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FINANCIAL SERVICES

The South African Insurance Industry Survey 2014

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SOCCER
No grass stains - no glory
No bruises - no story
BRASIL
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The South African Insurance Industry Survey 2014

Introduction

Champions are made through discipline and determination. It is with this in mind that we unveil the annual KPMG Insurance Survey for 2014.

With the amount of change that the industry is facing it was not a struggle to obtain adequate content for our survey this year – the selection of content to be featured was the challenge! We have attempted to include a variety of topics but you will note that many of our featured articles focus on data quality and the availability and use of information. We know that these aspects are becoming extremely crucial for insurance companies and their service providers with SAM on the horizon.

Two of the BRICS countries were the hosting nations of the 2014 and 2010 FIFA World Cup Football Tournaments, being Brazil and South Africa. With this in mind we have included a thought provoking article on the opportunities for insurers in high growth markets. Trends in these markets were discussed with KPMG insurance leaders and have highlighted the opportunities currently prevailing and a sense of what is to come.

Our survey would not be complete without some regulatory content. Just as it seemed you had everything under control you realised that you were not going fast enough! This year we share our thoughts on POPI, the demarcation regulation and how we envisage that the compliance function of a company will be required to evolve to keep up with the ever changing regulatory environment.

On a less serious note we have benchmarked the remuneration models of football players and insurance executives – the results . . . are too interesting not to read!

But these are only a few of the topics featured in this year's edition.

As always we have included and analysed the financial results of the year gone by. We have made every effort to ensure that the content in this publication is fresh, relevant and thought provoking. We trust that you will find this publication insightful and we invite you to contact us should you require any additional information or assistance.

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KICK OFF

CREATING NEW OPPORTUNITIES for insurers in high growth markets

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Everybody knows that the high growth markets represent a significant opportunity for insurers. The potential is clear: billions of prospective new customers, a growing middle class, maturing regulatory landscapes and increasing financial literacy are all combining to create important new markets for the insurance sector.

How can insurers make the most of the opportunity?

In this article, Wei Ng, High Growth Markets Program Director with Financial Services at KPMG International, shares some key lessons and themes from emerging markets and talks to KPMG's Insurance leaders in the BRIC countries to find out how operating models, products, governance and regulation are influencing the future shape of the industry across the high growth markets.

A symbiotic relationship

The future of the insurance industry and the evolution of high growth markets are now inextricably intertwined. For the insurance industry in general, high growth markets represent an opportunity for sustainable revenue growth and great innovation that – if managed properly – could help ensure their long-term profitability.

At the same time, many of the high growth markets are now reaching a stage in their development where insurance starts to play a key role in transforming risk which, in turn, provides increased confidence for potential investors. A number of insurers have recently collaborated on open-source models, for example building the Global Earthquake Model and the Global Risk Data Viewer led by the UN Office for Disaster Risk Reduction. Meanwhile, Zurich Insurance Group and its Zurich Foundation distinguished itself in 2013 by renewing a five-year, US$23 million partnership with the International Federation of the Red Cross to establish a community flood resilience program, with Mexico being the first of several countries to include community projects and sophisticated flood risk modeling[1].

Future economic growth and development in these markets therefore depends on the growing sophistication and availability of insurance products.

Turning demographics into dividends

One of the biggest drivers of this symbiotic relationship is the emergence of a young – and increasingly mobile – middle class who are now looking for financial 'inclusion' and demanding a range of appropriate products to fit their changing lifestyles. Given the low levels of insurance penetration in these markets, the opportunity across all areas of insurance is significant: Swiss Re estimates that the size of the life insurance market in Asia alone may top USD40 trillion[2]. Before these potential new customers can be brought into the market, they will require financial education. In Latin America, insurers are physically 'packaging up' products in tins and placing them on supermarket shelves in order to associate insurance with shopping patterns that consumers are already familiar with, in a trusted shopping environment. This helps create trust and supports financial education. Alianza Seguros Colombia has packaged policies in a box or can, like any other consumer good, so that a shopper can read the label and add it to their cart. They also sell birthday card policies, promoted as thoughtful gifts for loved ones. The shopper pays just US$2.50 for a greeting card that provides the recipient with a US$1,250 accident policy[3]. However, across most of the developing world, banks and agent networks continue to play a crucial role in improving financial access and education, and remain the key channels for retail financial products, although this is likely to change.

Innovation emerges

Access to the new middle classes is now a strategic priority for those financial institutions operating in (or considering entering) these emerging markets. To achieve this, many insurers are starting to consider innovating their channels and products to differentiate themselves and expand their reach. Alternative channels such as mobile and internet portals are gaining traction.

Experience in the BRIC markets suggest that technology is also now being leveraged to

[1] Extracted from KPMG Leading Insight Series: Insurers face shared risk of escalating natural disasters – June 2014
[2] Swiss Re Asia-Pacific Mortality Protection Gap Study 2011
[3] KPMG Leading Insight Series: Milk, eggs and life policy? Insurers bag grocery aisle sales – April 2014

fundamentally change insurance business models in the emerging markets. Indeed, as customer expectations increase and they begin to demand more from their banks and insurers, many are looking to technology to increase their operational efficiency and improve their customer service by providing multi-channel servicing platforms[4].

The approach seems to be working. Some of the more innovative financial institutions in these markets have already achieved great success in product innovation through 'crowd-sourcing', while the provision of mobile channels has allowed even the most isolated rural farmer to be brought into the financial market. New China Life Insurance has achieved a 50% faster system response since launching a "counter service standardization" project as a step to implement its customer-centric business strategy[5].

Looking to lessons from the banking sector, such as the overwhelming demand for the recent US$1.1 billion IPO of Tinkoff Credit Systems, Russia's online bank, suggests that investors agree that new technologically driven channels can provide success in high growth markets.

A range of opportunities

The mobility of the population, combined with improving health care and declining birth rates also means that traditional family networks are being disrupted. Older segments of the population can no longer rely on living with their younger relatives and therefore are starting to consider how retirement products might support their self-reliance and self-sufficiency in old age, thereby creating a unique opportunity for these types of products, particularly among the middle and upper classes.

The rapid economic growth currently being enjoyed by many high growth markets, underpinned by these shifting demographic pyramids, has also created a wide range of opportunities in commercial insurance. Insurers also generate funds for investment, an important catalyst for the development of capital markets and investment in infrastructure. And investment in infrastructure brings its own needs for insurance.

Broadly speaking (since all markets are inherently different), some of the insurance sectors where we anticipate to see significant growth in the high growth markets include infrastructure, real estate, healthcare, natural resources and shipping.

The view from the BRIC markets

Over the last few weeks, I sat down with one of our KPMG insurance leaders in each of the BRIC countries to find out how these trends are impacting the insurance business model in their markets. Here is what they told me:

WHAT ARE THE KEY PRODUCT AND MARKET INNOVATIONS THAT YOU SEE EMERGING IN YOUR COUNTRY?

BRAZIL – Erik Bleekrode, KPMG in Brazil

"Innovation in Brazil's insurance market has primarily been driven by the growth in average household incomes, particularly within the expanding middle class. Customers are demanding more innovation in products (for example, by only insuring specific parts of a car or offering 'small ticket' death benefits).

Aggregators have also recently emerged in the market, but for the time being most customers rely on these sites only for research and continue to purchase through brokers who still retain a high level of trust with customers.

Going forward, insurers will likely see particularly strong product uptake in the auto and healthcare sectors."

RUSSIA – Adrian Quinton, KPMG in Russia

"The past year has been rather difficult for Russia's insurance organizations. Demand for life insurance products, which had been enjoying annual growth of about 60 percent up until last year has slowed, albeit to around 40%, on lower demand for 'credit' life insurance products (designed to cover risk on consumer loans). At the same time, auto insurance started to come under consumer protection laws which resulted in an almost 20 percent increase in loss ratios in 2013.

It is worth noting that the insurance industry is strongly advocating for rate increases, particularly in the auto sector. But until those increases become available, most insurers have actually reduced their rates of 'new' policy formation, in some cases by around 80 percent."

INDIA - Shashwat Sharma, KPMG in India

"Insurance companies in India have been moving towards a more evolved pricing mechanism. For instance, rather than relying on simple age and health-based pricing, many health insurers have started to include other factors such as geography and occupation into their calculations.

Another key trend has been the simplification of products by the life insurance industry. Aided by regulatory guidelines, life insurers have moved from complicated product forms to simplified structures focusing on term insurance and add-on benefits.

Over the past 12 months, we have also seen a notable trend towards wellness and lifestyle-related features as a way to differentiate life and health insurance products."

CHINA – Mark Bain, KPMG in China

"China's insurance market continues to evolve. There has been significant innovation on the product side, particularly in the creation of targeted products (such as a product covering pregnancy insurance for Valentine's Day).

China's insurers are also starting to see success in the packaging of covers (such as auto plus personal accident) and the offering of value-added services such as 24 hour roadside assistance as a way to differentiate their products.

China's insurers have proven themselves to be fast innovators in the areas of customer data analytics, customer segmentation and the introduction of propensity modelling, particularly for direct channels."

[4] 2013 KPMG Africa Banking Customer Satisfaction Survey
[5] KPMG Hong Kong: State of the Nation in Data & Analytics – June 2014

DO YOU SEE ANY EVOLUTION IN THE CURRENT OR FUTURE DISTRIBUTION CHANNELS IN YOUR COUNTRY?

BRAZIL – Erik Bleekrode, KPMG in Brazil

"Two main channels continue to dominate the Brazilian market: banks (either through bancassurance, branches or their corporate and SME networks) and brokers. The broker market is still very fragmented with almost 70,000 independent brokers. There is still some debate about the future of the broker channels. Some forecast significant consolidation – a trend already somewhat underway – while others suggest that individuals are better at educating and targeting the new and upcoming middle class without being part of a larger group. Disintermediation is going to impact the market as well, but this will be a long term process that will not be pushed by the local market players."

RUSSIA – Adrian Quinton, KPMG in Russia

"Insurance distribution in Russia is still largely dominated by bancassurance and a well-entrenched and powerful agent network. Many banks have established or purchased captive insurance businesses and we have thus witnessed a large growth in bancassurance in the last 3 years which has proven a profitable segment for both the banks and insurers. As a result, these are still early days for alternative or direct distribution channels in Russia. Yet with high internet penetration rates and a growing middle class, we believe that internet channels will start to take a larger share of the market in the near future. There are also indications that the Russian market may see the emergence of aggregators as a channel within the next five years."

INDIA - Shashwat Sharma, KPMG in India

"The Indian insurance industry has traditionally been dominated by individual agents who tended to be tied to one insurance company and worked on a commission-based model.Over the last decade, however, bancassurance has also become a prominent channel of distribution, especially for life insurance products. While in the near future, these two channels are expected to retain the lion's share of the market, online distribution is expected to grow in importance (particularly for the distribution of motor, health and term life insurance products) over the next decade."

CHINA – Mark Bain, KPMG in China

"The predominant insurance distribution channels in China continue to be agency and bancassurance and there is unlikely to be significant change in the near future.

However, we are starting to see greater traction and growth for direct distribution channels with a number of insurers seeing some success in putting their products onto retail sales platforms.

So while the sales numbers for direct channels may still be relatively small, particularly in comparison to agency and bancassurance, we believe that China will enjoy high growth rates through direct channels over the next few years."

WHAT IS THE ENVIRONMENT FOR REGULATORY AND CAPITAL REQUIREMENTS IN YOUR MARKET?

BRAZIL – Erik Bleekrode, KPMG in Brazil

"For the most part, regulatory reporting pressures in Brazil are largely due to the extensive monthly reporting requirements demanded by the insurance regulator. Many insurers are also wary of the speed of regulatory change and the unanticipated impacts that this may have on the markets.

From a capital perspective, the recent introduction of specific liquidity requirements and the upcoming introduction of market risk requirements in regulatory capital calculations (expected for late 2014) are likely to create significant challenges for those operating in the Brazilian market."

RUSSIA – Adrian Quinton, KPMG in Russia

"Russian regulators are focused on achieving three main goals: closer regulation of reserves, stronger regulation of assets and admissibility, and increased transparency.

As a result, we have seen significant change in the regulatory environment. IFRS was introduced in 2012, and in 2013 the government merged the banking and insurance regulator into one central authority.

In the next two to three years, we expect to see further movement towards implementing a risk-based capital framework aligned to IAIS requirements."

INDIA - Shashwat Sharma, KPMG in India

"Current regulation in India limits foreign direct investment (FDI) into insurers and insurance distribution companies to 26 percent.

However, given the long product cycles typical of the industry, the sector now requires significant capital infusion. As a result (and despite being an under-insured country), few insurers have any plans for expansion. We believe that raising the FDI limit to 49 percent would provide a much-needed boost to the sector by delivering fresh capital."

CHINA – Mark Bain, KPMG in China

"In China, the key regulatory challenge relates to the constant changes and evolution of regulatory requirements which, quite often, are expected to be implemented in short time frames.

Recent regulatory focus has been on consumer protection but we believe that this focus may now shift to capital requirements, particularly given that the regulators are in the process of implementing a risk-based capital framework in the not-too-distant future."

WHAT ROLE DO PEOPLE AND GOVERNANCE PLAY IN THE INSURANCE OPERATING MODELS IN YOUR COUNTRY?

BRAZIL – Erik Bleekrode, KPMG in Brazil

"The market for insurance professionals in Brazil is overheating which has led to potentially unsustainable wage pressures.

A general lack of employee loyalty has also led to operational risks for companies who somehow need to absorb consistently strong growth while managing high turn-over.

As a result, the 'people' issue has become one of the key challenges for Brazil's insurance participants."

RUSSIA – Adrian Quinton, KPMG in Russia

"With a clear regulatory focus on improving governance, we are already seeing a number of changes in governance frameworks within the market such as the appointment of actuaries for reserves.

Insurers will need to focus particular attention into enhancing their people capabilities, particularly in the areas of threat assessment, as well as, actuarial and risk assessment. Further changes to capabilities will be required when Russia adopts a Solvency II-type regime."

INDIA - Shashwat Sharma, KPMG in India

"Being a sector heavily dependent on customer trust, we have seen renewed effort (from both insurance companies and the regulator) to improve governance frameworks within the sector in India.

There have been multiple regulatory changes to prevent misselling or the dissemination of misinformation and the regulator is making efforts to improve awareness of grievance redress mechanisms available to policyholders."

CHINA – Mark Bain, KPMG in China

"China's key challenge is also related to the depth of the skill set and experience to be found within the fairly small pool of existing talent.

The rapid growth of the market is further complicated by significant competition for key talent and insurance professionals, a trend that is particularly focused on key capabilities such as underwriters, claims assessors, actuaries and key management positions."

Offensive or defensive play?

It is clear that the insurance industry and its customers are changing rapidly.

Insurers need to have proactive strategies to capitalize on the new technologies that can help them become more efficient, agile and customer centric. They need to experiment with new routes to market while preserving existing distribution networks. Many financial institutions already have innovation labs. Identifying and implementing new technologies and systems can enhance customer satisfaction while reducing response time. Identifying the right technology partners will help – both in product development and operational efficiency.

Crowd sourcing can help develop new products to ensure insurers remain relevant as their customers move across segments, demographics and up the technology curve. Customer profiling and analytic tools will also help and in this regard, there are lessons to be learnt from other sectors such as retailers, telcos and online portals.

Outreach programmes can help attract talented nationals with experience of other markets to help drive innovation and a step change in culture – which we know is not always straight forward in the insurance industry. Investment in staff training and targeted hires are critical but only part of the solution. Staff retention can be challenging in fast growing markets and a clear employee proposition will help attract and retain talent.

Insurers should work with regulators, governments and NGOs to help drive mutual benefit for sustainable development.

For less developed markets, there is an opportunity to establish trust in insurance as an industry and open up entire market segments.

Juggling multiple projects in a fast changing world is a challenge for many CEOs. However, it is clear that inaction is not an option.

How KPMG can help

Our Financial Services High Growth Markets team works with governments, regulators and financial institutions to champion and help implement new innovations and solutions in financial services.

We consistently challenge both organizations and their regulators to think differently about issues related to business strategy and operations. Contact the **FS HGM Panel** or subscribe to **The Valued Insurer: Leading Insights article series.**

"South Africa has long been home to some of the world's largest and most mature insurers. But does that mean it's a zero sum game and growth can only be achieved by wresting market share from other players? On my recent visit I was struck by how vibrant the market is, as insurers seize the initiative to find their customers' moments in imaginative and innovative ways. So the answer is no. And that is why high growth markets are so attractive to many insurers. They act as a crucible for innovation as insurers strive to reach new customers in new ways."
– Mary Trussell, High Growth Markets and Innovation, Global Insurance

DELIVERING CUSTOMER EXCELLENCE in the midst of changing behaviour

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In the current digital age, customers literally have access to more information at their fingertips, and are more empowered when making purchasing decisions than ever before. In comparison to the pre-internet era, customers no longer set up formal meetings with a broker prior to making an insurance purchase. Right now they are more likely to research by asking their social network, access customer service reviews or through search engines before requesting a quote online.

The South African insurance market is highly competitive. Products are quickly commoditised and innovations are quickly replicated. As a result insurers are finding it difficult to differentiate their product and service offerings in a meaningful way to attract and retain customers. As more South African insurers expand to the rest of Africa, survival dictates that they attract the right customers, provide personalised solutions and continuously strive to satisfy customer needs for simplicity, transparency and convenience.

We believe opportunities exist for insurance companies to be forward thinking in the provision of differentiated customer experience across different market segments.

The four pillars to building a customer centric business model are:

- **Customer experience** – Provide relevant and focused customer propositions. Sell based on customer needs to secure customer loyalty, referrals and retention.
- **Digitisation** – Provide optimal servicing for each customer segment by understanding how customers want to be serviced and through which channels. Promote a positive integrated customer experience at every touch point.
- **Big data and predictive analytics** – Use better knowledge of customers to develop propositions that match their needs. Leverage predictive analytics and propensity modelling to target and cross-sell.
- **Lean operations** – Drive efficient and effective operations organized around customers rather than products. Deliver the right customer experience across the entire value chain, whether executing it internally or through external partners.

Customer experience

Customers are no longer just considering price and product features when deciding to leave or select an insurer. Customers are now focusing on the entire service offering that insurers have to offer; from the quality of advice received through to the level of after-sales service received.

Based on this, insurers should be shifting their focus from the historical price/product feature focus to a more inclusive focus on customers' experience throughout the insurance value chain, in order to attract and retain customers.

So what is customer experience?

Customer experience is a holistic gauge of how customers feel about the entirety of their insurer relationships, across touch-points, depending on their personal needs. Focusing on this will require insurers to look beyond simple 'satisfaction' around whether products and services are meeting or surpassing customer expectations.

Currently insurers across the world are failing in efforts to meet the demands of customers across the multiple touch-points and are therefore finding it difficult to retain and attract customers.

This is alarming because customers today are driven by instant gratification and if customers are aware that they can experience a better and more positive experience elsewhere, they will have no difficulty in moving their business somewhere else.

How can South African insurance companies ensure that they are meeting the customer's needs to guarantee that they create positive customer experience in the organisation to attract and retain customers?

Bring customer experience to the Boardroom

- See customer experience as a **strategic business** imperative and not a nice to have
- Business executives need a **change in their limited** view of customer experience and shift towards understanding what customers want and need to **improve the customer experience throughout the value chain**
- Keep the **voice of the customer** at the heart of business decisions

Drive a culture of customer excellence

- Create a structure that enables the workforce to be more **customer focused**
- Conduct **surveys** to determine customers' wants and needs
- Consistently **monitor social media for instantaneous feedback** and to be able to address issues raised immediately

Implement a customer experience-driven operating model

- Move from legacy operating systems to **new-world customer experience systems**
- Design **integrated channel strategies** that provide ease of use to customers across the insurance value chain and ensure a consistent customer experience
- Integrate existing technology with **new-world digital** technology to drive both your legacy and emerging channel strategies

Companies need to address customer experience across the entire insurance value chain (i.e. from purchasing to premium payment to claims processing), other than the traditional price/product features. New channels such as mobile and social media provide convenience and ease of use to customers, and will continue to grow in importance. Insurers will therefore need to design distribution strategies that can cater for today's demands, but position them to serve tomorrow's needs.

Digitisation

In today's world with smartphones and tablets, customers are increasingly expecting to have instant access to services wherever, however and whenever they want. With this in mind, insurers will have to start exploring the growing impact of using new technological platforms to communicate with customers, cater to evolving buying behaviours and mine a rich source of customer insights.

This is reiterated by the fact that in 2014 it is estimated that 96% of the world will have access to a mobile network and 40% of the world's population will be using the internet. In Africa, the mobile penetration is slightly less, at an estimated 69% and internet usage is sitting at a low 16%. Cognisance should be taken of the fact that Africa accounts for the highest growth in mobile network penetration and internet usage, with a growth rate of 4% and 25%, respectively, from 2013.

In the current financial environment where insurers operate on tighter margins and acquire customers at lower costs, digital communication channels are fast becoming key strategic channels in achieving greater flexibility and lowering unit costs. These channels include mobile and social media.

These digital channels provide insurers with new ways to reach the customer. Smartphone and social media usage is increasing exponentially worldwide, which has opened the door for insurers to increase the number of customers they can reach. This can be done by expanding transactional platforms and paving the way for a new 'social CRM' (Customer Relationship Management) which offers insurers another way to enhance their customer experience and branding propositions by creating a platform for customers to provide instantaneous feedback, instead of waiting for customer surveys.

Overall insurers should see digitisation as an access point for supporting overall customer experience, rather than just viewing it as another sales channel. The most often cited reasons for investing in digital formats are customer demands for anytime/anywhere/any device service, keeping up with the competition, the need to reduce customer service costs, the increasing use of mobile devices in general, and the desire to boost cross-selling/up-selling.

These drivers are discussed in more detail below:

- **Anytime/anywhere/any device:** customers today are seeking 24/7 access for their research, purchase and service interactions.
- **Keeping up with competition:** to maintain and increase market share insurers need to provide the digital platforms that are being demanded by the customers.
- **Reducing customer service costs:** digital platforms are a cheaper way to interact with customers. It can also reduce customer service costs by implementing self-service offerings thereby deflecting transaction costs from branches and call centres.
- **Increasing smartphone adoption:** today, 96% of the world and 69% of Africa has access to a mobile network and smartphone usage is growing rapidly.
- **Boosting cross selling/up selling:** customers are more likely to look at pre-approved discounts and product offerings on their digital devices than via any other channel, due to convenience, speed and ease of access.

Insurers can expect the use of digital technology to reduce transaction costs, processing time and improve service to customers.

The digital channel offers a new opportunity for insurers to increase the top line in various ways, including increasing new sales and cross-selling opportunities, shortening sales cycle times, boosting the number of policy renewals and referrals, enhancing customer experience and satisfaction, and reducing attrition. Bottom-line benefits centre on reducing costs by speeding processing and cutting overall distribution costs, improving operational efficiency, enhancing self-service options, and using anytime/anywhere/any device capabilities to make service more effective and efficient.

Mobile strategies will essentially fall into three categories: marketing and sales and CRM initiatives to drive the top line, and self-service options to feed the bottom line. However, this migration will be a phased approach rather than a 'big overnight' transformation. Therefore insurers would need to prioritise initiatives by weighing both the cost and additional value of the initiative.

Big data and predictive analytics

The emergence of a digitally connected world has brought with it a buzz around big data and analytics. It has great potential to help organisations to drive competitive advantage. The truth is that winning in today's markets requires organisations to analyse large volumes of data, uncover hidden patterns and unknown correlations in order to garner accurate customer insights and determine the right course of action to take.

In the insurance sector, companies are increasingly using data collected from telematics devices or social media to know their customers better and thus increase revenue through avenues such as effective marketing, accurate risk profiling that results in better premium calculation and the provision of personalised solutions at affordable prices to customers.

The challenge however is that most of the data is unstructured and requires advanced analytics in order to unearth meaningful insights and provide the capacity for the organisation to change direction at short notice.

How can South African insurance companies build an enterprise-wide data analytics capability that makes it possible to turn mountains of data into valuable, practical and actionable business analytics that drive customer excellence?

Data as a strategic imperative

- Have a **clear data and analytics strategy** that enables business flexibility and responsiveness.
- Data should not be viewed as a pure IT play.
- **Data and analytics can be pulled together to solve very complex business problems** and drive improved business performance.

The finance function and not the IT department should take the lead

- CFOs should embrace big data and analytics and build a finance function that creates value by making sure organisations have **better insights which support both operational and strategic decisions.**
- A finance function which is thus more a **'shaper' than a 'controller'** but IT remains a technical enabler.

Drive a culture of analytics

- Create a structure that enables the **workforce to be more analytical in their decision making.**
- Employees are encouraged to move from 'gut-feel' decision making to data-driven decision making. An example is a sales team that more precisely identifies potential policy sales through analysis of customer purchasing patterns rather than depending on luck.

Establish data governance models

- Design a framework to manage the challenges created by having multiple internal and external data sources.
- The governance model should address the **complexities around data input, reliability, consistency and completeness.**

Implement a data-driven operating model

- Move from siloed data management and systems to a true enterprise view of data.
- Attain a **clear line of sight from the data** through to the value drivers of the organisational performance.
- Integrate existing business intelligence technology with new-world big data analytics to drive both your legacy and emerging IT strategies.

Organisations with embedded big data and predictive analytics capability will have a competitive edge when it comes to better and faster business decisions. Our research shows that as organisations mature, they are able to turn silos of mismatched data into profitable customer insights and progress from merely achieving operational cost efficiencies to driving innovation across the business.

The ability to use internal and external data collected to accurately match risks with premiums is also helping insurance companies to improve the calculation of the minimum amount of capital required to be held. This is vital in the lead up to the full implementation of SAM planned for 2016. Ultimately, a well embedded data analytics capability helps organisations look beyond today's problems to tomorrow's opportunities.

Lean operations

Lean principles enable organisations to deliver consistent customer experience across all channels and segments whilst instilling a culture of continuous improvement that enables rapid adaptation to the changing marketplace.

KPMG defines operational excellence as "being seen as the best compared to peers in terms of processes, people and customer satisfaction, reflected in increased EPS and ROE- also reflected in the strength of the brand and profile of the organisation"

The five improvement principles that should be taken into consideration when organisations set out to achieve lean operations:

1. Concentrate on **customer value**
2. Focus thinking on **quality** – do things right the first time
3. View **processes from customers' perspective**
4. View processes **end-to-end**
5. Use established tools to create a customer centric mind set

CHARACTERISTICS OF A LEAN ORGANISATION

Customer

- Key customer value streams are clearly understood
- Customers are at the heart of all that happens in the organisation
- Customer satisfaction surveys constantly rate the organisation above competitors

Capability

- Managers are more focused on managing and coaching for performance improvement
- All employees are trained on delivering lean process improvements across the organisations
- All employees are recognised and promoted for improvement activity

Productivity

- Each employee clearly understands how their operational performance and targets contribute towards top line business goals
- Performance is monitored and managed on a daily basis

Cultural change

- Roles and responsibilities are clearly defined
- All employees are empowered and engaged in innovative problem solving and continuous improvement
- A right first time culture exists across the organisation
- There is a 'no excuses' attitude for the customer

Source: Driving Operational Excellence through Lean. KPMG International

Lean transformation initiatives will enable an insurance company to conduct an internal diagnostic of its end–to-end business processes, everything from creating a new account to claims handling. It will enable focused efforts on getting the right things, to the right place, at the right time, in the right quantity, while minimizing waste and being flexible to change. The realisation of all of these attributes in the daily operations of an organisation will ultimately reduce customer complaints, improve customer satisfaction, reduce cost to serve and uplift revenue.

In conclusion, delivering customer excellence is a strategic business imperative and executives need to keep the voice of the customer at the heart of business decisions.

Many insurers struggle to keep up to speed with the fast changing pace of market forces and customer behaviour and generally lag behind other industries such as retail or telecommunications when it comes to delivering excellent customer experience at all touch points.

Business models should be revised to incorporate current trends such as **data analytics and digitisation as these provide opportunities to clearly understand customer needs and provide differentiated solutions which will ultimately result in an uplift in revenue.**

Organisations that deploy lean principles view processes from the customer's perspective and deliver customer value, they also drive a culture that focuses thinking on quality (i.e. do things right first time).

Ultimately success is dependent on how employees are brought along on the journey as experience shows that the implementation of any strategy will be hindered if stakeholders do not buy in and support the new way of working.

KPMG
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KPMG Actuarial Services

Our team consists of 18 insurance actuarial specialists who assist our insurance clients to become and remain amongst the top performers in their respective industries.

Our core services and areas of expertise include:

- Financial reporting and actuarial valuations - Interpretation of technical standards and design and implementation of processes, including Embedded Value (EV) and Solvency II / SAM calculations
- Statutory actuary - Experience investigations and the setting of actuarial bases, actuarial valuations and the production of annual returns or disclosures for annual financial statements
- Actuarial modelling - Designing, producing and independently reviewing actuarial models for use in pricing and valuation models
- Risk and capital management - Development of capital management frameworks, including asset liability matching, optimising reinsurance strategies and stress and scenario testing
- Regulatory change - Gap analyses between current methodologies and practices and those required to meet new regulatory requirements (such as Solvency II, SAM, IFRS and TCF)
- Product design and pricing - Product offering expansion and innovative, customer centric product solutions, including product development and governance
- Strategy and transactions - Advice on strategies, entry into new markets, business planning and profit profiling, industry knowledge of customer trends and regulation and pre and post transaction services.

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DATA AND ANALYTICS within the insurance industry

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The economic downturn, demographic shifts such as greater longevity, and new competitive challenges are all factors necessitating changes within the insurance industry. These changes include the type of products being sold, the way in which those products are marketed, how risk is assessed, and how fraud is detected.

The amount of data continues to grow exponentially with more and more external data becoming available (e.g. internet and social media). Analysis of larger datasets is required to avoid risks, uncover opportunities, identify customer trends and indicate product development possibilities.

Data analysis is nothing new in the insurance industry as the entire industry is built around the analysis of data in order to understand and evaluate risks. However, what has changed is the volume and range of data that is now available. With insurance organisations already flooded by masses of data and with new technologies constantly emerging, the volumes of data are growing exponentially due to telematics, social media and other unstructured data sources.

Together with masses of data, emerging technologies also bring about different means with which management and other users are able to analyse the information at their disposal and provide new strategic and operational insights into their business. Big data technologies such as Hadoop are providing new approaches to rapidly analyse large amounts of data from a variety of sources.

The true value of big data is only realized when it can be structured in such a fashion that fact based decisions can be made based on the information derived from this. This then leads to greater business results. Competitive demands are requiring that information must be gleaned much more rapidly from the underlying data with data analytics fast becoming the competitive edge insurers are looking for.

The term 'analysis' includes a variety of approaches and tools which are utilised to address different business challenges. Software solutions that address reporting, business intelligence, ad-hoc analysis, scenario planning, and predictive modelling are currently widespread amongst insurance organisations.

In addition to these existing approaches, companies are using several different types of technologies with the goal of analysing massive amounts of structured and unstructured data in order to gain real-time insights. These technology approaches include massively parallel processing (MPP), in-database analytics, and in-memory analytics. Using combinations of these approaches enables insurance companies to analyse astronomical amounts of data instantaneously.

Another important component is visual analytics which can be used to instantly identify patterns and trends within large data sets.

Big data areas:

Insurers should be actively pursuing data analytics initiatives in three areas:

a) Risk-centric analytics

Risk-centric analytics is the core of the insurance industry. Insurers excel at risk-centric analytics by assessing the probability and expected costs of specific exposures, illnesses, and death. Complex models for product design, pricing, underwriting, loss reserving, and CAT modelling form the basis for determining what type of risks the company will assume and how profitable the portfolio of contracts are projected to be.

This can be seen in the growing area of telematics. Insurers are already using data such as the kilometres driven, location, and speed to improve their risk assessment and adjust the price to the assessed risk. In the future, telematics will also be used to evaluate a wide variety of data about driver behaviour, vehicle performance, and location factors. This could provide new insights on risks attached as well as offer vehicle safety and maintenance advice to policyholders.

b) Customer-centric analytics

Insurers have historically been using analytics to assist in segmenting markets, identifying prospects, measuring campaign effectiveness, and spotting cross-selling opportunities. However, there is a wide margin of opportunity to increase the application of analytics for everything that is related to customers. Insurers who would like to refocus their business on customers instead of products and internal operations require a deeper and more comprehensive understanding of collective as well as individual customer requirements and behaviours.

The ability to profit from internal information married with external insights will enable insurers to retain gainful customers, grow their profitable business as well as identify poor investments.

Analysis of web navigation, social media channels, and data entry patterns will allow automated or human intervention to provide the correct information or assistance. For example, call centre conversations between customers and representatives will be analysed in real-time for key phrases, voice modulations and questions to identify when new opportunities are presented or when intervention is required to address a problem.

c) Finance-centric analytics

Efficient capital allocation and optimum investment returns are critical to an insurer's financial performance. Insurers frequently use custom-built approaches to enhance financial management, using capital asset pricing models (CAPM) to value and manage assets for least risk and maximum return. Sophisticated models are built to address areas such as asset/liability matching, investment portfolio optimisation, embedded value calculations, and econometric modelling. An increasingly complex business and economic environment is necessitating insurers to increasingly use analytics to dynamically manage their business, make adjustments and respond to changing conditions.

The power to dynamically drive the business based on an advanced understanding of probable financial implications is becoming an imperative for insurers. For example, the value of combining real-time insight from the operational side of the business with external information concerning insurance and economics and being able to view the projected results of multiple scenarios within minutes.

Cognitive computing

During the insurance industry's developmental era, experienced underwriters assessed each risk at an individual level and quoted each insurance package accordingly based on reasoning, judgement and historic experiences. However, due to the fact that underwriters are unable to scale, the industry commenced using technology to assist with rate computations. This however meant that the applied assumptions had to be greatly simplified.

Cognitive computing will again allow underwriters to underwrite by assessing the unique risks of each individual customer in a personalised and customer-centric approach. This can all happen based on knowledge of the customer, past experiences and future predictions. Cognitive computing allows insurers to analyse massive amounts of unstructured and structured information in real time, formulate thousands of hypotheses, test for the best hypothesis, determine an optimal outcome and learn from the results.

Each customer has their own unique risk profile and cognitive computing will allow insurers to assess these profiles at a customer level, instead of imputing vague personal characteristics into a rigidly defined product model for an assessment.

Customer analytics and insight

The customer benefits which can be derived from the insight data analytics can provide are numerous. Data analytics makes personalised or tailor-made product and service offerings possible. It can also give customers overviews of the products or facilities on offer, accumulated costs, limits reached or levels used, headroom available and behaviour or trend of use per product. Customers can be provided with peer comparisons (performance against benchmark, etc.). Data analytics can also provide customers with insights into their habits and even make suggestions on how to improve this. Other benefits include improved sector knowledge, enhanced customer guidance and optimise pricing per product per customer.

- **Customer retention:** By knowing your customer, their needs and the likelihood of them leaving, companies can maximise retention efforts by suggesting alternative offers. All insurance companies aim to have customers feel like they understand them as individuals and that they are adapting to their changing needs. Predictive analytics can significantly increase customer satisfaction levels and thereby retain valuable policyholders.

  A large insurance company in the US piloted an extensive analysis of customer information files, transaction data and call-centre interactions in order to identify customers who would respond positively to contact with an agent. Based on their results, the company then developed new product offers accordingly. The outcome was a substantial increase in offer response rates and up to a 40 percent retention rate improvement.

- **Cross-sell and up-sell:** Carriers can propose the correct option to the correct policyholder at the correct time in order to maximize cross-sell, up-sell, strategic lifetime value profitability and loyalty. Analysing customer actions or tracking important life events enable a company to offer new types of policies or new levels of coverage that match a customer's current or future needs.

  For example, a company could offer a discount on bundled auto insurance as a policyholder's child nears driving age, or recommend a convertible life insurance policy after discovering that the policyholder has been comparing types of policies online.

- **Customer service:** Insurers can leverage analytics to improve customer service delivery, resolve service issues and increase overall satisfaction with a better understanding of the policyholder's motivations. The insurer can more accurately predict which insurance products are the most appropriate for each customer. Offering the right mix of services improves the effectiveness and efficiency of the company's sales force, while the more personalised touch assists agents forge closer bonds with customers, which enhances loyalty

In order to harness the benefits of data analytics, insurance organisations must firstly develop their master data management as the information derived from data is only as accurate as the data which it is based on. Secondly, the infrastructure must be able to accommodate the analysis of vast amounts of data in real time. Lastly, companies need to up-skill their employees as well as employ resources with the necessary skills to know what type of analytics is possible as well as perform the analytics.

Some case studies

Customise auto insurance policies based on real time driving habits

Progressive Insurance (US) and Aviva (UK) are prominent auto-insurance providers in their respective geographies. They specialise in customising policy premiums on the basis of drivers' risk profiles.

Some of the challenges they face are maintaining top line margins in a recessionary auto insurance market by:

- Reducing fraudulent claims by tracking real-time driving data
- Reducing costs of injury claims
- Challenges in incorporating real-time data within traditional policies
- Traditional auto insurance policies did not factor in driving habits
- Negligent drivers paying same premium as customers driving safely

Solution

- Progressive insurance deployed AT&T's telematics solution. It comprised of an in-vehicle device that records real-time driving data, and transmits the same over AT&T's wireless network.
- Aviva also deployed similar telematics technology.

The deployments included:

- On-board diagnostic port (OBD) recorded real-time driving data
- Data shared wirelessly, via AT&T's network, with Progressive Insurance
- Drivers rated on the basis of miles driven, frequency of sudden stops, etc.
- Customers can earn monthly discounts as per their ratings

Benefits achieved:

- Individual driving habits leading to cost-effective individualised policy pricing
- Safe driving efforts leading to a 30% drop in premium charges
- Suggestions on improving driving habits, leading to safer roads and less carbon emissions

Using online profiles and social media to determine insurance coverage

Background

Globally Aviva is one of the largest life insurance providers. The US operations of Aviva traditionally used medical tests to ascertain customers' lifestyle patterns, and provided insurance coverage accordingly.

Requirements/challenges

- Pathological tests are costly and can be manipulated
- Existing process less efficient and less consumer friendly

Solution

Aviva analysed the online behaviour of approximately 60,000 insurance applicants.

- Unstructured data from customers' online shopping; social media activities, etc. was captured
- Data was analysed to categorise customers as runners/hikers; dieters or couch potatoes.
- Predictive modelling tools were applied to estimate the customers' longevity
- Coverage decided on the basis of lifestyle pattern life expectancy

Benefits achieved:

- Social media analytics are considered more efficient and customer-friendly
- Insurers expected to save approximately $125 per applicant by eliminating conventional medical tests
- Facebook page 'likes' and Tweets are better indicators of lifestyle risks such as high blood pressure

Use agricultural data to create tailored insurance policies

Background

The Climate Corp (TCC) provides coverage to agricultural yields from extreme weather impacts. Policies are customised as per growing plans and locations.

Requirements/challenges

- Managing 200 TB historical data and 20 TB unstructured farming data stored on Amazon clouds
- Analysis of 5 trillion data points across 20 million farming fields in the US
- Every increasing data volumes

Solution

TCC's 'Total Weather Insurance' policy uses Hadoop and MapReduce for:

- Processing data to generate 10,000 predicted weather scenarios
- Quantifying risk to crop yield and tailor corresponding insurance policies
- Acquiring weather data from major climate models
- Incorporating weather data into a real-time pricing engine

Benefits achieved:

- Enhanced ability to process data growing 10 times every year
- Ability to analyse more granular geographic data
- Significantly scale up processes for rapid data acquisition and ingestion

Data and analytics will play an increasingly greater and important role in every industry; including the insurance industry. With new technologies constantly emerging and the ever-growing volume of data available, data and analytics has the ability to transform business as we know it. Companies will have to keep up with the current emerging trends in data an analytics in order to remain competitive.

Resources

- http://cdn2.hubspot.net/hub/173001/file-18488782-pdf/docs/stackiq_insuranceind_wpp_f.pdf
- http://www.sas.com/resources/whitepaper/wp_49547.pdf
- http://www.ibmbigdatahub.com/whitepaper/future-insurance-how-big-data-and-cognitive-computing-are-transforming-industry
- Business applications of data mining by Chidanand Apte, Bing Liu, Edwin P.D. Pednault, and Padhraic Smyth
- http://public.dhe.ibm.com/common/ssi/ecm/en/imw14672usen/IMW14672USEN.PDF
- http://www-304.ibm.com/easyaccess/fileserve?contentid=232107
- Progressive Insurance's Snapshot Ushers in a New Era in Automobile Insurance Pricing Aviva re-enters fleet telematics market
- Insurers Test Data Profiles to Identify Risky Clients
- Helping the World's Farmers Adapt to Climate Change: Weather insurance powered by Big Data

DATA QUALITY - don't be relegated

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Data is a key concern currently reflected on the risk registers of insurers. A catalyst being the requirements of the Solvency Assessment and Management (SAM) regime with less than 18 months to full implementation. Beyond reporting on capital requirements under SAM's risk-based regulatory framework, insurers are looking to achieve a competitive advantage through data analytics. However, few companies have access to detailed, useful information with the adage being that analysis drawn is only as useful as the quality of the data input. This is a result of legacy systems and sub-optimal, yet ingrained, back-office processes that leave part of the industry trailing behind today's world of technical brilliance.

A result of dated processes

A complete database of perfect information for pricing, calculating technical provisions under IFRS, and increased regulatory reporting under SAM currently only exists in theory. In practice, there can be considerable limitations in access to data. For example, insurers that have grown through acquisition, may have acquired various systems through the years. These systems may be interfaced for financial reporting, but not in the form of one combined database useful for analysis. Insurers operating through the UMA structure, and some intermediaries, capture policyholder information into third party systems. Insurers are then faced with the challenge of integrating the third party's system of choice. Often this is captured at a highly summarised level to break a payment into its premium, commission and claims elements, but not into policy-level detail. Processes would have to change significantly in order to increase the level of detail and the consideration is whether sufficient value is added to justify the additional IT cost.

Similarly, reinsurers are unable to cut-through to the finer detail of the risks that treaties cover, until larger claims are reported and a cash-call is requested. The industry operates on broker relationships, the doctrine of 'good faith', and remedial action where business is unprofitable. Reinsurers receive sufficient information from the direct insurer for example to account for annual or monthly business, or the nature of life business to split treaties between the four-funds for tax purposes. These approximations are a reasonable work-around but are subject to the risk of being inaccurate if not updated regularly. Perhaps most notably, an area business could benefit from precise information is the geographical location of the underlying risk.

In insurance and reinsurance environments, the widely-used process to capture information is to receive e-mail and paper bordereau. This arrives in various formats, traditionally with little standardisation. The manual nature of bordereau, often dependent on Microsoft Excel, is prone to formula error in producing spreadsheets. Upon receipt and processing by the reinsurer, this is subject to further capture error. In addition this old-fashioned way of information collection is not very 'green' with the printing that takes place in between. There are time lags to receiving accurate information, and estimating results is a well-established step in financial reporting, particularly for reinsurers. Effort is weighted towards processing information rather than analysing it - this is a crucial and dangerous imbalance. As a result, back-office functions do not adequately supply detailed data, aggregated from different sources for advanced actuarial modelling.

The key in determining how to improve processes is to analyse the flow of information. Where is information initially captured? Online by the policyholder themselves and automatically turned into a quote? **In which case expertise should be involved in verifying that information.** Or is information captured by brokers directly into the insurers rating system? Or by brokers and other third parties and recaptured by an internal processing department? **In which case automation should be explored.**

Regulators are closing the gap

The availability of detailed policyholder data stored on third party systems is focal enough to have been written into legislation:

- Directive 159.A.i sets out the principle that functions may not be outsourced that may materially increase the risk to insurers. In the context of information, an insurer must have continued access to that information and the insurer is required to address the privacy of that information

- Binder regulations require the binder holder (rather than the insurer) to provide unfettered access to financial information and the particulars of policyholders
- The Insurance Laws Amendment Bill, yet to be promulgated calls for governance systems to have an effective system for ensuring the transmission of information.

Many recent pieces of legislation are a stepping stone, ultimately to SAM. This has prompted insurers to reconsider their operations. Not merely in adherence to legislation, but also because there can genuinely be benefits for risk monitoring and pricing.

Over the past two years, one has felt the increased momentum to find a solution. STRIDE (Short-term Data Exchange) is a joint project initiated by the FIA (Financial Intermediaries Association of Southern Africa) and SAIA (South African Insurance Association). STRIDE offers a solution to the industry with a data 'switch'. This offers a secure way to transmit data from the platform of the binder holder to that of the insurer. It eliminates the bordereau paper trail and re-capturing of the same information; essentially what e-mail is to letters, what STRATE is to banks. Major insurers are invested in the project which is aimed at an industry-wide data exchange mechanism, rather than numerous interfaces being developed independently. The life industry has been ahead of its short-term counterparts with the ACCORD standards on which STRIDE is based, which has been in place for a number of years.

Not all insurers are following the STRIDE route. Some see a solution in designating one system that all binder holders are required to use, rather than transmission between various systems. This poses a challenge to brokers placing business with various insurers with different systems. An alternative is to make use of a technology firm that offers data repositories and applications to manage 'big data' where the volume of a data warehouse is too costly for an insurance company. This is completely outsourced database management to an independent firm to collect, compile, structure and extract information.

Investment in system development is costly however the benefits go beyond access to more timeous access to financial information. Data must be leveraged for pricing and risk management. For example, overseas insurers were exposed to worse than expected concentration risk from Hurricane Sandy. Locally the exposure to Highveld thunderstorms could be extracted more accurately as much of the actual data lies on third party systems. Under SAM, insurers are required to calculate their exposure to earthquakes for commercial and residential property per zone. The accuracy of this data was one of the more significant challenges experienced with the SAM quantitative impact studies.

In its April 2014 update, the FSB announced a thematic data review for the non-life industry planned to take place during the remainder of 2014, in addition to the light parallel run. This call for more data was unexpected, though should have been no surprise given the comments the FSB has made over the appropriateness of data used in QIS 1 and 2 and a previous data request in 2012. It is summed up by the FSB in their 2012 annual report by saying from on-site visits, a theme has been 'a lack of adequate data to optimise underwriting and business decisions'.

The data gathering is to calibrate South African specific non-life underwriting risk for the Solvency Capital Requirement standard formula. Secondly, to monitor the practical challenges the short-term industry is facing in order to meet the increased data requirements under SAM reporting. Specifically, the level of detail required under postal codes, greater detail required from third party data such as scheme business, exposure to catastrophe risk and being able to extract catastrophe-related claims. In order to remedy these data limitations, insurers have to gain access to more detailed data that exists on third party systems. In addition, they have to consider which additional fields need to be incorporated at the time of capturing policy and claims information.

What you can do with 'big data'

The buzz word at the moment is BIG DATA and companies are looking at how to leverage their masses of data for competitive advantage. The challenge is in both collecting volumes of data and interpreting it, and gaining insights about policyholders to achieve competitive advantage. The South African insurance industry is yet to realise the potential of this.

Most insurers have vast in-house data. However, it is often gathered and stored on multiple systems, is difficult to extract and is not organised for analysis

Insurers are starting to address the challenge of legacy data issues by creating common 'data and capability' groups that cut across silos, brands, businesses and functions, to create a single 'horizontal' data layer across their business.

Source: The valued insurer KPMG publication, 2013

The focus is not all toward internally generated information in search of a deeper understanding of customers. Companies can complement this or completely abandon the technological obstacles in creating internal data in favour of external sources. Telematics in motor insurance were pioneered in the United States around 10 years ago. This has shown how monitoring of policyholder behaviour can in turn influence that behaviour.

Companies can use social media to go beyond advertising to share information to increase the familiarity and trust with their brand. For example, to communicate claims processes, notably in the event of a catastrophe.

Insurers are using social media to uncover fraudulent claims through inconsistent behaviour. A common example being personal accident and disability claimants posting online photos showing they are anything but injured. United States insurer, Erie, describes a claim for engine damage when someone put the wrong fuel into it. ERIE later found a YouTube clip and Facebook photos of the claimant using the same truck to pull a tractor in an organized race – this cover was specifically excluded.

A mass of entries accumulate on the internet each day presenting the opportunity to predict the customer. Which distribution channel is best, which product features are likely to be taken up. Realising the value of analysis often depends on combining both internal and external data sets. It depends on astute analysts making these logical connections, for example:

- between real time information through the work of the South African Insurance Crime Bureau and its databases to combat insurance fraud and crime;
- underwriting of property and casualty insurance increasingly depending on credit records;
- consumers on-line behaviour leaves a trail from which to understand them;
- verification of information input into on-line applications;
- use external data to pre-fill fields saving time for the consumer and increasing accuracy.

> Insurers tend to be organised in functional silos ('new business,' 'renewals,' 'claims') and have a compartmentalized approach to information management. Data-privacy issues act as a disincentive to breaking down silos. However, use of big data by the insurance industry lags the banking and retail sectors, which have more frequent interaction with their customers.
>
> Source: The valued insurer KPMG publication, 2013

POPI

Knowing the eating, sleeping and shopping patterns of existing and potential customers has its caveats. The mass of data and sensitive customer information accumulated by insurers is critical to keep safe in an environment where technological risks are an increasing trend. Insurers must demonstrate they are using the information for the stated purpose that has been consented to. Data mismanagement at the extreme was highlighted by Edward Snowden and showed how doubt can be cast on an organisation's reputation. Locally, the Protection of Personal Information Act was signed by President Jacob Zuma on 27 November 2013. The portion of the Act dealing with an information regulator has become effective, however, the commencement date for remaining sections is still to be determined in the Government Gazette. Organisations will have one year from this date to demonstrate compliance with the legislation.

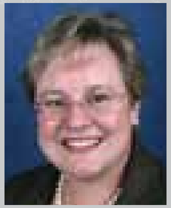
The aim of the Act is to protect personal information processed by companies. The term 'process' includes collecting, recording, storing, updating and distributing of information. The focus of compliance with POPI has been on safeguarding databases of accumulated information and less on the collection process. Companies should extend their thinking to the large volumes of sensitive customer information transmitted via e-mail from between the organisation and external sources. Automating the transmission process would eliminate the threat of policyholder information lists getting into the wrong hands. The embarrassment and reputational damage of an insurer having to notify thousands of policyholders that an unprotected file containing their personally identifiable information was mistakenly sent to the incorrect e-mail address. In addition there could be fines, civil liability and imprisonment for up to 10 years.

Conclusion

An insurer's competitive advantage lies in creatively using data in a way that has not been done before. However, budgets seldom stretch to exploring data analytics and the skills to do so are not frequently found in the industry. At the same time 'big data' is attracting attention, the increased data requirements for reporting under SAM are forcing insurers to re-consider their processes. A more automated flow is necessary for information to be captured at a greater level of detail and to re-direct some of the cost and effort involved into analytics rather than data capture. This is a space to watch as solutions to automate the basic flow of information are slowly becoming embedded. The opportunities to use social media and external data sources to understand the customer, manage risk and claims costs are not yet mature in South Africa.

HALF-TIME

INTEGRATED ASSURANCE: Risk and Assurance Simplified



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On the back of increased competition and softer insurance rates, the Insurance Industry is increasingly shifting the balance of power to the customer. Margins are further squeezed by the increasing regulatory demands on the industry resulting in a higher cost base to support a weaker margin. For example, JSE-listed companies often have as many as 25 functions dedicated to managing the potential downside, such as insurance/reinsurance, internal audit, compliance, and security. As a rule of thumb, the total cost of these activities is around 5 percent of annual turnover. This is set to rise with increasing layers of non-core costs being added on the back of ever-increasing governance and regulatory demands. As such the industry is under pressure to respond with more efficient and effective governance, risk and capital management arrangements. An effective Integrated Assurance programme can optimise the cost and benefit associated with risk, assurance and reporting activities.

The Combined Assurance dilemma

Since the introduction of King III in 2009, the impetus for the establishment of Combined Assurance programmes within companies has steadily gained momentum. However, as in the case of risk appetite, the principle is promoted but very little guidance is given on how to implement this; the ‘how-to’ remains elusive. A scan of market activity around Combined Assurance reveals that even consulting firms have remained fairly quiet on this topic, predominantly promoting the principle rather than establishing practical implementation practices. As such, no clear authority has established itself as the source of reference leaving the industry reeling in an attempt to meet the requirements of the principle.

This is supported by the results of the Institute of Internal Auditors’ (South Africa) recent study, Corporate Governance and Risk Management Index – An internal audit perspective. They found that ‘the aspect of King III recommendations that many companies find most challenging is the full implementation of Combined Assurance, with a staggering 65 percent of respondents conceding that they were not competent in using this framework.’

King III promotes the integration and alignment of assurance processes in a company to maximise risk and governance oversight and control efficiencies, and optimise over-all assurance to the Audit and Risk Committee, considering the company’s risk appetite. By doing so, it is expected to optimise costs, avoid duplication, and prevent assurance overload and assessment fatigue.

However, in practice we have seen little evidence where these promises are fulfilled - in fact the opposite is often the case where the process consumes resources without generating expected benefits. Typical stumbling blocks include:

- Assurance plans are not adequately focused on stakeholder agendas.
- Inadequate integration of mission critical processes and inconsistent methodologies across risk management, internal control and assurance practices.
- Silo mentality within operations, assurance providers and reporting practices.
- Primary focus is given to governance rather than business value[1].

What is Integrated Assurance?

Integrated Assurance is KPMG’s response to the Combined Assurance dilemma. At its core, it is a process that integrates risk and assurance arrangements and provides a platform from which to support governance and regulatory reporting such as Integrated Reporting and Own Risk and Solvency Assessment ("ORSA") through the provision of consolidated baseline information.

It comprises of three elements:

- Risk and control profiling
  Integrated Assurance is not an activity bolted onto the organisation’s governance vehicle. It is a process

[1] Note that this does not imply that governance is not important. It is critically important to ensure a mechanism for repeatability of the combined assurance benefits.

that leverages off the company's enterprise risk management system[2] and the associated value drivers. As such, there is direct extension of the ERM arrangements into the sphere of assurance activity. This is achieved by extracting the mission critical risk exposures from the ERM system, as well as analysing the effectiveness of current control processes designed and implemented to mitigate each exposure to an acceptable level.

- Assurance planning
  Optimising the cost and quality of assurance across all the lines of defence is central to a productive assurance programme. Whereas traditional Combined Assurance only focus on balancing the assurance composition, i.e. who will provide assurance within the three lines of defence, the KPMG Integrated Assurance Solution expands the traditional approach to include a consideration of the nature of the assurance associated with each of the assurance providers, i.e. what type of assurance activity will be performed.

  An emerging trend that is gaining momentum relates to the fourth line of defence - Board and Board Committee oversight. Increasingly, Board-level structures are recognised as contributing to the quality of the assurance result. However, to be effective as a fourth line of defence the current practice of tasking one Committee, typically the Audit and Risk Committee, with this responsibility is untenable. Risk and Assurance is too important to be left to a single Committee, as it has neither the depth of knowledge nor the resources to oversee the entire business risk and assurance activities. By extending responsibility to more specialised Board sub-committees such as investment, sustainability and remuneration, leadership can gain far more confidence in its risk management and assurance activities and conclusions.

[2] Not to be confused with an Enterprise Risk Management software solution.

- Assurance conclusion
  As mentioned earlier, traditional Combined Assurance commonly provides for a plan that considers the balance of assurance activity across the three lines of defence. A fundamental weakness in this approach is that it does not formally cater for consolidating a conclusion based on the results of all the assurance providers across multiple assurance years.

  The Integrated Assurance Solution, however, incorporates such a consolidated conclusion, which allows Management and oversight structures such as the Audit and Risk Committee to focus on the business value of assurance activities, i.e. whether the control structures are adequate to mitigate risk exposures to acceptable levels. This also resonates with King III when it states that "combined Assurance should be sufficient to satisfy the Audit Committee that significant risk areas within the company have been adequately addressed and suitable controls exist to mitigate and reduce these risks".

Management can expect to extract the following benefits from such an optimised Integrated Assurance programme:

- A secure and effective management tool through a simplified and integrated risk and assurance process.
- Align risk and assurance processes with the Board agenda and business value drivers.
- Enable the Board and Executive Management to demonstrate the effective execution of their fiduciary responsibilities:
  – Safeguarding of assets
  – Integrity of operational, financial and integrated reporting
  – Compliance
  – Operational excellence and profitability
  – Achievement of strategic objectives.
- Optimisation of assurance in terms of cost, quality and coverage across four lines of defence:
  – Management
  – Corporate functions
  – Independent assurance
  – Board/ Board sub-committee oversight.
- Spreading oversight responsibility across Board sub-committees to ensure that:
  – Workload across committees is balanced
  – Committee skills and its oversight responsibility are aligned
  – Board committees play a more intrusive and active role in risk and assurance.
- Baseline information will be accessible to support Integrated Reporting and the ORSA.

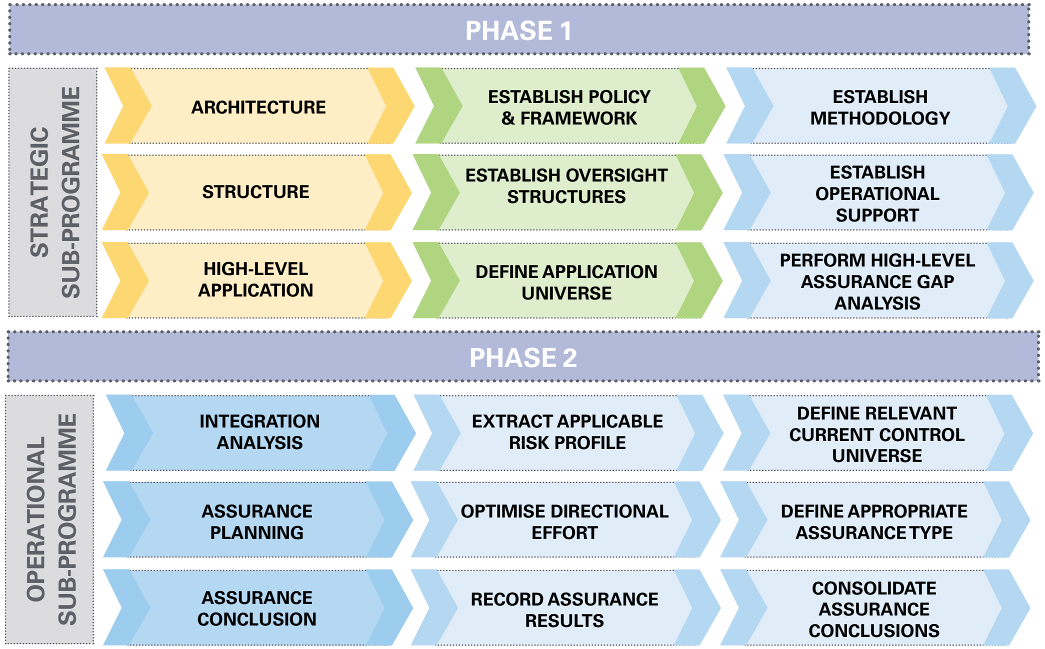
- Application of King III principles.

  It is important to recognise that an Integrated Assurance programme does not necessarily aim to reduce the overall cost of assurance, including external audit fees. Optimisation of the programme aims to increase the confidence management and other stakeholders gain from it; it therefore aims to increase investment efficacy - 'bang-for-your-buck'. Experience has shown that organisations often do not know what the actual cost of assurance is and where it is spent. Earlier, it was mentioned that it often amounts to approximately 5 percent of turnover for JSE listed companies, which represents a significant investment worthy of careful planning and consideration. An optimised assurance programme will therefore aim to use this investment to greater effect.

  New process development and implementation often leave organisations reeling, expecting cultural backlash, operational disruptions and process inefficiencies to plague it. However, the Integrated Assurance programme aims to leverage off processes and systems already operational within the organisation, in particular the organisation's enterprise risk management and reporting systems. The programme is also less prone to the difficulties associated with 'big bang' vs. 'evolutionary' implementation methodologies. Having said that, experience has shown that organisations tend to prefer an evolutionary implementation plan, at least initially, starting with a top down approach[3], followed by an increasingly rapid roll-out as the programme permeates to divisional and functional levels[4]. This allows management to adjust to the new process of risk and assurance planning and monitoring, before more comprehensive roll-out activity commences.

  Typically, this is done in two phases which are decomposed in the diagram below. Whereas the strategic sub-programme aims to establish a repeatable process built on a robust infrastructure, the operational sub-programme entails the application of the methodology across the organisation in order to exploit the benefits of a comprehensive Integrated Assurance programme.

INTEGRATED ASSURANCE MATURITY DEVELOPMENT PLAN



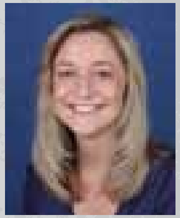
Such a programme is scalable and often takes the form of evolutionary maturity. However, our experience has shown that the implementation of both sub-programmes are required to fully extract benefits and companies are therefore encouraged to do so.

Conclusion

A case has been made for implementing an Integrated Assurance programme, not as a governance activity but rather as a business imperative with the purpose of supporting management in mitigating risk and providing stakeholders with confidence that it is done appropriately. Further to this, the inclusion of the fourth line of defence, that of utilising the board oversight committees more effectively in assessing risks, mitigation activities and assurance programmes, expands the provision of optimised assurance to stakeholders to include the notion of 'insurance' to executive management. In today's world of increasing regulatory demand, and hence increasing costs, insurance companies must optimise their investment in risk mitigation and assurance to ensure future organisational viability and continued investor confidence.

[3] Refer to Phase 1 in the diagram.
[4] Refer to Phase 2 in the diagram.

DE-ENCRYPTING: POPI



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The business of insurance is dependent on personal information - the collection, analysis and processing of it. As the industry is governed by its own tome of legislation, the question has been raised in some quarters as to the relevance of the Protection of Personal Information Act ("POPI" or "the Act") to the industry and how it will relate with current insurance legislation.

POPI is an overarching piece of legislation and far from being superfluous, provides specific requirements on how personal information must be processed and protected, where other legislation may fall short. All players in the industry, from large insurers to independent intermediaries, will need to take cognisance of the specific requirements of POPI.

The Act is also broad in its application and offers few exceptions to its reach. This is borne out by the very wide definitions of "personal information"[1] and "processing"[2]. That is not to say that POPI precludes the processing of personal information, but it does set out the parameters for lawful processing of that information.

At the heart of POPI are 8 listed conditions which must be adhered to by any entity or person, referred to as the "responsible party" in terms of the Act (that is, the entity or person that determines the purpose and the means for processing the personal information). Due to the fact that personal information may be processed by different parties in different capacities at any one time, it is possible that more than one entity could be deemed to be a "responsible party" in relation to that personal information and each party would independently need to consider their accountability as such under the Act - whether it be the intermediary as the initial interface with the policyholder, to the insurer, third party administrators, insurers, claims adjusters and third party service providers (plumbers, panelbeaters, medical practitioners etc.) amongst others. Added to that, the sheer volume of personal information collected, processed, stored and transferred to other service providers in offering an insurance product to a data subject necessitates careful consideration of what POPI requires of each party handling personal information. What follows below is a high level overview of some of the requirements of POPI, some of which are encompassed in the 8 conditions for the lawful processing of personal information in terms of the Act.

Consent

The responsible party must obtain the consent of the data subject to process their personal information. The consent must be both specific and informed, and the responsible party bears the burden of proof that consent was obtained. This obligation may give rise to certain practical difficulties where personal information is obtained from sources other than the data subject, for example in the case of beneficiary information provided by the data subject.

Certainly, there are exceptions to the requirement to obtain the data subject's consent and to collect personal information directly from the data subject or beneficiary (as the case may be) and these are laid out in the Act. It should be borne in mind that the insurer will need to prove that these exceptions exist in the absence of consent and will need to develop an appropriate business policy regarding how such consent will be secured, where it will rely on the exceptions under the Act and how this will be recorded.

A specific purpose must be identified for the collection of personal information

Personal information can only be collected if the responsible party has identified a specific and explicitly defined purpose related to the function of that responsible party and further has made the data subject aware of that purpose. This may require a clear statement on policy and claims application forms of what the personal information will be used for.

The data subject has the right to withdraw his consent and to object to processing

The data subject has the right to withdraw his/her consent and to object to the processing of his/her personal information at any time.

[1] Personal information, as defined by the Act, includes, but is not limited to information relating to the race, gender, sex, pregnancy, marital status, national, ethnic or social origin, colour, sexual orientation, age, physical or mental health, well-being, disability, religion, conscience, belief, culture, language and birth of the person; information relating to the education or the medical, financial, criminal or employment history of the person; any identifying number, symbol, e-mail address, physical address, telephone number, location information, online identifier or other particular assignment to the person; the biometric information of the person; the personal opinions, views or preferences of the person; correspondence sent by the person that is implicitly or explicitly of a private or confidential nature or further correspondence that would reveal the contents of the original correspondence; the views or opinions of another individual about the person; and the name of the person if it appears with other personal information relating to the person or if the disclosure of the name itself would reveal information about the person.

[2] Processing includes not only the collection of personal information, but also the use, recording, organisation, collation, storage, updating or modification, retrieval, alteration, use, dissemination, distribution or making available in any other form or merging, linking, as well as restriction, degradation, erasure or destruction of information

Unless legislation provides for such processing, the responsible party is prohibited from processing the information further. Practically this may be easier legislated than done, particularly where personal information is not stored centrally in an organisation. Insurers will thus need to find a way in which they can incorporate appropriate measures into business process to ensure that where such an objection has been received, personal information is removed from both active and archival systems.

Direct marketing

What comes as good news for the consumer, POPI places limits on direct marketing. Of course these restrictions will bring about administrative and practical considerations for the responsible party. A responsible party cannot process personal information for direct marketing purposes unless the data subject has given express consent. Where the Consumer Protection Act provides for an "opt-out" of direct marketing, POPI requires a clear "opt in" on the part of the data subject before his information can be used for direct marketing. It should be noted that the responsible party can only request for consent once and then in the prescribed manner and form.

To avoid censure under the Act, an insurer will need to consider how they will effectively manage their customer database to record where a policy holder has not given consent or has withdrawn consent and, most importantly, ensure that the policy holder is not later contacted for direct marketing purposes.

Retention and destruction of personal information

Personal information cannot be kept any longer than it is necessary to achieve the purpose for which it was initially collected and subsequently processed. Once the purpose is fulfilled, the responsible party is obliged to destroy or delete a record of personal information or de-identify it so that the record cannot be reconstructed in an intelligible form.

The obligation to destroy personal information, is subject to any other legislation, which may require or authorise the responsible party to retain information for a specified minimum period (for example, the Financial Advisory and Intermediary Services Act and the Financial Intelligence Centre Act, which both have a minimum 5 year period in which certain documents need to be retained).

Data subjects have a right to object, correct, access and remove

In addition to the right to be notified when a responsible party is collecting personal information about them, a data subject is entitled to request a record of the personal information held by the responsible party and details of every person who has had access to that information. The data subject is also entitled to request that the personal information in the responsible party's possession is corrected, destroyed or deleted.

Companies need to take specific security measures to maintain the confidentiality and integrity of the personal information

POPI requires that responsible parties identify all internal and external risks to personal information in its possession or under its control and establish appropriate safeguards against these risks. The security measures that are put in place are required to be regularly monitored and updated.

The obligations are to be taken seriously, as in the event of an information security breach for whatever reason, the responsible party is required to formally notify the information regulator and every data subject affected by such breach.

Use of third party administrators and other "operators"

Where a responsible party makes use of a third party (referred to as an "operator") to process the personal information on that responsible person's behalf, the responsible person remains accountable for the protection of that personal information.

It should be noted that POPI specifically requires that the responsible party and the operator enter into a written contract in terms of which the operator will establish and maintain security safeguards in respect of the personal information. The Act does not indicate how far a responsible party must go in ensuring that the operator establishes and maintains the necessary security measures. It remains to be seen whether the Act will be interpreted as requiring the responsible party to take additional steps to satisfy itself that the operator has established appropriate security measures to protect their client's personal information (such as through a security audit). The reputational risk cannot be ignored and an insurer will want to take whatever steps may be necessary to ensure that its brand is protected effectively. This may mean regular monitoring of the security safeguards of third party administrators to moderate the risk of a security compromise.

The costs and risks of POPI

POPI certainly presents its challenges to every business, not least in the insurance industry, especially at a time during which the industry is particularly burdened by regulatory change. On the flip side, data breach insurance can be big business, especially if one considers how successful the foreign regulators have been in prosecuting data breaches.

While POPI sets out administrative penalties and fines that may be imposed by the Information Regulator (depending on the nature of the contravention, a fine of up to R10 million or imprisonment of up to 10 years may be imposed), it is anticipated that these sanctions will pale in comparison to the costs of reputational damage, civil damages and the associated remediation costs. In addition to these is the administrative burden and the cost associated with notifying affected data subjects in the event of an information security breach and the man hours involved in responding to the Information Regulator where a complaint has been made. The impact of a security breach could be significant and time-consuming, far beyond the concern of legislative penalties and should therefore not be taken lightly.

Conclusion

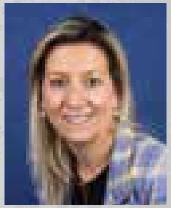
The effective date for the substantive provisions of POPI has not yet been determined by the President, although sections governing the establishment of the Information Regulator and his power to make regulations to the Act became effective on 11 April 2014. Companies will have 1 year, once the effective date is published, to ensure that all processing conforms to the provisions of the Act. There is still uncertainty as to when POPI's effective date will be promulgated, but given the volume of personal information being handled on a daily basis, the time is nigh to correct any gaps that may expose the insurer, the intermediary, the third party administrator and other service providers to risk under the Act.

While one can sympathise with regulatory fatigue, POPI should not be seen as a regulatory burden in what may be considered an already well regulated environment. Insurers and larger organisations should already have significant security safety measures in place to protect personal information. Existing policies and processes must now be leveraged to ensure that personal information is not only protected, but also processed lawfully.

In the case of the smaller intermediaries, POPI may present unique challenges where resources are limited. However, simple yet practical steps go a long way in identifying potential security risks and to ensure that information is protected - such as diligent back-up of data, restricting external access to personal information, securing hard copy information and the encryption of devices.

Sight should not be lost on the fact that POPI will now bring South Africa in line with international standards on data protection and processing and it has taken us almost 9 years to get here. This fact should be embraced by business as an opportunity to improve the utilisation of information and the efficiency of information processing systems, but most of all POPI offers an opportunity to grow and maintain client confidence.

THE CHANGING compliance function



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Why all the change

In the years following the financial crisis the regulatory environment in the financial services industry has undergone unprecedented levels of reform. The priority of governments and regulators has always been to ensure a safe financial system, however the global financial crisis brought about a renewed focus on consumer protection and financial stability.

In addition to the widespread regulatory reforms, it is clear that the 'light-touch' approach to supervision is quickly becoming a thing of the past as we see regulators move to a more intensive and intrusive supervisory regime. This, in itself, is likely to have a significant impact on the resourcing requirements and the way in which organisations structure their compliance functions.

A further downside of the financial crisis as well as the significant number of conduct risk matters that have come to light in the ensuing years is that the public's confidence in the financial system has been severely diminished. Re-building this confidence and gaining the trust of the customer is crucial to the recovery of the industry.

More often than not institutions are overwhelmed by the extent and cost of regulatory requirements. Consequently regulatory responses are at times reactionary and 'firefighting' becomes the status quo. Whilst this approach leads to the immediate requirements being addressed it does run the risk of creating overlapping compliance processes, resulting in increased costs and an ineffective compliance programme which lacks any form of long-term strategic response.

In the absence of a quantitative contribution to the bottom-line, compliance has traditionally been provided minimum resources. While it is difficult to measure the value that the compliance function contributes, there is little doubt that an ineffective or non-existent compliance function has the potential to result in exceedingly high costs in the longer term. This is best illustrated by the extremely severe sanctions and fines recently imposed by regulators on certain institutions for instances of non-compliance.

The changing compliance function

The reality is that whilst the regulatory landscape has changed significantly, the compliance function has not always changed at the same pace to keep up to speed with the volume of regulatory change.

With the increasing regulatory pressure showing no sign of easing, managing the challenges of the new regulatory landscape will require that organisations increasingly rely on their compliance function to meet the demands.

In the face of stakeholder demands for greater integrity, accountability and financial stability, compliance teams have an increasingly important role to play in protecting and enhancing corporate values and the reputation of businesses rather than simply enforcing compliance with the rules.

There is a general movement amongst regulators globally towards the 'twin peaks' approach to regulatory supervision which will see one of the 'peaks' focussing on prudential regulation and the other on market conduct and treating customers fairly (TCF). Whilst TCF is clearly a subset of conduct risk in that it aims to achieve certain outcomes for customers, market conduct typically goes beyond focussing purely on the customer - it focusses more on the behaviours and actions of an organisation that could cause detriment to a multitude of parties including the bank itself.

As a result, it will become increasingly necessary for organisations to re-think the structure and mandate of their compliance functions and to assess whether they remain fit for purpose in the new regulatory world.

Structuring the compliance function

Key to an effective compliance function is that it should operate as a truly independent second line of defence. All too often we see a muddling of the roles of the first and second lines of defence. The first step in getting this right is to clearly delineate between the various role-players and articulate the roles of each line of defence so as to eliminate the potential for overlap and the potential for risks and issues to be missed.

Compliance's role in this is to set the rules and provide effective monitoring to ensure that the business stays within the rules. It also goes beyond mere compliance with the letter of the law to compliance with the spirit of the law and adherence to a common set of values so that all the decisions taken in the business are based on the principle of 'doing the right thing'.

Scanning the horizon for new and emerging regulatory developments is a key success factor in any regulatory compliance function as it enables organisations to remain abreast of the changing regulatory agenda and avoid being on the back foot when the changes are implemented. All compliance functions should build horizon scanning, regulatory relationship management and lobbying into their daily processes given the important role that this plays in shaping the regulatory agenda.

It is business' responsibility as the first line of defence to assess the impact of the regulatory environment and implement any changes that may be required. This cannot however be done in isolation and it is increasingly important for institutions to take a strategic view of the changes taking place rather than to treat each change as an isolated incident as this approach generally leads to a patchwork of changes and a fragmented compliance programme.

It is also important not to forget or underestimate the role of internal audit (as well as the regulators) as the third line of defence. Internal audit's role is to provide independent and objective oversight over the first and second lines of defence. It is worth mentioning that there is an international movement towards converged or combined assurance which allows organisations to gain the maximum level of oversight from their assurance providers. This approach assists organisations in eliminating any gaps that may be present in their assurance framework and should be considered when defining the roles and responsibilities of the three lines of defence whilst at the same time maintaining the independence of each.

There is no 'one size fits all' solution for arriving at a fresh and invigorated design of the compliance function and its role and powers within the organisation. As a first step, organisations should carefully re-visit their compliance risk appetite. Whilst there is not necessarily one standard solution, there are some key principles that organisations should adhere to help shape the compliance function.

The tone at the top

At the very core of effective compliance lies values, principles and culture and these need to come from the top. In the absence of an appropriate culture at the top it is unlikely that even the best designed compliance function would be effective. The compliance culture starts at the top of the organisation and needs to be lived by every employee in the organisation. Compliance is not the sole responsibility of the compliance function, it is everyone's responsibility. The organisation should have a clearly defined set of values to which employees attest.

The voice of compliance

Organisations need to think about how their compliance functions are structured, not only in terms of their composition, but also their role within the business and their 'voice' within the overall organisation. Compliance must be and must be seen to be an independent and credible function and it needs the support of the chief executive and the board of directors to achieve this. It is imperative that compliance is seen as an integral and strategic element of the business with the appropriate authority to challenge the first line of defence.

There is a global shift towards the head of compliance being given an executive committee seat and it is seen as an important step in providing it with the appropriate exposure and positioning it as a second line of defence equal in stature to the risk, finance and human resources functions.

A further development in this regard is that the reporting lines of the compliance teams embedded in the business line are increasingly being shifted from reporting into the business unit chief executives into a centralised structure. This general shift is an attempt to preserve the independence of compliance and to avoid the situation where the remuneration of the compliance officer is tied to the performance of the business unit.

Resourcing the compliance function

The compliance function needs to be established at an enterprise-wide level, involving cross-functional teams with diverse skills. This could include people skilled in legal interpretation and internal controls as well as those with a deep knowledge of the business and products.

The ever changing regulatory agenda has placed enormous pressure on the demand for compliance resources, with financial institutions competing for these scarce resources at a premium. Effectively staffing a compliance function requires alternative thinking around talent and resource placement. Some options may include relocating resources out of other functions, internship programs, offshoring/right-shoring and even co-sourcing and outsourcing.

Resourcing does not only require the right skills but it also means having the right number of people in the function relative to the regulatory environment in which the organisation operates and the types of products that the organisation sells.

Management information

Due to the volume of information processed by organisations in the twenty-first century, it is now, more than ever, important that organisations invest resources into technology that provides credible management information to serve as an early warning for compliance related issues. Simply put, it is not enough to do re-active monitoring of compliance.

Compliance and senior management need to determine and implement a set of indicators relevant to the business that are monitored on a regular basis.

All of this requires investment and commitment

The challenges in setting up an effective compliance function are many. Creative, broad thinking around compliance and the establishment of a well thought out strategy, are key to an effective compliance programme. One should not, however, underestimate the requirements on resources, time and cost. A strong compliance programme will only survive in the correct corporate culture. Embedding this culture and "the tone from the top" requires that the compliance program be supported by a program incorporating training and monitoring and surveillance as well as an advisory function that helps the business comply with regulations and policy.

The challenge

Whilst it is a demanding and challenging task, the future winners will undoubtedly be those that commit themselves to re-thinking the design and operation of the compliance function and do so by adopting a proactive approach.

Insurers generally have programs that cover the wide array of regulation, largely with a distinct focus on the regulatory check-lists that they are required to adhere to. International experience has shown that as we move towards the twin-peaks structure of regulatory supervision it is likely that the market conduct regulator will increasingly move away from reviewing compliance with the letter of the law to one in which ensuring that services and products are designed to meet customers' needs and that organisations put the interests of customers at the heart of how they run their business. This is a far broader approach to supervision and the compliance function will need to adapt accordingly so that these organisations are not subject to severe regulatory penalties and sanctions.

In conclusion

It is often said that increasing regulatory reform is the single most burdensome activity within the financial services industry. The trend of increased regulatory requirements is likely to continue for some time. Organisations cannot afford to remain entrenched in a reactionary and ad-hoc approach, but rather they need to have a regulatory compliance function which pre-empts regulatory challenges, and is able to respond swiftly.

A well designed compliance function is the cornerstone of the challenges posed by a constantly changing risk, business and regulatory environment. Building an effective compliance program in the current evolving environment is a complex process which requires fresh thinking and replacing the traditional approach with a solution that is agile enough to adapt to the vast array of regulatory reforms.
The benefits to this will extend way beyond the traditional compliance function.

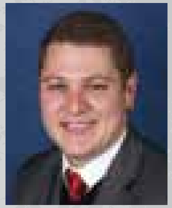
KPMG
cutting through complexity

POPI

Almost all businesses across all industries in South Africa will be required to comply with stringent requirements regarding why, and how they collect, use, disclose and store personal information belonging to both natural and juristic persons in line with the Protection of the Personal Information Act (POPI).

KPMG's extensive implementation experience and legal functionality uniquely positions us to deliver practical, flexible and dynamic privacy and data protection solutions. KPMG offers a multi-disciplinary cohesive solution in response to POPI and data protection. KPMG has an established team of business, compliance, legal and information technology professionals all dedicated and working together to provide practical business solutions that support the businesses agenda.

LEVELLING the playing fields



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Without a doubt, one of the most important priorities for insurers is to stay on top of regulatory changes. Normally regulatory changes are approached as follows: There are those who embrace these changes and attempt to benefit from it, those who try to avoid the inevitable and challenge all proposed regulatory changes, and then there are those who sit back and look the other way until the regulations are on their doorstep. This is no different when it comes to the demarcation regulations between health insurance products and medical schemes, or is it?

Why these regulations?

The main objective with the demarcation regulations is to clearly separate health insurance products from medical schemes. This demarcation is necessary as health insurance products, underwritten by competitive and commercially driven insurers, are considered to be a threat to medical schemes. Furthermore, health insurance products are seen to not necessarily contribute to the social welfare and solidarity principles instilled in the manner in which medical schemes operate. The proposed regulations aim to change existing practices applied by insurers to their health insurance products so that similar principles, to that of a medical schemes, are applied to the health insurance environment. Medical schemes cross-subsidise risk in pooling of members that are from a wide spectrum for instance young, old, healthy and sick individuals. Medical schemes are also non-profit organisations which belongs to its members.

The contributions of members are universal, meaning, depending on the plan you select, the monthly contribution of each member is the same. This is what is referred to as 'community rating'. The benefits within the medical schemes are pre-determined. This is referred to as prescribed minimum benefits ('PMBs') and ensures that members are fully protected against unforeseen and potentially catastrophic health events. Anyone that applies for membership can join the scheme no matter the age, health status, race, gender etc. This principle is called 'open enrolment' whereby no discrimination takes place towards members or potential members of the scheme. All factors above, contribute to medical schemes being affordable to the general public which provides access to quality private health care.

In contrast, health insurance products are underwritten by insurers being profit driven entities, owned by shareholders whose objective it is to derive profits from their operations. These health insurance products are underwritten as accident and health policies as defined under the Short-term Insurance Act ('STIA') or health policies as defined under the Long-term Insurance Act ('LTIA'). Normal underwriting principles are applied in pricing these products, meaning risk factors such as age, health status etc. are taken into account to arrive at a price which aligns with the risk appetite of the insurer. The regulations propose to protect the medical scheme industry and its members from health insurance products which according to the regulators are targeting healthy and young individuals and extracting these from the medical schemes pool. These members either drop out of medical schemes altogether, or buy cheaper medical scheme options with minimal benefits (normally hospital plans) while covering the gap, between the benefit under the scheme option and the actual medical expense, with health insurance. The removal of these members tips the scales towards an older and less healthy average member remaining in the scheme and thus impeding on the principles of cross-subsidisation which normally improves the affordability of medical schemes. As a result, the risk profile within the pool of members increases leading to increases in contributions – an unfavourable situation for all parties involved.

An alternate view is the target market for health insurance products is in fact those in society who are not able to afford traditional medical aid cover. It is therefore an un-serviced market targeted by health insurance products. The proportion of the general South African population who enjoy medical aid cover supports this alternate view, as statistics show it to be a small percentage.

How do you "demarc" your territory?

The need for demarcating legislation commenced as far back as the early 2000's and has developed since. At first, agreement was reached (amongst others) by the Financial Services Board ('FSB') and Council of Medical Schemes ('CMS') that health insurance policies cannot provide benefits which are linked to the list of tariffs for medical services. In 2006, CMS took action against GAP provider, Guardrisk, as some of their short-term GAP cover policies were deemed to be doing the "business as a medical scheme". The Council approached the Johannesburg High Court to have Guardrisk's gap cover policy closed down but lost the case in the Supreme Court of Appeal in 2008. In 2008, National Treasury stepped in to provide direction in achieving a universal objective between affected industries, ie. the insurance industry and the medicals schemes industry. This was necessary as the two industries are regulated by two different authorities ie. the FSB and the CMS. Provision was made in the Insurance Laws Amendment Act ('ILA Act') to allow the Minister of Finance, in consultation with the Minister of Health, to identify specific categories of health insurance products which would be allowed - despite such products meeting the definition of a "business of a medical scheme!"

Since then working groups have been established with representatives for FSB, Department of Health, CMS, ASISA and SAIA to collate information regarding these products to better understand the nature and characteristics of these products.

The proposed regulations gained traction when the first draft demarcation regulations were published in March 2012. The proposals in these draft regulations were not well received by the public, mainly due to the prohibition of GAP cover and hospital cash plans. A considerable number of comments were received, and National Treasury released a summary of 343 comments based on the first set of the regulations. An important piece of the demarcation regulation puzzle was pieced together with the enactment of the Financial Services Laws General Amendment Act, No. 45 of 2013 which amended the definition of a "business of a medical scheme".

The Act came into effect in February 2014, however not in its entirety. The effective date for certain pieces of the legislation was deferred. The amendment of the definition of a "business of a medical scheme" was one of those pieces. The amendment widens the definition of the business as a medical scheme to not only include medical schemes, but also "others". This indicates that if your health insurance product fell within the ambit of this definition you would need to be registered as a medical scheme and need to comply with the medical schemes act. It will thus be prohibited for a licenced insurer to underwrite these types of policies. This is where the second draft regulations comes into play. The second draft regulations carves out certain types of health insurance policies, which meet the definition of a "business of a medical scheme" and allows for it under the short- and long-term insurance acts.

The second draft demarcation regulations were released for public comment in April 2014. These draft regulations recognise the role which health insurance has to play in the market. In particular, it catered for GAP cover and hospital cash plan policies, providing they are appropriately designed and marketed. The second draft regulations provides guidance on how the products must be designed and priced. It also prescribes benefits, marketing and pre-introductory regulatory approvals for these policies.

The second draft demarcation regulations

The proposed regulation provides guidance as to which contract constitutes a health insurance policy as per the short- and long-term insurance acts.

The proposed regulations categorises certain types of contracts which are allowed to be underwritten and it prescribes benefits for each of these categories and the criteria to be met to fall within these categories.

The categories of contracts per the draft regulations for long-term insurance contracts are:

- Lump sum or income replacement policy benefits payable on a health event – the benefit is limited to a maximum aggregate R3 000* per day per person.
- Frail care - benefit may be linked to medical expenses and paid to a provider of health services
- HIV and aids - the benefit may be linked to medical expenses and paid to a provider of health services
- Emergency evacuation or transport - the benefit may be linked to medical expenses and paid to a provider of health services.

The categories of contracts per the draft regulations for short-term insurance contracts are:

- Medical expense shortfall cover– The benefit is limited to an aggregate R50 000* per annum per person
- Lump sum or income replacement policy benefits payable on a health event – The benefit is limited to a maximum aggregate R3 000* per day per person.
- Motor third party liability – benefit may be linked to medical expense
- Property third party liability– benefit may be linked to medical expense
- HIV and Aids – benefit may be linked to medical expense and paid to a provider of health service
- International Travel insurance - benefit may be linked to medical expense and paid to a provider of health service
- Domestic travel insurance - benefit may be linked to medical expense and paid to a provider of health service
- Emergency evacuation or transport - benefit may be linked to medical expense and paid to a provider of health service

*It is proposed that the stated prescribed benefit escalates annually by the Consumer Price Index (CPI) annual inflation rate published by Statistics South

Africa. It is however common for medical costs to increase in excess of CPI, which will cause these products to become obsolete.

The limitations on the benefits payable to policyholders, limits multiple or bundled policies being offered to policyholders by insurers and their related parties. The benefit limits are aggregate limits and apply to insurers and their related parties. One cannot help to feel that it is unreasonable to expect the onus of preventing and detecting this to rest with insurers and their related parties. Should it not be the responsibility of the brokers (intermediaries) who sell these products to the potential policyholders?

The diagram below summarises the mechanics of the demarcation regulations (once a contract falls within one of the categories and it is carved out from the Medical Schemes Act):

MECHANICS OF THE DEMARCATION REGULATIONS

Health and accident and health policy definition	A health insurance product meets the definition of a Health and Accident policy under the STIA and a Health policy under the LTIA.
"Business as a medical scheme" definition	If the health insurance product also meets the definition of a "business as a medical scheme" then the Medical Scheme Act is applicable to this product.
Demarcation regulations carves product out	Once the product meets the criteria and prescribed policy benefits for the categories of contracts listed under the demarcation regulations, its is carved out from the Medical Schemes Act and put back into the STIA and LTIA.
STIA and LTIA	The product will then be subject to the STIA and the LTIA, as well as the demarcation regulations, which is an extension to the regulations under STIA and LTIA.

A contract falling within one of these categories is prohibited under the demarcation regulations to:

- discriminate against any person on the grounds of age, gender and other criteria (i.e. insurers are prohibited from applying normal underwriting practices to these products);
- provide for waiting periods exceeding 6 months;
- provide that the policyholder or insured must be a member of a medical scheme (this is only allowed for medical expense shortfall contracts) ;
- refuse any claim on the grounds that the life insured had experienced a health event prior to the commencement of the applicable cover;
- cancel, amend or not renew a contract as a result of health or claims experience of an insured;
- indemnify a policyholder against medical expenses; and
- pay benefits to a provider of a relevant health service directly.

The regulations propose that the commission relating to the health insurance products is limited to a maximum compensation under the Medical Schemes Act. Brokers will no longer receive normal statutory commissions of 20% (short-term) and 22.5% (long-term – excluding assistance business) on gross written premiums under these regulations. Brokers will now need to settle for 3% of gross written premium or R71.07 per month whichever is the lesser. This will impact this section of the intermediary market immensely. One can only hope that the proposed retail distribution review regulations resolve this contentious matter.

If the views of those are correct and these products currently cater for an un-serviced portion of the market, it will directly affect the amount of tax collected by the receiver of revenue on this cycle of business. It could be argued that this doesn't really contribute to social solidarity.

The regulations propose restrictions to marketing activities and material relating to these products. This is to ensure that the potential policyholder is not led to perceive health insurance products to be the same as medical aids or that it achieves the same objective. It provides that marketing material be in easily understood language. These restrictions are in line with existing legislation such as Financial Advisory and Intermediary Services Act, STIA, Treating Customers Fairly ('TCF') and the proposed draft information letter on advertising, brochures and similar communications.

The regulations prohibits the use of the words "medical" and "hospital" and requires the following statement to be prominently displayed: ""This is not a medical scheme and the cover is not equivalent to that of a medical scheme. This policy is not a substitute for medical scheme membership." Some insurers currently display similar statements in their marketing material, or reference is made to the website of the insurer where such statements are displayed or the difference between health insurance and a medical aid is explained.

The current impact for insurers is that all marketing material and selling interactions with potential policyholders must disclose the proposed regulatory changes. The FSB will be required to monitor this. Although this is not official legislation yet, there exists other legislation which can enforce the above.

The proposed regulations provide for enhanced reporting of product information. The diagram illustrates:

REPORTING OF PRODUCT INFORMATION

Before launching an insurer needs to submit information relating to health insurance products to the FSB and CMS

Timing: One month prior to launching	Required to be submitted: Summary of the benefits, T&C's of the policy and marketing material

CMS can advise the FSB that the benefits, T&C's or marketing material of the product concerned are contrary to the Medical Schemes Act and LTIA (these regulations)

Timing: Within the month referred to above or at any time thereafter	Required to be submitted to the FSB: The reasons for CMS's opinion

The FSB may, after due consideration of the CMS opinion or of its own accord, object to the benefits, T&C's and marketing material

Timing: Within the month referred to above or at any time thereafter	The FSB may: Prohibit launching the product, request to stop offering or renewing the product (90 days to terminate) or amend the benefits, T&C's and marketing material

The effective date of these regulations, according to National Treasury, is anticipated to be October 2014 and the effective date of implementation will be on or soon after the final regulations are published. The proposed transitional provisions are simple, but robust, in that all new health insurance policies entered into and all existing policies upon renewal must be aligned with the new regulations once effective.

See the diagram illustrating the transitional arrangements below:

Transitional arrangements

The insurer must, within 3 months, submit a summary of the benefits, T&C's and marketing material of all existing health policies, introduced or launched on or after 15 December 2008 to CMS and FSB

CMS can within 3 months or at any time thereafter, advise that they are of the opinion that the benefits, T&C's or marketing material are contrary to the objective and purpose of the Medical Schemes Act and the STIA and LTIA (these regulations)

The FSB may, within 3 months, or at any time thereafter, after due consideration of CMS opinion or of its own accord, object to the benefits, T&C's and marketing material and instruct the insurer to stop offering or renewing the product (90 days to terminate) or amend.

So close but so far:

The strength of public comments were clearly visible with the drastic changes from the first to the second draft of the demarcation regulations. The majority of public concern over the first draft demarcation regulations pertained to the prohibiting of GAP cover and hospital cash plans. With the second draft regulations one can expect comments to address new concerns or concerns over factors which were previously silent. It is clear that this piece of legislation does not want to be pinned down and may still be far away from being finalised. It will require clear understanding of and a high appreciation for the affected industries from National Treasury in developing a final demarcation regulations which these industries can digest.

WHAT DOES OUR FIRST TEAM get paid?

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A football world cup always catches the attention of the world: the excitement of the build-up; the expectations of certain countries; the unknown of the newcomers; the beautiful colours, people and stadiums on show; and ultimately the possibility to watch the best play the best. The world cup year also inevitably involves some discussion around the salaries paid to the top players. There has no doubt been that moment when many of you, or those around you, have realised that your chances of making it in the big time are long gone. No doubt that whistle went a long time ago for many of us – a study by Simon Kuper[1] suggests that the expiry date of football players tends to be around 32 years of age. Still, you can always dream big for your children. As players in the insurance game the question we should be asking ourselves is – how well are football players paid when compared to insurance executives?

To answer this question (and decide the future of our children), we have taken a light hearted look at whether it has paid executives in the insurance industry to slog it out in the business world rather than pursue their childhood dreams of becoming an international football star. Football is an international game, and so is insurance so we believe that some form of comparison can be reached.

#Insurance_football_qualifier: kick-off

Our search starts locally with the Premier Soccer League (PSL). Kick Off magazine[2] published an article which explored the local salaries and put the top six PSL football players as earning between R3.5 and R5 million per annum. The top six included names such as Benni McCarthy (who was bordering on 35 years old at the time) and Siphiwe Tshabalala. The next tier of local footballers included 20 players earning between R2.5 million and R3.5 million per annum. The next tier, with just over 50 players, earned between R1 million to R2.5 million.

Let's compare this to the salaries of the Chief Executives of South Africa's largest insurers. To perform this analysis we took the annual salaries as disclosed in the financial statements of 25 of South Africa's largest insurers and compiled the salary information for the chief executive officers, managing directors and (in absence of details regarding who this individual was) the highest paid executive directors. The salary expense was taken as the average over the current and prior reporting period. Based upon this it was immediately obvious that life insurance chief executives earn significantly more than their short-term counterparts. The average remuneration (including the income statement effect of share options) for life insurance executives was R15 million, with the highest exceeding R28 million and the lowest at R4.4 million. The average of short-term and reinsurers was closer to R5.5 million. The highest in this sample was R16.8 million and the lowest, for a relatively new start up insurer, R1.1 million.

How does this compare to local footballers? Well clearly insurance is the place to be in South Africa – the top six earned an average of R20.9 million and the next eleven were still earning more than the R5 million ceiling for local footballers (not to mention the other executives such as financial directors who earned on average 40-80% of their CEO counterparts, but would therefore still be earning more than most footballers).

#Insurance_football_qualifier: Insurance 1 – Football 0

But looking at this pool one has to consider that certain of our local insurance companies are part of multinational groups, whether through subsidiaries or because of international shareholdings. This is true for the majority of the insurers included in the sample - across the life, short-term and reinsurance sectors. Surely then we should be comparing to South African footballers playing internationally? In this space we have the local legend Steven Pienaar, who earned an estimated $5 million in 2013, putting him ahead of any of the chief executives in our sample[3]. Laduuuuma!

#Insurance_football_qualifier: Insurance 1 – Football 1

Back in the day (in 2007) Benni McCarthy earned about R493,000 per week at Blackburn Rovers[4]. In a 36 week season this would have put him comfortably amongst the life insurance executives and streaks ahead of most others. His star burned bright for only

[1] http://www.askmen.com/sports/fanatic_300/325_the-best-age-for-athletes.html
[2] http://www.justcurious.co.za/2012/09/kickoff-reveals-psls-highest-paid-soccer-players/
[3] http://www.thesouthafrican.com/columns/top-10-highest-paid-south-african-sportsmen-of-2013.htm
[4] www.iol.co.za/sport/

a short period though and as we have seen by 2013 he was down to below R5 million (this was however after taking a severance package at West Ham United for £1.5 million in 2011 - not too shabby![5]).

This still doesn't compare to the top ten paid African footballers for 2013 as listed below.[6]

Name	Earnings ($mil)	Home Country
Yaya Toure	21.0	Côte d'Ivoire
Samuel Eto'o	20.0	Cameroon
Didier Drogba	17.5	Côte d'Ivoire
Seydou Keita	16.2	Mali
Emmanuel Adebayor	13.5	Togo
Frédéric Kanouté	8.4	Mali
Kolo Toure	7.8	Côte d'Ivoire
Christopher Samba	7.5	Congo
Michael Essien	6.9	Ghana
John Obi Mikel	6.1	Nigeria

It is difficult to track the progress of South African business professionals who have made it overseas, much less African professionals. However that wonderful institution Forbes[7] does track international professionals and categorises them by industry. Consequently we obtain a reliable picture of what international insurance executives are earning. The average earnings of the Top 10 African football players is $12.5 million, the average of the top 10 insurance executives is $15.62 million, with the lowest insurance executive in the top ten earning $9.88 million. The top fourteen insurance executives all earned more than John Mikel. Goaaaaallll!

#Insurance_football_qualifier: Insurance 2 – Football 1

Topping this list is Daniel Amos of Aflac whose salary of $27.97 million is clearly ahead of Yaya Toure. For the previous three seasons Samuel Eto'o, who was earning $27 million in those seasons would have fared favourably. Of course the $273 million in shares owned by Mr. Amos clearly suggests that his performance to date has been at international level for quite some time. His employer Aflac has over 50 million policyholders and with annual revenue of $118 billion this global giant owns a market the size of South Africa.

Not many of the companies represented in the top earning insurance executives list are brands which we recognise in South Africa, but there are a few:

Name	Company	Earnings ($mil)
Arthur F Ryan	Prudential Financial	15.61
Martin J Sullivan	American International Group (AIG)	11.00
John D Finnegan	Chubb	5.21
Michael G Cherkasky	Marsh & McLennan	3.64
Gregory C Case	Aon	3.38

But how does this compare to the top ten footballers in 2013? Again we look to the ever reliable Forbes. When examining these numbers your first thought is that the players are offside or a foul was committed.

But on the replay it is clear that these goals are allowed. One for Ronaldo who earned $49 million in salary (already putting him ahead of Mr. Amos) and a further $24 million in sponsorship from brands such as Nike, Samsung, Tag Heuer, Fly Emirates and Herbalife. Another one is for Lionel Messi with a salary of $43 million and earnings from his sponsors (Adidas, Samsung, Pepsi, Turkish Airlines and Herbalife) of $23 million. We might also need to concede on Ibrahimovic whose club earnings alone were $30 million, still putting him in a scoring position ahead of Daniel Amos.

Name	Company	Earnings ($mil)
Cristiano Ronaldo	Real Madrid	73
Lionel Messi	Barcelona	65
Zlatan Ibrahimovic	Paris Saint-Germain	34
Neymar Jr	Barcelona	28
Radamel Falcao	AS Monaco	26
Gareth Bale	Real Madrid	24
Wayne Rooney	Manchester United	22
Sergio Aguero	Manchester City	21
Yaya Toure	Manchester City	21
Fernando Torres	Chelsea	20

#Insurance_football_qualifier: Insurance 2 – Football 4

This gives us a clear earnings profile as tabled above. On the left are what you might call the divisions (premier, first, second etc.) or perhaps if you are more into insurance "the layers." A South African footballer can only burn through to the second layer.

A South African insurance CEO can burn through to the fourth layer. But only an international football superstar expends the full capacity of the international market.

[5] www.dailymail.co.uk
[6] http://www.therichest.com/sports/soccer-sports/10-of-the-highest-paid-african-soccer-players-of-2013/10/
[7] www.forbes.com

Layer	League/Division	Earnings Band (Rm)		South African (PSL) footballers	South African Insurance CEOs	African footballers playing internationally	Insurance executives playing internationally	All footballers playing internationally
Maximum capacity	World class	> R300						
250m XS 50m	Premier	> R50	> R300					
35m XS 15m	First	> R15	> R50					
10m XS 5m	Second	> R5	> R15					
1.5m XS 3.5m	Third	> R3.5	> R5					
1m XS 2.5m	Local	> R2.5	> R3.5					

#Insurance_football_qualifier: injury time

However the much quoted adage that sports professionals have a limited earning span must be considered. As mentioned above, the shelf life of a football player is around 32 years, with few progressing on beyond 35 years of age. It is argued that although modern medicine has improved the health of players, the average player is now running eleven kilometres per game compared to about four kilometres in the seventies. In other words the improvements in medical care are offset by the strain on the players. This results in the earning potential of footballers being limited. That said, Forbes was at pains to highlight the fact that despite being retired David Beckham still earned $37 million in the year following his retirement (from sponsorship etc.). Also joining him at number ten amongst the highest earning retired sportsmen is Pele who earned $15 million in 2013 despite having retired in the seventies (mostly attributable to deals in relation to the 2014 World Cup). Interesting to note that the rest of the list does not consist of football players.

These are the exceptions, excessive spending during their careers and shortly after retirement can mean that life for retired footballers is often miserable. XPro, a charity for ex-players, have completed research showing three out of five Premier League players who earned an average of £30,000 per week will declare bankruptcy within five years of retirement. Gõl! Seguro! 3-4

#Insurance_football_qualifier: substitutions

TheSouthAfrican.Com put together an interesting list of the top 10 Richest South Africans[8]. Not surprisingly on this list were household names like Nicky Oppenheimer, Johan Rupert and Patrice Motsepe. However another name on the list comes up repeatedly when you review the financial statements of local insurance companies such as Momentum, Discovery and OUTsurance - Lauritz Dippenaar. Lauritz obtained his CA(SA) through Aitken and Carter prior to becoming one of the co-founders of the FirstRand Group. He is a truly inspirational local insurance and financial services legend. Publicly available estimates put his net worth somewhere between $625 and $650 million - a considerable amount. This clearly outstrips the latest estimates of the net worth of David Beckham, Cristiano Ronaldo and Lionel Messi at $46 million, $42 million and $39 million respectively (one has to wonder what you do with an annual salary of $72 million to have a net worth of only $39 million – the annoying reality that your expenses seem to increase in direct proportion to your income seems to apply even to the wealthiest).

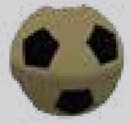
In comparison there are an estimated eleven dollar billionaires who have made their wealth directly or indirectly through insurance. Amongst this list are a few names known even locally. Rolf Gerling for example, the son of Hans Gerling, founder of Gerling-Konzern. Rolf sold his inherited interests therein and they now form part of the greater HDI Gerling Group. He has an estimated net worth of $1.5 billion. Included in this list are four Russians, three Americans, a Brazilian, a German, an Italian and a Thai – clearly a World Cup event. Tor versicherung!4-4

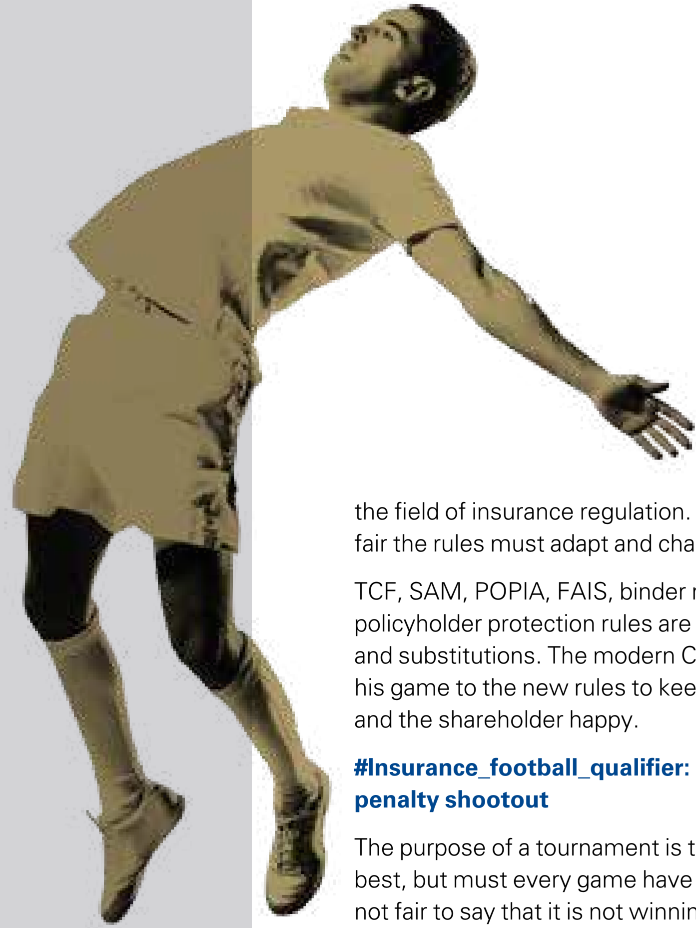
#Insurance_football_qualifier: extra time

On a daily basis Aflac is providing some form of service to over 50 million people: their businesses are covered; their families are protected; and they have the assurance that everything is going to be alright. Each one of those policyholders is casting a vote of confidence in the executive each time they pay a premium. Equally footballers are providing a service. FIFA estimated that 42.9 million people watched the opening game of the World Cup 2014. 26.4 million people watched Germany defeat Portugal.

[5] www.dailymail.co.uk
[6] http://www.therichest.com/sports/soccer-sports/10-of-the-highest-paid-african-soccer-players-of-2013/10/
[7] www.forbes.com
[8] www.thesouthafrican.com

FIFA estimated that 620 million people watched at least 20 consecutive minutes of the World Cup Final 2010. Say the screening rights for this cost the viewer's R1 per minute that would be over R12.4 billion (not to mention the viewers who switched on for portions between supper or work). Add to this the week in and week out viewing of EUFA Champions League, English Premier League and the host of other football competitions. Both teams are clearly providing a service which is in high demand.





But that service is clearly contingent on customers obtaining value for money. To ensure this International Football Association Board has introduced various developments to the game to keep it exciting and in line with consumer demands. Recently, in 2012, goal line technology was permitted, if the individual competition wished to implement it. Other developments such as the introduction of substitutes (in 1958) and red and yellow cards (in 1970) are now such a fundamental part of the game it is hard to imagine football without them. Players who adapt to these rules can use them to their advantage and to increase their chances of winning.

Equally the insurance industry must keep evolving to keep its customers happy. The provision of insurance services is itself a game where the needs of consumers and shareholders are played off against one another on the field of insurance regulation. To keep things fair the rules must adapt and change.

TCF, SAM, POPIA, FAIS, binder regulations and policyholder protection rules are our yellow cards and substitutions. The modern CEO must adapt his game to the new rules to keep the consumer and the shareholder happy.

#Insurance_football_qualifier: penalty shootout

The purpose of a tournament is to identify the best, but must every game have a winner? Is it not fair to say that it is not winning that matters but how you play the game? Some of us are gifted at sports, others at thinking and others with people. Should you have pursued your childhood dreams of becoming a football star? I guess it depends how good you were, but if you are over 32… I have some bad news for you, the whistle went a long time ago.

BREAD, MILK AND
. . . insurance?

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Insurance companies are always striving to grow in this struggling economic climate. But high marketing costs, budgetary constraints and the time needed to market the products all act as deterrents. As a result creativity in sales and marketing is more important now than ever before.

In recent years insurance products have been sold alongside butter, detergent and clothing in most of our large retail stores and supermarkets. These are mostly small value general or life policies, such as cellphone insurance and funeral policies. These policies are mostly sold either at the in store financial services counter or at the till points. Credit retailers began to offer insurance in 2000, focussing initially on insurance directly linked to retail credit products, such as credit life and balance protection.

In the near future could these policies be packaged like any other consumer good, to enable a shopper, to read the label and add it to their trolley without having to talk to a sales consultant?

As we know people like to buy things from people and places that they know and trust, for instance buying your cell phone insurance from the same place you buy your favourite magazines and books. Hence, boosting insurance sales through white labelling is an approach that has been followed in the past. It assists insurance companies to sell their products to customer segments that they may not target under their own brand or traditional marketing and distribution channels. For example, an insurance company who has built its brand servicing high net worth customers can use the white label approach to sell to other customer segments, ensuring their brand value does not get diluted or confused.[1]

Why would the retailer offer financial services including insurance products to its consumers? Finmark Trust provided the following reasons and examples in a recent report "Retailers' motivation for offering financial services":

- Increased consumer traffic – retailers can increase footfall by acquiring new customers and by increasing the number of interactions with existing customers. To do this, retailers can offer insurance products that are in demand within their target markets in order to draw more customers in the retail environment more frequently. A number of credit-based clothing and furniture stores encourage customers to pay their accounts in store. This allows the retailer to engage with the customer and encourage them to spend when the facility exists on their accounts. Likewise with regard to funeral insurance offered by PEP, customers pay monthly premiums in cash in the store, bringing them into the retail environment on a regular basis.
- More profitable customer behaviour – Loyalty programmes can be an effective tool to incentivise more profitable customer behaviour and to gather customer-linked basket data for cash retailers. Clicks offers free funeral cover to its members as a value added benefit. The benefit pay-out for this policy is directly linked to the value of purchases over the six months leading up to the date of claim.
- Leveraging existing assets – retailers can leverage client data and collections platforms to offer additional insurance products that are not linked to store credit. Edgars and Jet have done this particularly well. It now has an insurance portfolio of ten products including funeral insurance, motor and household insurance, legal expense insurance and even dental accident insurance. Its insurance products are offered to account holders only and entry level premiums are relatively low.

This is an interesting way to bring insurance to consumers and make it more tangible and convenient. This also enables the insurer to reach middle to low income families who are often underserved by the financial industry and the insurer is able to build new customer relationships.[2]

There may however be changes in this space with the recent draft information letter from the FSB – Compliance with the Long-term Insurance Act and Short-term Insurance Act: Advertisements, brochures or similar communications – enforcing the following in terms of white labelling:

- "No advertisement, brochures or similar communications must use the name of another person to mislead or deceive as to the true identity of the insurer or to create the impression that any person other than the insurer is financially liable under a policy.

[1] Insurance Services Outsourcing, Boosting insurance sales through a white label approach,2009.
[2] KPMG Global, Milk, eggs and life policy? Insurers bag grocery aisle sales, 2014.

- Any advertisement, brochures or similar communications of a white labelled policy must clearly and prominently identify the relevant insurer. Specifically, the identity of the insurer must be at least as prominent as that of the person under whose brand the policy is offered."

Does this now bring to an end the no-name brand insurance products being sold in our retail stores and supermarkets? Insurers now need to carefully consider which brands they associate their insurance products with in order not to dilute or confuse their perceived brand in the market.

Insurers will need to look for fresh ways to market their products and build awareness and trust with consumers. In the mean time we may soon hear cashiers bellowing over grocery store intercoms, "Price check on motor policy in aisle five, please!"

BANKING INDUSTRY trumps insurance industry in social media usage

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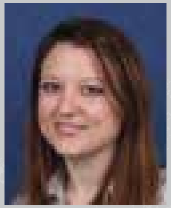

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Much is written about the growth and relevance of digital and social media in marketing strategy in business today. But has the trend caught on in the insurance industry? Little to nothing has been documented locally to date. Does the industry engage with these tools and platforms? And how does it fare against, its cousin, the banking sector?

A competitive analysis compiled by KPMG on 9 July 2014 on the banking and insurance industry's use of social media, revealed that the banking industry is light years ahead of the insurance industry. At the date of the analysis, the peak performing insurance companies were @Discovery_SA with14400 Twitter followers and @SantamInsurance with 9582 whilst the leading bank, @Nedbank has 25 700 Twitter followers.

The specific focus of this research is on the use of Twitter, Facebook and LinkedIn.

Insurance companies	@SantamInsurance	@MF_Insurance	@OUTsurance	@Hollard	@Guardrisk	@firstforwomen	@budgetins	@dialdirect	@Discovery_SA
Twitter									
Joined	N/A	N/A	Sep-10	May-10	Feb-11	Jun-10	Jun-10	Jun-10	Oct-09
Tweets	1 851	1 153	9 104	1 902	1	886	449	601	17 700
Followers	9 582	5 214	6 412	2 618	51	737	419	445	14 400
Linkedin									
No of followers	3 995	5 142	3 165	4 601	282	-	342	342	25 204
Facebook: Likes	11186	207	3954	10149	29	5	4506	1	18200

Insurance companies	@OldMutual SA	@Miway insurance	@Momentum_ za
Twitter			
Joined	Feb-12	Sep-10	May-12
Tweets	2 526	2 778	4 590
Followers	3 747	1 119	4 922
Linkedin			
No of followers	19 362	790	8 543
Facebook: Likes	16 595	5	7314

Banks	@Nedbank	@standard bankgroup	@Absa	@Capitec BankSA
Twitter				
Joined	Aug-11	Jul-09	Mar-12	Apr-10
Tweets	42 000	31 100	30 400	7 585
Followers	25 700	33 300	20 700	10 700
Linkedin				
No of followers	35 261	74 187	43 084	9 524
Facebook: Likes	88 708	41 195	162 067	114 955

Beginnings of technology in banking

In the past 20 years, banking has shown itself to be quick to innovate and fearless in introducing safe and reliable technology to clients. Concerns over online or tele-communications security haven't proven to be a hindrance. No doubt, these successes have only increased the banking industry's confidence in the use of technology as a whole, including social media.

Internet banking was launched in the late 90's, and has been a resounding success, and precursor to the Value Added Services clients enjoy today, such as mobile banking. The insurance industry has been far slower to adopt digital and more specifically social media.

It seems, in the online universe, the industry appears to be as conservative and traditional, as in popular opinion. Risk considerations and the nature of the insurance business, have sorely limited the industry's exploration of these media platforms.

Risk aversion is the bedrock of the insurance industry, and therefore the general perception that social media exposes one to risk, prevails. How do insurers then balance 'keeping up with the times' and technology – without being exposed to unnecessary risk? Traditional insurance practice may not lend itself to social media totally, but a greater foray into social media certainly needs to happen. However, the pace of change mostly driven by regulators in the industry over the last decade has been phenomenal. The advent of direct marketing has changed the way insurers look at communication, at least in personal business. Even insurers which still embrace the intermediary model, have taken to more direct communication with their clients in their marketing strategy.

This evolution has still left a gap in social media use. However, this doesn't mean social media hasn't been engaged with at all. During our investigations, we found some social media users and champions of the cause, within the industry.

Insurance industry success story @ christellefouri (Christelle Fourie)is the Managing Director of MUA Insurance Acceptances, an underwriting managing agency (UMA) based in Cape Town. Her company's strategy could be a good example to insurers seeking to improve their online presence. "Our marketing strategy ties into the message of a global village. We have a 'word of mouth' strategy to grow both our online presence and share of voice," said Fourie.

Speed and efficiency of communication lies at the centre of the company's approach. "The various social media are simply tools to enable communication, and to put a face to the business. "The rapid growth in the number of new Twitter users also plays a role.

MUA originally used a public relations agency to manage their Twitter and Facebook accounts, but in time took the function in–house using key personnel in the business.

The company encourages all their staff to 'get online', with Fourie steering the course of action. The strategy echoes the successful social media inroads made by First National Bank, when former Chief Executive, Michael Jordaan was leading their charge with his personal online presence.

What works for MUA:

- authenticity and transparency; a "no fears" attitude at all levels
- accepting that there are some risks, and engaging and managing them as they arise
- the company's Twitter account, Facebook page and website content are managed by Fourie.

The Facebook strategy has been to attract brokers to interact with them; and it's been a bonus as a direct communication line to debunk myths. They also promote lifestyle products which are aligned to their target market, on their page.

A public relations company was tasked with measuring MUA's online efficacy, but Fourie says she had to take these results with a pinch of salt. It has been a big challenge to measure outcome. As a result, she has opted to evaluate effectiveness by the subjective measure of 'their ability to communicate' and the level of interaction received. Their experience is that hard measurements, such as share of online voice, is not an exact science.

Christelle can be found on Twitter at @ christellefouri. She currently has 862 followers, 7 682 tweets and 500+ connections on Linkedin. Fourie's list of top insurance industry people and companies to follow on Twitter include the following:

- @covertony
- @RiskSA
- @hanna_barry
- @ValaAfshar
- @Bruceps
- @GusSilber
- @LeadingGuru

Taking the leap

Carel Nolte, ex-Etana exco member and Head: People & Brand and now Principal at carelnolte.com, an investor in insurance businesses, has some strong views about having an online voice - and actually using it. "First and foremost, the industry needs to trust itself and not be afraid of what's there. Social media is fast-moving and mistakes do happen, but there's almost nothing that can't be rectified. The key is to learn and adapt just as quickly." He cites another flawed notion - the perceived breakdown or replacement of face-to-face interaction. "Social media does not take away from relationships, in fact it's the opposite. It's still people posting, connecting and liking items over these platforms and this actually builds relationships."

Nolte says one of the reasons the insurance industry is so behind, is due to its heavy reliance on external service providers to run social media accounts. This creates a time and information gap in a pacy, online world where conversations and trending topics never sleep. Nolte recommends a clear social media strategy above all, and an approach which considers, and embraces, both pro's and con's.

Pro's

- Education: the biggest benefit covering legislative and product changes, and encourages on-going learning
- Recruiting: advertising positions quickly
- Creating overall brand awareness
- Winning new business (accounts won via social media via new brokers)
- New business via existing brokers
- Potential to save businesses: when a company makes a mistake and issues a public apology
- Little things that matter: birthdays, broker achievement mentions etc.

Con's

- Time management: can be time-consuming therefore the amount of time spent needs to be clear in a social media strategy
- When advice is provided to a client via social media, it can raise trust issues
- There is vulnerability of making mistakes publicly: on these occasions, 'do the right thing' and move on
- Brokers, in general have been slow to adopt social media. The younger generation has been more receptive to it.

Nolte doesn't support the wide-spread belief that your personal and professional social media accounts should be separate, "You are who you are! Make your Twitter handles personally unique."

Moreover, he believes it should be acceptable to mention competitors on your timeline or post. "We're one industry, and any conversation benefits the entire field."

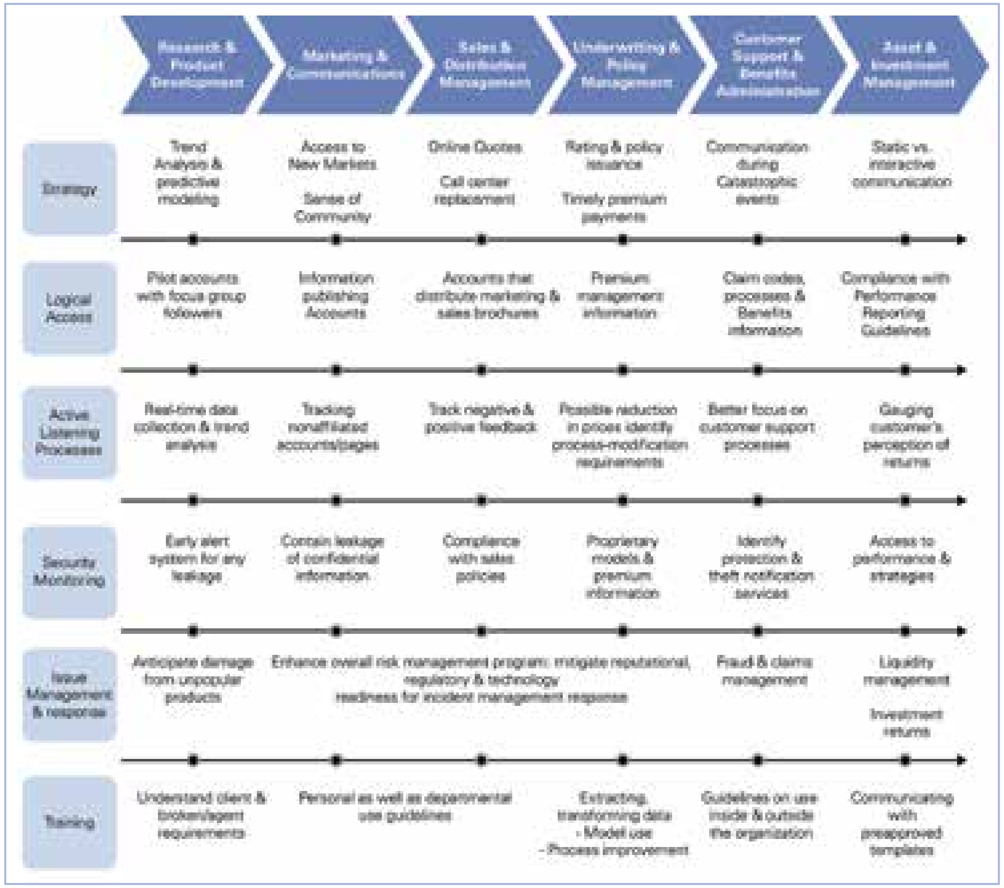
The key is for these engagements to be done from a place of mutual respect.

Nolte and his team (by applying the principles above) helped grow the Etana (now Hollard broker zone) number of engaged Twitter users to in excess of 4000 – a great achievement when considering their relative size to other players in the market. Nolte can be found on Twitter @carelnolte. He currently has 1362 followers, 2868 tweets and 500+ connections on Linkedin. Nolte's list of top insurance industry people and companies to follow on Twitter include the following:

- Christelle Fourie @christellefouri
- Simon Colman @liabilityguy
- Tony (Cover) @covertony
- Risk SA @risksa
- Brett Barker @barker_bib
- Ronald Gall @ronaldWG

Improving your competitive advantage

KPMG is observing many uses that are tied to specific functional components of insurance processes and can be categorised into six topical areas: strategy, logical access, active listening processes, security monitoring, issue management and response and training.



Another area for social media use is employee retention and recruiting. For instance, allowing and motivating employees to maintain a social media presence that acts as a true window into their jobs and responsibilities can greatly increase the existing employee's community and association with the company.

Company specific social media platforms where current employees are frequently updating posts and sharing day-to-day activities may act as a recruiting platform for potential candidates allowing them to get a peek into normal business operations and how the potential candidate's career aspirations may align. In these scenarios, social media may act as a morale boost for the workforce as well as allow for ongoing recruitment by existing employees. The insurance industry certainly has a long way to go in adopting social media.@CapitecBankSA, the most recent entrant to the banking sector boasts a Facebook page with 114 955 likes. It would appear as though insurance companies still have a way to go before likes, like that, are reached.

THE FINAL SCORE

INSURANCE IN AFRICA - Goal or red card

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Two years ago, in our 2012 survey edition, we embarked on a journey to give the industry an overview of the insurance landscape in Africa. In that survey, KPMG documented a high-level review of some of the key economies in the African continent, principally from an insurance perspective. For each of the thirteen countries featured, we touched on the status of the insurance industry, regulatory and macroeconomic environments, foreign direct investment and exchange control conditions.
In 2014 we ask the question – have things changed? Is the insurance industry in Africa growing?

Recent activity in the local market would seem to indicate that there are players serious about expanding their African footprint. Examples include:

- It was reported in December 2013 that **Santam** and **Sanlam** were to enter into an emerging markets partnership focussing on expansion in these markets.
- In January 2014 it was reported that **Old Mutual Investment Group** had R50 bn in funds under management across Africa with plans to expand its operations on the continent significantly.
- In February 2014 **Sanlam** announced its entry into the Nigerian general insurance market with its associate company First Bank of Nigeria (FBN) Life Assurance having acquired 71.2% of Oasis Insurance.
- In June 2014 it was reported that **Hollard Life Zambia** had entered into a partnership with MTN Zambia. Hollard Life Zambia CEO, Mr. Ian Malilwe, says that the product, called MTN EduSure, brings affordable insurance within reach of everyone. "Our partnership with MTN Zambia enabled us to bring to market a product that offers important cover for children's education, at a completely reasonable premium". MTN provides the transactional platform and the distribution capability.
- The acquisition of **Guardrisk** by **MMI** will give Guardrisk access to twelve African markets to assist them with their expansion aspirations.
- In March 2014 the Business Day reported that **MMI** would seek to obtain approval from its Board to spend more money to realise their Africa expansion aspirations. This after having spent R300 million on acquiring Kenyan short-term insurance company Cannon Assurance.
- **Old Mutual** has R5bn and **Sanlam** R3bn set aside for Africa expansion projects.
- In June 2014 **Sanlam** said that it was looking at more acquisitions before the end of the year after announcing that it had bought the majority stake in the largest insurer in Rwanda, Soras Group.

Of the insurance premium written world-wide, 65% is contributed by the Group of Seven (G7)[1], who only accounts for 10% of the world population. According to Swiss Re, the average premium spend by the G7 is $3 910 per capita in 2012. The same average for the emerging markets (which includes Africa) is a meagre $120. The table below indicates the penetration rates and how these have moved since our 2012 survey.

Country	Year	Penetration	Year	Penetration
Angola	2009	0.94%	2012	1.00%
Botswana	2010	2.78%	2012	3.17%
Ghana	2009	0.94%	2012	2.00%
Kenya	2008	2.63%	2012	3.17%
Mauritius	2009	5.11%	2012	5.78%
Namibia	2009	7.30%	2012	7.50%
Nigeria	2008	0.63%	2012	0.68%
Tanzania	2009	0.79%	2012	0.90%
Uganda	2009	0.59%	2012	0.66%

[1] The Group of 7 is a group consisting of the finance ministers and central bank governors of seven advanced economies: Canada, France, Germany, Italy, Japan the United Kingdom and the United States meeting to discuss economic issues.

It can be seen from the table that penetration rates have not moved significantly with Ghana showing the most growth. In all cases the penetration rate has increased. In the case of Zimbabwe however (not indicated above due to reliability of information) we believe that the penetration levels have dropped significantly.

Low penetration rates are mainly the result of:

- **Affordability** of products and services;
- Communities will rather utilise/structure informal insurance vehicles than **trust** formal financial service providers;
- Multinationals are **not motivated** to enter the African markets due to the high rate of poverty;
- **Inadequate reliable information** makes it difficult to assess the creditworthiness of customers;
- **Inadequate legal and judicial systems; and**
- **Human capital scarcity.**

The insurance penetration ratio is the gross value of insurance premiums as a percentage of GDP and is used as a measure of how deep a country's insurance market is. According to Swiss Re's global insurance report, total premiums in Africa amounted to R71,9 bn in 2012, which translates into a penetration rate of 3.65%. This is far below the global average of 6.5% but above the average rate of the emerging markets which is 2.65%.

Africa's insurance density, measured as the ratio per Capita, is globally the lowest, translating in each African paying only $66.4 in annual premium, a tenth of the global average. Advanced Asia has the highest insurance density, reaching $4 387.5 premiums per capita.

Country	Premuims ($m)	Nominal GDP ($bn)	Penetration rate (%)	Population (millions)	Density (premiums per Capita $)
South Africa	54 871	384	14.28	52.4	1 047.4
Morocco	2 857	96	2.97	32.5	87.9
Nigeria	1 828	270	0.68	168.8	10.8
Egypt	1 818	269	0.68	80.7	22.5
Kenya	1 290	41	3.17	43.2	29.9
Algeria	1 250	208	0.60	38.5	32.5
Angola	1 140	114	1.00	20.8	54.8
Namibia	980	13	7.50	2.3	433.7
Tunisia	816	45	1.81	10.9	75.0
Ghana	791	40	2.00	25.4	31.2
Mauritius	655	11	5.78	1.2	528.4
Botswana	460	15	3.17	2.0	229.5
Tanzania	254	28	0.90	47.8	5.3
Gabon	239	18	1.30	1.6	146.3
Senegal	203	15	1.40	13.7	14.7
Libya	174	83	0.21	6.2	28.2
Zimbabwe	167	10	1.70	13.7	12.1
Rwanda	164	7	2.30	11.5	14.3
Uganda	129	20	0.66	36.3	3.5
Togo	42	4	1.09	6.6	6.3
Other	1 765	332	0.53	465.7	3.8
Total	**71 893**	**2023**	**3.56**	**1 081.9**	**66.4**
World wide	**4 612.5bn**		**6.5**		**655.7**

Sources: Swiss Re; UN Population division. IMF, African Insurance Organisation, NKC research

The table above illustrates the size of the African insurance industry as at 2012. Growth rates since 2012 have been suppressed so the data is still regarded as being relevant.

With a penetration rate currently amongst the highest in the world, South Africa is the only African country who has a well-developed insurance market consisting of **both life and non-life markets.** This is attributable to a very well developed financial system which is an important driver of growth in the insurance industry. According to the World Economic Forum's 2013/14 Global Competitiveness Index (GCI), South Africa is ranked third in the world (out of 148 countries) in terms of financial market development behind Hong Kong and Singapore.

If South Africa is excluded from the analyses above, the rest of Africa only writes premium of $17bn per annum – a penetration rate just above 1%. It is anticipated that as the South African economy stabilises and returns to normal levels, there should be ample opportunities for growth for its insurance industry as the premium per capita as indicated above is still far below the average for advanced economies which approximates $3 677 (only at a 28% level).

A lack of **affordability, actuarial skills and data** with regard to mortality and longevity, has resulted in a significantly immature life insurance market in Africa, its penetration rate only reaching 0.31% (density $5 per person), South Africa being excluded.

As with Africa low penetration rates are also evidenced in Middle Eastern countries even though affordability is not a problem in some of these affluent countries.

The reason being that insurance is forbidden in Islam and that Takaful, which is compliant with Sharia law, is an important consideration for companies that are considering expanding operations to Muslim dominated countries.

Affordability is also directly linked to the inflation rates - as inflation rises the value of an insurance contract is eroded. Africa has historically battled with high inflation rates, making insurance products unattractive.

The composition of life and non-life markets is illustrated below:

The table indicates that the South African and African composition of life and non-life premium is the opposite of global trends. In the South African context it confirms the conservative approach of a major part of the population towards adequate life insurance and risk adversity.

But how are the markets fairing on a regional basis – we explore this on a high level in the remainder of this article.

	Life Premium - 2012	Non-Life Premium - 2012
Globally	56.8%	43.2%
South Africa	81.6%	18.4%
Africa (excl South Africa)	30.0%	70.0%

West African countries with oil exports

This region includes Angola, Nigeria and Ghana. Their insurance industries remain significantly underdeveloped and as a result there is immense potential for growth as it is estimated that their economies will still undergo significant growth.

According to Bloomberg, insurance in **Angola** is still dominated by the **oil industry.** There are many factors in Angola that make it a lucrative prospect for insurance development. It is expected that many people will be uplifted to the middle class resulting from growth in the GDP. Together with this the government has enforced compulsory third-party motor vehicle insurance.

In **Nigeria** 60% of premium is derived from the **energy sector.** The key constraint for the insurance industry in Nigeria is the lack of trust that the country has in insurance products resulting from past failures. Of the 169 million Nigerians only 2.25 million have insurance and only 1 million of the 7 million registered vehicles are adequately insured – echoing the significantly low levels of penetration.

The market is extremely fragmented with 59 insurers fighting for market share where penetration levels are far below 1%. Lack of skills and capital have resulted in oil companies taking their insurance risks offshore.

The Government is actively addressing this outflow of resources by:

- Introducing compulsory insurance; and
- Increasing the capacity of local insurers.

The insurance market in **Ghana** is growing rapidly with **business insurance and life insurance** taking the lead. The country has 45 registered insurers of which nineteen operate in the life segment. Growth in the insurance industry will be fuelled by economic growth and the development of the oil and gas sector.

An untapped market in Ghana is that of funeral insurance. The funeral costs in Ghana can cost up to $20 000 and averages at about $6 000. Families have extravagant funerals to show off their wealth to the community. In many instances the burden of the funeral cost results in the family being indebted for many years thereafter. In other African countries funeral insurance is also popular due to its affordability.

It can also be seen form the first table in this article that Ghana had increased its penetration in the insurance industry the most out of the featured countries.

North Africa

The insurance industry in this region, except for Morocco, is underdeveloped and the challenges for new entrants will be:

- **Religion** prohibiting certain products and services;
- **Lack of private sector** development;
- **Lack of regulation and supervision;**
- Unfavourable **tax** regimes;
- **Fragmentation** in market; and
- **Skills** shortages.

Morocco has the second largest insurance market in Africa. The market is dominated by four companies that have underwritten 70% of the risks. The remaining 30% is fragmented amongst thirteen smaller players. As a result new entrants might struggle to obtain market share with such a strong dominance of a handful of players. Part of its success is ascribed to the country being open to foreign investment, encouraging foreign companies to set up shop in Morocco. According to the Oxford Business Group, growth in the insurance sector has consistently outpaced overall economic growth since 2005 when bancassurance was introduced. The country's **well developed banking system** ensured that the introduction of insurance products through the banking system was successful. **Average growth for the six years leading up to 2012 averaged 10% per annum.**

As in South Africa the non-life segment is dominated by motor vehicle insurance – contributing to almost half of the non-life premium. The life segment is vastly underdeveloped and there are many growth opportunities in this space if the right products are introduced – for instance Takaful products to address the needs of the large Muslim population.

In January 2014 the government adopted a bill regulating Islamic finance that will, once legislated, address the current limited forms of Islamic finance options that have been permitted. It is essential that the Islamic finance options are improved to lure investment opportunities from Arab Gulf countries as the opportunities from Europe have been decreasing resulting from the global economic downturn.

Moroccan based companies are aggressive when it comes to expansion of operations. This is evidenced by the following examples:

- Wafa Insurance expanding to the Ivory Coast by acquiring the majority stake of Solidarite Africaine d'Assurance. In addition that leveraging off a bankassurance model to expand into Tunisia.
- CNIA Saada acquired the majority share in Group Colina, also based in the Ivory Coast.
- The holding company of CNIA Saada, The Saham Group, has expanded into Angola by acquiring Angola Seguros. It has also been recently reported that there have acquired the majority stake in Rwadian insurer – Corar - AG.

This aggressive approach to expansion creates an even more challenging environment for new entrants as Moroccon financial groups increase their dominance in the local and African market.

Despite a well developed financial sector, insurance penetration rates in **Egypt** remain below 1% mostly due to Islam being the dominant faith followed as well as **growth in the private sectors** being stifled as a result of state owned enterprises. Areas being addressed to improve the prospects for the industry are the upskilling of people and the introducing of actuarial studies at certain tertiary educational institutions. It would seem that growth opportunities in Egypt at this stage are limited.

Southern and East Africa

With an insurance industry boasting twelve short-term insurance companies, sixteen life insurance companies and two reinsurance companies, **Namibia's** industry is amongst the better developed ones in Africa. The encouragement of foreign investment and a greater portion of wealthy citizens has resulted in the industry experiencing good sustainable growth especially in the life segment. Growth opportunities are however limited by the **size of the population.**

Similarly to Namibia, **Botswana** has a well developed insurance industry with 21 short-term insurers and seven life insurers. Life insurance premium accounts for 67.8% of the annual $460 million gross written premium. The life industry is dominated by Botswana Insurance Fund Management and Botswana Life, both subsidiaries of Botswana Insurance Holdings Limited with its majority shareholder being Sanlam.

The remaining life insurers are all owned by South African companies. The South African companies with a footprint in Botswana, other than Sanlam are: Absa Life, Momentum, Regent Life and Liberty Life.

Motor vehicle and property premium contribute for the most significant portion of the short-term premium underwritten. Botswana Insurance Company, Zurich, Regent and Mutual & Federal have the lion's share of the short-term market, underwriting 75% of the premiums.

The **Mauritian** insurance industry consists of twelve non-life and seven life insurance companies as at the end of 2012 – the market is small and concentrated. The top five non-life companies have an 80% market share. The largest life insurer, Bai, has an impressive market share of 43.5%. Insurance penetration is high at 5.8%.

The government has provided lucrative tax incentives to encourage the life insurance industry and as a result Mauritius is one of only three African countries where the life segment is larger than the non-life segment.

In **Kenya** the insurance market is dominated by the non-life segment writing 66.2% of the insurance premium and being dominated by motor vehicle insurance. Medical insurance is also popular and accounts for 22.1% of the insurance premium written, followed by property insurance at 10% of written premium.

Kenya has attributed their success to their drive for innovation. According to Business Monitor International, Kenyan companies have been more innovative that those in other African countries. A product demonstrating this spirit of innovation is Kilmo Salama, which was launched in 2009, whereby farmers can insure their investments such as fertiliser and seeds against severe weather conditions. The Kilmo Salama project is a collaboration between UAP Insurance, Syngenta Foundation for Sustainable Agriculture and Safaricom, a telecoms operator. Farmers are given protection for losses from extreme weather conditions even if their plot of land is small. The severity of the event, as measured by the nearest weather station, determines the magnitude of the pay-out.

Each farmer with insurance is linked to the nearest weather station, with nobody being further than twenty kilometres away from a station. When the insurer detects that the weather has been bad in the region, farmers are paid out without submitting a claim. This saves costs for all parties.

The association of Kenyan Insurers released a strategic plan in 2011 with its aim to grow the industry by 22% p.a. by doing the following:

- **Simplifying** products and product **innovation;**
- Customer **education;**
- Using **social media** and technology to reach untapped markets;
- **Promoting the image of insurers;**
- **Improving the functioning of member companies;** and
- **Modernising the insurance legislation.**

There are 47 registered insurers operating in Kenya and complete foreign ownership of an entity is not permissible. New entrants will only be successful if their products are innovative and affordable and if they can conclude a successful partnership with a local service provider.

The **Zambian** insurance industry is severely underdeveloped. The insurance companies are small and are undercapitalised. The market consists of three reinsurers, eight life and fifteen non-life insurance companies. Due to the capital constraints the largest portion of the underwritten risks are reinsured outside the borders of Zambia.

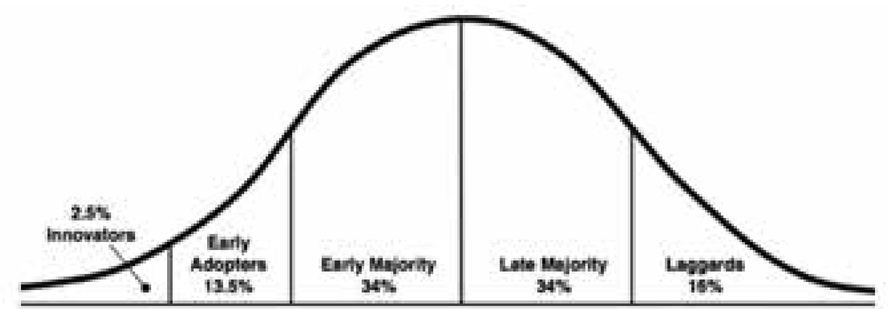
Increased capital levels can only be obtained through M&A activities or via public listing. The country has a relatively well developed financial sector (ranked 46 in the world) and past growth of 20% in the annual premium indicates that there could be a lot of potential for further growth. The bancassurance model is one that may be successful in Zambia as this type of distribution model could create the much needed public awareness for the industry.

Diffusion of innovations

In many of the African countries it would seem that the slow increase in penetration rates is the result to some degree of the mistrust of Africans in insurance products or a lack of awareness and comprehension of the products. This also is in embedded in the theory of diffusion of innovations which seeks to explain how, why and at what rate new ideas and technology spread through cultures. This theory was popularised by Everett Rogers, a professor of communication studies. In his book he says that innovation is communicated through certain channels over time among the members of a social system.

His book espouses the theory that there are four main elements that influences the spread of a new idea – the innovation, communication channels, time and a social system – and this process relies heavily on human capital. The innovation must be widely adopted in order to self-sustain. Within the rate of adoption, there is a point at which innovation reaches critical mass. The categories of adopters are: innovators (2.5%); early adopters (13.5%); early majority (34%); late majority (34%) and laggards (16%).

This is depicted on the graph below.



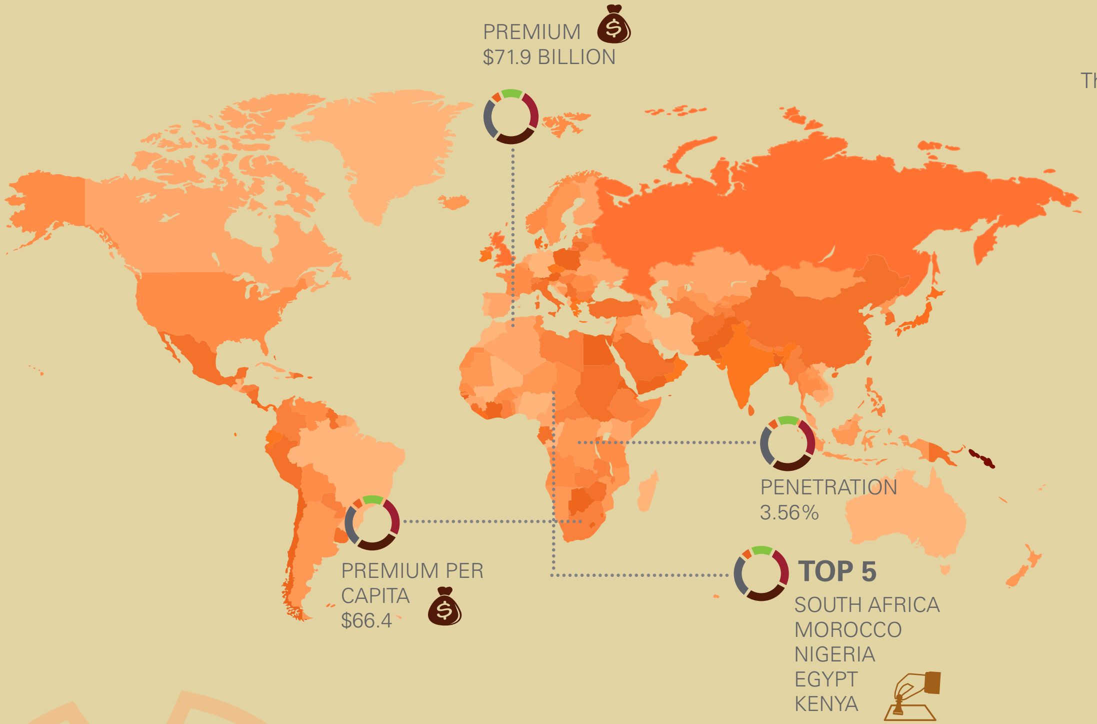
The low penetration rates in certain countries indicate that insurance products have reached innovators, early adopters and in certain instances the early majority. In Kenya and Ghana it is most likely that the inroads being made are such that products have entered the early majority spectrum whilst countries such as Uganda and Nigeria are still at the innovators stage. Does this mean that new entrants are too late to enter markets such as Kenya and Ghana – is there still market space for them? Should they focus on targeting the innovators and early adopters in countries such as Nigeria and Uganda – would they have the risk appetite for this?

As with the soccer world cup rankings, Africa lags the rest of the world in terms of the maturity of its insurance industry – however it is an untapped market and successful growth will be determined by innovation, timing and persistence.

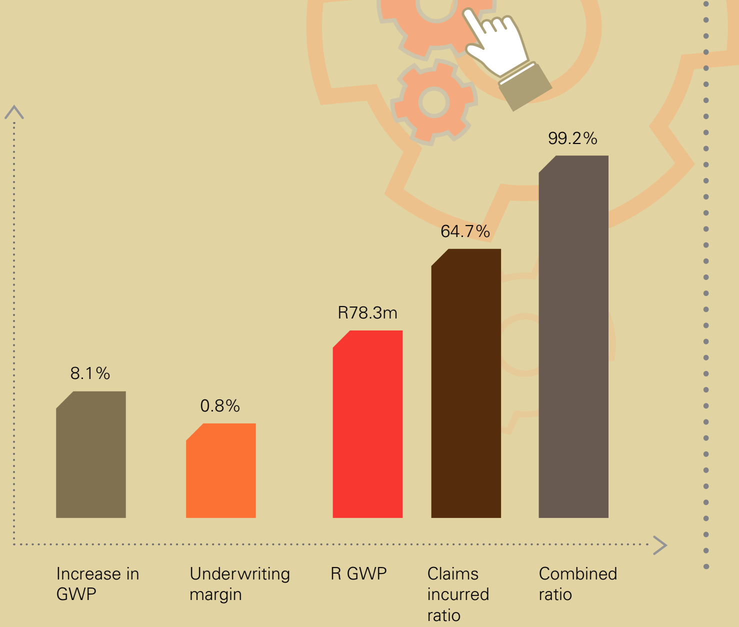
Sources

• African Insurance Review • Bank of Mauritius • Bloomberg • Botswana Non-Bank Financial Institutions Regulatory Authority • Business Monitor International • Business Week • Cable News Network (CNN) • Capital Market Brokers • Economist Intelligence Unit • Imara • International Monetary Fund • Kenyan Insurance Regulatory Authority • Lloyd's • Making Finance Work for Africa • Mauritian Financial Services Commission • Namibia Financial Institutions Supervisory Authority • New York Times • Nigeria National Insurance Commission • NKC Independent Economists • Oxford Business Group • Reuters • Swiss Re • Times of Zambia • United Press International

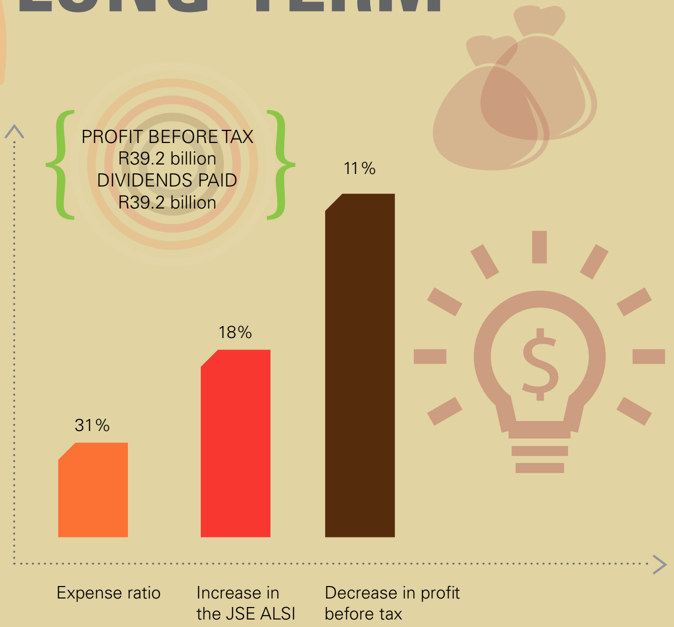
AFRICA



SHORT-TERM



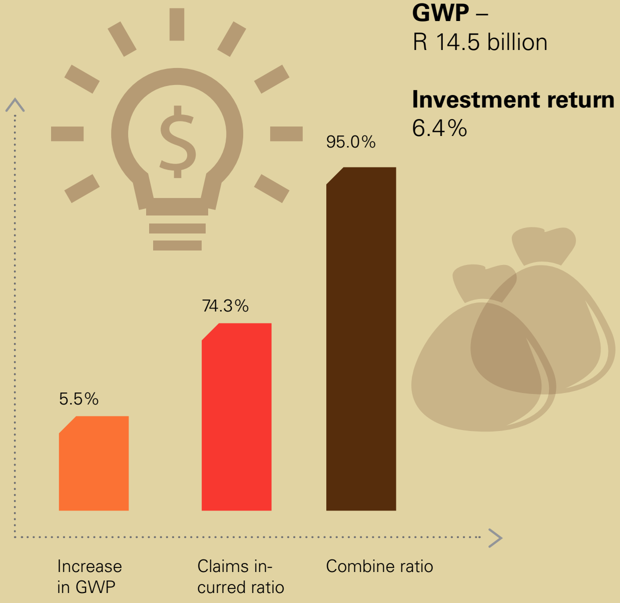
LONG-TERM



REINSURANCE

GWP –
R 14.5 billion

Investment return
6.4%



Short-term insurance industry

Short-term insurance industry

2013 has seen a slight improvement in the growth achieved in the insurance industry, with the participants in this survey averaging an annual growth in gross written premiums of 8.1%. Growth in the short-term insurance industry remains under pressure with the industry recording a disappointing increase in net written premium in 2013 of only 6.0% exceeding the recorded CPI by only 0.6%. The deterioration in the combined ratio of 3.5% is driven by a weakened claims experience. Insurers have fortunately contained costs and the expense ratio has remained the same as in 2012 at 24%.

Salient features of featured participants	2013	2012
Increase in gross written premium	8.1%	7.9%
Increase in net earned premiums	7.4%	6.0%
Increase / (decrease) in investment income	(3.5%)	17.8%
Claims incurred	64.7%	60.8%
Combined ratio	99.2%	95.7%
Operating ratio	89.0%	84.2%

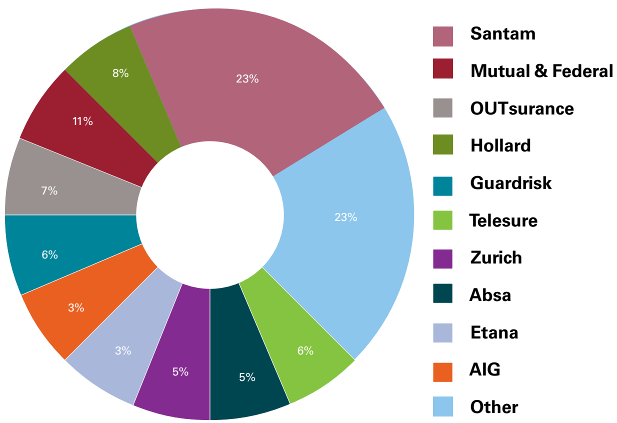
The 10 largest short-term insurance companies measured on gross written premiums participated in this edition of the survey together with a good representation of niche and cell captive insurers.

The net premiums written of the companies featured in this publication approximate 91.2% (2012 : 89.5%) of the industry's net written premiums and based on that, the survey results are a fair representation of the results of the overall industry. The participants (referred to as "the industry") reported gross written premiums of R78.3 billion in 2013 an increase of 8.1% when compared to the R72.4 billion written in 2012.

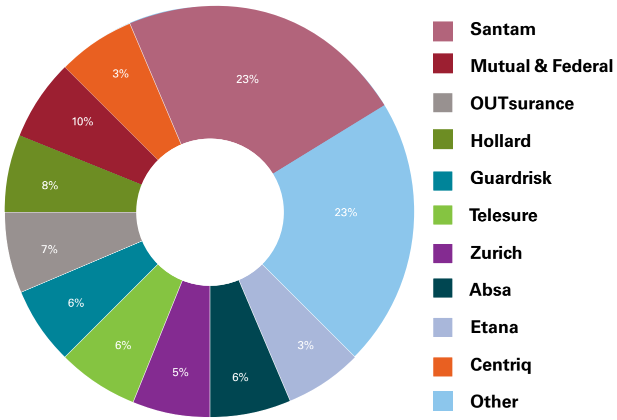
Market share

The charts below reflect the gross written premiums[1] of the ten largest short-term insurance companies which has undergone one change when compared to 2012. Centriq who was the 10th largest insurer in 2012 had to make way for AIG in 2013. Centriq's market share decreased from 2.99% in 2012 to 2.44% in 2013 representing a decrease in gross written premium of R260 million.

2013 Market Share Based on GWP



2012 Market Share Based on GWP



An analysis of the industry based on premium volumes underwritten is illustrated below:

GWP volume	R 'billion	Participation %	Number of companies
Above R5 billion	R 38.3	49%	4
Between R2 billion and R5 billion	R 18.3	23%	6
Between R1 billion and R2 billion	R 11.2	14%	8
Between R500 million and R1 billion	R 7.9	10%	10
Below R500 million	R 2.6	4%	14

The insurance companies falling outside of the top ten have lost market share to the larger insurers. The market is still being dominated by the four largest insurers that underwrite 48.9% (2012: 48.3%) of the market's gross premiums. Market share has remained flat amongst these four players with only M&F gaining market share of almost 1%, the only top 10 company to increase their market share by this extent. M&F achieved a remarkable increase in gross written premium of 18,0% or R1,35 billion.

Other top 10 companies posting commendable growth was Etana and Zurich who recorded growth of 13,8% and 11,9% respectively. These three companies are also the only Top 10 companies to post higher growth than the industry average of 8.1%. Absa Insurance was the only top 10 company to report a decrease in the gross written premium line. This is attributable to the cancellation of approximately 50% of its crop business.

The medium and smaller entities that have attained commendable growth in this tough economic climate are Mutual &Federal Risk Financing (29%), Corporate Guarantee (25%). HDI-Gerling (21%) and ACE (18%).

[1] The gross written premiums for Absa include the premiums for Absa idirect and Absa Insurance Risk Management Services. Premiums for Telesure include premiums written by the other Telesure Group short-term underwriters being Dial Direct, Budget and First for Women and Auto and General.

Together they have increased their market share by R0.35 billion. After a few challenging years, Zurich have managed in 2013 to increase their market share slightly and to increase their gross written premium above the industry average growth rate. In their 2013 integrated report they ascribe 2% of the increase in gross written premium to rate increases and the balance of the growth to new business. Quoted from the integrated report: "This increase demonstrates that our commitment to business segments and channels, over the past 18 months, has begun to show improvements but we acknowledge that we still have a way to go. Furthermore, our retention rates increased from 60% to approximately 75% in a highly competitive insurance market, which is indicative of good portfolio management."

The Santam group achieved satisfactory growth in its commercial, personal lines business and MiWay. However, gross written premium growth was negatively impacted by the loss in cell business in Centriq whose gross written premium decreased by 12%. This was partly due to a relative increase in investment contracts, not disclosed as gross written premium for IFRS purposes.

In August 2013 M&F, acquired the insurance book of specialised crop underwriting manager Agricola for an undisclosed amount. This together with the crop business obtained from Absa has attributed to their exceptional growth in gross written premium and as a result M&F is now one of the top crop insurers in South Africa.

For OUtsurance new business volumes in the core personal lines business recovered but their market share remained flat. The much smaller corporate division achieved double digit premium growth. The Group (includes the Australian operation, Youi) experienced strong new business flows during 2013 driven by Youi's excellent sales growth. The annualised value of new business written increased by 27%.

Profitability

Underwriting profits remained under pressure as the combined ratio on average for the industry deteriorated by 4% to reach 99%. Several factors contributed to this deterioration including but not being limited to:

- Increased costs associated with regulatory change;
- Introduction of binder fees in 2012;
- Extreme weakening of the Rand and the impact on claims costs; and
- Deteriorating and volatile weather conditions.

The industry's claims incurred ratio deteriorated from 60.8% in 2012 to 64.7% in 2013. Most publicised weather related claims affecting the industry include the floods in Limpopo and Western Cape and two significant Gauteng hailstorms at the back end of the year. Most of the industry players writing traditional motor and property business were hardest impacted by the above mentioned claim events. It should be noted that industry players with June year-ends, notably the companies in the Telesure stable, OUtsurance and Hollard will have included in their results the catastrophe events that took place at the end of 2012, notably four significant Gauteng storm events. But not to be forgotten is the treacherous year that credit insurers experienced mostly due to the First Tech corporate collapse, reported to be the single largest default in South Africa's corporate bond market. Not only was the insurance industry exposed but also the banks who had invested in the region of R915 million in the BBB-rated bond. The IDC alone was exposed to the tune of R123 million. Specialist underwriter, Sasria were hard hit by labour unrest related claims. The main driver for the claims increase was the number and financial impact of labour strikes in South Africa over the past year, such as the mining, farm worker and various other strikes.

Investment returns did not alleviate the pressure on the underwriting margin and on average the investment return dropped by 1% when compared to 2012. The short-term insurance industry's exposure to the local equity markets is limited and as a result the industry did not benefit significantly from the strong equity performance in 2012 and 2013 with the JSE All Share Index closing approximately 20% higher than in 2012. This following a 23% increase in the 2012 year.

Cost containment has provided some relief on the profit line. This is a commendable achievement considering cost pressures brought about by the ever evolving regulatory requirements that the industry is faced with.

Companies whose combined ratio outperformed the industry average significantly include OUTSurance, First for Women, HDI-Gerling, Standard Bank Insurance, Budget Insurance and JDG Microinsurance. Surprisingly all of these companies operate with vastly different business models and products indicating that the industry can be outperformed despite the company's specific product offering.

Corporate news

2013 and the first half of 2014 was not quiet when it came to the level of corporate activity in the market.
In November 2013 Alexander Forbes announced the sale of Guardrisk to MMI for R1,6 billion. The arrangement obtained final approval on 3 March 2014.

Herman Schoeman, managing director of Guardrisk reported that he was pleased about the arrangement and that the new MMI structure will provide many exciting growth opportunities for the Guardrisk group of companies. They will also benefit from access to twelve African markets via the MMI network. Alexander Forbes disposed of their investment to reduce balance sheet debt ahead of their planned listing.

In January 2014 the FSB gave the green light for the Hollard Group to acquire the outstanding 60% shareholding in Etana. Hollard is South Africa's largest privately-owned insurance group, while Etana is a leading provider of broker-driven corporate, commercial and personal lines insurance products that has achieved remarkable success since being spun out of Hollard in 2007 (Hollard retained a 40% shareholding in the entity at the time).

Santam announced its acquisition of a 100% shareholding in Brolink in May 2014. Brolink provides information technology and business process outsourcing services to the short-term insurance industry. Santam's objective with the acquisition is to provide greater scale and sustainability in insurance administration activities and to improve operating costs and efficiencies in intermediated distribution channels.

A new Underwriting Management Agency was been added to the portfolio of RMB Structured Insurance in May 2014. The UMA, Credit Insurance Solutions, will be specifically focussed on the needs of both domestic and export trade businesses. The Managing Director of the new UMA , Johan Schnetler, reported that "Our vision is to become a significant player in the South African credit insurance industry within the next 5 years. The team aims to provide maximum returns on investments for our clients as we actively grow our market share."

Regulatory front

The insurance industry has moved into the implementation phase of SAM. The implementation phase will see the light parallel run in the second half of 2014. This is to be followed by the comprehensive parallel run in 2015. During this phase insurers will be required to complete annual and quarterly returns on the SAM basis in addition to the normal regulatory reporting. There will also be the mock Own Risk and Solvency Assessment (ORSA) exercise to be completed.

Further on the regulatory front we expect some information to come out of the reinsurance regulatory review that was recently conducted by the FSB. Also communication is awaited on the transitional arrangements from the existing capital regime.

On 14 July 2014 the proposed amendments to the Insurance Binder Regulations were published in the Government Gazette for comment. The proposed regulations are designed to address "emerging undesirable practices and regulatory gaps" that have come to light since the regulations were first published in 2012. They also aim to better align the rules with certain core principles including accountability of the insurer, responsible outsourcing, policyholder protection and conflicts of interest.

The outlook

Key challenges in 2013 included increased fraudulent claims, the increased frequency in vehicle accident rates, the increase of uninsured motor vehicles to above 60%, severe weather conditions and the instability of electricity supplies.

Continued competitive rates, a subdued outlook for economic growth and a spate of regulatory requirements will ensure that the insurance industry remains challenging. A recent report by Marsh Global Analytics for the third quarter of 2013 and looking ahead to 2014, predicts that as renewal negotiations for 2014 kick off, "stable insurance market conditions are continuing for well-managed risks". Smaller players struggling with the onerous regulatory environment and capital requirements may open the door for further market consolidation. Innovation will be key to obtain sustainable growth in the current market conditions as it is anticipated that strife in the mining sector, rand depreciation and consumer spend containment may continue for the foreseeable future.

Antoinette Malherbe
Partner

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

Accounting year end	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12	Nov-13	Nov-12
Group /Company	**Absa idirect Limited**		**Absa Insurance Company Limited**		**Absa Insurance Risk Management Services Limited**		**ACE Insurance Limited**		**AIG South Africa Limited**	
FSB classification	*Traditional*		*Traditional*		*Cell Captive*		*Traditional*		*Traditional*	
Share capital and share premium	118 510	118 510	31 000	31 000	20 000	20 000	115 000	115 000	322 500	182 500
Retained earnings/(deficit)	15 515	12 727	1 505 523	1 563 806	12 039	10 345	17 209	(10 356)	207 395	229 286
Reserves, including contingency reserve	-	-	70	(2 354)	-	-	2 360	15 270	-	-
Total shareholders' funds	**134 025**	**131 237**	**1 536 593**	**1 592 452**	**32 039**	**30 345**	**134 569**	**119 914**	**529 895**	**411 786**
Total shareholders' funds and non-controlling interests	**134 025**	**131 237**	**1 536 593**	**1 592 452**	**32 039**	**30 345**	**134 569**	**119 914**	**529 895**	**411 786**
Gross outstanding claims	63 716	45 840	665 066	625 846	259 990	153 898	297 308	197 955	1 353 051	1 154 067
Gross unearned premium reserve	14 319	11 784	868 415	945 512	39 104	28 389	173 531	138 103	734 933	663 931
Reinsurers' share of expected salvages and recoveries	-	-	-	-	-	-	-	-	-	-
Owing to cell owners	-	-	-	-	189 702	256 269	-	-	-	-
Deferred reinsurance commission revenue	-	-	22 472	41 458	-	-	38 486	32 665	139 617	116 034
Deferred tax liability	-	-	-	-	3	-	1 468	1 771	-	-
Other liabilities	40 500	20 058	133 806	345 971	-	6 307	119 889	132 108	411 895	532 398
Total liabilities	**118 535**	**77 682**	**1 689 759**	**1 958 787**	**488 799**	**444 863**	**630 682**	**502 602**	**2 639 496**	**2 466 430**
Total investments including investments in subsidiaries	**176 443**	**132 023**	**1 806 103**	**2 104 811**	**73 063**	**98 288**	**143 564**	**98 197**	**463 432**	**334 515**
Deferred tax asset, intangible assets and PPE	14 237	5 465	223 657	232 032	-	-	5 372	11 600	69 223	59 800
Reinsurers' share of outstanding claims	12 952	38 524	307 719	184 507	259 990	153 898	249 465	152 786	1 180 097	962 879
Reinsurers' share of unearned premium reserve	801	45	130 413	211 838	39 104	28 389	133 460	116 392	610 645	551 602
Gross expected salvages and recoveries	-	-	-	-	-	-	-	-	-	-
Deferred aquisition costs	-	-	136 098	135 857	-	-	23 274	21 016	108 404	97 300
Cash and cash equivalents	31 304	9 349	287 793	255 855	28 399	16 151	109 182	137 962	341 197	580 511
Other assets	16 823	23 513	334 569	426 339	120 282	178 482	100 934	84 563	396 393	291 609
Total assets	**252 560**	**208 919**	**3 226 352**	**3 551 239**	**520 838**	**475 208**	**765 251**	**622 516**	**3 169 391**	**2 878 216**
International solvency margin	51%	151%	62%	56%	n/a	n/a	124%	149%	143%	104%
Total assets/Total liabilities	213%	269%	191%	181%	107%	107%	121%	124%	120%	117%
Change in shareholders' funds	2%	22%	(4%)	(5%)	6%	(3%)	12%	n/a	29%	63%

Accounting year end	**Mar-13**	**Mar-12**	**Dec-13**	**Dec-12**	**Jun-13**	**Jun-12**	**Jun-13**	**Jun-12**	**Dec-13**	**Dec-12**
Group /Company	**Allexander Forbes Insurance Company Limited**		**Allianz Global and Corporate Specialty South Africa Limited**		**Auto and General Insurance Company Limited**		**Budget Insurance Company Limited**		**Centriq Insurance Company Limited**	
FSB classification	*Traditional*		*Traditional*		*Traditional*		*Traditional*		*Cell Captive*	
Share capital and share premium	31 915	11 915	90 500	90 500	53 506	53 506	80 001	60 001	55 000	55 000
Retained earnings/(deficit)	59 572	57 131	11 732	12 299	823 034	751 567	195 558	8 044	124 498	94 196
Reserves, including contingency reserve	-	-	-	-	-	-	-	-	-	-
Total shareholders' funds	**91 487**	**69 046**	**102 232**	**102 799**	**876 540**	**805 073**	**275 559**	**68 045**	**179 498**	**149 196**
Total shareholders' funds and non-controlling interests	**91 487**	**69 046**	**102 232**	**102 799**	**876 540**	**805 073**	**275 559**	**68 045**	**179 498**	**149 196**
Gross outstanding claims	227 880	181 429	469 610	443 984	289 734	414 137	182 269	31 604	606 481	509 917
Gross unearned premium reserve	23 146	23 648	191 823	191 786	92 259	87 991	4 000	2 933	1 325 728	1 371 823
Reinsurers' share of expected salvages and recoveries	5 963	12 039	-	-	19 451	37 226	14 654	2 307	-	-
Owing to cell owners	-	-	-	-	-	-	-	-	750 681	578 812
Deferred reinsurance commission revenue	4 989	5 042	79 251	17 718	-	-	-	-	7 986	11 847
Deferred tax liability	-	-	-	-	-	-	-	-	-	-
Other liabilities	56 189	43 135	64 402	2 038 072	112 322	136 520	53 639	18 504	403 684	362 366
Total liabilities	**318 167**	**265 293**	**805 086**	**2 691 560**	**513 766**	**675 874**	**254 562**	**55 348**	**3 094 560**	**2 834 765**
Total investments including investments in subsidiaries	**145 751**	**117 800**	**-**	**-**	**70 009**	**70 009**	**-**	**-**	**2 301 536**	**2 037 916**
Deferred tax asset, intangible assets and PPE	10 297	8 150	11 408	10 069	12 455	59 616	1 034	2 181	13 956	43 094
Reinsurers' share of outstanding claims	197 318	155 627	467 732	440 395	29 131	48 756	16 983	4 397	192 339	246 324
Reinsurers' share of unearned premium reserve	19 690	20 704	191 960	190 942	-	-	-	-	73 501	5 943
Gross expected salvages and recoveries	-	-	-	-	74 562	124 422	45 555	7 199	-	-
Deferred aquisition costs	2 549	3 070	15 241	8 780	-	-	-	-	29 887	57 120
Cash and cash equivalents	6 640	5 225	63 335	1 952 042	594 984	583 159	374 832	71 567	264 140	200 918
Other assets	27 409	23 763	157 642	192 131	609 165	594 985	91 717	38 049	398 699	392 646
Total assets	**409 654**	**334 339**	**907 318**	**2 794 359**	**1 390 306**	**1 480 947**	**530 121**	**123 393**	**3 274 058**	**2 983 961**
International solvency margin	51%	51%	8541%	33815%	78%	52%	49%	57%	29%	26%
Total assets/Total liabilities	129%	126%	113%	104%	271%	219%	208%	223%	106%	105%
Change in shareholders' funds	33%	28%	(1%)	(5%)	9%	(23%)	305%	n/a	20%	15%

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

Accounting year end	Mar-13	Mar-12	Dec-13	Dec-12	Jun-13	Jun-12	Dec-13	Dec-12	Mar-13	Mar-12
Group /Company	**Corporate Guarantee (South Africa) Limited**		**Credit Guarantee Insurance Corporation of Africa Limited**		**Dial Direct Insurance Limited**		**Enpet Africa Insurance Limited**		**Escap SOC Limited**	
FSB classification	*Niche*		*Niche*		*Traditional*		*Captive*		*Captive*	
Share capital and share premium	42 900	20 500	2 649	2 649	20 001	20 001	3 000	3 000	379 500	379 500
Retained earnings/(deficit)	9 862	7 258	656 337	598 564	226 492	171 866	44 999	93 432	1 324 228	1 113 603
Reserves, including contingency reserve	-	-	40 000	40 000	-	-	16 645	18 743	(820)	90 518
Total shareholders' funds	**52 762**	**27 758**	**698 986**	**641 213**	**246 493**	**191 867**	**64 644**	**115 175**	**1 702 908**	**1 583 621**
Total shareholders' funds and non-controlling interests	**52 762**	**27 758**	**698 986**	**641 213**	**246 493**	**191 867**	**64 644**	**115 175**	**1 702 908**	**1 583 621**
Gross outstanding claims	726	4 045	602 447	628 402	151 477	123 226	93 481	70 605	2 154 142	1 664 679
Gross unearned premium reserve	244 740	205 405	105 609	104 612	102 949	98 342	81	1 525	954 480	978 284
Reinsurers' share of expected salvages and recoveries	-	-	19 911	15 329	11 785	10 685	-	-	-	-
Owing to cell owners	-	-	-	-	-	-	-	-	-	-
Deferred reinsurance commission revenue	-	-	-	-	-	-	-	70	34 088	35 534
Deferred tax liability	-	-	46 644	47 661	-	-	1 807	1 833	2 784	3 257
Other liabilities	3 583	2 680	217 726	177 265	59 301	61 962	856	2 297	5 515	38 308
Total liabilities	**249 049**	**212 130**	**992 337**	**973 269**	**325 512**	**294 215**	**96 225**	**76 330**	**3 151 009**	**2 720 062**
Total investments including investments in subsidiaries	**26 059**	**24 738**	**510 958**	**503 567**	**-**	**-**	**79 966**	**117 148**	**3 887 311**	**3 072 113**
Deferred tax asset, intangible assets and PPE	1 087	809	92 887	103 140	10 544	32 173	-	-	-	-
Reinsurers' share of outstanding claims	-	-	114 298	118 928	17 874	16 969	15 329	9 275	218 902	212 695
Reinsurers' share of unearned premium reserve	-	-	10 810	9 071	-	-	65	403	340 875	355 348
Gross expected salvages and recoveries	-	-	98 232	73 746	35 959	35 327	-	-	-	-
Deferred aquisition costs	-	-	-	-	-	-	-	-	17 044	17 767
Cash and cash equivalents	118 834	84 543	684 152	638 237	391 472	269 976	56 334	56 636	8 508	58 805
Other assets	155 831	129 798	179 986	167 793	116 156	131 637	9 175	8 043	381 277	586 955
Total assets	**301 811**	**239 888**	**1 691 323**	**1 614 482**	**572 005**	**486 082**	**160 869**	**191 505**	**4 853 917**	**4 303 683**
International solvency margin	129%	85%	116%	115%	56%	45%	191%	453%	181%	195%
Total assets/Total liabilities	121%	113%	170%	166%	176%	165%	167%	251%	154%	158%
Change in shareholders' funds	90%	35%	9%	32%	28%	(14%)	(44%)	14%	8%	12%

Accounting year end	Jun-13	Jun-12	Jun-13	Jun-12	Mar-13	Mar-12	Dec-13	Dec-12	Jun-13	Jun-12
Group /Company	**Etana Insurance Company Limited**		**First for Women Insurance Company**		**Guardrisk Insurance Company Limited**		**HDI-Gerling Insurance Company of South Africa Limited**		**The Hollard Insurance Company Limited**	
FSB classification	*Traditional*		*Traditional*		*Cell captive*		*Traditional*		*Traditional*	
Share capital and share premium	165 000	165 000	82 000	22 000	114 414	14 414	17 955	17 955	85 850	85 850
Retained earnings/(deficit)	358 607	254 613	44 745	63	157 787	142 279	28 466	25 123	3 795 425	3 695 364
Reserves, including contingency reserve	-	-	-	-	-	-	17	30	4 012	4 012
Total shareholders' funds	**523 607**	**419 613**	**126 745**	**22 063**	**272 201**	**156 693**	**46 438**	**43 108**	**3 885 287**	**3 785 226**
Total shareholders' funds and non-controlling interests	**523 607**	**419 613**	**126 745**	**22 063**	**272 201**	**156 693**	**46 438**	**43 108**	**3 885 287**	**3 785 226**
Gross outstanding claims	614 025	623 297	104 562	-	1 206 349	840 480	114 930	119 049	1 373 757	1 324 482
Gross unearned premium reserve	479 797	442 788	21 489	-	2 596 402	2 501 937	192 148	163 625	1 182 430	1 027 035
Reinsurers' share of expected salvages and recoveries	-	-	14 965	-	-	-	-	-	-	-
Owing to cell owners	-	-	-	-	2 629 616	2 191 717	-	-	-	-
Deferred reinsurance commission revenue			-	-	27 258	29 053	18 848	13 856	-	-
Deferred tax liability	-	529	-	11	17 086	18 516	-	-	298 141	261 345
Other liabilities	611 993	502 598	90 185	8 234	104 270	127 592	169 409	136 301	1 112 107	1 441 523
Total liabilities	**1 705 815**	**1 569 212**	**231 201**	**8 245**	**6 580 981**	**5 709 295**	**495 335**	**432 831**	**3 966 435**	**4 054 385**
Total investments including investments in subsidiaries	**222 609**	**132 801**	**-**	**-**	**5 210 689**	**4 499 706**	**58 239**	**63 064**	**3 276 582**	**3 498 296**
Deferred tax asset, intangible assets and PPE	19 463	11 245	12 857	14	5 589	4 995	256	200	109 684	89 611
Reinsurers' share of outstanding claims	321 012	308 272	18 435	-	134 033	139 111	113 238	116 761	401 830	322 424
Reinsurers' share of unearned premium reserve	311 610	257 808	-	-	618 978	505 568	190 758	162 560	118 695	94 767
Gross expected salvages and recoveries	93 381	124 390	23 688	-	-	-	-	-	194 181	177 969
Deferred aquisition costs	-	-	-	-	16 052	25 041	13 034	9 297	142 807	141 064
Cash and cash equivalents	784 157	755 555	240 649	12 736	371 065	198 352	18 830	6 013	1 457 554	1 785 948
Other assets	477 190	398 754	62 317	17 558	496 776	493 215	147 418	118 044	2 150 389	1 729 532
Total assets	**2 229 422**	**1 988 825**	**357 946**	**30 308**	**6 853 182**	**5 865 988**	**541 773**	**475 939**	**7 851 722**	**7 839 611**
International solvency margin	48%	39%	434%	N/A	13%	7%	2301%	2776%	78%	79%
Total assets/Total liabilities	131%	127%	155%	368%	104%	103%	109%	110%	198%	193%
Change in shareholders' funds	25%	27%	474%	N/A	74%	9%	8%	6%	3%	31%

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

Accounting year end	Sept-13	Sept-12	Jun-13	Jun-12	Jun-13	Jun-12	14 months ended June-13	14 months ended April-12	Jun-13	Jun-12
Group /Company	**Indequity Specialised Insurance Limited**		**JDG Micro Insurance Limited**		**Kingfisher Insurance Company Limited**		**King Price Insurance Company Limited**		**Legal Expenses Insurance Southern Africa Limited**	
FSB classification	*Traditional*		*Niche*		*Captive*		*Traditional*		*Niche*	
Share capital and share premium	11 470	11 470	20 000	20 000	34 988	34 988	129 000	60 000	16 634	16 634
Retained earnings/(deficit)	10 918	6 776	332 004	301 203	92 142	89 459	(94 148)	(10 056)	325 917	299 623
Reserves, including contingency reserve	1 632	1 794	327	-	10 000	10 000			7 393	7 608
Total shareholders' funds	**24 020**	**20 040**	**352 331**	**321 203**	**137 130**	**134 447**	**34 852**	**49 944**	**349 944**	**323 865**
Total shareholders' funds and non-controlling interests	**24 020**	**20 040**	**352 331**	**321 203**	**137 130**	**134 447**	**34 852**	**49 944**	**349 944**	**323 865**
Gross outstanding claims	4 664	4 017	19 273	21 578	9 311	29 247	8 137	-	162 172	150 352
Gross unearned premium reserve	205	151	23 861	23 997	2 892	1 078	-	-	-	-
Reinsurers' share of expected salvages and recoveries	-	-	-	-	-	-	-	-	-	-
Owing to cell owners	-	-	-	-	-	-	-	-	-	-
Deferred reinsurance commission revenue	-	-	-	-	3 698	3 600	-	-	-	-
Deferred tax liability	332	386	-	-	-	-	-	-	5 354	3 649
Other liabilities	3 074	2 756	8 818	13 047	4 866	2 905	15 126	1 022	76 172	61 486
Total liabilities	**8 275**	**7 310**	**51 952**	**58 622**	**20 767**	**36 830**	**23 263**	**1 022**	**243 698**	**215 487**
Total investments including investments in subsidiaries	**4 430**	**3 850**	**-**	**-**	**140 877**	**89 027**	**-**	**-**	**429 938**	**423 324**
Deferred tax asset, intangible assets and PPE	1 237	1 032	498	359	916	2 261	17 917	17 107	25 952	23 292
Reinsurers' share of outstanding claims	26	35	-	-	-	-	7 446	-	-	-
Reinsurers' share of unearned premium reserve	-	-	-	-	-	-	-	-	-	-
Gross expected salvages and recoveries	1 552	2 147	-	-	-	-	-	-	-	-
Deferred aquisition costs	-	-	-	-	3 545	2 644	-	-	-	-
Cash and cash equivalents	24 899	20 086	239 613	226 592	1 312	67 078	20 230	30 230	116 023	73 322
Other assets	151	200	164 172	152 874	11 247	10 267	12 522	3 629	21 729	19 414
Total assets	**32 295**	**27 350**	**404 283**	**379 825**	**157 897**	**171 277**	**58 115**	**50 966**	**593 642**	**539 352**
International solvency margin	65%	59%	66%	70%	1195%	1897%	657%	N/A	60%	60%
Total assets/Total liabilities	390%	374%	778%	648%	760%	465%	250%	4987%	244%	250%
Change in shareholders' funds	20%	22%	10%	n/a	2%	4%	(30%)	N/A	8%	n/a

Accounting year end	Dec-13	Dec-12	Jun-13	Jun-12	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12
Group /Company	**Lion of Africa Insurance Company Limited**		**Momentum Short Term Insurance Company Limited**		**Mutual & Federal Insurance Company Limited**		**Mutual & Federal Risk Financing Limited**		**Nedgroup Insurance Company Limited**	
FSB classification	*Traditional*		*Traditional*		*Traditional*		*Cell Captive*		*Traditional*	
Share capital and share premium	105 965	105 965	148 005	148 005	1 797 000	1 797 000	4 550	4 550	5 000	5 000
Retained earnings/(deficit)	40 789	105 407	23 247	2 586	2 714 000	3 156 000	124 388	118 843	506 324	396 655
Reserves, including contingency reserve	-	-	-	1 410	61 000	13 000	-	-	-	-
Total shareholders' funds	**146 754**	**211 372**	**171 252**	**152 001**	**4 572 000**	**4 966 000**	**128 938**	**123 393**	**511 324**	**401 655**
Total shareholders' funds and non-controlling interests	**146 754**	**211 372**	**171 252**	**152 001**	**4 572 000**	**4 966 000**	**128 938**	**123 393**	**511 324**	**401 655**
Gross outstanding claims	476 451	356 265	54 689	44 239	3 158 000	2 448 000	234 269	176 485	166 420	167 756
Gross unearned premium reserve	327 115	260 595	6 202	5 902	898 000	765 000	224 725	207 511	156 976	90 999
Reinsurers' share of expected salvages and recoveries	-	-	-	-	-	-	-	-	-	-
Owing to cell owners	-	-	-	-	-	-	570 735	645 241	-	-
Deferred reinsurance commission revenue	-	-	-	-	82 000	59 000	43 973	33 313	335	453
Deferred tax liability	-	6 220	-	-	-	-	-	1 524	5 150	809
Other liabilities	421 678	138 954	12 045	8 963	1 907 000	1 473 000	104 026	35 507	152 763	138 674
Total liabilities	**1 225 244**	**762 034**	**72 936**	**59 104**	**6 045 000**	**4 745 000**	**1 177 728**	**1 099 581**	**481 644**	**398 691**
Total investments including investments in subsidiaries	**258 968**	**279 123**	**221 766**	**200 765**	**6 152 000**	**6 334 000**	**515 596**	**263 093**	**461 828**	**394 934**
Deferred tax asset, intangible assets and PPE	36 639	14 820	196	1 755	616 000	463 000	1 801	-	1 704	679
Reinsurers' share of outstanding claims	377 809	295 375	1 169	-	562 000	319 000	94 439	40 830	39 498	69 717
Reinsurers' share of unearned premium reserve	239 008	123 057	-	-	360 000	251 000	193 341	166 121	6 299	8 672
Gross expected salvages and recoveries	-	-	-	-	208 000	157 000	-	-	-	-
Deferred aquisition costs	50 742	50 524	149	262	156 000	152 000	43 973	33 313	65 626	44 916
Cash and cash equivalents	73 939	78 025	14 119	7 109	283 000	272 000	388 945	634 475	397 180	269 274
Other assets	334 893	132 482	6 789	1 214	2 280 000	1 763 000	68 571	85 142	20 833	12 154
Total assets	**1 371 998**	**973 406**	**244 188**	**211 105**	**10 617 000**	**9 711 000**	**1 306 666**	**1 222 974**	**992 968**	**800 346**
International solvency margin	42%	42%	59%	55%	59%	74%	356%	1241%	58%	52%
Total assets/Total liabilities	112%	128%	335%	357%	176%	205%	111%	111%	206%	201%
Change in shareholders' funds	(31%)	n/a	13%	18%	(8%)	0%	4%	44%	27%	8%

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

Accounting year end	Dec-13	Dec-12	Jun-13	Jun-12	Jun-13	Jun-12	Jun-13	Jun-12	Dec-13	Dec-12
Group /Company	**New National Assurance Company Limited**		**OUTsurance Insurance Company Limited**		**Regent Insurance Company Limited**		**Renasa Insurance Company Limited**		**Santam Limited**	
FSB classification	*Traditional*		*Traditional*		*Traditional*		*Traditional*		*Traditional*	
Share capital and share premium	14 000	14 000	25 000	25 000	455 504	455 504	50 500	50 500	107 000	107 000
Retained earnings/(deficit)	145 991	110 639	2 304 756	2 999 301	60 189	140 547	(10 356)	(8 595)	5 700 000	5 059 000
Reserves, including contingency reserve	20 666	41 103	45 887	80 843	187 781	(2 856)	-	-	-	-
Total shareholders' funds	**180 657**	**165 742**	**2 375 643**	**3 105 144**	**703 474**	**593 195**	**40 144**	**41 905**	**5 807 000**	**5 166 000**
Total shareholders' funds and non-controlling interests	**180 657**	**165 742**	**2 375 643**	**3 105 144**	**960 704**	**873 626**	**40 144**	**41 905**	**5 807 000**	**5 166 000**
Gross outstanding claims	486 804	473 317	1 142 054	1 052 461	527 719	531 472	136 174	96 146	6 205 000	5 635 000
Gross unearned premium reserve	77 655	64 883	431 988	442 444	383 694	391 572	17 982	17 227	2 272 000	1 929 000
Reinsurers' share of expected salvages and recoveries	-	-	-	-	-	-	-	-	-	-
Owing to cell owners	-	-	-	-	-	-	-	-	-	-
Deferred reinsurance commission revenue	-	-	-	-	-	-	-	-	155 000	131 000
Deferred tax liability	2 757	933	-	-	35 526	6 320	-	-	242 000	223 000
Other liabilities	80 570	92 730	368 957	227 180	188 341	186 277	73 143	88 892	4 444 000	3 356 000
Total liabilities	**647 786**	**631 863**	**1 942 999**	**1 722 085**	**1 135 280**	**1 115 641**	**227 299**	**202 265**	**13 318 000**	**11 274 000**
Total investments including investments in subsidiaries	**40 132**	**33 922**	**3 512 302**	**4 187 409**	**1 532 049**	**1 232 310**	**61**	**21**	**12 103 000**	**10 602 000**
Deferred tax asset, intangible assets and PPE	16 516	12 659	80 497	147 499	88 716	86 949	6 116	5 602	195 000	52 000
Reinsurers' share of outstanding claims	339 173	330 358	40 210	25 888	100 856	126 509	119 009	81 235	1 315 000	940 000
Reinsurers' share of unearned premium reserve	56 716	48 310	-	-	375	6 030	15 856	15 205	670 000	536 000
Gross expected salvages and recoveries	-	-	-	-	9 998	7 329	-	-	-	-
Deferred aquisition costs	-	-	2 952	4 947	-	-	3 343	2 988	328 000	275 000
Cash and cash equivalents	282 787	283 448	159 088	110 336	207 699	378 312	43 036	63 116	1 505 000	1 645 000
Other assets	93 119	88 908	523 593	351 150	156 291	151 828	80 022	76 003	3 009 000	2 390 000
Total assets	**828 443**	**797 605**	**4 318 642**	**4 827 229**	**2 095 984**	**1 989 267**	**267 443**	**244 170**	**19 125 000**	**16 440 000**
International solvency margin	61%	63%	42%	59%	55%	52%	48%	55%	37%	35%
Total assets/Total liabilities	128%	126%	222%	280%	185%	178%	118%	121%	144%	146%
Change in shareholders' funds	9%	6%	(23%)	20%	10%	(17%)	(4%)	3%	12%	(12%)

Accounting year end	Mar-13	Mar-12	Dec-13	Dec-12	Dec-13	Dec-12	Jun-13	Jun-12	4 months ended Feb-12	Oct-12
Group /Company	**Sasria SOC Limited**		**Saxum Insurance Limited**		**Standard Insurance Limited**		**Unitrans Insurance Limited**		**Western National Insurance Company Limited**	
FSB classification	*Niche*		*Traditional*		*Traditional*		*Traditional*		*Traditional*	
Share capital and share premium	-	-	42 817	32 817	30 000	30 000	15 150	15 150	20 000	20 000
Retained earnings/(deficit)	3 822 932	3 646 218	(25 665)	(21 848)	1 090 645	961 584	244 042	203 885	9 562	9 268
Reserves, including contingency reserve	245 142	221 132	-	-	140	140	-	-	-	-
Total shareholders' funds	**4 068 074**	**3 867 350**	**17 152**	**10 969**	**1 120 785**	**991 724**	**259 192**	**219 035**	**29 562**	**29 268**
Total shareholders' funds and non-controlling interests	**4 068 074**	**3 867 350**	**17 152**	**10 969**	**1 120 785**	**991 724**	**259 192**	**219 035**	**29 562**	**29 268**
Gross outstanding claims	639 226	247 378	12 711	14 917	472 229	272 560	9 361	22 414	45 271	40 732
Gross unearned premium reserve	262 244	221 154	24 231	7 741	58 757	41 827	128 306	117 684	7 427	1 988
Reinsurers' share of expected salvages and recoveries	-	-	12 478	8 277	-	-	-	-	-	-
Owing to cell owners	-	-	-	-	-	-	-	-	-	-
Deferred reinsurance commission revenue	13 127	10 320	5	13	5 238	3 015	24 439	25 372	1 426	305
Deferred tax liability	6 232	47 203	-	-	8 683	5 643	2 585	1 148	204	230
Other liabilities	112 462	93 980	20 173	21 437	64 704	34 772	90 424	71 253	40 469	40 713
Total liabilities	**1 033 291**	**620 035**	**69 598**	**52 385**	**609 611**	**357 817**	**255 115**	**237 871**	**94 797**	**83 968**
Total investments including investments in subsidiaries	**3 433 935**	**3 062 567**	**-**	**-**	**1 245 539**	**1 119 786**	**68 393**	**59 160**	**37 502**	**26 356**
Deferred tax asset, intangible assets and PPE	8 064	38 834	1 646	779	1 383	720	-	-	-	-
Reinsurers' share of outstanding claims	132 149	52 130	9 305	13 114	168 331	30 442	6 111	17 957	34 537	30 460
Reinsurers' share of unearned premium reserve	62 201	51 637	330	56	28 542	16 334	61 522	56 164	5 059	1 344
Gross expected salvages and recoveries	-	22 648	18 333	12 987	-	-	-	-	-	-
Deferred aquisition costs	30 412	-	3 030	969	8 140	5 635	39 798	36 888	144	133
Cash and cash equivalents	1 251 963	957 532	36 919	12 038	171 550	96 867	138 566	82 308	36 694	43 396
Other assets	182 641	302 037	17 187	23 411	106 911	79 757	199 917	204 429	10 423	11 547
Total assets	**5 101 365**	**4 487 385**	**86 750**	**63 354**	**1 730 396**	**1 349 541**	**514 307**	**456 906**	**124 359**	**113 236**
International solvency margin	472%	498%	33%	39%	69%	64%	510%	442%	148%	55%
Total assets/Total liabilities	494%	724%	125%	121%	284%	377%	202%	192%	131%	135%
Change in shareholders' funds	5%	11%	56%	11%	13%	(1%)	18%	20%	1%	12%

Accounting year end	Dec-13	Dec-12	Dec-13	Dec-12
Group /Company	**Zurich Insurance Company South Africa Limited**		**Zurich Risk Financing South Africa Limited**	
FSB classification	*Traditional*		*Cell Captive*	
Share capital and share premium	4 650	4 650	24 995	24 995
Retained earnings/(deficit)	1 351 354	1 577 763	23 153	23 865
Reserves, including contingency reserve	396 888	354 651	-	-
Total shareholders' funds	**1 752 892**	**1 937 064**	**48 148**	**48 860**
Total shareholders' funds and non-controlling interests	**1 752 892**	**1 937 064**	**48 148**	**48 860**
Gross outstanding claims	1 280 519	1 425 303	6 972	31 931
Gross unearned premium reserve	628 991	550 753	1 123	9 610
Reinsurers' share of expected salvages and recoveries	-	-	-	-
Owing to cell owners	-	-	63 219	96 423
Deferred reinsurance commission revenue	23 461	11 814	-	-
Deferred tax liability	-	8 094	-	-
Other liabilities	971 110	687 468	5 440	7 186
Total liabilities	**2 904 081**	**2 683 432**	**76 754**	**145 150**
Total investments including investments in subsidiaries	**2 239 416**	**2 145 509**	**-**	**-**
Deferred tax asset, intangible assets and PPE	209 509	119 053	-	-
Reinsurers' share of outstanding claims	421 172	712 880	6 972	16 971
Reinsurers' share of unearned premium reserve	184 928	110 652	1 122	5 847
Gross expected salvages and recoveries	-	-	-	-
Deferred aquisition costs	68 018	77 260	-	-
Cash and cash equivalents	578 372	469 032	101 856	153 493
Other assets	955 558	986 110	14 952	17 699
Total assets	**4 656 973**	**4 620 496**	**124 902**	**194 010**
International solvency margin	57%	70%	(329%)	n/a
Total assets/Total liabilities	160%	172%	163%	134%
Change in shareholders' funds	(10%)	0%	(1%)	n/a

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

Accounting year end	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12	Nov-13	Nov-12
Group /Company	**Absa idirect Limited**		**Absa Insurance Company Limited**		**Absa Insurance Risk Management Services Limited**		**ACE Insurance Limited**		**AIG South Africa Limited**	
Gross premiums written	271 317	237 216	2 922 067	3 426 990	982 793	800 387	484 209	410 567	2 002 448	1 960 812
Net premiums written	264 795	87 171	2 490 093	2 856 588	-	-	108 766	80 382	369 743	394 989
Earned premiums	**265 593**	**87 178**	**2 485 686**	**2 845 350**	**-**	**-**	**90 406**	**102 147**	**357 784**	**407 470**
Total net investment income	**8 647**	**7 315**	**124 686**	**149 059**	**8 896**	**7 661**	**7 570**	**4 751**	**45 463**	**52 274**
Reinsurance commission revenue	359	53 015	87 990	100 710	-	-	102 482	76 918	349 715	332 674
Other income	4 136	2 975	35 317	35 113	64	102	2 909	2 554	-	1 625
Total income	**278 735**	**150 483**	**2 733 679**	**3 130 232**	**8 960**	**7 763**	**203 367**	**186 370**	**752 962**	**794 043**
Net claims incurred	212 201	64 642	1 742 870	1 931 480	-	-	66 819	59 782	182 722	219 108
Acquisition costs	43 280	39 005	477 653	569 168	-	-	91 947	83 751	284 261	290 193
Interest allocated to cell owners	-	-	-	-	5 121	8 094	-	-	-	-
Employee benefit expense	-	-	-	-	-	-	-	-	-	-
Management and other expenses	19 382	14 386	343 598	358 529	1 486	993	24 493	27 364	297 107	309 192
Total expenses	**274 863**	**118 033**	**2 564 121**	**2 859 177**	**6 607**	**9 087**	**183 259**	**170 897**	**764 090**	**818 493**
Net profit/(loss) before taxation	**3 872**	**32 450**	**169 558**	**271 055**	**2 353**	**(1 324)**	**20 108**	**15 473**	**(11 128)**	**(24 450)**
Taxation	1 084	9 074	45 841	73 686	659	(452)	5 680	4 382	(6 125)	(3 251)
Net profit/(loss) after taxation	**2 788**	**23 376**	**123 717**	**197 369**	**1 694**	**(872)**	**14 428**	**11 091**	**(5 003)**	**(21 199)**
Other comprehensive income/(expense)	-	-	2 424	2 092	-	-	-	-	-	-
Total comprehensive income/(loss) for the year	**2 788**	**23 376**	**126 141**	**199 461**	**1 694**	**(872)**	**14 428**	**11 091**	**(5 003)**	**(21 199)**
Transfer to/(from) contingency reserve	-	(12 572)	-	(307 115)	-	-	(13 137)	-	-	(40 466)
Transfer to/(from) retained earnings	-	-	-	-	-	-	-	-	-	-
Other comprehensive (income)/expense	-	-	(2 424)	(2 092)	-	-	-	-	-	-
Dividends	-	-	182 000	282 000	-	-	-	-	-	-
Change in retained earnings	**2 788**	**35 948**	**(58 283)**	**222 484**	**1 694**	**(872)**	**27 565**	**11 091**	**(5 003)**	**19 267**
Net premium to gross premium	98%	37%	85%	83%	0%	0%	22%	20%	18%	20%
Claims incurred to earned premium	80%	74%	70%	68%	n/a	n/a	74%	59%	51%	54%
Management and other expenses to net earned premium	7%	17%	14%	13%	n/a	n/a	27%	27%	83%	76%
Combined ratio	103%	75%	100%	97%	n/a	n/a	89%	92%	116%	119%
Operating ratio	100%	66%	95%	92%	n/a	n/a	81%	87%	103%	106%
Return on equity	2%	18%	8%	12%	5%	(3%)	11%	9%	(1%)	(5%)

Accounting year end	Mar-13	Mar-12	Dec-13	Dec-12	Jun-13	Jun-12	Jun-13	Jun-12	Dec-13	Dec-12
Group /Company	**Alexander Forbes Insurance Company Limited**		**Allianz Global and Corporate Specialty South Africa Limited**		**Auto and General Insurance Company Limited**		**Budget Insurance Company Limited**		**Centriq Insurance Company Limited**	
Gross premiums written	1 065 635	926 382	378 336	474 705	2 289 701	3 152 661	1 129 064	237 992	1 906 568	2 164 757
Net premiums written	178 650	135 996	1 197	304	1 122 476	1 542 376	557 820	118 607	628 880	564 849
Earned premiums	**178 138**	**136 025**	**2 178**	**(358)**	**1 119 978**	**1 554 277**	**558 469**	**119 658**	**692 893**	**420 291**
Total net investment income	**9 253**	**8 081**	**61 280**	**13 298**	**105 013**	**94 082**	**10 106**	**8 792**	**139 095**	**146 002**
Reinsurance commission revenue	221 891	203 260	93 248	41 478	527 580	727 436	256 392	53 923	149 111	154 950
Other income	41 491	36 765	5 797	4 368	52 853	108 946	99 193	7 362	73 774	56 915
Total income	**450 773**	**384 131**	**162 503**	**58 786**	**1 805 424**	**2 484 741**	**924 160**	**189 735**	**1 054 873**	**778 158**
Net claims incurred	124 899	89 777	1 149	2 262	664 493	784 810	355 575	56 450	616 302	340 349
Acquisition costs	44 998	35 320	24 299	20 474	321 332	371 630	94 244	28 876	205 563	208 389
Interest allocated to cell owners	-	-	-	-	-	-	-	-	44 519	41 193
Employee benefit expense	-	-	-	-	-	-	-	-	-	-
Management and other expenses	277 452	238 036	137 789	44 227	650 501	935 046	249 918	37 329	147 203	123 065
Total expenses	**447 349**	**363 133**	**163 237**	**66 963**	**1 636 326**	**2 091 486**	**699 737**	**122 655**	**1 013 587**	**712 996**
Net profit/(loss) before taxation	**3 424**	**20 998**	**(734)**	**(8 177)**	**169 098**	**393 255**	**224 423**	**67 080**	**41 286**	**65 162**
Taxation	982	5 841	(167)	(2 228)	97 632	82 831	36 910	18 779	10 984	17 795
Net profit/(loss) after taxation	**2 442**	**15 157**	**(567)**	**(5 949)**	**71 466**	**310 424**	**187 513**	**48 301**	**30 302**	**47 367**
Other comprehensive income/(expense)	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the year	**2 442**	**15 157**	**(567)**	**(5 949)**	**71 466**	**310 424**	187 513	48 301	**30 302**	**47 367**
Transfer to/(from) contingency reserve	-	(12 200)	-	(14 272)	-	(156 084)	-	(13 989)	-	(60 639)
Transfer to/(from) retained earnings	-	-	-	-	-	-	-	-	-	-
Other comprehensive (income)/expense	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	545 000	-	96 000	-	28 259
Change in retained earnings	**2 442**	**27 357**	**(567)**	**8 323**	**71 466**	**(78 492)**	**187 513**	**(33 710)**	**30 302**	**79 747**
Net premium to gross premium	17%	15%	0%	0%	49%	49%	49%	50%	33%	26%
Claims incurred to earned premium	70%	66%	53%	(632%)	59%	50%	64%	47%	89%	81%
Management and other expenses to net earned premium	156%	175%	6326%	(12354%)	58%	60%	45%	31%	21%	29%
Combined ratio	127%	118%	3213%	(7119%)	99%	88%	79%	57%	118%	123%
Operating ratio	121%	112%	400%	(3404%)	90%	82%	78%	50%	98%	88%
Return on equity	3%	22%	(1%)	(6%)	8%	39%	68%	71%	17%	32%

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

Accounting year end	Mar-13	Mar-12	Dec-13	Dec-12	Jun-13	Jun-12	Dec-13	Dec-12	Mar-13	Mar-12
Group /Company	**Corporate Guarantee (South Africa) Limited**		**Credit Guarantee Insurance Corporation of Africa Limited**		**Dial Direct Insurance Limited**		**Enpet Africa Insurance Limited**		**Escap SOC Limited**	
Gross premiums written	40 918	32 810	860 352	776 246	935 848	890 672	49 094	36 541	1 259 329	1 077 731
Net premiums written	40 784	32 611	602 913	558 771	439 292	424 630	33 913	25 444	938 554	813 642
Earned premiums	**1 970**	**4 752**	**603 655**	**551 573**	**434 685**	**416 911**	**35 018**	**31 146**	**947 885**	**848 269**
Total net investment income	**17 842**	**15 236**	**113 358**	**98 316**	**22 935**	**25 805**	**8 902**	**9 212**	**212 219**	**187 994**
Reinsurance commission revenue	-	-	70 567	76 383	222 542	210 263	3 249	2 998	19 055	8 895
Other income	226	782	164 644	135 159	25 829	27 789	4 629	-	-	-
Total income	**20 038**	**20 770**	**952 224**	**861 431**	**705 991**	**680 768**	**51 798**	**43 356**	**1 179 159**	**1 045 158**
Net claims incurred	(2 626)	1 667	429 887	362 358	336 784	245 537	28 477	22 459	948 710	755 684
Acquisition costs	804	567	70 245	58 852	347	172	270	178	1 681	1 166
Interest allocated to cell owners	-	-	-	-	-	-	-	-	-	-
Employee benefit expense	-	-	-	-	-	-	-	-	-	-
Management and other expenses	19 625	16 337	163 641	142 081	292 899	299 079	4 676	4 307	68 279	62 925
Total expenses	**17 803**	**18 571**	**663 773**	**563 291**	**630 030**	**544 788**	**33 423**	**26 944**	**1 018 670**	**819 775**
Net profit/(loss) before taxation	**2 235**	**2 199**	**288 451**	**298 140**	**75 961**	**135 980**	**18 375**	**16 412**	**160 489**	**225 383**
Taxation	(369)	(7)	69 282	78 338	21 335	38 030	6 808	4 407	40 325	58 449
Net profit/(loss) after taxation	**2 604**	**2 206**	**219 169**	**219 802**	**54 626**	**97 950**	**11 567**	**12 005**	**120 164**	**166 934**
Other comprehensive income/(expense)	-	-	(12 398)	-	-	-	(2 098)	2 077	(877)	(1 842)
Total comprehensive income/(loss) for the year	2 604	2 206	206 771	219 802	54 626	97 950	9 469	14 082	119 287	165 092
Transfer to/(from) contingency reserve	-	(5 375)	-	(52 424)	-	(37 126)	-	7 156	(90 461)	(19 692)
Transfer to/(from) retained earnings	-	-	-	-	-	-	-	-	-	-
Other comprehensive (income)/expense	-	-	-	-	-	-	2 098	(2 076)	877	1 842
Dividends	-	-	148 998	63 452	-	130 000	60 000	-	-	-
Change in retained earnings	**2 604**	**7 581**	**57 773**	**208 774**	**54 626**	**5 076**	**(48 433)**	**4 850**	**210 625**	**186 626**
Net premium to gross premium	100%	99%	70%	72%	47%	48%	69%	70%	75%	75%
Claims incurred to earned premium	(133%)	35%	71%	66%	77%	59%	81%	72%	100%	89%
Management and other expenses to net earned premium	996%	344%	27%	26%	67%	72%	13%	14%	7%	7%
Combined ratio	904%	391%	98%	88%	94%	80%	86%	77%	105%	96%
Operating ratio	(2%)	70%	79%	70%	88%	74%	61%	47%	83%	73%
Return on equity	5%	8%	31%	34%	22%	51%	18%	10%	7%	11%

Accounting year end	Jun-13	Jun-12	Jun-13	Jun-12	Mar-13	Mar-12	Dec-13	Dec-12	Jun-13	Jun-12
Group /Company	**Etana Insurance Company Limited**		**First for Women Insurance Company**		**Guardrisk Insurance Company Limited**		**HDI-Gerling Insurance Company of South Africa Limited**		**The Hollard Insurance Company Limited**	
Gross premiums written	2 268 562	1 994 312	626 005	-	4 990 143	4 624 764	407 028	335 814	5 870 247	5 566 673
Net premiums written	1 102 172	1 072 023	29 185	-	2 055 642	2 272 329	2 018	1 553	4 998 292	4 765 645
Earned premiums	**1 112 305**	**1 018 100**	**26 988**	**-**	**2 074 588**	**1 462 275**	**1 694**	**1 306**	**4 866 825**	**4 952 887**
Total net investment income	**56 201**	**57 446**	**2 746**	**150**	**311 079**	**265 885**	**2 954**	**3 393**	**680 396**	**1 156 463**
Reinsurance commission revenue	-	-	168 238	-	115 363	124 748	26 797	18 327	-	-
Other income	12 386	6 908	22 437	12 347	133 825	103 624	1 206	745	71 520	136 765
Total income	**1 180 892**	**1 082 454**	**220 409**	**12 497**	**2 634 855**	**1 956 532**	**32 651**	**23 771**	**5 618 741**	**6 246 115**
Net claims incurred	640 503	613 081	75 065	-	693 973	414 315	180	817	2 722 973	2 484 683
Acquisition costs	54 171	42 831	5 467	(77 468)	344 405	280 139	16 693	11 962	548 156	620 836
Interest allocated to cell owners	-	-	-	-	-	-	-	-	-	-
Employee benefit expense	-	-	-	-	-	-	-	-	-	-
Management and other expenses	352 092	312 017	108 064	86 372	1 519 080	1 178 441	11 140	7 852	1 582 557	1 798 016
Total expenses	**1 046 766**	**967 929**	**188 596**	**8 904**	**2 557 458**	**1 872 895**	**28 013**	**20 631**	**4 853 686**	**4 903 535**
Net profit/(loss) before taxation	**134 126**	**114 525**	**31 813**	**3 593**	**77 397**	**83 637**	**4 638**	**3 140**	**765 055**	**1 342 580**
Taxation	30 132	26 123	(12 869)	1 008	16 889	20 811	1 294	869	123 949	118 039
Net profit/(loss) after taxation	**103 994**	**88 402**	**44 682**	**2 585**	**60 508**	**62 826**	**3 344**	**2 271**	**641 106**	**1 224 541**
Other comprehensive income/(expense)	-	-	-	-	-	-	(13)	37	-	-
Total comprehensive income/(loss) for the year	**103 994**	**88 402**	**44 682**	**2 585**	**60 508**	**62 826**	**3 331**	**2 308**	**641 106**	**1 224 541**
Transfer to/(from) contingency reserve	-	(61 702)	-	-	-	(166 125)	-	(117)	-	(510 064)
Transfer to/(from) retained earnings	-	-	-	-	-	-	-	-	-	-
Other comprehensive (income)/expense	-	-	-	-	-	-	13	(37)	-	-
Dividends		-	-	-	45 000	50 000	-	-	541 045	325 312
Change in retained earnings	**103 994**	**150 104**	**44 682**	**2 585**	**15 508**	**178 951**	**3 344**	**2 388**	**100 061**	**1 409 293**
Net premium to gross premium	49%	54%	5%	N/A	41%	49%	0%	0%	85%	86%
Claims incurred to earned premium	58%	60%	278%	N/A	33%	28%	11%	63%	56%	50%
Management and other expenses to net earned premium	32%	31%	400%	N/A	73%	81%	658%	601%	33%	36%
Combined ratio	94%	95%	75%	N/A	118%	120%	72%	176%	100%	99%
Operating ratio	89%	89%	65%	N/A	103%	101%	(103%)	(83%)	86%	76%
Return on equity	20%	21%	35%	12%	22%	40%	7%	5%	17%	32%

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

Accounting year end	Sep-13	Sep-12	Jun-13	Jun-12	Jun-13	Jun-12	14 months ended June-13	14 months ended April-12	Jun-13	Jun-12
Group /Company	**Indequity Specialised Insurance Limited**		**JDG Micro Insurance Limited**		**Kingfisher Insurance Company Limited**		**King Price Insurance Company**		**Legal Expenses Insurance Southern Africa Limited**	
Gross premiums written	38 282	35 384	534 776	460 398	152 540	183 706	62 688	-	586 651	536 066
Net premiums written	36 917	33 841	534 776	460 398	11 472	7 086	5 306	-	586 651	536 066
Earned premiums	**36 863**	**33 825**	**534 912**	**456 346**	**9 658**	**7 555**	**5 306**	**-**	**586 651**	**536 066**
Total net investment income	**3 450**	**944**	**16 192**	**12 804**	**8 542**	**9 913**	**1 307**	**76**	**54 548**	**59 997**
Reinsurance commission revenue	-	-	-	-	14 572	14 598	20 687	-	-	-
Other income	74	150	-	3 320	9	179	6 403	-	3 099	2 168
Total income	**40 387**	**34 919**	**551 104**	**472 470**	**32 781**	**32 245**	**33 703**	**76**	**644 298**	**598 231**
Net claims incurred	17 478	16 045	36 283	8 511	7 888	24 777	4 831	-	71 650	55 409
Acquisition costs	2 767	2 820	107 130	92 078	13 164	10 932	76 871	-	81 570	56 313
Interest allocated to cell owners	-	-	-	-	-	-	-	-	-	-
Employee benefit expense	-	-	-	-	-	-	-	-	-	-
Management and other expenses	10 889	9 960	156 449	127 235	6 424	4 052	36 093	10 131	398 368	379 173
Total expenses	**31 134**	**28 825**	**299 862**	**227 824**	**27 476**	**39 761**	**117 795**	**10 131**	**551 588**	**490 895**
Net profit/(loss) before taxation	**9 253**	**6 094**	**251 242**	**244 646**	**5 305**	**(7 516)**	**(84 092)**	**(10 055)**	**92 710**	**107 336**
Taxation	1 901	1 802	70 441	68 501	2 622	(1 971)	-	-	16 459	30 743
Net profit/(loss) after taxation	**7 352**	**4 292**	**180 801**	**176 145**	**2 683**	**(5 545)**	**(84 092)**	**(10 055)**	**76 251**	**76 593**
Other comprehensive income/(expense)	(162)	453	-	-	-	-	-	-	(215)	3 599
Total comprehensive income/(loss) for the year	**7 190**	**4 745**	**180 801**	**176 145**	**2 683**	**(5 545)**	**(84 092)**	**(10 055)**	**76 036**	**80 192**
Transfer to/(from) contingency reserve	-	(3 103)	-	45 917	-	(4 998)	-	-	-	(49 780)
Transfer to/(from) retained earnings	-	-	-	-	-	-	-	-	-	-
Other comprehensive (income)/expense	162	(453)	-	-	-	-	-	-	215	(3 599)
Dividends	3 210	1 102	150 000	90 000	-	-	-	-	49 957	134 972
Change in retained earnings	**4 142**	**6 293**	**30 801**	**40 228**	**2 683**	**(547)**	**(84 092)**	**(10 055)**	**26 294**	**(8 599)**
Net premium to gross premium	96%	96%	100%	100%	8%	4%	8%	N/A	100%	100%
Claims incurred to earned premium	47%	47%	7%	2%	82%	328%	91%	N/A	12%	10%
Management and other expenses to net earned premium	30%	29%	29%	28%	67%	54%	680%	N/A	68%	71%
Combined ratio	84%	85%	56%	50%	134%	333%	1830%	N/A	94%	92%
Operating ratio	75%	82%	53%	47%	45%	202%	1806%	N/A	85%	80%
Return on equity	31%	21%	51%	55%	2%	(4%)	(241%)	(20%)	22%	24%

Accounting year end	Dec-13	Dec-12	Jun-13	Jun-12	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12
Group /Company	**Lion of Africa Insurance Company Limited**		**Momentum Short Term Insurance Company**		**Mutual & Federal Insurance Company Limited**		**Mutual & Federal Risk Financing Limited**		**Nedgroup Insurance Company Limited**	
Gross premiums written	925 340	822 976	295 795	277 270	8 896 000	7 538 000	864 232	670 398	955 219	862 823
Net premiums written	348 463	500 012	292 622	275 068	7 738 000	6 672 000	36 228	9 944	874 746	778 761
Earned premiums	**397 893**	**488 000**	**292 322**	**275 435**	**7 716 000**	**6 549 000**	**46 234**	**48 085**	**806 396**	**720 025**
Total net investment income	**30 303**	**38 983**	**14 238**	**13 210**	**557 000**	**730 000**	**34 033**	**55 180**	**60 420**	**41 225**
Reinsurance commission revenue	104 458	73 941	-	-	174 000	135 000	109 179	75 178	7 086	18 007
Other income	-	16 000	-	-	4 000	-	-	-	28 183	23 421
Total income	**532 654**	**616 924**	**306 560**	**288 645**	**8 451 000**	**7 414 000**	**189 446**	**178 443**	**902 085**	**802 678**
Net claims incurred	312 112	292 803	158 449	135 842	6 032 000	4 958 000	27 707	30 783	418 887	394 182
Acquisition costs	154 478	137 783	45 639	45 981	1 389 000	1 140 000	111 729	79 366	145 472	149 122
Interest allocated to cell owners	-	-			-	-	36 825	37 107	-	-
Employee benefit expense	-	-			-	-	-	-	-	-
Management and other expenses	158 026	163 037	75 711	74 759	1 191 000	1 056 000	5 546	59	116 016	79 022
Total expenses	**624 616**	**593 623**	**279 799**	**256 582**	**8 612 000**	**7 154 000**	**181 807**	**147 315**	**680 375**	**622 326**
Net profit/(loss) before taxation	**(91 962)**	**23 301**	**26 761**	**32 063**	**(161 000)**	**260 000**	**7 639**	**31 128**	**221 710**	**180 352**
Taxation	(27 345)	5 010	7 510	9 123	(65 000)	(26 000)	2 094	9 138	67 391	50 593
Net profit/(loss) after taxation	**(64 617)**	**18 291**	**19 251**	**22 940**	**(96 000)**	**286 000**	**5 545**	**21 990**	**154 319**	**129 759**
Other comprehensive income/(expense)	-	-	-	-	57 000	6 000	-	-	-	-
Total comprehensive income/(loss) for the year	**(64 617)**	**18 291**	**19 251**	**22 940**	**(39 000)**	**292 000**	**5 545**	**21 990**	**154 319**	**129 759**
Transfer to/(from) contingency reserve	-	(55 214)	-	-	-	(612 000)	-	(61 054)	-	(69 526)
Transfer to/(from) retained earnings	-	-	1 410	-	-	-	-	-	5 350	-
Other comprehensive (income)/expense	-	-	-	-	(48 000)	-	-	-	-	-
Dividends	-	8 900	-	-	355 000	160 000	-	120 192	50 000	100 000
Change in retained earnings	**(64 617)**	**64 605**	**20 661**	**22 940**	**(442 000)**	**744 000**	**5 545**	**(37 148)**	**109 669**	**99 285**
Net premium to gross premium	38%	61%	99%	99%	87%	89%	4%	1%	92%	90%
Claims incurred to earned premium	78%	60%	54%	49%	78%	76%	60%	64%	52%	55%
Management and other expenses to net earned premium	40%	33%	26%	27%	15%	16%	12%	0%	14%	11%
Combined ratio	131%	106%	96%	93%	109%	107%	77%	73%	83%	84%
Operating ratio	123%	99%	91%	88%	102%	96%	4%	(42%)	76%	78%
Return on equity	(44%)	9%	11%	15%	(2%)	6%	4%	18%	30%	32%

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

Accounting year end	Dec-13	Dec-12	Jun-13	Jun-12	Jun-13	Jun-12	Jun-13	Jun-12	Dec-13	Dec-12
Group /Company	**New National Assurance Company Limited**		**OUTsurance Insurance Company Limited**		**Regent Insurance Company Limited**		**Renasa Insurance Company Limited**		**Santam Limited**	
Gross premiums written	1 018 000	897 610	5 660 241	5 340 678	1 827 458	1 823 704	658 224	585 889	17 861 000	16 527 000
Net premiums written	296 296	261 133	5 597 921	5 300 471	1 742 563	1 690 340	84 274	75 958	15 510 000	14 606 000
Earned premiums	**291 930**	**260 939**	**5 608 377**	**5 336 298**	**1 744 786**	**1 685 664**	**84 167**	**75 445**	**15 303 000**	**14 562 000**
Total net investment income	**15 336**	**14 438**	**242 547**	**264 450**	**255 107**	**163 447**	**3 786**	**3 936**	**1 574 000**	**1 365 000**
Reinsurance commission revenue	126 182	99 728	-	-	14 935	27 132	123 265	114 035	460 000	396 000
Other income	5 584	4 607	-	-	43 593	41 355	12 467	12 329	-	-
Total income	**439 032**	**379 712**	**5 850 924**	**5 600 748**	**2 058 421**	**1 917 598**	**223 685**	**205 745**	**17 337 000**	**16 323 000**
Net claims incurred	240 380	199 187	2 839 860	2 473 947	1 017 572	933 771	58 513	48 547	10 601 000	9 962 000
Acquisition costs	154 407	140 416	33 444	52 136	409 233	429 420	102 251	90 239	2 941 000	2 715 000
Interest allocated to cell owners	-	-	-	-	-	-	-	-	-	-
Employee benefit expense	-	-	22 176	-	-	-	-	-	-	-
Management and other expenses	32 378	31 790	1 229 890	1 120 437	389 274	371 535	63 766	61 243	2 180 000	2 007 000
Total expenses	**427 165**	**371 393**	**4 125 370**	**3 646 520**	**1 816 079**	**1 734 726**	**224 530**	**200 029**	**15 722 000**	**14 684 000**
Net profit/(loss) before taxation	**11 867**	**8 319**	**1 725 554**	**1 954 228**	**242 342**	**182 872**	**(845)**	**5 716**	**1 615 000**	**1 639 000**
Taxation	3 011	2 352	513 334	585 835	30 522	31 982	(343)	2 959	227 000	543 000
Net profit/(loss) after taxation	**8 856**	**5 967**	**1 212 220**	**1 368 393**	**211 820**	**150 890**	**(502)**	**2 757**	**1 388 000**	**1 096 000**
Other comprehensive income/(expense)	6 739	4 167	19 211	6 410	-	-	-	-	-	-
Total comprehensive income/(loss) for the year	**15 595**	**10 134**	**1 231 431**	**1 374 803**	**211 820**	**150 890**	**(502)**	**2 757**	**1 388 000**	**1 096 000**
Transfer to/(from) contingency reserve	(27 175)	-	-	(497 932)	-	(150 692)	-	(6 520)	-	(1 360 000)
Transfer to/(from) retained earnings	-	-	43 235	-	(92 178)	85 459	-	-	31 000	(103 000)
Other comprehensive (income)/expense	(6 739)	(4 167)	(19 211)	(6 410)	-	-	-	-	-	-
Dividends	679	679	1 950 000	861 250	200 000	318 409	1 259	1 544	778 000	1 713 000
Change in retained earnings	**35 352**	**5 288**	**(694 545)**	**1 005 075**	**(80 358)**	**68 632**	**(1 761)**	**7 733**	**641 000**	**640 000**
Net premium to gross premium	29%	29%	99%	99%	95%	93%	13%	13%	87%	88%
Claims incurred to earned premium	82%	76%	51%	46%	58%	55%	70%	64%	69%	68%
Management and other expenses to net earned premium	11%	12%	22%	21%	22%	22%	76%	81%	14%	14%
Combined ratio	103%	104%	73%	68%	103%	101%	120%	114%	100%	98%
Operating ratio	98%	99%	69%	63%	89%	92%	116%	109%	89%	89%
Return on equity	5%	4%	51%	44%	22%	17%	(1%)	7%	24%	21%

Accounting year end	Mar-13	Mar-12	Dec-13	Dec-12	Dec-13	Dec-12	Jun-13	Jun-12	4 months ended Feb-12	Oct-12
Group /Company	**Sasria SOC Limited**		**Saxum Insurance Limited**		**Standard Insurance Limited**		**Unitrans Insurance Limited**		**Western National Insurance Company Limited**	
Gross premiums written	1 223 530	1 087 133	108 784	103 481	1 781 286	1 645 198	156 031	174 156	86 224	222 289
Net premiums written	861 054	777 252	52 593	28 164	1 632 813	1 540 973	50 824	49 516	19 926	53 235
Earned premiums	**830 527**	**748 637**	**36 376**	**21 779**	**1 622 192**	**1 542 594**	**45 560**	**46 582**	**18 202**	**53 029**
Total net investment income	**387 863**	**292 405**	**896**	**725**	**87 643**	**99 797**	**15 351**	**10 599**	**1 851**	**5 307**
Reinsurance commission revenue	112 645	146 140	10 899	16 783	10 014	5 317	32 343	41 332	11 333	29 732
Other income	12 394	1 770	1 797	894	1	215	10 484	9 629	-	-
Total income	**1 343 429**	**1 188 952**	**49 968**	**40 181**	**1 719 850**	**1 647 923**	**103 738**	**108 142**	**31 386**	**88 068**
Net claims incurred	507 433	206 854	21 731	12 983	846 644	738 412	5 309	7 668	11 517	30 344
Acquisition costs	263 686	208 791	18 208	16 454	249 580	235 090	35 412	37 642	9 664	26 791
Interest allocated to cell owners	-	-	-	-	-	-	-	-	-	-
Employee benefit expense	-	-	-	-	59 426	42 502	-	-	-	-
Management and other expenses	89 878	93 494	13 846	9 692	115 218	169 223	8 110	12 572	9 936	26 946
Total expenses	**860 997**	**509 139**	**53 785**	**39 129**	**1 270 868**	**1 185 227**	**48 831**	**57 882**	**31 117**	**84 081**
Net profit/(loss) before taxation	**482 432**	**679 813**	**(3 817)**	**1 052**	**448 982**	**462 696**	**54 907**	**50 260**	**269**	**3 987**
Taxation	124 808	156 814	-	-	126 762	121 267	14 750	13 708	(25)	919
Net profit/(loss) after taxation	**357 624**	**522 999**	**(3 817)**	**1 052**	**322 220**	**341 429**	**40 157**	**36 552**	**294**	**3 068**
Other comprehensive income/(expense)	-	-	-	-	-	-	-	-	**-**	**-**
Total comprehensive income/(loss) for the year	**357 624**	**522 999**	**(3 817)**	**1 052**	**322 220**	**341 429**	**40 157**	**36 552**	**294**	**3 068**
Transfer to/(from) contingency reserve	-	-	-	(2 342)	-	(146 506)	-	(4 777)	-	(4 983)
Transfer to/(from) retained earnings	(24 010)	(148 113)	-	-	-	-	-	-	-	-
Other comprehensive (income)/expense	-	-	-	-	-	-	-	-	-	-
Dividends	156 900	126 656	-	-	193 159	353 000	-	390	-	-
Change in retained earnings	**176 714**	**248 230**	**(3 817)**	**3 394**	**129 061**	**134 935**	**40 157**	**40 939**	**294**	**8 051**
Net premium to gross premium	70%	71%	48%	27%	92%	94%	33%	28%	23%	24%
Claims incurred to earned premium	61%	28%	60%	60%	52%	48%	12%	16%	63%	57%
Management and other expenses to net earned premium	11%	12%	38%	45%	7%	11%	18%	27%	55%	51%
Combined ratio	90%	48%	118%	103%	74%	74%	36%	36%	109%	102%
Operating ratio	43%	9%	115%	99%	69%	67%	2%	13%	99%	92%
Return on equity	9%	14%	(22%)	10%	29%	34%	15%	17%	1%	10%

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

Accounting year end	Dec-13	Dec-12	Dec-13	Dec-12
Group /Company	**Zurich Insurance Company South Africa Limited**		**Zurich Risk Financing South Africa Limited**	
Gross premiums written	3 805 906	3 403 040	55 891	113 981
Net premiums written	3 058 843	2 755 512	(14 623)	-
Earned premiums	**3 054 881**	**2 752 817**	**(10 861)**	**605**
Total net investment income	**288 274**	**311 603**	**8 396**	**9 889**
Reinsurance commission revenue	117 943	125 021	-	-
Other income	3 176	4 445	829	1 865
Total income	**3 464 274**	**3 193 886**	**(1 636)**	**12 359**
Net claims incurred	2 443 890	2 075 641	(10 861)	626
Acquisition costs	646 343	535 996	-	-
Interest allocated to cell owners	-	-	4 748	5 597
Employee benefit expense	-	-	-	-
Management and other expenses	661 588	608 946	1 875	1 409
Total expenses	**3 751 821**	**3 220 583**	**(4 238)**	**7 632**
Net profit/(loss) before taxation	**(287 547)**	**(26 697)**	**2 602**	**4 727**
Taxation	(97 677)	(37 354)	3 313	1 193
Net profit/(loss) after taxation	**(189 870)**	**10 657**	**(711)**	**3 534**
Other comprehensive income/(expense)	51 480	43 833		
Total comprehensive income/(loss) for the year	**(138 390)**	**54 490**	**(711)**	**3 534**
Transfer to/(from) contingency reserve	-	(282 075)	-	-
Transfer to/(from) retained earnings	-	-	-	-
Other comprehensive (income)/expense	(51 480)	(43 833)	-	-
Dividends	36 539	36 539	-	-
Change in retained earnings	**(226 409)**	**256 193**	**(711)**	**3 534**
Net premium to gross premium	80%	81%	(26%)	0%
Claims incurred to earned premium	80%	75%	100%	103%
Management and other expenses to net earned premium	22%	22%	(17%)	233%
Combined ratio	119%	112%	83%	336%
Operating ratio	110%	101%	160%	(1298%)
Return on equity	(11%)	1%	(1%)	7%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Long-term insurance industry

Long-term insurance industry

When chief executives of life insurers present their annual financial results, which generally are profitable and the envy of many other industries, it has almost become customary to first alert the audience that the results do not necessarily reflect the current market conditions and macro environment. The sluggish growth of the South African economy which was below 2% for 2013, the All Bond Index that yielded only 2%, labour unrest and rising unemployment is not a canvas that normally would lead to good results. But the one ace up the sleeve of life insurers remains the performance of the Johannesburg Stock Exchange (JSE).

During 2013 the JSE All Share Index increased by 18%, following on from 23% in the previous year. The strong equity market aided the insurers included in our survey to report aggregate assets of R1.7 trillion, up 20% from 2012. Most of the asset growth represents unrealised investment gains but also includes the net positive client cash flows that was a common theme amongst insurers. The graph shows the split of total assets of R1.7 trillion between the larger insurers.

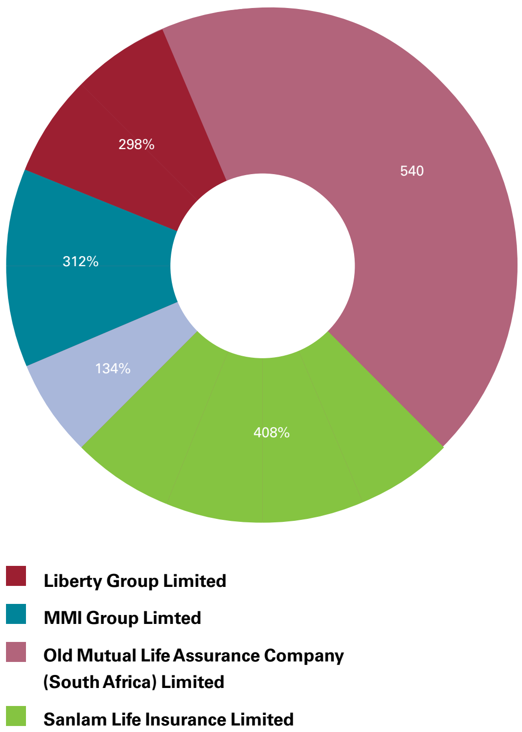

Figure 1: Total assets reported in Rand Billion

The Association for Savings and Investments SA (ASISA) reported a 24% growth in single premium income during 2013 to R86,7 billion whilst new recurring premiums increased by 13% to R19 billion. A sizeable portion of the single premium investment growth stems from investment-linked living annuities i.e. annuities where the draw down rate is at the discretion of the policyholder without guarantees offered by the insurer.

Living annuities sales outstrip guaranteed annuities by some margin. A strong equity market favours living annuities over guaranteed annuities. In a low interest rate environment as was the case in 2013 guaranteed annuity rates are viewed as unattractive.

A sizeable portion of the industry's profits are derived from management fees earned from assets under management. The fees earned from insurance contracts (contracts that transfer insurance risk) are not always easy to identify under the current basis of financial reporting, but fees from investment contracts are reported separately. Fees of R6.4 billion from investment contracts were earned by insurers included in the survey, a 20% increase from last year.

Most insurers reported that they either maintained or improved their new business margins when compared to the previous year. The gap in the margins between the products aimed at the entry level and the affluent markets was again noticeable. Margins for entry level business ranged between 8% and 20% compared to products for the more affluent market where the new business margins ranged from 2% to 4%. There are many good reasons for this disparity, including that products aimed at the entry level market have higher lapse experience and therefore require more capital. Nonetheless, the size of the gap poses interesting questions from a client centricity and a market conduct regulation perspective.

We have reported before on the industry's ambition to improve persistency (not taken up and lapses), especially in the entry level market. The persistency statistics in the past year were largely unchanged.

There were a few notable exceptions such as Clientele Life which reported a positive withdrawal experience in 2013, compared to the previous year which was negative by a substantial margin. It is fair to say that more insurers are adopting a client centric approach with a focus on better quality business at the point of sale. This approach assists the industry's persistency experience but often the effect of this good work is diluted by the affordability pressure experienced by the consumer currently.

On face value the industry experienced a significant increase in operating expenses. The insurers in the survey incurred expenses of R31.5 billion, up 17% from the prior year. Unpacking the increase highlights some sizeable non-recurring items, start-up costs for new business or products, information technology innovation and increased governance and risk management costs at some of the larger insurers. Consistent with the trend set in recent years the 14% increase in acquisition costs is greater than the rate of inflation during the same period, but broadly consistent with the volume of new business.

In aggregate, the insurers in this survey reported 2013 profit before tax of R27.5 billion, which compares to R35.4 billion in the previous year. The anomaly of a lower current year profit number is explained mostly by group structural changes rather than an actual reduction in operational profit. One such item being that Old Mutual Life Assurance Company transferred a large portion of its shareholding in Nedbank to another company in the group. The fair value gains from the life insurer's investment holding in Nedbank during 2012 did not repeat during 2013.

This same transaction explains why the aggregate dividends declared by the insurers increased from R19,0 billion in 2012 to R39,2 billion in the current year. Looking forward, the industry will have a busy time in the period 2014 to 2016 to deal with regulatory changes. Other than the implementation of SAM, the draft proposals for health insurance, credit insurance, Retail Distribution Review and retirement reform need to be considered.

The change agenda should also include the draft proposals to tax risk business sold after 1 January 2016 directly in the shareholders' tax fund. This new regulatory and tax environment will materially impact which products are being sold, and in which manner they are sold. Also, it would be too optimistic to assume that the equity markets will remain strong when the South African economy is under pressure.

It therefore continues to be appropriate for executives in the industry to be cautious when talking to investors about the short to medium-term prospects of the industry in South Africa. That being said, the industry's financial results of the past year again shows that it is able to respond to change and tough trading conditions whilst still producing quality financial results.

Gerdus Dixon
Partner & National
Head of Insurance

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

Accounting year end	Jun-13	Jun-12	Dec-13	Dec-12	Nov-13	Nov-12	Jun-13	Jun-12	Jun-13	Jun-12
Group /Company	**1Life Direct Insurance Limited**		**Absa Life Limited**		**AIG Life Limited**		**Assupol Life Limited**		**AVBOB Mutual Assurance Society**	
FSB classification	*Traditional*		*Traditional*		*Traditional*		*Traditional*		*Traditional*	
Share capital and premium	305 000	305 000	24 000	24 000	10 000	10 000	490 019	490 019	-	-
Retained earnings/(deficit)	415 661	297 581	1 393 899	1 457 527	309 144	385 949	842 544	837 674	4 236 160	3 703 015
Other reserves	-	-	-	-	-	-	58 753	22 146	-	-
Non-controlling interests	-	-	-	-			-	-	-	-
Total shareholders' funds	**720 661**	**602 581**	**1 417 899**	**1 481 527**	**319 144**	**395 949**	**1 391 316**	**1 349 839**	**4 236 160**	**3 703 015**
Policyholder liabilities under insurance contracts and contracts with DPF's	-	-	1 841 475	1 720 852	239 488	230 063	-	766	3 946 334	2 916 535
Policyholder labilities under investment contracts	-	-	19 772 665	18 767 113	-	-	1 138 581	1 011 492	-	-
Preference share liability	-	-	-	-	-	-	-	-	-	-
Linked liability	-	-	-	-	-	-	-	-	-	-
Cell owners interest	-	-	-	-	-	-	-	-	-	-
Deferred tax liability/(asset)	195 421	149 764	31 602	22 299	-	-	208 017	131 986	132 740	56 825
Other liabilities	161 351	144 029	367 302	300 444	37 277	27 233	212 015	286 063	375 052	353 575
Total liabilities	**356 772**	**293 793**	**22 013 044**	**20 810 708**	**276 765**	**257 296**	**1 558 613**	**1 430 307**	**4 454 126**	**3 326 935**
Total investments	**-**	**-**	**23 025 195**	**21 784 849**	**351 810**	**411 532**	**2 383 584**	**2 383 035**	**6 820 102**	**5 542 395**
Assets arising from insurance contracts	850 832	666 480	-	-	-	-	159 462	-	-	-
PPE; goodwill and intangible assets	13 192	1 272	247 722	278 856	-	-	46 784	46 336	119 493	103 600
Reinsurers' share of policyholder liabilities	7 199	24 848	(68 927)	(33 289)	-	-	-	-	7 321	7 497
Deferred acquisition costs	-	-	-	-		-	-	-	-	-
Cash and cash equivalents	171 977	172 646	83 552	107 746	148 998	140 531	216 189	176 258	1 509 372	1 142 110
Other assets	34 233	31 128	143 401	154 073	95 101	101 182	143 910	174 517	233 998	234 348
Total assets	**1 077 433**	**896 374**	**23 430 943**	**22 292 235**	**595 909**	**653 245**	**2 949 929**	**2 780 146**	**8 690 286**	**7 029 950**
Regulatory surplus assets to CAR	Not available	3,2	3,5	3,0	6,2	7,6	2,0	2,1	4,3	4,3
Total assets/total liabilities	302%	305%	106%	107%	215%	254%	189%	194%	195%	211%
Increase in shareholders' funds	20%	40%	(4%)	0%	(19%)	(7%)	3%	26%	14%	16%

Accounting year end	Dec-13	Dec-12	Dec-13	Dec-12	Jun-13	Jun-12	Mar-13	Mar-12	Jun-13	Jun-12
Group /Company	**Centriq Life Insurance Company Limited**		**Channel Life Limited**		**Clientele Life**		**Guardrisk Life Limited**		**Hollard Life Assurance Company Limited**	
FSB classification	*Cell Captive*		*Traditional*		*Traditional*		*Cell Captive*		*Traditional*	
Share capital and premium	21 000	21 000	200 000	637 685	4 853	4 853	10 000	10 000	20 000	20 000
Retained earnings/(deficit)	1 720	105	279 003	354 973	428 379	387 399	44 123	25 730	1 843 558	1 670 953
Other reserves	-	-	-	20	14 603	9 956	-	-	9 303	9 303
Non-controlling interests	-	-	-	-			-	-	-	-
Total shareholders' funds	**22 720**	**21 105**	**479 003**	**992 678**	**447 835**	**402 208**	**54 123**	**35 730**	**1 872 861**	**1 700 256**
Policyholder liabilities under insurance contracts and contracts with DPF's	24 685	12 876	521 630	461 437	736 950	780 532	2 116 052	1 410 513	6 470 350	6 681 337
Policyholder labilities under investment contracts	47 136	62 031	1 556 850	1 207 098	1 283 311	1 312 903	-	-	5 311 542	4 709 907
Preference share liability	-	-	-	-	-	-	-	-	-	-
Linked liability	-	-	-	-	-	-	-	-	-	-
Cell owners interest	84 899	75 304			-	-	1 894 085	1 488 795	-	-
Deferred tax liability/(asset)	(515)	(1 326)	-	(15 707)	(6 265)	1 960	(173 939)	(206 899)	436 408	392 224
Other liabilities	12 621	7 848	531 464	463 405	210 508	213 823	80 993	61 589	850 465	927 592
Total liabilities	**168 826**	**156 733**	**2 609 944**	**2 116 233**	**2 224 504**	**2 309 218**	**3 917 191**	**2 753 998**	**13 068 765**	**12 711 060**
Total investments	**136 646**	**137 533**	**2 381 885**	**2 446 596**	**2 234 295**	**2 266 285**	**3 846 252**	**2 717 214**	**12 650 303**	**12 352 358**
Assets arising from insurance contracts	-	-	-	-	-	-	-	-	-	-
PPE; goodwill and intangible assets	-	-	4 224	2 657	47 183	58 594	157	182	1 000	1 000
Reinsurers' share of policyholder liabilities	4 730	1 747	132 210	105 012	3 337	3 845	3 050	4 641	88 337	100 530
Deferred acquisition costs	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	653	633	466 773	370 076	94 775	105 731	64 664	24 573	1 760 254	1 436 781
Other assets	49 517	37 925	103 855	184 570	292 749	276 971	57 191	43 118	441 732	520 647
Total assets	**191 546**	**177 838**	**3 088 947**	**3 108 911**	**2 672 339**	**2 711 426**	**3 971 314**	**2 789 728**	**14 941 626**	**14 411 316**
Regulatory surplus assets to CAR	5,8	4,6	3,8	7,3	2,4	3,0	5,7	4,8	2,8	3,0
Total assets/total liabilities	113%	113%	118%	147%	120%	117%	101%	101%	114%	113%
Increase in shareholders' funds	8%	(8%)	(52%)	n/a	11%	n/a	51%	17%	10%	13%

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

Accounting year end	Jun-13	Jun-12	Dec-13	Dec-12	Jun-13	Jun-12	Jun-13	Jun-12	Jun-13	Jun-12
Group /Company	**JDG Micro Life Limited**		**Liberty Group Limited**		**Metropolitan Life International Limited**		**Metropolitan Odyssey Limited**		**Momentum Ability Limited**	
FSB classification	*Traditional*		*Traditional*		*Traditional*		*Traditional*		*Traditional*	
Share capital and premium	25 000	25 000	29 000	29 000	40 000	40 000	35 000	35 000	10 000	10 000
Retained earnings/(deficit)	448 100	291 873	15 895 000	12 438 000	60 729	50 997	13 532	12 788	74 284	120 735
Other reserves	-	-	(581 000)	(580 000)	-	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
Total shareholders' funds	**473 100**	**316 873**	**15 343 000**	**11 887 000**	**100 729**	**90 997**	**48 532**	**47 788**	**84 284**	**130 735**
Policyholder liabilities under insurance contracts and contracts with DPF's	81 302	52 133	187 685 000	122 490 000	-	-	264 962	259 824	22 412	15 648
Policyholder labilities under investment contracts	-	-	73 174 000	73 795 000	117 719	88 645	250	241	53 648	50 823
Preference share liability	-	-	-	-	-	-	-	-	1	1
Linked liability	-	-	-	-	-	-	-	-	-	-
Cell owners interest	-	-	-	-	-	-	-	-	-	-
Deferred tax liability/(asset)	-	-	3 514 000	2 215 000	-	1 141	(16 430)	(22 779)	909	180
Other liabilities	4 480	3 701	18 769 000	15 065 000	2 014	32	2 500	119	49 384	78 712
Total liabilities	**85 782**	**55 834**	**283 142 000**	**213 565 000**	**119 733**	**89 818**	**251 282**	**237 405**	**126 354**	**145 364**
Total investments	**-**	**-**	**285 432 000**	**217 763 000**	**211 391**	**171 403**	**256 721**	**238 663**	**26 146**	**25 023**
Assets arising from insurance contracts	-	-	-	-	-	-	-	-	-	-
PPE; goodwill and intangible assets	-	-	2 480 000	2 084 000	714	-	-	-	-	-
Reinsurers' share of policyholder liabilities	-	-	1 120 000	431 000	-	-	-	-	37 189	35 173
Deferred acquisition costs	-	-	513 000	437 000	-	-	-	-		
Cash and cash equivalents	213 016	125 020	4 843 000	2 052 000	8 092	9 360	42 531	45 951	81 847	134 368
Other assets	345 866	247 687	4 097 000	2 685 000	265	52	562	579	65 456	81 535
Total assets	**558 882**	**372 707**	**298 485 000**	**225 452 000**	**220 462**	**180 815**	**299 814**	**285 193**	**210 638**	**276 099**
Regulatory surplus assets to CAR	11,0	7,4	2,6	2,7	10,2	9,1	4,9	4,8	5,1	5,6
Total assets/total liabilities	652%	668%	105%	106%	184%	201%	119%	120%	167%	190%
Increase in shareholders' funds	49%	n/a	29%	12%	11%	n/a	2%	n/a	(36%)	n/a

Accounting year end	Jun-13	Jun-12	Jun-13	Jun-12	Jun-13	Jun-12	Dec-13	Dec-12	Dec-13	Dec-12
Group /Company	**Momentum Alternative Insurance Limited**		**Momentum Structured Insurance Limited**		**MMI Group Limited**		**MS Life Assurance Company Ltd**		**Nedgroup Life Assurance Company Limited**	
FSB classification	*Traditional*		*Traditional*		*Traditional*		*Traditional*		*Traditional*	
Share capital and premium	25 000	25 000	5 000	5 000	1 041 000	1 041 000	75 000	75 000	55 000	55 000
Retained earnings/(deficit)	4 431	3 993	968	1 554	8 871 000	8 172 000	14 183	16 444	641 728	443 428
Other reserves	-	-	-	-	5 917 000	857 000	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
Total shareholders' funds	**29 431**	**28 993**	**5 968**	**6 554**	**15 829 000**	**10 070 000**	**89 183**	**91 444**	**696 728**	**498 428**
Policyholder liabilities under insurance contracts and contracts with DPF's	-	-	-	-	114 807 000	54 798 000	(12 290)	(11 804)	3 321 079	2 978 669
Policyholder labilities under investment contracts	-	-	-	31 202	157 039 000	123 319 000	320 727	228 719	505 057	394 937
Preference share liability	**-**	**-**	**-**	**-**	500 000	500 000	-	-	-	-
Linked liability	-	-	-	-	-	-	-	-	51	-
Cell owners interest	-	-	-	-	-	-	-	-	-	-
Deferred tax liability/(asset)	54	52	-	3	1 408 000	871 000	1 915	3 603	(1 066)	(1 330)
Other liabilities	171	225	205	309	22 205 000	14 363 000	28 308	27 452	325 861	232 608
Total liabilities	**225**	**277**	**205**	**31 514**	**295 959 000**	**193 851 000**	**338 660**	**247 970**	**4 150 982**	**3 604 884**
Total investments	**16 243**	**15 272**	**-**	**30 627**	**285 433 000**	**186 439 000**	**403 150**	**317 802**	**4 004 443**	**3 268 499**
Assets arising from insurance contracts	-	-	-	-	-	-	-	-		
PPE; goodwill and intangible assets	-	-	-	-	4 147 000	3 309 000	1 578	1 990	9 936	5 494
Reinsurers' share of policyholder liabilities	-	-	-	-	1 609 000	934 000	7 751	6 506	-	-
Deferred acquisition costs	-	-	-	-	-	-	2 688	1 342	-	-
Cash and cash equivalents	13 351	13 931	5 538	7 000	11 620 000	8 068 000	6 395	1 592	645 294	711 798
Other assets	62	67	635	441	8 979 000	5 171 000	6 281	10 182	188 037	117 521
Total assets	**29 656**	**29 270**	**6 173**	**38 068**	**311 788 000**	**203 921 000**	**427 843**	**339 414**	**4 847 710**	**4 103 312**
Regulatory surplus assets to CAR	not available	not available	not available	not available	2,6	2,3	5,4	5,5	6,9	5,1
Total assets/total liabilities	13180%	10567%	3011%	121%	105%	105%	126%	137%	117%	114%
Increase in shareholders' funds	2%	n/a	(9%)	n/a	57%	n/a	(2%)	n/a	40%	n/a

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

Accounting year end	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12	Mar-13	Mar-12
Group /Company	**Nedgroup Structured Life Limited**		**Old Mutual Life Assurance Company (South Africa) Limited**		**OMART**		**PPS**		**Prescient Life Limited**	
FSB classification	*Traditional*		*Traditional*		*Cell Captive*		*Traditional*		*Traditional*	
Share capital and premium	26 351	26 351	6 423 000	6 254 000	12 425	12 425	-	-	10 000	10 000
Retained earnings/(deficit)	20 356	14 228	32 323 000	54 733 000	9 014	8 313	166 348	125 372	29 237	21 670
Other reserves	-	-	665 000	580 000	-	(2)	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	412	(843)	-	-
Total shareholders' funds	**46 707**	**40 579**	**39 411 000**	**61 567 000**	**21 439**	**20 736**	**166 760**	**124 529**	**39 237**	**31 670**
Policy holder liabilities under insurance contracts and contracts with DPF's	-	-	156 089 000	151 304 000	767 192	704 164	22 217 379	18 736 580	-	-
Policy holder labilities under investment contracts	11 018 274	9 118 114	303 755 000	254 514 000	-	-	617 920	386 871	5 990 084	4 782 822
Preference share liability	-	-	-	-	170 170	221 149	-	-	-	-
Linked liability	-	-					-	-	-	-
Cell owners interest	-	-	-	-	-	-	4 259 060	2 726 268	-	-
Deferred tax liability/(asset)	-	-	2 371 000	93 000	-	-	406 001	165 386	1 952	739
Other liabilities	1 047	556	38 231 000	31 904 000	56 719	56 438	378 877	432 139	2 994	1 033
Total liabilities	**11 019 321**	**9 118 670**	**500 446 000**	**437 815 000**	**994 081**	**981 751**	**27 879 237**	**22 447 244**	**5 995 030**	**4 784 594**
Total investments	**11 018 274**	**9 118 114**	**505 009 000**	**465 349 000**	**657 046**	**414 720**	**24 565 392**	**20 256 007**	**6 032 514**	**4 814 842**
Assets arising from insurance contracts	-	-	-	-	-	-	-	-	-	-
PPE; goodwill and intangible assets	-	-	3 558 000	3 413 000	-	-	170 017	153 058	-	-
Reinsurers' share of policyholder liabilities	-	-	766 000	889 000	233 114	234 774	878	1 083	-	-
Deferred acquisition costs	-	-	1 145 000	1 064 000	-	-	-	-	-	-
Cash and cash equivalents	37 533	33 877	13 341 000	14 578 000	46 948	292 478	3 122 892	2 026 844	364	369
Other assets	10 221	7 258	16 038 000	14 089 000	78 412	60 515	186 818	134 781	1 389	1 053
Total assets	**11 066 028**	**9 159 249**	**539 857 000**	**499 382 000**	**1 015 520**	**1 002 487**	**28 045 997**	**22 571 773**	**6 034 267**	**4 816 264**
Regulatory surplus assets to CAR	1,4	1,5	3,2	4,0	5,5	2,0	2,6	2,6	2,2	2,2
Total assets/total liabilities	100%	100%	108%	114%	102%	102%	101%	101%	101%	101%
Increase in shareholders' funds	15%	n/a	(36%)	5%	3%	n/a	34%	n/a	24%	39%

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

Accounting year end	Jun-13	Jun-12	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12	Feb-13	Feb-12
Group /Company	**Regent Life Assurance Company Limited**		**Safrican Insurance Company Limited**		**Sanlam Developing Markets Limited**		**Sanlam Life Insurance Limited**		**Sekunjalo Life Assurance Limited**	
FSB classification	*Traditional*		*Traditional*		*Traditional*		*Traditional*		*Traditional*	
Share capital and premium	144 688	144 688	10 000	10 000	853 563	853 563	5 000 000	5 000 000	4 514	4 514
Retained earnings/(deficit)	282 172	282 447	209 461	120 029	3 616 823	2 248 000	48 931 000	43 830 000	11 488	11 963
Other reserves	(4 352)	(1 998)	-	-	-	-	5 429 000	5 429 000	19 473	24 487
Non-controlling interests	53 195	54 991	-	-	-	-	-	-	-	-
Total shareholders' funds	**475 703**	**480 128**	**219 461**	**130 029**	**4 470 386**	**3 101 563**	**59 360 000**	**54 259 000**	**35 475**	**40 964**
Policyholder liabilities under insurance contracts and contracts with DPF's	286 890	225 686	26 440	52 033	2 796 039	2 496 330	135 333 000	129 601 000	11 118	8 940
Policyholder labilities under investment contracts	95 570	78 149	1 470 541	545 200	12 108 796	10 087 849	166 363 000	133 857 000	2 734	5 520
Preference share liability	-	-	-	-	-	-	-	-	-	-
Linked liability	-	-	-	-	-	-	-	-	-	-
Cell owners interest	-	-	-	-	-	-	-	-	-	-
Deferred tax liability/(asset)	100 961	94 366	28	356	15 385	9 660	1 613 000	927 000	429	429
Other liabilities	231 196	279 385	89 892	35 331	1 568 494	1 357 702	45 662 000	46 045 000	21 991	25 706
Total liabilities	**714 617**	**677 586**	**1 586 901**	**632 920**	**16 488 714**	**13 951 541**	**348 971 000**	**310 430 000**	**36 272**	**40 595**
Total investments	**872 041**	**748 947**	**1 653 916**	**635 673**	**19 616 439**	**15 720 515**	**396 778 000**	**353 377 000**	**23 195**	**20 832**
Assets arising from insurance contracts	-	-	-	-	-	-	-	-	-	-
PPE; goodwill and intangible assets	15 934	22 223	1 564	1 214	55 473	62 624	1 482 000	1 406 000	-	-
Reinsurers' share of policyholder liabilities	123 451	103 322	-	-	37 534	37 751	532 000	512 000	-	-
Deferred acquisition costs	-	-	36 178	14 129	158 493	97 041	2 361 000	2 236 000	-	-
Cash and cash equivalents	78 345	147 711	86 387	82 961	847 439	841 281	428 000	520 000	40 115	51 364
Other assets	100 549	135 511	28 317	28 972	243 722	293 892	6 750 000	6 638 000	8 437	9 363
Total assets	**1 190 320**	**1 157 714**	**1 806 362**	**762 949**	**20 959 100**	**17 053 104**	**408 331 000**	**364 689 000**	**71 747**	**81 559**
Regulatory surplus assets to CAR	2,7	3,6	11,5	7,0	4,7	3,8	4,5	4,3	2,8	3,5
Total assets/total liabilities	167%	171%	114%	121%	127%	122%	117%	117%	198%	201%
Increase in shareholders' funds	(1%)	(2%)	69%	n/a	44%	n/a	9%	23%	(13%)	n/a

Accounting year end	Dec-13	Dec-12	Dec-13	Dec-12
Group /Company	**Stanlib Multi-Manager Limited**		**Zurich Life SA Limited**	
FSB classification	*Traditional*		*Traditional*	
Share capital and premium	19 950	19 950	14 500	10 000
Retained earnings/(deficit)	132 478	95 645	(267)	497
Other reserves	75	106	-	-
Non-controlling interests	-	-	-	-
Total shareholders' funds	**152 503**	**115 701**	**14 233**	**10 497**
Policyholder liabilities under insurance contracts and contracts with DPF's	-	-	54	93
Policyholder labilities under investment contracts	23 276 441	21 105 321	-	-
Preference share liability	-	-	-	-
Linked liability	-	-	-	-
Cell owners interest	-	-	2 187	7 491
Deferred tax liability/(asset)	(1 540)	(3 246)	-	-
Other liabilities	42 874	40 837	2 867	4 173
Total liabilities	**23 317 775**	**21 142 912**	**5 108**	**11 757**
Total investments	**-**	**-**	**-**	**-**
Assets arising from insurance contracts	23 276 441	21 105 321	-	-
PPE; goodwill and intangible assets	3 270	8 301	-	-
Reinsurers' share of policyholder liabilities	-	-	13	47
Deferred acquisition costs	-	-	-	-
Cash and cash equivalents	130 436	117 445	15 304	19 517
Other assets	60 131	27 546	4 024	2 690
Total assets	**23 470 278**	**21 258 613**	**19 341**	**22 254**
Regulatory surplus assets to CAR	2,1	1,6	1,4	1,1
Total assets/total liabilities	101%	101%	379%	189%
Increase in shareholders' funds	32%	n/a	36%	n/a

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

Accounting year end	Jun-13	Jun-12	Dec-13	Dec-12	Nov-13	Nov-12	Jun-13	Jun-12
Group /Company	**1Life Direct Insurance Limited**		**Absa Life Limited**		**AIG Life Limited**		**Assupol Life Limited**	
FSB classification	*Traditional*		*Traditional*		*Traditional*		*Traditional*	
Recurring premiums	no split provided (total is R415 789)	no split provided (total is R321 274)	2 637 871	2 483 172	no split provided (total is R694 146)	no split provided (total is R692 484)	872 506	684 892
Single premiums			-	-	25 374	26 697	-	7
Other premiums			-	-	668 772	665 787	764 142	586 065
Reinsurance premiums	108 395	97 856	428 843	371 491	-	-	128 567	101 212
Net premium income	**307 393**	**223 418**	**2 209 028**	**2 111 681**	**26 327**	**37 947**	**1 508 081**	**1 169 752**
Service fees from investment contracts	**-**	**-**	**41 322**	**32 473**	**-**	**-**	**63 772**	**58 239**
Total net investment income	**8 653**	**8 163**	**2 668 720**	**1 775 851**	**-**	**-**	**388 166**	**220 443**
Commission received	12 685	21 932	-	-	-	-	4 318	3 068
Other unallocated income	18 740	19 983	-	-	-	-	1 087	815
Total income	**347 471**	**273 496**	**4 919 070**	**3 920 005**	**695 099**	**703 734**	**1 965 424**	**1 452 317**
Death/disability	no split provided (total is R106 239)	no split provided (total is R81 739)	643 106	547 906	173 128	173 707	184 703	128 898
Maturities			-	-	-	-	88 443	58 517
Annuities			-	-	2 962	3 127	-	-
Surrenders			138 865	121 942	-	-	116 679	112 804
Withdrawals and other benefits			29 487	23 568	-	-	507 106	379 517
Reinsurance recoveries	(54 181)	(44 608)	(156 834)	(129 274)	(6 804)	(6 727)	(107 224)	(100 385)
Net policyholder benefits under insurance contracts	**52 058**	**37 131**	**654 624**	**564 142**	**169 286**	**170 107**	**789 707**	**579 351**
Change in preference share liability	-	-	-	-	-	-	-	
Change in assets arising from insurance contracts	(159 255)	(198 923)	-	-	-	-	-	-

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... continued from 'Change in assets arising from insurance contracts'

Group /Company	1Life Direct Insurance Limited		Absa Life Limited		AIG Life Limited		Assupol Life Limited	
FSB classification	*Traditional*		*Traditional*		*Traditional*		*Traditional*	
Change in policyholder liabilities under insurance contracts	-	-	150 560	292 515	9 424	13 583	(106 815)	(233 647)
Fair value adjustments on policy holder liabilities under investment contracts	-	-	2 200 569	1 324 124	-	-	125 443	57 239
Acquisition costs	-	-	437 916	431 503	310 717	317 592	310 086	279 642
Administration, management and other expenses	290 931	194 966	460 246	388 111	83 819	101 889	436 811	337 814
Total expenses	**183 734**	**33 174**	**3 903 915**	**3 000 395**	**573 246**	**603 171**	**1 555 232**	**1 020 399**
Profit/(loss) before tax	**163 737**	**240 322**	**1 015 155**	**919 610**	**121 853**	**100 563**	**410 192**	**431 918**
Tax	45 657	67 290	280 783	259 242	38 158	28 157	112 097	107 348
Profit/(loss) after tax	**118 080**	**173 032**	**734 372**	**660 368**	**83 695**	**72 406**	**298 095**	**324 570**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income/(loss) for the year	**118 080**	**173 032**	**734 372**	**660 368**	**83 695**	**72 406**	**298 095**	**324 570**
Other transfers to/(from) retained income	-	-	-	-	-	-	-	(2 873)
Other comprehensive income not charged against retained earnings	-	-	-	-	-	-	-	-
Ordinary dividends	-	-	798 000	655 400	160 500	100 000	293 225	56 031
Allocated to preference shareholders	-	-	-	-	-	-	-	-
Change in retained earnings	**118 080**	**173 032**	**(63 628)**	**4 968**	**(76 805)**	**(27 594)**	**4 870**	**265 666**
Management expenses to net premium and service fees on investment contracts	94,64%	87,27%	20,45%	18,10%	12,53%	15,30%	27,79%	27,51%
Tax as a % of NIBT	27,88%	28,00%	27,66%	28,19%	31,31%	28,00%	27,33%	24,85%
Comments	Company	Company	Company	Company	Company	Company	Company	Company

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

Accounting Year end	Jun-13	Jun-12	Dec-13	Dec-12	Dec-13	Dec-12	Jun-13	Jun-12	Mar-12	Mar-12
Group /Company	**AVBOB Mutual Assurance Society**		**Centriq Life Insurance Company Limited**		**Channel Life Limited**		**Clientele Life**		**Guardrisk Life Limited**	
FSB classification	*Traditional*		*Cell Captive*		*Traditional*		*Traditional*		*Cell Captive*	
Recurring premiums	1 702 258	1 476 674	no split provided (total is R142 318)	no split provided (total is R80 230)	no split provided (total is R1 286 271)	no split provided (total is R1 165 834)	1 065 164	1 053 947	983 461	750 512
Single premiums	2 199	1 947	134 537	76 944			-	-	64 968	62 430
Other premiums	-	-	7 781	3 286			-	-	-	-
Reinsurance premiums	2 024	1 467	3 973	1 822	305 489	346 734	77 971	68 421	1 016 908	774 386
Net premium income	**1 702 433**	**1 477 154**	9 526	**11 931**	**980 782**	**819 100**	**987 193**	**985 526**	**31 521**	**38 556**
Service fees from investment contracts	**-**	**-**	**30 155**	**2 232**	**-**	**-**	**-**	**-**	**-**	**-**
Total net investment income	**1 247 972**	**673 602**	**116**	**151**	**89 913**	**287 442**	**263 714**	**270 140**	**298 173**	**196 035**
Commission received	-	-	51 551	19 422	**19 800**	**18 383**	-	-	68 239	49 679
Other unallocated income	49	556	no split provided (total is R63 419)	no split provided (total is R33 868)	**21 454**	**12 674**	161 924	158 338	-	-
Total income	**2 950 454**	**2 151 312**			**1 111 949**	1 137 599	**1 412 831**	**1 414 004**	**397 933**	**284 270**
Death/disability	379 429	349 287			no split provided (total is R554 510)	no split provided (total is R387 549)	136 196	102 279	no split provided (total is R173 737)	no split provided (total is R175 640)
Maturities	639	726					-	-		
Annuities	-	-					-	-		
Surrenders	96 508	77 849					229 459	198 607		
Withdrawals and other benefits	54 311	50 830					46 591	40 472		
Reinsurance recoveries	(187)	(225)	(56 181)	(31 496)	(129 656)	(164 319)	(91 527)	(66 957)	(153 261)	(143 007)
Net policyholder benefits under insurance contracts	**530 700**	**478 467**	**7 238**	**2 372**	424 854	223 230	**320 719**	**274 401**	**20 476**	**32 633**
Change in preference share liability	-	-	-	-	-	-	-	-	-	-
Change in assets arising from insurance contracts	-	-	-	-	129 656	164 319	508	333	**-**	**-**

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... continued from 'Change in assets arising from insurance contracts'										
Group /Company	**AVBOB Mutual Assurance Society**		**Centriq Life Insurance Company Limited**		**Channel Life Limited**		**Clientele Life**		**Guardrisk Life Limited**	
FSB classification	*Traditional*		*Cell Captive*		*Traditional*		*Traditional*		*Cell Captive*	
Change in policyholder liabilities under insurance contracts	1 023 786	354 342	4 565	3 512	44 875	34 355	(43 581)	12 429	522	(6 034)
Fair value adjustments on policyholder liabilities under investment contracts	-	-	3 192	6 902	14 549	113 347	71 222	139 415	277 116	177 594
Acquisition costs	296 252	255 706	31 182	2 727	-	-	-	-	-	-
Administration, management and other expenses	458 948	394 562	3 386	2 535	188 142	231 865	699 405	646 781	64 451	53 107
Total expenses	**2 309 686**	**1 483 077**	**49 563**	**18 048**	**802 076**	**767 116**	**1 048 273**	**1 073 359**	**362 565**	**257 300**
Profit/(loss) before tax	**640 768**	**668 235**	**1 988**	**1 374**	**309 873**	**370 483**	**364 558**	**340 645**	**35 368**	**26 970**
Tax	107 623	164 209	373	170	81 863	60 722	93 005	110 682	6 975	7 787
Profit/(loss) after tax	**533 145**	**504 026**	**1 615**	**1 204**	**228 010**	**309 761**	**271 553**	**229 963**	**28 393**	**19 183**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income/(loss) for the year	**533 145**	**504 026**	**1 615**	**1 204**	**228 010**	**309 761**	**271 553**	**229 963**	**28 393**	**19 183**
Other transfers to/(from) retained income	-	-	-	-	20	-	(11 513)	(16 610)	-	-
Other comprehensive income not charged against retained earnings	-	-	-	-	-	-	-	-	-	-
Ordinary dividends	-	-	-	3 000	304 000	-	219 060	173 329	10 000	14 000
Allocated to preference shareholders	-	-	-	-	-	-	-	-	-	-
Change in retained earnings	**533 145**	**504 026**	**1 615**	**(1 796)**	**(75 970)**	**309 761**	**40 980**	**40 024**	**18 393**	**5 183**
Management expenses to net premium and service fees on investment contracts	26,96%	26,71%	28,81%	49,63%	19,18%	28,31%	70,85%	65,63%	204,47%	137,74%
Tax as a % of NIBT	16,80%	24,57%	18,76%	12,37%	26,42%	16,39%	25,51%	32,49%	19,72%	28,87%
Comments	Society	Society	Company	Company	Company	Company	Company	Company	Company	Company

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

Accounting year end	Jun-13	Jun-12	Jun-13	Jun-12	Dec-13	Dec-12	Jun-13	Jun-12	Jun-13	Jun-12
Group /Company	**Hollard Life Assurance Company Limited**		**JDG Micro Life Limited**		**Liberty Group Limited**		**Metropolitan Life International Limited**		**Metropolitan Odyssey Limited**	
FSB classification	*Traditional*		*Traditional*		*Traditional*		*Traditional*		*Traditional*	
Recurring premiums	4 484 726	3 870 279	no split provided (total is R950 958)	no split provided (total is R564 539)	split provided, but includes investment contracts (total is 26 023 000)	split provided, but includes investment contracts (total is 16 928 000)	-	-	-	-
Single premiums	846 524	1 816 049								
Other premiums	82 776	57 727								
Reinsurance premiums	597 154	558 145	-	-	754 000	616 000	-	-	-	-
Net premium income	**4 816 872**	**5 185 910**	**950 958**	**564 539**	**25 269 000**	**16 312 000**	**-**	**-**	**-**	**-**
Service fees from investment contracts	**-**	**-**	**-**	**-**	**868 000**	**852 000**	**1 161**	**592**	**-**	**-**
Total net investment income	**573 761**	**868 829**	**14 554**	**12 300**	**35 839 000**	**32 946 000**	**30 830**	**22 150**	**20 259**	**34 532**
Commission received	-	-	-	-	-	-	-	-	-	-
Other unallocated income	12 012	44 349	-	506	773 000	728 000	44	3 334	-	-
Total income	**5 402 645**	**6 099 088**	**965 512**	**577 345**	**62 749 000**	**50 838 000**	**32 035**	**26 076**	**20 259**	**34 532**
Death/disability	1 407 317	1 227 175	no split provided (total is R127 505)	no split provided (total is R71 265)	split provided but included payments to investment contracts (net total is R62 749 000	split provided but included payments to investment contracts (net total is R50 838 000)	-	-	no split provided (net total is R6 595)	no split provided (net total is R210)
Maturities	1 009 065	114 516					-	-		
Annuities	172 095	174 790					-	-		
Surrenders	187 990	182 103					-	-		
Withdrawals and other benefits	128 822	104 641					-	-		
Reinsurance recoveries	(551 382)	(471 295)			(615 000)	(427 000)	-	-		
Net policyholder benefits under insurance contracts	**2 353 907**	**1 331 930**	**127 505**	**71 265**	**17 449 000**	**16 038 000**	**-**	**-**	**6 595**	**210**
Change in preference share liability	-	-	-	-	-	-	-	-	**-**	**-**
Change in assets arising from insurance contracts	-	-	-	-	-	-	-	-	-	-

... continued from page 96

... continued from 'Change in assets arising from insurance contracts'										
Group /Company	**Hollard Life Assurance Company Limited**		**JDG Micro Life Limited**		**Liberty Group Limited**		**Metropolitan Life International Limited**		**Metropolitan Odyssey Limited**	
FSB classification	*Traditional*		*Traditional*		*Traditional*		*Traditional*		*Traditional*	
Change in policyholder liabilities under insurance contracts	(254 912)	1 774 285	29 165	9 672	20 394 000	12 812 000	-	-	5 138	23 347
Fair value adjustments on policyholder liabilities under investment contracts	-	-	-	-	10 444 000	10 743 000	17 832	11 000	9	7
Acquisition costs	472 601	442 856	-	-	2 656 000	1 942 000	-	-	-	-
Administration, management and other expenses	1 502 817	1 476 314	216 861	172 441	5 329 000	4 121 000	1 320	1 055	932	911
Total expenses	**4 074 413**	**5 025 385**	**373 531**	**253 378**	**56 272 000**	**45 656 000**	**19 152**	**12 055**	**12 674**	**24 475**
Profit/(loss) before tax	**1 328 232**	**1 073 703**	**591 981**	**323 967**	**6 477 000**	**5 182 000**	**12 883**	**14 021**	**7 585**	**10 057**
Tax	378 807	327 976	165 754	90 711	2 318 000	1 944 000	3 151	1 420	6 841	6 672
Profit/(loss) after tax	**949 425**	**745 727**	**426 227**	**233 256**	**4 159 000**	**3 238 000**	**9 732**	**12 601**	**744**	**3 385**
Other comprehensive income	**-**	**-**	**-**	**-**	**(74 000)**	**(71 000)**	**-**	**-**	**-**	**-**
Total comprehensive income/(loss) for the year	**949 425**	**745 727**	**426 227**	**233 256**	**4 085 000**	**3 167 000**	**9 732**	**12 601**	**744**	**3 385**
Other transfers to/(from) retained income	-	-	-	-	915 000	55 000	-	-	-	-
Other comprehensive income not charged against retained earnings	-	-	-	-	53 000	24 000	-	-	-	-
Ordinary dividends	776 820	548 236	270 000	250 000	1 653 000	2 055 000	-	-	-	-
Allocated to preference shareholders	-	-	-	-	107 000	(63 000)	-	-	-	-
Change in retained earnings	**172 605**	**197 491**	**156 227**	**(16 744)**	**3 293 000**	**1 254 000**	**9 732**	**12 601**	**744**	**3 385**
Management expenses to net premium and service fees on investment contracts	31,20%	28,47%	22,80%	30,55%	20,39%	24,01%	113,70%	178,21%	n/a	n/a
Tax as a % of NIBT	28,52%	30,55%	28,00%	28,00%	35,79%	37,51%	24,46%	10,13%	90,19%	66,34%
Comments	Company	Company	Company	Company	Company	Company	Company	Company	Company	Company

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

Accounting year end	Jun-13	Jun-12	Jun-13	Jun-12	Jun-13	Jun-12	Jun-13	Jun-12	Dec-13	Dec-12
Group /Company	**Momentum Ability Limited**		**Momentum Alternative Insurance Limited**		**Momentum Structured Insurance Limited**		**Momentum Group Limited**		**MS Life Assurance Company Ltd**	
FSB classification	*Traditional*		*Traditional*		*Traditional*		*Traditional*		*Traditional*	
Recurring premiums	294 174	243 325	-	-	-	-	no split provided (total is R11 206 000)	no split provided (total is R9 916 000)	no split provided (total is R74 340)	no split provided (total is R92 089)
Single premiums	28	23								
Other premiums	-	-								
Reinsurance premiums	144 566	119 906	-	-	-	-	2 576 000	2 194 000	11 546	12 259
Net premium income	**149 636**	**123 442**	**-**	**-**	**-**	**-**	**8 630 000**	**7 722 000**	**62 794**	**79 830**
Service fees from investment contracts	**17 113**	**13 501**	**-**	**-**	**105**	**295**	**1 784 000**	**1 320 000**	**-**	**-**
Total net investment income	**11 876**	**9 026**	**1 621**	**1 783**	**421**	**331**	**28 343 000**	**18 385 000**	**5 256**	**2 749**
Commission received	-	-	-	-	-	-	-	-	-	-
Other unallocated income	-	-	-	-	-	-	759 000	617 000	2 721	3 706
Total income	**178 625**	**145 969**	**1 621**	**1 783**	**526**	**626**	**39 516 000**	**28 044 000**	**70 771**	**86 285**
Death/disability	60 792	53 274	-	-	-	-	3 688 000	3 684 000	no split provided (total is R29 578)	no split provided (total is R45 501)
Maturities	-	-					2 976 000	2 291 000		
Annuities	3 179	2 879					1 910 000	1 746 000		
Surrenders	-	-					1 080 000	856 000		
Withdrawals and other benefits	-	-					1 646 000	1 849 000		
Reinsurance recoveries	(26 987)	(26 514)					(1 246 000)	(1 149 000)	(9 096)	(7 543)
Net policyholder benefits under insurance contracts	**36 984**	**29 639**	**-**	**-**	**-**	**-**	**10 054 000**	**9 277 000**	**20 482**	**37 958**
Change in preference share liability	-	-	-	-	-	-	-	-	-	-
Change in assets arising from insurance contracts	(2 016)	(2 121)	-	-	-	-	-	-	-	-

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... continued from 'Change in assets arising from insurance contracts'										
Group /Company	**Momentum Ability Limited**		**Momentum Alternative Insurance Limited**		**Momentum Structured Insurance Limited**		**Momentum Group Limited**		**MS Life Assurance Company Ltd**	
FSB classification	*Traditional*		*Traditional*		*Traditional*		*Traditional*		*Traditional*	
Change in policyholder liabilities under insurance contracts	6 764	(356)	-	-	-	-	(1 317 000)	214 000	(1 730)	(4 978)
Fair value adjustments on policyholder liabilities under investment contracts	2 825	2 274	-	-	-	-	20 852 000	11 173 000	-	-
Acquisition costs	-	-	-	-	-	-	1 868 000	1 736 000	10 683	11 183
Administration, management and other expenses	14 038	10 515	1 014	267	1 343	778	4 448 000	3 239 000	45 285	40 390
Total expenses	**58 595**	**39 951**	**1 014**	**267**	**1 343**	**778**	**35 905 000**	**25 639 000**	**74 720**	**84 553**
Profit/(loss) before tax	**120 030**	**106 018**	**607**	**1 516**	**(817)**	**(152)**	**3 611 000**	**2 405 000**	**(3 949)**	**1 732**
Tax	28 809	30 951	169	418	(232)	(42)	885 000	658 000	(1 688)	1 059
Profit/(loss) after tax	**91 221**	**75 067**	**438**	**1 098**	**(585)**	**(110)**	**2 726 000**	**1 747 000**	**(2 261)**	**673**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**5 068 000**	**473 000**	**-**	**-**
Total comprehensive income/(loss) for the year	**91 221**	**75 067**	**438**	**1 098**	**(585)**	**(110)**	**7 794 000**	**2 220 000**	**(2 261)**	**673**
Other transfers to/(from) retained income	-	-	-	-	-	-	8 000	18 000	-	-
Other comprehensive income not charged against retained earnings	-	-	-	-	-	-	(5 068 000)	(473 000)	-	-
Ordinary dividends	137 672	19 000	-	-	-	-	2 004 000	1 750 000	-	-
Allocated to preference shareholders	-	-	-	-	-	-	31 000	31 000	-	-
Change in retained earnings	**91 221**	**75 067**	**438**	**1 098**	**(585)**	**(110)**	**699 000**	**(16 000)**	**(2 261)**	**673**
Management expenses to net premium and service fees on investment contracts	8,42%	7,68%	n/a	n/a	1279,05%	263,73%	42,71%	35,82%	72,12%	50,60%
Tax as a % of NIBT	24,00%	29,19%	27,84%	27,57%	28,40%	27,63%	24,51%	27,36%	42,74%	61,14%
Comments	Company	Company	Company	Company	Company	Company	Company	Company	Company	Company

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

Accounting year end	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12
Group /Company	**Nedgroup Life Assurance Company Limited**		**Nedgroup Structured Life Limited**		**Old Mutual Life Assurance Company (South Africa) Limited**		**OMART**		**PPS**	
FSB classification	*Traditional*		*Traditional*		*Traditional*		*Traditional*		*Traditional*	
Recurring premiums	no split provided (total is R2 829 157)	no split provided (total is R2 966 596)	-	-	no split provided (total is R34 594 000)	no split provided (total is R30 627 000)	no split provided (total is R683 244)	no split provided (total is R568 951)	no split provided (total is R2 516 188)	no split provided (total is R2 250 597)
Single premiums										
Other premiums										
Reinsurance premiums	206 491	161 947	-	-	900 000	811 000	678 101	572 142	155 256	131 318
Net premium income	**2 622 666**	**2 804 649**	**-**	**-**	**33 694 000**	**29 816 000**	**5 143**	**(3 191)**	**2 360 932**	**2 119 279**
Service fees from investment contracts	**-**	**-**	**8 340**	**6 164**	**2 756 000**	**2 033 000**	**-**	**-**	**-**	**-**
Total net investment income	**196 327**	**326 929**	**2 026**	**1 762**	**71 010 000**	**72 051 000**	**59 957**	**56 865**	**3 817 391**	**2 955 948**
Commission received	-	-	-	-	1 274 000	857 000	-	-	-	-
Other unallocated income	7 400	7 210	1 018	883	200 000	142 000	14 571	15 516	281 811	249 020
Total income	**2 826 393**	**3 138 788**	**11 384**	**8 809**	**108 934 000**	**104 899 000**	**79 671**	**69 190**	**6 460 134**	**5 324 247**
Death/disability	655 620	499 163			no split provided (total is R61 280 000)	no split provided (total is R58 282 000)	no split provided (total is R195 588)	no split provided (total is R217 496)	no split provided (total is R1 526 668)	no split provided (total is R1 490 814)
Maturities	-	-								
Annuities	117 522	101 768								
Surrenders										
Withdrawals and other benefits	112 189	92 978								
Reinsurance recoveries	(193 691)	(153 743)			(1 052 000)	(1 047 000)	(637 975)	(572 449)	(87 575)	(104 889)
Net policyholder benefits under insurance contracts	**691 640**	**540 166**	**-**	**-**	**60 228 000**	**57 235 000**	**(442 387)**	**(354 953)**	**1 439 093**	**1 385 925**
Change in preference share liability					-	-	332 430	278 607	-	-
Change in assets arising from insurance contracts	-	-			-	-	-	-	-	-

... continued from page 100

... continued from 'Change in assets arising from insurance contracts'										
Group /Company	**Nedgroup Life Assurance Company Limited**		**Nedgroup Structured Life Limited**		**Old Mutual Life Assurance Company (South Africa) Limited**		**OMART**		**PPS**	
FSB classification	*Traditional*		*Traditional*		*Traditional*		*Traditional*		*Traditional*	
Change in policyholder liabilities under insurance contracts	342 410	973 815	-	-	split not provided, included in claims expense line	split not provided, included in claims expense line	split not provided, included in claims expense line	split not provided, included in claims expense line	3 498 726	2 625 850
Fair value adjustments on policyholder liabilities under investment contracts	(36 315)	(8 591)	-	-	26 744 000	20 930 000	-	-	74 389	37 086
Acquisition costs	-	-	-	-	3 171 000	2 912 000	26 047	16 997	-	-
Administration, management and other expenses	753 233	675 633	2 873	2 245	10 234 000	9 082 000	33 329	17 013	973 016	888 767
Total expenses	**1 750 968**	**2 181 023**	**2 873**	**2 245**	**100 377 000**	**90 159 000**	**(50 581)**	**(42 336)**	**5 985 224**	**4 937 628**
Profit/(loss) before tax	**1 075 425**	**957 765**	**8 511**	**6 564**	**8 557 000**	**14 740 000**	**130 252**	**111 526**	**474 910**	**386 619**
Tax	301 125	267 760	2 383	1 790	3 965 000	1 993 000	129 551	109 230	430 719	351 578
Profit/(loss) after tax	**774 300**	**690 005**	**6 128**	**4 774**	**4 592 000**	**12 747 000**	**701**	**2 296**	**44 191**	**35 041**
Other comprehensive income	**-**	**-**	**-**	**-**	**234 000**	**200 000**	**2**	**-**	**8 066**	**1 547**
Total comprehensive income/(loss) for the year	**774 300**	**690 005**	**6 128**	**4 774**	**4 826 000**	**12 947 000**	**703**	**2 296**	**52 257**	**36 588**
Other transfers to/(from) retained income	-	-	-	-	-	-	-	-	(2 822)	-
Other comprehensive income not charged against retained earnings	-	-	-	-	-	-	-	-	-	-
Ordinary dividends	576 000	524 000	-	1 260	27 151 000	9 779 000	-	-	-	-
Allocated to preference shareholders	-	-	-	-	-	-	-	-	-	-
Change in retained earnings	**198 300**	**166 005**	**6 128**	**3 514**	**(22 325 000)**	**3 168 000**	**703**	**2 296**	**49 435**	**36 588**
Management expenses to net premium and service fees on investment contracts	28,72%	24,09%	34,45%	36,42%	28,08%	28,52%	648,05%	(533,16%)	41,21%	41,94%
Tax as a % of NIBT	28,00%	27,96%	28,00%	27,27%	46,34%	13,52%	99,46%	97,94%	90,69%	90,94%
Comments	Company	Company	Company	Company	Company	Company	Company	Company	Company	Company

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

Accounting year end	Mar-13	Mar-12	Jun-13	Jun-12	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12
Group /Company	**Prescient**		**Regent Life Assurance Company Limited**		**Safrican Insurance Company Limited**		**Sanlam Developing Markets Limited**		**Sanlam Life Insurance Limited**	
FSB classification	Traditional		*Traditional*		*Traditional*		*Traditional*		Traditional	
Recurring premiums	-	-	654 591	607 285	no split provided (total is R689 347)	no split provided (total is R631 665)	no split provided (total is R3 156 332)	no split provided (total is R2 404 456)	no split provided (total is R9 003 000)	no split provided (total is R8 061 000)
Single premiums			-	-						
Other premiums			-	-						
Reinsurance premiums	-	-	77 402	66 940	(865)	167	13 301	24 825	948 000	689 000
Net premium income	**-**	**-**	**577 189**	**540 345**	**690 212**	**631 498**	**3 143 031**	**2 379 631**	**8 055 000**	**7 372 000**
Service fees from investment contracts	**15 547**	**17 162**	**-**	**-**	**-**	**-**	**-**	**-**	**453 000**	**419 000**
Total net investment income	**833 557**	**340 101**	**154 187**	**100 378**	**159 286**	**58 040**	**2 790 358**	**1 518 382**	**52 927 000**	**51 768 000**
Commission received	-	-	-	-	-	-	-	76	43 000	37 000
Other unallocated income	-	-	34 993	33 959	21	1	-	-	2 810 000	2 521 000
Total income	**849 104**	**357 263**	**766 369**	**674 682**	**849 519**	**689 539**	**5 933 389**	**3 898 089**	**64 288 000**	**62 117 000**
Death/Disability	-	-	175 167	198 844	no split provided (total is R335 528)	no split provided (total is R320 622)	no split provided (total is R969 132)	no split provided (total is R866 243)	no split provided (total is R4 327 000)	no split provided (total is R3 917 000)
Maturities			4 511	3 591						
Annuities			12 692	14 006						
Surrenders			51 280	40 820						
Withdrawals and other benefits			-	-						
Reinsurance recoveries	-	-	(44 439)	(40 771)	816	(24)	14 090	(13 910)	(656 000)	(531 000)
Net policyholder benefits under insurance contracts	**-**	**-**	**199 211**	**216 490**	**336 344**	**320 598**	**983 222**	**852 333**	**3 671 000**	**3 386 000**
Change in preference share liability	-	-	-	-	-	-	-	-	-	-
Change in assets arising from insurance contracts	-	-	-	-	-	-	-	-	-	-

... continued from page 102

... continued from 'Change in assets arising from insurance contracts'										
Group /Company	**Prescient**		**Regent Life Assurance Company Limited**		**Safrican Insurance Company Limited**		**Sanlam Developing Markets Limited**		**Sanlam Life Insurance Limited**	
FSB classification	*Traditional*		*" no split*		*Traditional*		*Traditional*		Traditional	
Change in policyholder liabilities under insurance contracts	-	-	56 057	(8 068)	3 812	4 308	345 783	251 161	16 408 000	19 515 000
Fair value adjustments on policyholder liabilities under investment contracts	829 821	336 627	-	-	146 922	50 867	1 424 675	1 035 275	27 162 000	19 140 000
Acquisition costs	-	-	180 471	174 132	-	-	-	-	1 339 000	1 261 000
Administration, management and other expenses	9 366	8 869	163 482	148 271	238 580	215 790	1 442 132	1 304 620	4 143 000	3 827 000
Total expenses	**839 187**	**345 496**	**599 221**	**530 825**	**725 658**	**591 563**	**4 195 812**	**3 443 389**	**52 723 000**	**47 129 000**
Profit/(loss) before tax	**9 917**	**11 767**	**167 148**	**143 857**	**123 861**	**97 976**	**1 737 577**	**454 700**	**11 565 000**	**14 988 000**
Tax	2 350	2 833	36 738	40 242	34 429	28 030	231 141	97 735	1 964 000	2 040 000
Profit/(loss) after tax	**7 567**	**8 934**	**130 410**	**103 615**	**89 432**	**69 946**	**1 506 436**	**356 965**	**9 601 000**	**12 948 000**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income/(loss) for the year	**7 567**	**8 934**	**130 410**	**103 615**	**89 432**	**69 946**	**1 506 436**	**356 965**	**9 601 000**	**12 948 000**
Other transfers to/(from) retained income	-	-	(19 890)	(15 823)	-	-	-	-	-	-
Other comprehensive income not charged against retained earnings	-	-	(3 689)	(6 945)	-	-	-	-	-	-
Ordinary dividends	-	-	107 106	100 082	-	39 778	137 613	73 000	4 500 000	2 800 000
Allocated to preference shareholders	-	-	-	-	-	-	-	-	-	-
Change in retained earnings	**7 567**	**8 934**	**(275)**	**(19 235)**	**89 432**	**30 168**	**1 368 823**	**283 965**	**5 101 000**	**10 148 000**
Management expenses to net premium and service fees on investment contracts	60,24%	51,68%	28,32%	27,44%	34,57%	34,17%	45,88%	54,82%	48,70%	49,12%
Tax as a % of NIBT	23,70%	24,08%	21,98%	27,97%	27,80%	28,61%	13,30%	21,49%	16,98%	13,61%
Comments	Company	Company	Company	Company	Company	Company	Company	Company	Company	Company

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

Accounting year end	Feb-13	Feb-12	Dec-13	Dec-12	Dec-13	Dec-12
Group /Company	**Sekunjalo Life Assurance Limited**		**Stanlib Multi-Manager Limited**		**Zurich Life SA Limited**	
FSB classification	*Traditional*		*Traditional*		*Traditional*	
Recurring premiums	no split provided (total is R108 271)	no split provided (total is R106 376)	-	-	no split provided (total is R191)	no split provided (total is R1 246)
Single premiums						
Other premiums						
Reinsurance premiums	83	77	-	-	118	856
Net premium income	**108 188**	**106 299**	**-**	**-**	**73**	**390**
Service fees from investment contracts	**-**	-	**364 848**	**285 553**	**2**	**20**
Total net investment income	**3 587**	**3 097**	**3 041 217**	**3 107 955**	**461**	**471**
Commission received	-	-	-	-	-	-
Other unallocated income	2 349	1 522	-	-	-	-
Total income	**114 124**	**110 918**	**3 406 065**	**3 393 508**	**536**	**881**
Death/disability	no split provided (total is R71 816)	no split provided (total is R72 662)	-	-	no split provided (total is R170)	no split provided (total is R714)
Maturities			-	-		
Annuities						
Surrenders						
Withdrawals and other benefits						
Reinsurance recoveries					(15)	(588)
Net policyholder benefits under insurance contracts	**71 816**	**72 662**	**-**	**-**	**155**	**126**
Change in preference share liability	-	-	-	-		
Change in assets arising from insurance contracts	-	-	-	-	(5)	(20)

... continued from page 104

... continued from 'Change in assets arising from insurance contracts'						
Group /Company	**Sekunjalo Life Assurance Limited**		**Stanlib Multi-Manager Limited**		**Zurich Life SA Limited**	
FSB classification	*Traditional*		*Traditional*		*Traditional*	
Change in policyholder liabilities under insurance contracts	-	-	-	-	-	-
Fair value adjustments on policyholder liabilities under investment contracts	-	-	3 035 939	3 101 088	-	-
Acquisition costs	-	-	-	-	-	-
Administration, management and other expenses	20 810	13 947	215 633	196 963	1 349	1 153
Total expenses	**92 626**	**86 609**	**3 251 572**	**3 298 051**	**1 499**	**1 259**
Profit/(loss) before tax	**21 498**	**24 309**	**154 493**	**95 457**	**(963)**	**(378)**
Tax	5 987	7 979	43 720	25 857	(198)	(106)
Profit/(loss) after tax	**15 511**	**16 330**	**110 773**	**69 600**	**(765)**	**(272)**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income/(loss) for the year	**15 511**	**16 330**	**110 773**	**69 600**	**(765)**	**(272)**
Other transfers to/(from) retained income	(475)	-	110 833	69 540	-	-
Other comprehensive income not charged against retained earnings	-	-	-	-	-	-
Ordinary dividends	21 000	-	74 000	63 315	-	-
Allocated to preference shareholders	-	-	-	-	-	-
Change in retained earnings	**(5 964)**	**16 330**	**147 606**	**75 825**	**(765)**	**(272)**
Management expenses to net premium and service fees on investment contracts	19,24%	13,12%	59,10%	68,98%	1798,67%	281,22%
Tax as a % of NIBT	27,85%	32,82%	28,30%	27,09%	20,56%	28,04%
Comments	Company	Company	Company	Company	Company	Company

Reinsurance industry

Reinsurance industry

South African reinsurance market

The performance of the South African reinsurance market for 2013 remained relatively uneventful and not subject to any significant insurance loss events.

For the reinsurance industry (as assessed by the participants surveyed), gross written premium growth increased marginally by 5.8%, R804 million, with the loss ratio performance reflecting an improvement of 3.1% from 77.3% in 2012 to 74.3% in 2013.

Starting with the short-term sector, although the vast majority of primary short-term insurers experienced a tough underwriting year as a result of weather-related catastrophe events such as floods and hailstorms, the short-term results of the reinsurance industry paint a different picture with largely stable results reflected for 2013. Gross written premiums increased by R150 million, a 2% increase, with the loss ratio declining by 0.7%. The life sector, being more subject to economic market volatilities such as interest rate movements, reflected more notable favourable results.

Gross written premiums increased by R654 million reflecting a 12% increase with the loss ratio improving by an impressive 6.8%.

We will now go into more detail over the individual reinsurers' performance which has contributed to these movements.

Market share and growth

As in 2012, Hannover Re and Munich Re continue to lead the South African reinsurance market from a gross written premiums perspective, with this holding true especially for the short-term reinsurance sector. From a life reinsurance perspective Gen Re continues to remain a strong competitor for Munich Re and Hannover Re.

The reinsurance industry as a whole experienced premium growth (gross written premiums) of 5.8% from 2012, with only Munich Re having experienced a decline in premiums of 6.3%, attributable to the short-term business. Despite this, Munich Re continues to maintain its position in the market, as mentioned above. Consistent with the FSB quarterly short-term and long-term reports for December 2013, the short-term sector reported growth of 2% while the life sector reported growth of 12%. Within the short-term sector, Gen Re reported phenomenal growth in premiums of 26% with only Munich Re reporting a decline of 15%. Within the life sector, all reinsurers experienced positive premium growth with Scor having reported an exceptional 31%. It is worth noting that the reinsurers with the highest premium growth for 2013 hold the lowest market share of the short-term and life sectors.

For the reinsurance industry as a whole the underwriting margin increased by 5.2%, although the results of the individual reinsurers showing varying degrees of performance. Saxum Re, Munich Re, African Re and Hannover Re all experienced a decline in their underwriting margin for 2013, ranging from as low as 0.8% for African Re to as high as 3.9% for Hannover Re. Gen Re, Scor and Hannover Life all experienced an increase in their underwriting margin from 2012, with this ranging from 3.4% for Scor to as high as 11.2% and 17.2% for Gen Re and Hannover Life respectively. It is interesting to note that for the majority of the reinsurers that experienced an increase in their underwriting margin, the reinsurer underwrites only life business, ie Hannover Re, or a majority of their business underwritten is life business, as with Gen Re.

Investment returns

The investment market for 2013 continued its strong performance on the JSE with the market closing 18% higher than 2012. Interest rates have however remained flat.

The industry as a whole achieved an investment return of 6.4% for 2013, a decline of 0.8% when compared to 2012. This can, for the most part, be attributed to poor bond market yields. For the majority of the reinsurers, a similar trend could be observed with the exception of Saxum Re that reported investment losses and Hannover Life that reported an increase in investment returns of 0.9%.

Net investment income for the industry as whole declined by 12% from 2012, while the results of the individual reinsurers are mixed. Munich Re, African Re and Hannover Re all experienced a decline in investment income ranging from 18.9% to 24.7%. With the reinsurers that have experienced an increase in investment income for 2013, this range is quite wide. Gen Re reported a 5.0% increase with Scor and Hannover Life reporting increases of 11.2% and 21.3% respectively.

Insurance performance

Compared to 2012, the loss ratio for 2013 improved by 3.1% for all participants combined, with most reinsurers mirroring a similar trend. Munich Re (life and short-term combined) and Hannover Re, however, experienced a worsening in their loss ratios of 5.8% and 10.3% respectively. Gen Re experienced a 13% improvement, Hannover Life a 15.3% improvement and Saxum Re a 16.4% improvement. African Re experienced a 5.3% improvement on the back of a 8.5% deterioration in its loss ratio during 2012.

The loss ratio over the short-term sector has remained substantially stable with a 0.7% improvement from 2012 to 2013. All reinsurers except for Hannover Re (0.2% decline) reported improvements in loss ratios in this sector, with Gen Re presenting a notable improvement of 12.2%. These results do not entirely concur with the weather related catastrophe events during 2013.

The loss ratio over the life sector also showed significant improvement of 6.8%. Munich Re and Scor, however, noted a decline of 6.7% and 5.1% respectively. Saxum, Gen Re and Hannover Life all experienced an improvement amounting to 30.9% (as a result of the business being in run-off), 11.6% and 14.4%.

The reinsurance market was unscaved by one of the largest fraud related insurance losses in the industry, being the First Tech loss. One can only deduce that the higher retention levels by primary insurers and the impact of effective retrocession agreements between reinsurers and retrocessionaires would have protected the reinsurance market from this loss.

Commissions and expenses

For the participants combined, reinsurance commission income rates for 2013 have remained substantially stable with only a 0.4% decrease noted from 2012. Nevertheless, the individual results of the participants surveyed convey mixed results:

- Reinsurance commission income for Munich Re increased by 2.9%, Gen Re experienced a 7.8% increase, African Re a 5.3% increase and Scor a 1.3% increase.
- The most notable decrease was experienced by Hannover Life of 30.2%, however, a 27.8% increase was noted during 2012.

These fluctuations are primarily as a result of profit commission provisions, which tend to have a delayed effect on the results.

Commission expense for all participants surveyed decreased by 1.4% with the individual results of participants once again showing varied results. The most notable movements can be attributed to Hannover Life reflecting a 7.0% decrease and Hannover Re reflecting an 8.3% decrease.

Global reinsurance market

In our 2013 insurance survey we noted that catastrophe events were predicted for 2013 as a result of climate change and extreme weather events. The global market was plagued by tropical cyclones, severe weather conditions, flooding, earthquakes, wildfire and drought.

In an Aon report on the 2013 reinsurance performance results, Reinsurance Market Outlook (January 2014) it was noted that the aggregate insured global catastrophe losses were at their lowest levels since 2009. Global insured losses in 2013 were preliminarily listed at USD45 billion, down 40% from 2012 (USD75 billion).

Severe weather events comprised approximately 38% of total global catastrophe losses in 2013, primarily driven by large events in the United States and Germany. Major flood events across parts of Central Europe and Canada led to the most losses for this peril since 2002 (USD13 billion in 2013).

This held true for South Africa as well with the Western Cape floods (losses amounting to around R400 million),Gauteng hail storms in November 2013 (losses amounting to an amount in excess of R2 billion) and the floods in Limpopo during January 2013 (losses amounting to approximately R300 million).

Lastly, one cannot easily forget the missing Malaysian flight MH370 bound for Beijing, which has still not yet been found since March 2014. The insured market loss approximating $350m, including the costs for German insurer Allianz the lead insurer taking a $30m hit (about 9%) of the insured market loss on the plane.

Other developments

With the implementation of the risk-based Solvency Assessment and Management ('SAM') regime currently underway in South Africa, many insurers will be looking to reinsurers to revise reinsurance programmes. Insurers are aiming to achieve solvency relief with the optimal reinsurance structure. Hence, over 2014 we can expect to see changes in both reinsurance and retrocession arrangements for the vast majority of insurers and reinsurers.

Kashmira Naran
Manager

REINSURERS | Statement of Financial Position | R'000

Accounting year end	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12
Group /Company	**African Reinsurance Corporation (South Africa) Limited**		**General Reinsurance Africa Limited**		**Hannover Life Reassurance Africa Limited**		**Hannover Reinsurance Africa Limited**	
Share capital and share premium	80 300	80 300	4 000	4 000	112 500	112 500	72 778	72 778
Retained earnings/(deficit)	413 197	329 671	801 546	563 795	428 526	275 216	528 769	512 346
Reserves including contingency reserve	51 702	51 702	19 566	113 526	(10 409)	28 493	151 373	196 399
Total shareholders' funds	**545 199**	**461 673**	**825 112**	**681 321**	**530 617**	**416 209**	**752 920**	**781 523**
Gross outstanding claims	873 866	930 074	1 214 069	1 232 337	228 574	253 707	1 461 273	1 588 813
Gross unearned premium reserve	181 451	213 312	172 852	161 699	15 545	18 548	776 526	495 253
Provision for profit commission	-	-	-	-	304 660	343 743	241 177	211 937
Policyholder liabilities under insurance contracts	-	-	1 579 355	1 360 642	1 731 995	1 490 953	-	-
Liabilities in respect of investment contracts	-	-	-	-	-	316 469	-	-
Deferred reinsurance commission revenue	34 623	44 678	-	-	47 322	50 587	73 605	62 923
Deferred tax liabilities/(assets)	27 268	22 290	(51)	(19 184)	-	-	(6 636)	3 995
Funds withheld	1 108 810	1 092 147	427	690	516 735	335 300	723 566	690 058
Other liabilities	207 183	204 818	177 154	153 446	78 253	84 889	269 806	353 229
Total liabilities	**2 433 201**	**2 507 319**	**3 143 806**	**2 889 630**	**2 923 084**	**2 894 196**	**3 539 317**	**3 406 208**
Total investments	**1 947 973**	**1 969 998**	**3 401 623**	**2 958 874**	**2 203 461**	**2 223 202**	**1 726 200**	**1 953 213**
Funds withheld	136	134	-	-	74 293	79 091	419 608	360 976
PPE and intangible assets	5 693	625	4 478	1 819	-	-	3 963	2 704
Retrocessionaires' share of outstanding claims	613 494	655 047	94 628	95 679	105 781	49 857	635 557	714 914
Retrocessionaires' share of unearned premium reserve	127 016	149 318	14 105	13 323	-	-	307 851	303 427
Retrocessionaires' share of profit commissions	-	-	-	-	151	12 510	171 135	148 086
Retrocessionaires' share of liabilities under life insurance contracts	-	-	388	1 397	410 877	275 037	-	-
Deferred aquisition cost	44 028	57 417	-	-	153 612	141 417	187 996	107 769
Cash and cash equivalents	1 936	4 307	142 392	174 137	113 774	102 099	158 435	124 318
Other assets	238 124	132 146	311 304	325 722	391 752	427 192	681 492	472 324
Total assets	**2 978 400**	**2 968 992**	**3 968 918**	**3 570 951**	**3 453 701**	**3 310 405**	**4 292 237**	**4 187 731**
CAR ratio	n/a	n/a	4,5	4,1	2,9	2,7	n/a	n/a
Return on equity	15%	23%	17%	28%	38%	(2%)	13%	19%
Total assets/total liabilities	122%	118%	126%	124%	118%	114%	121%	123%
Change in shareholders' funds	18%	31%	21%	15%	27%	14%	(4%)	(1%)

Accounting year end	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12
Group /Company	**Munich Reinsurance Company of Africa Limited (Group)**		**saXum Reinsurance Limited**		**Scor Africa Limited**	
Share capital and share premium	34 915	34 915	11 500	11 500	150 000	150 000
Retained earnings/(deficit)	1 995 680	1 788 497	22 969	22 606	62 748	40 120
Reserves including contingency reserve	311 027	349 775	(9 104)	(1 050)	10 908	25 503
Total shareholders' funds	**2 341 622**	**2 173 187**	**25 365**	**33 056**	**223 656**	**215 623**
Gross outstanding claims	2 270 869	1 856 744	16 822	17 336	744 162	502 781
Gross unearned premium reserve	697 136	882 033	-	-	194 706	232 634
Provision for profit commission	-	-	-	-	-	-
Policyholder liabilities under insurance contracts	1 787 553	1 608 531	25 338	31 944	17 031	10 769
Liabilities in respect of investment contracts	-	-	-	-	-	-
Deferred reinsurance commission revenue	164 797	162 329	-	-	38 354	40 266
Deferred tax liabilities/(assets)	92 297	61 710	(5 971)	(5 971)	123	3 599
Funds withheld	12 790	8 478	-	-	586 560	386 217
Other liabilities	936 298	1 158 187	16 032	11 369	178 341	189 188
Total liabilities	**5 961 740**	**5 738 012**	**52 221**	**54 678**	**1 759 277**	**1 365 454**
Total investments	**3 471 899**	**3 994 348**	**51 803**	**62 249**	**736 520**	**587 751**
Funds withheld	91 597	79 846	-	-	-	-
PPE and intangible assets	564 358	233 736	740	2 117	326	241
Retrocessionaires' share of outstanding claims	1 737 753	1 310 238	2 192	447	494 976	285 650
Retrocessionaires' share of unearned premium reserve	551 306	618 820	-	-	124 867	136 568
Retrocessionaires' share of profit commissions	-	-	-	-	-	-
Retrocessionaires' share of liabilities under life insurance contracts	32 722	26 772	6 259	6 785	5 204	1 992
Deferred aquisition cost	185 158	206 653	-	-	60 939	77 392
Cash and cash equivalents	670 009	369 225	15 089	14 758	159 677	190 345
Other assets	998 560	1 071 561	1 503	1 378	400 424	301 138
Total assets	**8 303 362**	**7 911 199**	**77 586**	**87 734**	**1 982 933**	**1 581 077**
CAR ratio	6,1	5,6	1,8	1,3	2,6	2,1
Return on equity	11%	19%	(30%)	(8%)	10%	6%
Total assets/total liabilities	139%	138%	149%	160%	113%	116%
Change in shareholders' funds	8%	16%	(23%)	(7%)	4%	17%

REINSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Dec-12	Dec-11	Dec-12	Dec-11	Dec-12	Dec-11	Dec-12	Dec-11
Group /Company	**African Reinsurance Corporation (South Africa) Limited**		**General Reinsurance Africa Limited**		**Hannover Life Reassurance Africa Limited**		**Hannover Reinsurance Africa Limited**	
Gross premiums written	1 879 305	1 687 667	2 025 601	1 850 841	2 161 496	1 862 159	2 664 478	2 298 618
Net premiums written	548 255	489 379	1 956 167	1 789 961	1 673 452	1 502 315	1 305 163	994 593
Earned premiums	**557 814**	**479 796**	**1 945 797**	**1 767 816**	**1 677 835**	**1 500 898**	**1 031 341**	**1 058 199**
Total net investment income	127 666	158 442	223 395	212 761	113 240	93 332	93 966	115 801
Reinsurance commission revenue	414 722	310 327	21 162	13 796	47 200	143 442	469 287	486 910
Other income	-	-	-	-	5 112	2 820	521	217
Total income	**1 100 202**	**948 565**	**2 190 354**	**1 994 373**	**1 843 387**	**1 740 492**	**1 595 115**	**1 661 127**
Policyholder benefits and entitlements	384 817	356 193	1 644 709	1 724 332	1 152 158	1 260 849	636 986	544 632
Acquisition expense	535 475	397 163	60 284	21 258	318 677	405 227	762 720	848 778
Management and other expenses	72 163	50 158	83 974	71 610	87 991	86 198	65 454	74 056
Total expenses	**992 455**	**803 514**	**1 788 967**	**1 817 200**	**1 558 826**	**1 752 274**	**1 465 160**	**1 467 466**
Net profit/(loss) before tax	**107 747**	**145 051**	**401 387**	**177 173**	**284 561**	**(11 782)**	**129 955**	**193 661**
Tax	24 221	36 931	163 633	49 187	81 251	(4 105)	33 532	46 988
Net profit/(loss) after tax	**83 526**	**108 120**	**237 754**	**127 986**	**203 310**	**(7 677)**	**96 423**	**146 673**
Other comprehensive income/(loss)	-	-	(93 960)	64 572	(38 902)	3 816	(61 966)	1 986
Total comprehensive income/(loss) for the year	**83 526**	**108 120**	**143 794**	**192 558**	**164 408**	**(3 861)**	**34 457**	**148 659**
Minority shareholders' interest	-	-	-	-	-	-	-	-
Transfer to/(from) contingency reserve	-	-	-	-	-	-	-	(94 628)
Transfer to/(from) retained earnings	-	-	-	-	-	-	-	-
Dividends	-	-	-	102 000	50 000	-	80 000	155 000
Change in retained earnings	**83 526**	**108 120**	**237 754**	**25 986**	**153 310**	**(7677)**	**16 423**	**86 301**
Net premiums to gross premiums	29%	29%	97%	97%	77%	81%	49%	43%
Policyholder benefits and entitlements to earned premium	69%	74%	85%	98%	69%	84%	62%	51%
Management and other expenses to earned premium	13%	10%	4%	4%	5%	6%	6%	7%
Comments	Company		Composite company		Company		Company	

Accounting year end	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12
Group /Company	**Munich Reinsurance Company of Africa Limited (Group)**		**saXum Reinsurance Limited**		**Scor Africa Limited**	
Gross premiums written	4 936 257	5 268 175	16 282	16 141	871 718	767 410
Net premiums written	2 462 432	2 676 556	10 502	10 527	343 979	314 405
Earned premiums	**2 590 219**	**2 663 958**	**10 502**	**10 527**	**372 380**	**301 696**
Total net investment income	285 895	379 682	(6 555)	(3 086)	25 916	23 305
Reinsurance commission revenue	809 758	772 802	669	957	146 080	119 558
Other income	(784)	6 984	-	-	834	444
Total income	**3 685 088**	**3 823 426**	**4 616**	**8 398**	**545 210**	**445 003**
Policyholder benefits and entitlements	2 027 845	1 932 381	(242)	1 482	231 983	196 886
Acquisition expense	1 099 538	1 180 952	320	1 280	247 948	202 529
Management and other expenses	225 984	255 492	12 228	9 375	32 359	26 986
Total expenses	**3 353 367**	**3 368 825**	**12 306**	**12 137**	**512 290**	**426 401**
Net profit/(loss) before tax	**331 721**	**454 601**	**(7 690)**	**(3 739)**	**32 920**	**18 602**
Tax	24 575	137 091	-	(1 092)	10 292	6 001
Net profit/(loss) after tax	**307 146**	**317 510**	**(7 690)**	**(2 647)**	**22 628**	**12 601**
Other comprehensive income/(loss)	(38 711)	89 580	-	-	(15 594)	17 105
Total comprehensive income/(loss) for the year	**268 435**	**407 090**	**(7 690)**	**(2 647)**	**7 034**	**29 706**
Minority shareholders' interest	-	-	-	-	-	-
Transfer to/(from) contingency reserve	-	(61 129)	-	-	-	(20 611)
Transfer to/(from) retained earnings	37	(6 303)	8 053	4 760	-	-
Dividends	100 000	114 000	-	-	-	-
Change in retained earnings	**207 183**	**258 336**	**363**	**2 113**	**22 628**	**33 212**
Net premiums to gross premiums	50%	51%	65%	65%	39%	41%
Policyholder benefits and entitlements to earned premium	78%	73%	(2%)	14%	62%	65%
Management and other expenses to earned premium	9%	10%	116%	89%	9%	9%
Comments	Composite company		Company		Composite company	

SOCCER STATISTICS
GET ALL THE FACTS

MOST TITLES
Brazil 5, Italy 4, Germany 3

MOST SECOND PLACE FINISHES
Germany 4, Netherlands 3

MOST THIRD PLACE FINISHES
Germany 4
3 Brazil + France + Sweden
+ Poland 2

MOST FINALS REACHED
Germany 8, Brazil 8, Italy 6

MOST TOP TEN FINISHED
Germany (18 out of 18),
Brazil (18 out of 20),
Italy (14 out of 18)

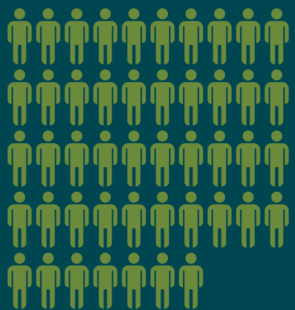
MOST GOALS SCORED, OVERALL FINALS
16, Miroslav Klose
(Germany, 2002–2014)
Record broken in 2014

MOST GOALS SCORED IN A SEMI-FINAL
Germany 7 Brazil 1
record broken in 2014

All the below stats are from the following website: http://en.wikipedia.org/wiki/FIFA_World_Cup_records#Host_records

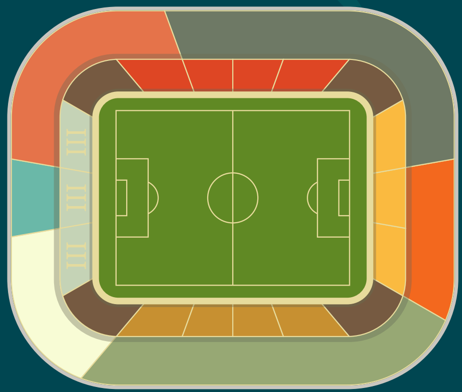
Year	Winners	Final score	Runners-up	Location
1978	Argentina	3–1	Netherlands	Argentina
1982	Italy	3–1	West Germany	Spain
1986	Argentina	3–2	West Germany	Mexico
1990	West Germany	1–0	Argentina	Italy
1994	Brazil	0–0	Italy	United States
1998	France	3–0	Brazil	France
2002	Brazil	2–0	Germany	Japan
2006	Italy	1–1	France	Germany
2010	Spain	1–0	Netherlands	South Africa
2014	Germany	1-0	Argentina	Brazil

Previous winners, host cities and score lines: http://en.wikipedia.org/wiki/List_of_FIFA_World_Cup_finals



THE HIGHEST TOTAL ATTENDANCE IN WORLD CUP HISTORY
USA 1994
3 587 538
Germany 2006
3 359 439
South Africa 2010
3 178 856
France 1998
2 785 100

http://en.wikipedia.org/wiki/FIFA_World_Cup#Attendance



COSTS OF LATEST WORLD CUPS

HOST	GENERAL COST
BRAZIL (2014)	US$14 billion
GERMANY (2006)	$6 billion
KOREA/JAPAN (2002)	$5 billion
ITALY (1990)	$5 billion
SOUTH AFRICA (2010)	$4 billion

An estimate of the total costs incurred for the previous world cups – general costs including stadiums and staff: http://en.wikipedia.org/wiki/2014_FIFA_World_Cup_preparations