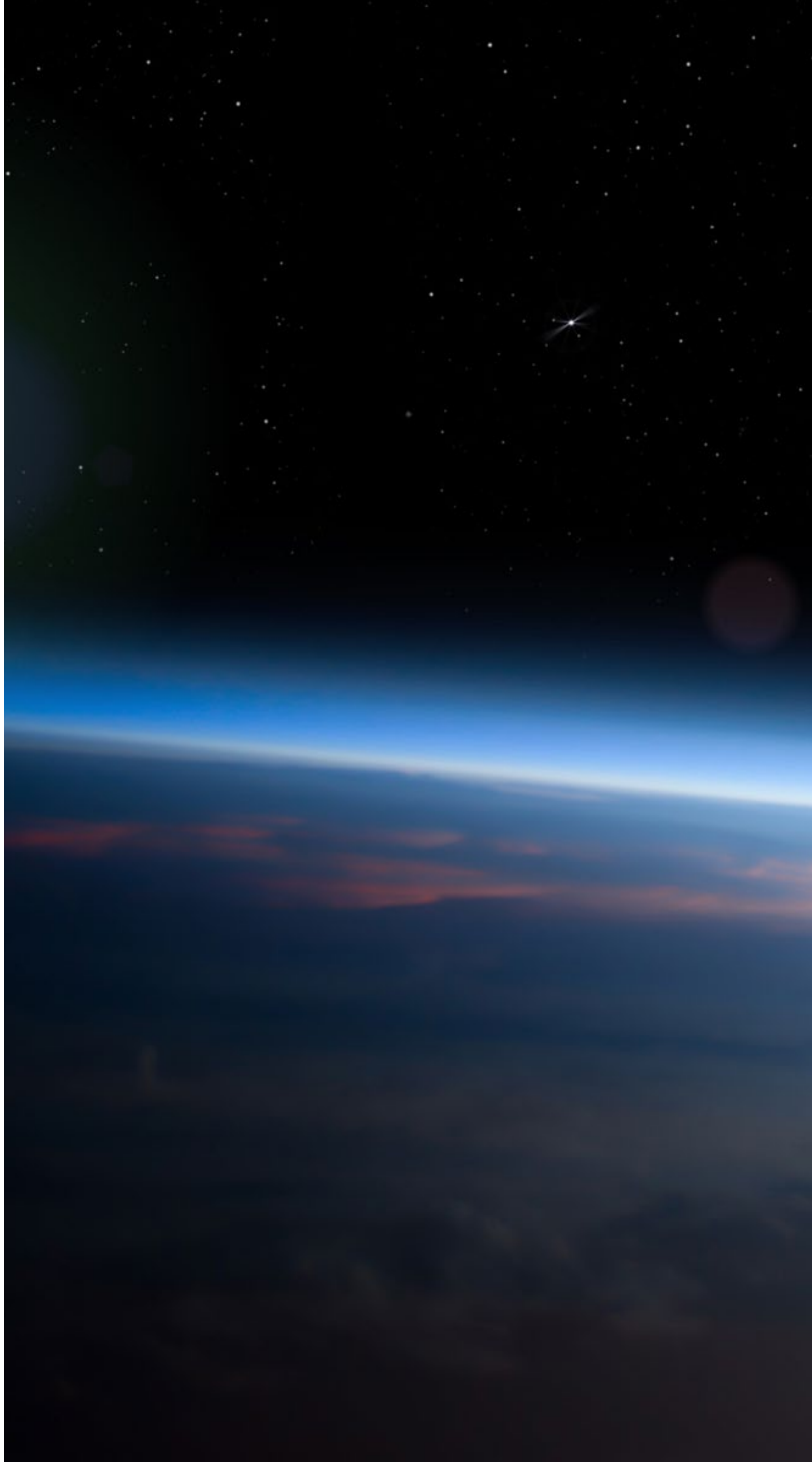
Accounting year end	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Jun-18	Jun-17	Dec-18	Dec-17
Group/Company	**Mutual & Federal Risk Financing Limited**		**Nedgroup Insurance Company Limited**		**Old Mutual Insure Limited**		**OUTsurance Insurance Company Limited**		**Professional Provident Society Short-Term Insurance Company Limited**	
Share capital and share premium	4,550	4,550	5,000	5,000	1,797,000	1,797,000	25,000	25,000	308,413	270,613
Retained earnings/(deficit)	211,767	203,563	779,031	642,064	2,375,000	2,480,000	3,781,819	3,573,388	(179,008)	(152,335)
Reserves	-	-	-	-	90,000	84,000	132,964	74,187	-	-
Total shareholders' funds	**216,317**	**208,113**	**784,031**	**647,064**	**4,262,000**	**4,361,000**	**3,939,783**	**3,672,575**	**129,405**	**118,278**
Gross outstanding claims	694,720	610,976	143,926	202,875	2,874,000	2,910,000	1,262,241	1,278,541	20,535	27,861
Gross unearned premium reserve	396,998	362,981	390,508	395,508	955,000	799,000	458,219	449,188	1,273	1,018
Reinsurers' share of expected salvages and recoveries	-	-	-	-	-	-	-	-	-	-
Owing to cell owners	878,101	761,467	-	-	-	-	-	-	-	-
Deferred reinsurance commission revenue	70,438	74,401	17	25	114,000	63,000	-	-	-	-
Deferred tax liability	4,560	5,748	9,652	48,084	-	-	-	-	-	-
Other liabilities	380,826	595,489	161,140	97,611	2,332,000	2,774,000	624,485	560,825	27,501	21,824
Total liabilities	**2,425,643**	**2,411,062**	**705,243**	**744,103**	**6,275,000**	**6,546,000**	**2,344,945**	**2,288,554**	**49,309**	**50,703**
Total investments including investments in subsidiaries	**972,273**	**702,761**	**1,179,669**	**1,019,892**	**5,069,000**	**5,313,000**	**5,498,123**	**5,002,470**	**-**	**-**
Deferred tax asset, intangible assets and PPE	-	-	2,983	2,271	328,000	456,000	172,026	199,158	62,509	53,587
Reinsurers' share of outstanding claims	522,944	427,579	29,314	91,771	1,090,000	1,027,000	48,063	110,726	957	1,079
Reinsurers' share of unearned premium reserve	345,201	313,970	4,815	6,833	463,000	319,000	-	-	-	-
Gross expected salvages and recoveries	-	-	-	-	275,000	287,000	-	-	-	-
Deferred aquisition costs	70,438	74,401	174,582	201,885	158,000	123,000	-	-	-	-
Cash and cash equivalents	407,751	588,807	27,138	19,648	351,000	319,000	164,198	304,366	105,705	110,363
Other assets	323,353	511,657	70,773	48,867	2,803,000	3,063,000	402,318	344,409	9,543	3,952
Total assets	**2,641,960**	**2,619,175**	**1,489,274**	**1,391,167**	**10,537,000**	**10,907,000**	**6,284,728**	**5,961,129**	**178,714**	**168,981**
International solvency margin	519%	210%	74%	66%	52%	57%	52%	51%	78%	87%
Total assets/Total liabilities	109%	109%	211%	187%	168%	167%	268%	260%	362%	333%
Change in shareholders' funds	4%		21%		(2%)		7%		9%	

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

Accounting year end	Jun-18	Jun-17	Jun-18	Jun-17	Mar-18	Mar-17	Dec-18	Dec-17	Mar-18	Mar-17
Group/Company	**Regent Insurance Company Limited**		**Renasa Insurance Company Limited**		**Safire Insurance Company Limited**		**Santam Limited**		**Sasria SOC Limited**	
Share capital and share premium	200,503	200,503	149,550	56,550	10,053	10,053	103,000	103,000	-	-
Retained earnings/(deficit)	43,918	18,359	18,518	800	142,462	123,416	7,763,000	6,980,000	6,097,080	5,284,277
Reserves	792,834	767,184	-	-	43,686	36,778	-	-	529,709	480,286
Total shareholders' funds	**1,037,255**	**986,046**	**168,068**	**57,350**	**196,201**	**170,247**	**7,866,000**	**7,083,000**	**6,626,789**	**5,764,563**
Gross outstanding claims	281,142	288,676	228,272	151,673	107,946	95,987	9,885,000	9,376,000	765,440	809,034
Gross unearned premium reserve	370,898	346,455	49,483	24,628	69,813	61,343	3,415,000	3,053,000	413,964	393,280
Reinsurers' share of expected salvages and recoveries	-	-	-	-	-	-	-	-	-	-
Owing to cell owners	-	-	-	-	124,574	131,305	-	-	-	-
Deferred reinsurance commission revenue	-	-	-	-	-	-	374,000	284,000	4,321	7,219
Deferred tax liability	41,829	24,815	-	-	7,682	7,412	-	14,000	91,860	18,159
Other liabilities	158,157	172,436	180,920	133,920	59,214	63,056	7,081,000	6,174,000	114,011	104,861
Total liabilities	**852,026**	**832,382**	**458,675**	**310,221**	**369,229**	**359,103**	**20,755,000**	**18,901,000**	**1,389,596**	**1,332,553**
Total investments including investments in subsidiaries	**1,629,314**	**1,089,256**	**109,277**	**6,111**	**304,718**	**279,726**	**15,685,000**	**13,208,000**	**5,769,451**	**4,031,555**
Deferred tax asset, intangible assets and PPE	67,282	109,475	8,599	6,921	18,073	18,043	347,000	344,000	7,299	8,946
Reinsurers' share of outstanding claims	34,840	35,859	201,110	131,313	46,968	39,343	4,270,000	4,015,000	108	137
Reinsurers' share of unearned premium reserve	86	358	44,752	22,088	11,392	9,072	1,406,000	1,153,000	24,722	24,065
Gross expected salvages and recoveries	-	-	-	-	-	-	-	-	-	-
Deferred aquisition costs	-	-	8,304	4,483	13,075	11,291	564,000	490,000	59,498	53,269
Cash and cash equivalents	86,917	469,096	203,746	134,387	23,421	25,881	1,361,000	2,026,000	1,940,774	2,790,334
Other assets	70,842	114,384	50,955	62,268	147,783	145,994	4,988,000	4,748,000	214,533	188,810
Total assets	**1,889,281**	**1,818,428**	**626,743**	**367,571**	**565,430**	**529,350**	**28,621,000**	**25,984,000**	**8,016,385**	**7,097,116**
International solvency margin	75%	75%	117%	43%	74%	76%	37%	36%	359%	339%
Total assets/Total liabilities	222%	218%	137%	118%	153%	147%	138%	137%	577%	533%
Change in shareholders' funds	5%		193%		15%		11%		15%	

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

Accounting year end	Dec-18	Dec-17	Sep-18	Sep-17
Group/Company	**Standard Insurance Limited**		**Unitrans Insurance Limited**	
Share capital and share premium	30,000	30,000	15,150	15,150
Retained earnings/(deficit)	1,595,908	1,398,854	420,673	370,384
Reserves	140	140	-	-
Total shareholders' funds	**1,626,048**	**1,428,994**	**435,823**	**385,534**
Gross outstanding claims	497,991	588,955	51,942	135,520
Gross unearned premium reserve	63,486	44,190	153,804	148,045
Reinsurers' share of expected salvages and recoveries	-	-	-	-
Owing to cell owners	-	-	-	-
Deferred reinsurance commission revenue	-	97	2,709	2,606
Deferred tax liability	-	7,221	8,913	8,390
Other liabilities	130,000	125,191	33,872	123,571
Total liabilities	**691,477**	**765,654**	**251,240**	**418,132**
Total investments including investments in subsidiaries	**1,703,353**	**1,463,324**	**256,851**	**101,197**
Deferred tax asset, intangible assets and PPE	12,675	1,903	-	-
Reinsurers' share of outstanding claims	8,516	113,841	13,985	57,824
Reinsurers' share of unearned premium reserve	-	606	69,018	64,368
Gross expected salvages and recoveries	-	-	-	-
Deferred aquisition costs	5,633	2,654	34,621	33,288
Cash and cash equivalents	312,912	206,190	274,240	494,054
Other assets	274,436	406,130	38,348	52,935
Total assets	**2,317,525**	**2,194,648**	**687,063**	**803,666**
International solvency margin	64%	62%	252%	220%
Total assets/Total liabilities	335%	287%	273%	192%
Change in shareholders' funds	14%		13%	



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

Accounting year end	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Nov-18	Nov-17	Mar-18	Mar-17
Group/Company	**Absa idirect Limited**		**Absa Insurance Company Limited**		**Absa Insurance Risk Management Services Limited**		**AIG South Africa Limited**		**Alexander Forbes Insurance Company Limited**	
Gross premiums written	427,618	500,244	2,566,695	2,350,748	-	(3,648)	2,010,681	2,014,110	1,695,208	1,633,203
Net premiums written	416,208	488,560	2,407,539	2,188,487	-	-	239,411	255,591	426,694	413,054
Earned premiums	**407,311**	**487,357**	**2,404,751**	**2,182,289**	**-**	**-**	**230,790**	**272,493**	**427,009**	**412,695**
Total net investment income	**19,935**	**23,018**	**161,182**	**157,700**	**7,477**	**7,129**	**66,618**	**84,633**	**31,759**	**29,497**
Reinsurance commission revenue	499	603	18,660	13,405	-	-	522,063	628,245	343,262	294,267
Other income	3,273	4,185	33,925	29,669	19	19	12,911	-	65,838	66,091
Total income	**431,018**	**515,163**	**2,618,518**	**2,383,063**	**7,496**	**7,148**	**832,382**	**985,371**	**867,868**	**802,550**
Net claims incurred	325,049	354,358	1,393,522	1,444,594	4,589	4,782	258,553	305,146	273,580	278,870
Acquisition costs	60,028	80,215	387,541	358,285	-	-	288,220	336,898	84,798	79,744
Cell owners' transactions	-	-	-	-	-	-	-	-	-	-
Management and other expenses	22,285	25,885	433,759	373,074	111	2,242	388,306	436,500	391,110	379,327
Total expenses	**407,362**	**460,458**	**2,214,822**	**2,175,953**	**4,700**	**7,024**	**935,079**	**1,078,544**	**749,488**	**737,941**
Net profit/(loss) before taxation	**23,656**	**54,705**	**403,696**	**207,110**	**2,796**	**124**	**(102,697)**	**(93,173)**	**118,380**	**64,609**
Taxation	34,663	15,319	87,436	52,454	-	-	(20,256)	(24,787)	32,952	17,642
Net profit/(loss) after taxation	**(11,007)**	**39,386**	**316,260**	**154,656**	**2,796**	**124**	**(82,441)**	**(68,386)**	**85,428**	**46,967**
Other comprehensive income/(expense)	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the year	**(11,007)**	**39,386**	**316,260**	**154,656**	**2,796**	**124**	**(82,441)**	**(68,386)**	**85,428**	**46,967**
Transfer to/(from) retained earnings	(211,637)	-	(206,453)	-	-	-	-	-	-	-
Other comprehensive (income)/expense	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	192,000	159,000	-	-	-	-	-	-
Change in retained earnings	**(222,644)**	**39,386**	**330,713**	**(4,344)**	**2,796**	**124**	**(82,441)**	**(68,386)**	**85,428**	**46,967**
Net premium to gross premium	97%	98%	94%	93%	N/A	0%	12%	13%	25%	25%
Claims incurred to earned premium	80%	73%	58%	66%	N/A	N/A	112%	112%	64%	68%
Management and other expenses to net earned premium	5%	5%	18%	17%	N/A	N/A	168%	160%	92%	92%
Combined ratio	100%	94%	91%	99%	N/A	N/A	179%	165%	95%	108%
Operating ratio	95%	90%	85%	92%	N/A	N/A	150%	134%	88%	100%
Return on equity	N/A	18%	21%	13%	6%	0%	(15%)	(11%)	27%	20%

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

Accounting year end	Dec-18	Dec-17	Jun-18	Jun-17	Jun-18	Jun-17	Dec-18	Dec-17	Jun-18	Jun-17
Group/Company	**Allianz Global Corporate and Specialty South Africa Limited**		**Auto and General Insurance Company (RF) Limited**		**Bidvest Insurance Limited**		**Bryte Insurance Company Limited**		**Budget Insurance Company (RF) Limited**	
Gross premiums written	984,993	946,649	3,592,071	3,249,310	512,199	512,323	4,274,594	4,115,205	1,748,909	1,559,479
Net premiums written	(5,635)	594	1,581,846	1,416,319	370,250	360,978	3,350,637	2,664,143	846,348	757,593
Earned premiums	**(5,930)**	**(190)**	**1,575,591**	**1,420,672**	**375,136**	**390,420**	**3,348,086**	**2,742,276**	**843,151**	**732,465**
Total net investment income	**12,921**	**10,029**	**86,858**	**57,051**	**69,744**	**33,041**	**459,989**	**428,836**	**56,087**	**38,512**
Reinsurance commission revenue	275,000	256,292	805,417	730,628	41,479	38,653	182,582	118,110	403,894	356,421
Other income	7,794	6,000	76,871	64,632	5,979	6,205	5,181	4,408	66,916	62,419
Total income	**289,785**	**272,131**	**2,544,737**	**2,272,983**	**492,338**	**468,319**	**3,995,838**	**3,293,630**	**1,370,048**	**1,189,817**
Net claims incurred	1,379	13,910	1,004,797	910,032	124,254	160,888	2,108,232	1,797,626	594,173	507,216
Acquisition costs	149,566	127,658	504,199	462,933	92,627	89,146	672,389	646,894	31,410	25,550
Cell owners' transactions	-	-	-	-	-	-	-	-	-	-
Management and other expenses	125,405	120,750	802,182	720,424	106,631	149,112	738,803	683,800	434,178	428,482
Total expenses	**276,350**	**262,318**	**2,311,178**	**2,093,389**	**323,512**	**399,146**	**3,519,424**	**3,128,320**	**1,059,761**	**961,248**
Net profit/(loss) before taxation	**13,435**	**9,813**	**233,559**	**179,594**	**168,826**	**69,173**	**476,414**	**165,310**	**310,287**	**228,569**
Taxation	(7,021)	2,754	64,071	46,915	46,400	19,033	94,565	28,047	86,850	64,104
Net profit/(loss) after taxation	**20,456**	**7,059**	**169,488**	**132,679**	**122,426**	**50,140**	**381,849**	**137,263**	**223,437**	**164,465**
Other comprehensive income/(expense)	-	-	-	-	-	-	-	(78,649)	-	-
Total comprehensive income/(loss) for the year	**20,456**	**7,059**	**169,488**	**132,679**	**122,426**	**50,140**	**381,849**	**58,614**	**223,437**	**164,465**
Transfer to/(from) retained earnings	-	-	-	-	(36,654)	82,483	66,727	-	-	-
Other comprehensive (income)/expense	-	-	-	-	-	-	-	78,649	-	-
Dividends	-	-	54,440	-	85,430	133,795	693,000	-	70,920	-
Change in retained earnings	**20,456**	**7,059**	**115,048**	**132,679**	**342**	**(1,172)**	**(244,424)**	**137,263**	**152,517**	**164,465**
Net premium to gross premium	(1%)	0%	44%	44%	72%	70%	78%	65%	48%	49%
Claims incurred to earned premium	(23%)	(7321%)	64%	64%	33%	41%	63%	66%	70%	69%
Management and other expenses to net earned premium	(2115%)	(63553%)	51%	51%	28%	38%	22%	25%	51%	58%
Combined ratio	(23%)	(3172%)	96%	96%	75%	92%	100%	110%	78%	83%
Operating ratio	195%	2107%	90%	92%	57%	84%	86%	94%	71%	77%
Return on equity	12%	6%	21%	19%	32%	14%	31%	9%	37%	36%

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

Accounting year end	Dec-18	Dec-17	Dec-18	Dec-17	Jun-18	Jun-17	Dec-18	Dec-17	Mar-18	Mar-17
Group/Company	**Centriq Insurance Company Limited**		**Chubb Insurance South Africa Limited**		**Clientele General Insurance Limited**		**Compass Insurance Company Limited**		**Corporate Guarantee (South Africa) Limited**	
Gross premiums written	3,578,483	2,477,174	470,808	550,649	404,006	351,661	1,411,342	1,301,779	48,648	83,000
Net premiums written	1,636,132	746,637	109,107	125,319	404,006	351,661	92,473	81,833	48,648	83,000
Earned premiums	**408,967**	**412,383**	**119,443**	**122,498**	**404,006**	**351,661**	**89,312**	**85,592**	**5,150**	**8,919**
Total net investment income	**351,035**	**228,391**	**22,490**	**21,924**	**19,815**	**10,250**	**53,178**	**39,635**	**47,195**	**42,436**
Reinsurance commission revenue	355,446	336,757	107,097	122,669	-	-	495,692	451,733	-	-
Other income	112,076	72,307	4,194	4,120	1,992	1,826	1,967	1,680	7	59
Total income	**1,227,524**	**1,049,838**	**253,224**	**271,211**	**425,813**	**363,737**	**640,149**	**578,640**	**52,352**	**51,414**
Net claims incurred	524,064	422,928	53,947	84,953	40,363	38,799	41,040	71,907	31,056	25,845
Acquisition costs	286,797	278,639	93,170	97,123	206,577	163,101	481,010	428,144	414	1,247
Cell owners' transactions	(1,125)	(40,444)	-	-	-	-	-	-	-	-
Management and other expenses	249,613	254,691	51,839	48,610	87,223	76,781	48,387	42,437	19,598	22,161
Total expenses	**1,059,349**	**915,814**	**198,956**	**230,686**	**334,163**	**278,681**	**570,437**	**542,488**	**51,068**	**49,253**
Net profit/(loss) before taxation	**168,175**	**134,024**	**54,268**	**40,525**	**91,650**	**85,056**	**69,712**	**36,152**	**1,284**	**2,161**
Taxation	113,598	74,233	15,281	11,423	24,557	23,222	14,399	7,539	(613)	(394)
Net profit/(loss) after taxation	**54,577**	**59,791**	**38,987**	**29,102**	**67,093**	**61,834**	**55,313**	**28,613**	**1,897**	**2,555**
Other comprehensive income/(expense)	-	-	-	-	-	-	(13)	449	-	-
Total comprehensive income/(loss) for the year	**54,577**	**59,791**	**38,987**	**29,102**	**67,093**	**61,834**	**55,300**	**29,062**	**1,897**	**2,555**
Transfer to/(from) retained earnings	-	-	-	-	(127)	(265)	-	-	-	-
Other comprehensive (income)/expense	-	-	-	-	-	-	13	(449)	-	-
Dividends	15,000	60,000	21,203	-	35,000	27,500	20,000	10,000	-	-
Change in retained earnings	**39,577**	**(209)**	**17,784**	**29,102**	**31,966**	**34,069**	**35,313**	**18,613**	**1,897**	**2,555**
Net premium to gross premium	46%	30%	23%	23%	100%	100%	7%	6%	100%	100%
Claims incurred to earned premium	128%	103%	45%	69%	10%	11%	46%	84%	603%	290%
Management and other expenses to net earned premium	61%	62%	43%	40%	22%	22%	54%	50%	381%	248%
Combined ratio	172%	150%	77%	88%	83%	79%	84%	106%	992%	552%
Operating ratio	87%	95%	58%	70%	78%	76%	24%	60%	75%	76%
Return on equity	19%	24%	17%	14%	30%	33%	22%	13%	3%	4%

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

Accounting year end	Jun-18	Jun-17	Jun-18	Jun-17	Mar-18	Mar-17	Dec-18	Dec-17	Jun-18	Jun-17
Group/Company	**Dial Direct Insurance (RF) Limited**		**Discovery Insure Limited**		**Escap SOC Limited**		**The Federated Employers Mutual Assurance Company (RF) Proprietary Limited**		**First for Women Insurance Company (RF) Limited**	
Gross premiums written	899,430	907,119	2,693,053	2,089,224	3,340,874	2,978,536	957,000	986,000	935,796	857,803
Net premiums written	413,090	416,093	2,536,105	1,888,267	2,734,362	2,531,657	934,000	976,000	52,427	24,235
Earned premiums	**404,230**	**403,689**	**2,521,034**	**1,875,346**	**2,834,745**	**2,641,361**	**607,000**	**636,000**	**45,041**	**16,106**
Total net investment income	**36,576**	**30,248**	**135,918**	**110,772**	**892,034**	**648,939**	**5,000**	**619,000**	**24,504**	**19,042**
Reinsurance commission revenue	216,222	217,994	3,059	2,370	79,639	33,991	-	-	253,957	234,183
Other income	38,510	29,090	32,725	32,046	2,244	3,741	-	-	30,322	28,811
Total income	**695,538**	**681,021**	**2,692,736**	**2,020,534**	**3,808,662**	**3,328,032**	**612,000**	**1,255,000**	**353,824**	**298,142**
Net claims incurred	276,641	287,780	1,515,890	1,210,826	1,677,753	260,945	360,000	385,000	56,016	40,959
Acquisition costs	9,833	9,317	348,294	245,072	-	4,181	-	-	19,086	12,590
Cell owners' transactions	-	-	-	-	-	-	-	-	-	-
Management and other expenses	275,637	310,315	794,658	610,553	63,083	102,113	324,000	307,000	204,609	147,186
Total expenses	**562,111**	**607,412**	**2,658,843**	**2,066,451**	**1,740,836**	**367,239**	**684,000**	**692,000**	**279,711**	**200,735**
Net profit/(loss) before taxation	**133,427**	**73,609**	**33,893**	**(45,917)**	**2,067,826**	**2,960,793**	**(72,000)**	**563,000**	**74,113**	**97,407**
Taxation	37,239	20,594	(234,494)	-	570,637	819,377	-	-	20,688	27,211
Net profit/(loss) after taxation	**96,188**	**53,015**	**268,388**	**(45,917)**	**1,497,189**	**2,141,416**	**(72,000)**	**563,000**	**53,425**	**70,196**
Other comprehensive income/(expense)	-	-	-	-	4,137	9,600	-	-	-	-
Total comprehensive income/(loss) for the year	**96,188**	**53,015**	**268,388**	**(45,917)**	**1,501,326**	**2,151,016**	**(72,000)**	**563,000**	**53,425**	**70,196**
Transfer to/(from) retained earnings	-	-	-	-	-	-	-	-	-	-
Other comprehensive (income)/expense	-	-	-	-	(4,137)	(9,600)	-	-	-	-
Dividends	39,080	-	-	-	-	-	-	-	46,560	-
Change in retained earnings	**57,108**	**53,015**	**268,388**	**(45,917)**	**1,497,189**	**2,141,416**	**(72,000)**	**563,000**	**6,865**	**70,196**
Net premium to gross premium	46%	46%	94%	90%	82%	85%	98%	99%	6%	3%
Claims incurred to earned premium	68%	71%	60%	65%	59%	10%	59%	61%	124%	254%
Management and other expenses to net earned premium	68%	77%	32%	33%	2%	4%	53%	48%	454%	914%
Combined ratio	86%	96%	105%	110%	59%	13%	113%	109%	57%	(208%)
Operating ratio	77%	89%	100%	104%	27%	(12%)	112%	11%	3%	(326%)
Return on equity	32%	22%	17%	(4%)	23%	42%	(2%)	18%	29%	39%

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

Accounting year end	Jun-18	Jun-17	Jun-18	Jun-17	Sep-18	Sep-17	Jun-18	Jun-17	Jun-18	Jun-17
Group/Company	**Guardrisk Insurance Company Limited**		**The Hollard Insurance Company Limited**		**Indequity Specialised Insurance Limited**		**Legal Expenses Insurance Southern Africa Limited**		**Momentum Short Term Insurance Company Limited**	
Gross premiums written	8,200,592	6,949,397	10,259,310	10,475,094	59,148	53,956	812,547	794,391	747,327	629,847
Net premiums written	3,535,970	3,268,209	7,928,872	8,245,096	57,969	52,109	812,547	794,391	737,730	622,875
Earned premiums	**3,213,072**	**2,960,435**	**7,885,604**	**8,189,034**	**57,936**	**52,121**	**812,547**	**794,391**	**737,351**	**622,532**
Total net investment income	**715,739**	**667,773**	**678,977**	**653,201**	**1,643**	**1,658**	**69,901**	**42,325**	**41,129**	**30,185**
Reinsurance commission revenue	830,831	493,467	-	-	-	-	-	-	-	-
Other income	116,476	120,885	154,132	157,762	290	59	12,096	6,815	-	-
Total income	**4,876,118**	**4,242,560**	**8,718,713**	**8,999,997**	**59,869**	**53,838**	**894,544**	**843,531**	**778,480**	**652,717**
Net claims incurred	891,237	714,833	4,384,083	4,693,830	25,435	24,774	103,739	132,077	485,955	449,115
Acquisition costs	981,979	792,254	894,333	876,289	4,163	3,924	285,238	287,928	83,039	76,436
Cell owners' transactions	423,739	384,341	-	-	-	-	-	-	-	-
Management and other expenses	2,407,739	2,226,315	2,791,018	2,644,448	17,465	15,254	351,106	326,035	233,871	194,660
Total expenses	**4,704,694**	**4,117,743**	**8,069,434**	**8,214,567**	**47,063**	**43,952**	**740,083**	**746,040**	**802,865**	**720,211**
Net profit/(loss) before taxation	**171,424**	**124,817**	**649,279**	**785,430**	**12,806**	**9,886**	**154,461**	**97,491**	**(24,385)**	**(67,494)**
Taxation	50,847	39,078	304,850	139,986	3,549	2,734	29,731	21,516	(60,404)	(9,449)
Net profit/(loss) after taxation	**120,577**	**85,739**	**344,429**	**645,444**	**9,257**	**7,152**	**124,730**	**75,975**	**36,019**	**(58,045)**
Other comprehensive income/(expense)	-	-	-	-	(1,755)	(304)	1,272	(215)	-	-
Total comprehensive income/(loss) for the year	**120,577**	**85,739**	**344,429**	**645,444**	**7,502**	**6,848**	**126,002**	**75,760**	**36,019**	**(58,045)**
Transfer to/(from) retained earnings	-	-	-	-	-	-	-	-	-	-
Other comprehensive (income)/expense	-	-	-	-	1,755	304	(1,272)	215	-	-
Dividends	-	-	595,503	1,158,580	6,326	-	99,960	79,987	-	-
Change in retained earnings	**120,577**	**85,739**	**(251,074)**	**(513,136)**	**2,931**	**7,152**	**24,770**	**(4,012)**	**36,019**	**(58,045)**
Net premium to gross premium	43%	47%	77%	79%	98%	97%	100%	100%	99%	99%
Claims incurred to earned premium	28%	24%	56%	57%	44%	48%	13%	17%	66%	72%
Management and other expenses to net earned premium	75%	75%	35%	32%	30%	29%	43%	41%	32%	31%
Combined ratio	107%	109%	102%	100%	81%	84%	91%	94%	109%	116%
Operating ratio	85%	87%	94%	92%	78%	81%	82%	89%	103%	111%
Return on equity	20%	18%	12%	20%	28%	25%	28%	18%	7%	(18%)

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

Accounting year end	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Jun-18	Jun-17	Dec-18	Dec-17
Group/Company	**Mutual & Federal Risk Financing Limited**		**Nedgroup Insurance Company Limited**		**Old Mutual Insure Limited**		**OUTsurance Insurance Company Limited**		**Professional Provident Society Short-Term Insurance Company Limited**	
Gross premiums written	2,847,136	2,629,062	1,174,687	1,141,961	9,511,000	8,751,000	7,796,100	7,396,117	173,923	141,589
Net premiums written	41,711	99,017	1,065,707	977,673	8,191,000	7,631,000	7,635,022	7,259,781	166,647	135,987
Earned premiums	**38,925**	**53,207**	**1,068,689**	**845,965**	**8,179,000**	**7,647,000**	**7,625,991**	**7,251,285**	**166,394**	**135,096**
Total net investment income	**16,913**	**16,899**	**93,878**	**84,403**	**10,000**	**686,000**	**404,401**	**398,780**	**6,389**	**5,854**
Reinsurance commission revenue	457,283	417,771	10,573	19,016	236,000	159,000	6,706	2,458	1,690	1,010
Other income	36,203	46,540	35,374	37,233	-	-	-	-	2,769	6,361
Total income	**549,324**	**534,417**	**1,208,514**	**986,617**	**8,425,000**	**8,492,000**	**8,037,098**	**7,652,523**	**177,242**	**148,321**
Net claims incurred	1,437	5,017	505,787	589,037	4,941,000	4,925,000	3,579,263	3,566,093	130,906	98,954
Acquisition costs	457,546	418,793	227,554	84,750	1,351,000	1,496,000	31,228	28,544	10,577	8,025
Cell owners' transactions	-	-	-	-	-	-	-	-	-	-
Management and other expenses	78,297	82,404	291,416	257,327	1,866,000	1,132,000	1,780,792	1,566,430	72,678	65,833
Total expenses	**537,280**	**506,214**	**1,024,757**	**931,114**	**8,158,000**	**7,553,000**	**5,391,283**	**5,161,067**	**214,161**	**172,812**
Net profit/(loss) before taxation	**12,044**	**28,203**	**183,757**	**55,503**	**267,000**	**939,000**	**2,645,815**	**2,491,456**	**(36,919)**	**(24,491)**
Taxation	3,840	5,575	46,790	14,805	143,000	157,000	754,884	717,022	(10,246)	(6,423)
Net profit/(loss) after taxation	**8,204**	**22,628**	**136,967**	**40,698**	**124,000**	**782,000**	**1,890,931**	**1,774,434**	**(26,673)**	**(18,068)**
Other comprehensive income/(expense)	-	-	-	-	(4,000)	(4,000)	58,777	(6,700)	-	-
Total comprehensive income/(loss) for the year	**8,204**	**22,628**	**136,967**	**40,698**	**120,000**	**778,000**	**1,949,708**	**1,767,734**	**(26,673)**	**(18,068)**
Transfer to/(from) retained earnings	-	-	-	-	(4,000)	(1,000)	-	-	-	-
Other comprehensive (income)/expense	-	-	-	-	4,000	4,000	(58,777)	6,700	-	-
Dividends	-	-	-	-	225,000	1,225,000	1,682,500	1,395,000	-	-
Change in retained earnings	**8,204**	**22,628**	**136,967**	**40,698**	**(105,000)**	**(444,000)**	**208,431**	**379,434**	**(26,673)**	**(18,068)**
Net premium to gross premium	1%	4%	91%	86%	86%	87%	98%	98%	96%	96%
Claims incurred to earned premium	4%	9%	47%	70%	60%	64%	47%	49%	79%	73%
Management and other expenses to net earned premium	201%	155%	27%	30%	23%	15%	23%	22%	44%	49%
Combined ratio	206%	166%	95%	108%	97%	97%	71%	71%	128%	127%
Operating ratio	162%	134%	86%	98%	97%	88%	65%	66%	124%	123%
Return on equity	4%	11%	17%	6%	3%	18%	48%	48%	(21%)	(15%)

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

Accounting year end	Jun-18	Jun-17	Jun-18	Jun-17	Mar-18	Mar-17	Dec-18	Dec-17	Mar-18	Mar-17
Group/Company	**Regent Insurance Company Limited**		**Renasa Insurance Company Limited**		**Safire Insurance Company Limited**		**Santam Limited**		**Sasria SOC Limited**	
Gross premiums written	1,395,861	1,323,264	1,405,270	1,255,126	380,898	337,613	26,361,000	24,500,000	1,994,199	1,843,402
Net premiums written	1,380,467	1,308,862	143,434	132,931	264,646	223,714	21,041,000	19,692,000	1,845,397	1,698,156
Earned premiums	**1,355,752**	**1,320,185**	**141,243**	**132,776**	**263,588**	**221,007**	**21,008,000**	**19,681,000**	**1,824,025**	**1,659,405**
Total net investment income	**131,423**	**531,451**	**6,929**	**7,168**	**20,545**	**18,379**	**1,293,000**	**1,569,000**	**833,654**	**436,997**
Reinsurance commission revenue	1,876	2,102	270,430	231,746	21,264	22,285	1,336,000	1,200,000	61,963	28,453
Other income	34,708	20,616	25,118	21,701	18,836	17,658	64,000	-	1,116	568
Total income	**1,523,759**	**1,874,354**	**443,720**	**393,391**	**324,233**	**279,329**	**23,701,000**	**22,450,000**	**2,720,758**	**2,125,423**
Net claims incurred	564,101	577,231	112,978	101,366	152,106	125,298	12,629,000	13,008,000	662,891	766,681
Acquisition costs	333,425	303,057	215,156	193,920	72,190	63,771	4,792,000	4,354,000	271,091	236,850
Cell owners' transactions	-	-	-	-	2,495	2,821	-	-	-	-
Management and other expenses	269,442	391,048	104,938	94,770	60,042	51,207	3,643,000	3,312,000	419,311	377,534
Total expenses	**1,166,968**	**1,271,336**	**433,072**	**390,056**	**286,833**	**243,097**	**21,064,000**	**20,674,000**	**1,353,293**	**1,381,065**
Net profit/(loss) before taxation	**356,791**	**603,018**	**10,648**	**3,335**	**37,400**	**36,232**	**2,637,000**	**1,776,000**	**1,367,465**	**744,358**
Taxation	105,756	52,760	3,096	1,053	10,328	10,106	700,000	302,000	342,260	201,095
Net profit/(loss) after taxation	**251,035**	**550,258**	**7,552**	**2,282**	**27,072**	**26,126**	**1,937,000**	**1,474,000**	**1,025,205**	**543,263**
Other comprehensive income/(expense)	-	-	10,166	-	6,908	6,064	-	6,000	-	-
Total comprehensive income/(loss) for the year	**251,035**	**550,258**	**17,718**	**2,282**	**33,980**	**32,190**	**1,937,000**	**1,480,000**	**1,025,205**	**543,263**
Transfer to/(from) retained earnings	225,476	(49,170)	-	-	-	-	27,000	3,000	(49,423)	(45,536)
Other comprehensive (income)/expense	-	-	-	-	(6,908)	(6,064)	-	(6,000)	-	-
Dividends	-	647,134	-	-	8,026	4,113	1,127,000	1,043,000	162,979	151,236
Change in retained earnings	**25,559**	**(47,706)**	**17,718**	**2,282**	**19,046**	**22,013**	**783,000**	**428,000**	**812,803**	**346,491**
Net premium to gross premium	99%	99%	10%	11%	69%	66%	80%	80%	93%	92%
Claims incurred to earned premium	42%	44%	80%	76%	58%	57%	60%	66%	36%	46%
Management and other expenses to net earned premium	20%	30%	74%	71%	23%	23%	17%	17%	23%	23%
Combined ratio	86%	96%	115%	119%	100%	99%	94%	99%	71%	82%
Operating ratio	76%	56%	110%	114%	92%	90%	88%	91%	25%	55%
Return on equity	24%	56%	4%	4%	14%	15%	25%	21%	15%	9%

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

Accounting year end	Dec-18	Dec-17	Sep-18	Sep-17
Group/Company	**Standard Insurance Limited**		**Unitrans Insurance Limited**	
Gross premiums written	2,659,180	2,473,659	282,353	283,950
Net premiums written	2,553,408	2,314,086	172,705	175,157
Earned premiums	**2,514,655**	**2,291,494**	**171,597**	**175,164**
Total net investment income	**137,786**	**152,001**	**34,960**	**36,190**
Reinsurance commission revenue	6,419	13,075	3,031	6,907
Other income	-	-	4,697	3,005
Total income	**2,658,860**	**2,456,570**	**214,285**	**221,266**
Net claims incurred	1,223,714	1,193,869	95,632	113,831
Acquisition costs	450,246	386,782	36,370	38,521
Cell owners' transactions	-	-	-	-
Management and other expenses	313,660	279,725	12,769	10,959
Total expenses	**1,987,620**	**1,860,376**	**144,771**	**163,311**
Net profit/(loss) before taxation	**671,240**	**596,194**	**69,514**	**57,955**
Taxation	174,186	160,533	19,225	15,883
Net profit/(loss) after taxation	**497,054**	**435,661**	**50,289**	**42,072**
Other comprehensive income/(expense)	-	-	-	-
Total comprehensive income/(loss) for the year	**497,054**	**435,661**	**50,289**	**42,072**
Transfer to/(from) retained earnings	-	-	-	-
Other comprehensive (income)/expense	-	-	-	-
Dividends	300,000	339,000	-	-
Change in retained earnings	**197,054**	**96,661**	**50,289**	**42,072**
Net premium to gross premium	96%	94%	61%	62%
Claims incurred to earned premium	49%	52%	56%	65%
Management and other expenses to net earned premium	12%	12%	7%	6%
Combined ratio	79%	81%	83%	89%
Operating ratio	73%	74%	62%	69%
Return on equity	31%	30%	12%	11%

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Long-term insurance industry results

Being the executive of one of South Africa's life insurance groups **last year** must surely have felt like pushing water uphill.

The sector has been pushing against an extremely volatile, uncertain, complex and ambiguous political and economic environment in South Africa and globally. South African real GDP growth was low at less than 1% and equity markets declined with the JSE SWIX down 14% year on year. High unemployment rates, VAT hikes and fuel price rises made 2018 very tough for consumers and businesses. Added to that, the sector has also transitioned to a new twin peaks regulatory regime and adopted far reaching accounting change with the implementation of IFRS 9 and 15.

The impact of the **challenging political and macro-economic environment** is very evident in the results:

- Customers' disposable income is under pressure and therefore has reduced their ability and propensity to save and invest. New business margins (VNB margin) have fallen at MMI (0.6% fall), Old Mutual (0.3% fall) and Sanlam (0.3% fall). Liberty has had a big focus on product and margin enhancement, and has managed to improve VNB margin by 0.4%. Discovery has registered a modest improvement in Life new business margins (0.2%) with a focus on pricing. Where margin improvements have been made they have been hard earned.

Value of new business
Discovery – total profit from new business at point of sale R2.826bn (R2.437bn)
Liberty – VNB R371m (2017: R233m)
MMI –VNB R301m (2017: R547m)
OM – VNB R2.17bn (2017: R2.28bn)
Sanlam – VN covered B R2.187bn (2017: R2.008bn)

VNB margin
Discovery Life – 5.4% (2017: 5.2%)
Liberty –New business margin 0.9% (2017: 0.5%)
MMI – 0.7% (2017: 1.3%)
OM – 3.2% (2017: 3.5%)
Sanlam – 2.8% (2017: 3.07%)

Life APE
Discovery – New Business API R16.14bn (2017: R14.66bn)
Liberty – insurance indexed new business – R8.051bn (2017: R8.018bn)
MMI – R5.840bn (2017: R5.733bn)
OM – Life APE sales R12.3bn (2017: R11.5bn)
Sanlam New Business Volumes – R223bn (2017: R221bn)

- The pressure and stress on customers' lives has been apparent in some of the trends in claims experience. In the first half of their financial year Discovery experienced higher than expected claims experience, mainly due to suicides in the 4th quarter of 2017 (which represented 16% of claims versus 7% in the prior year). Discovery's claims experienced normalised in the second half of the year, which meant the full year was in line with expected claims. However, pressure returned in the first half of the 2019 year-end with a spike in large mortality claims. Overall claims experience was positive for Old Mutual, however, a higher number of disability claims meant that claims experience was R300m worse than expected in the Personal Finance segment. Similar to Discovery, Old Mutual Personal Finance saw claims levels normalise in the second half of the year. Although Sanlam had positive claims experience across most lines of business, the Corporate segment was not immune from industry wide volatility in mortality claims. Liberty also experienced an increase in mortality and morbidity in the SA Retail segment, as well as an increase in death claims in Corporate.

- Investment returns and fund related fees took a huge knock during 2018 as the JSE all-share index lost 11.37% in 2018 . This is where the impact of the macro-economic conditions has most impacted results across the sector. This was particularly the case for the Groups that had a 31 December 2018 year end. Old Mutual's investment return was down by over R2bn compared to the prior year, and about R1.5bn down on normalised investment returns. Liberty's Group Equity Value earnings were R1.5bn; which would have been c.R3bn without negative investment returns. And Sanlam had many notable successes this year (such as record experience profits) which were largely neutralised due to the negative investment return impact of over 5% on Return on Group Equity Value.

EV - Non-economic experience
OM – R312m (2017: (R59m)
Sanlam – R2.114bn (2017: R1.558bn) – GEV operating experience variances
Liberty – R423m (2017: R330m) – EV operating experience variances
MMI – (R126m) (2017: R18m)
Discovery – R678m (R411m)

EV - Assumption and modelling changes
OM – R140m (2017: R542m)
Sanlam – R338m (2017: (R407m))
Liberty – R84m (2017: (R221m))
MMI – (R975m) (2017: R403m)
Discovery – R787m (2017: R858m)

EV - Economic experience
OM – R2.036bn (2017: 2.603bn)
Sanlam – (R2.965bn) (2017: R762bn)
Liberty – (R1.056bn) (2017: (R0.571bn))
MMI – R640m (2017: (2017: (R902m))
Discovery – (R373m) (2017: (R345m))

Embedded Value:
OM – R66.4bn (2017: R63.6bn)
Sanlam – R56.2bn (2017: R54.3bn)
Discovery – R65.624bn (2017: 57.294bn)
Liberty – normalised equity value R38.684bn (2017: R39.368bn)
MMI – R39.6bn (2017: R45.2bn)

Return on EV:
OM – 12.6% (2017: 14.1%)
Sanlam – (RoGEV on covered business) – 11% (2017: 18.8%)
Discovery – 16.9% (2017: 10.2%)
Liberty – normalised return on Group Equity Value – 3.8% (2017: 1.1%)
MMI – (1.1%) (2017: 4.7%)

- Retail / Personal Finance related segments appear to have been more negatively impacted by these conditions than other segments across the Groups. Sanlam's net return from Personal Finance was 5% down on the prior year; Old Mutual's Results from Operations was down 32% on the prior year despite relatively positive and stable experience variances. Liberty bucked the trend slightly with a 31% improvement in SA Retail normalised earnings off the back of what was a very challenging previous year for them.
- Corporate segments have been more resilient than Retail. This has been seen at Old Mutual with 8% growth in Results From Operations, MMI with 2% growth in core headline earnings, and Sanlam with 4% growth in Net Result from Financial services from their respective Corporate segments. However, those were very hard earned returns.

The **sector has not stood still against those pressures** though. In order to maintain some uphill momentum we have seen:

- Intense levels of corporate activity with: Sanlam completing the acquisition of Saham Finances (R13bn) and initiating a BBBEE transaction valued at more than R10bn; Old Mutual successfully completing its Managed Separation with the listing of Old Mutual Limited and unbundling of the majority stake in Nedbank; Discovery's continued build, structuring and launch of Discovery Bank; Liberty concluding the sale of its short term insurance technology platform in early 2019, and restructuring Liberty Two Degrees and converting it into a corporate REIT; and MMI updating its operating structure as part of its Reset and Grow strategy.
- Operating model transformation is evident across all of the major groups. Liberty has re-designed to reconnect the value chains in the business. MMI had a clearly stated objective of fixing the basics and addressing the cost base to drive improved growth, margins, and efficiency. Sanlam are maintaining their decentralised operating model by maintaining five autonomous clusters; however, they have a big focus of effectively incorporating Saham into the operating model and extracting the synergies from the acquisition over the next year. Most of the eight battlegrounds that Old Mutual have focussed their strategy on have an element of transformation embedded in them, with winning the war for talent, technology refresh, and cost efficiency being the main operating model areas for focus. Discovery is a bit of an exception to this, with relative stability in its business model and operating model strategy across its diversified portfolio of businesses.

- South African life assurance remains a large proportion of each of these Group's business, but with profits from legacy life assurance books of business running off, there is a large focus on replacing that with profitable new sources of earnings. Therefore we continue to see capital being allocated to diversifying sources of earnings. In addition, we are seeing a number of other growth initiatives across the sector. Some of the notable examples include:
  - Sanlam's overall strategy of investing returns generated by the mature South African business which contributes 72% of the Net Result from Financial Services into other high growth markets through partnerships;
  - Discovery looking to continue to scale their Shared Value Insurance Model with the launch of Discovery for Business, entering into multiple new insurance partnerships and continuing to explore new adjacent markets. The funding of new initiatives has resulted in increased finance costs;
  - Old Mutual's "defense, growth and turnaround" in its key markets, for example, its Mass and Foundation Cluster continuing to expand its distribution network by opening 25 new branches in the year, as well as growth in its loan book; and
  - Liberty perusing a number of growth initiatives with a notable focus on leveraging further opportunities with the Standard Bank Group across Africa.
- It comes as no surprise that right across the sector we are seeing strategies including:
  - Increased customer centricity
  - Technology transformation
  - Capital optimisation post SAM implementation; and pre IFRS 17 adoption in 2022
  - Improving BBBEE effectiveness
  - Recruiting, developing and retaining the best talent

Competition is heating up:

Despite the challenges that the incumbent life assurance groups are facing it is still an attractive market for new entrants. FNB Life is one of the fastest growing life insurers in South Africa; Capitec (backed by Sanlam) sold over 500,000 funeral plans in its first nine months; and African Rainbow Life (also Sanlam backed) has recently launched as a new entrant with propositions for the lower to middle income market. The new entrants reflect the fact that the market remains under-protected, that the current propositions require enhancing (evident by high lapse rates across the sector), and that the cost of servicing clients is too high. The new entrants believe they can address those issues faster than the incumbents, or by partnering with the incumbents to help them increase their speed of execution.

There is a large amount of surplus capital in the five largest life assurance Groups.

Group Solvency:
Discovery Life – 1.7 times covered (no range provided)
Liberty – 1.87 times covered (upper end of target range)
MMI – 2.6 times covered (upper end of target range)
OM – 170% (2017: 161%) (target of 155% to 175%)
Sanlam – 215% (2017: 218%) (in line with target range of 170% to 210%)

It will be interesting to see how much of that is utilised in defending, growing, innovating and diversifying their current positions to counter the competition.

Other selected KPI's:

Non-IFRS operating profit metrics:

Discovery – normalised profit from operations R8.266bn (2017: 7.048bn) – up 17%
Liberty – normalised operating earnings R2.0bn (2017: R1.4bn) – up 42%
MMI – diluted core headline earnings R2.809m (2017: R3.208m) – down 12%
Old Mutual – results from operations R9.963bn (R10.367bn) – down 4%
Sanlam – net result from financial services R8.890bn (2017: R8.549bn) – up 4%

IFRS profit before tax from continuing operations:

Discovery – R7.412bn (2017: R5.772bn)
Liberty – R4.297bn (2017: R6,568bn)
MMI – R4.461bn (2017: R4.518bn)
OM – R8.5bn (2017: R7.1bn)
Sanlam – R17.0bn (2017: 16.3bn)

Headline earnings

Discovery – R5.803bn (R4.404bn)
Liberty – R2.645bn (2017: R3.252bn)
MMI - R1.444bn (2017: R1.846bn)
OM – R14.241bn (2017: R13.44bn)
Sanlam – R9.162bn (2017: 9.757bn)

Adjusted / normalised / core headline earnings

Discovery – R5.401bn (2017: R4,656bn)
Liberty – R2.256bn (2017: R2.719bn)
MMI – R2.809bn (2017: R3.208bn)
OM – R11.512bn (2017: 12.947bn)
Sanlam – R9.056bn (2017: R9.835m)

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

Accounting year end	Jun-18	Jun-17	Dec-18	Dec-17	Nov-18	Nov-17	Jun-18	Jun-17	Mar-18	Mar-17
Group/Company	**1Life (RF) Insurance Limited**		**Absa Life Limited**		**AIG Life South Africa Limited**		**AVBOB Mutual Assurance Society**		**Alexander Forbes Life Limited**	
FSB classification	Traditional		Traditional		Traditional		Traditional		Traditional	
Share capital and premium	398,000	398,000	24,000	24,000	10,000	10,000	-	-	360,000	10,000
Retained earnings/(deficit)	976,331	812,213	1,585,993	1,377,069	252,174	228,526	6,183,372	6,180,916	401,541	456,487
Other reserves	-	-	4,306	6,070	-	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
Total shareholders' funds	**1,374,331**	**1,210,213**	**1,614,299**	**1,407,139**	**262,174**	**238,526**	**6,183,372**	**6,180,916**	**761,541**	**466,487**
Policyholder liabilities under insurance and reinsurance contracts and contracts with DPF's	237,723	292,632	1,593,171	1,794,747	60,829	66,637	9,772,427	7,739,794	567,125	436,518
Policyholder liabilities under investment contracts	317,485	489	27,362,753	27,941,155	-	-	-	-	82,242,260	76,009,838
Preference share liability	-	-	-	-	-	-	-	-	-	-
Linked liability	-	-	-	-	-	-	-	-	-	-
Reinsurance contract liability	160,444	158,080	-	489	-	-	-	-	-	-
Cell owners' interest	-	-	114,710	89,891	-	-	-	-	-	-
Current tax payable	8,777	3,886	-	-	-	-	4,708	3,491	19,750	15,962
Deferred tax liability/(asset)	342,202	312,136	90,790	91,564	-	-	208,989	253,092	-	-
Other liabilities	108,640	121,952	322,555	584,954	50,055	64,830	810,267	687,725	2,219,060	1,818,476
Total liabilities	**1,175,271**	**889,175**	**29,483,979**	**30,502,800**	**110,884**	**131,467**	**10,796,391**	**8,684,102**	**85,048,195**	**78,280,794**
Total investments	**798,171**	**411,027**	**30,345,999**	**30,866,262**	**241,041**	**223,341**	**14,776,967**	**11,642,047**	**82,731,816**	**76,138,667**
Assets arising from insurance contracts	1,424,570	1,314,121	-	-	-	-	-	-	17,635	37,205
PPE; goodwill and intangible assets	-	-	27,141	60,769	-	-	185,704	188,807	8,089	10,280
Reinsurers' share of policyholder liabilities	144,974	186,642	32,394	-	-	-	14,958	13,436	469,170	380,672
Deferred acquisition costs	-	-	-	295,305	-	-	-	-	-	-
Cash and cash equivalents	72,377	77,372	194,738	187,740	48,338	81,293	1,482,553	2,487,607	2,257,573	1,988,404
Other assets	109,510	110,226	322,122	270,057	43,102	53,998	473,972	443,023	325,131	191,730
Income/Deferred tax asset	-	-	175,884	229,806	40,577	11,361	45,609	90,098	322	323
Deposits held with cell option	-	-	-	-	-	-	-	-	-	-
Total assets	**2,549,602**	**2,099,388**	**31,098,278**	**31,909,939**	**373,058**	**369,993**	**16,979,763**	**14,865,018**	**85,809,736**	**78,747,281**
Total assets/Total liabilities	217%	236%	105%	105%	336%	281%	157%	171%	101%	101%
Increase in shareholders' funds	14%		15%		10%		0%		63%	

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

Accounting year end	Jun-18	Jun-17	Dec-18	Dec-17	Dec-18	Dec-17	Jun-18	Jun-17	Jun-18	Jun-17
Group/Company	**Bidvest Life Limited**		**Bryte Life Company Limited**		**Centriq Life Insurance Company Limited**		**Clientele Life Limited**		**Guardrisk Life Limited**	
FSB classification	Traditional		Traditional		Cell captive		Traditional		Cell captive	
Share capital and premium	65,027	65,027	17,500	17,500	15,000	15,000	4,853	4,853	70,000	70,000
Retained earnings/(deficit)	78,251	92,098	4,635	827	15,366	8,219	781,972	706,285	133,037	109,272
Other reserves	12,407	9,199	-	-	-	-	18,891	17,663	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
Total shareholders' funds	**155,685**	**166,324**	**22,135**	**18,327**	**30,366**	**23,219**	**805,716**	**728,801**	**203,037**	**179,272**
Policyholder liabilities under insurance and reinsurance contracts and contracts with DPF's	11,213	17,655	84,957	18,088	72,946	103,427	620,674	643,232	2,656,220	2,227,299
Policyholder liabilities under investment contracts	10,545	295,749	-	-	1,898	1,898	2,464,295	1,159,676	117,017	578,318
Preference share liability	-	-	10,000	-	-	-	-	-	-	-
Linked liability	-	-	-	-	-	-	-	-	-	-
Reinsurance contract liability	38,465	1,382	-	-	190,771	173,783	-	-	1,058,954	904,329
Cell owners' interest	-	-	-	-	258,658	169,011	-	-	2,924,745	3,026,360
Current tax payable	-	-	1,536	1,184	454	-	7,877	2,032	49,428	100,276
Deferred tax liability/(asset)	-	1,717	-	-	2	29	17,499	13,588	-	-
Other liabilities	22,454	20,417	8,336	873	62,031	26,671	278,936	263,596	268,964	173,747
Total liabilities	**82,677**	**336,920**	**104,829**	**20,145**	**586,760**	**474,819**	**3,389,281**	**2,082,124**	**7,075,328**	**7,010,329**
Total investments	**108,829**	**419,712**	**-**	**-**	**285,722**	**213,224**	**3,514,373**	**2,310,708**	**4,576,001**	**4,724,055**
Assets arising from insurance contracts	57,058	-	-	-	-	-	-	-	1,109,162	1,052,608
PPE; goodwill and intangible assets	13,504	7,665	-	-	-	-	56,010	57,627	109	557
Reinsurers' share of policyholder liabilities	14,058	2,061	21,535	-	24,364	33,062	2,925	2,504	562,559	599,748
Deferred acquisition costs	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	25,223	38,283	73,520	30,641	40,942	2,721	296,567	115,150	635,998	479,974
Other assets	13,886	29,478	31,909	7,831	75,327	75,169	296,410	298,181	380,827	328,307
Income/Deferred tax asset	5,806	6,044	-	-	-	79	28,712	26,755	13,709	4,352
Deposits held with cell option	-	-	-	-	190,771	173,783	-	-	-	-
Total assets	**238,364**	**503,243**	**126,964**	**38,472**	**617,126**	**498,038**	**4,194,997**	**2,810,925**	**7,278,365**	**7,189,601**
Total assets/Total liabilities	288%	149%	121%	191%	105%	105%	124%	135%	103%	103%
Increase in shareholders' funds	(6%)		21%		31%		11%		13%	

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

Accounting year end	Jun-18	Jun-17	Dec-18	Dec-17	Jun-18	Jun-17	Jun-18	Jun-17	Dec-18	Dec-17
Group/Company	**Hollard Life Assurance Company Limited**		**Liberty Group Limited**		**Momentum Ability Limited**		**MMI Group Limited**		**Nedgroup Life Assurance Company Limited**	
FSB classification	Traditional		Traditional		Traditional		Traditional		Traditional	
Share capital and premium	20,000	20,000	58,000	29,000	10,000	10,000	1,041,000	1,041,000	55,000	55,000
Retained earnings/(deficit)	1,477,874	1,458,587	18,380,000	17,984,000	11,952	13,467	7,180,000	8,512,000	1,056,460	1,086,937
Other reserves	-	-	582,000	399,000	-	-	5,936,000	7,447,000	-	-
Non-controlling interests	-	-	7,915,000	-	-	-	-	-	-	-
Total shareholders' funds	**1,497,874**	**1,478,587**	**26,935,000**	**18,412,000**	**21,952**	**23,467**	**14,157,000**	**17,000,000**	**1,111,460**	**1,141,937**
Policyholder liabilities under insurance and reinsurance contracts and contracts with DPF's	1,799,845	2,396,159	208,366,000	219,896,000	15,642	76,067	120,761,000	119,363,000	2,404,521	2,801,785
Policyholder liabilities under investment contracts	8,802,864	5,783,194	98,985,000	99,783,000	1,339,134	1,416,187	235,777,000	221,463,000	8,490,058	7,665,606
Preference share liability	-	-	-	-	-	-	-	-	-	-
Linked liability	-	-	-	-	-	-	-	-	-	-
Reinsurance contract liability	261,377	342,808	283,000	663,000	600,604	496,967	-	-	-	-
Cell owners' interest	-	-	-	-	22,953	15,768	-	-	-	-
Current tax payable	-	-	337,000	898,000	-	676	78,000	-	12,412	35,930
Deferred tax liability/(asset)	608,390	529,139	2,503,000	2,953,000	-	345	901,000	994,000	4,697	4,502
Other liabilities	1,389,336	1,038,731	45,432,000	37,273,000	8,534	2,907	20,445,000	22,402,000	168,025	147,259
Total liabilities	**12,861,812**	**10,090,031**	**355,906,000**	**361,466,000**	**1,986,867**	**2,008,917**	**377,962,000**	**364,222,000**	**11,079,713**	**10,655,082**
Total investments	**11,081,276**	**8,961,459**	**324,070,000**	**331,393,000**	**1,056,077**	**1,080,824**	**364,073,000**	**350,100,000**	**11,648,710**	**11,343,425**
Assets arising from insurance contracts	-	-	6,708,000	7,484,000	586,490	485,994	-	-	-	-
PPE; goodwill and intangible assets	180,097	104,177	37,015,000	22,762,000	-	-	4,448,000	4,790,000	389	2,444
Reinsurers' share of policyholder liabilities	190,574	375,374	1,642,000	1,408,000	196,342	254,824	1,872,000	1,714,000	166,482	134,269
Deferred acquisition costs	-	-	758,000	730,000	-	-	-	-	-	-
Cash and cash equivalents	2,030,823	1,223,768	7,646,000	9,729,000	154,503	198,195	12,478,000	14,054,000	134,289	90,538
Other assets	800,957	854,379	4,965,000	6,372,000	11,857	12,547	9,248,000	10,266,000	241,303	226,343
Income/Deferred tax asset	75,959	49,461	37,000	-	3,550	-	-	298,000	-	-
Deposits held with cell option	-	-	-	-	-	-	-	-	-	-
Total assets	**14,359,686**	**11,568,618**	**382,841,000**	**379,878,000**	**2,008,819**	**2,032,384**	**392,119,000**	**381,222,000**	**12,191,173**	**11,797,019**
Total assets/Total liabilities	112%	115%	108%	105%	101%	101%	104%	105%	110%	111%
Increase in shareholders' funds	1%		46%		(6%)		(17%)		(3%)	

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

Accounting year end	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Jun-18	Jun-17	Dec-18	Dec-17
Group/Company	**Nedgroup Structured Life Limited**		**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	Traditional		Cell captive		Traditional		Traditional		Traditional	
Share capital and premium	26,351	26,351	12,425	12,425	6,423,000	6,423,000	435,002	435,002	10,000	10,000
Retained earnings/(deficit)	53,764	48,254	38,386	29,465	49,958,000	44,496,000	210,676	203,635	424,287	367,572
Other reserves	-	-	52	475	-	-	13,196	(613)	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
Total shareholders' funds	**80,115**	**74,605**	**50,863**	**42,365**	**56,381,000**	**50,919,000**	**658,874**	**638,024**	**434,287**	**377,572**
Policyholder liabilities under insurance and reinsurance contracts and contracts with DPF's	-	-	1,152,269	1,069,328	300,083,000	313,764,000	347,157	233,022	29,674,516	30,038,652
Policyholder liabilities under investment contracts	11,544,749	10,468,009	2,828,874	2,332,841	261,250,000	255,470,000	-	-	2,058,982	1,881,570
Preference share liability	-	-	-	-	-	-	-	-	-	-
Linked liability	-	-	-	-	-	-	-	-	-	-
Reinsurance contract liability	-	-	-	-	-	-	-	-	-	-
Cell owners' interest	-	-	251,147	203,788	-	-	-	-	-	-
Current tax payable	1,540	649	-	-	706,000	1,169,000	-	5,296	-	-
Deferred tax liability/(asset)	-	-	-	-	1,545,000	5,511,000	43,885	42,842	57,384	373,349
Other liabilities	1,207	606	206,532	150,646	36,949,000	37,711,000	40,929	35,806	411,984	366,040
Total liabilities	**11,547,496**	**10,469,264**	**4,438,822**	**3,756,603**	**600,533,000**	**613,625,000**	**431,971**	**316,966**	**32,202,866**	**32,659,611**
Total investments	**11,599,278**	**10,518,732**	**3,556,159**	**2,949,140**	**629,648,000**	**627,433,000**	**905,267**	**784,463**	**30,735,318**	**30,914,879**
Assets arising from insurance contracts	-	-	-	-	-	-	-	-	-	-
PPE; goodwill and intangible assets	-	-	-	-	6,239,000	3,882,000	-	-	429,650	350,566
Reinsurers' share of policyholder liabilities	-	-	497,873	417,600	524,000	300,000	86,403	97,995	73,885	93,308
Deferred acquisition costs	-	-	-	-	1,235,000	1,202,000	-	-	-	-
Cash and cash equivalents	13,304	8,968	259,970	280,155	6,216,000	12,381,000	57,284	38,262	833,318	1,230,228
Other assets	15,029	16,169	174,859	147,232	12,994,000	19,325,000	19,489	13,052	439,301	395,485
Income/Deferred tax asset	-	-	824	4,841	58,000	21,000	22,402	21,218	125,681	52,717
Deposits held with cell option	-	-	-	-	-	-	-	-	-	-
Total assets	**11,627,611**	**10,543,869**	**4,489,685**	**3,798,968**	**656,914,000**	**664,544,000**	**1,090,845**	**954,990**	**32,637,153**	**33,037,183**
Total assets/Total liabilities	101%	101%	101%	101%	109%	108%	253%	301%	101%	101%
Increase in shareholders' funds	7%		20%		11%		3%		15%	

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

Accounting year end	Jun-18	Jun-17	Dec-18	Dec-17
Group/Company	**Regent Life Assurance Company Limited**		**Sanlam Limited**	
FSB classification	Traditional		Traditional	
Share capital and premium	94,688	144,688	5,657,000	22,000
Retained earnings/(deficit)	502,047	439,133	57,288,000	52,125,000
Other reserves	-	21	6,561,000	5,273,000
Non-controlling interests	120,745	147,047	12,111,000	6,017,000
Total shareholders' funds	**717,480**	**730,889**	**81,617,000**	**63,437,000**
Policyholder liabilities under insurance and reinsurance contracts and contracts with DPF's	47,191	33,914	226,398,000	197,536,000
Policyholder liabilities under investment contracts	212,996	250,627	355,337,000	345,573,000
Preference share liability	-	-	-	-
Linked liability	-	-	-	-
Reinsurance contract liability	-	-	-	-
Cell owners' interest	-	-	3,305,000	3,217,000
Current tax payable	-	2,103	3,085,000	1,603,000
Deferred tax liability/(asset)	159,407	146,328	5,460,000	2,435,000
Other liabilities	201,067	202,415	140,399,000	119,782,000
Total liabilities	**620,661**	**635,387**	**733,984,000**	**670,146,000**
Total investments	**872,596**	**778,460**	**700,729,000**	**657,950,000**
Assets arising from insurance contracts	-	-	9,540,000	6,400,000
PPE; goodwill and intangible assets	16,023	21,520	24,664,000	6,514,000
Reinsurers' share of policyholder liabilities	138,732	133,348	1,971,000	1,063,000
Deferred acquisition costs	-	-	3,446,000	3,659,000
Cash and cash equivalents	230,014	379,532	28,151,000	21,960,000
Other assets	54,695	53,416	44,851,000	33,954,000
Income/Deferred tax asset	26,081	-	2,249,000	2,083,000
Deposits held with cell option	-	-	-	-
Total assets	**1,338,141**	**1,366,276**	**815,601,000**	**733,583,000**
Total assets/Total liabilities	216%	215%	111%	109%
Increase in shareholders' funds	(2%)		29%	

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

Accounting year end	Jun-18	Jun-17	Dec-18	Dec-17	Nov-18	Nov-17	Jun-18	Jun-17	Mar-18	Mar-17
Group/Company	**1Life (RF) Insurance Limited**		**Absa Life Limited**		**AIG Life South Africa Limited**		**AVBOB Mutual Assurance Society**		**Alexander Forbes Life Limited**	
FSB classification	Traditional		Traditional		Traditional		Traditional		Traditional	
Recurring premiums	1 333 889	1 180 602	3 779 717	3 395 421	420 231	478 049	3 635 622	3 132 260		
Single premiums	-	-	-	-	-	-	-	-	582 506	442 750
Other premiums	-	-	-	-	-	-	-	-		
Reinsurance premiums	155 109	158 683	667 806	581 792	25 295	28 125	1 949	1 959	385 078	306 926
Net premium income	**1 178 780**	**1 021 919**	**3 111 911**	**2 813 629**	**394 936**	**449 924**	**3 633 673**	**3 130 301**	**197 428**	**135 824**
Service fees from investment contracts	**-**	**-**	**349 408**	**38 600**	**-**	**-**	**-**	**-**	**548 807**	**513 295**
Total net investment income	**35 847**	**32 086**	**154 582**	**2 393 903**	**20 614**	**24 387**	**1 499 938**	**519 919**	**3 652 198**	**2 725 869**
Commission received	-	-	-	-	-	-	-	-	87 206	86 446
Other unallocated income	36 160	33 749	-	-	-	-	115	13 311	282 440	278 278
Total income	**1 250 787**	**1 087 754**	**3 615 901**	**5 246 132**	**415 550**	**474 311**	**5 133 726**	**3 663 531**	**4 768 079**	**3 739 712**
Death/Disability			1 146 339	921 023			962 106	794 692		
Maturities			78 009	94 750			637	727		
Annuities	505 241	377 727	-	-	128 731	161 138	-	-	400 247	286 470
Surrenders			147 866	154 691			196 832	201 866		
Withdrawals and other benefits			84 342	72 602			200 349	161 784		
Reinsurance recoveries	(113 575)	(68 746)	(319 694)	(228 659)	(8 906)	(7 191)	(488)	(1 005)	(326 393)	(242 775)
Net policyholder benefits under insurance contracts	**391 666**	**308 981**	**1 136 862**	**1 014 407**	**119 825**	**153 947**	**1 359 436**	**1 158 064**	**73 854**	**43 695**
Change in cell owners' liability	-	-	9 231	6 528	-	-	-	-	-	-
Change in assets arising from insurance contracts	(108 085)	4 006	-	-	-	-	-	-	-	-
Change in policyholder liabilities under insurance contracts	(13 241)	28 214	(236 374)	(31 108)	(5 809)	(3 862)	2 002 052	690 253	61 679	5 873

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

Accounting year end	Jun-18	Jun-17	Dec-18	Dec-17	Dec-18	Dec-17	Jun-18	Jun-17	Jun-18	Jun-17
Group/Company	**Bidvest Life Limited**		**Bryte Life Company Limited**		**Centriq Life Insurance Company Limited**		**Clientele Life Limited**		**Guardrisk Life Limited**	
FSB classification	Traditional		Traditional		Cell captive		Traditional		Cell captive	
Recurring premiums	78 388	50 816	176 847	28 240					6 208 565	5 001 190
Single premiums	-	-	-	-	520 225	321 745	1 791 811	1 648 789	**581 888**	**294 728**
Other premiums	-	-	-	-					**-**	**-**
Reinsurance premiums	24 308	9 901	29 455	64	513 841	313 535	120 349	128 888	5 002 385	3 748 360
Net premium income	**54 080**	**40 915**	**147 392**	**28 176**	**6 384**	**8 210**	**1 671 462**	**1 519 901**	**1 788 068**	**1 547 558**
Service fees from investment contracts	**-**	**-**	**-**	**-**	**-**	**-**	**12 418**	**11 219**	**-**	**-**
Total net investment income	**16 819**	**5 624**	**3 360**	**1 366**	**21 566**	**17 528**	**300 583**	**184 392**	**392 094**	**400 283**
Commission received	51 495	10 716	-	-	26 979	17 527	-	-	18 390	26 039
Other unallocated income	2 719	636	4 800	-	13 787	8 932	150 937	140 388	-	-
Total income	**125 113**	**57 891**	**155 552**	**29 542**	**68 716**	**52 197**	**2 135 400**	**1 855 900**	**2 198 552**	**1 973 880**
Death/Disability							202 713	184 076		
Maturities							-	-		
Annuities	24 632	9 391	86 724	2 600	115 089	136 947	-	-	1 902 260	1 422 834
Surrenders							191 673	180 042		
Withdrawals and other benefits							51 892	55 249		
Reinsurance recoveries	(8 714)	(939)	(13 024)	-	(112 624)	(130 034)	(101 705)	(100 675)	(1 883 964)	(1 322 691)
Net policyholder benefits under insurance contracts	**15 918**	**8 452**	**73 700**	**2 600**	**2 465**	**6 913**	**344 573**	**318 692**	**18 296**	**100 143**
Change in cell owners' liability	-	-	-	-	16 059	14 267	-	-	339 931	356 755
Change in assets arising from insurance contracts	-	-	-	-	-	-	(421)	285	(56 554)	(318 227)
Change in policyholder liabilities under insurance contracts	(36 929)	(9 155)	45 334	17 090	-	-	(22 558)	(36 130)	45 045	293 938

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

Accounting year end	Jun-18	Jun-17	Dec-18	Dec-17	Jun-18	Jun-17	Jun-18	Jun-17	Dec-18	Dec-17
Group/Company	**Hollard Life Assurance Company Limited**		**Liberty Group Limited**		**Momentum Ability Limited**		**MMI Group Limited**		**Nedgroup Life Assurance Company Limited**	
FSB classification	Traditional		Traditional		Traditional		Traditional		Traditional	
Recurring premiums	6 354 440	5 733 995			326 552	747 796				
Single premiums	-	611	37 494 000	36 973 000	3 320	3 011	21 355 000	21 052 000	2 006 296	1 912 960
Other premiums	143 395	125 345			-	-				
Reinsurance premiums	1 507 077	1 344 416	1 411 000	1 252 000	154 861	622 280	2 269 000	2 831 000	88 449	77 569
Net premium income	**4 990 758**	**4 515 535**	**36 083 000**	**35 721 000**	**175 011**	**128 527**	**19 086 000**	**18 221 000**	**1 917 847**	**1 835 391**
Service fees from investment contracts	**-**	**-**	**1 417 000**	**1 436 000**	**2 484**	**5 391**	**2 254 000**	**2 350 000**	**-**	**-**
Total net investment income	**497 420**	**611 088**	**3 040 000**	**32 185 000**	**20 402**	**60 774**	**31 591 000**	**15 453 000**	**533 921**	**668 148**
Commission received	-	-	-	-	-	-	-	-	-	-
Other unallocated income	460 450	67 322	448 000	399 000	39	-	533 000	490 000	27 184	28 949
Total income	**5 948 628**	**5 193 945**	**40 988 000**	**69 741 000**	**197 936**	**194 692**	**53 464 000**	**36 514 000**	**2 478 952**	**2 532 488**
Death/Disability	2 670 830	2 285 756			55 362	200 717	8 597 000	8 396 000	568 555	681 459
Maturities	870 616	2 100 194			-	-	4 422 000	4 420 000	449 534	628 806
Annuities	45 535	72 587	37 407 000	36 878 000	4 980	4 037	3 829 000	3 668 000	73 433	90 065
Surrenders	42 827	94 111			37	-	2 941 000	2 770 000	68 034	63 983
Withdrawals and other benefits	72 039	53 560			-	-	3 876 000	2 012 000	-	-
Reinsurance recoveries	(992 854)	(983 815)	(1 211 000)	(1 462 000)	(60 307)	(204 610)	(1 927 000)	(2 123 000)	(61 450)	(100 019)
Net policyholder benefits under insurance contracts	**2 708 993**	**3 622 393**	**36 196 000**	**35 416 000**	**72**	**144**	**21 738 000**	**19 143 000**	**1 098 106**	**1 364 294**
Change in cell owners' liability	-	-	-	-	-	-	-	-	-	-
Change in assets arising from insurance contracts	-	-	776 000	(170 000)	(42 014)	(241 713)	-	-	-	-
Change in policyholder liabilities under insurance contracts	(665 231)	(2 300 634)	(12 135 000)	(6 957 000)	68 924	206 767	1 240 000	(1 946 000)	(463 112)	(730 037)

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

Accounting year end	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Jun-18	Jun-17	Dec-18	Dec-17
Group/Company	**Nedgroup Structured Life Limited**		**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	Traditional		Cell captive		Traditional		Traditional		Traditional	
Recurring premiums										
Single premiums	-	-	1 006 888	993 380	53 920 000	48 320 000	468 628	440 375	4 211 472	3 836 490
Other premiums										
Reinsurance premiums	-	-	1 012 235	1 000 661	1 463 000	1 311 000	38 523	35 644	(346 326)	(238 795)
Net premium income	**-**	**-**	**(5 347)**	**(7 281)**	**52 457 000**	**47 009 000**	**430 105**	**404 731**	**3 865 146**	**3 597 695**
Service fees from investment contracts	**5 288**	**4 888**	**9 000**	**5 437**	**7 207 000**	**6 772 000**	**-**	**-**	**64 410**	**68 714**
Total net investment income	**5 158**	**5 165**	**194 859**	**273 283**	**2 884 000**	**68 110 000**	**55 458**	**60 087**	**1 400 527**	**1 877 392**
Commission received	-	-	-	-	-	-	-	-	-	-
Other unallocated income	-	42	6 908	3 781	-	-	-	-	(1 491 601)	1 601 228
Total income	**10 446**	**10 095**	**205 420**	**275 220**	**62 548 000**	**121 891 000**	**485 563**	**464 818**	**3 838 482**	**7 145 029**
Death/Disability										
Maturities										
Annuities	-	-	390 341	375 685	42 819 000	67 602 000	117 416	71 511	2 923 379	2 752 002
Surrenders										
Withdrawals and other benefits										
Reinsurance recoveries	-	-	(1 027 923)	(1 024 989)	(1 495 000)	(844 000)	(39 876)	(21 450)	(209 063)	(170 158)
Net policyholder benefits under insurance contracts	**-**	**-**	**(637 582)**	**(649 304)**	**41 324 000**	**66 758 000**	**77 540**	**50 061**	**2 714 316**	**2 581 844**
Change in cell owners' liability	-	-	345 069	371 714	-	-	-	-	-	-
Change in assets arising from insurance contracts	-	-	-	-	-	-	-	-	-	-
Change in policyholder liabilities under insurance contracts	-	-	82 941	106 834	-	-	125 727	28 469	(416 243)	2 767 894

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

Accounting year end	Jun-18	Jun-17	Dec-18	Dec-17
Group/Company	**Regent Life Assurance Company Limited**		**Sanlam Life Insurance Limited**	
FSB classification	Traditional		Traditional	
Recurring premiums				
Single premiums	821 378	793 786	67 246 000	58 431 000
Other premiums				
Reinsurance premiums	60 027	58 703	11 262 000	9 546 000
Net premium income	**761 351**	**735 083**	**55 984 000**	**48 885 000**
Service fees from investment contracts	**-**	**-**	**6 374 000**	**5 494 000**
Total net investment income	**101 705**	**61 018**	**14 761 000**	**63 711 000**
Commission received	-	-	2 166 000	1 685 000
Other unallocated income	50 093	57 613	(1 000)	5 000
Total income	**913 149**	**853 714**	**79 284 000**	**119 780 000**
Death/Disability	211 290	220 365		
Maturities	30 688	27 409		
Annuities	-	-	41 799 000	41 320 000
Surrenders	66 542	71 939		
Withdrawals and other benefits	9 810	7 452		
Reinsurance recoveries	(51 376)	(47 685)	(6 705 000)	(7 911 000)
Net policyholder benefits under insurance contracts	**266 954**	**279 480**	**35 094 000**	**33 409 000**
Change in cell owners' liability	-	-	-	-
Change in assets arising from insurance contracts	-	-	-	-
Change in policyholder liabilities under insurance contracts	7 893	(79 166)	(2 571 000)	6 579 000

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

Accounting year end	Jun-18	Jun-17	Dec-18	Dec-17	Nov-18	Nov-17	Jun-18	Jun-17	Mar-18	Mar-17
Group/Company	**1Life (RF) Insurance Limited**		**Absa Life Limited**		**AIG Life South Africa Limited**		**AVBOB Mutual Assurance Society**		**Alexander Forbes Life Limited**	
FSB classification	Traditional		Traditional		Traditional		Traditional		Traditional	
Fair value adjustments on policyholder liabilities under investment contracts	-	-	(126 910)	1 942 547	-	-	-	-	3 626 615	2 695 690
Acquisition costs	139 627	138 513	955 497	662 882	121 906	128 185	650 647	592 662	24 118	14 062
Administration, management & other expenses	612 267	515 778	515 727	499 184	146 782	154 063	975 396	842 236	927 740	857 924
Total expenses	**1 022 234**	**995 492**	**2 254 033**	**4 094 440**	**382 704**	**432 333**	**4 987 531**	**3 283 215**	**4 714 006**	**3 617 244**
Equity-accounted earnings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(Loss) before tax	**228 553**	**92 262**	**1 361 868**	**1 151 692**	**32 846**	**41 978**	**146 195**	**380 316**	**54 073**	**122 468**
Tax	64 435	31 864	487 945	312 018	9 198	12 797	144 065	(21 761)	34 019	45 503
Profit/(Loss) after tax	**164 118**	**60 398**	**873 923**	**839 674**	**23 648**	**29 181**	**2 130**	**402 077**	**20 054**	**76 965**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**326**	**(13)**	**-**	**-**
Total comprehensive income/(loss) for the year	**164 118**	**60 398**	**873 923**	**839 674**	**23 648**	**29 181**	**2 456**	**402 064**	**20 054**	**76 965**
Other transfer to/(from) retained income	-	-	-	-	-	-	-	-	-	-
Other comprehensive income not charged against retained earnings	-	-	-	-	-	-	-	-	-	-
Ordinary dividends	-	-	665 000	823 000	-	120 000	-	-	75 000	50 000
Allocated to preference shareholders	-	-	-	-	-	-	-	-	-	-
Allocated to non-controlling interests	-	-	-	-	-	-	-	-	-	-
Change in retained earnings	**164 118**	**60 398**	**208 923**	**16 674**	**23 648**	**(90 819)**	**2 456**	**402 064**	**(54 946)**	**26 965**
Management expenses to net premium and service fees on investment contracts	52%	50%	15%	18%	37%	34%	27%	27%	124%	132%
Tax as a % of NIBT	28%	35%	36%	27%	28%	30%	99%	(6%)	63%	37%
Comments	Company		Company		Company		Society		Company	

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

Accounting year end	Jun-18	Jun-17	Dec-18	Dec-17	Dec-18	Dec-17	Jun-18	Jun-17	Jun-18	Jun-17
Group/Company	**Bidvest Life Limited**		**Bryte Life Company Limited**		**Centriq Life Insurance Company Limited**		**Clientele Life Limited**		**Guardrisk Life Limited**	
FSB classification	Traditional		Traditional		Cell captive		Traditional		Cell captive	
Fair value adjustments on policyholder liabilities under investment contracts	-	-	-	-	(512)	(1 018)	172 115	99 346	-	-
Acquisition costs	41 298	11 576	6 133	1 460	27 249	17 868	883 638	747 584	-	-
Administration, management & other expenses	115 684	41 981	24 187	7 176	5 198	4 054	173 379	164 346	1 709 166	1 408 051
Total expenses	**135 971**	**52 854**	**149 354**	**28 326**	**50 459**	**42 084**	**1 550 726**	**1 294 123**	**2 055 884**	**1 840 660**
Equity-accounted earnings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(Loss) before tax	**(10 858)**	**5 037**	**6 198**	**1 216**	**18 257**	**10 113**	**584 674**	**561 777**	**142 668**	**133 220**
Tax	1 924	3 495	2 390	340	5 110	2 833	162 116	151 328	38 903	39 444
Profit/(Loss) after tax	**(8 934)**	**8 532**	**3 808**	**876**	**13 147**	**7 280**	**422 558**	**410 449**	**103 765**	**93 776**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income/(loss) for the year	**(8 934)**	**8 532**	**3 808**	**876**	**13 147**	**7 280**	**422 558**	**410 449**	**103 765**	**93 776**
Other transfer to/(from) retained income	3 013	(13 932)	-	-	-	-	(4 447)	(19 183)	-	-
Other comprehensive income not charged against retained earnings	-	-	-	-	-	-	-	-	-	-
Ordinary dividends	1 900	2 135	-	-	6 000	5 000	342 242	307 306	80 000	83 500
Allocated to preference shareholders	-	-	-	-	-	-	-	-	-	-
Allocated to non-controlling interests	-	-	-	-	-	-	-	-	-	-
Change in retained earnings	**(13 847)**	**20 329**	**3 808**	**876**	**7 147**	**2 280**	**75 869**	**83 960**	**23 765**	**10 276**
Management expenses to net premium and service fees on investment contracts	214%	103%	16%	25%	81%	49%	10%	11%	96%	91%
Tax as a % of NIBT	18%	(69%)	39%	28%	28%	28%	28%	27%	27%	30%
Comments	Company		Company		Company		Company		Company	

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

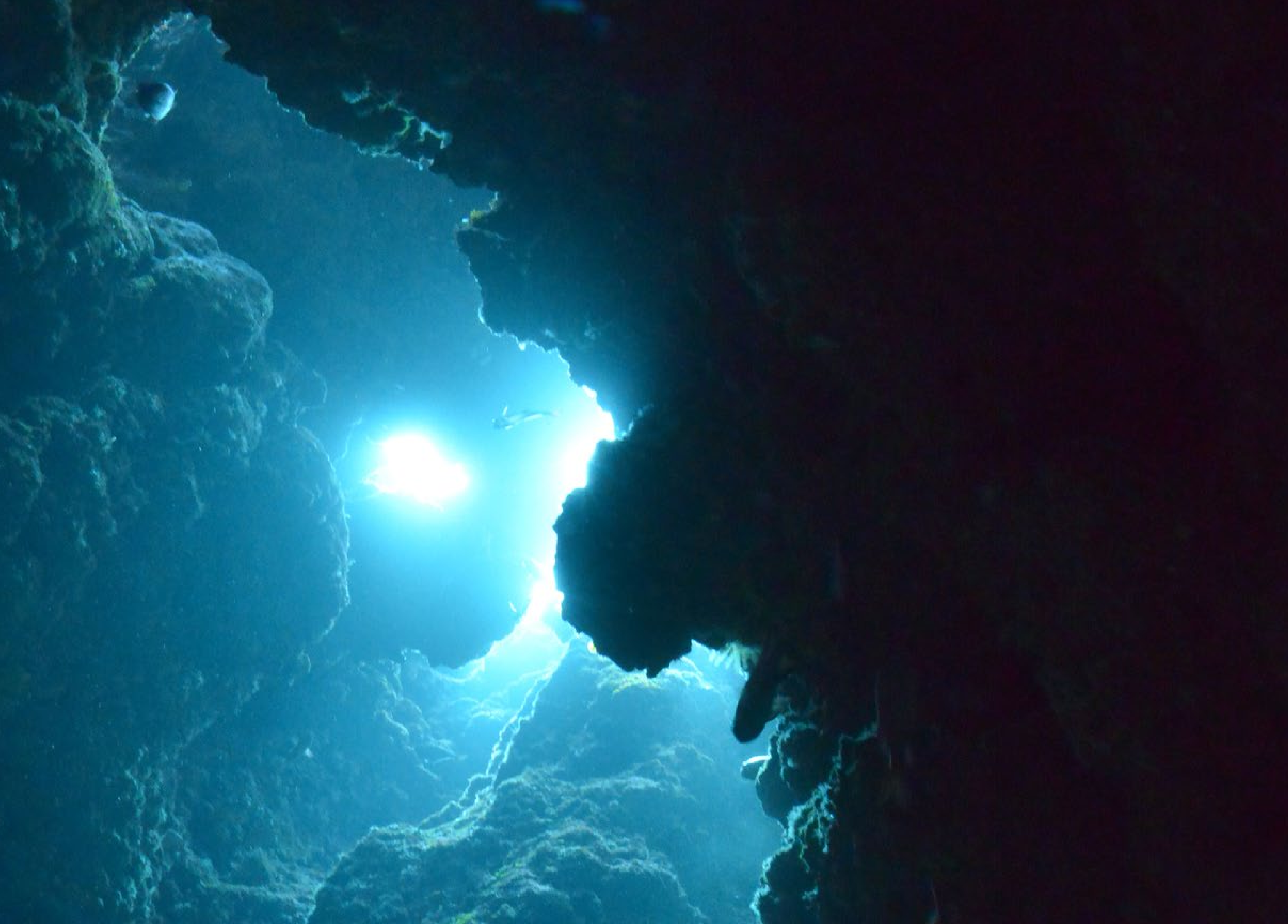
Accounting year end	Jun-18	Jun-17	Dec-18	Dec-17	Jun-18	Jun-17	Jun-18	Jun-17	Dec-18	Dec-17
Group/Company	**Hollard Life Assurance Company Limited**		**Liberty Group Limited**		**Momentum Ability Limited**		**MMI Group Limited**		**Nedgroup Life Assurance Company Limited**	
FSB classification	Traditional		Traditional		Traditional		Traditional		Traditional	
Fair value adjustments on policyholder liabilities under investment contracts	-	-	(1 283 000)	9 043 000	(14 368)	63 437	17 466 000	5 845 000	227 427	219 298
Acquisition costs	522 748	481 530	3 685 000	4 205 000	-	-	3 068 000	3 175 000	294 987	369 916
Administration, management & other expenses	2 381 877	2 215 338	10 389 000	9 691 000	181 073	156 740	6 756 000	5 982 000	447 609	396 325
Total expenses	**4 948 387**	**4 018 627**	**37 628 000**	**51 228 000**	**193 687**	**185 375**	**50 268 000**	**32 199 000**	**1 605 017**	**1 619 796**
Equity-accounted earnings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(Loss) before tax	**1 000 241**	**1 175 318**	**3 360 000**	**18 513 000**	**4 249**	**9 317**	**3 196 000**	**4 315 000**	**873 935**	**912 692**
Tax	317 068	319 556	1 069 000	2 036 000	763	2 709	1 618 000	1 570 000	254 411	235 742
Profit/(Loss) after tax	**683 173**	**855 762**	**2 291 000**	**16 477 000**	**3 486**	**6 608**	**1 578 000**	**2 745 000**	**619 524**	**676 950**
Other comprehensive income	**-**	**-**	**91 000**	**(85 000)**	**-**	**-**	**(989 000)**	**(11 000)**	**-**	**-**
Total comprehensive income/(loss) for the year	**683 173**	**855 762**	**2 382 000**	**16 392 000**	**3 486**	**6 608**	**589 000**	**2 734 000**	**619 524**	**676 950**
Other transfer to/(from) retained income	-	-	-	(75 000)	-	-	172 000	(60 000)	-	-
Other comprehensive income not charged against retained earnings	-	-	-	31 000	-	-	989 000	11 000	-	-
Ordinary dividends	663 886	1 290 444	2 252 000	2 600 000	5 000	28 000	3 047 000	2 812 000	650 000	650 000
Allocated to preference shareholders	-	-	-	-	-	-	35 000	36 000	-	-
Allocated to non-controlling interests	-	-	-	-	-	-	-	-	-	-
Change in retained earnings	**19 287**	**(434 682)**	**130 000**	**13 748 000**	**(1 514)**	**(21 392)**	**(1 332 000)**	**(163 000)**	**(30 476)**	**26 950**
Management expenses to net premium and service fees on investment contracts	48%	49%	28%	26%	102%	117%	32%	29%	23%	22%
Tax as a % of NIBT	32%	27%	32%	11%	18%	29%	51%	36%	29%	26%
Comments	Company		Group		Company		Company		Company	

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

Accounting year end	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Jun-18	Jun-17	Dec-18	Dec-17
Group/Company	**Nedgroup Structured Life Limited**		**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	Traditional		Cell captive		Traditional		Traditional		Traditional	
Fair value adjustments on policyholder liabilities under investment contracts	-	-	154 036	194 302	(5 669 000)	26 695 000	-	-	(46 871)	140 061
Acquisition costs	-	-	52 639	34 427	6 788 000	6 878 000	-	-	-	-
Administration, management & other expenses	2 794	2 452	196 546	206 477	11 506 000	10 710 000	210 687	237 542	1 579 392	1 204 160
Total expenses	**2 794**	**2 452**	**193 649**	**264 450**	**53 949 000**	**111 041 000**	**413 954**	**316 072**	**3 830 594**	**6 693 959**
Equity-accounted earnings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(Loss) before tax	**7 652**	**7 643**	**11 771**	**10 770**	**8 599 000**	**10 850 000**	**71 609**	**148 746**	**7 888**	**451 070**
Tax	2 142	2 140	3 325	3 109	(1 421 000)	3 662 000	18 981	36 939	(48 827)	441 615
Profit/(Loss) after tax	**5 510**	**5 503**	**8 446**	**7 661**	**10 020 000**	**7 188 000**	**52 628**	**111 807**	**56 715**	**9 455**
Other comprehensive income	**-**	**-**	**52**	**333**	**(108 000)**	**(97 000)**	**13 809**	**(501)**	**3 714**	**1 936**
Total comprehensive income/(loss) for the year	**5 510**	**5 503**	**8 498**	**7 994**	**9 912 000**	**7 091 000**	**66 437**	**111 306**	**60 429**	**11 391**
Other transfer to/(from) retained income	-	-	475	-	70 000	95 000	-	-	-	-
Other comprehensive income not charged against retained earnings	-	-	(52)	(333)	108 000	97 000	(13 809)	501	(3 714)	(1 936)
Ordinary dividends	-	-	-	-	4 421 000	6 841 000	45 587	-	-	-
Allocated to preference shareholders	-	-	-	-	-	-	-	-	-	-
Allocated to non-controlling interests	-	-	-	-	-	-	-	-	-	-
Change in retained earnings	**5 510**	**5 503**	**8 921**	**7 661**	**5 669 000**	**442 000**	**7 041**	**111 807**	**56 715**	**9 455**
Management expenses to net premium and service fees on investment contracts	53%	50%	5380%	(11197%)	19%	20%	49%	59%	41%	33%
Tax as a % of NIBT	28%	28%	28%	29%	(17%)	34%	27%	25%	(619%)	98%
Comments	Company		Company		Company		Company		Company	

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

Accounting year end	Jun-18	Jun-17	Dec-18	Dec-17
Group/Company	**Regent Life Assurance Company Limited**		**Sanlam Life Insurance Limited**	
FSB classification	Traditional		Traditional	
Fair value adjustments on policyholder liabilities under investment contracts	24 400	6 221	(2 999 000)	32 588 000
Acquisition costs	212 184	199 394	10 139 000	8 832 000
Administration, management & other expenses	136 102	(238 305)	25 079 000	24 686 000
Total expenses	**647 533**	**167 624**	**64 742 000**	**106 094 000**
Equity-accounted earnings	**-**	**(73)**	**2 424 000**	**2 646 000**
Profit/(Loss) before tax	**265 616**	**686 017**	**16 966 000**	**16 332 000**
Tax	61 727	87 864	4 164 000	4 342 000
Profit/(Loss) after tax	**203 889**	**598 153**	**12 802 000**	**11 990 000**
Other comprehensive income	**-**	**-**	**2 298 000**	**(1 810 000)**
Total comprehensive income/(loss) for the year	**203 889**	**598 153**	**15 100 000**	**10 180 000**
Other transfer to/(from) retained income	326	(6 808)	(765 000)	(46 000)
Other comprehensive income not charged against retained earnings	-	-	(3 119 000)	136 000
Ordinary dividends	87 785	641 587	6 053 000	5 400 000
Allocated to preference shareholders	-	-	-	-
Allocated to non-controlling interests	(53 516)	(61 654)	-	-
Change in retained earnings	**62 914**	**(111 896)**	**5 163 000**	**4 870 000**
Management expenses to net premium and service fees on investment contracts	18%	(32%)	40%	45%
Tax as a % of NIBT	23%	13%	25%	27%
Comments	Company		Group	



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Reinsurance industry results

We are pleased to present and provide our observations on the financial results of the South African reinsurance industry for the 2018 financial year.

The results of the reinsurance industry need to be interpreted in the context of the results of the South Africa non-life insurance and life insurance industry results as set out in this publication. In summary, the life insurance industry experienced low growth in new business and 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

Our performance analysis is based on locally registered professional reinsurers participating in this survey; reflecting approximately 90% of the reinsurance market share in terms of gross written premiums. We noted in KPMG's survey of the 2017 results that the reinsurance industry is one that is observed to be competitive, a trend that continues to be observed into the 2018 financial year. We also noted that the level of competition was expected to increase now that foreign reinsurers may operate branches under the new Insurance Act, effective from 1 July 2018. However, the impact of this has not been fully observed as reinsurers continue to work through their decision-making process in this regard.

What the immediate future holds for reinsurance operations

The severity of large losses decreased significantly in 2018 when compared to 2017. From a global perspective, published by S&P Global Ratings, "For the past several years, the global reinsurance sector has weathered unfavorable and continuously changing business conditions. The challenges have included a prolonged soft reinsurance pricing cycle, heightened competition, limited organic growth opportunities, a record influx of alternative capital, low interest rates, mergers and acquisitions, and large catastrophe losses. Against this backdrop, reinsurers are trying to pull whatever levers they can not only to remain relevant but also to sustain profitability."[1].

Growth

Despite subdued local and global economic growth, local reinsurers still achieved respectable growth levels. Gross written premiums (GWP) improved in the 2018 financial year when compared to the 2017 financial year, by 20% (2017: 16%). Due to poor performing financial markets, investment income growth was low at 2% (2017: 10%). Economic factors such as low GDP 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 2017.

Performance

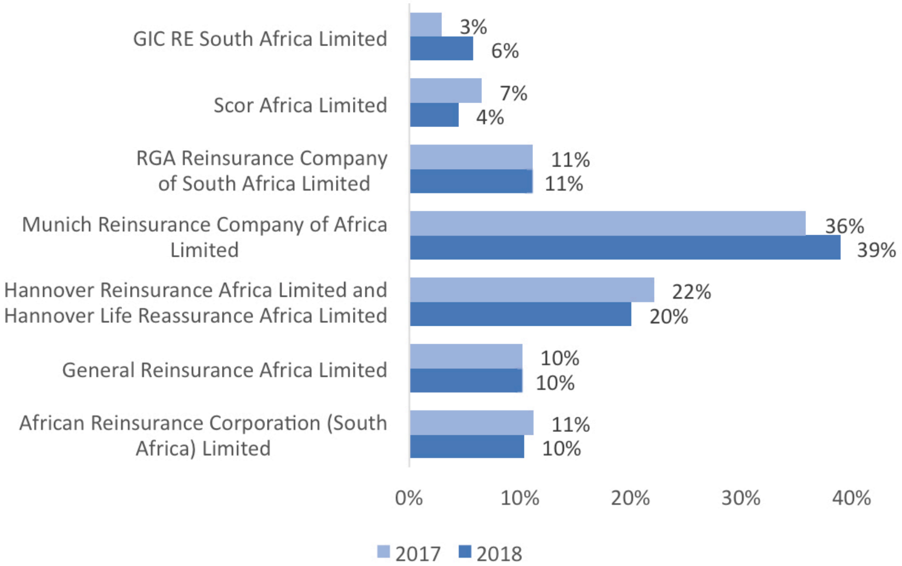
Overall the reinsurance market has seen a hardening in premium rates stemming from the increase in the number and severity of losses experienced in 2017. This meant higher insurance premiums, lower coverage, increased underwriting criteria, lower and increased competition among insurance carriers. However, due to the lower number and severity of claims losses experienced during 2018, this trend is unlikely to continue into 2019.

The following weather related natural catastrophe events were experienced during 2018, with all events occurring during December 2018, except for the Knysna fires which occurred during October 2018. The impact of these losses on the 2018 financial results of reinsurers was not as substantial as that experienced in previous financial years:

- Sun City hailstorm
- Wupperthal fires in the Western Cape
- St Francis fires
- Forever Resorts Badplaas floods
- Knysna fires

[1] https://www.spratings.com/documents/20184/1581657/Global+Reinsurance+Highlights+2018/98dc8810-

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.



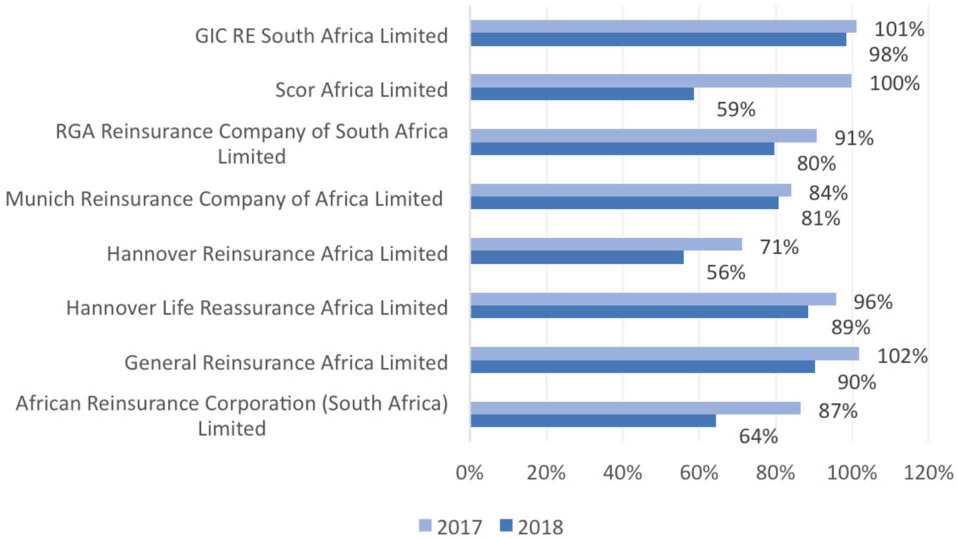
Munich Reinsurance Company of Africa Limited and Hannover Reinsurance Group remain the dominant players in the local reinsurance industry. Their combined market share accounts for 59% (2017: 58%) measured by GWP volumes. The market share distribution across reinsurers continues to remain relatively consistent between 2017 and 2018, 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 2018 KPMG survey are as follows:

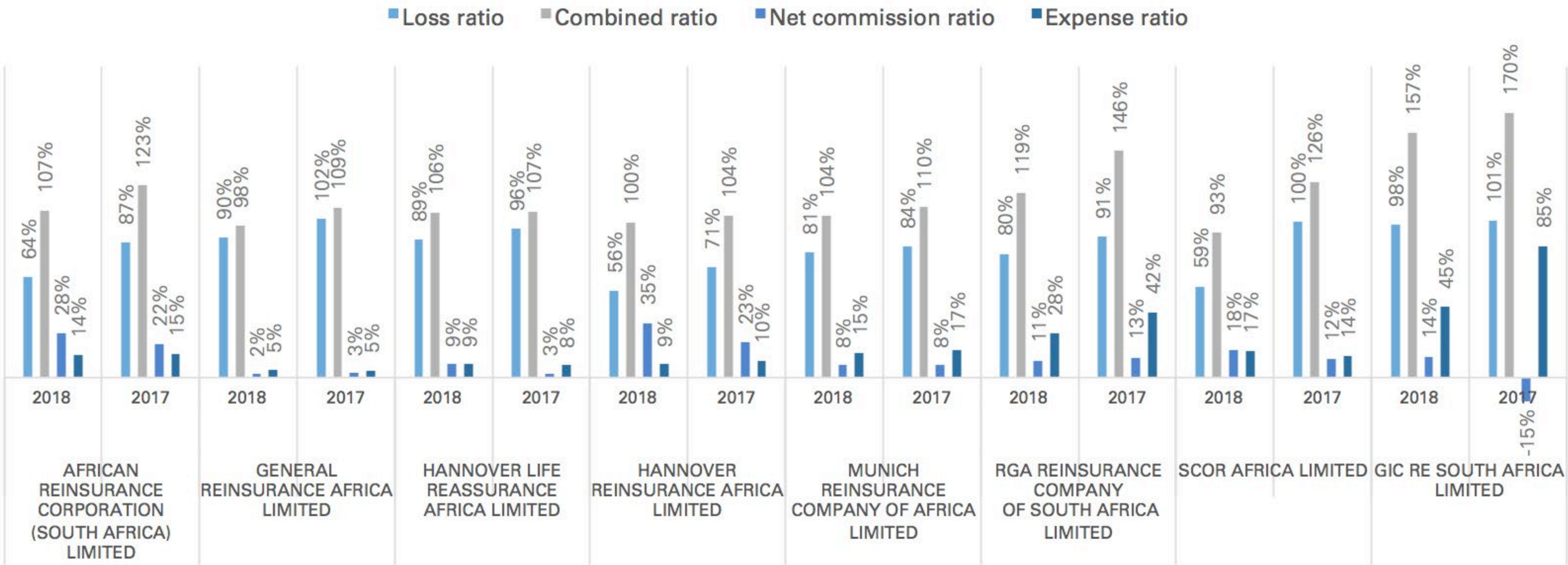
Performance indicator	2018	2017
Management and other expenses to earned premium	13%	14%
Policyholder benefits and entitlements to earned premium	80%	91%
Net commission to earned premium	11%	8%
Underwriting loss	R555 million	R1 424 million

Three of the eight reinsurers participating in this survey experienced an underwriting profit for 2018 with the remaining reinsurers having not recovered from the underwriting losses experienced in 2017.

The graph included below illustrates the improvement in the loss ratio across all reinsurers, which is a direct reflection of the performance of the life and non-life insurance industries and the lower severity of loss events experienced during 2018. The overall loss ratio for reinsurers participating in this survey decreased from 91% in 2017 to 80% in 2018.



Underwriting performance per reinsurer



Munich Re

Munich Re continued to experience an underwriting loss for 2018, with the loss having improved from R367 million in 2017 to R191 million in 2018. The increase in GWP of 31% (2017: 23%) resulted primarily from key strategic alliances. The loss ratio and combined ratio showed improvement as a result of the less severe claims losses.

Hannover Re

Hannover Re is one of the two reinsurers that experienced an underwriting profit during 2018. GWP increased by 10% (2017: 4%) while net earned premiums increased by 62% (2017: 27%) due to a larger portion of unearned premiums written in prior years being earned in 2018.

Hannover Life

Hannover Life experienced GWP growth of 8% (2017: 4%) during 2018. The results have remained relatively flat with no significant movements noted in the results from 2017 to 2018.

As with Munich Re, the loss ratio and combined ratio also showed improvement as a result of the less severe claims losses.

African Re

African Re's results mirror those of Hannover Re, Hannover Life and Munich Re. African Re achieved 11% (2017: 16%) growth in terms of GWP, with net earned premiums increasing by 12% (2017: 14%). However, the underwriting loss decreased from R175 million in 2017 to R60 million in 2018 with the primary contributor being the lower severity of claims losses.

RGA

RGA increased its GWP and earned premiums by 14% (2017: 14%). The underwriting loss of R317 million experienced in the prior year has decreased to R159 million in the current year, largely attributable to lower exposure to claims losses, lower expenses and lower retrocession.

General Re

General Re is a composite reinsurer. As in prior years, the short-term operation is significantly smaller than its long-term operation with only 5% of total GWP pertaining to short-term operations. Overall GWP growth of 15% was experienced during 2018 (2017: 2%) with the rest of the financial ratios following that of the rest of the industry.

Investment performance

Reinsurers achieved an average return on investments (including cash and cash equivalents) of 5.8% (2017: 6.1%) compared to an average prime rate of 10.0% and the average 10-year government bond yield of 8.705%[2].

Consistent with the past two years, Munich Re was the top performer in terms of investment returns with 7.8% (2017: 7.4%). RGA and Gen Re followed closely with 7.6% (2017: 7.4%) and 6.6% (2017: 6.8%) respectively. All other companies surveyed have an average investment return of 3.7% (2017: 4.9%). Investment performance was reflective of the poor performance of investment markets in South Africa over the course of 2018.

Conclusion

Although a recovery in financial results has been noted since 2017, reinsurers will need to closely monitor their underwriting risk. Improved claims conditions could be seen as temporary in nature – with the number of natural catastrophe events becoming more frequent in recent years. Identifying business value and leveraging off the benefits of *IFRS 17: Insurance Contracts*, regulatory compliance and implementation, and driving innovation and technology into the business to manage underwriting risk – these are but some of a few of the challenges that reinsurers need to deal with to not only keep up with, but to surpass their peers. Obtaining business benefit by delving into uncharted territory is what is needed in changing times to distinguish oneself from the crowd.

[2] https://www.spratings.com/documents/20184/1581657/Global+Reinsurance+Highlights+2018/98dc8810-

REINSURERS | Statement of Financial Position | R'000

Accounting year end	Dec-18	Dec-17	Dec-18	Dec-17	Mar-18	Mar-17	Dec-18	Dec-17
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	843,713	253,900	112,500	112,500
Retained earnings/(deficit)	604,911	633,785	1,886,991	1,555,789	(134,618)	(59,788)	469,793	432,291
Reserves	51,702	51,702	(15,471)	(27,308)	142	1,733	(16,542)	(10,467)
Total shareholders' funds	**736,913**	**765,787**	**1,875,520**	**1,532,481**	**709,237**	**195,845**	**565,751**	**534,324**
Gross outstanding claims	1,465,121	1,488,963	1,747,811	1,490,927	983,586	478,388	422,756	249,987
Gross unearned premium reserve	199,174	213,864	226,464	208,155	835,958	332,165	13,085	12,231
Provision for profit commission	-	-	-	-	-	-	294,202	416,457
Policy holder liabilities under insurance contracts	-	-	2,488,069	2,414,278	-	16,895	3,447,866	3,051,643
Liabilities in respect of investment contracts	-	-	-	-	-	-	-	-
Deferred reinsurance commission revenue	41,518	39,894	-	-	176,653	76,129	28,930	32,972
Deferred tax liabilities / (assets)	3,145	18,466	(15,719)	(2,420)	(5,425)	(5,971)	(10,806)	329
Funds withheld	1,729,481	1,661,660	862	433	1,290,984	619,411	37,055	1,086,288
Other liabilities	193,242	285,943	446,765	299,021	40,183	27,218	585,459	255,182
Total liabilities	**3,631,681**	**3,708,790**	**4,894,252**	**4,410,394**	**3,321,939**	**1,544,235**	**4,818,547**	**5,105,089**
Total investments	**2,408,616**	**2,590,521**	**5,497,672**	**4,901,453**	**1,339,797**	**539,218**	**2,782,058**	**3,549,270**
Funds withheld	8,432	7,844	-	-	-	-	149,506	183,664
PPE and intangible assets	2,717	3,121	3,747	4,613	1,830	1,243	-	-
Retrocessionaires' share of outstanding claims	1,104,296	1,069,950	229,576	178,962	821,256	405,830	219,731	101,522
Retrocessionaires' share of unearned premium reserve	135,154	150,675	28,101	26,922	627,885	287,805	-	104
Retrocessionaires' share of profit commissions	-	-	-	-	-	-	54,045	7,689
Retrocessionaires' share of liabilities under life insurance contracts	-	-	-	-	-	3,059	1,032,846	915,792
Deferred aquisition cost	53,812	49,492	-	-	197,309	79,740	177,889	187,837
Cash and cash equivalents	6,984	48,259	366,507	247,815	130,550	77,673	206,547	146,822
Other assets	648,583	554,715	644,169	583,110	912,549	345,512	761,676	546,713
Total assets	**4,368,594**	**4,474,577**	**6,769,772**	**5,942,875**	**4,031,176**	**1,740,080**	**5,384,298**	**5,639,413**
Return on equity	(4%)	3%	18%	4%	(11%)	(14%)	7%	7%
Total assets / total liabilities	120%	121%	138%	135%	121%	113%	112%	110%
Change in shareholders' funds	(4%)		22%		262%		6%	

REINSURERS | Statement of Financial Position | R'000

Accounting year end	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17
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	194,915	34,915	951,982	51,982	344,700	307,200
Retained earnings/(deficit)	498,711	500,777	2,842,291	2,678,677	218,058	113,876	(8,880)	(56,107)
Reserves	312,456	190,964	147,622	163,641	20,437	28,562	3,229	3,190
Total shareholders' funds	**883,945**	**764,519**	**3,184,828**	**2,877,233**	**1,190,477**	**194,420**	**339,049**	**254,283**
Gross outstanding claims	1,719,291	1,695,112	6,656,999	6,056,749	1,006,107	989,434	1,105,402	1,445,310
Gross unearned premium reserve	546,300	796,045	1,891,811	1,155,328	-	-	320,074	311,742
Provision for profit commission	566,400	466,081	13,586	274,661	-	-	-	-
Policy holder liabilities under insurance contracts	-	-	2,211,418	2,014,413	1,826,154	1,453,065	143,842	174,075
Liabilities in respect of investment contracts	-	-	-	-	-	-	-	-
Deferred reinsurance commission revenue	106,408	108,223	460,770	273,290	-	-	82,175	69,688
Deferred tax liabilities / (assets)	(10,699)	(14,423)	177,023	54,044	(728)	(423)	(28,774)	(53,097)
Funds withheld	394,961	804,941	44,081	37,787	-	965,942	1,002,489	1,126,281
Other liabilities	662,055	460,434	2,795,602	2,205,726	65,681	49,074	545,233	475,346
Total liabilities	**3,984,716**	**4,316,413**	**14,251,290**	**12,071,998**	**2,897,214**	**3,457,092**	**3,170,441**	**3,549,345**
Total investments	**1,582,862**	**1,652,212**	**5,207,385**	**4,437,997**	**2,010,441**	**1,866,288**	**1,284,624**	**1,325,239**
Funds withheld	498,536	485,809	156,309	117,397	-	-	-	-
PPE and intangible assets	14,714	20,397	2,057,035	1,614,005	16,313	13,120	4,526	421
Retrocessionaires' share of outstanding claims	965,038	978,345	3,998,972	3,530,149	-	-	891,909	985,382
Retrocessionaires' share of unearned premium reserve	302,294	308,045	1,638,953	927,579	-	-	212,936	208,812
Retrocessionaires' share of profit commissions	306,525	323,753	11,220	219,715	-	-	-	-
Retrocessionaires' share of liabilities under life insurance contracts	-	-	26,372	22,559	1,262,372	965,942	95,003	86,628
Deferred aquisition cost	143,919	191,155	512,054	311,891	-	-	133,108	94,834
Cash and cash equivalents	206,220	162,854	546,619	388,371	223,358	95,425	220,624	311,797
Other assets	848,553	958,362	3,281,199	3,379,568	575,207	710,737	666,760	790,515
Total assets	**4,868,661**	**5,080,932**	**17,436,118**	**14,949,231**	**4,087,691**	**3,651,512**	**3,509,490**	**3,803,628**
Return on equity	10%	4%	5%	(1%)	9%	(39%)	14%	(36%)
Total assets / total liabilities	122%	118%	122%	124%	141%	106%	111%	107%
Change in shareholders' funds	16%		11%		512%		33%	

REINSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Dec-18	Dec-17	Dec-18	Dec-17	Mar-18	Mar-17	Dec-18	Dec-17
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	2,933,664	2,633,428	2,766,793	2,403,973	1,641,254	688,645	2,889,907	2,672,556
Net premiums written	839,567	753,353	2,613,734	2,280,434	373,590	95,796	2,005,787	1,888,633
Earned premiums	**838,736**	**745,667**	**2,597,146**	**2,266,835**	**209,876**	**69,521**	**2,005,610**	**1,892,682**
Total net investment income	20,704	193,166	385,399	351,056	44,575	22,279	158,289	181,507
Reinsurance commission revenue	770,295	590,658	35,686	17,183	266,210	137,399	109,669	67,526
Other income	-	36	98	29,180	-	-	-	-
Total income	**1,629,735**	**1,529,527**	**3,018,329**	**2,664,254**	**520,661**	**229,199**	**2,273,568**	**2,141,715**
Policyholder benefits and entitlements	540,602	645,607	2,341,884	2,309,878	206,606	70,282	1,775,738	1,811,953
Acquisition expense	1,007,887	752,288	98,356	80,024	294,607	126,667	286,215	118,535
Management and other expenses	120,744	113,473	133,593	105,049	95,323	58,789	170,939	158,354
Total expenses	**1,669,233**	**1,511,368**	**2,573,833**	**2,494,951**	**596,536**	**255,738**	**2,232,892**	**2,088,842**
Net profit/(loss) before tax	**(39,498)**	**18,159**	**444,496**	**169,303**	**(75,875)**	**(26,539)**	**40,676**	**52,873**
Tax	10,625	(8,266)	113,294	111,528	546	-	3,174	13,572
Net profit/(loss) after tax	**(28,873)**	**26,425**	**331,202**	**57,775**	**(76,421)**	**(26,539)**	**37,502**	**39,301**
Other comprehensive income/(loss)	-	-	11,838	32,622	-	-	(6,075)	19,225
Total comprehensive income/(loss) for the year	**(28,873)**	**26,425**	**343,040**	**90,397**	**(76,421)**	**(26,539)**	**31,427**	**58,526**
Minority shareholders' interest	-	-	-	-	-	-	-	-
Transfer to/(from) retained earnings	-	-	-	-	1,591	-68	-	-
Dividends	-	-	-	-	-	-	-	80,000
Change in retained earnings	**(28,873)**	**26,425**	**331,202**	**57,775**	**(74,830)**	**(26,607)**	**37,502**	**(40,699)**
Net premium to gross premium	29%	29%	94%	95%	23%	14%	69%	71%
Policyholder benefits and entitlements to earned premium	64%	87%	90%	102%	98%	101%	89%	96%
Management and other expenses to earned premium	14%	15%	5%	5%	45%	85%	9%	8%
Comments	Company		Composite company		Composite company		Company	

REINSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17
Group/Company	**Hannover Reinsurance Africa Limited**		**Munich Reinsurance Company of Africa Limited**		**RGA Reinsurance Company of South Africa Limited**		**Scor Africa Limited**	
Gross premiums written	2,785,801	2,533,214	11,020,565	8,438,682	2,992,144	2,628,650	1,259,699	1,546,209
Net premiums written	903,338	721,086	4,614,375	3,948,090	846,924	679,684	446,713	615,047
Earned premiums	**1,147,636**	**708,951**	**4,560,710**	**3,857,048**	**841,547**	**694,696**	**445,159**	**568,941**
Total net investment income	114,568	87,351	450,376	356,730	169,444	145,715	42,958	25,078
Reinsurance commission revenue	700,872	657,524	1,824,187	1,307,114	132,711	121,156	200,360	178,975
Other income	(13,000)	(20,368)	-	-	106,802	103,241	(2,969)	(4,614)
Total income	**1,950,076**	**1,433,458**	**6,835,273**	**5,520,892**	**1,250,504**	**1,064,808**	**685,508**	**768,380**
Policyholder benefits and entitlements	641,636	504,682	3,679,655	3,241,709	669,594	630,589	260,636	568,309
Acquisition expense	1,103,239	818,529	2,190,482	1,617,846	224,662	210,535	279,078	247,294
Management and other expenses	99,014	73,767	705,889	671,866	238,653	291,919	76,335	77,769
Total expenses	**1,843,889**	**1,396,978**	**6,576,026**	**5,531,421**	**1,132,909**	**1,133,043**	**616,049**	**893,372**
Net profit/(loss) before tax	**106,187**	**36,480**	**259,247**	**(10,529)**	**117,595**	**(68,235)**	**69,459**	**(124,992)**
Tax	18,251	4,898	110,208	5,367	13,413	7,382	22,233	(34,626)
Net profit/(loss) after tax	**87,936**	**31,582**	**149,039**	**(15,896)**	**104,182**	**(75,617)**	**47,226**	**(90,366)**
Other comprehensive income/(loss)	121,492	34,937	(1,444)	(17,953)	(10,346)	25,850	7,242	7,731
Total comprehensive income/(loss) for the year	**209,428**	**66,519**	**147,595**	**(33,849)**	**93,836**	**(49,767)**	**54,468**	**(82,635)**
Minority shareholders' interest	-	-	-	-	-	-	-	-
Transfer to/(from) retained earnings	-	-	14,575	(22,418)	-	-	-	-
Dividends	90,000	30,000	-	-	-	-	-	-
Change in retained earnings	**(2,064)**	**1,582**	**163,614**	**(38,314)**	**104,182**	**(75,617)**	**47,226**	**(90,366)**
Net premium to gross premium	32%	28%	42%	47%	28%	26%	35%	40%
Policyholder benefits and entitlements to earned premium	56%	71%	81%	84%	80%	91%	59%	100%
Management and other expenses to earned premium	9%	10%	15%	17%	28%	42%	17%	14%
Comments	Company		Composite company		Company		Composite company	

This survey is made by KPMG Inc, a South African company and a member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. The proposal set out herein is not intended to constitute an offer capable of acceptance by you and is in all respects subject to negotiation, agreement and signing of a specific contract between you and KPMG Inc ("KPMG"). We will be pleased to discuss our survey and our standard terms and conditions as set out above and attached, further with the objective of agreeing definitive terms before we commence any work as set out in this survey.

Should our survey be successful, the acceptance of this engagement is subject to:

• the successful completion of KPMG's customary client and engagement acceptance procedures

• the successful clearance of the engagement by KPMG to ensure that there are no independence issues, conflicts of interest or other restrictions that may impact KPMG's ability to accept this engagement.

On the completion of our negotiations we will be prepared to sign a contract which is based on your terms and conditions, our survey and our standard terms and conditions, provided that these terms and conditions and any other documents to form part of the contract have been amended to reflect the outcome of our negotiations. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative ("KPMG International"), a Swiss entity.

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