

**THE QUARTERLY REPORT ON THE RESULTS OF THE
SHORT-TERM INSURANCE INDUSTRY
FOR THE PERIOD ENDED 30 JUNE 2018**



South African Reserve Bank

Prudential Authority

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SPECIAL REPORT ON THE RESULTS OF THE SHORT-TERM INSURANCE INDUSTRY

INDUSTRY RESULTS - PRIMARY INSURERS

	12 months ended December 2016	12 months ended December 2017	6 months ended June 2017	6 months ended June 2018
Gross Premiums R'm	117,577	128,557	64,040	68,442
<i>Of which: foreign %</i>	2.7	2.5	2.5	2.3
Reinsurance R'm	34,878	39,985	19,326	20,063
<i>Of which: proportional %</i>	86.9	83.2	84.5	86.1
<i>Of which: non - proportional %</i>	13.1	16.8	15.5	13.9
Net premiums R'm	82,699	88,572	44,714	48,379
<i>by business class: Property %*</i>	32.9	32.1	32.7	31.7
<i>by business class: Transportation %</i>	2.4	2.2	2.3	2.0
<i>by business class: Motor %</i>	45.2	44.7	43.9	43.2
<i>by business class: Accident & health %</i>	4.2	4.2	4.3	3.4
<i>by business class: Guarantee %</i>	2.3	3.1	3.0	4.5
<i>by business class: Liability %</i>	7.0	7.8	8.0	8.6
<i>by business class: Engineering %</i>	2.8	2.6	2.5	2.6
<i>by business class: Miscellaneous %</i>	3.3	3.3	3.3	4.0
Claims incurred R'm**	46,840	49,067	22,863	22,570
Underwriting profit/(loss) R'm	10,393	11,314	6,464	8,723
Underwriting and investment income R'm	17,074	19,597	10,573	12,381
Total Assets R'm	138,349	152,498	149,228	161,643
Total Liabilities R'm	80,209	86,394	87,729	92,266
CAR amount R'm	25,887	27,528	26,930	28,867
<i>Insurance risk capital %</i>	68.9	68.3	66.0	67.1
<i>Market risk capital %</i>	12.5	12.5	15.2	13.8
<i>Credit risk capital %</i>	6.7	6.1	6.2	6.2
<i>Operational risk capital %</i>	11.9	13.1	12.6	12.9

* Business class is expressed as a percentage of the net written premium.

** Claims incurred takes into account the opening and closing balance of the Outstanding Claims (OCR) and Incurred but not Reported (IBNR) Provisions.

Performance indicators:	12 months ended December 2016	12 months ended December 2017	6 months ended June 2017	6 months ended June 2018
Net premium increase (yoy) %	1	7	6	8
Loss ratio *	57	56	54	50
Combined ratio *♦	87	77	75	73
Management expenses **	25	25	24	24
Commission **	6	5	5	5
Underwriting profit/(loss) ratio **	13	13	15	18
Underwriting and investment income ratio **	21	22	24	26
CAR cover (median)	2.2	2.2	2.2	2.2

* Expressed as a percentage of net earned premium during the period.

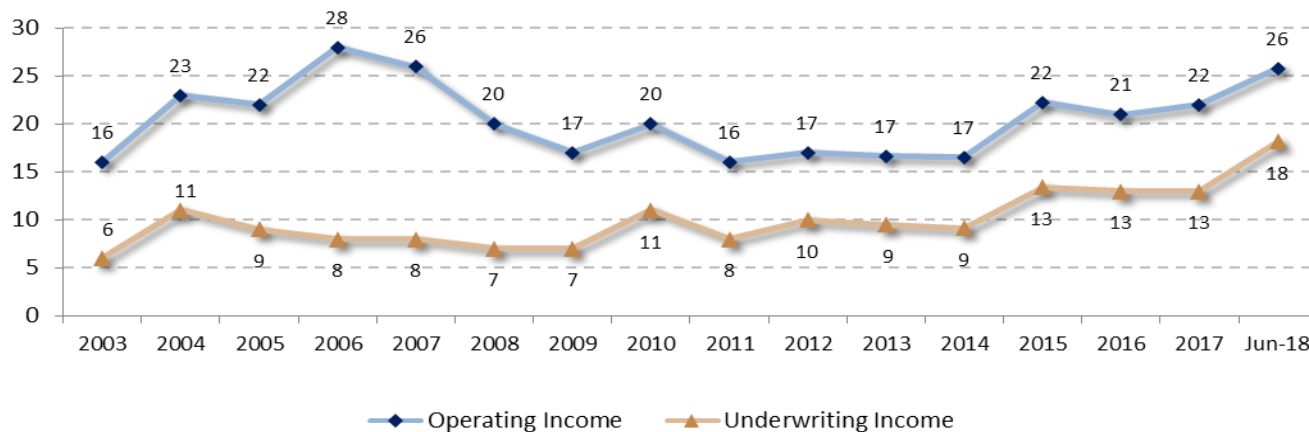
** Expressed as a percentage of net written premium during the period.

*♦ Claims + commission + expenses less total investment income as a percentage of net earned premium.

Underwriting results

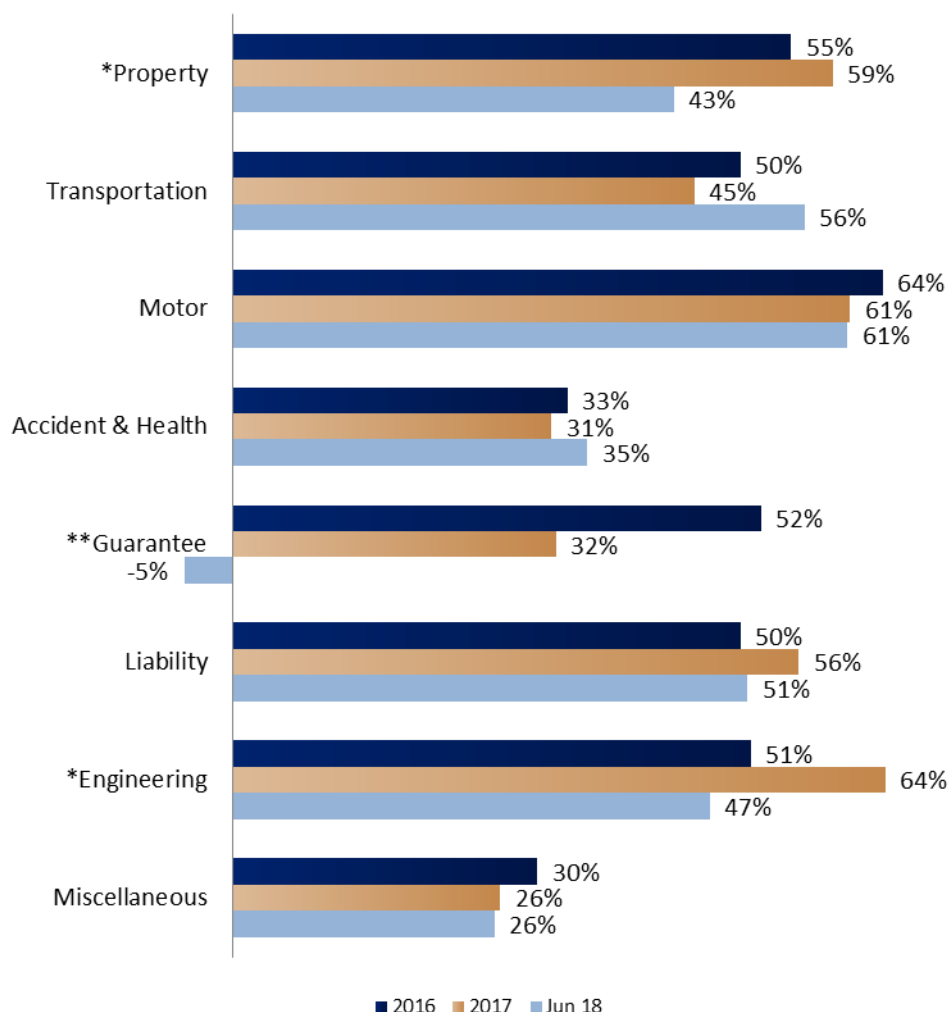
The following graph indicates how underwriting and operating (including investment income) results of the primary insurers have fluctuated over the past sixteen years.

Operating and underwriting income ratio trends*



* Results expressed as a percentage of net premium.

The diagram below indicates the claims ratio according to the classes of policies of primary insurers (excluding reinsurers) for the calendar years 2016 to 2017 and the first six months of 2018:



* Lower than usual claims in the property and engineering classes of business were as a result of claims refund received by three particular insurers.

** Negative claims in the guarantee class of business were as a result of the refunds received by one particular insurer.

Investment Composition

The composition and categories of assets for primary insurers (excluding reinsurers) for the years ended December 2016 to 2017 as well as comparative figures for the first six months of 2017 and 2018 were as follows:

Kinds of assets	As at December 2016		As at December 2017		As at June 2017		As at June 2018	
	R'million	%	R'million	%	R'million	%	R'million	%
Shares	35,846	26	39,005	26	37,362	25	39,698	25
Government & semi-government	24,095	17	29,061	19	27,346	18	30,190	19
Debentures and mortgages	3,279	2	7,660	5	7,122	5	9,590	6
Cash and deposits	47,433	34	50,902	33	51,967	35	54,613	32
Fixed assets	1,440	1	1,512	1	1,434	1	1,576	1
Outstanding premiums	10,796	8	12,104	8	11,104	7	13,806	9
Debtors	8,399	6	9,855	6	10,852	7	9,673	6
Other assets	7,061	5	2,400	2	2,040	1	2,497	2
Total	138,349	100	152,498	100	149,228	100	161,643	100

CAR cover ratios - primary insurers

The following table indicates the ratio of surplus assets to capital adequacy requirement (CAR) of the primary insurers (excluding reinsurers):

CAR cover ratio	December 2016	December 2017	June 2017	June 2018
Covered 0-1 times	0	0	0	1*
Covered 1-2 times	31	32	30	30
Covered 2-5 times	31	28	32	28
Covered 5-10 times	9	10	9	11
Covered 10+ times	7	7	6	6

* The necessary regulatory action has been taken against the one insurer that did not meet financial soundness requirement.

INDUSTRY RESULTS - TYPICAL INSURERS¹

	12 months ended December 2016	12 months ended December 2017	6 months ended June 2017	6 months ended June 2018
Gross Premiums R'm	84,642	90,366	43,552	46,680
<i>Of which: foreign %</i>	3.3	3.0	3.1	2.9
Reinsurance R'm	24,498	27,070	13,304	14,049
<i>Of which: proportional %</i>	88.0	84.1	87.4	87.5
<i>Of which: non - proportional %</i>	12.0	15.9	12.6	12.5
Net premiums R'm	60,144	63,296	30,247	32,631
<i>by business class: Property %*</i>	31.9	30.8	30.1	30.7
<i>by business class: Transportation %</i>	2.2	2.1	2.1	1.9
<i>by business class: Motor %</i>	54.7	56.7	58.0	56.9
<i>by business class: Accident & health %</i>	2.3	2.6	2.7	2.5
<i>by business class: Guarantee %</i>	0.8	0.8	0.8	0.7
<i>by business class: Liability %</i>	3.2	2.8	2.1	3.0
<i>by business class: Engineering %</i>	3.5	3.2	3.3	3.3
<i>by business class: Miscellaneous %</i>	1.3	1.0	0.9	1.0
Claims incurred R'm**	37,260	37,230	17,903	17,232
Underwriting profit/(loss) R'm	5,187	7,034	3,715	5,686
Underwriting and investment income R'm	8,004	10,636	5,661	7,425
Total Assets R'm	62,615	69,217	67,600	71,129
Total Liabilities R'm	35,479	38,280	38,598	39,092
CAR amount R'm	16,616	17,436	17,030	18,102
<i>Insurance risk capital %</i>	77.7	76.8	75.4	77.2
<i>Market risk capital %</i>	4.4	5.2	7.2	4.7
<i>Credit risk capital %</i>	5.0	4.9	4.8	5.1
<i>Operational risk capital %</i>	12.9	13.1	12.6	13.0

* Business class is expressed as a percentage of the net written premium

** Claims incurred takes into account the opening and closing balance of the Outstanding Claims (OCR) and Incurred but not Reported (IBNR) Provisions.

¹Typical insurers, for the purpose of this report, are those insurers who offer most types of policies to mostly, the general public.

Performance indicators:	12 months ended December 2016	12 months ended December 2017	6 months ended June 2017	6 months ended June 2018
Net premium increase (yoy) %	5	5	5	8
Loss ratio *	62	59	58	52
Combined ratio *♦	91	83	82	78
Management expenses **	23	24	24	25
Commission **	7	6	6	6
Underwriting profit/(loss) ratio **	9	11	12	17
Underwriting and investment income ratio **	13	17	19	23
Surplus asset ratio (median)	52	52	51	53
CAR cover (median)	1.8	1.9	1.9	1.9

* Expressed as a percentage of net earned premium during the period.

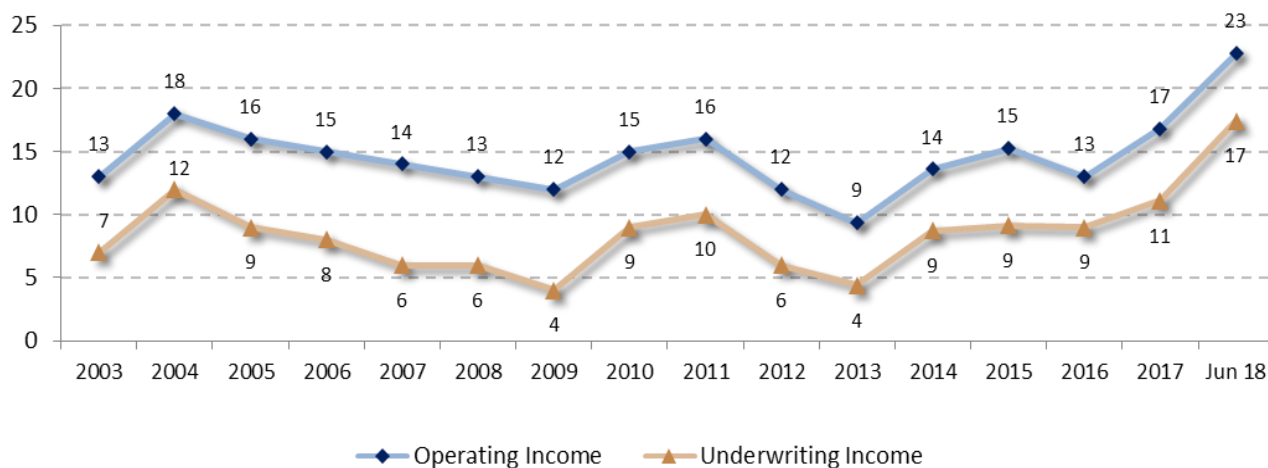
** Expressed as a percentage of net written premium during the period.

*♦ Claims + commission + expenses less total investment income as a percentage of net earned premium.

Underwriting results

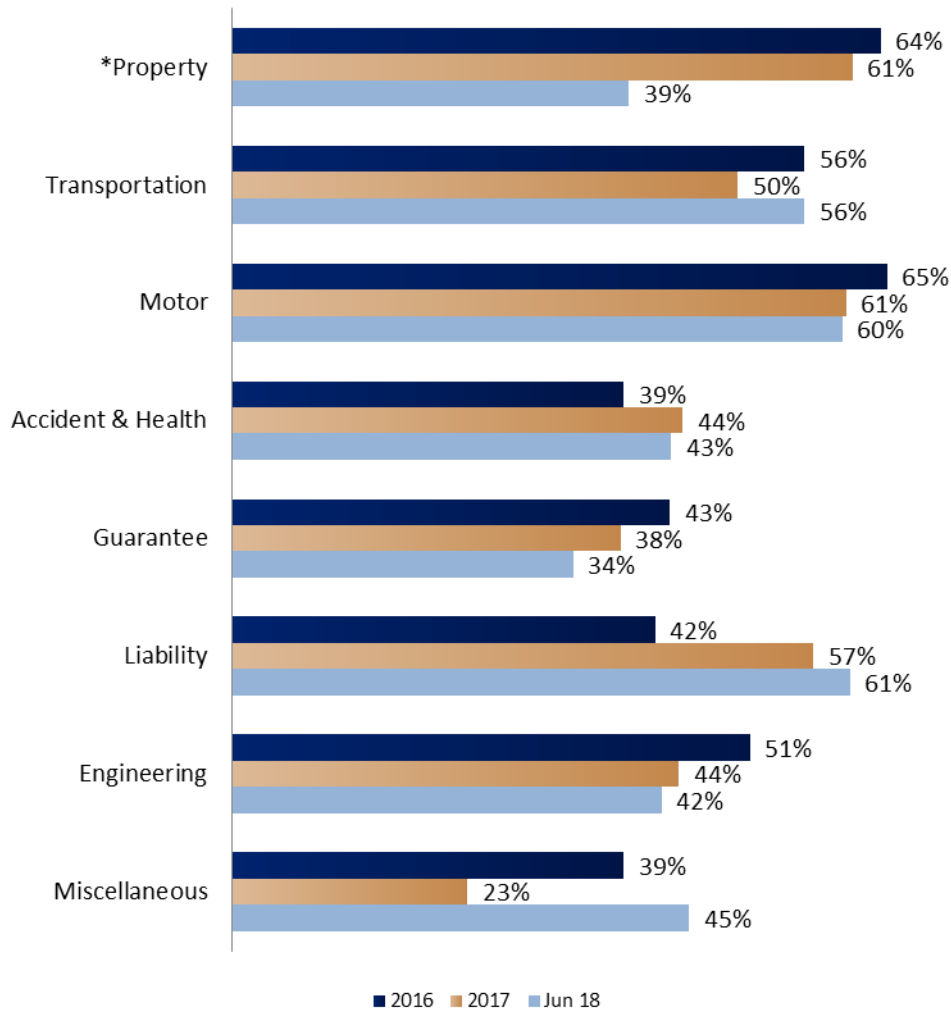
The following graph below indicates how underwriting and operating (including investment income) results of the typical insurers have fluctuated over the past sixteen years.

Operating and underwriting income ratio trends*



* Results expressed as a percentage of net premium.

The diagram below indicates the claims ratio according to the classes of policies of typical insurers for the calendar years 2016 to 2017 and the first six months of 2018:



* Lower than usual claims were as a result of a refund received by one major insurer from its reinsurer.

Seven of the thirty-two insurance companies classified as typical insurers reported underwriting losses and six reported operating losses for the period ended June 2018 compared with nine who reported underwriting losses and six who reported operating losses for the year ended December 2017.

Investment Composition

The composition and categories of assets for typical insurers for the years ended December 2016 to 2017 as well as comparative figures for the first six months of 2017 and 2018 were as follows:

Kinds of assets	As at December 2016		As at December 2017		As at June 2017		As at June 2018	
	R'million	%	R'million	%	R'million	%	R'million	%
Shares	17,801	28	17,298	25	17,446	26	17,638	25
Government & semi-government	5,541	9	6,987	10	6,771	10	7,969	11
Debentures and mortgages	1,494	2	1,841	3	1,594	2	2,312	3
Cash and deposits	21,962	35	24,714	36	24,204	36	26,248	38
Fixed assets	1,239	2	1,228	2	1,183	2	1,282	2
Outstanding premiums	7,281	12	8,469	12	6,756	10	7,438	10
Debtors	6,643	11	7,778	11	8,819	13	7,371	10
Other assets	653	1	903	1	827	1	872	1
Total	62,615	100	69,217	100	67,600	100	71,129	100

CAR cover ratios - Typical insurers

The following table indicates the ratio of surplus assets to capital adequacy requirement (CAR) of the typical insurance companies.

CAR cover ratio	December 2016	December 2017	June 2017	June 2018
Covered 0-1 times	0	0	0	1*
Covered 1-2 times	20	19	18	18
Covered 2-5 times	12	12	14	12
Covered 5-10 times	0	1	0	1
Covered 10+ times	0	0	0	0

* The necessary regulatory action has been taken against the one insurer that did not meet financial soundness requirement.

INDUSTRY RESULTS - CELL CAPTIVE INSURERS²

	12 months ended December 2016	12 months ended December 2017	6 months ended June 2017	6 months ended June 2018
Gross Premiums R'm	15,631	18,566	11,569	11,225
<i>Of which: foreign %</i>	0.5	0.4	0.3	0.4
Reinsurance R'm	4,432	6,319	3,573	3,962
<i>Of which: proportional %</i>	79.1	81.5	67.1	81.7 [#]
<i>Of which: non - proportional %</i>	20.9	18.5	22.9	18.3
Net premiums R'm	11,199	12,247	7,996	7,263
<i>by business class: Property %*</i>	33.6	33.2	41.4	37.9
<i>by business class: Transportation %</i>	5.6	4.8	5.2	3.9
<i>by business class: Motor %</i>	31.0	21.7	18.7	22.2
<i>by business class: Accident & health %</i>	14.4	13.0	11.9	8.7
<i>by business class: Guarantee %</i>	1.4	8.5	6.7	9.1
<i>by business class: Liability %</i>	8.1	9.5	7.8	7.0
<i>by business class: Engineering %</i>	1.0	1.0	1.0	2.0
<i>by business class: Miscellaneous %</i>	4.9	8.3	7.3	9.2
Claims incurred R'm**	4,516	5,914	2,479	2,679
Underwriting profit/(loss) R'm	3,436	1,807	1,264	1,432
Underwriting and investment income R'm	4,893	3,526	2,091	2,286
Total Assets R'm	23,344	27,894	27,163	31,459
Total Liabilities R'm	14,147	17,017	16,807	19,147
CAR amount R'm	3,208	3,649	3,295	3,767
<i>Insurance risk capital %</i>	77.8	76.0	73.7	73.9
<i>Market risk capital %</i>	2.8	2.8	3.1	3.5
<i>Credit risk capital %</i>	3.3	4.9	6.9	5.6
<i>Operational risk capital %</i>	16.1	16.3	16.3	17.0

* Business class is expressed as a percentage of the net written premium

** Claims incurred takes into account the opening and closing balance of the Outstanding Claims (OCR) and Incurred but not Reported (IBNR) Provisions.

During the period under review one cell captive insurer increased its reinsurance arrangement from non-proportional to proportional category.

² Cell captive insurers, for the purpose of this report, are those insurers who offer insurance structures on a cell ownership basis for first party and third party cell owners.

Performance indicators:	12 months ended December 2016	12 months ended December 2017	6 months ended June 2017***	6 months ended June 2018
Net premium increase (yoy) %	-3	9	11	-9
Loss ratio *	41	53	30	47
Combined ratio *♦	69	69	49	60
Management expenses **	25	27	34	23
Commission **	3	2	4	-1
Underwriting profit/(loss) ratio **	31	15	57	20
Underwriting and investment income ratio **	44	29	70	31
Surplus asset ratio (median)	60	82	146	74
CAR cover (median)	4.1	2.3	2.8	2.1

* Expressed as a percentage of net earned premium during the period.

** Expressed as a percentage of net written premium during the period.

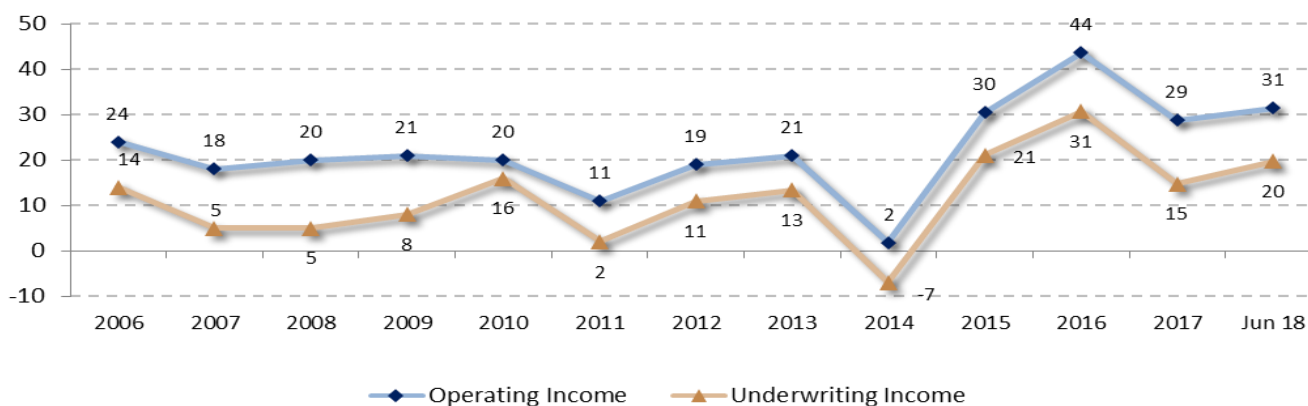
*** Figures were restated during December 2017.

♦ Claims + commission + expenses less total investment income as a percentage of net earned premium.

Underwriting results

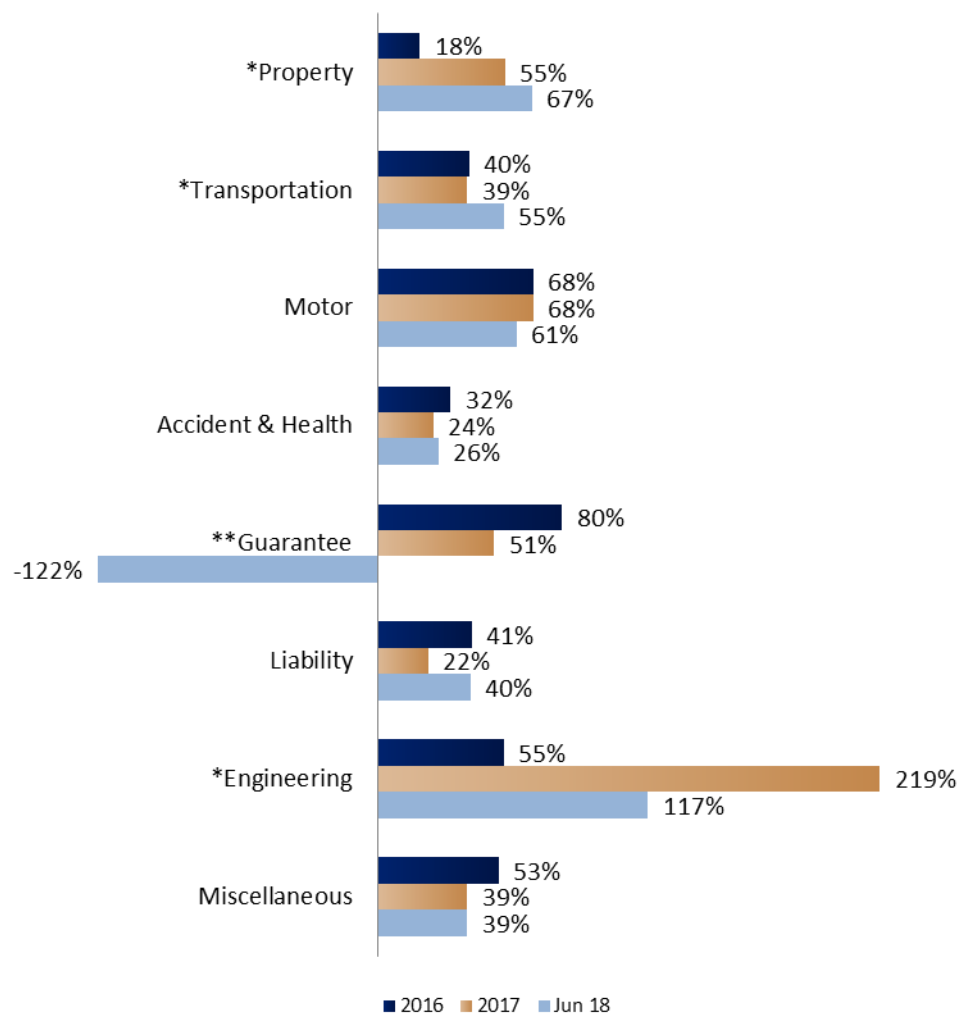
The following graph indicates how underwriting and operating (including investment income) results of the cell captive insurers have fluctuated over the past thirteen years.

Operating and underwriting income ratio trends*



* Results expressed as a percentage of net premium.

The diagram below indicates the claims ratio according to the classes of policies of cell captive insurers for the calendar years 2016 to 2017 and the first six months of 2018:



* Three cell captive insurers experienced higher than usual claims in the property, transport and engineering classes of business.
** Negative claims in the guarantee class of business were as a result of a refund received by a particular insurer.

Of the five operational cell captive insurers, none have reported underwriting or operating losses for the period ended June 2018 compared with none who reported underwriting or operating losses for the year ended December 2017.

Investment Composition

The composition and categories of assets for cell captive insurers for years ended December 2016 to 2017 as well as comparative figures for the first six months of 2017 and 2018 were as follows:

Kinds of assets	As at December 2016		As at December 2017		As at June 2017		As at June 2018	
	R'million	%	R'million	%	R'million	%	R'million	%
Shares	2,707	12	3,397	12	2,859	11	3,905	12
Government & semi-government	6,726	29	7,561	27	6,646	24	7,675	24
Debentures and mortgages	22	0	10	0	11	0	14	0
Cash and deposits	12,295	53	14,478	52	15,089	56	16,004	52
Fixed assets	44	0	22	0	29	0	23	0
Outstanding premiums	650	3	1,316	5	1,526	6	2,851	9
Debtors	581	2	723	3	630	2	684	2
Other assets	319	1	387	1	373	1	303	1
Total	23,344	100	27,894	100	27,163	100	31,459	100

CAR cover ratios – Cell captive insurers

The following table indicates the ratio of surplus assets to capital adequacy requirement (CAR) of the cell captive insurers:

CAR cover ratio	December 2016	December 2017	June 2017	June 2018
Covered 0-1 times	0	0	0	0
Covered 1-2 times	2	2	1	2
Covered 2-5 times	1	1	2	1
Covered 5-10 times	2	1	2	2
Covered 10+ times	1	1	0	0

INDUSTRY RESULTS - CAPTIVE INSURERS³

	12 months ended December 2016	12 months ended December 2017	6 months ended June 2017	6 months ended June 2018
Gross Premiums R'm	774	727	256	201
<i>Of which: foreign %</i>	16.1	14.3	35.9	40.7
Reinsurance R'm	459	414	155	125
<i>Of which: proportional %</i>	18.5	0.0	5.2	0.0
<i>Of which: non - proportional %</i>	81.5	100.0	94.8	100.0
Net premiums R'm	314	313	101	76
<i>by business class: Property %*</i>	23.7	24.4	45.0	41.9
<i>by business class: Transportation %</i>	0.7	0.2	-0.2	0.2
<i>by business class: Motor %</i>	17.5	9.9	16.4	23.8 [#]
<i>by business class: Accident & health %</i>	8.0	7.1	4.1	5.5 [#]
<i>by business class: Guarantee %</i>	0.1	0.1	0.2	0.3
<i>by business class: Liability %</i>	49.7	57.8	33.1	27.1 [#]
<i>by business class: Engineering %</i>	0.3	0.5	1.5	1.2
<i>by business class: Miscellaneous %</i>	0.0	0.0	-0.1	0.0
Claims incurred R'm**	112	500	158	-190***
Underwriting profit/(loss) R'm	195	-188	-7	339
Underwriting and investment income R'm	328	-45	62	411
Total Assets R'm	2,294	2,435	2,224	2,459
Total Liabilities R'm	787	1,039	813	844
CAR amount R'm	133	142	136	136
<i>Insurance risk capital %</i>	67.4	61.7	65.3	67.7
<i>Market risk capital %</i>	3.4	11.4	5.5	2.6
<i>Credit risk capital %</i>	8.8	9.0	9.2	8.8
<i>Operational risk capital %</i>	20.4	17.9	20.0	20.9

* Business class is expressed as a percentage of the net written premium

** Claims incurred takes into account the opening and closing balance of the Outstanding Claims (OCR) and Incurred but not Reported (IBNR) Provisions.

*** Negative claims: A major insurer adjusted IBNR.

The fluctuations between motor, accident & health and liability classes of business were as a result of an adjustment of the IBNR between two quarters by one major insurer.

³ Captive insurers, for the purpose of this report, are those insurers who offer cover of the risks of the owners only.

Performance indicators:	12 months ended December 2016	12 months ended December 2017	6 months ended June 2017	6 months ended June 2018
Net premium increase (yoy) %	-16	0	-26	-25***
Loss ratio *	34	159	109	-132
Combined ratio *♦	41	114	57	-184
Management expenses **	16	14	18	25
Commission **	-7	-13	-24	-30
Underwriting profit/(loss) ratio **	62	-60	-7	447 [#]
Underwriting and investment income ratio **	104	-14	62	542
Surplus asset ratio (median)	354	364	630	555
CAR cover (median)	13.1	11.0	11.1	12.4

* Expressed as a percentage of net earned premium during the period.

** Expressed as a percentage of net written premium during the period.

*** One captive insurer experienced significant loss of business during the review period.

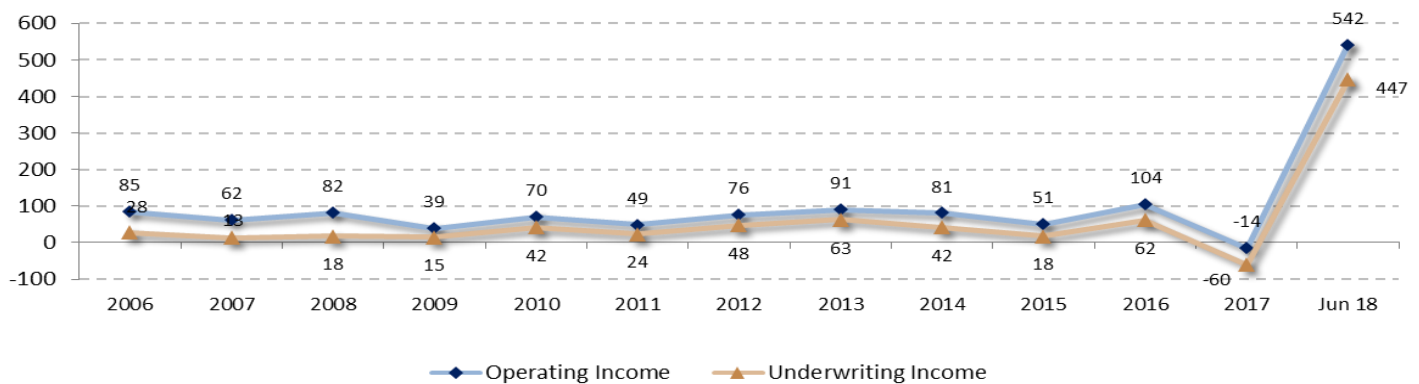
[#] Higher than usual underwriting profit was as a result of a refund received by one major insurer from its reinsurer.

*♦ Claims + commission + expenses less total investment income as a percentage of net earned premium.

Underwriting results

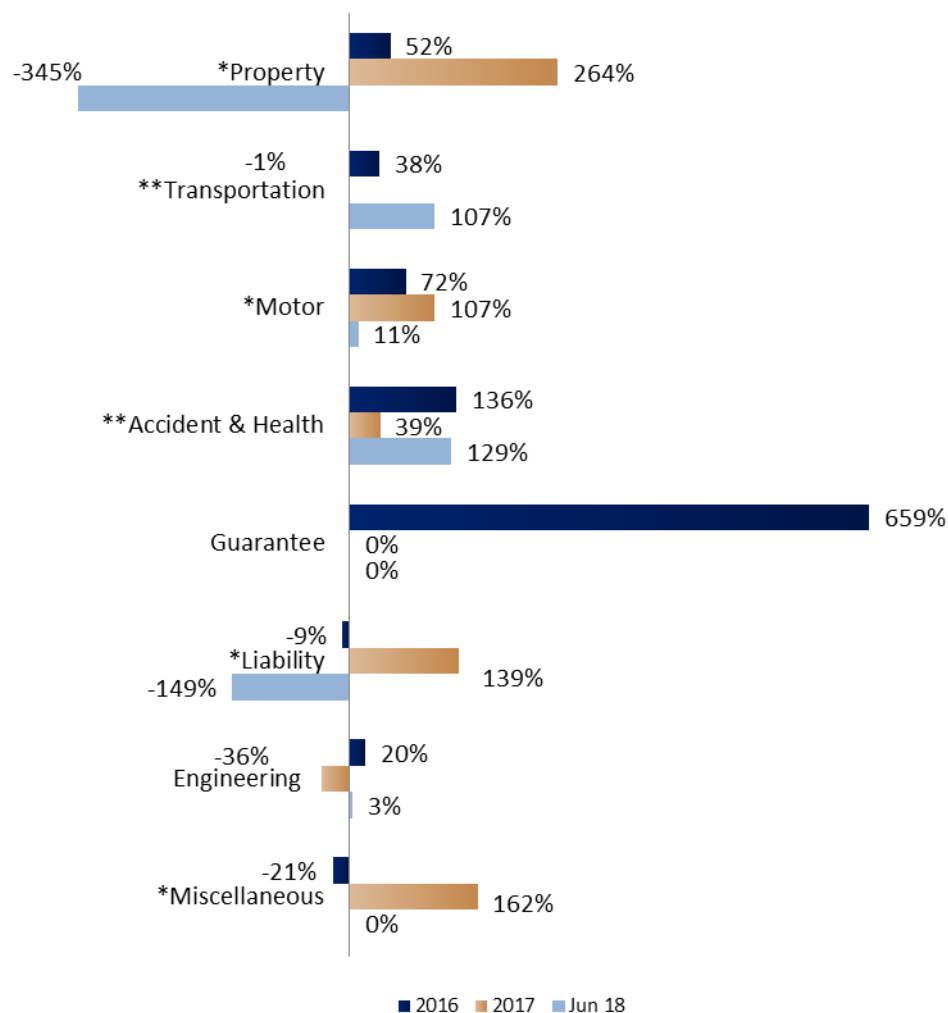
The following graph indicates how underwriting and operating (including investment income) results of the captive insurers have fluctuated over the past thirteen years.

Operating and underwriting income ratio trends*



* Results expressed as a percentage of net premium.

The diagram below indicates the claims ratio according to the classes of policies of captive insurers for the calendar years 2016 to 2017 and the first six months of 2018:



* Lower than usual claims in the property, motor, liability and miscellaneous classes of business were as a result of the refunds received by two particular insurers.

** Two captive insurers experienced higher than usual claims in accident & health and transportation classes of business.

Two of eight captive insurers reported underwriting and operating losses for the period ended June 2018 compared with five of the eight who reported underwriting losses and three who reported operating losses for the period ended December 2017.

Investment Composition

The composition and categories of assets for captive insurers for years ended December 2016 to 2017 as well as comparative figures for the first six months of 2017 and 2018 were as follows:

Kinds of assets	As at December 2016		As at December 2017		As at June 2017		As at June 2018	
	R'million	%	R'million	%	R'million	%	R'million	%
Shares	301	13	320	14	352	16	326	13
Government & semi-government	459	20	497	20	369	17	459	19
Debentures and mortgages	0	0	0	0	0	0	0	0
Cash and deposits	1,369	60	1,440	59	1,393	63	1,508	62
Fixed assets	0	0	0	0	0	0	0	0
Outstanding premiums	3	0	2	0	12	1	35	1
Debtors	1	0	4	0	1	0	2	0
Other assets	161	7	173	7	97	4	130	5
Total	2,294	100	2,435	100	2,224	100	2,459	100

CAR cover ratios - Captive insurers

The following table indicates the ratio of surplus assets to capital adequacy requirement (CAR) of the captive insurers:

CAR cover ratio	December 2016	December 2017	June 2017	June 2018
Covered 0-1 times	0	0	0	0
Covered 1-2 times	0	0	0	0
Covered 2-5 times	0	1	0	0
Covered 5-10 times	3	3	4	4
Covered 10+ times	5	4	4	4

INDUSTRY RESULTS - NICHE INSURERS⁴

	12 months ended December 2016	12 months ended December 2017	6 months ended June 2017	6 months ended June 2018
Gross Premiums R'm	16,530	18,950	9,821	10,337
<i>Of which: foreign %</i>	1.3	1.5	1.4	1.1
Reinsurance R'm	5,488	6,233	2,651	1,927
<i>Of which: proportional %</i>	94.1	86.2	87.0	90.6
<i>Of which: non - proportional %</i>	5.9	13.8	13.0	9.4
Net premiums R'm	11,042	12,717	7,170	8,409
<i>by business class: Property %*</i>	38.0	37.7	34.8	30.0***
<i>by business class: Transportation %</i>	0.2	0.3	0.2	0.4
<i>by business class: Motor %</i>	7.5	7.8	6.7	6.2
<i>by business class: Accident & health %</i>	4.1	3.6	3.3	2.5
<i>by business class: Guarantee %</i>	11.2	9.8	9.0	15.8***
<i>by business class: Liability %</i>	26.0	29.9	34.9	32.5
<i>by business class: Engineering %</i>	0.6	0.9	0.6	0.3
<i>by business class: Miscellaneous %</i>	12.4	10.0	10.5	12.3
Claims incurred R'm**	4,951	5,423	2,323	2,849
Underwriting profit/(loss) R'm	1,575	2,655	1,492	1,266
Underwriting and investment income R'm	3,848	5,475	2,759	2,260
Total Assets R'm	50,096	52,951	52,241	56,597
Total Liabilities R'm	29,795	30,094	31,511	33,183
CAR amount R'm	5,930	6,311	6,470	6,861
<i>Insurance risk capital %</i>	44.4	44.5	41.7	42.9
<i>Market risk capital %</i>	35.8	34.5	38.4	37.4
<i>Credit risk capital %</i>	12.2	9.4	8.9	8.9
<i>Operational risk capital %</i>	7.6	11.6	11.0	10.8

* Business class is expressed as the percentage of the net premium.

** Claims incurred takes into account the opening and closing balance of the Outstanding Claims (OCR) and Incurred but not Reported (IBNR) Provisions.

*** The fluctuations between property and guarantee classes of business were as a result of a refund received from a reinsurer by a particular insurer.

⁴ Niche insurers, for the purpose of this report, are those insurers who offer, mostly, specialised cover only, in certain niche markets.

Performance indicators:	12 months ended December 2016	12 months ended December 2017	6 months ended June 2017	6 months ended June 2018
Net premium increase (yoy) %	-10	15	16	17
Loss ratio *	45	44	39	44
Combined ratio *♦	86	55	53	65
Management expenses **	37	30	27	25
Commission **	4	3	5	5
Underwriting profit/(loss) ratio **	15	21	23	16
Underwriting and investment income ratio **	36	43	42	28
Surplus asset ratio (median)	124	101	134	110
CAR cover (median)	2.9	2.4	2.5	2.8

* Expressed as a percentage of net earned premium during the period.

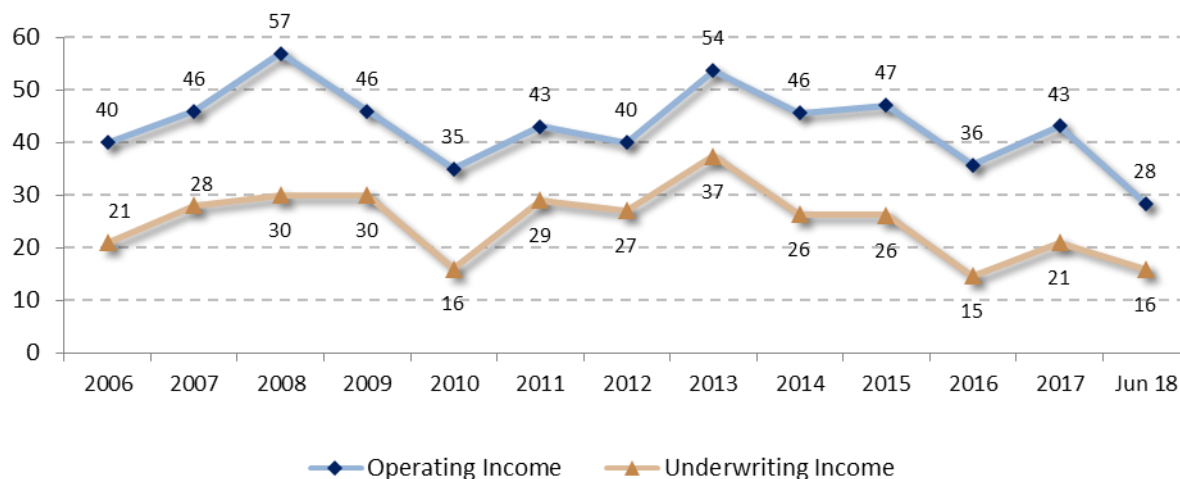
** Expressed as a percentage of net written premium during the period.

*♦ Claims + commission + expenses less total investment income as a percentage of net earned premium.

Underwriting results

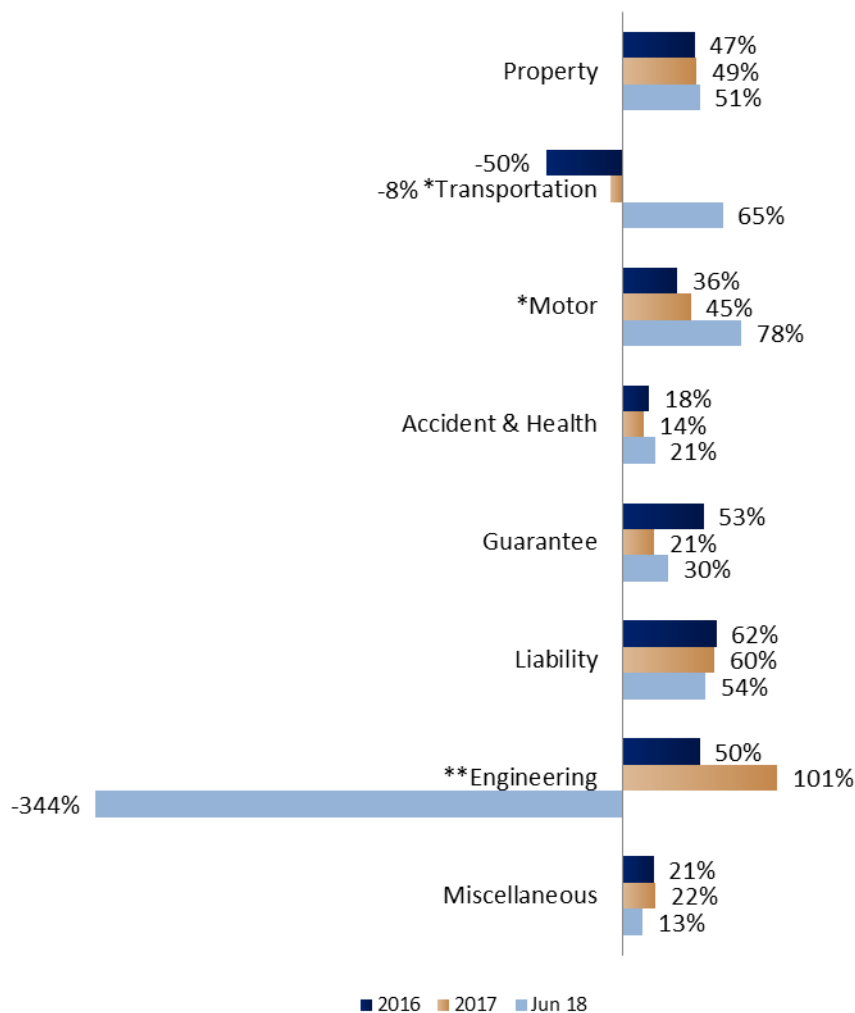
The following graph indicates how underwriting and operating (including investment income) results of the niche insurers have fluctuated over the past thirteen years.

Operating and underwriting income ratio trends*



* Results expressed as a percentage of net premium.

The diagram below indicates the claims ratio according to the classes of policies of niche insurers for the calendar years 2016 to 2017 and the first six months of 2018:



* One niche insurer experienced higher than usual claims in the transportation and motor classes of business.

** Negative claims in the engineering class of business were as a result of a refund received from a reinsurer by a particular insurer.

Nine of the thirty one operational niche insurers have reported underwriting losses for the period ended June 2018 and six have reported operating losses compared with thirteen of the thirty-two who reported underwriting losses for the year ended December 2017 and six who reported operating losses.

Investment Composition

The composition and categories of assets for niche insurers for years ended December 2016 to 2017 as well as comparative figures for the first six months of 2017 and 2018 were as follows:

Kinds of assets	As at December 2016		As at December 2017		As at June 2017		As at June 2018	
	R'million	%	R'million	%	R'million	%	R'million	%
Shares	15,038	30	17,989	34	16,705	32	17,830	32
Government & semi-government	11,368	23	14,016	26	13,561	26	14,087	25
Debentures and mortgages	1,763	4	5,808	11	5,517	11	7,264	13
Cash and deposits	11,806	24	10,270	20	11,281	22	10,853	19
Fixed assets	157	0	263	0	222	0	271	0
Outstanding premiums	2,861	6	2,317	4	2,810	5	3,482	6
Debtors	1,174	2	1,350	3	1,402	3	1,617	3
Other assets	5,927	11	937	2	743	1	1,193	2
Total	50,096	100	52,951	100	52,241	100	56,597	100

CAR covers ratios - Niche insurers

The following table indicates the ratio of surplus assets to capital adequacy requirement (CAR) of the niche insurers:

CAR cover ratio	December 2016	December 2017	June 2017	June 2018
Covered 0-1 times	0	0	0	0
Covered 1-2 times	9	11	11	10
Covered 2-5 times	18	14	16	15
Covered 5-10 times	4	5	3	4
Covered 10+ times	1	2	2	2

INDUSTRY RESULTS – REINSURERS⁵

	12 months ended December 2016	12 months ended December 2017	6 months ended June 2017	6 months ended June 2018
Gross Premiums R'm	10,278	12,716	5,878	7,415
<i>Of which: foreign %</i>	11.5	11.8	8.1	13.2
Reinsurance R'm	8,055	9,787	4,659	5,863
<i>Of which: proportional %</i>	96.7	97.1	97.3	97.3
<i>Of which: non - proportional %</i>	3.3	2.9	2.7	2.7
Net premiums R'm	2,223	2,928	1,219	1,552
<i>by business class: Property %*</i>	44.9	51.0	46.9	43.6
<i>by business class: Transportation %</i>	3.5	2.4	3.2	2.0
<i>by business class: Motor %</i>	29.8	26.2	27.4	30.9
<i>by business class: Accident & health %</i>	5.8	4.7	3.7	6.1
<i>by business class: Guarantee %</i>	1.9	1.1	1.1	0.9
<i>by business class: Liability %</i>	2.7	2.2	2.5	3.1
<i>by business class: Engineering %</i>	7.9	5.3	6.9	4.9
<i>by business class: Miscellaneous %</i>	3.6	7.1	8.3	8.5
Claims incurred R'm**	1,479	2,204	1,071	1,219
Underwriting profit/(loss) R'm	88	-428	-238	-223
Underwriting and investment income R'm	402	-120	-122	-42
Total Assets R'm	10,986	13,846	12,946	15,170
Total Liabilities R'm	8,209	11,246	10,472	11,642
CAR amount R'm	853	1,142	977	1,241
<i>Insurance risk capital %</i>	54.8	52.7	48.5	53.7
<i>Market risk capital %</i>	12.0	13.5	18.0	14.4
<i>Credit risk capital %</i>	15.4	16.5	16.8	14.4
<i>Operational risk capital %</i>	17.8	17.3	16.7	17.5

* Business class is expressed as a percentage of the net written premium.

** Claims incurred takes into account the opening and closing balance of the Outstanding Claims (OCR) and Incurred but not Reported (IBNR) Provisions.

⁵Reinsurers, for the purpose of this report, are those insurers who offer specialised cover, only to primary insurers.

Performance indicators:	12 months ended December 2016	12 months ended December 2017	6 months ended June 2017	6 months ended June 2018
Net premium increase (yoy) %	6	32	24	27
Loss ratio *	62	80	84	74
Combined ratio *♦	94	104	110	103
Management expenses **	20	10	17	9
Commission **	17	23	20	33
Underwriting profit/(loss) ratio **	4	-15	-20	-14
Underwriting and investment income ratio **	18	-4	-10	-3
Surplus asset ratio (median)	110	51	68	86
CAR cover (median)	3.3	2.1	2.1	3.2

* Expressed as a percentage of net earned premium during the period.

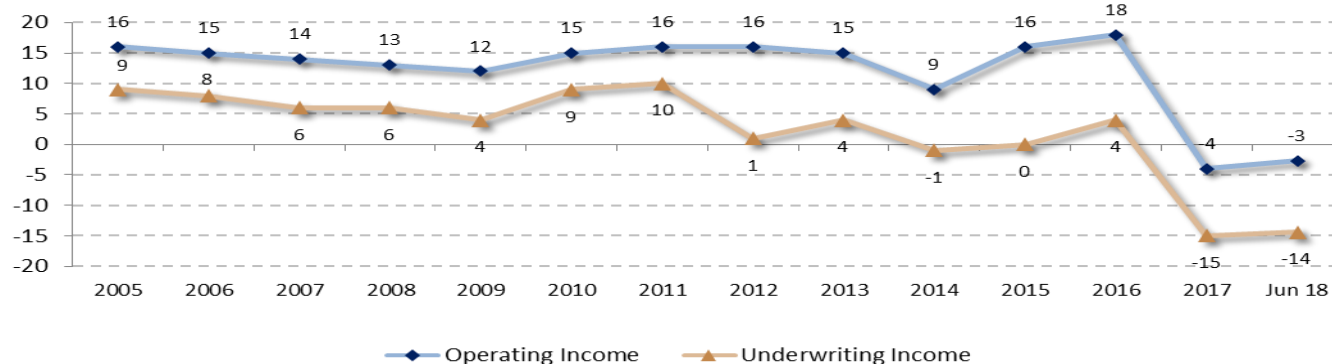
** Expressed as a percentage of net written premium during the period.

*♦ Claims + commission + expenses less total investment income as a percentage of net earned premium.

Underwriting results

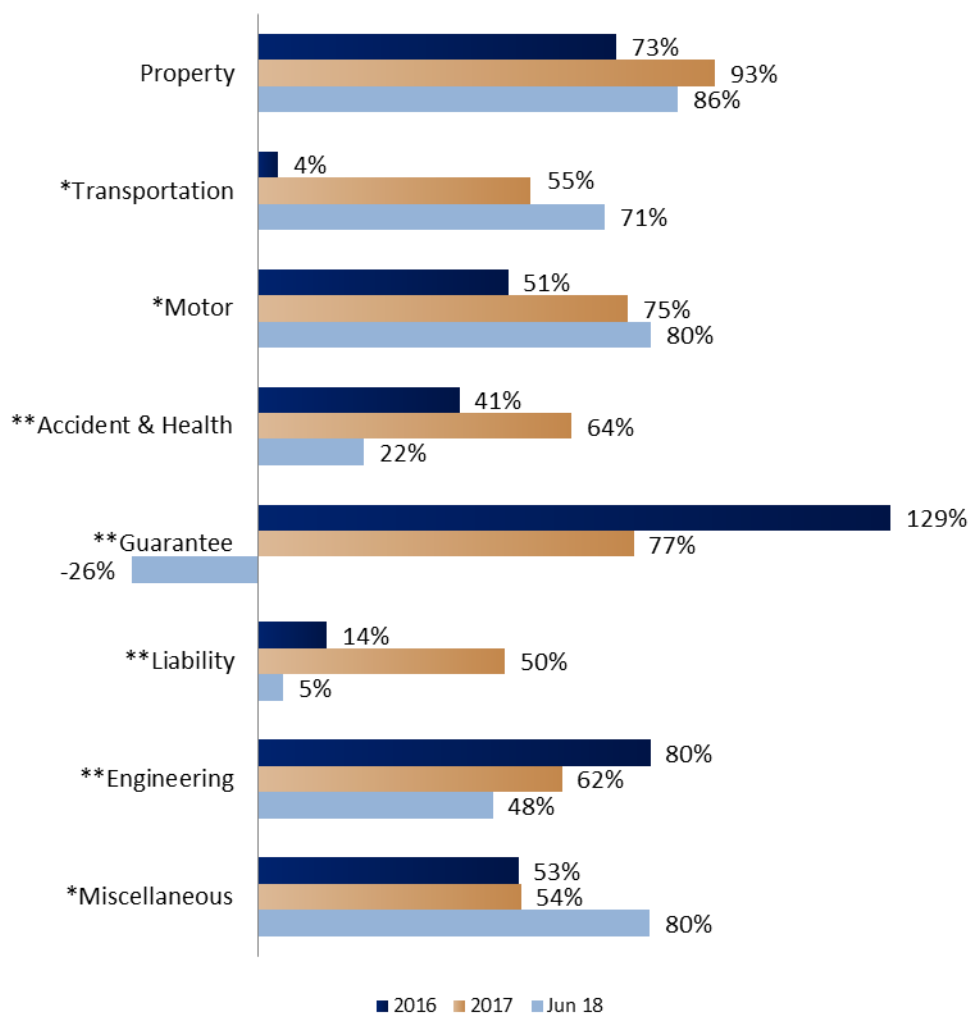
The following graph indicates how underwriting and operating (including investment income) results of the reinsurers have fluctuated over the past fourteen years.

Operating and underwriting income ratio trends*



* Results expressed as a percentage of net premium.

The diagram below indicates the claims ratio according to the classes of policies of reinsurers for the calendar years 2016 to 2017 and the first six months of 2018:



* Reinsurers claims were mainly affected by weather related events experienced in the various parts of the country during 2017.

** Lower than usual claims in accident & health, liability and engineering classes of business were as a result of refunds received by two particular reinsurers.

Four of the six operational reinsurers have reported underwriting losses and three have reported operating losses for the period ended June 2018 compared with five of the six who reported underwriting losses and four operating losses for the year ended December 2017.

Investment Composition

The composition and categories of assets for reinsurers for years ended December 2016 to 2017 as well as comparative figures for the first six months of 2017 and 2018 were as follows:

Kinds of assets	As at December 2016		As at December 2017		As at June 2017		As at June 2018	
	R'million	%	R'million	%	R'million	%	R'million	%
Shares	1,213	11	1,407	10	1,329	10	1,517	10
Government & semi-government	2,560	23	2,881	20	2,550	20	3,395	22
Debentures and mortgages	651	6	728	5	668	5	730	5
Cash and deposits	2,338	21	3,007	22	3,114	24	3,973	27
Fixed assets	72	1	75	1	71	1	74	0
Outstanding premiums	3,482	32	5,079	37	4,440	34	4,891	32
Debtors	634	6	628	5	739	6	548	4
Other assets	37	0	43	0	36	0	42	0
Total	10,986	100	13,846	100	12,946	100	15,170	100

CAR cover ratios - Reinsurers

The following table indicates the ratio of surplus assets to capital adequacy requirement (CAR) of the reinsurers:

CAR cover ratio	December 2016	December 2017	June 2017	June 2018
Covered 0-1 times	1	0	1	0
Covered 1-2 times	1	3	2	2
Covered 2-5 times	3	2	3	3
Covered 5-10 times	1	0	0	0
Covered 10+ times	1	1	1	1