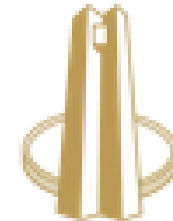


Short-Term Insurance Industry Feedback

Marzanne Kirsten

19 November 2018



South African Reserve Bank

Prudential Authority

Agenda

- Notes on the data
- Market overview
- Assets & Liabilities
- Key performance metrics
- Reinsurance
- Solvency and capital
- SAM
- Conclusions

Menu

- Aperitif
- Amuse bouche
- Bread & butter
- Appetiser
- Palate cleanser
- Main
- Dessert
- Coffee



Notes on the data

- Data sourced from annual returns submitted in 2017
- Run-off insurers have been excluded
- SVM - 81 insurers
- SAM - 77 insurers
- Insurer types – Typical, Niche, Captive, Cell captive, Reinsurer
- Figures generally derived by aggregating across industry / subset
- Insignificant contributions grouped together as “Other”
- Rounding



Market Overview



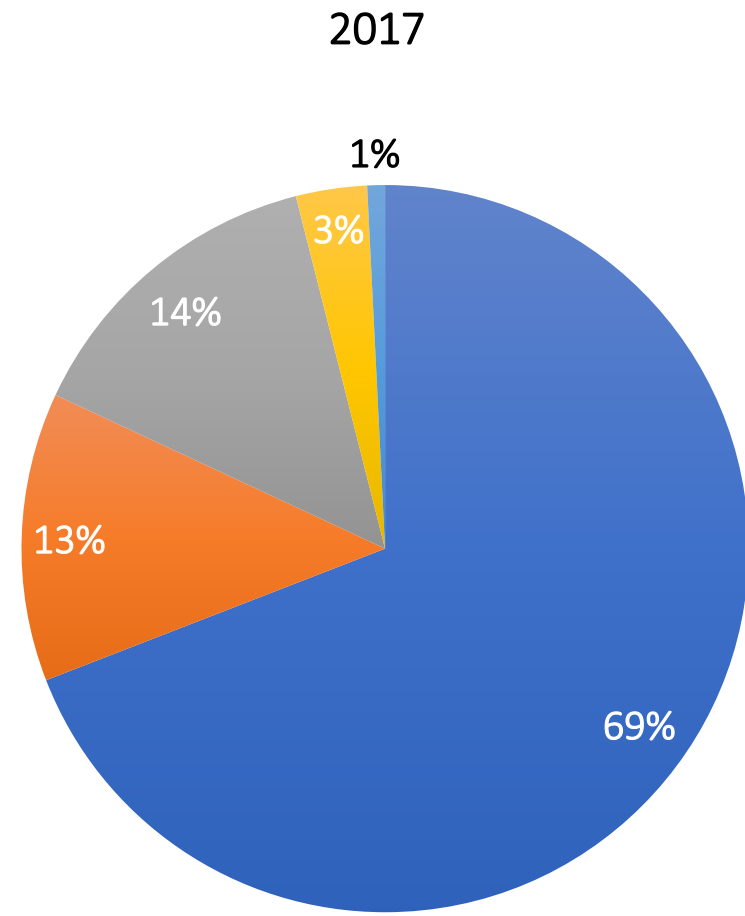
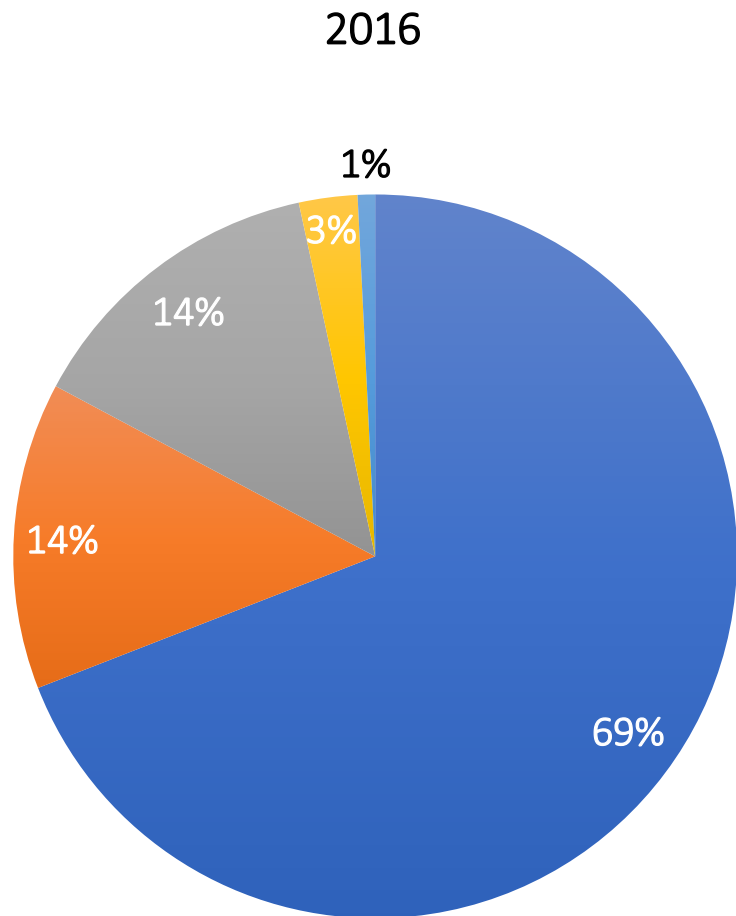
Key figures

Total values (R billion)	2016	2017	Movement
Gross Written Premium (GWP)	126.9	136.6	8%
GWP (direct)	109.0	116.4	7%
GWP (inwards - reinsurers)	10.3	12.3	20%
GWP (inwards - insurers)	7.6	7.9	4%
Reinsurance/Retrocession	42.3	47.5	12%
Net Written Premium (NWP)	84.6	89.1	5%

Key figures

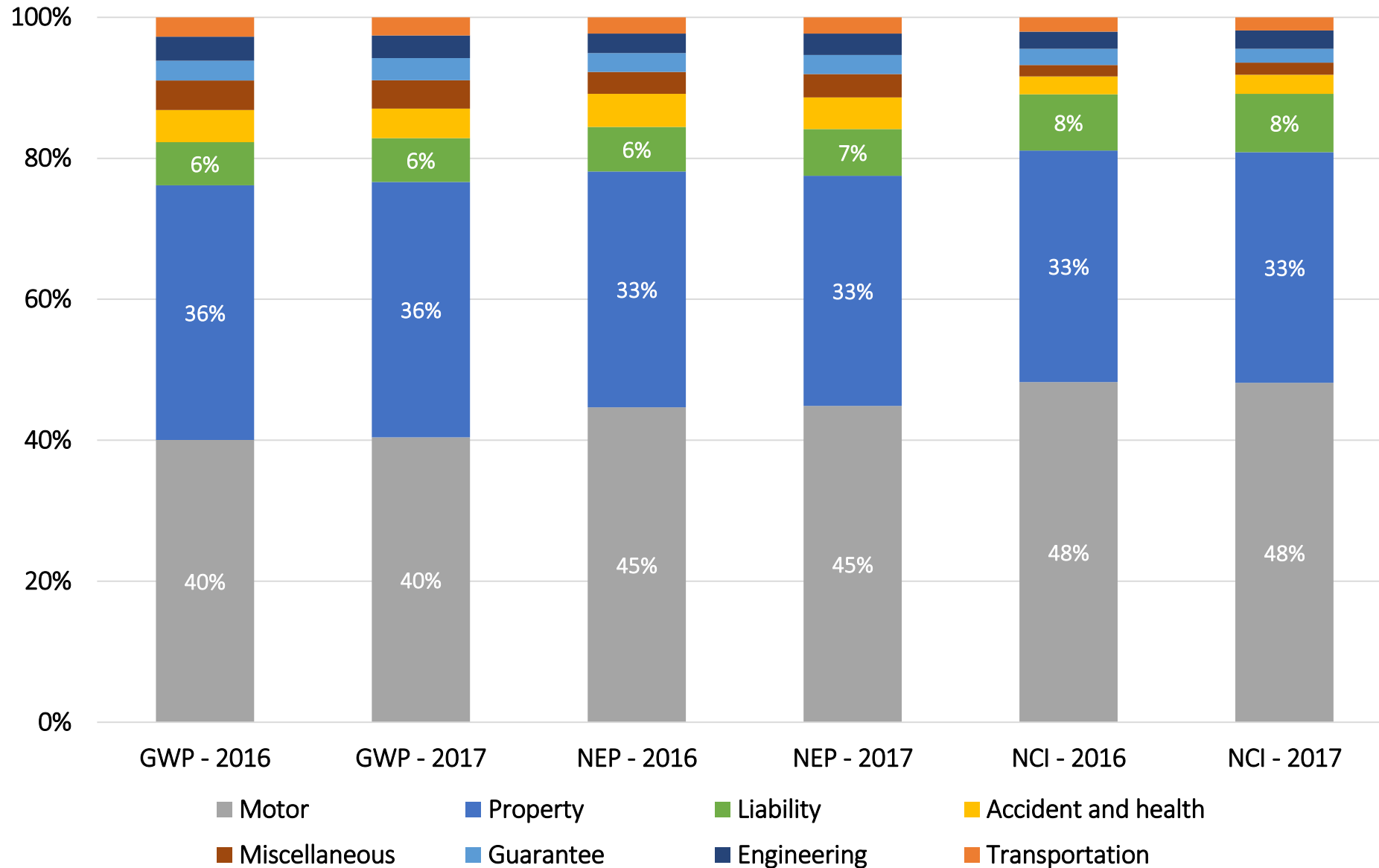
Total values (R billion)	2016	2017	Movement
Net Written Premium (NWP)	84.6	89.1	5%
Net Earned Premium (NEP)	84.0	88.1	5%
Net claims incurred (NCI)	50.7	51.6	2%
Commissions	5.2	5.2	-1%
Net expenses	20.1	21.8	9%
Net underwriting result	8.0	9.5	20%

Industry NWP breakdown



■ Typical ■ Cell Captive ■ Niche ■ Reinsurer ■ Captive

Premiums & claims breakdown



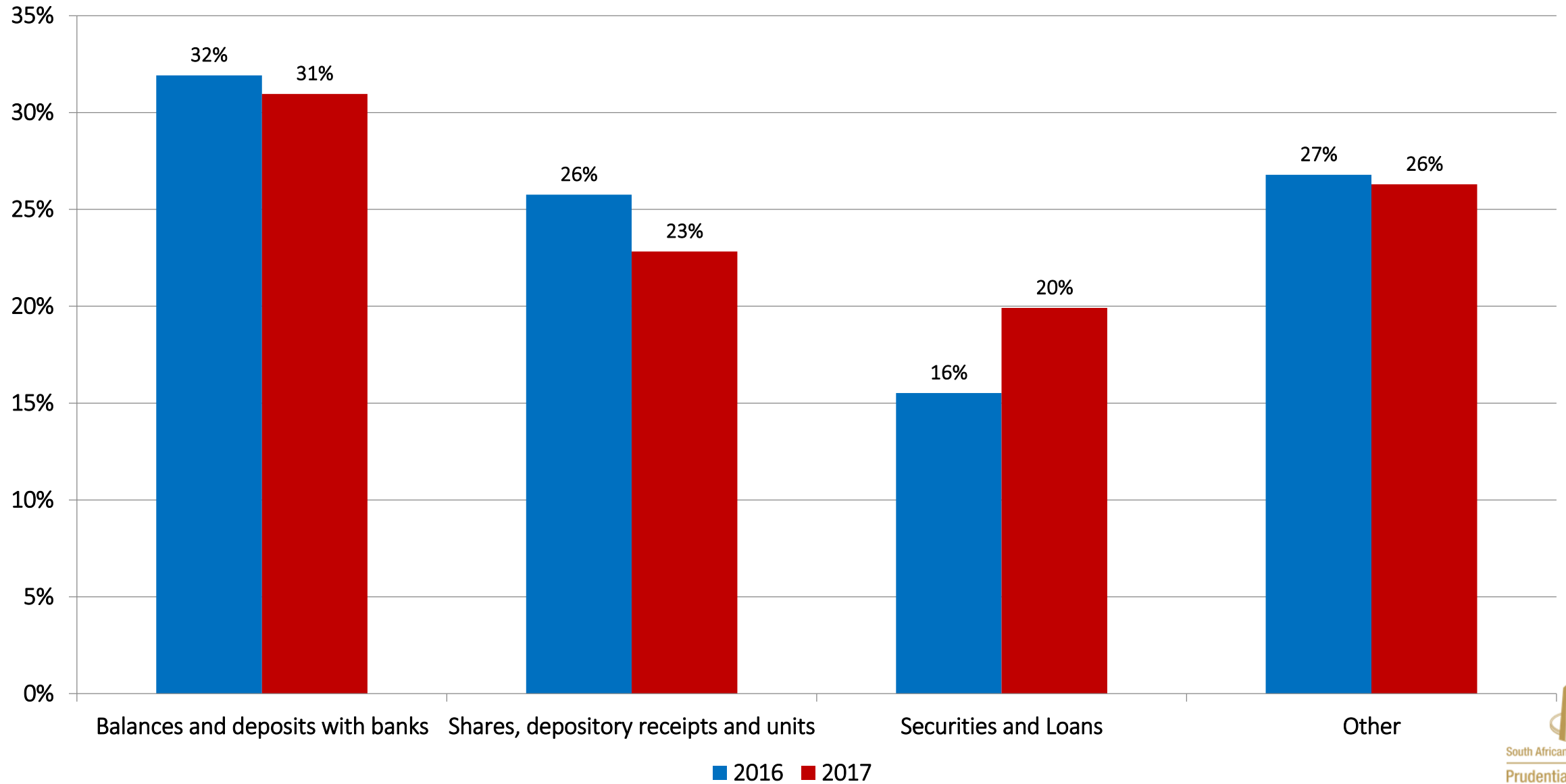
Top 5 insurers per market share

Rank	% of Industry GWP	
2016 / 2017	2016	2017
1	17.7%	17.9%
2	8.2%	7.7%
3	6.9%	6.4%
4	5.9%	6.2%
5	5.5%	5.4%
Total % of Industry GWP	44.2%	43.6%
Total GWP of top 5	R 56 billion	R 59 billion

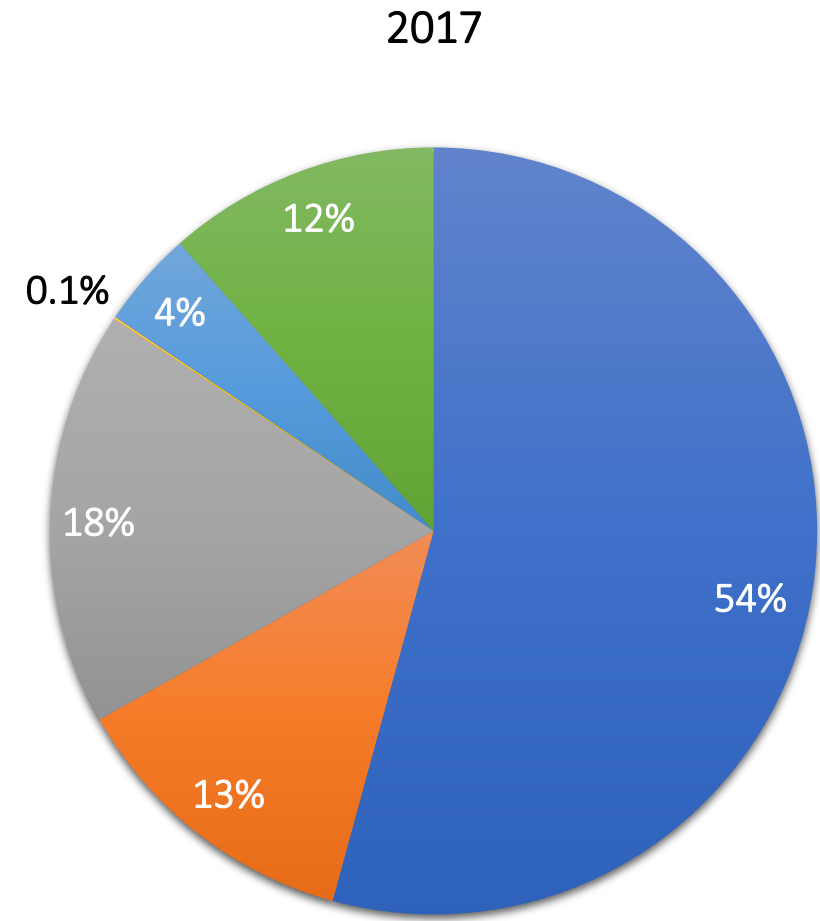
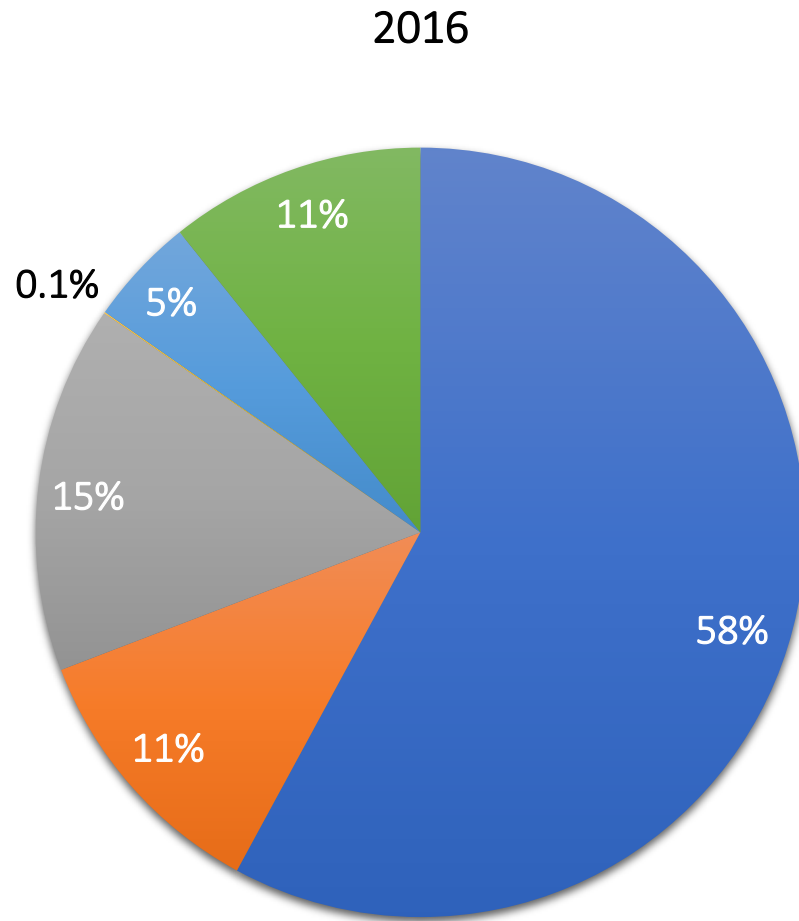
Assets & Liabilities



Assets



Assets backing liabilities



■ Cash & near-cash ■ Fixed & var int [≤ 4 yrs] ■ Fixed & var int [> 4 yrs] ■ Property ■ Equity ■ Other

Liquidity

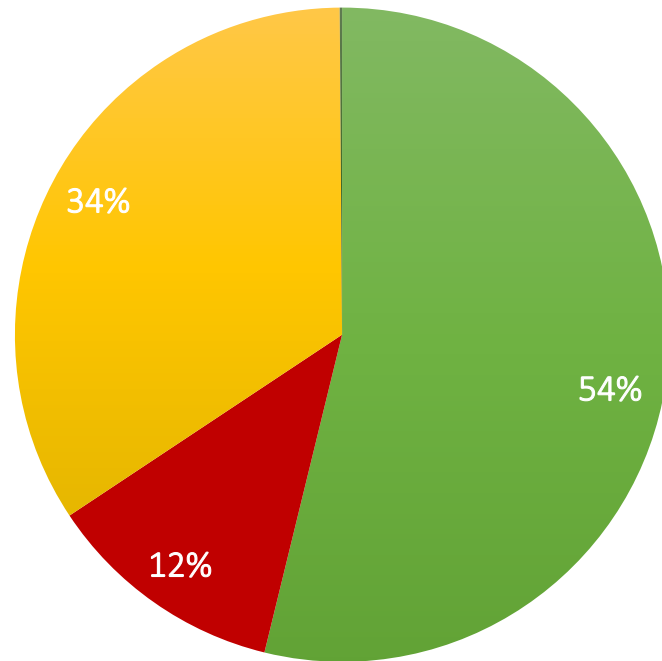
Insurer type	Liquidity ratio		Current ratio	
	2016	2017	2016	2017
Captive	600%	2 660%	1 026%	4 228%
Cell Captive	76%	94%	233%	231%
Niche	167%	203%	487%	457%
Reinsurer	10%	13%	110%	114%
Typical	67%	60%	182%	205%
Total	76%	80%	227%	233%

Technical provisions

Technical Provisions (R billion)			
Reserve	2016	2017	Movement
OCR	34.64	35.45	2%
UPP	21.75	22.52	4%
IBNR	7.68	7.83	2%
URP	0.076	0.075	(2%)
Total TPs	64.14	65.87	3%

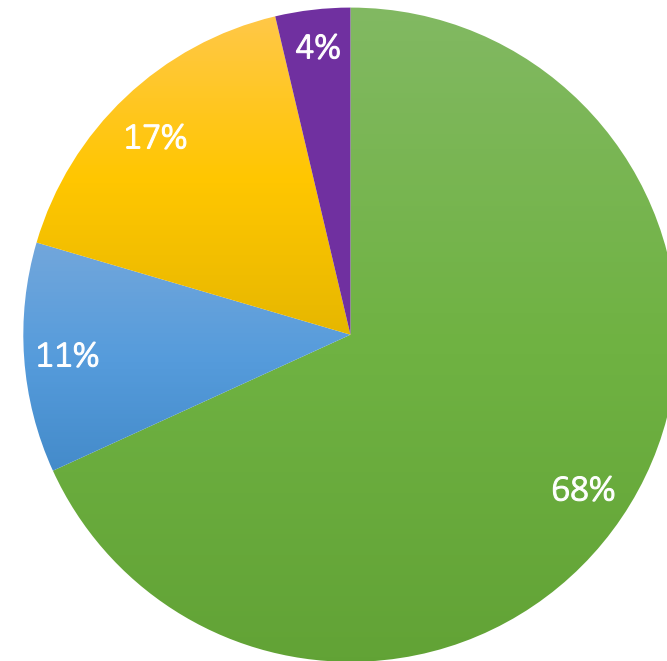
Technical provisions breakdown

SVM Basis



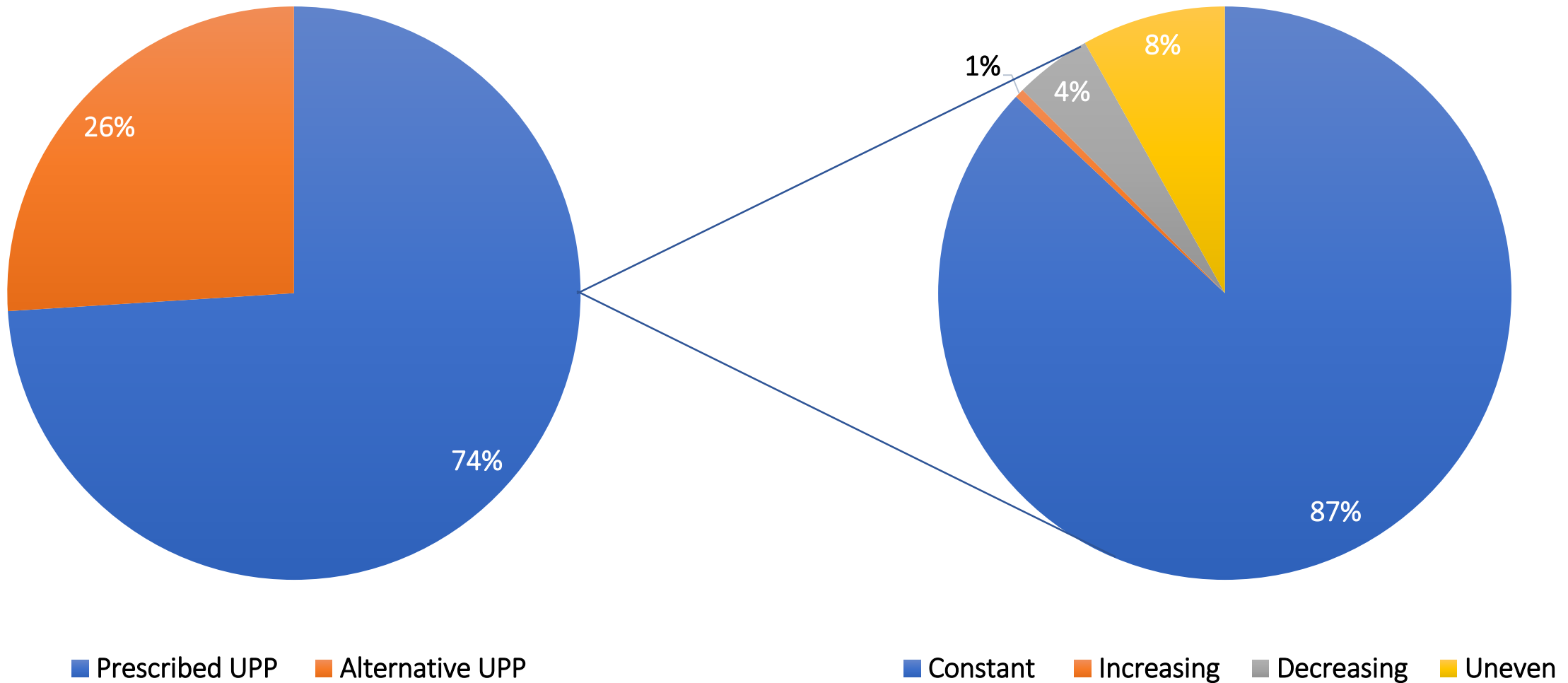
■ OCR ■ IBNR ■ UPP ■ URP

SAM Basis



■ Claims Provisions ■ Other TP's ■ Premium Provisions ■ Risk Margin

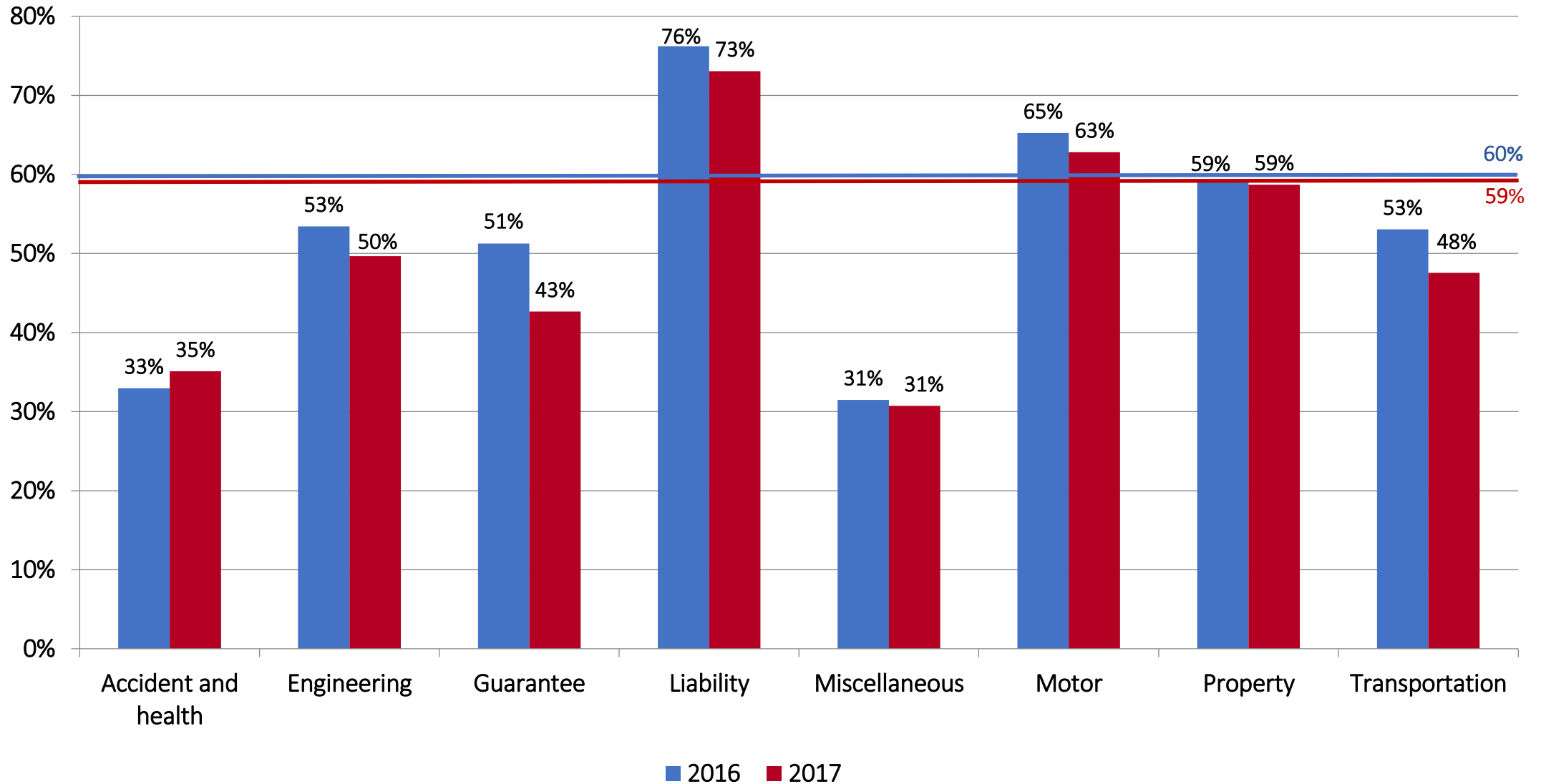
UPP: Nature of risks



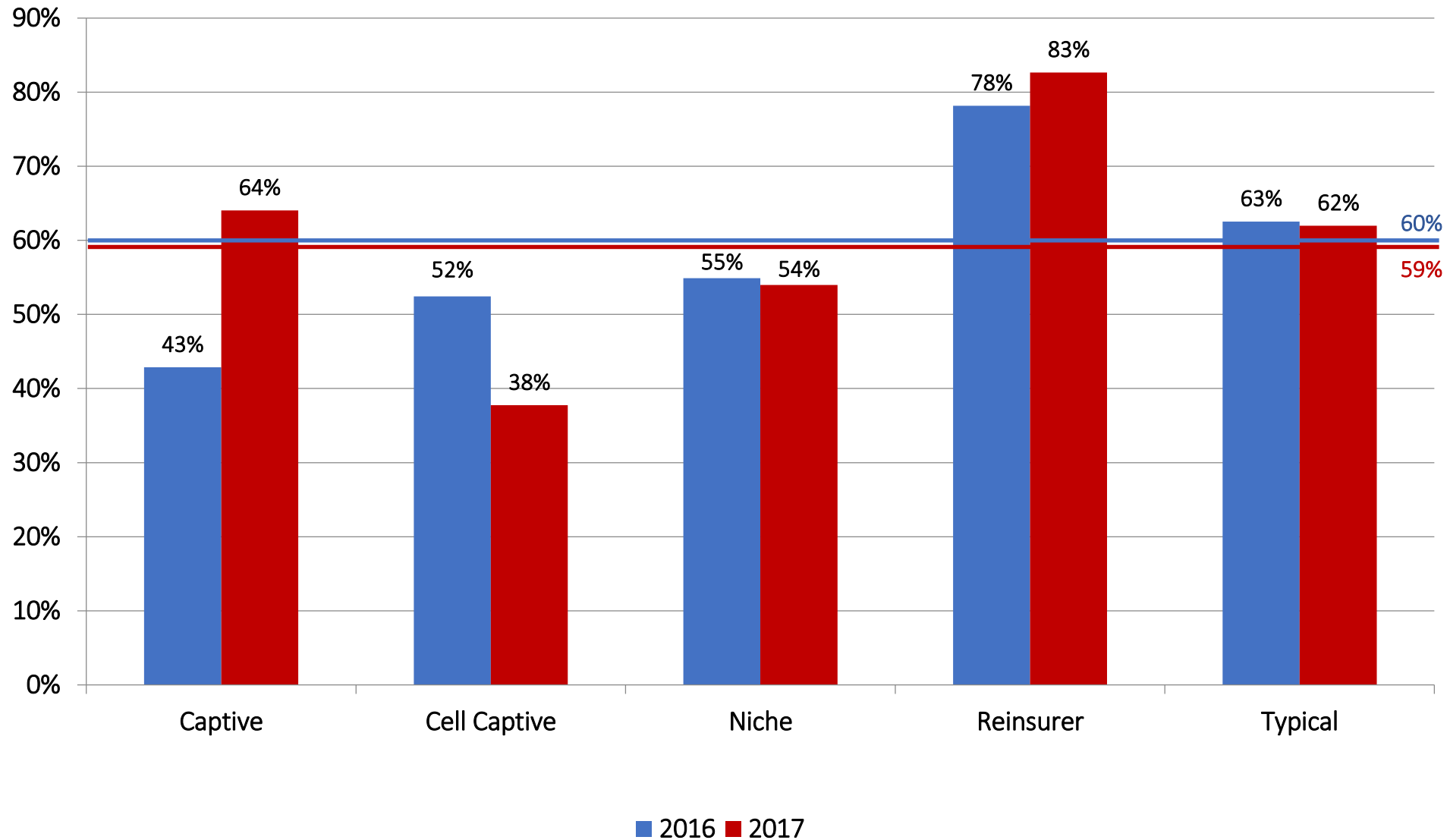
Key Performance Metrics



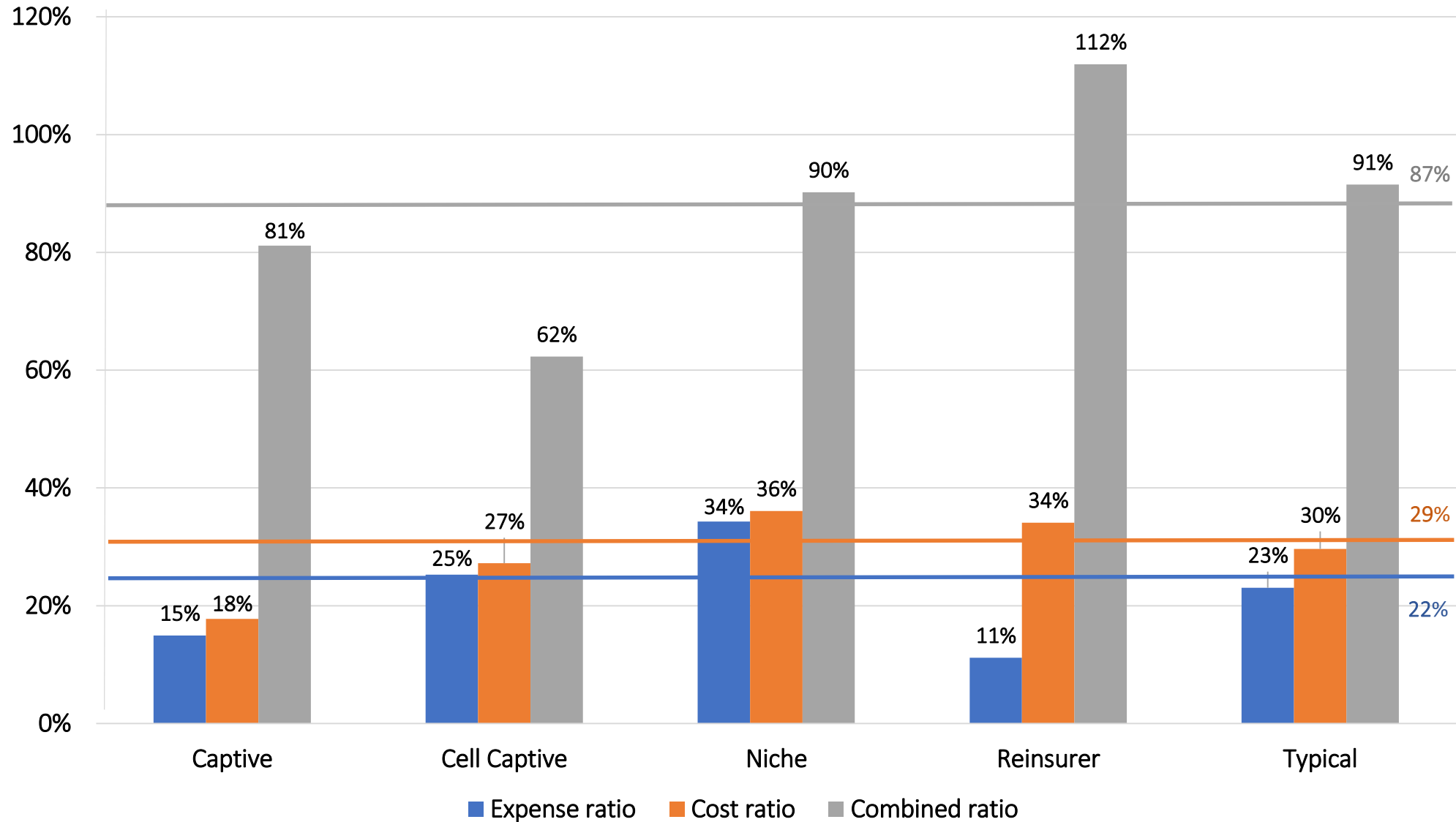
Incurred claims ratios by business class



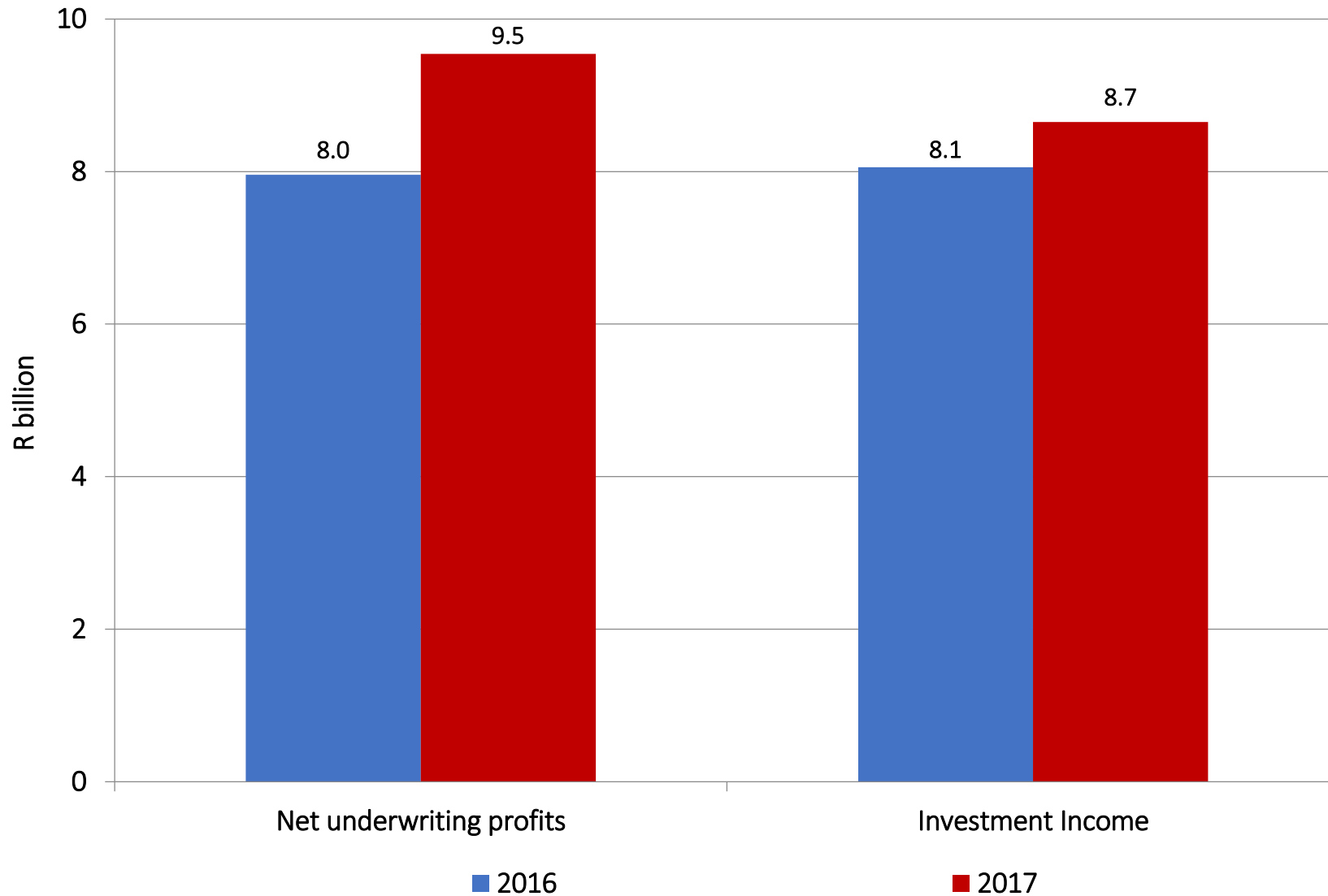
Incurred claims ratios by insurer type



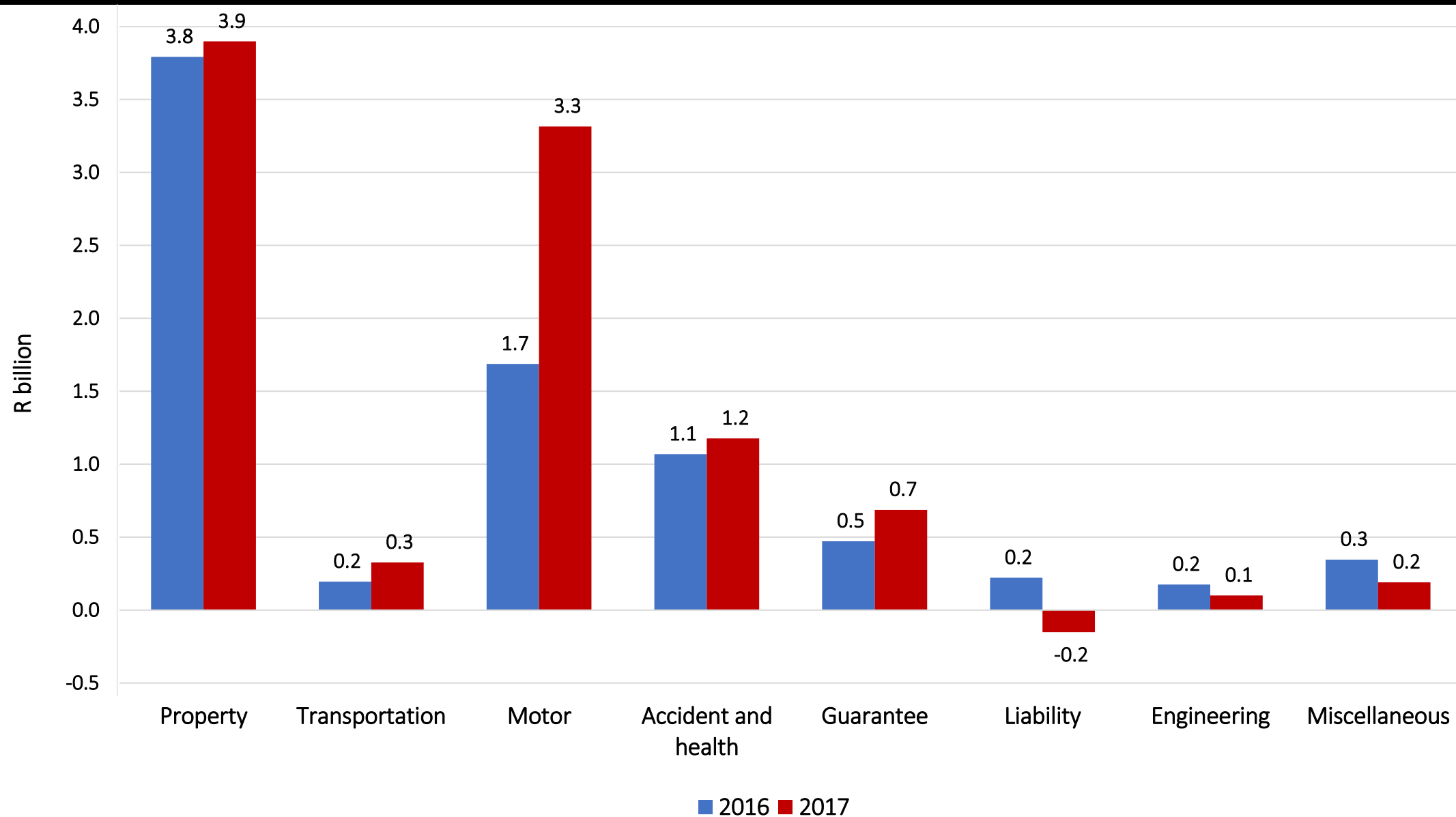
Expense ratios by insurer type



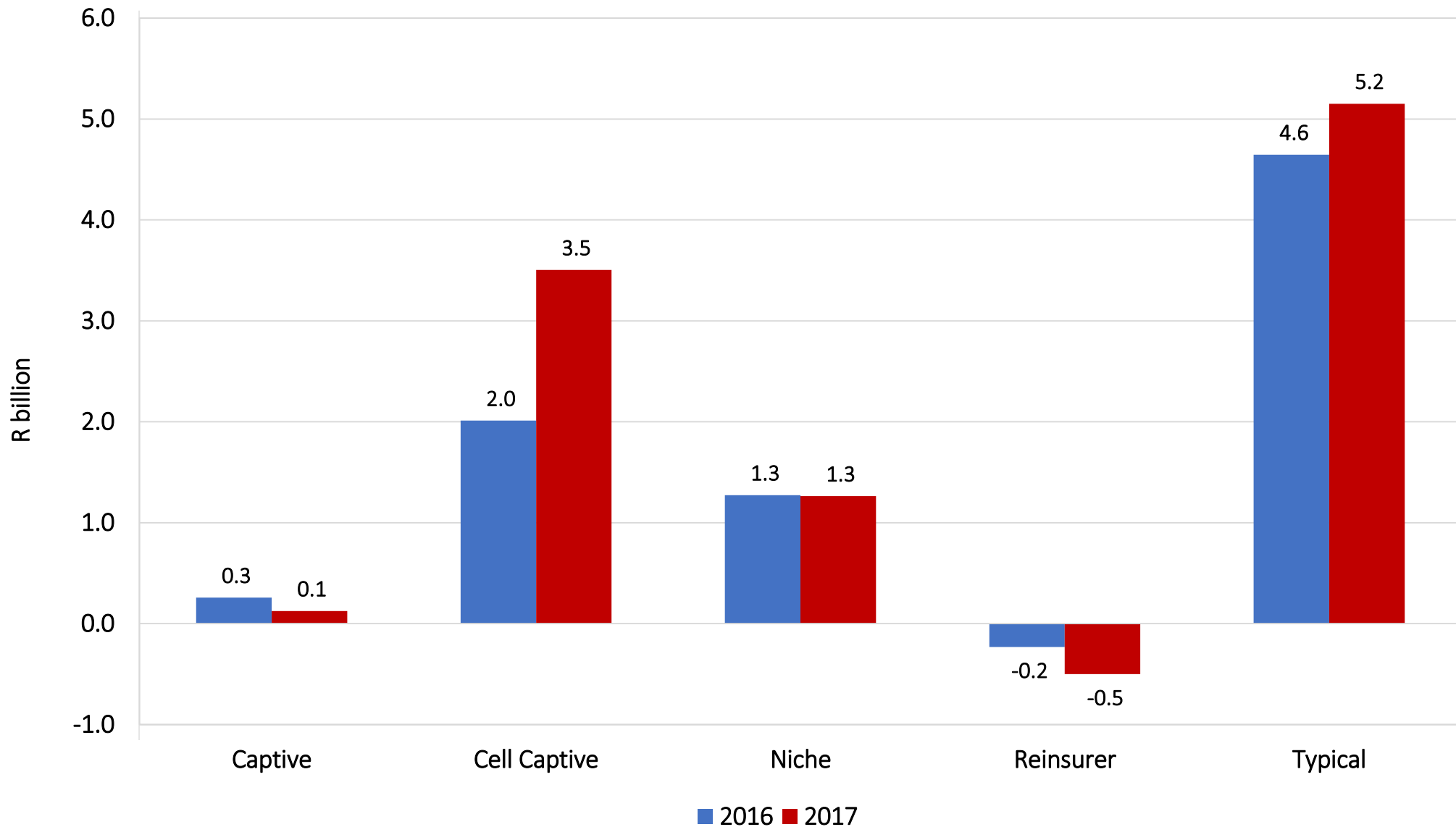
Earnings



Net underwriting results



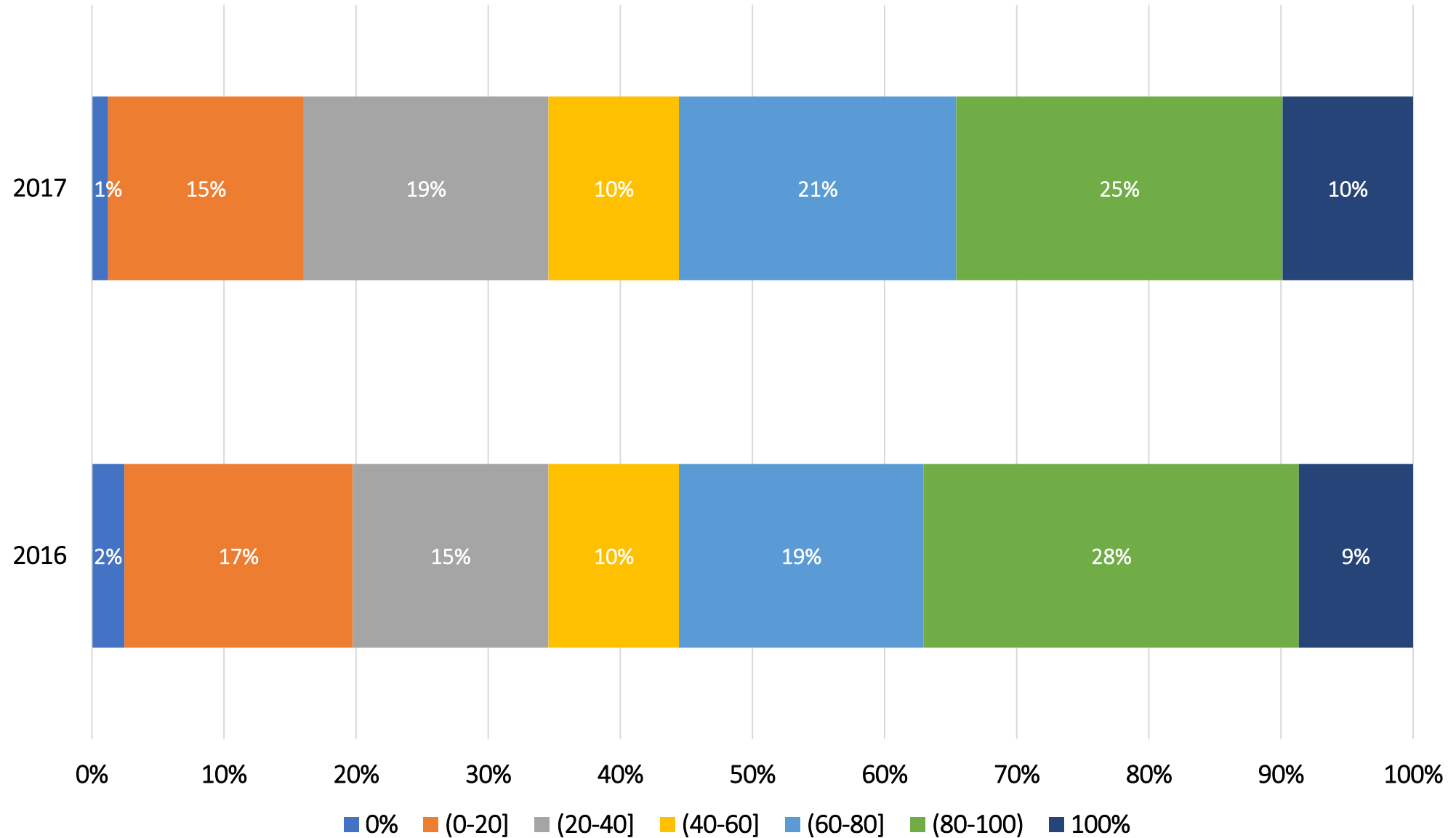
Net underwriting results



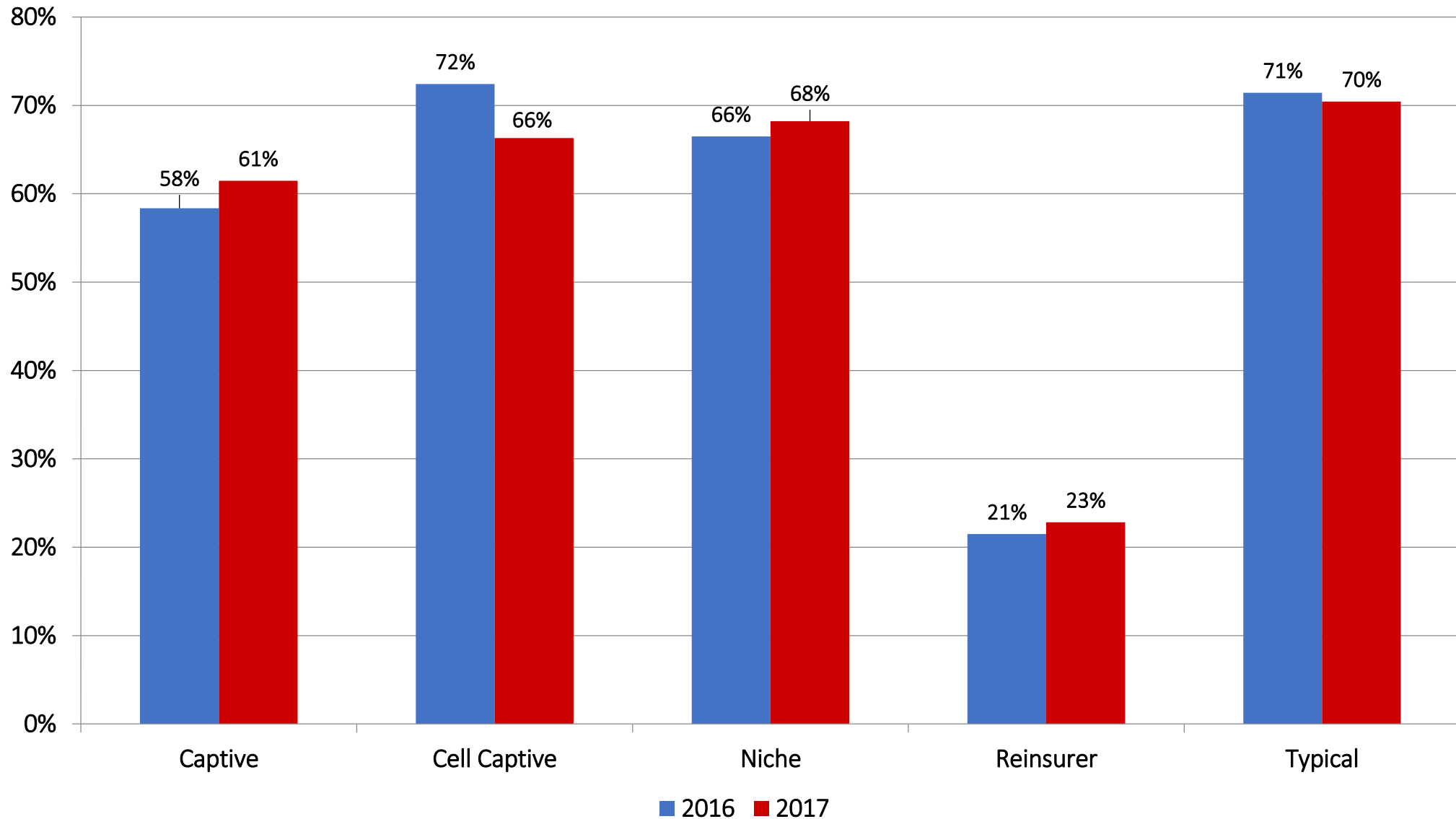
Reinsurance



Premium retention ratios



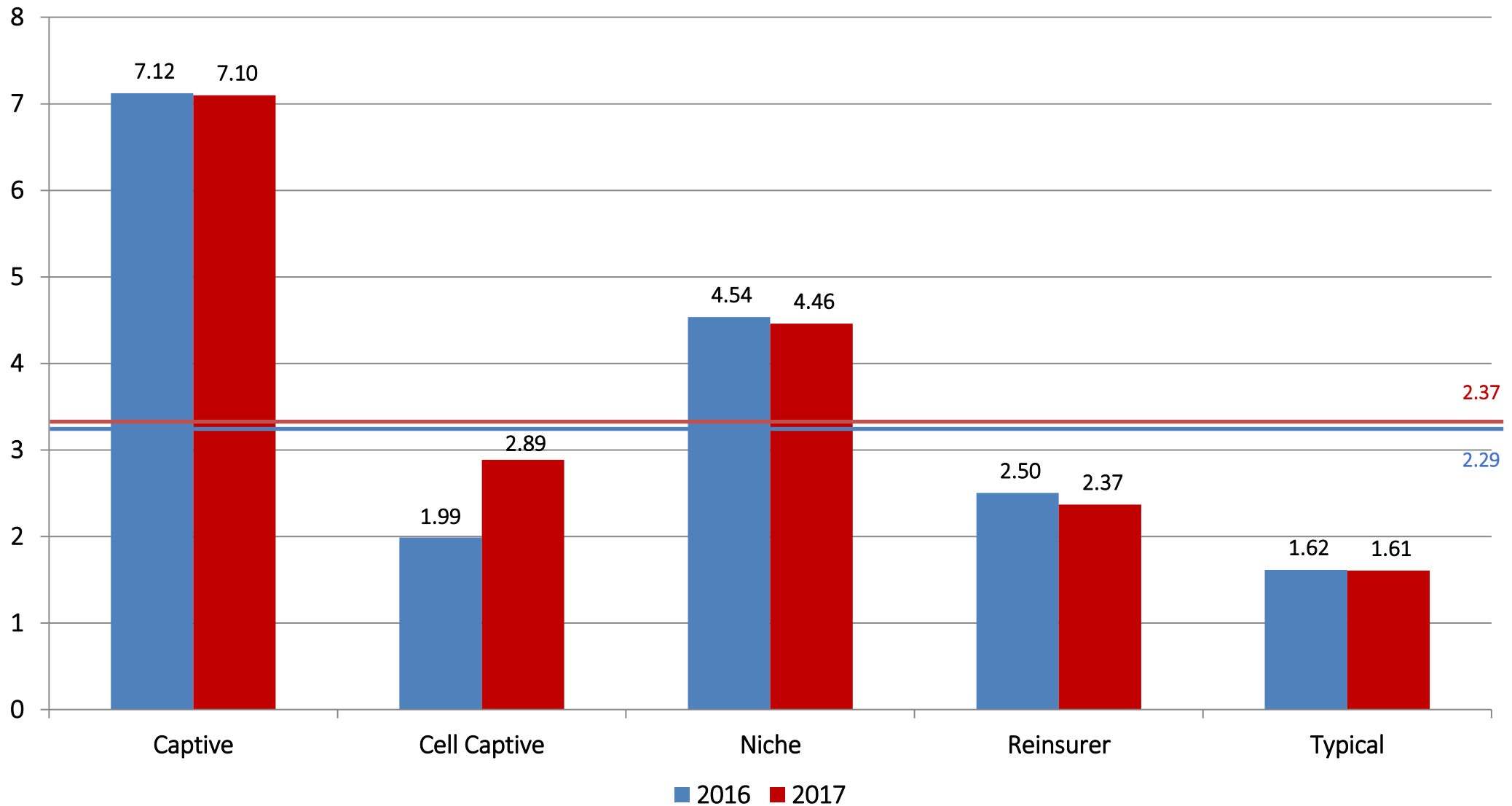
Premium retention ratios



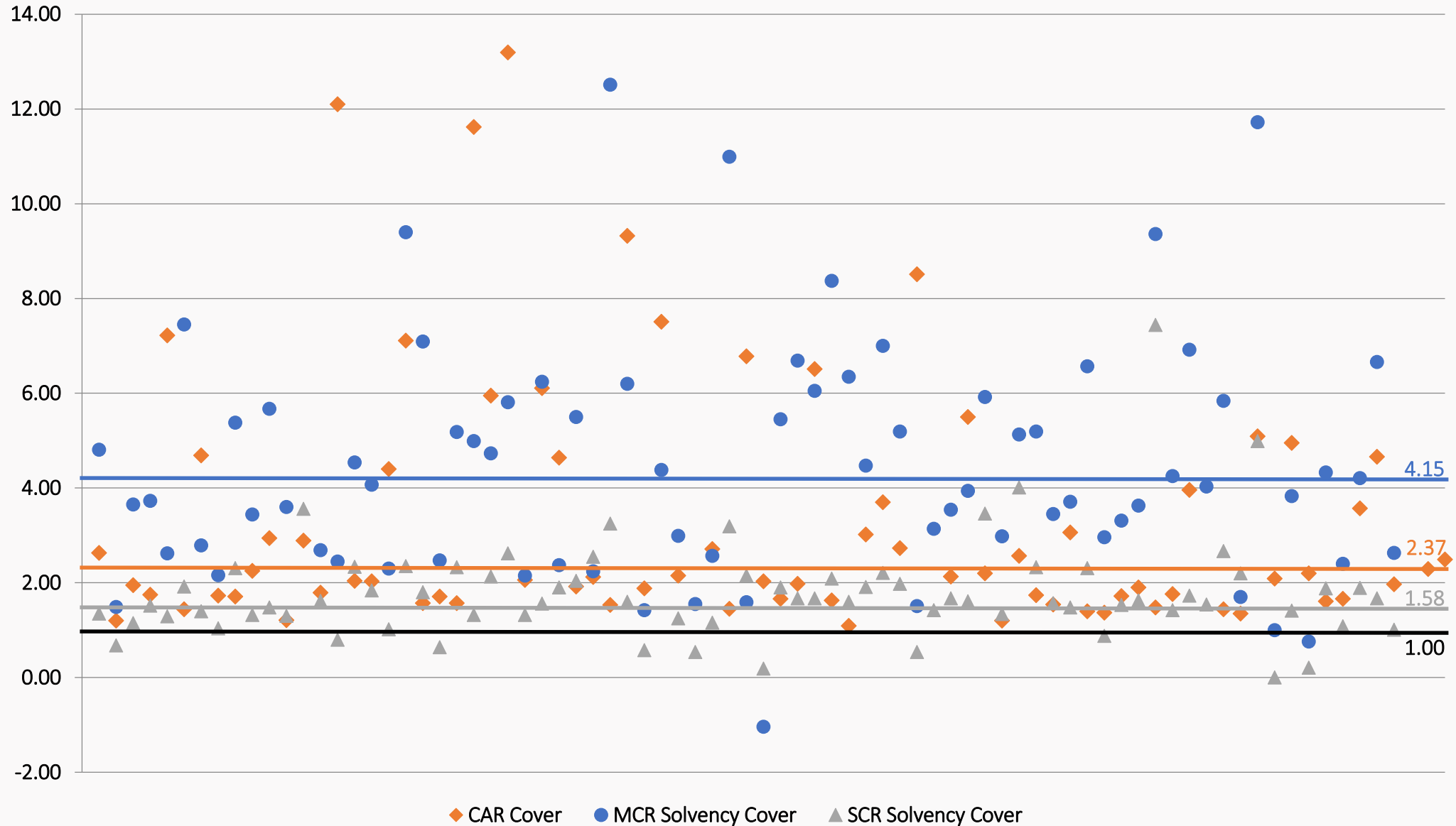
Solvency and Capital



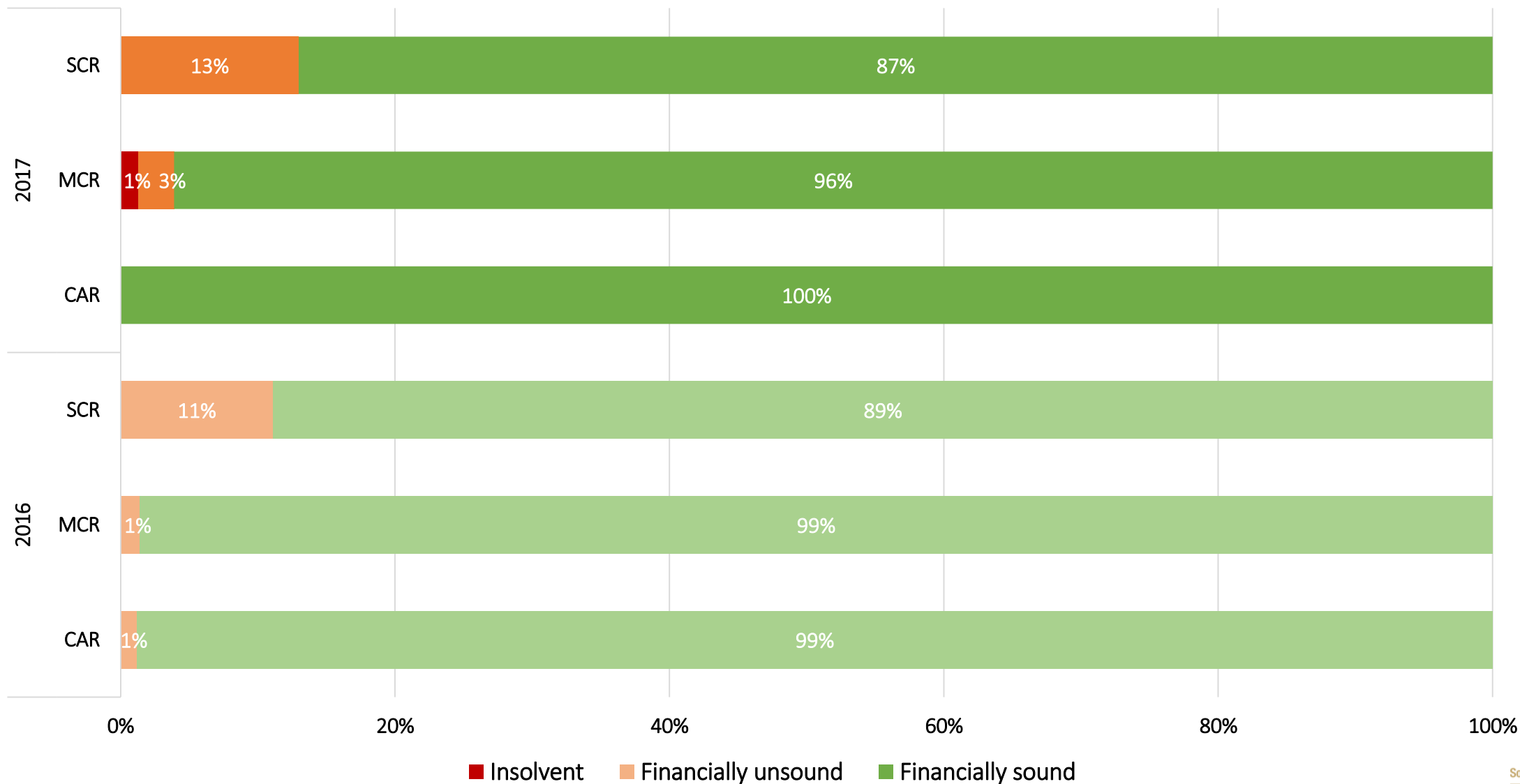
Solvency cover – SVM basis



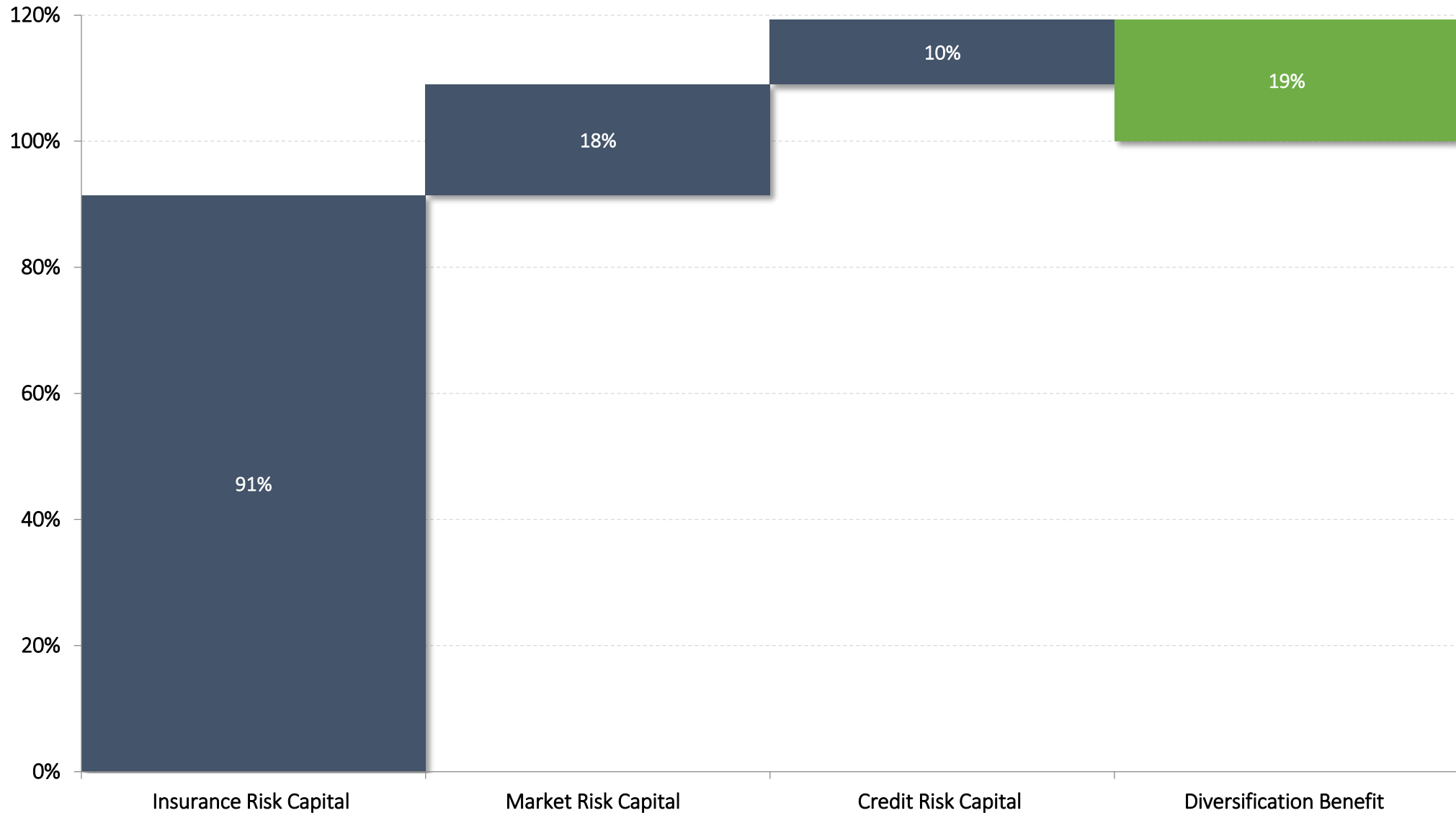
SVM vs. SAM basis solvency covers



Insolvent/financially unsound insurers



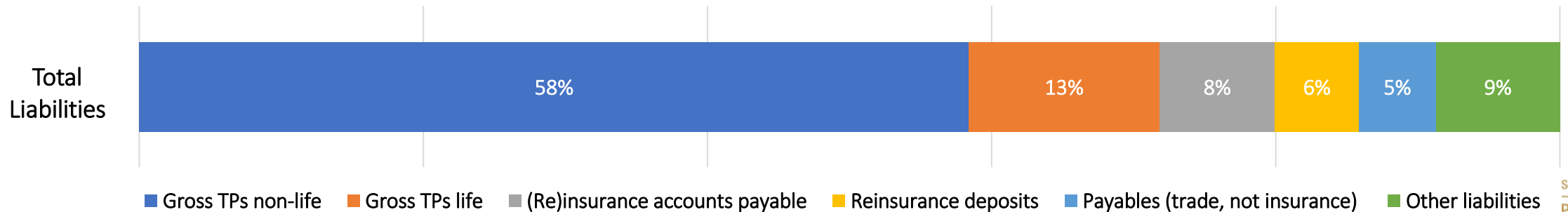
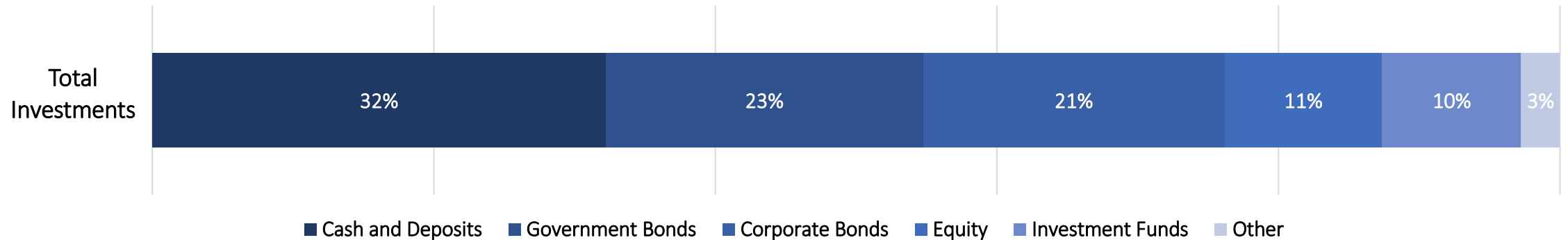
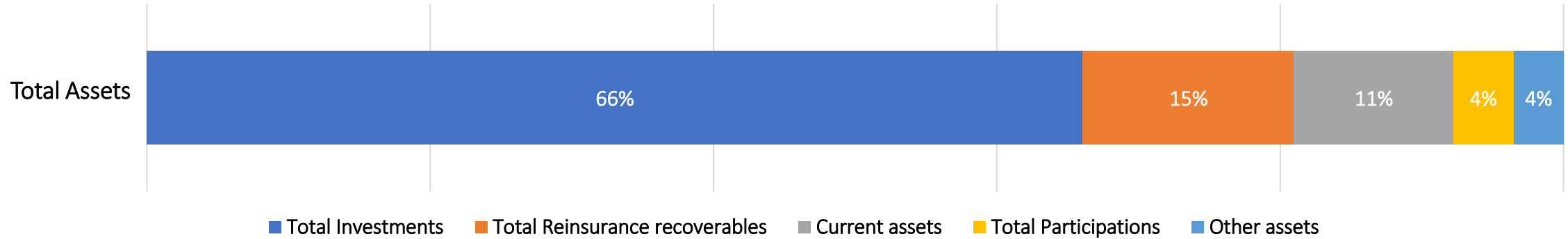
BSCR Components – SVM basis



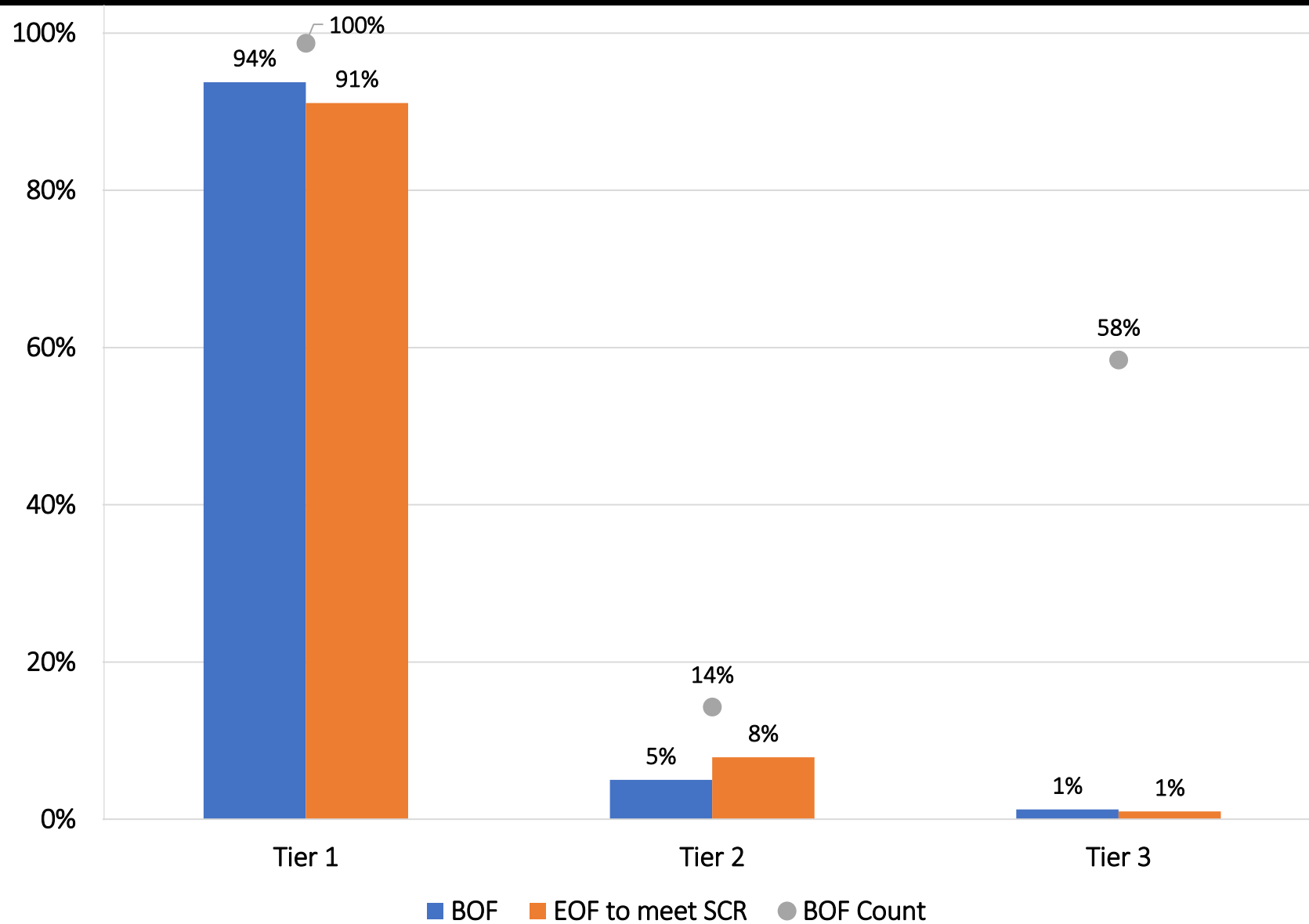
SAM



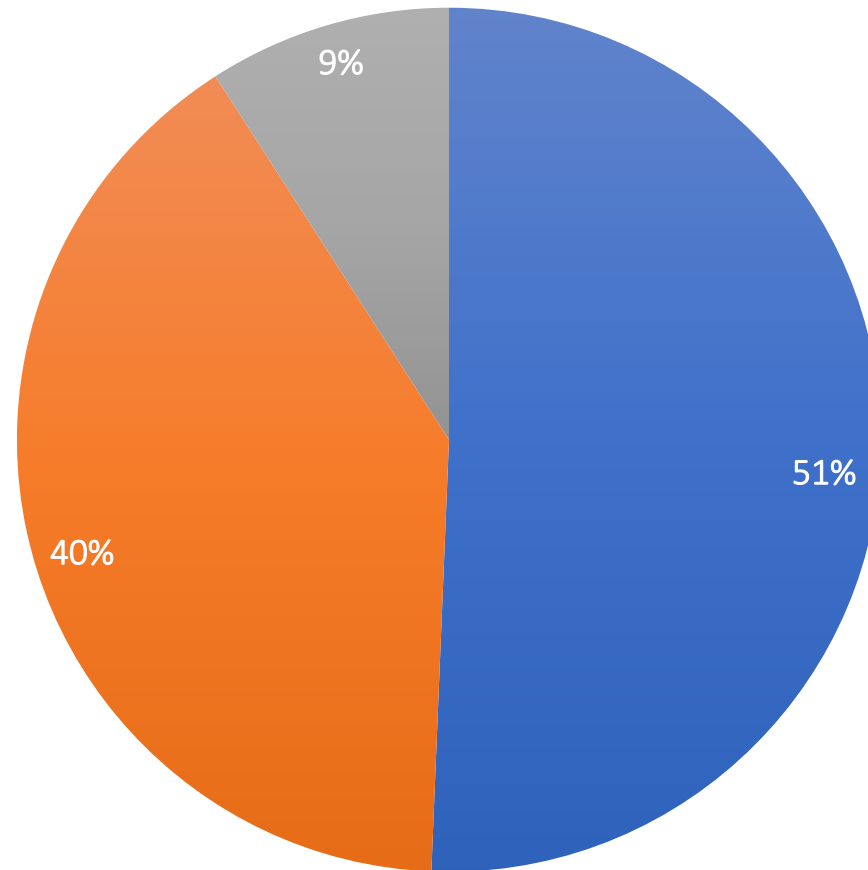
SAM – Assets and Liabilities composition



SAM – Tiering of BOF/EOF

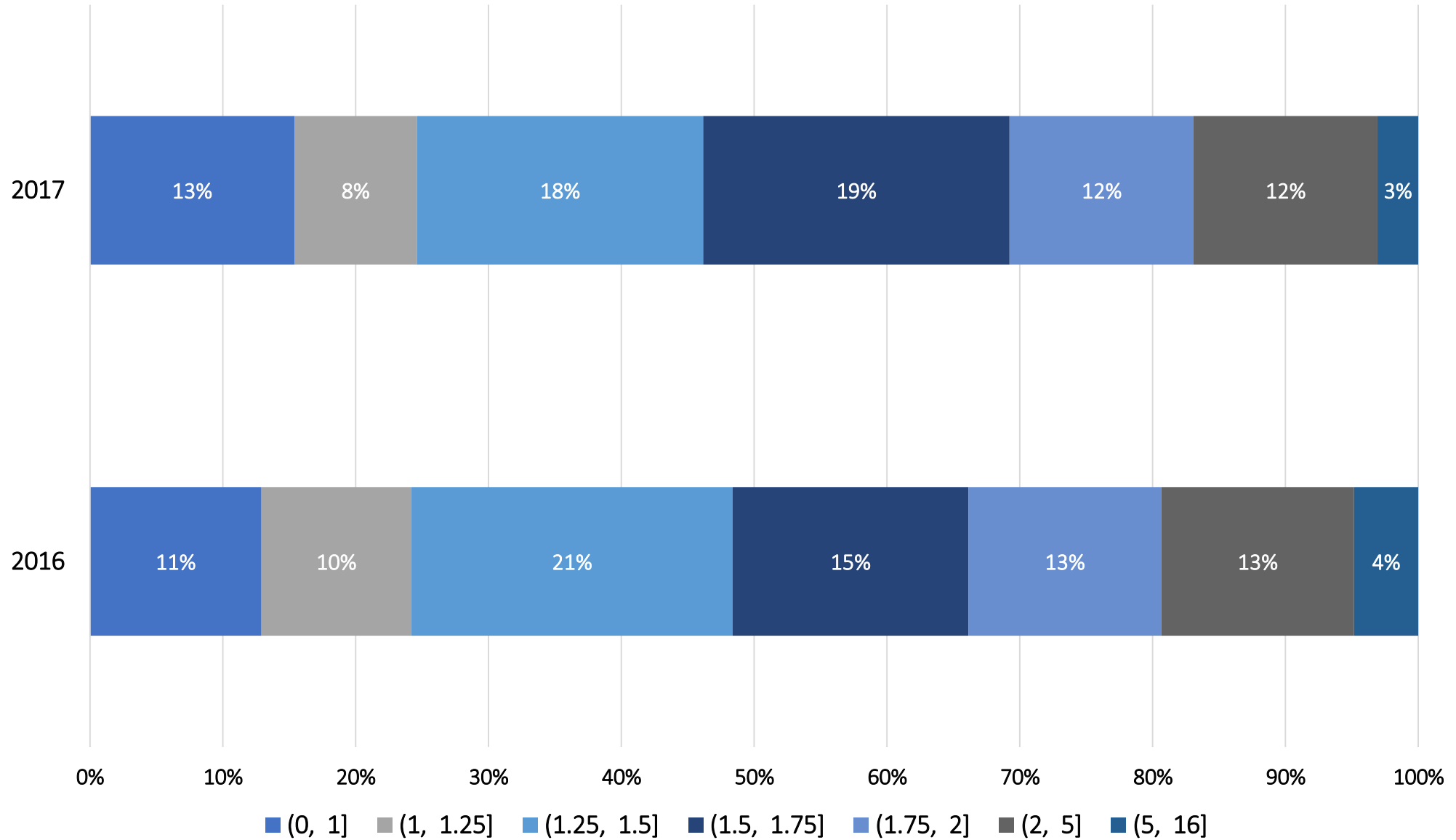


SAM – Liquidity shortfall indicator (LIQ)

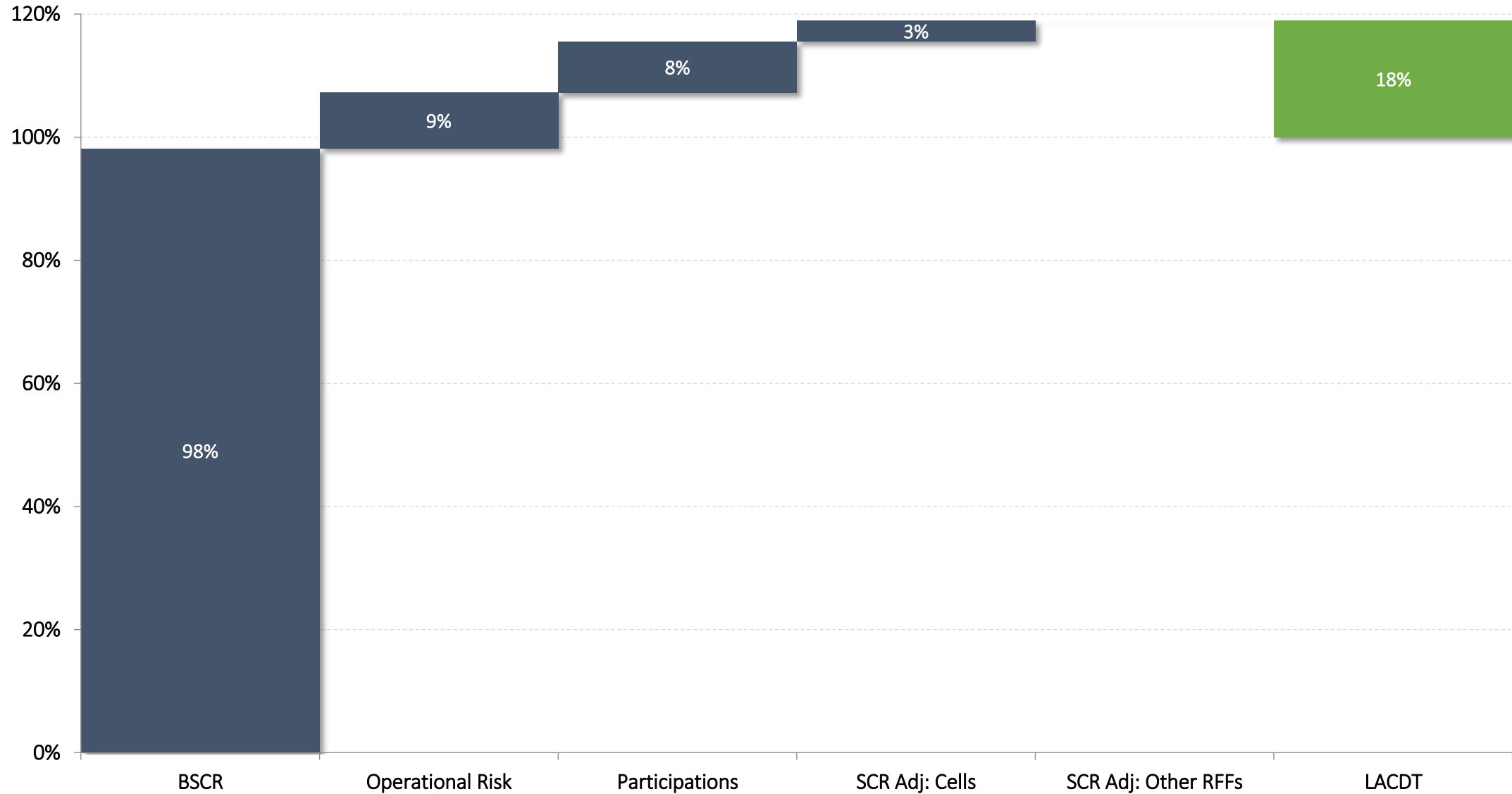


■ Not completed ■ Negative LIQ ■ Positive LIQ

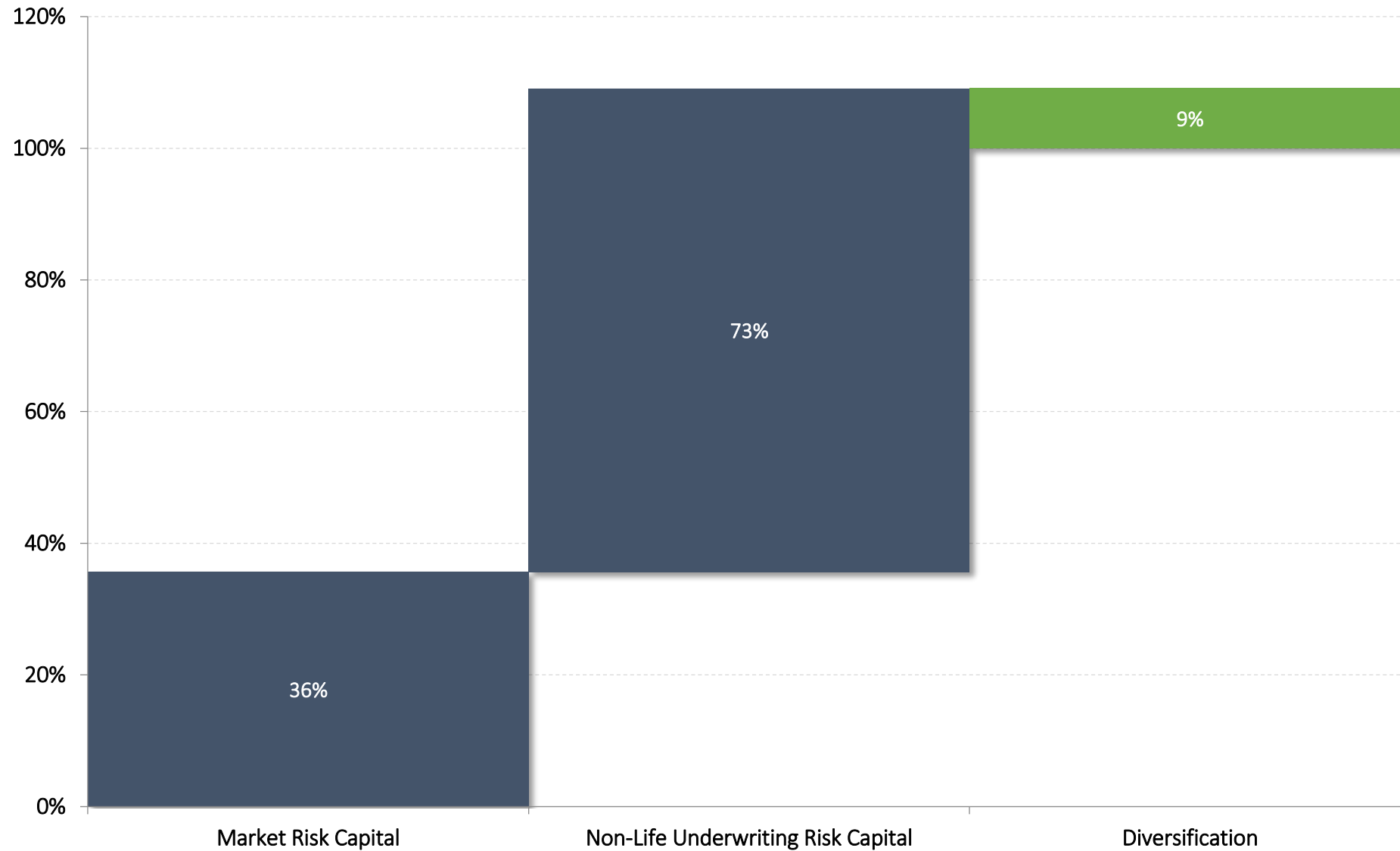
SAM – SCR cover



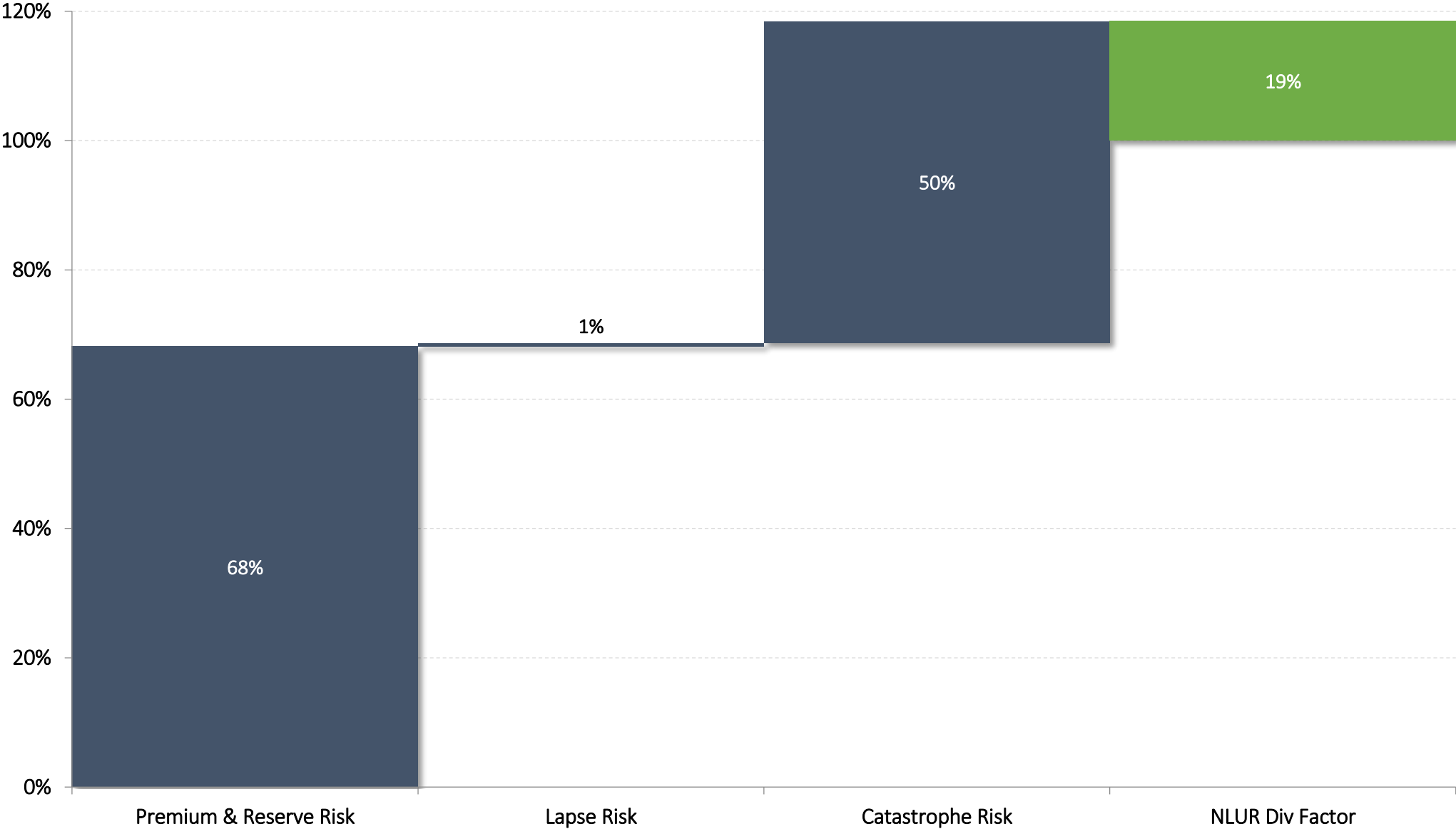
SAM – SCR components



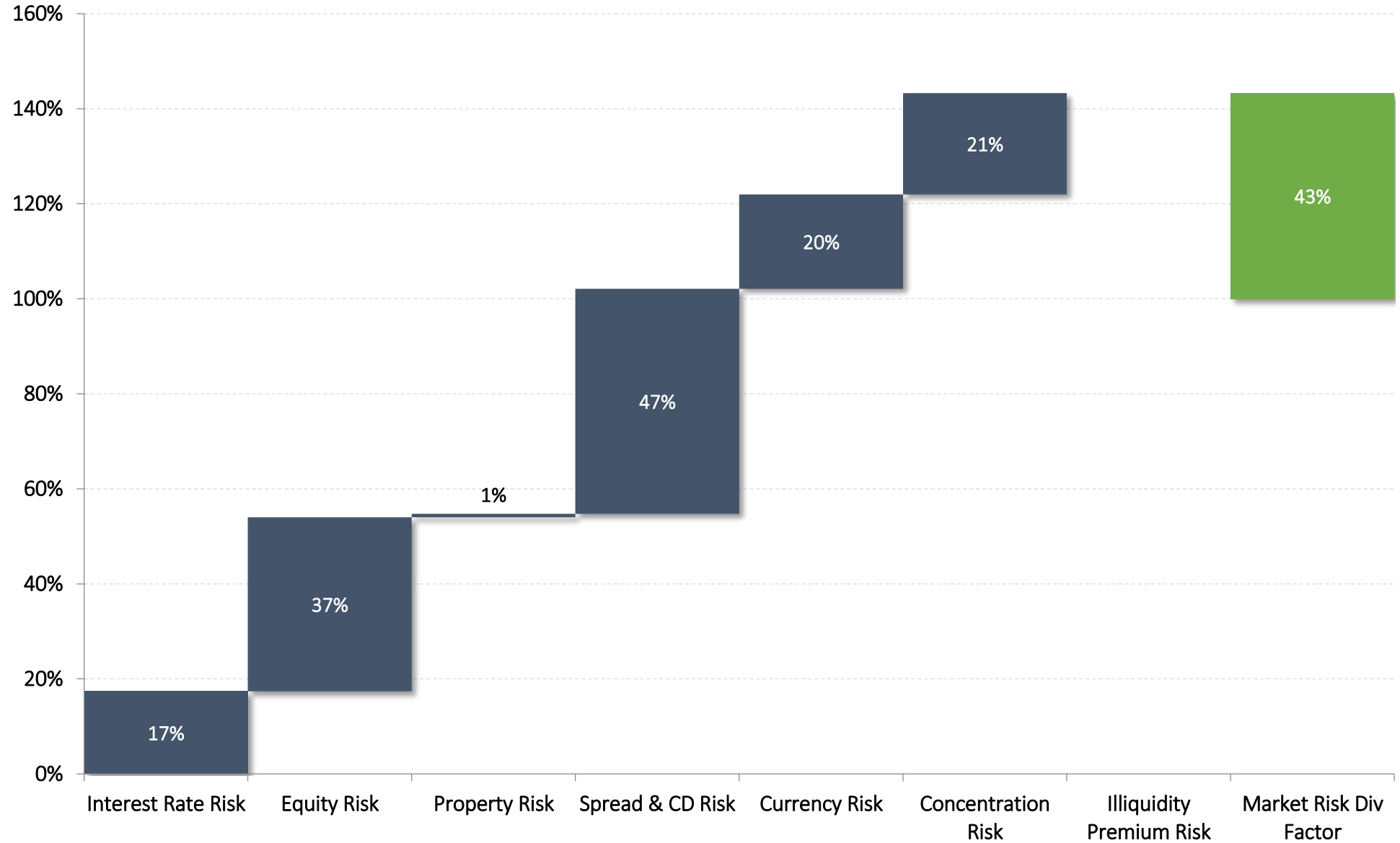
BSCR Components – SAM basis



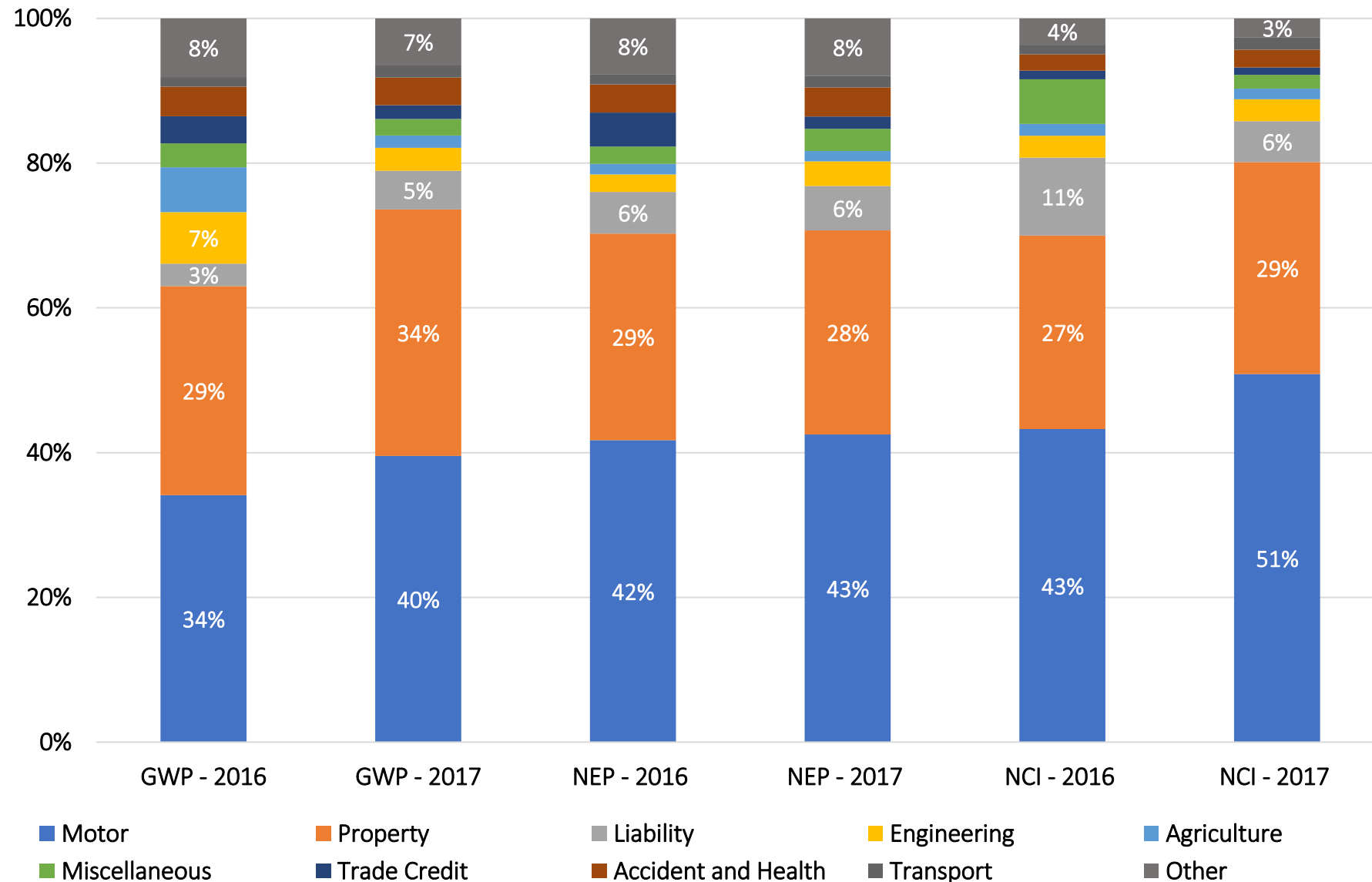
SAM – NLUR



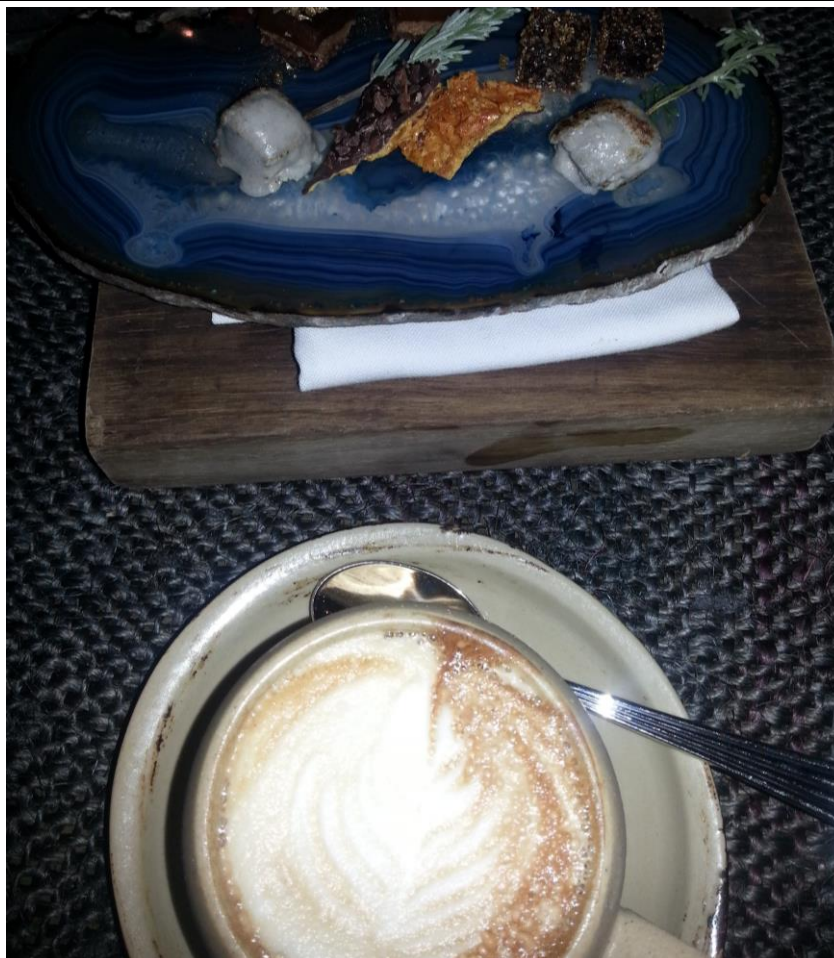
SAM – Market Risk



SAM – Premium and claims breakdown



Conclusions



Conclusions

- Solvent on aggregate basis (under SVM and SAM)
- Key figures remained relatively stable
- Large increase in net underwriting profit
- Top 5's market share decreased once more
- Investment portfolios remain liquid / conservative
- Liquidity increased marginally
- Motor and Property remain most significant classes
- Premium retention ratios stable



Questions and Suggestions



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