We have pleasure in presenting and commenting on the financial results of the South African reinsurance industry for the 2016 financial year. We will highlight some key aspects, ratios and events that impacted the industry as well as cast our eye toward the future and report on what we expect the next couple of years may hold in for the industry.

To fully grasp and appreciate the results that the industry reported it is key to understand the economic and political backdrop. Globally unexpected events such as Brexit and the Trump presidency created high levels of uncertainty and directly impacted local economic markets. In the table to the right we consider some of the positive and negative political, social and economic aspects which have an impact on the broader society and ultimately the subject at hand. It goes without saying that the political, social and economic environment influences the insurance customer and consequently the reinsurer.

The country held the most competitive and fair local government election since 1994.
South Africa remains an economy with one of the highest inequality rates in the world, perpetuating both inequality and exclusion. Poverty levels remained high, unemployment and income inequalities that reflect no significant progress being made to build and achieve financial inclusion and inclusive economic development.
Political and legal challenges imposed on the respected Minister of Finance and the consequential reduction in investor confidence.
Important judgments, reports and electoral outcomes were delivered by the Constitutional Court, the Public Protector and especially the South African electorate in the municipal elections.
Continued weakness and poor performance of state enterprises in vital sectors of the economy.
The money and capital markets also stabilised subsequent to the politically-induced turmoil recorded in December 2015.
The risk of a South Africa credit ratings downgrade that persisted throughout the year.
Global crude oil prices increased during the year but minimally fed through into domestic inflation on the back of the relatively stronger Rand.
High unemployment remains a key challenge: South Africa's unemployment rate hit a 12-year high in 2016, at 27.7% in the third quarter. The unemployment rate is even higher among youths being close to 50%.
Rising Government debt as well as high deficits on the current account.
Real GDP growth has been slowing down and came in at only 0.3% in 2016. The 0.3% growth recorded by the South African economy marked a continuation of the downward trend since the recovery from the 2009 global economic crisis and compares dismally with the 1.3% growth of 2015 and the 1.8% growth recorded in 2014.
The poor GDP performance continued to be impacted by generally low commodity prices and a strengthening Rand
Inflation also ticked up above the target range of 3% - 6% to settle at 6.8% at the end of the year.
Continued volatility of the currency. This is mentioned despite that, overall, it strengthened against the US Dollar by some 12% through the year. It should be remembered that the strengthening was off the back of a severe currency weakness after Nenegate.
Low consumer and producer confidence.
Substantial divestment and reduced activity in the mining and quarrying sector.
Power supply stabilised throughout the year albeit with reduced demand as a result of lower levels of industrial activity.
Fewer disruptive labour strikes.
Widespread drought leading to eight of the country's nine provinces being declared as disaster zones during most of 2016.

Industry performance

It is important to note our performance analysis is based on locally registered professional reinsurers participating in this survey only. The reinsurance industry remains competitive, however this is not something new in the context of South Africa. The level of competition is expected to increase due to the allowance of foreign reinsurers to conduct business in South Africa through a branch. There is excess market capacity as well as increasingly higher innovation trends. This is in line with global reinsurance markets which reflected new peaks in supply, and whereby capacity continues to outpace the growth of reinsurance demand despite insurers' continued efforts to optimise their view of reinsurance as capital-efficient vehicles for balance sheet protection and expand into growing lines of business and new innovation.

Despite low local and global economic growth, reinsurers locally still managed to achieve respectable growth levels. Reinsurers grew in gross written premium (GWP) and investment income in the 2016 financial year, when compared to the 2015 financial year, by 13% and 23% respectively. This growth is higher than what we have seen in the primary insurance markets.

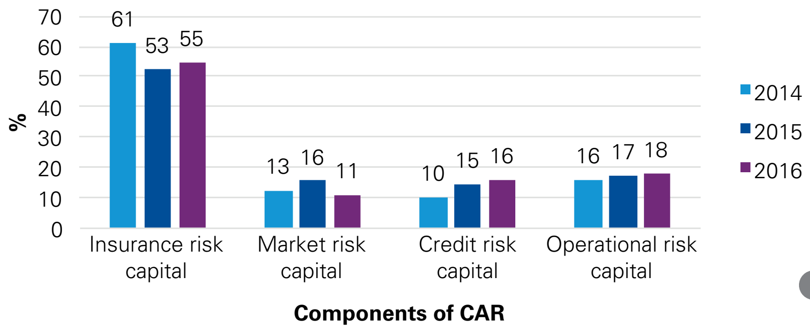
Overall the reinsurance market is deemed to be in a soft cycle, meaning lower insurance premiums, broader coverage, reduced underwriting criteria (easier underwriting), increased capacity (insurance carriers write more policies and higher limits) and increased competition among insurance carriers. In addition to this, the industry also experienced claims deterioration. This stems from both number and severity of losses in both the short-term and long-term sectors of the market.

These factors contributed to reinsurers not experiencing a good year in terms of underwriting result. The reinsurance market reported on industry loss of R832 million (2015: R49 million profit). The combined ratio for the industry has deteriorated to 108% (2015: 99%). The return on equity (ROE) for the industry was 6% (2015: 13%). The decrease in underwriting profits, deterioration of the combined ratio and decrease of ROE are mainly driven by a sharp decrease in the long-term reinsurance market results. The decline in underwriting performance across the reinsurance industry has, however been soft landed by improved investment returns.

The industry results have been affected by the strengthening of the Rand. The majority of the market is exposed to currency fluctuations through business placed in other territories directly impacting claims settlement and ultimately net assets and liabilities in foreign jurisdictions further resulting in the recording of foreign exchange profits or losses.

According to the Financial Services Board (FSB) quarterly report on the results of the short-term insurance industry for the period ended 30 September 2016, the credit risk component had increased to 16% of the composition of the capital adequacy ratio (CAR) of the short-term industry. The results are measured on the existing regulatory basis, i.e. not a Solvency Assessment and Management (SAM) basis.

Build of risk capital



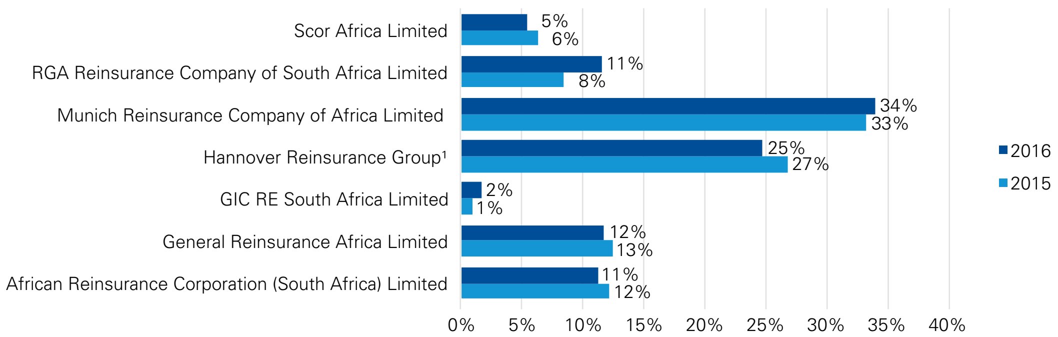
Although these results are pre the sovereign default downgrade that took place in early 2017, we can expect the credit risk component to increase even more, as the credit risk associated with the market in general will be affected by the downgrade. Consequently, the capital requirements will be impacted too.

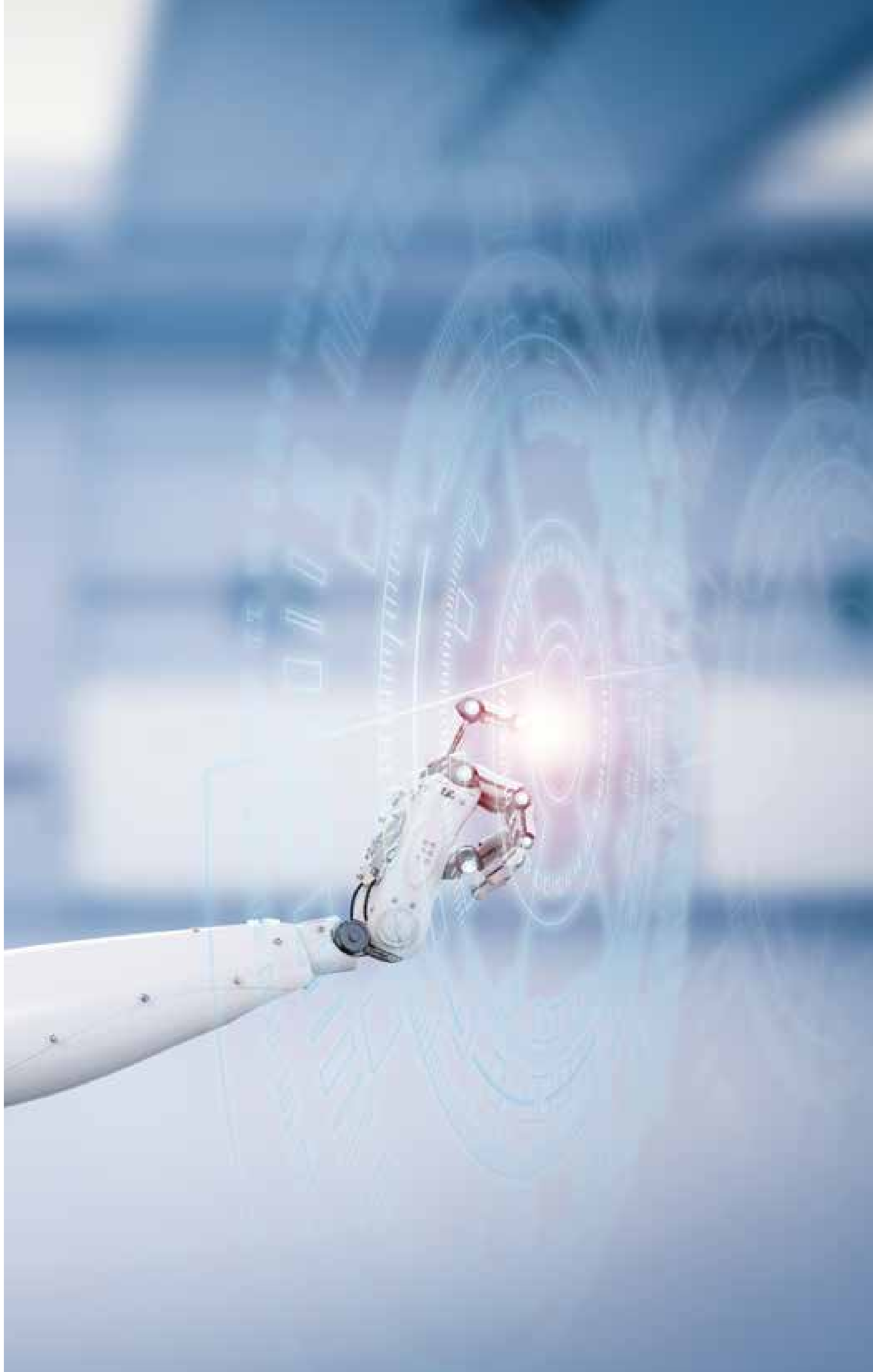
Herewith the recent S&P credit ratings for industry participants.

Industry participant	International scale credit rating
Munich Re	AA-
Hannover Re	AA-
Scor	AA-
African Re	A-
RGA	AA-
Gen Re	AA+
GIC Re India*	A-
Others	
Partner Re	A+
Everest Re	A+
XL Catlin	A+
Swiss Re	AA-

* The GIC Re India rating is as per AM Best

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



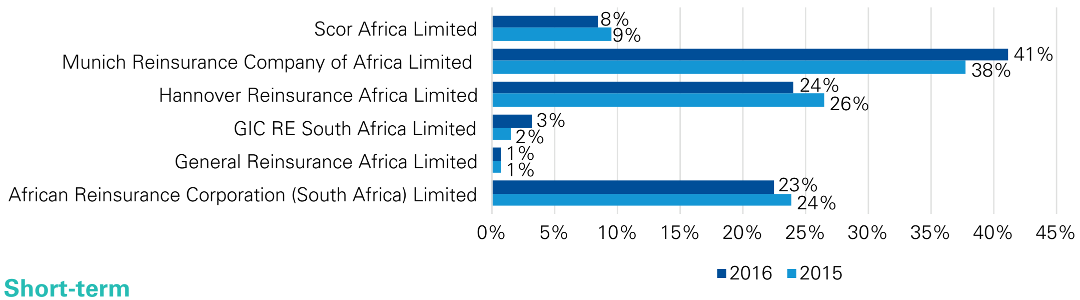


[1] For the purposes of our analysis we have combined Hannover Life Reassurance Africa Limited and Hannover Reinsurance Africa Limited as the Hannover Reinsurance Group.

Munich Reinsurance Company of Africa Limited (MRoA) and Hannover Reinsurance Group (Hannover Re) remain the dominant players in the local reinsurance industry. Their combined market share accounts for 59% (2015: 60%) measured by GWP volumes. The market share distribution across reinsurers remained relatively consistent between 2015 and 2016, with the exception of RGA Reinsurance Company of South Africa Limited (RGA) gaining market share.

Some of the movements in the market share distribution are a direct result of reinsurers reviewing their portfolio of treaties and cedants as well as offloading non-performing business. Below we illustrate market share in terms of GWP for short-term reinsurers separately.

Short-term

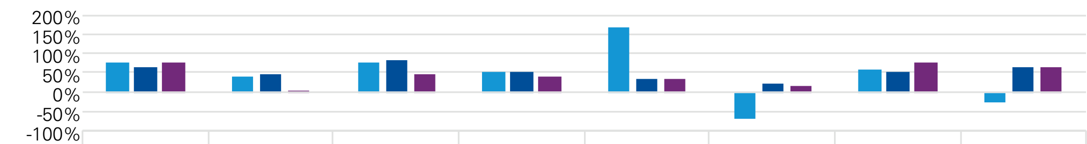


Short-term

Per the FSB ST quarterly report for September 2016, four of the seven operational reinsurers have reported underwriting losses and two have reported operating losses for the period ended September 2016 (at the time of commenting on the results the December 2016 FSB results were not available). It should be noted that all results included in the FSB quarterly reports are on a regulatory basis (i.e. measured under the existing Short-term Insurance Act). The results are therefore different to the IFRS results as the measurement bases differs (i.e. legal vs substance over form).

Illustrated below is claims incurred (includes movement in outstanding claims and Incurred but not reported provisions) expressed as a percentage of earned premium. The information displayed is extracted from the FSB ST quarterly report for September 2016.

Claims ratio



	Property	Transportation	Motor	Accident and health	Guarantee	Liability	Engineering	Miscellaneous
2014	75%	39%	78%	55%	167%	-71%	58%	-28%
2015	66%	46%	80%	53%	37%	25%	50%	65%
2016	77%	6%	46%	38%	33%	15%	75%	65%

2014 2015 2016

Overall the loss ratio[1] improved in 2016 and as at 30 September 2016 it amounted to 61% (2015: 67%). The combined ratio[2] also improved in 2016 and as at 30 September 2016 it amounted to 83% (2015: 86%). The South African insurance industry experienced an unusually high number of large and catastrophe losses during 2016, for example the Impala Platinum fire loss.

Other important key performance indicators as recorded in the FSB ST quarterly report for September 2016 are:

Performance indicator[3]	2015	2016 (September)
Management expenses	19%	21%
Commission	17%	19%
Underwriting result	0%	4%
CAR cover (median)	3.2	4.3

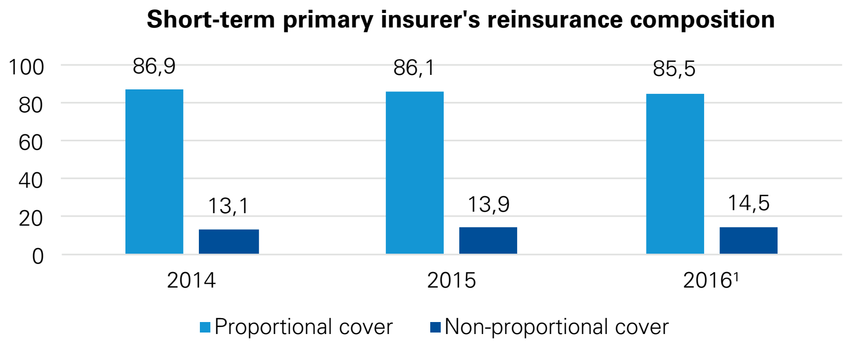
There are various reasons for expense increases which include:

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

The overall improvement in CAR cover is most likely due to the more stringent capital requirement under the SAM regime which is expected to become effective in 2018. Reinsurers have readjusted their regulatory capital in order to comply with the SAM requirements. In addition, one of key drivers of the increase is capital preservation and limited dividend distributions.

Illustrated below is the composition of reinsurance cover purchased by South African cedants. The composition, between proportional and non-proportional cover, is expressed as a percentage of reinsurance premium. The underlying data is as per FSB quarterly report on the results of the short-term insurance industry for the period ended 30 September 2016.

[1] Expressed as a percentage of net earned premium during the period.
[2] Claims + commission + expenses less total investment income as a percentage of net earned premium.
[3] Management expenses, commission and underwriting result are expressed s percentage of net written premium.



The proportion of non-proportional cover overall has increased during the 2016 financial year to 14.5% (2015: 13.9%). This can be interpreted as a consequence of the following:

- Regulatory changes pertaining to SAM, i.e.:
  - Regulatory changes proposed in the reinsurance regulatory review (RRR). The RRR propose cession limits to address risks relating to fronting arrangements.
  - New capital requirements and solvency relief mechanisms.
- Primary insurers optimising their reinsurance and ceding less business and retaining more risk for the net account.

Individual underwriting performance – short-term

MRoA

Munich Re closed its Mauritius subsidiary (Munich Mauritius Reinsurance Company Limited (MMRC)) at the end of 2015 after being in operation for 18 years. The business has been portfolio transferred to Munich Re (South Africa) (MRoA). Sub-Saharan business was therefore underwritten by MRoA in the current year. The separate short-term and long-term results have significantly benefited from this transfer of business. The increase in GWP is calculated on the Munich consolidated results (i.e. includes the subsidiary MMRC GWP). The results are therefore comparable. The increase in GWP related to the fire, motor, marine and engineering classes of business. These increases resulted from:

- Increased share participations; and
- Key strategic alliances

[1] Expressed as a percentage of net earned premium during the period.

Other key performance indicators

- Loss ratio (includes retrocession) of 60% (2015: 64%)
- Combined ratio (includes retrocession) 84% (2015: 96%)
- Net commission ratio 1.3% (2015:11%)
- Expense ratio 23% (2015: 43%)
- Underwriting profit before investment income R136 million (2015: R21.4 million)

The increase in the incurred losses is mainly due to:

- Participation in the Impala Platinum fire loss
- Ranona Nigeria Limited (Lagos factory) fire loss
- Abengoa solar guarantee loss.

MRoA recorded an underwriting profit largely driven by the increase in their share participation on profitable business as well as core cedants performing particularly well. Although the gross loss ratio was high (76%) retrocession mitigated the impact on the result.

Hanover Re

Nonlife GWP increased by 2%. Net earned premiums decreased by 38%.
Other key performance indicators

- Loss ratio (includes retrocession) of 61% (2015: 62%)
- Combined ratio (includes retrocession) 106% (2015: 96%)
- Net Commission ratio 30% (2015:26%)
- Expense ratio 15% (2015: 8%)

Scor Re

Scor's market share decreased in the current year by 3% in contrast to the market share increase in the previous year of 18%. The decrease is mainly due to a reduction in premium written in the Long-term division where the GWP decreased by 17%. Scor remains to report underwriting losses.
A reduction in the underwriting loss has however been noted.

African Re

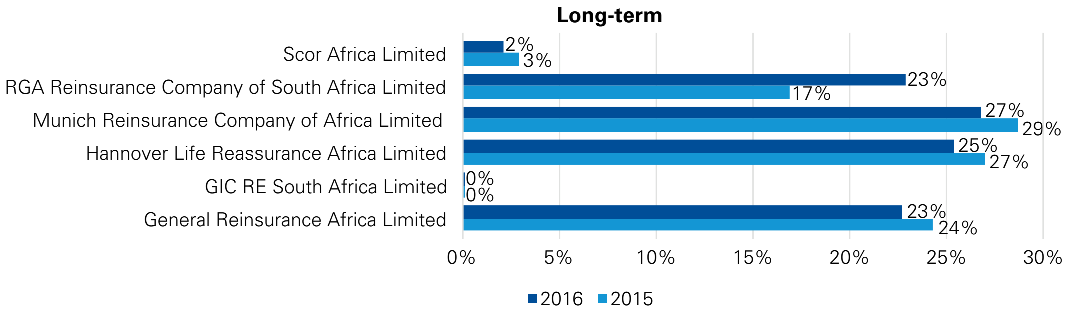
African Re achieved 5% growth in terms of GWP.
Their underwriting loss has decreased in the year under review.
The company's claims experience was moderated by the positive impact of the poor-performing treaty programmes that were cancelled over the past two years. This resulted in a marginal increase in the net incurred claims from R457 million recorded in 2015 to R460 million in 2016.

Management expenses increased by 5% (2015:20%) from the R96 million incurred in 2015 to R101 million in 2016, which was mainly due to inflation and the company's sustained investment in human and material resources to support growth, improve client service and meet the increasing regulatory compliance obligations.

Overall, despite the deteriorated claims environment on account of the large and catastrophe losses, the positive impact of the poor-performing treaties that were cancelled together with other remedial measures taken by the Company have resulted in a slight improvement of the underwriting results. The net investment income increased substantially by 72% in 2016 compared to 2015.

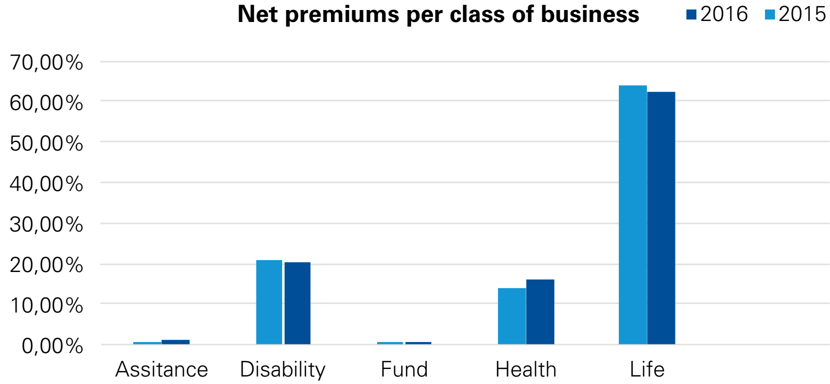
Long-term

Below we illustrate market share in terms of GWP for long-term reinsurers separately.



The South African long-term reinsurance industry (based on South African reinsurers participating in our survey) recorded GWP of ZAR 10.12 billion for the 2016 year (2015: ZAR 8.94 billion). The industry therefore grew by 13.24%. This growth did not filter through to profits. It needs to be noted that GWP is not necessarily the best measure to utilise when it comes to long-term entities.

This diagram indicates the net premiums according to the classes of policies of reinsurers for the nine month period ended September 2016 as well as comparative figures for the period ended September 2015 – the figures are as per the FSB quarterly report:



Other important key performance indicators as recorded in the FSB LT quarterly report for September 2016 are:

Performance indicator	2014	2015	Sep-16
Claims (as % of net premiums)	72	73	77
Commission (as % of net premiums)	11	8	6
Management expenses (as % of net premiums)	7	8	7
Return on investment*	5	3	6
CAR cover ratio (median)	2.9	2.1	3.8

** Return on investment is calculated according to the formula R=2i/A+B-i where i is all investment income plus realised and unrealised surplus on sale of investments, A is initial value of investments and B is end value of investments.*

The long-term reinsurance profit margins have reduced in 2016. Volume of business is also being impacted by cessions of large primary insurers reducing. Significant losses have been recorded in especially the disability market and consequently resulted in reserve adjustments. Total assets recorded in the FSB LT quarterly report for September 2016 was R19.1 billion (2015: R16.77 billion). This represents a 14% increase from the 2015 financial year. The majority of the increase in assets are recorded in the government & semi-government asset class.

Individual underwriting performance - long-term

MRoA

The MRoA long-term division did not perform as well when compared to the previous years (measured by premium volume). The 2016 financial year was the first time in a number of years that MRoA had an overall loss in the long-term division. The net underwriting result (after considering technical investment income) is a loss of R47 million. The deterioration in the result is mainly due to significant increases in reserves on key treaties.

RGA

Effective 30 September 2015, Reinsurance Group of America Inc contributed its entire shareholding in RGA South African Holdings (Ply) Ltd (the holding company of RGA Reinsurance Company of South Africa ltd) to RGA Americas Reinsurance Company Limited (RGA Americas). RGA Americas is a Bermuda domiciled insurance company with a Class E license. RGA Americas is engaged in providing traditional reinsurance, which includes individual and group life and health, disability, and critical illness reinsurance. RGA Americas also provides non-traditional reinsurance, which includes longevity reinsurance, asset-intensive products (primarily annuities) and financial reinsurance.

RGA increased its GWP and earned premiums by 53% and 29% respectively. The 2015 profit of R95.5 million reduced to a loss of R7.3 million in the current year.
Other key performance indicators

- Loss ratio includes reinsurance and not including net allowances (net commissions) of 79% (2015: 75%)
- Net Commission ratio 9% (2015:6%)
- Expense ratio 40% (2015: 24%)
- Underwriting loss before investment income and other income R 198.7 million (2015: R 24.4 million)

A significant increase in finance cost has been recorded during the current financial year. The finance cost for the 2016 financial year was R76.8 million (2015: R30.8 million), therefore amounting to an increase of 148%. The finance costs pertained to interest paid on retrocessionaire deposits. The overall loss was a result of a combination of factors, such as decrease in underwriting profits, increase in net commission incurred, increase in management expenses, increase in finance costs etc.

General Re

General Re is a composite reinsurer, however, the short-term operation is significantly smaller than its long-term operation. Of the total GWP (R2.36 billion) only 3% pertains to short-term operations. General Re increased their GWP and earned premiums by 6% and 5%. This growth stems from the long-term business and is mainly attributable to individual life business increasing by 7%, and Group business increasing by 3%. The health business, underwritten by General Re, remains insignificant when compared to the individual and group life business.

The growth in premium has been boosted by entering new Financial Reinsurance contracts. The Company purchased an in force book of business, through various tranches, from a cedant that it already reinsured. The additions to the portfolio securitisation assets amounted to R54 million.

Hannover Life

GWP increased by 7% to R2. 57 billion.
Other key performance indicators

- Loss ratio includes reinsurance and not including net allowances (net commissions) of 87% (2015: 78%)
- Net Commission ratio of 12% (2015:13%)
- Expense ratio of 7% (2015: 6%).

The increase in the claims experience is as a result of increases in the number of disability claims.

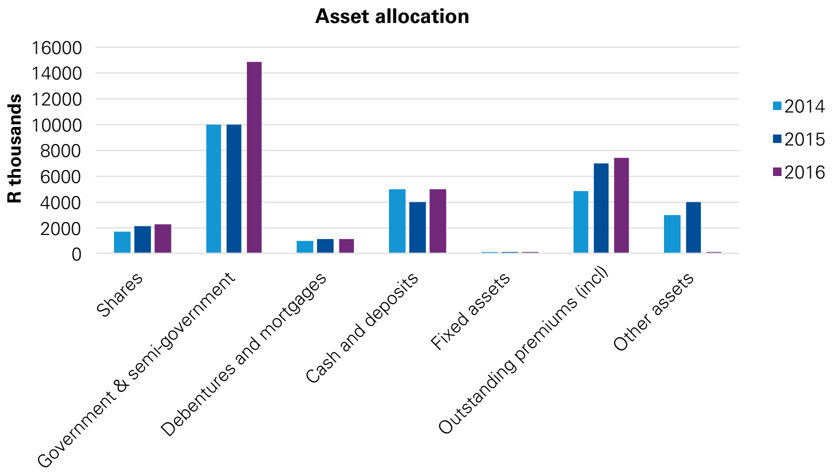
Investment performance

Reinsurers achieved an average return on investments (including cash and cash equivalents) of 6.9%. These returns are quite low when compared to an average prime rate of 10.46% and the average 10-year government bond yield of 8.9%.

MRoA was the top performer in terms of investment returns with 9.4% investment income on investments, including cash. Not surprisingly, they are the reinsurer with the highest CAR ratio at 9.3, affording them the opportunity to diversify their investment portfolio beyond the regulatory constraints. Following is RGA and Gen Re with 7.6% and 7.4% investment return on investments, including cash respectively. The CAR ratio for these reinsures were at 3.8 and 6.6.

All other companies surveyed have an average investment return of 5%. Investment income in total, for reinsurers surveyed, has increased by 23% year on year.

As can be seen from the graph below, reinsurers' assets are mostly allocated to government bonds.



Interest income and value gains on bond instruments rose substantially on the back of substantial improvement in the financial markets after the sudden dip suffered in December 2015. There was also an all-round improvement in the income earned on fixed and call deposits as a result of the full impact of the increases in the base interest rates decided upon by the South Africa Reserve Bank since November 2015. Money market instrument yields also benefited from the interest rate increases. In turn equity instruments recorded substantial unrealised value losses as a result of the poor performance of the equity segment as reflected in the flat JSE All-Share Index between December 2015 and December 2016. The turmoil in the Chinese stock market witnessed early in 2016, which affected other major stock markets around the world including the JSE, also played a part in the poor returns on equity investments.

What is playing on the minds of the reinsurers?

Africa

Other African territories remain to be the focus for the South African industry. These markets are deemed high growth markets, with low volumes, but highly profitable. These markets are attractive due to lower insurance penetration and less regulation (with the exception of a few). Competition in these markets is however increasing.

The reinsurers currently operating in these markets will appreciate the hurdles pertaining to some of these markets, such as:

- Timeliness of recovering monies from certain African countries. This characteristic mostly resides with oil producing countries which are affected by crude oil prices and which ultimately has an impact on the availability of the USD currency.
- Regulatory constraints
- Innovative ideas are required to access these markets.

Accounting

In May 2017 the International Accounting Standards Board (IASB) issued the first true international IFRS Standard for insurance contracts, IFRS 17 Insurance Contracts. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier.

This standard is expected to affect the manner in which insurance (including reinsurance) contracts are accounted for. It is expected that long-term(re)insurers will be affected the most. Accounting for these contracts will require IT systems to be overhauled as far as it relates to the measurement of insurance contracts.

Many South African reinsurers will however benefit from being part of global groups with global operational systems and accounting applications. In addition, reinsurers generally administer fewer contracts when compared to direct writers.

Regulatory

The FSB's proposals on reinsurance regulation, for inclusion under SAM remains an area which is and will affect the reinsurance market as we know it.
The regulation addresses the following:

- Who may conduct reinsurance business in South Africa?
- What limitations will apply to reinsurance business?
- How will reinsurance be treated for solvency of (re)insurers?
- What are the governance and solvency requirements for reinsurers?
- Determining the most appropriate approach in regulating Lloyds.

One of these proposals is to allow foreign reinsurers to operate in South Africa through a branch, where previously only incorporated entities were permitted.

A lot of locally registered reinsurers with foreign parents are in an advanced stage in deciding whether or not to convert to a branch. There are however some difficulties in this conversion process such as the direct and indirect taxation consequences of the decision by an existing reinsurer to restructure its business and operate using a branch structure are complex and require detailed consideration. There are also limitations related to which investments should be held to meet technical provisions, and how these assets can be utilised and/or transferred.

Indirect taxation

The industry has seen binding general ruling (BGR) 32, VAT treatment of specific supplies in the short-term reinsurance industry, becoming effective during 2016. This BGR is effective in respect of policy documents entered into on or after 1 June 2016. There are some parts of the BGR which will only become effective from 1 September 2016. The BGR deals in particular with the following:

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

In our experience, the insurance industry, in its entirety (i.e. including primary insurers), has not fully got to grips with this BGR. We foresee many applications for specific rulings, where reinsurers believe some aspects of the BGR cannot be complied with, and Voluntary Disclosure Programmes (VDP), as allowed for under the Tax Administration Act, been followed by reinsurers not being in compliance with BGR. In addition, we anticipate the Receiver of Revenue being more stringent with complying with the BGR, especially as far as it relates to input deductions.

What the immediate future holds for reinsurance operations:

- The 2017 financial year has already seen some major losses, for example, Knysna fires, Braampark fire, Cape Storms, etc. The amount of natural catastrophe events have become more frequent in recent years. This would evidently flow through to insurance pricing, we therefore expect price increase across the industry. It will become all the more important to price products accurately.
- Renewals to be under pressure, possible reduction in capacity and continued difficulty in growing as well as pressures on costs.
- Difficult growth conditions remaining.
- Innovation in products and structures, renewed focus on capital relief transactions, SAM efficiency products, and partnering arrangements.
- Cyber risk – all the more insurers are developing cyber insurance products. As cyber risk advances and the regulatory landscape continues to adjust, businesses need to ensure they are not vulnerable to significant damages should they fall victim to cybercrime.

Sources:

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REINSURERS | Statement of Financial Position | R'000

Accounting year end	Dec-16	Dec-15	Dec-16	Dec-15	Mar-16	15 month period ended Mar-15	Dec-16	Dec-15
Group/Company	**African Reinsurance Corporation (South Africa) Limited**		**General Reinsurance Africa Limited**		**GIC RE South Africa Limited**		**Hannover Life Reassurance Africa Limited**	
Share capital and share premium	80 300	80 300	4 000	4 000	111 500	111 500	112 500	112 500
Retained earnings/(deficit)	607 358	524 408	1 498 014	1 301 167	(33 181)	(26 252)	472 990	541 219
Reserves including contingency reserve	51 702	51 702	(59 930)	(142 816)	1 665	1 393	(29 692)	(64 973)
Total shareholders' funds	**739 360**	**656 410**	**1 442 084**	**1 162 351**	**79 984**	**86 641**	**555 798**	**588 746**
Gross outstanding claims	1 053 455	1 020 031	1 296 493	1 366 362	237 564	42 817	243 265	290 398
Gross unearned premium reserve	185 009	151 467	185 525	173 603	183 409	87 613	17 611	20 776
Provision for profit commission	-	-	-	-	-	-	441 780	276 216
Policyholder liabilities under insurance contracts	-	-	2 175 058	1 864 642	23 731	20 357	2 374 873	2 229 021
Liabilities in respect of investment contracts	901	-	-	-	-	-	-	-
Deferred reinsurance commission revenue	34 276	28 361	-	-	46 737	16 839	36 986	39 241
Deferred tax liabilities/(assets)	26 098	21 153	(3 119)	(6 607)	(5 971)	(5 971)	(3 918)	(10 223)
Funds withheld	1 319 212	1 247 697	1 649	732	375 711	80 392	943 674	872 010
Other liabilities	247 963	222 458	234 559	198 286	8 995	18 674	238 129	307 258
Total liabilities	**2 866 914**	**2 691 167**	**3 890 165**	**3 597 018**	**870 176**	**260 721**	**4 292 400**	**4 024 697**
Total investments	**2 404 879**	**2 223 467**	**4 280 712**	**3 824 358**	**292 404**	**73 725**	**3 004 605**	**2 644 570**
Funds withheld	3 149	378	-	-	-	-	234 582	344 291
PPE and intangible assets	3 141	4 006	5 084	4 811	1 524	1 585	-	-
Retrocessionaires' share of outstanding claims	755 345	714 960	110 303	93 233	202 901	26 207	114 789	102 067
Retrocessionaires' share of unearned premium reserve	129 506	106 027	18 051	14 868	165 324	78 852	-	-
Retrocessionaires' share of profit commissions	-	-	-	-	-	-	21 320	12 683
Retrocessionaires' share of liabilities under life insurance contracts	-	-	-	-	5 833	5 265	702 565	562 221
Deferred acquisition cost	42 492	35 217	-	-	43 861	14 329	219 298	205 662
Cash and cash equivalents	1 090	4 447	401 643	242 644	37 542	33 284	189 487	190 111
Other assets	266 672	259 075	516 456	579 455	200 771	114 115	361 552	551 838
Total assets	**3 606 274**	**3 347 577**	**5 332 249**	**4 759 369**	**950 160**	**347 362**	**4 848 198**	**4 613 443**
CAR ratio	N/A	N/A	6,6	5,9	1,82	2,13	2,4	2,3
Return on equity	11%	5%	14%	23%	(8%)	4%	6%	23%
Total assets/total liabilities	126%	124%	137%	132%	109%	133%	113%	115%
Change in shareholders' funds	13%		24%		(8%)		(6%)	

REINSURERS | Statement of Financial Position | R'000

Accounting year end	Dec-16	Dec-15	Dec-16	Dec-15	Dec-16	Dec-15	Dec-16	Dec-15
Group/Company	**Hannover Reinsurance Africa Limited**		**Munich Reinsurance Company of Africa Limited (Group)**		**RGA Reinsurance Company of South Africa Limited**		**Scor Africa Limited**	
Share capital and share premium	72 778	72 778	34 915	34 915	51 982	51 982	160 500	150 000
Retained earnings/(deficit)	499 195	542 552	2 430 378	2 546 866	189 492	196 872	34 258	65 642
Reserves including contingency reserve	156 027	126 139	445 789	572 947	333	(45 153)	(4 052)	(14 459)
Total shareholders' funds	**728 000**	**741 469**	**2 911 082**	**3 154 728**	**241 807**	**203 701**	**190 706**	**201 183**
Gross outstanding claims	1 546 881	1 771 508	4 726 450	3 736 262	746 985	710 049	1 146 030	1 118 208
Gross unearned premium reserve	813 211	933 544	691 764	847 783	-	-	192 795	250 654
Provision for profit commission	481 892	363 999	122 859	23 705	-	-	-	-
Policyholder liabilities under insurance contracts	-	-	1 657 379	1 016 570	1 352 051	1 055 475	60 268	64 896
Liabilities in respect of investment contracts	-	-	-	-	-	-	-	-
Deferred reinsurance commission revenue	114 274	94 792	159 675	205 362	-	-	56 284	63 360
Deferred tax liabilities/(assets)	(17 801)	(25 333)	23 944	101 184	(507)	(897)	(20 204)	(12 187)
Funds withheld	748 355	924 353	33 160	22 618	883 464	626 417	941 514	769 631
Other liabilities	401 776	433 293	1 635 531	1 157 832	48 563	53 283	252 184	256 563
Total liabilities	**4 088 588**	**4 496 156**	**9 050 762**	**7 111 316**	**3 030 556**	**2 444 327**	**2 628 871**	**2 511 125**
Total investments	**1 449 298**	**1 622 231**	**3 925 328**	**3 785 576**	**1 555 706**	**1 403 183**	**1 093 245**	**845 036**
Funds withheld	493 766	562 179	97 864	99 558	-	-	-	-
PPE and intangible assets	23 692	9 848	1 283 010	1 310 021	16 428	13 461	525	299
Retrocessionaires' share of outstanding claims	864 037	963 343	2 829 926	1 957 440	-	-	786 562	693 733
Retrocessionaires' share of unearned premium reserve	334 699	311 211	553 371	674 346	-	-	131 041	157 513
Retrocessionaires' share of profit commissions	333 428	256 757	100 124	30 781	-	-	-	-
Retrocessionaires' share of liabilities under life insurance contracts	-	-	13 348	26	883 464	626 417	40 516	34 230
Deferred acquisition cost	209 661	220 038	175 941	224 301	-	-	81 221	99 668
Cash and cash equivalents	174 081	203 099	590 300	562 857	136 176	65 974	225 452	206 210
Other assets	933 927	1 088 919	2 392 632	1 621 138	680 589	538 993	461 015	675 619
Total assets	**4 816 589**	**5 237 625**	**11 961 844**	**10 266 044**	**3 272 363**	**2 648 028**	**2 819 577**	**2 712 308**
CAR ratio	N/A	N/A	9,3	2,7	3,8	4,6	1,8	3,3
Return on equity	8%	15%	3%	8%	(3%)	47%	(16%)	(8%)
Total assets/total liabilities	118%	116%	132%	144%	108%	108%	107%	108%
Change in shareholders' funds	(2%)		(8%)		19%		(5%)	

REINSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Dec-16	Dec-15	Dec-16	Dec-15	Mar-16	15 month period ended Mar-15	Dec-16	Dec-15
Group/Company	**African Reinsurance Corporation (South Africa) Limited**		**General Reinsurance Africa Limited**		**GIC RE South Africa Limited**		**Hannover Life Reassurance Africa Limited**	
Gross premiums written	2 277 434	2 163 137	2 363 979	2 230 452	331 818	155 878	2 568 054	2 411 274
Net premiums written	661 428	626 491	2 276 800	2 153 821	40 037	25 901	1 900 565	1 818 376
Earned premiums	**651 365**	**628 034**	**2 268 062**	**2 158 973**	**30 713**	**17 140**	**1 900 943**	**1 824 746**
Total net investment income	152 809	88 698	318 548	293 676	8 087	4 740	158 040	132 117
Reinsurance commission revenue	489 511	462 178	13 716	19 671	61 933	11 849	74 217	46 962
Other income	900	-	22 953	21 878	-	-	-	24 943
Total income	**1 294 585**	**1 178 910**	**2 623 279**	**2 494 198**	**100 733**	**33 729**	**2 133 200**	**2 028 768**
Policyholder benefits and entitlements	459 859	457 446	2 240 464	1 943 498	35 411	8 729	1 645 215	1 421 846
Acquisition expense	620 820	584 439	41 970	58 353	57 983	10 788	300 920	291 234
Management and other expenses	101 717	95 670	99 788	100 986	13 997	10 915	138 767	118 217
Total expenses	**1 182 396**	**1 137 555**	**2 382 222**	**2 102 837**	**107 391**	**30 432**	**2 084 902**	**1 831 297**
Net profit/(loss) before tax	**112 189**	**41 355**	**241 057**	**391 361**	**(6 658)**	**3 297**	**48 298**	**197 471**
Tax	29 239	6 748	44 210	129 784	-	-	16 526	63 399
Net profit/(loss) after tax	**82 950**	**34 607**	**196 847**	**261 577**	**(6 658)**	**3 297**	**31 772**	**134 072**
Other comprehensive income/(loss)	-	-	82 885	(158 200)	-	-	35 281	(56 607)
Total comprehensive income/(loss) for the year	**82 950**	**34 607**	**279 732**	**103 377**	**(6 658)**	**3 297**	**67 053**	**77 465**
Minority shareholders' interest	-	-	-	-	-	-	-	-
Transfer to/(from) retained earnings	-	-	-	-	(272)	(10 496)	-	-
Dividends	-	-	-	-	-	42 022	100 000	100 000
Change in retained earnings	**82 950**	**34 607**	**196 847**	**261 577**	**(6 930)**	**(49 221)**	**(68 228)**	**34 072**
Net premiums to gross premiums	29%	29%	96%	97%	12%	17%	74%	75%
Policyholder benefits and entitlements to earned premium	71%	73%	99%	90%	115%	51%	87%	78%
Management and other expenses to earned premium	16%	15%	4%	5%	46%	64%	7%	6%
Comments	Company		Composite company		Composite company		Company	

REINSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Dec-16	Dec-15	Dec-16	Dec-15	Mar-16	15 month period ended Mar-15	Dec-16	Dec-15
Group/Company	**Hannover Reinsurance Africa Limited**		**Munich Reinsurance Company of Africa Limited (Group)**		**RGA Reinsurance Company of South Africa Limited**		**Scor Africa Limited**	
Gross premiums written	2 445 112	2 395 855	6 888 635	5 981 755	2 314 978	1 509 810	1 075 363	1 114 111
Net premiums written	418 336	601 578	3 459 709	3 056 530	693 574	484 739	345 863	407 092
Earned premiums	**558 287**	**902 452**	**3 500 281**	**3 032 652**	**687 346**	**534 167**	**376 377**	**406 340**
Total net investment income	85 445	93 244	369 746	243 768	117 644	112 160	33 449	39 441
Reinsurance commission revenue	814 755	625 744	1 212 223	961 890	108 543	70 702	179 496	157 134
Other income	9 187	15 130	-	-	90 307	23 571	(613)	19 320
Total income	**1 467 674**	**1 636 570**	**5 082 250**	**4 238 310**	**1 003 840**	**740 600**	**588 709**	**622 235**
Policyholder benefits and entitlements	338 328	556 707	2 940 286	2 271 348	546 147	401 879	285 998	345 144
Acquisition expense	981 691	861 304	1 429 808	1 069 451	171 415	101 046	284 247	250 989
Management and other expenses	80 992	75 638	607 028	600 381	276 983	126 377	60 100	48 957
Total expenses	**1 401 011**	**1 493 649**	**4 977 122**	**3 941 180**	**994 545**	**629 302**	**630 345**	**645 090**
Net profit/(loss) before tax	**66 663**	**142 921**	**105 128**	**297 130**	**9 295**	**111 298**	**(41 636)**	**(22 855)**
Tax	7 420	33 816	24 151	48 759	16 675	15 772	(10 252)	(6 516)
Net profit/(loss) after tax	**59 243**	**109 105**	**80 977**	**248 371**	**(7 380)**	**95 526**	**(31 384)**	**(16 339)**
Other comprehensive income/(loss)	29 888	(13 281)	(124 623)	149 430	42 954	(50 519)	9 851	(21 207)
Total comprehensive income/(loss) for the year	**89 131**	**95 824**	**(43 646)**	**397 801**	**35 574**	**45 007**	**(21 533)**	**(37 546)**
Minority shareholders' interest	-	-	-	-	-	-	-	-
Transfer to/(from) retained earnings	-	-	2 535	5 939	-	-	-	-
Dividends	102 600	106 415	200 000	-	-	-	-	-
Change in retained earnings	**(43 357)**	**2 690**	**(116 488)**	**254 310**	**(7 380)**	**95 526**	**(31 384)**	**(16 339)**
Net premiums to gross premiums	17%	25%	50%	51%	30%	32%	32%	37%
Policyholder benefits and entitlements to earned premium	61%	62%	84%	75%	79%	75%	76%	85%
Management and other expenses to earned premium	15%	8%	17%	20%	40%	24%	16%	12%
Comments	Company		Composite company, group results		Company		Composite company	