

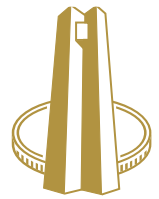


# Non-Life Industry Experience 2020

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By: Ntomb'futhi Phakathi  
Lesego Madlala

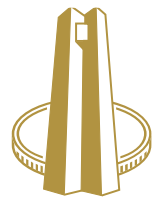
Date: 3 December 2020



SOUTH AFRICAN RESERVE BANK  
Prudential Authority

# Agenda

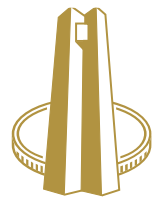
- Introduction
- Industry Overview and Performance Indicators
- Balance Sheet
- Cell Captives
- Summary
- Questions



**SOUTH AFRICAN RESERVE BANK**  
Prudential Authority

# Agenda

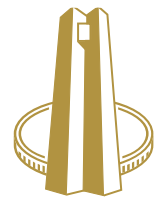
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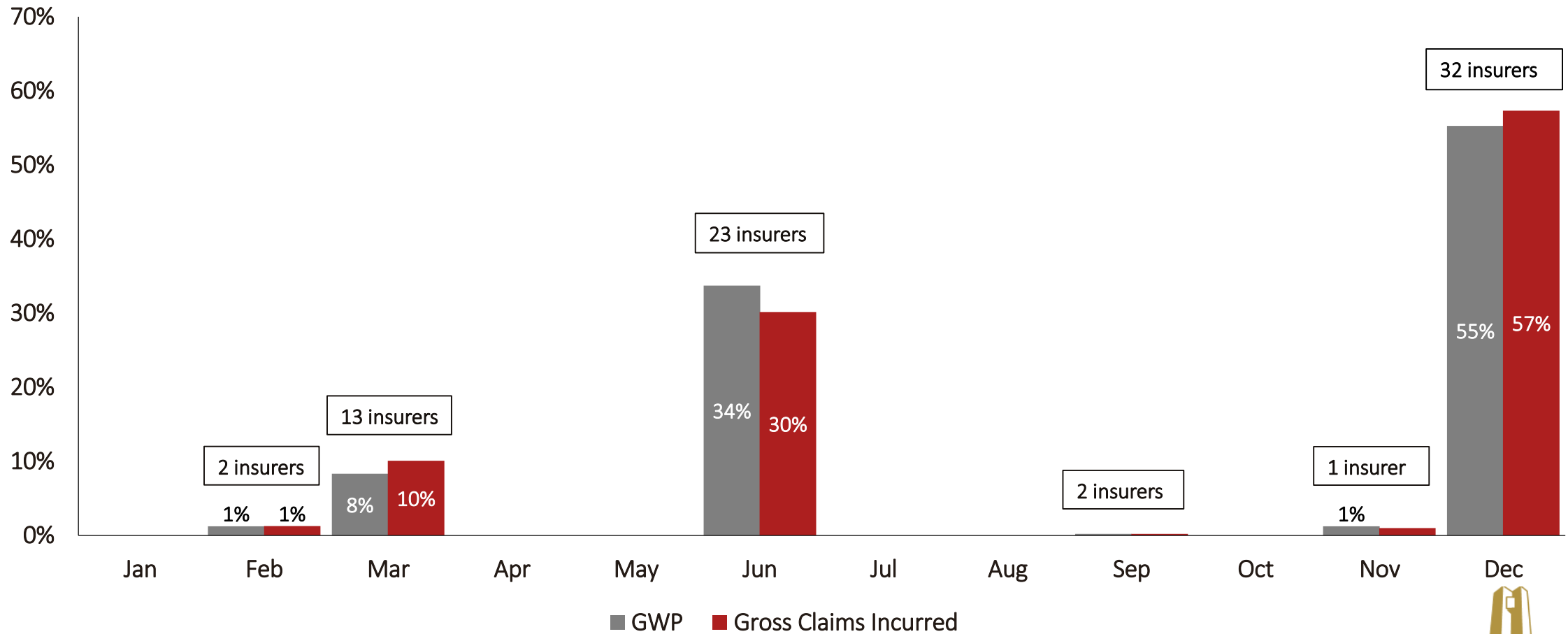
# Introduction

- Analysis based on the 2019 annual quantitative reporting templates submitted to the Prudential Authority
- Insurers excluded from the industry analysis:
  - Non-submission
  - Run-off
- 73 Total Insurers
- Types of Insurers
  - 56 Primary
  - 6 Captive Insurers
  - 4 Cell Captive Insurers
  - 7 Reinsurers (5 Composites)
- Quality of Data still an issue
- Rounding
- Capital slides are net of risk mitigation



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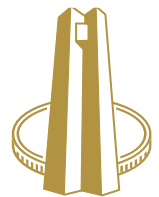
# Introduction: Distribution of premium and claims by year-end



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# Premiums

	2018 (R'bn)	2019 (R'bn)	Change
Total Industry GWP	148.2	161.3	9%
Reinsurer	17.3	20.0	16%
Inwards Reinsurance	9.7	10.5	8%
Direct Insurer	121.2	130.8	8%
Net Written Premium	96.1	102.6	7%
<i>NWP % of GWP</i>	<i>65%</i>	<i>64%</i>	
Net Earned Premium	86.2	96.8	12%



# Gross Written Premiums

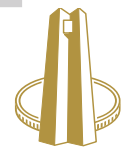
	2018	2019
Total Industry GWP (R'bn)	148.3	161.3
Top 10 Insurers Market Share	59%	58%
1. Santam Beperk	18%	18%
2. Hollard Insurance Company	7%	7%
3. Guardrisk Insurance Company	7%	7%
4. Old Mutual Insure Limited	6%	7%
5. OUTsurance Insurance Company Ltd	5%	5%
6. Munich Reinsurance Company of Africa	5%	5%
7. Bryte Insurance Company	3%	3%
8. Centriq Insurance Company	3%	2%
9. Hannover Reinsurance Africa Ltd [2018: Auto and General Insurance Company]	2%	2%
10. Discovery Insure Limited [2018: ESCAP SOC Limited]	2%	2%



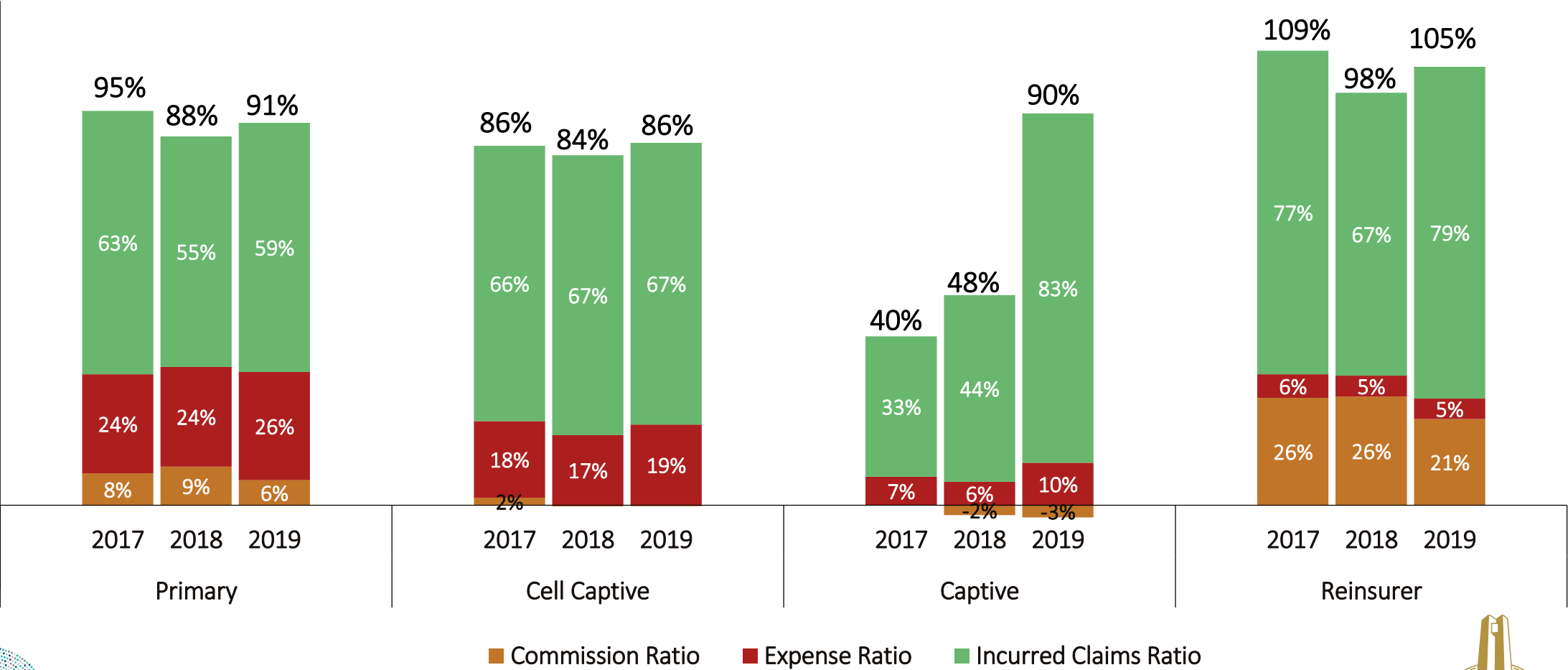


# Written Premiums – Insurance Groups

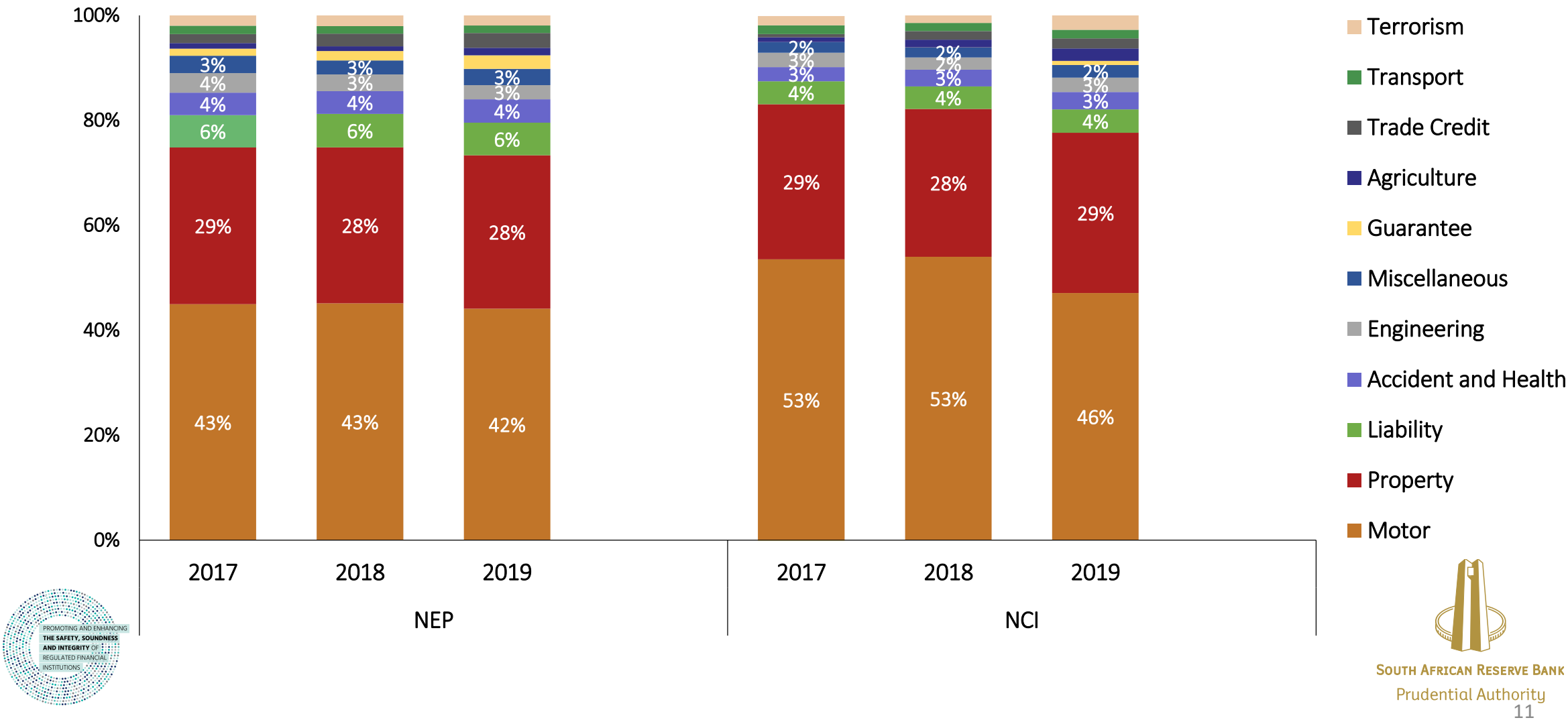
	2018	2019
Total % of GWP	53.0%	52.6%
Santam Group	22.2%	22.3%
Old Mutual Group	9.2%	9.5%
Momentum Group	8.5%	8.6%
Hollard Group	8.2%	8.0%
Telesure Group	4.9%	4.2%



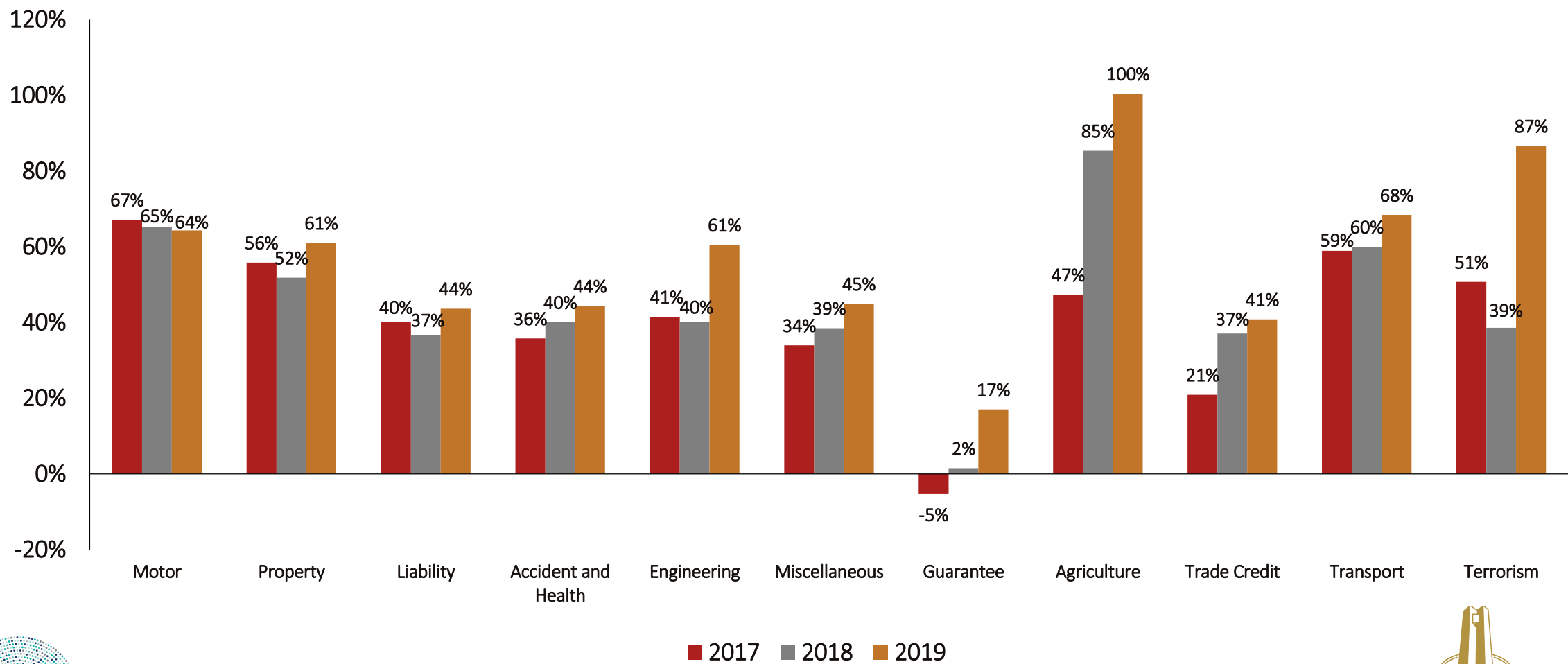
# Key Financial Indicators – Combined Ratio by Insurer Type



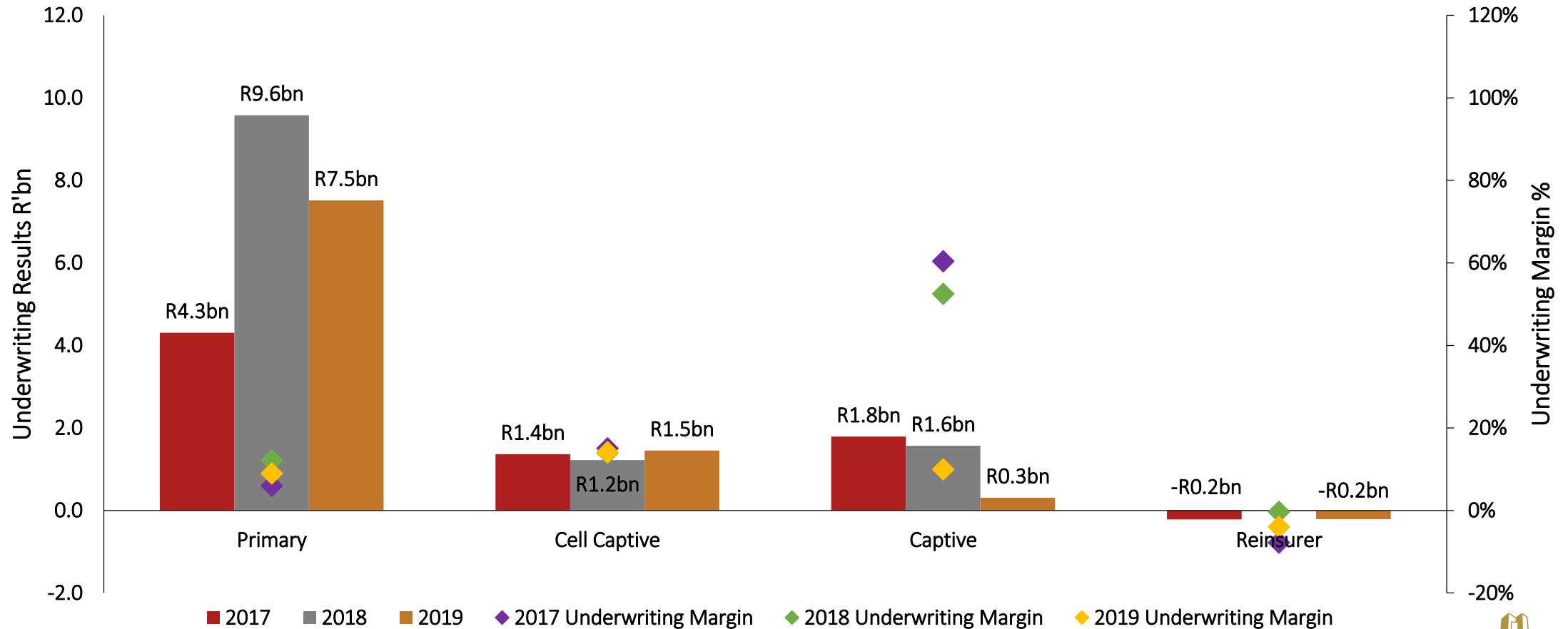
# Key Financial Indicators – Premium and Claims by Line of Business



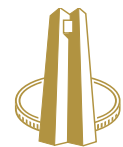
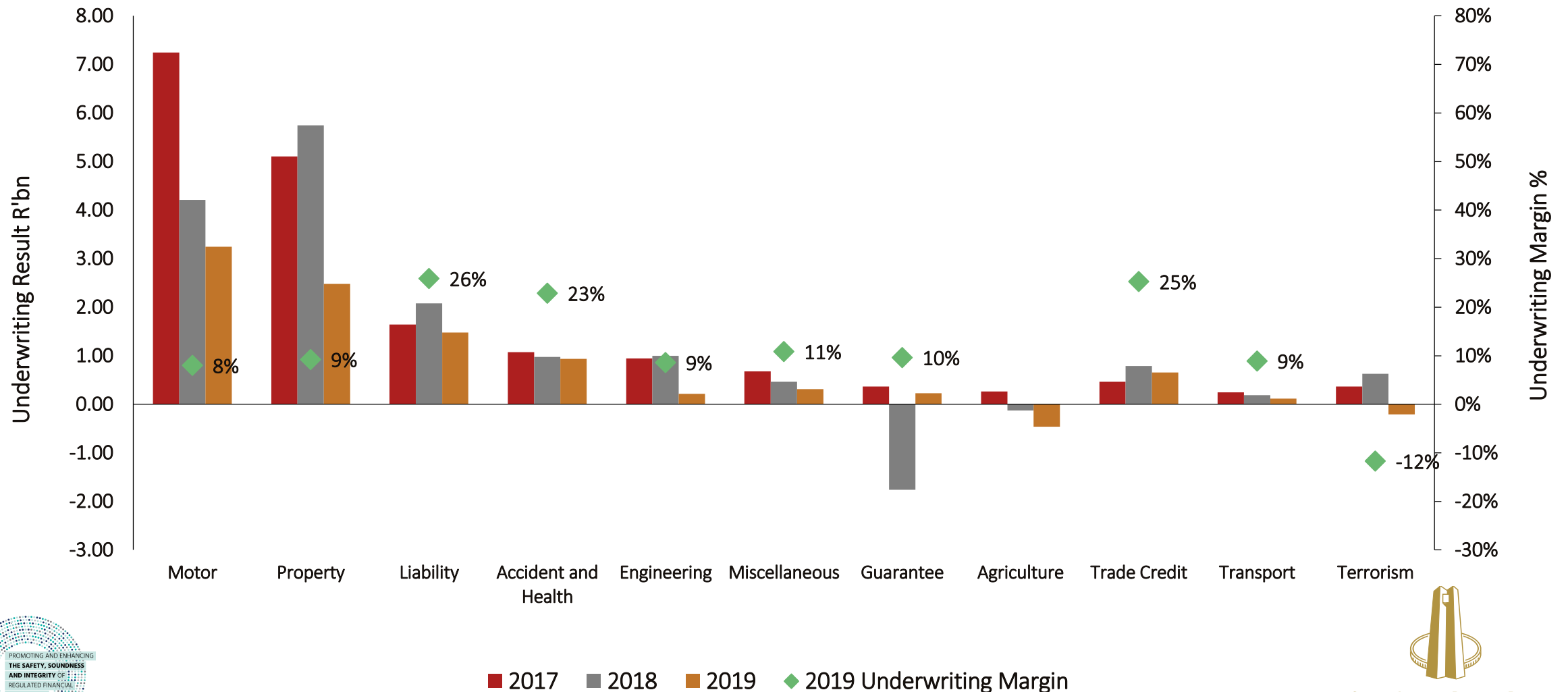
# Key Financial Indicators – Claims Ratio by Line of Business



# Underwriting Result – Insurer Type

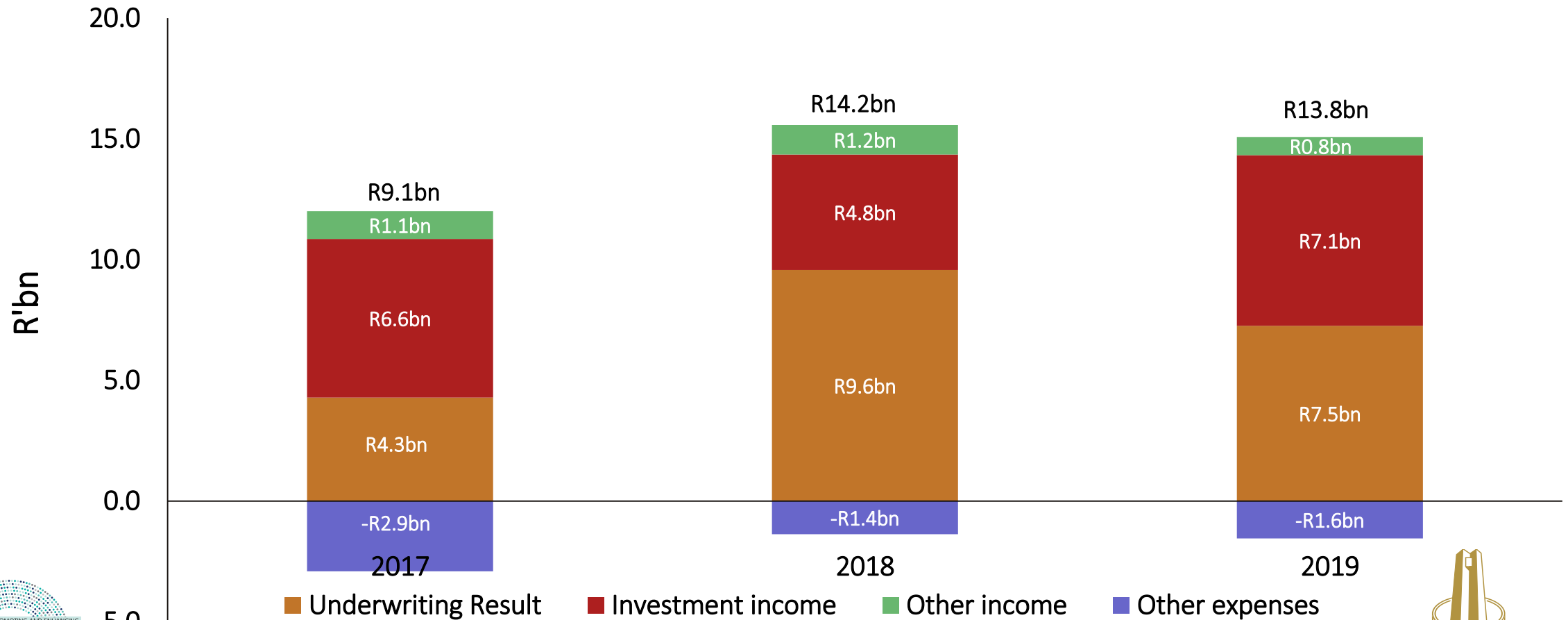


# Underwriting Result – Larger Lines of Business

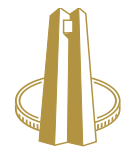
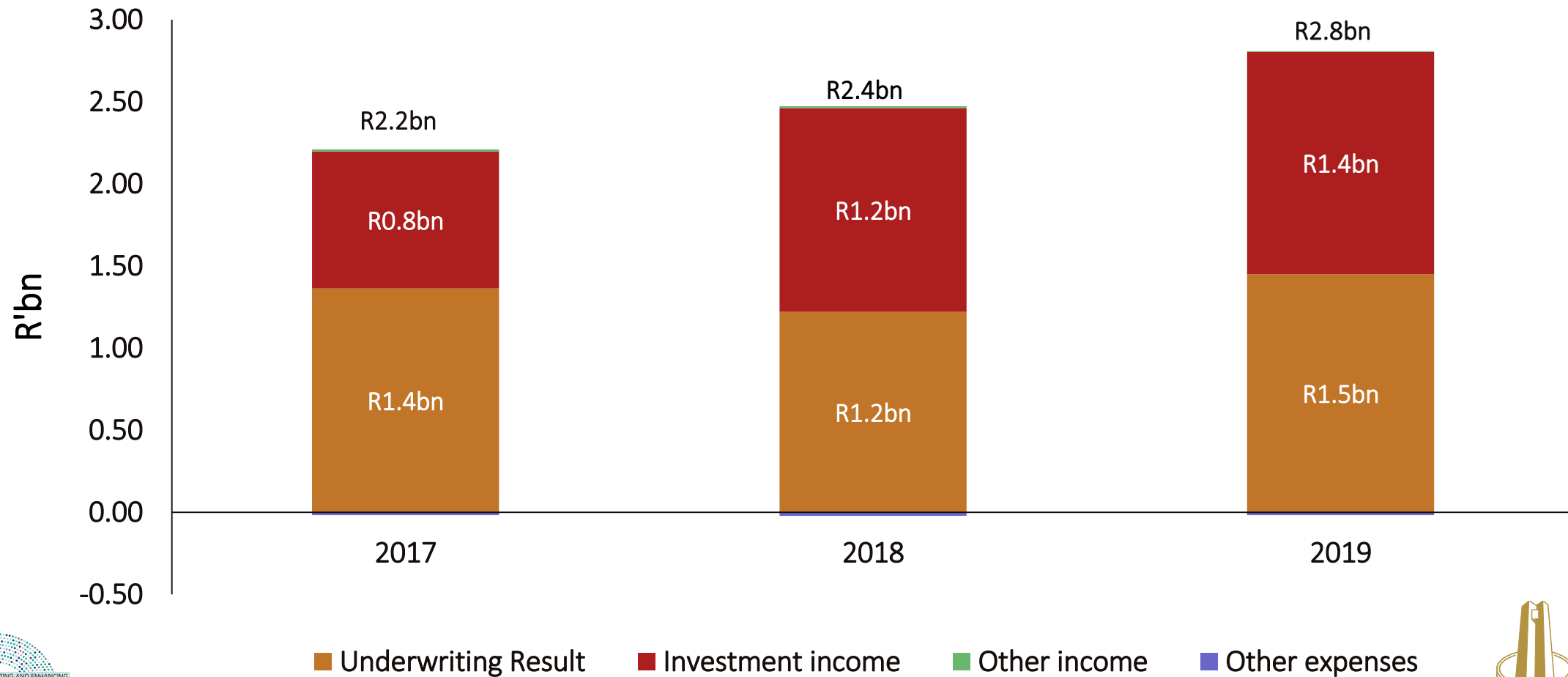


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# SAM Excess Income over Outgo (Primary Insurers)

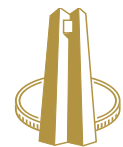
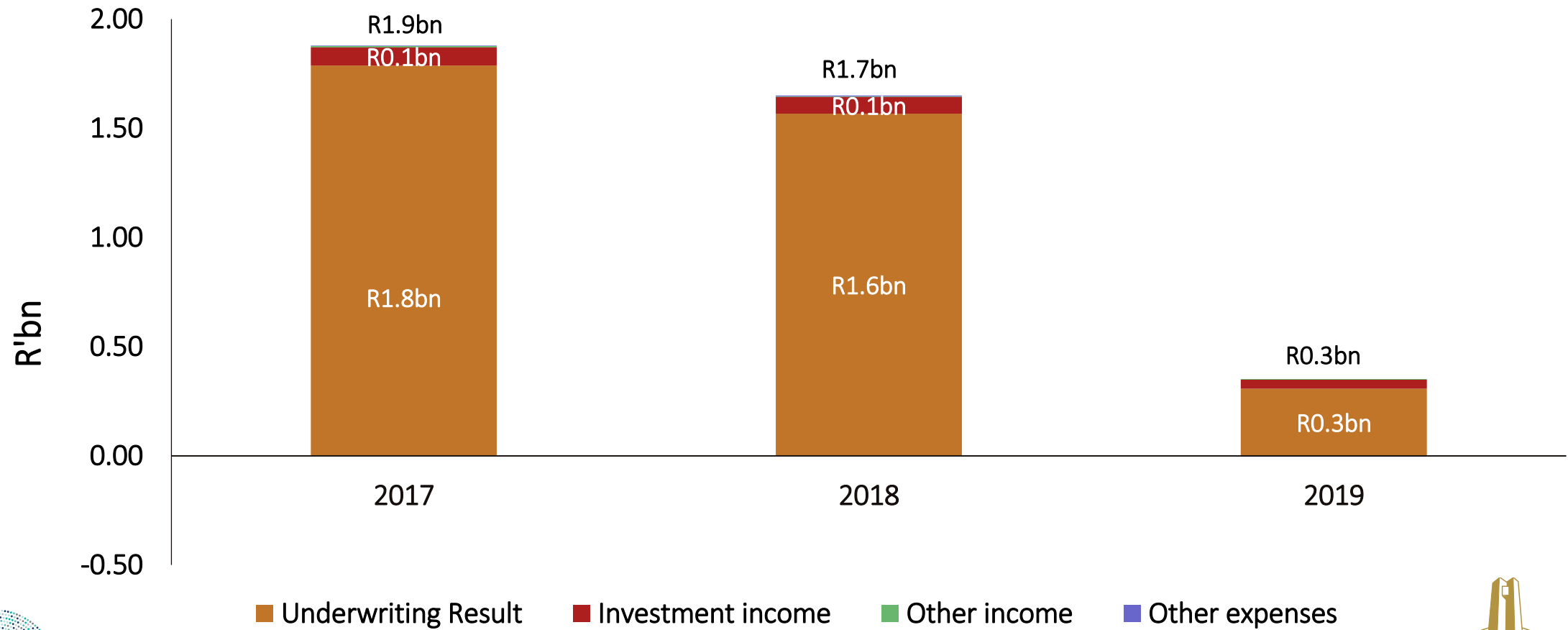


# SAM Excess Income over Outgo (Cell Captives)

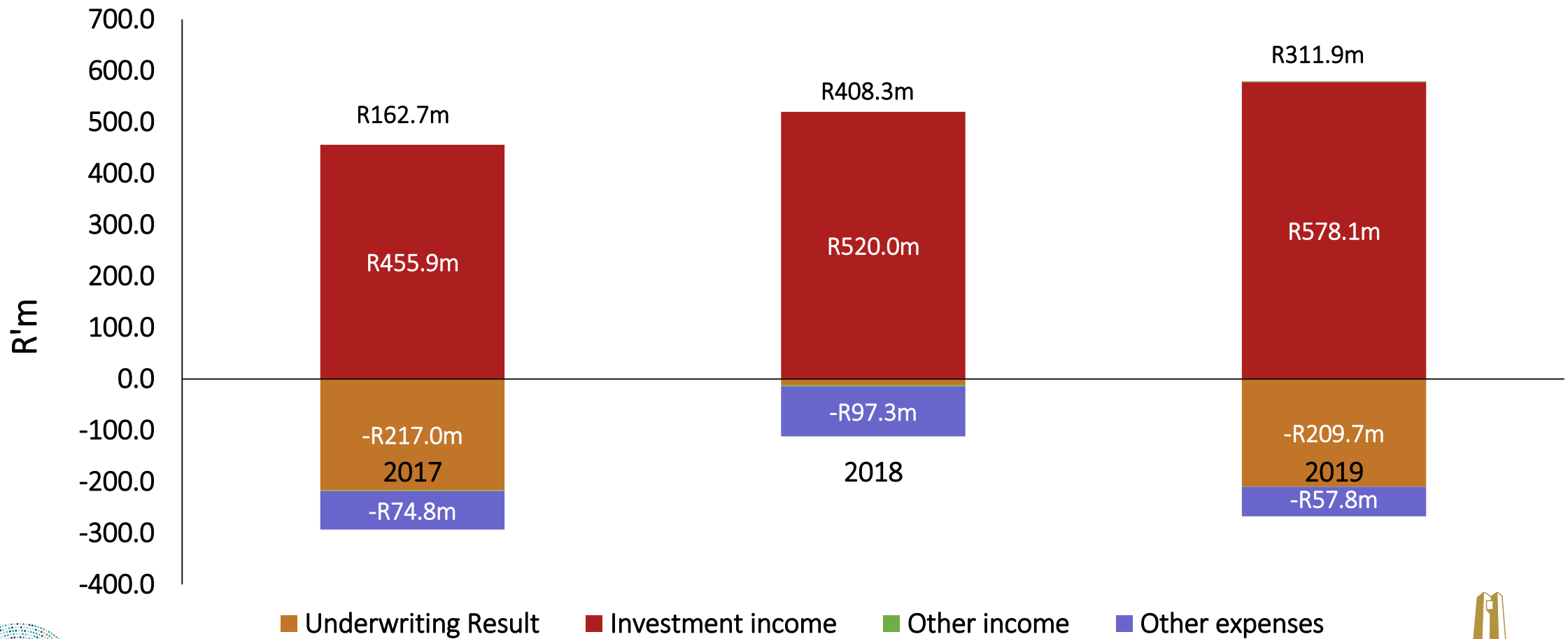




# SAM Excess Income over Outgo (Captives)

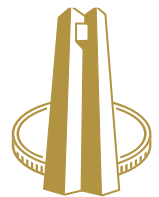


# SAM Excess Income over Outgo (Reinsurers)



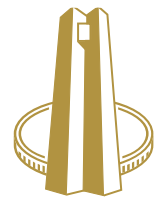
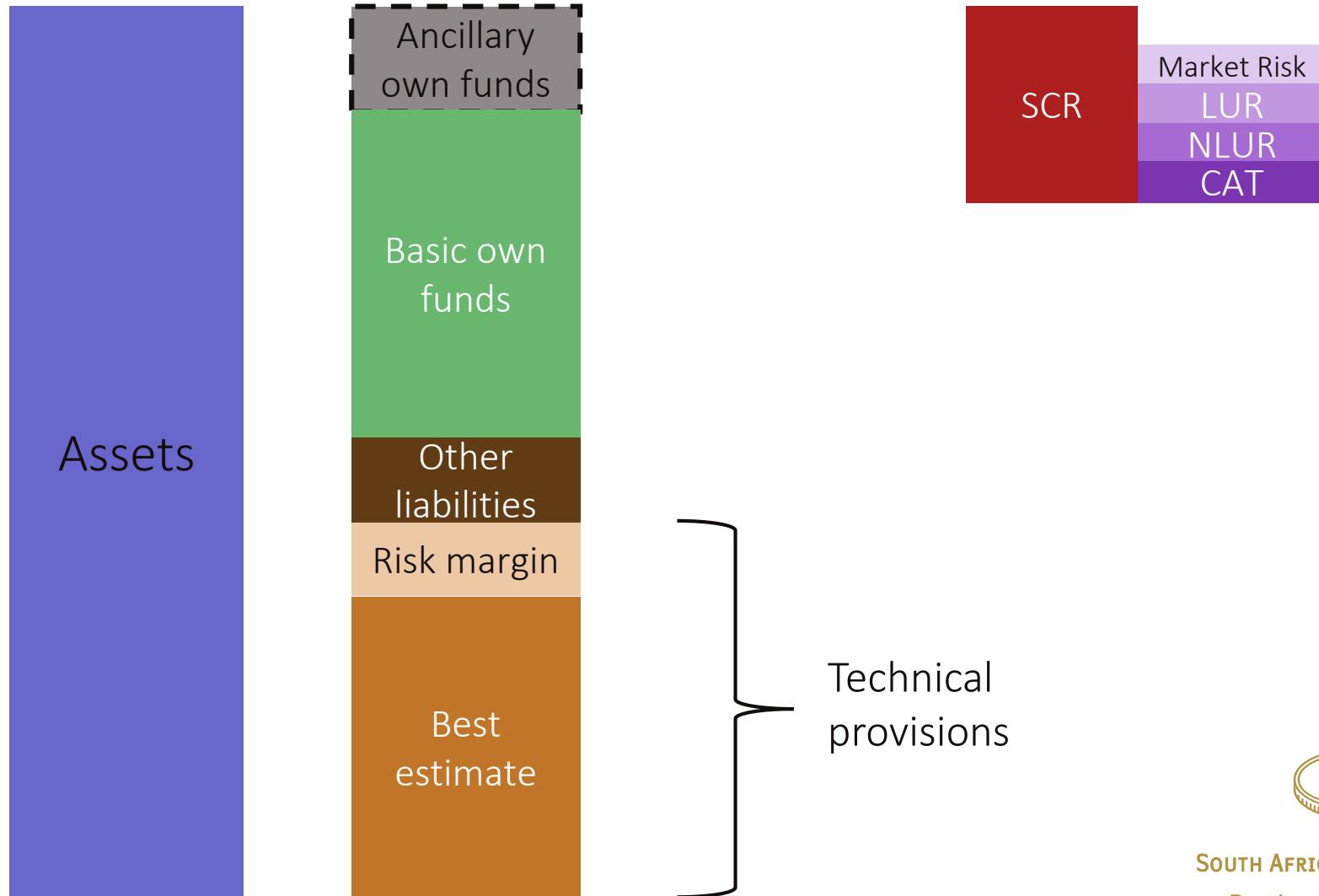
# Agenda

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- **Balance Sheet**
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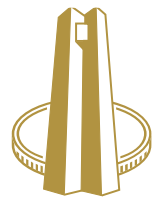
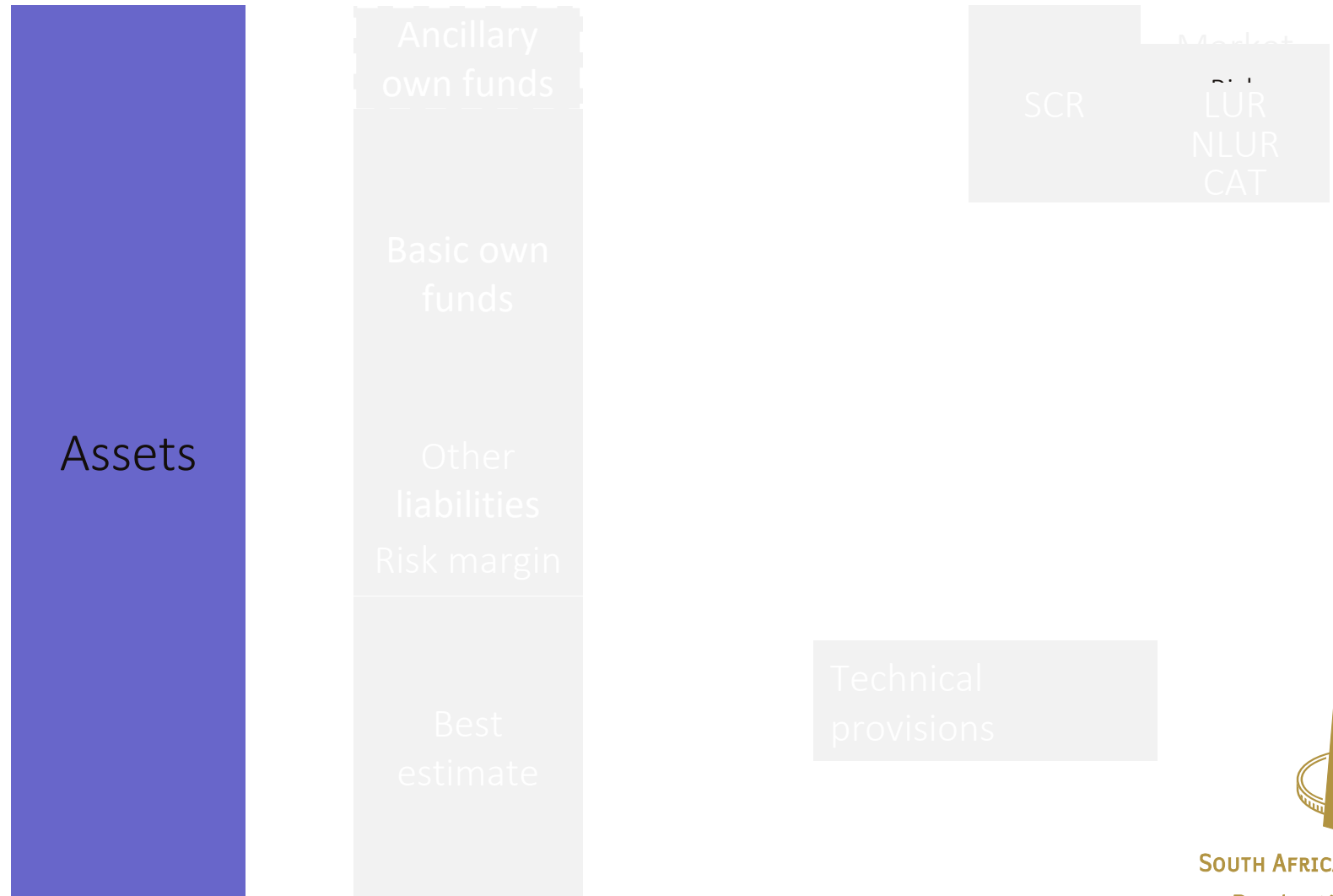
**SOUTH AFRICAN RESERVE BANK**  
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# Balance Sheet



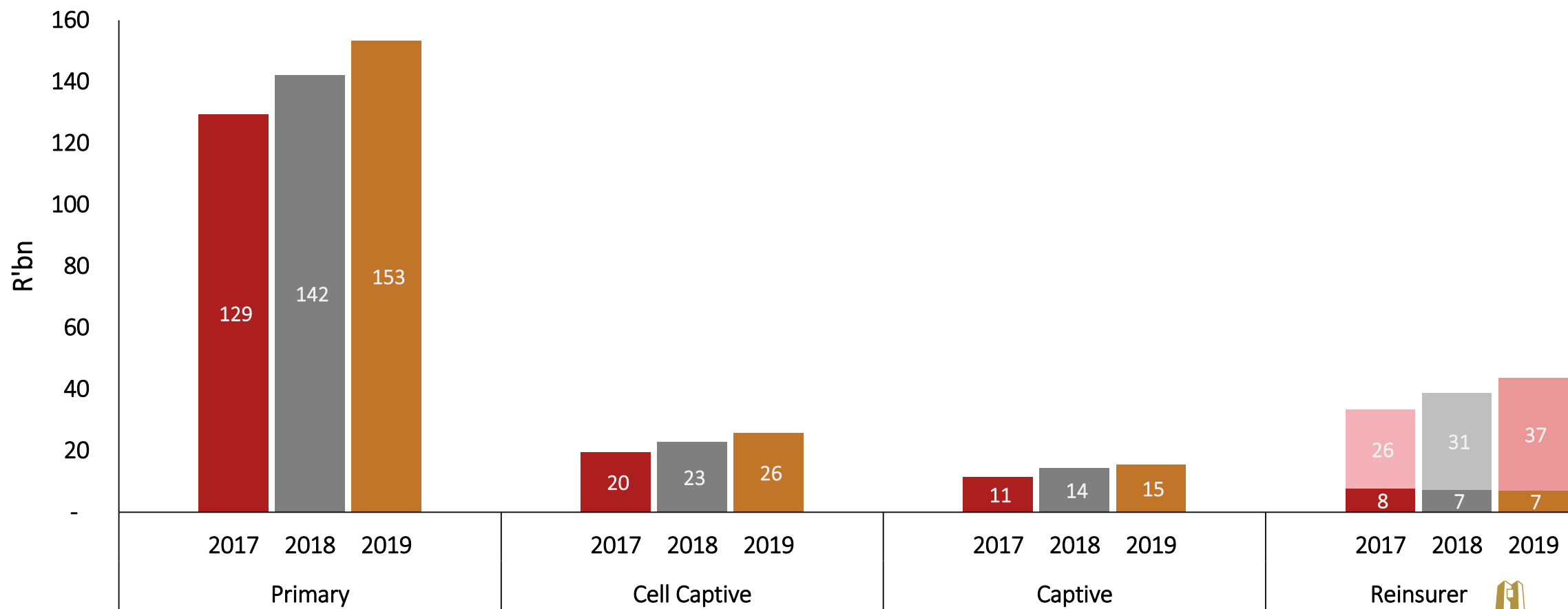
SOUTH AFRICAN RESERVE BANK  
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# Balance Sheet

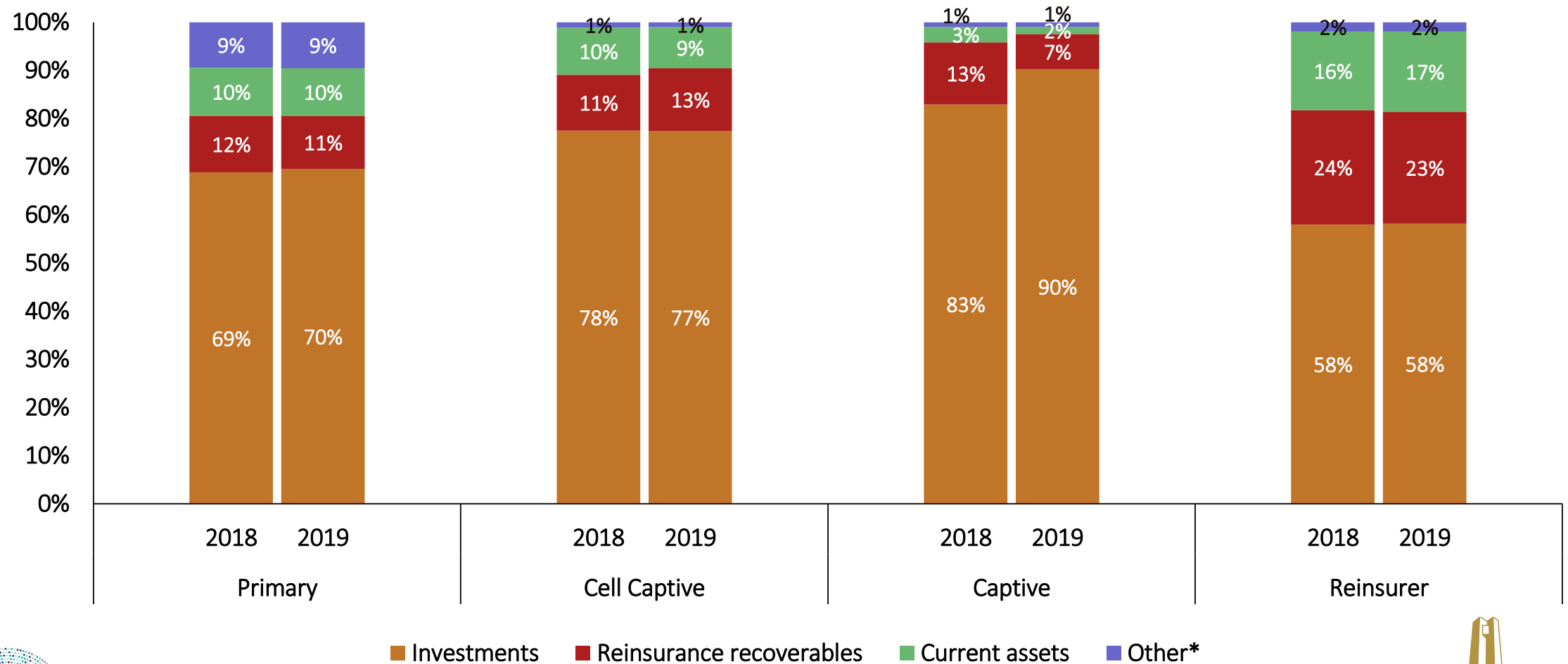


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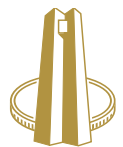
# Total Assets by Insurer Type



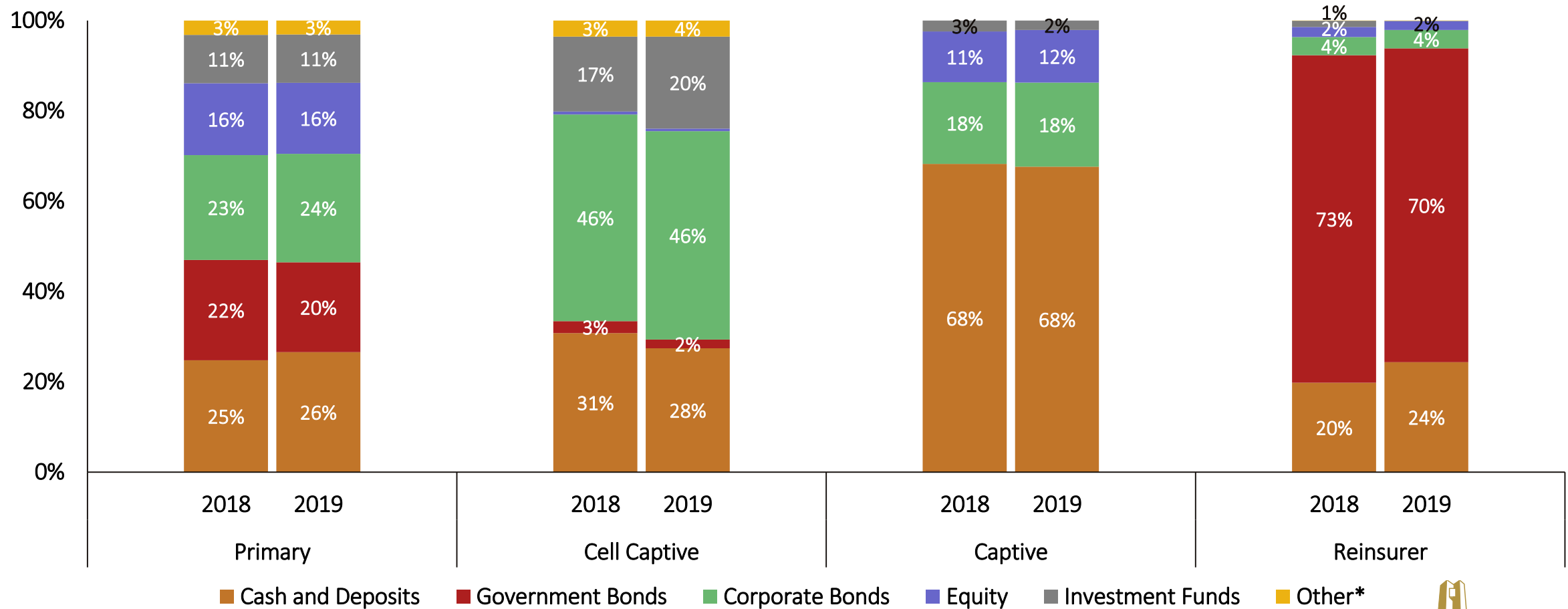
# Asset Composition by Insurer Type (2018 - 2019)



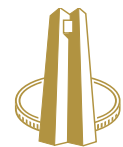
*\*The "Other" category includes Participations, Deferred tax assets, Asset holding intermediaries and Other Assets.*



# Total Investments Breakdown by Insurer Type (2018 - 2019)

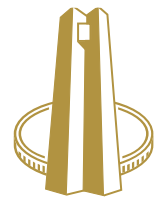
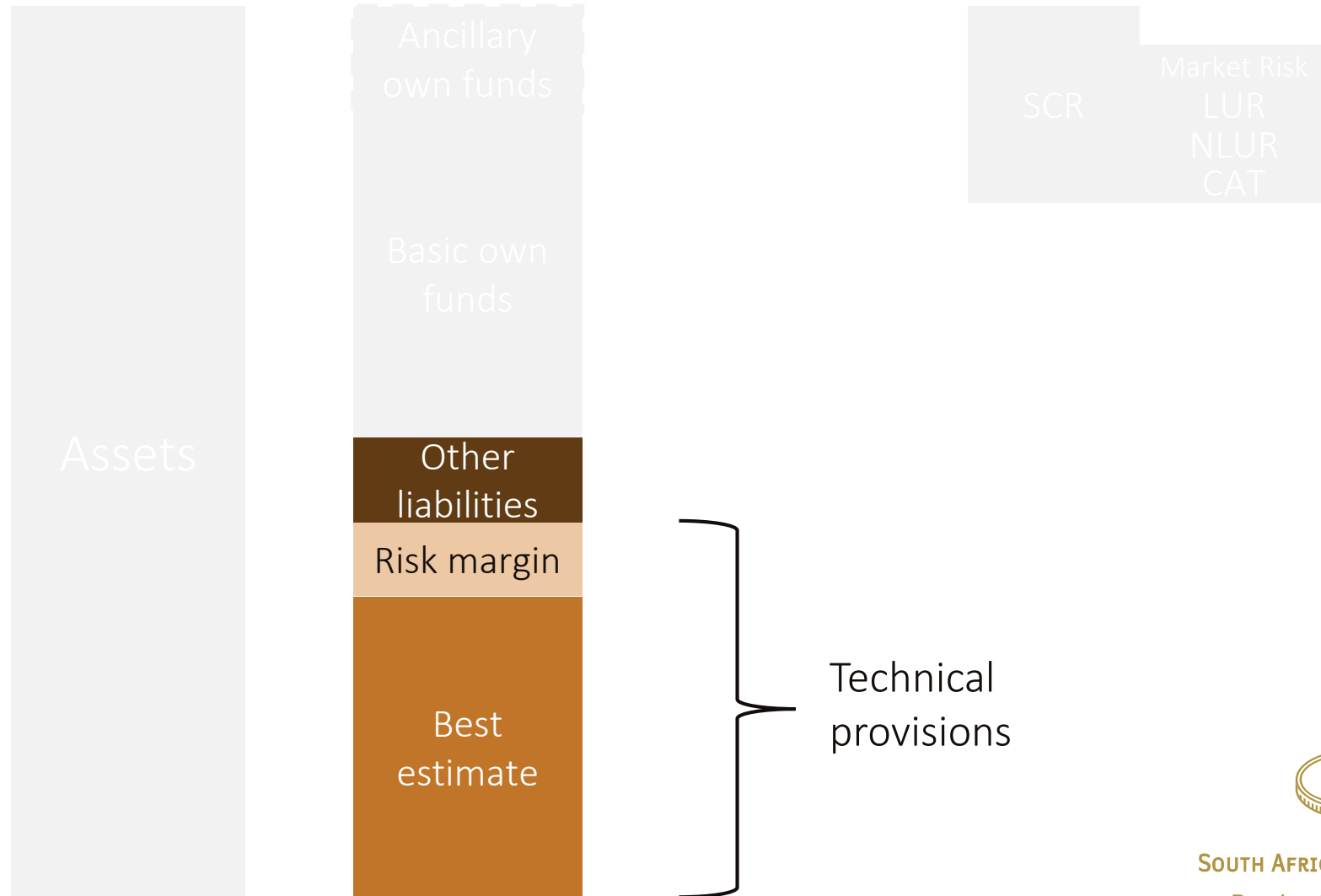


\*The "Other" category includes structured notes, collateralized securities, mortgages and loans as well property.

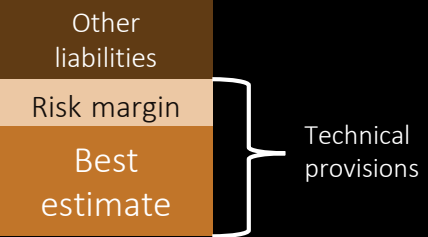




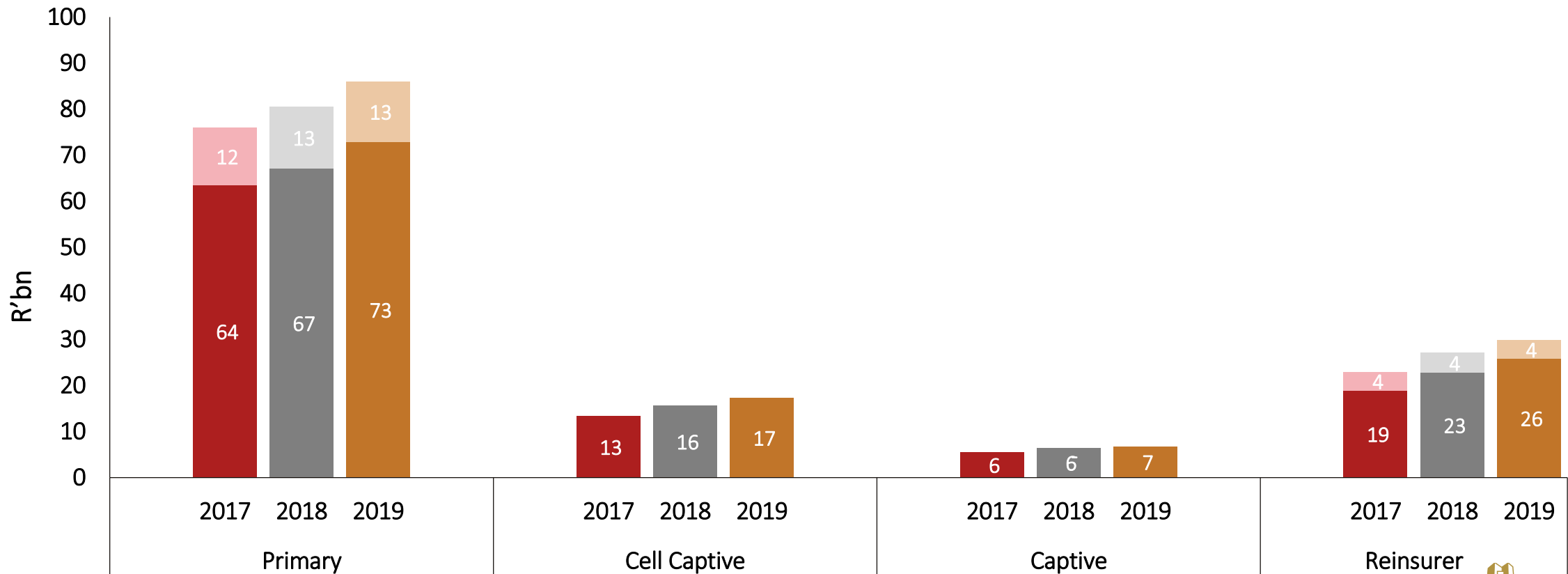
# Balance Sheet



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# Total Liabilities by Insurer Type

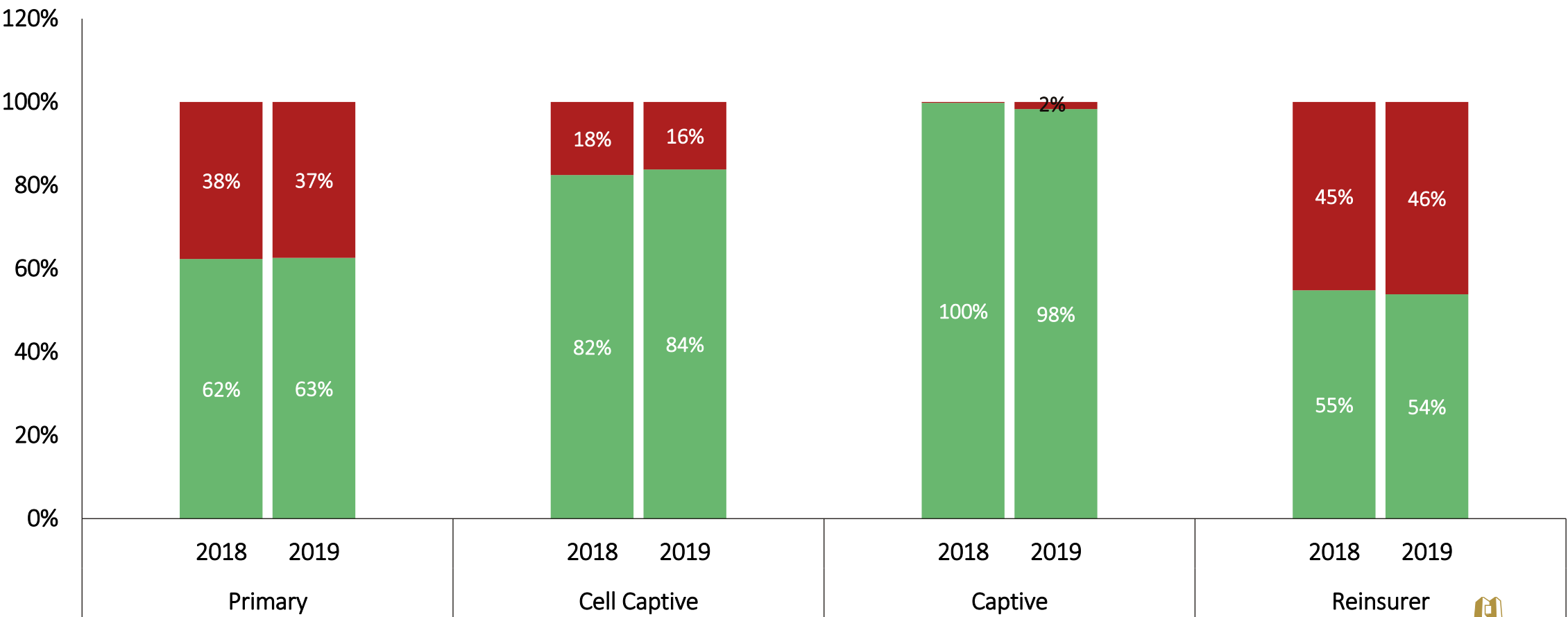


**Note:** The lightly shaded parts of total liabilities represent the life technical provisions.

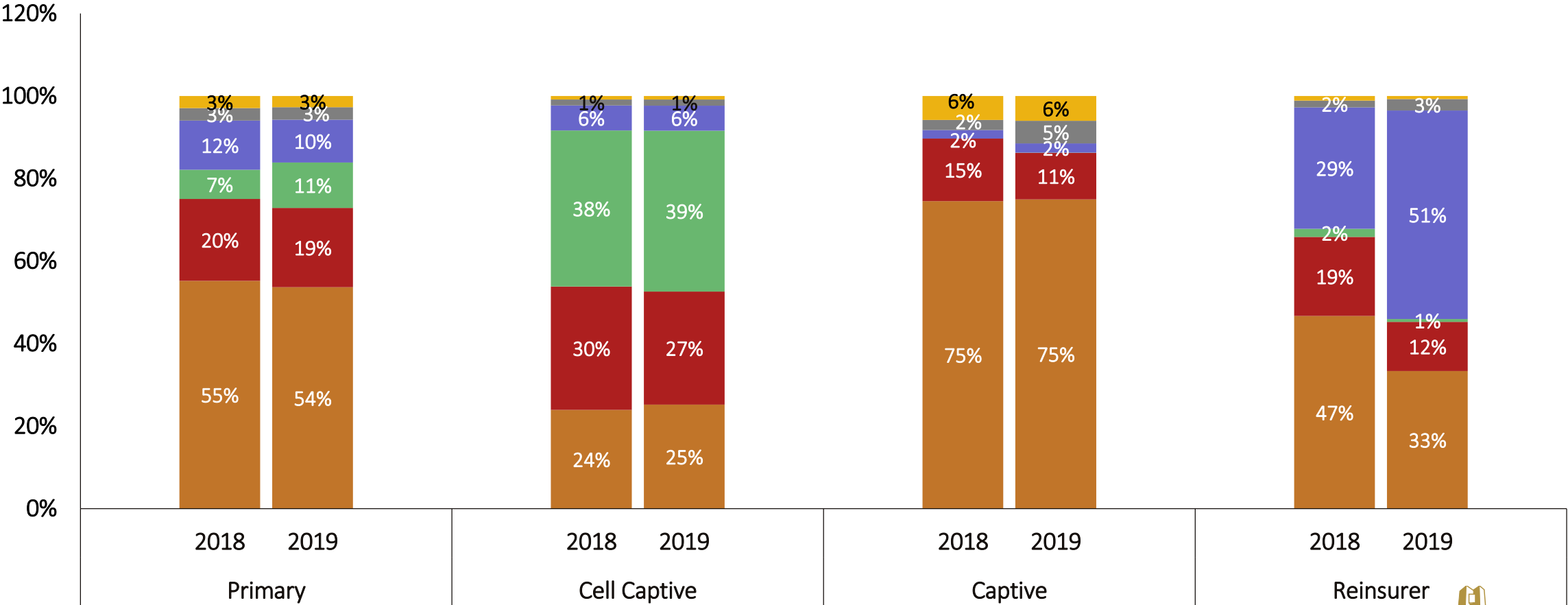


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# TPs and Other Liabilities (2018 - 2019)

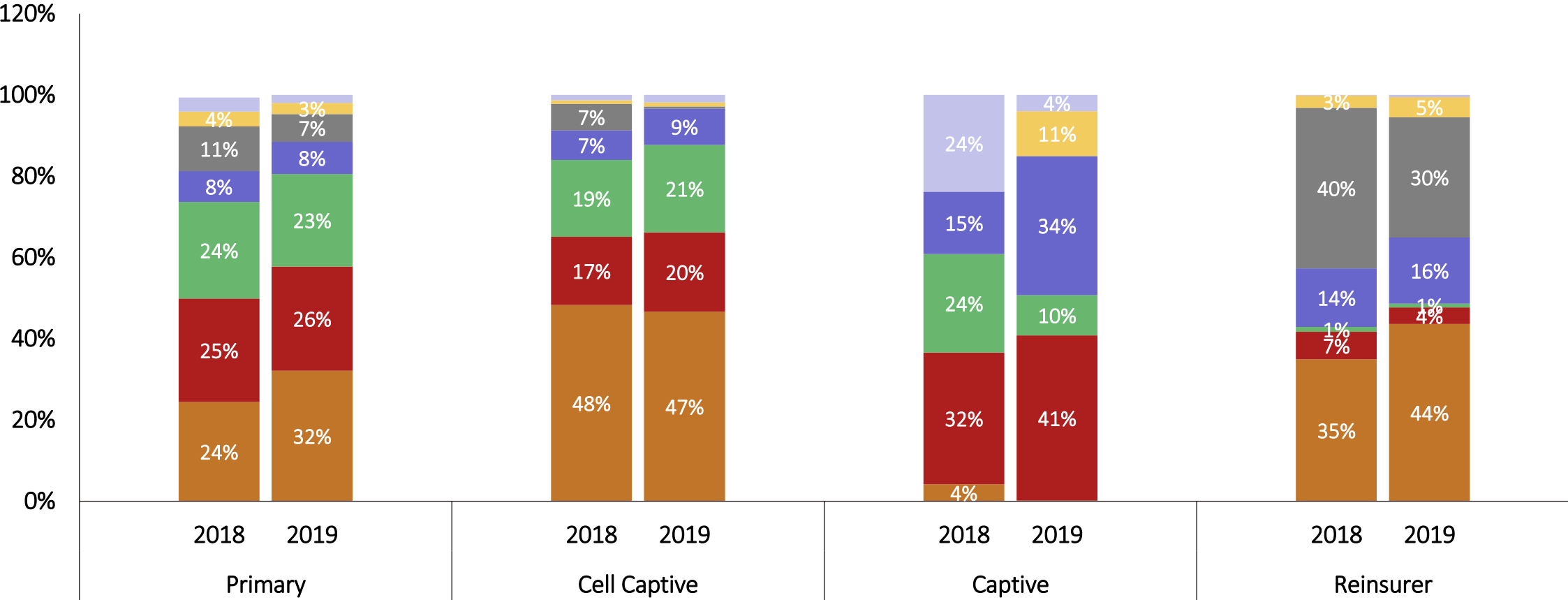


# TP Composition by Insurer Type (2018 - 2019)

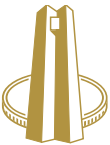


■ OCR
 ■ Premium Provisions
 ■ OTP
 ■ IBNR And Other
 ■ Risk Margin
 ■ ULAE

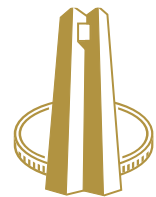
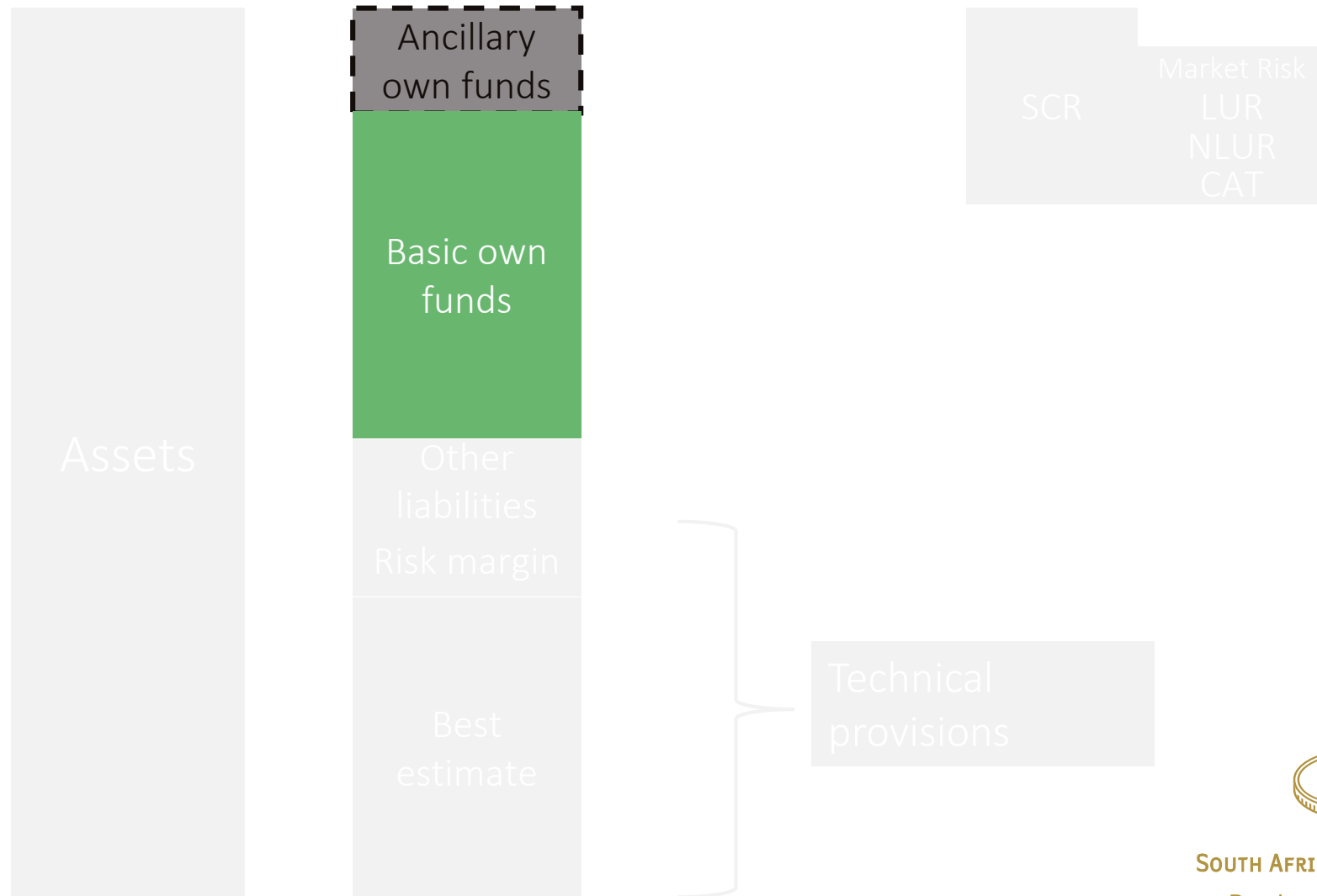




- (Re)insurance accounts payable
- Payables (trade, not insurance)
- Reinsurance deposits
- Provision for current taxation
- Other
- Deferred tax liabilities
- Amounts due to holding company and subsidiaries

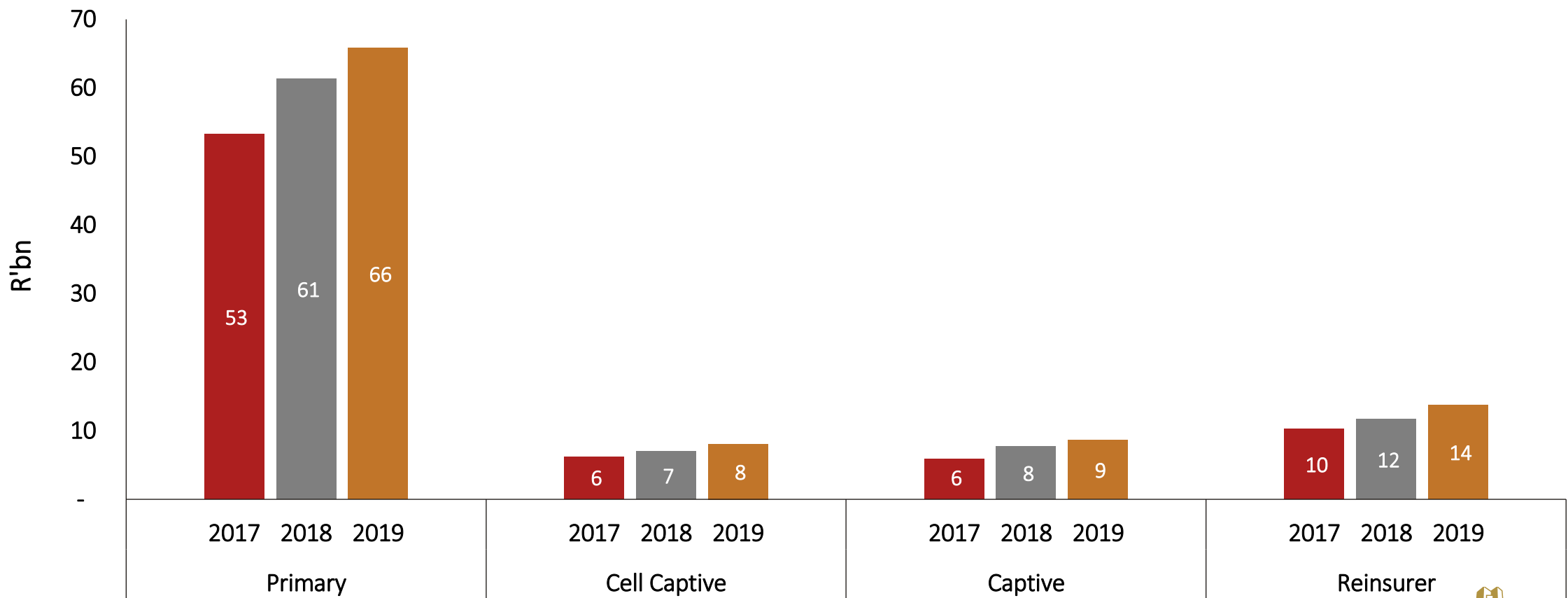


# Balance Sheet

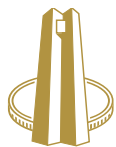


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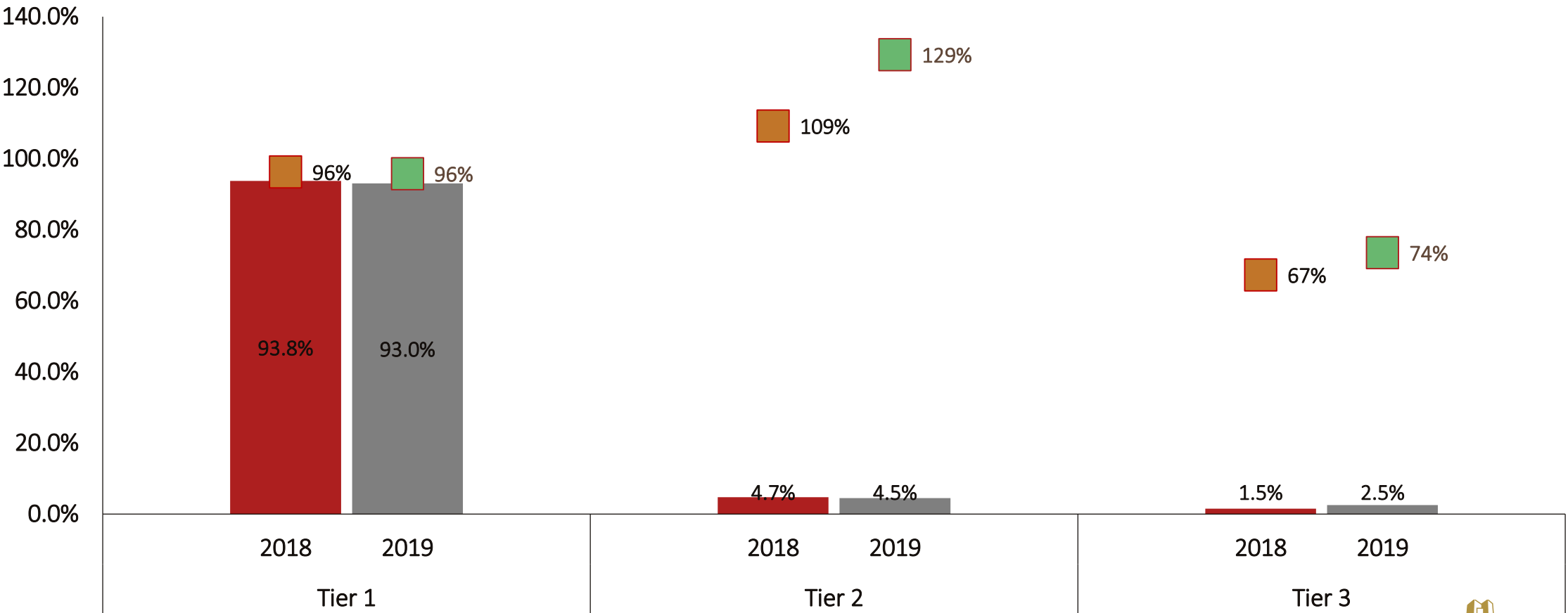
# Own Funds by Insurer Type



Note: Assets less liabilities slightly different to BOF before adjustments; primarily due to foreseeable dividend adjustments in retained earnings.

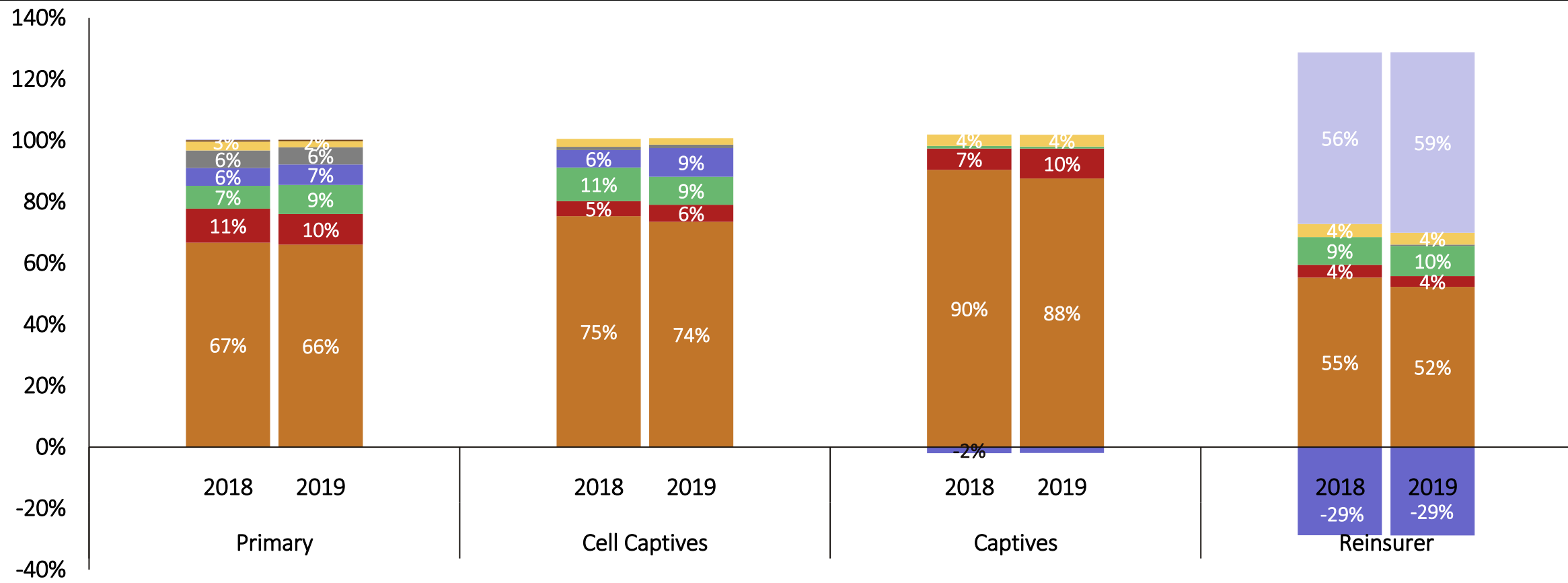


# Tiering of Own Funds (2018 - 2019)





# Composition of Basic Own Funds (2018 - 2019)



# Composition of Tier 2 BOF (2018 – 2019)

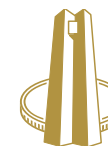
Tier 2 Components (R'000)	2018	2019
Other reserves from accounting balance sheet	-3 047	-4 413
Other paid in capital instruments	3 847 414	3 969 224
Restricted reserves - relegate from Tier 1 to Tier 2	22 050	7 897
Other adjustments	260 899	310 556
<b>Total Basic own funds after adjustments</b>	<b>4 127 316</b>	<b>4 283 264</b>
<b>% of Insurer's Holding Tier 2 Funds</b>	<b>16%</b>	<b>15%</b>



# Composition of Tier 3 BOF (2018 - 2019)

Tier 3 Components (R'000)	2018	2019
Other items*	-	656 037
Adjustment for intangible assets	19 371	9 219
Net deferred tax assets - relegate from Tier 1 to Tier 3	1 055 833	1 181 370
Other adjustments	243 242	544 923
<b>Total Basic own funds after adjustments</b>	<b>1 318 445</b>	<b>2 391 549</b>
<b>% of Insurer's Holding Tier 3 Funds</b>	<b>66%</b>	<b>59%</b>

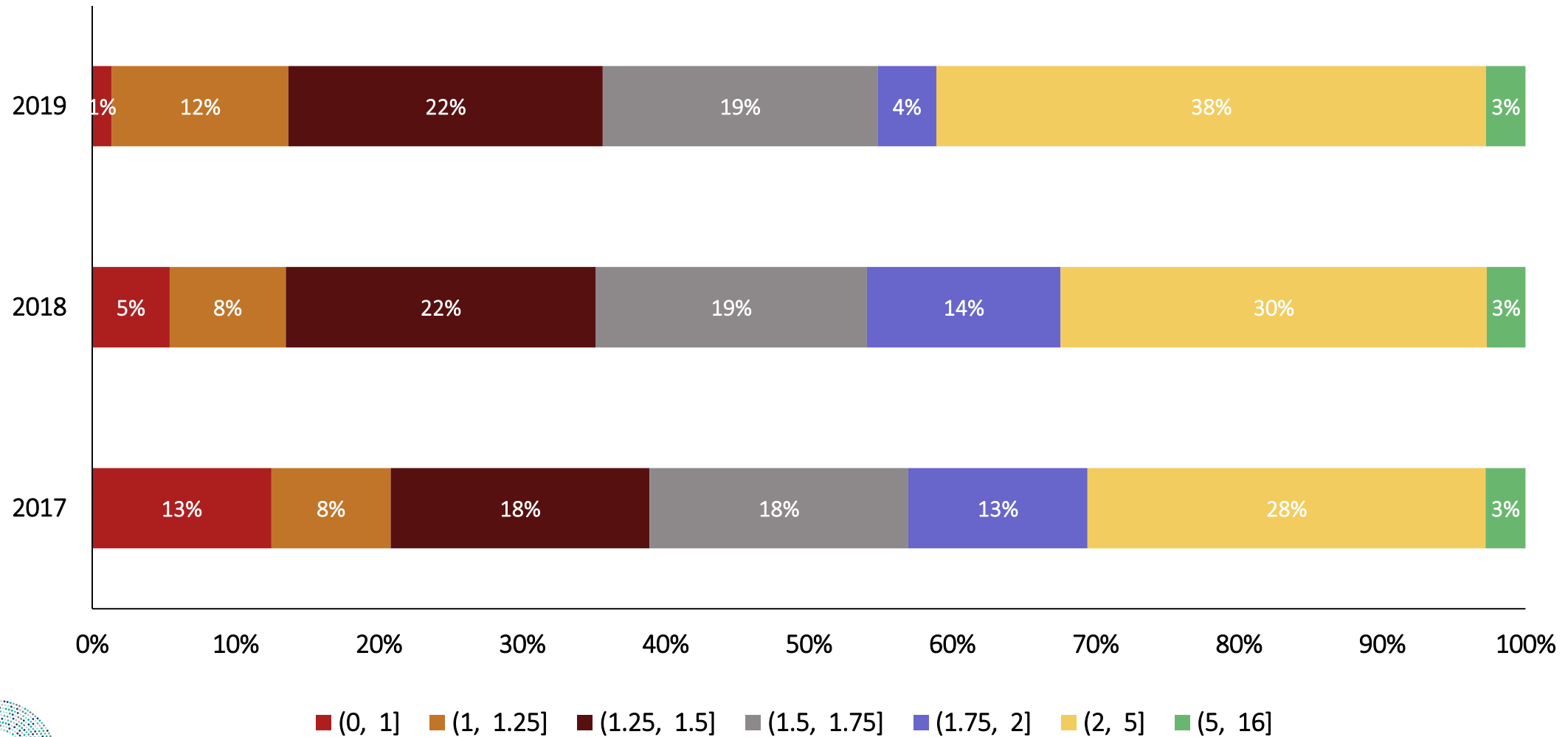
\*Other items in the table above refers to encumbered assets.



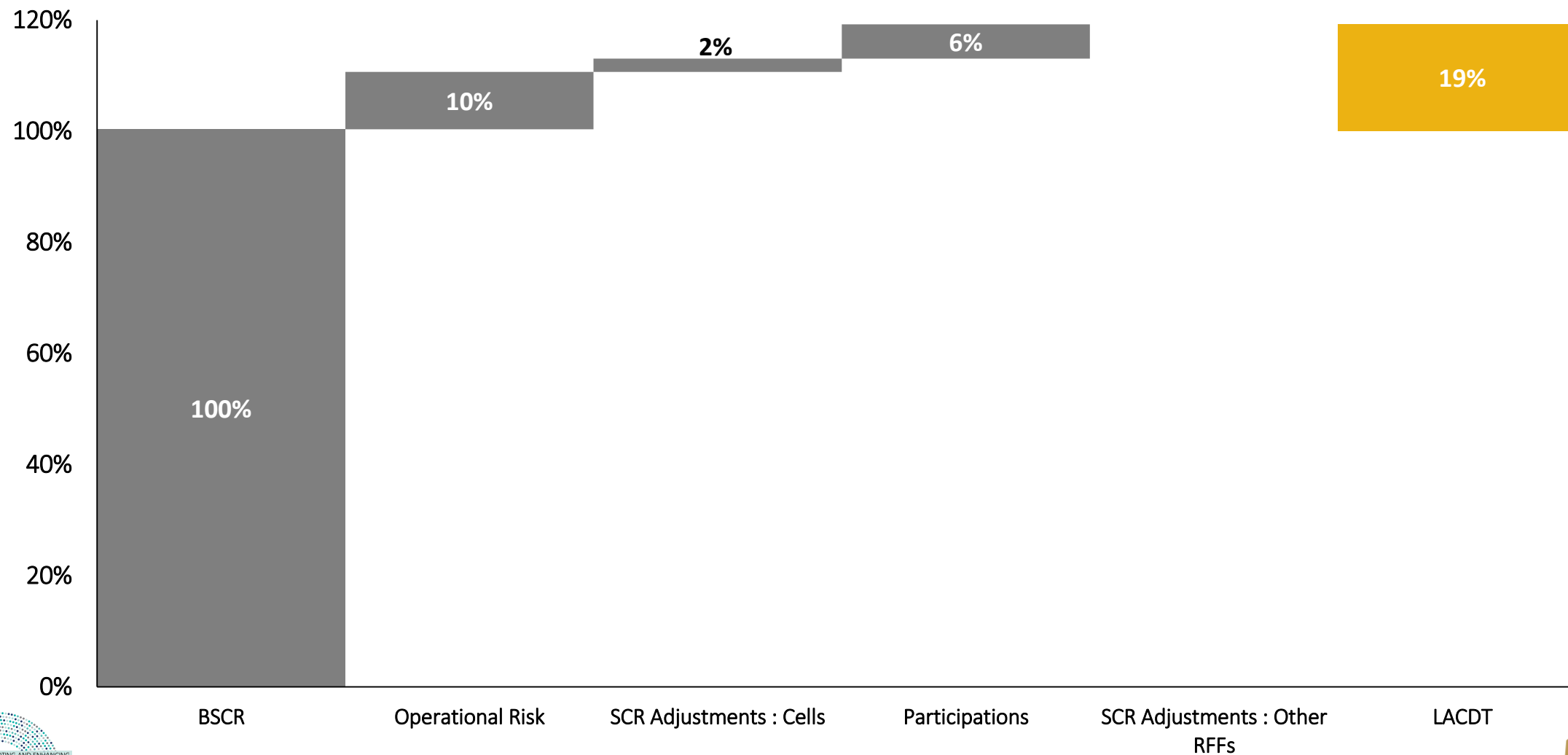
# Balance Sheet



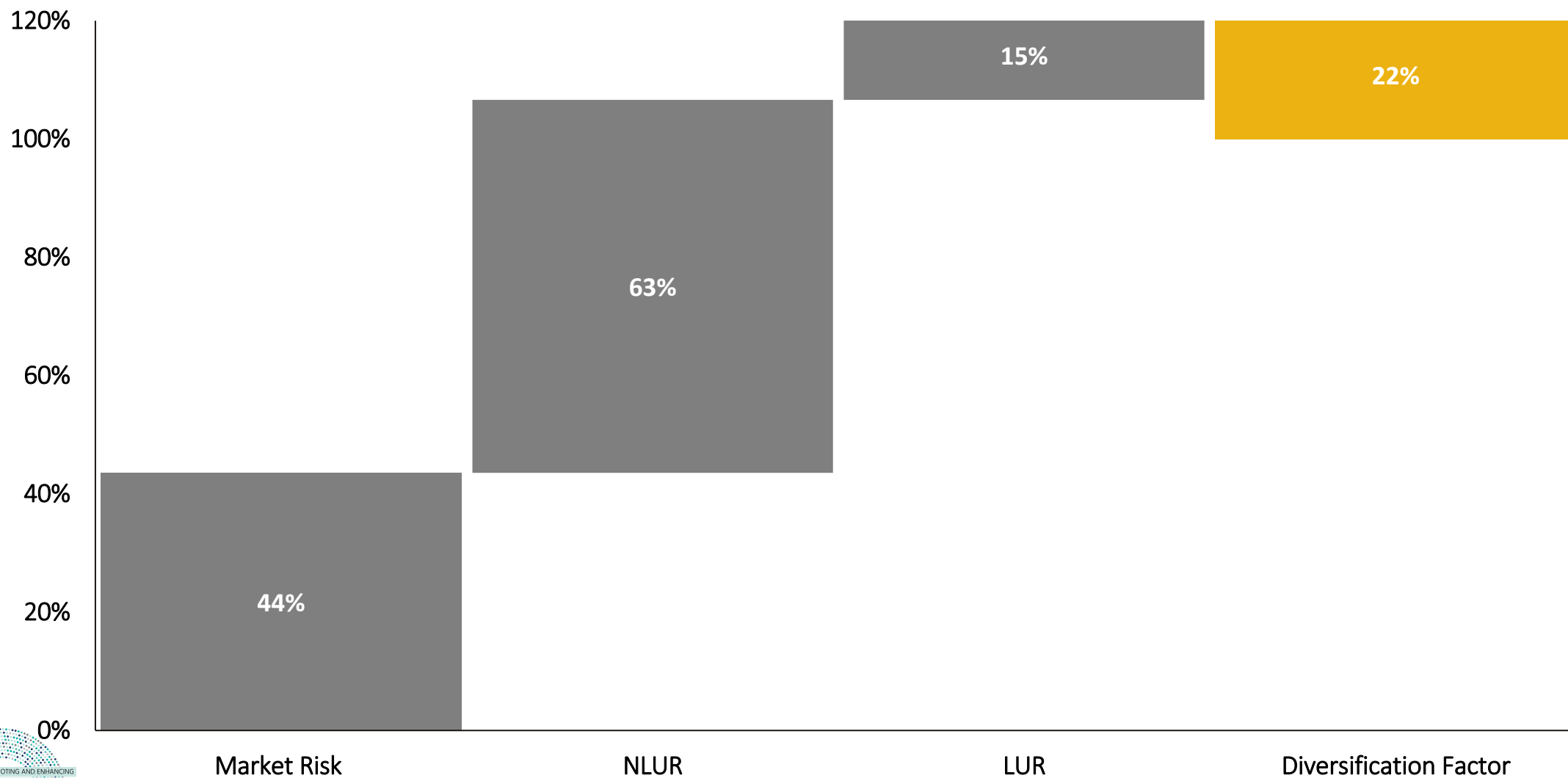
# SCR Cover Ratios



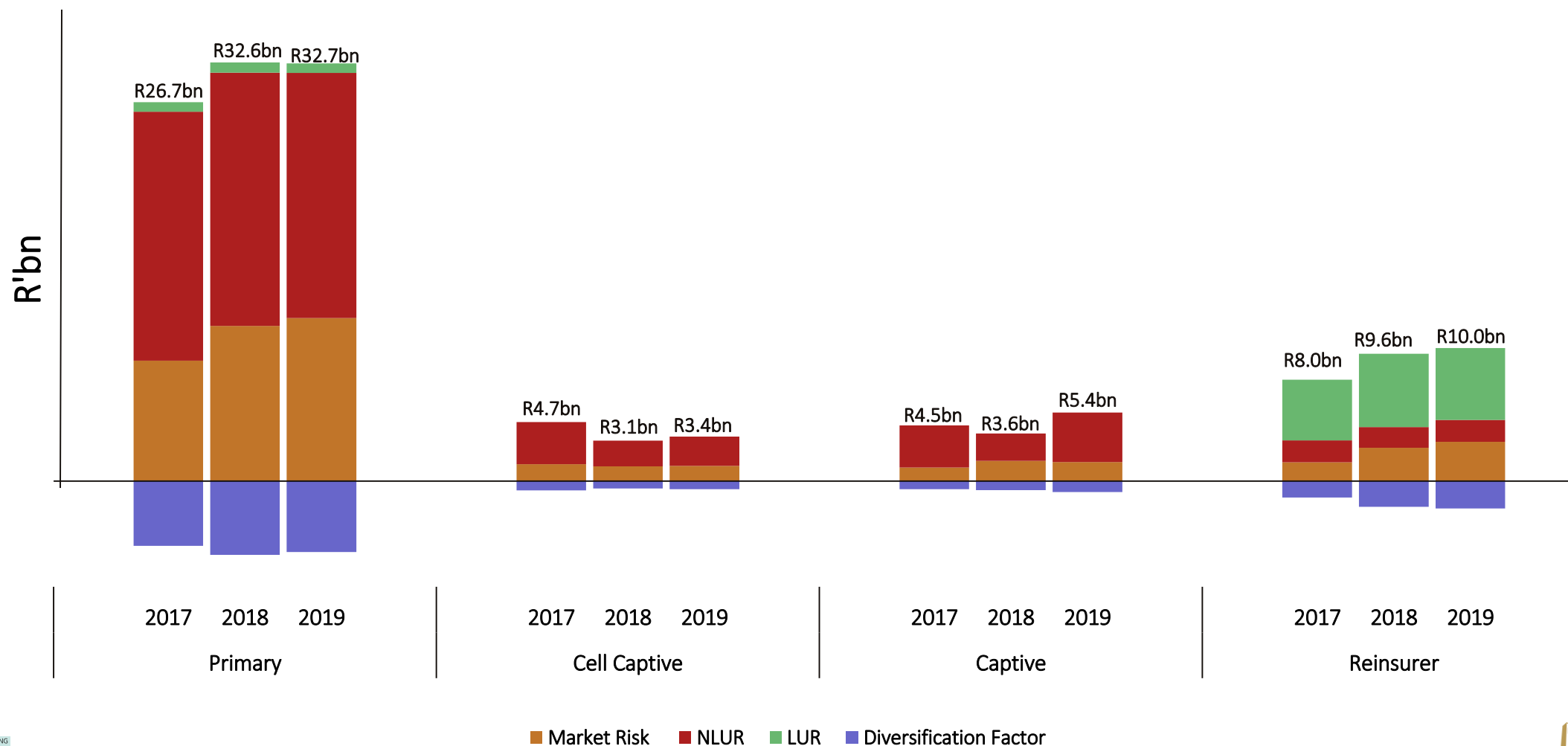
# Breakdown of SCR (2019)



# Breakdown of BSCR (2019)

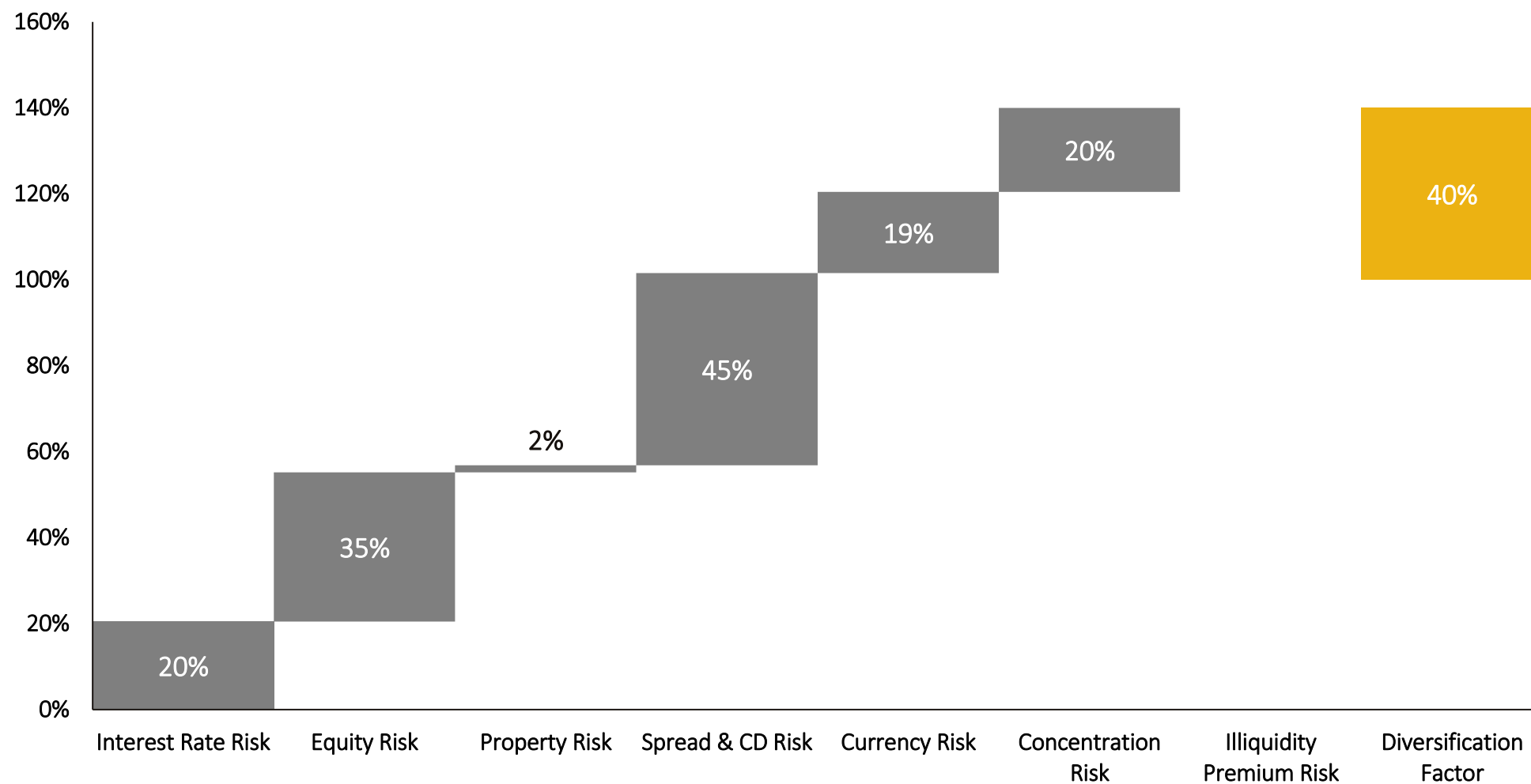


# Breakdown of BSCR

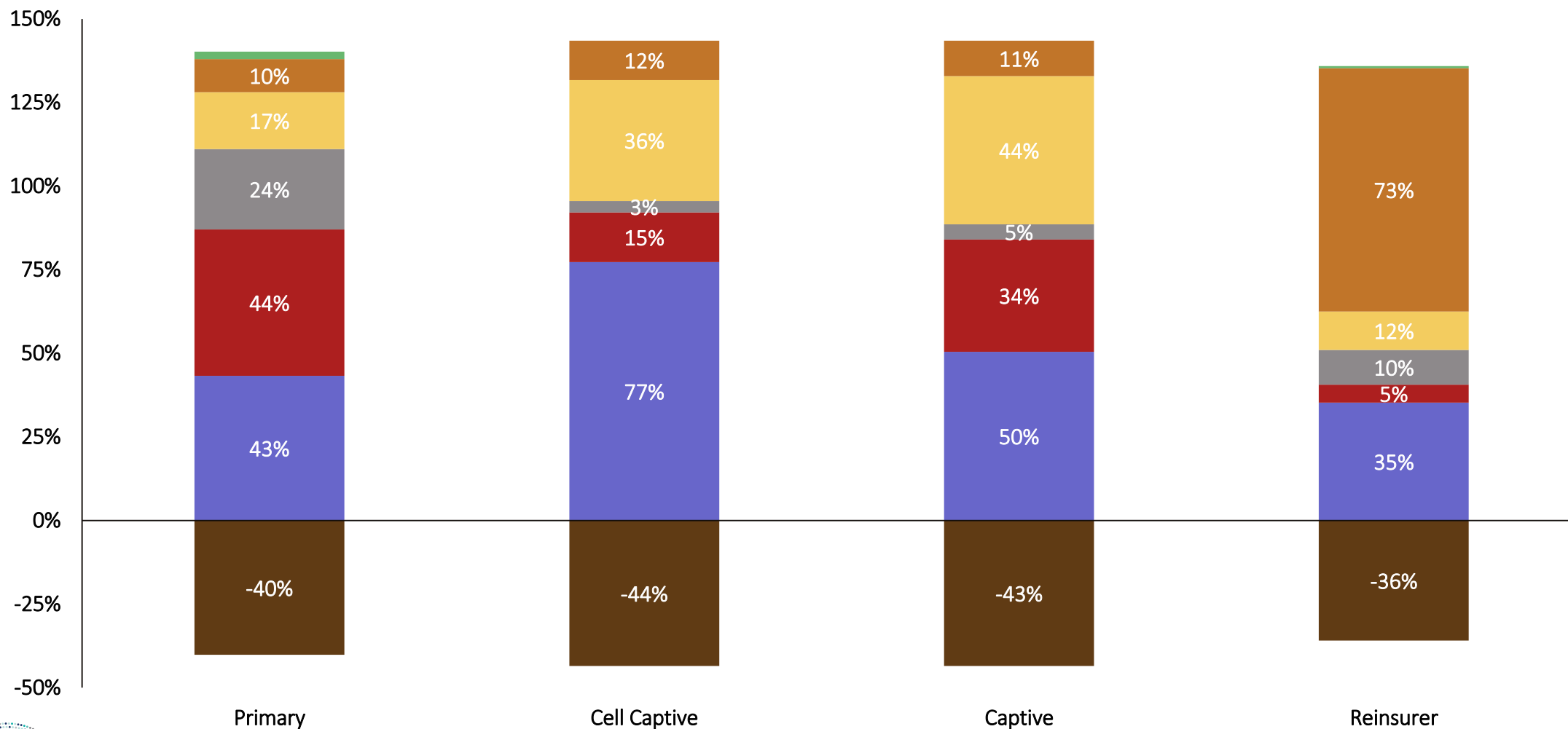




# Market Risk - Total Industry (2019)

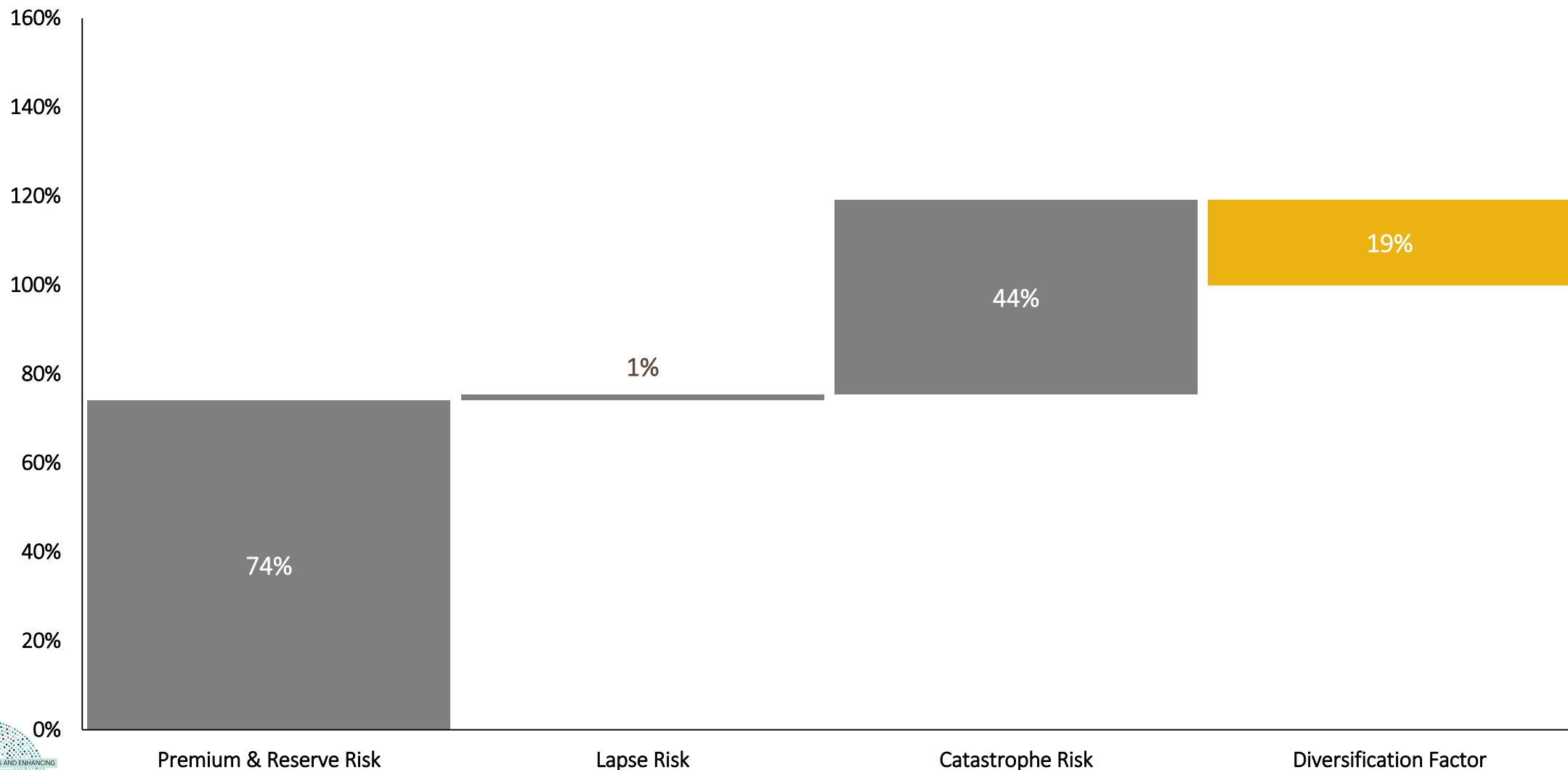


# Market Risk by Insurer Type (2019)

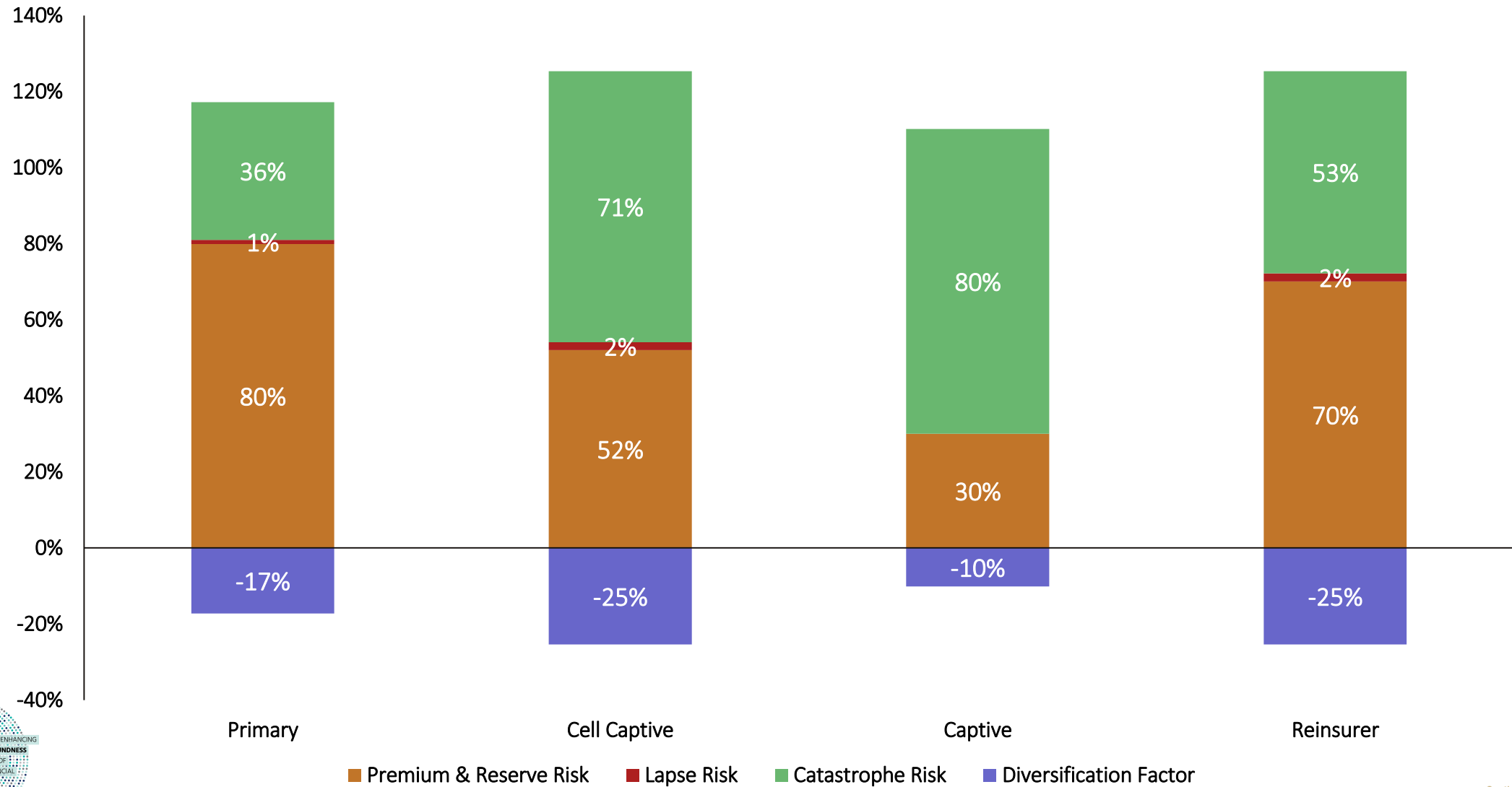


■ Spread & Counterparty Default Risk ■ Equity Risk ■ Currency Risk ■ Concentration Risk ■ Interest Rate Risk ■ Property Risk ■ Diversification Factor

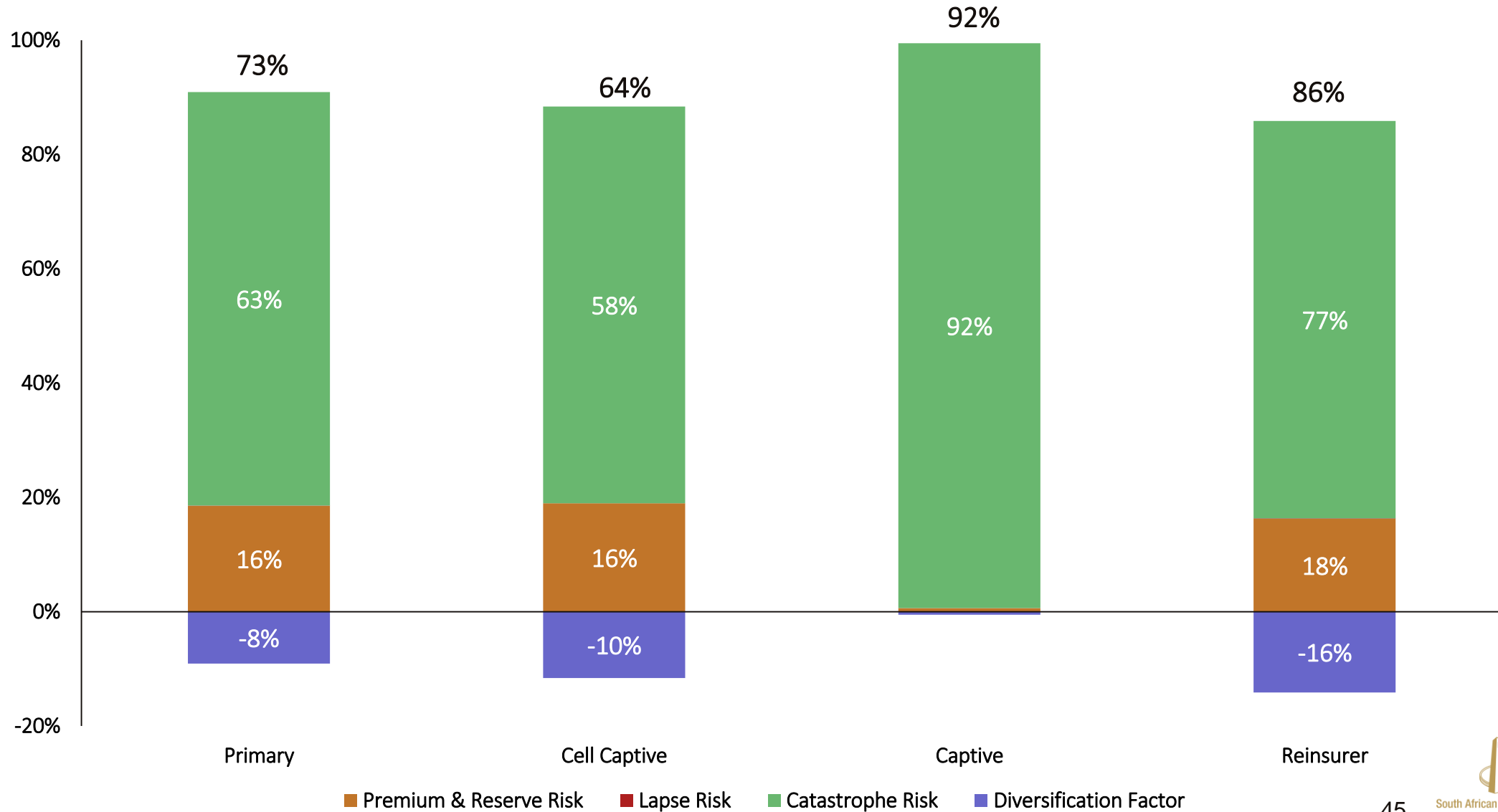
# Non-Life Underwriting Risk Composition (2019)



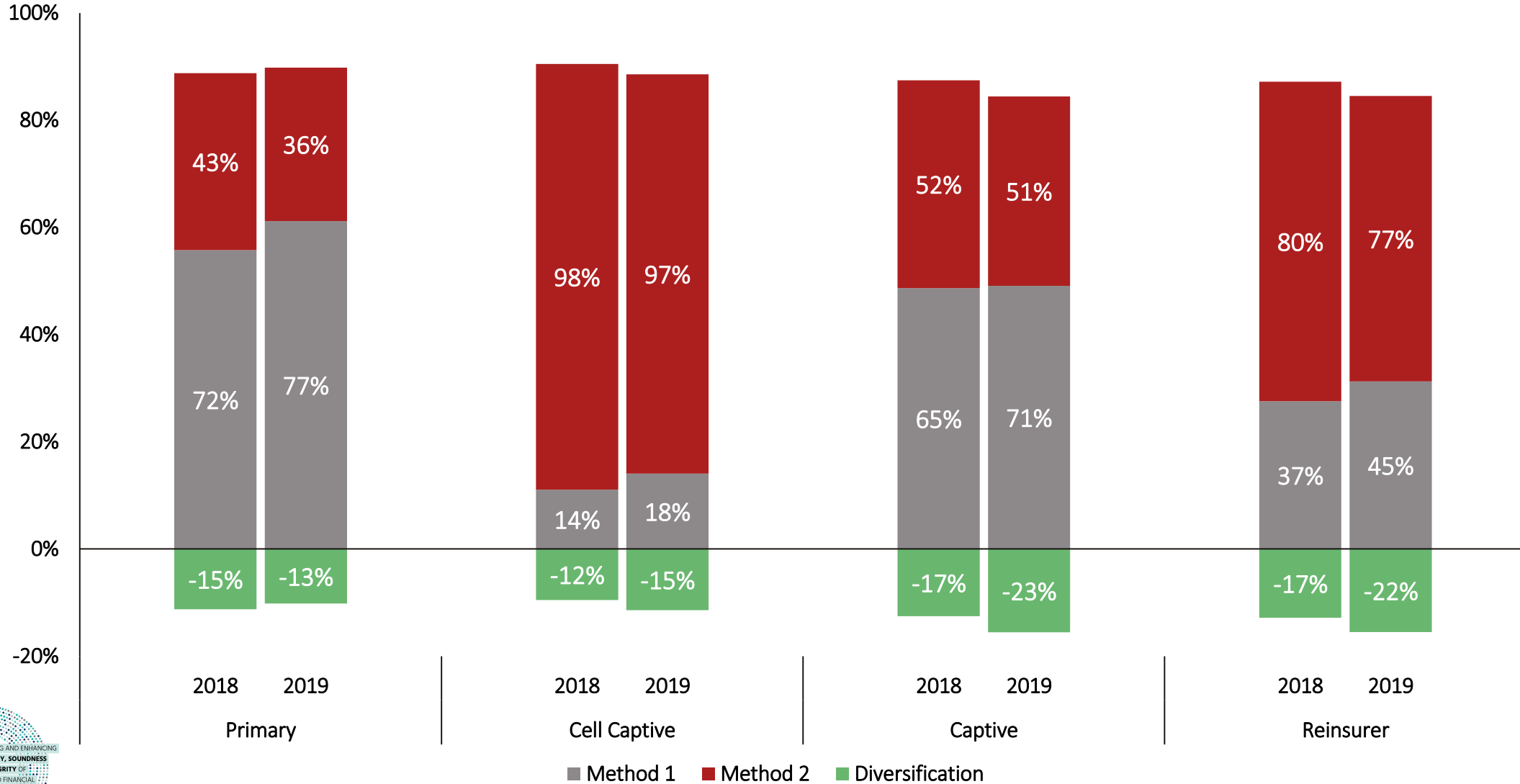
# Non-Life Underwriting Risk Composition (2019)



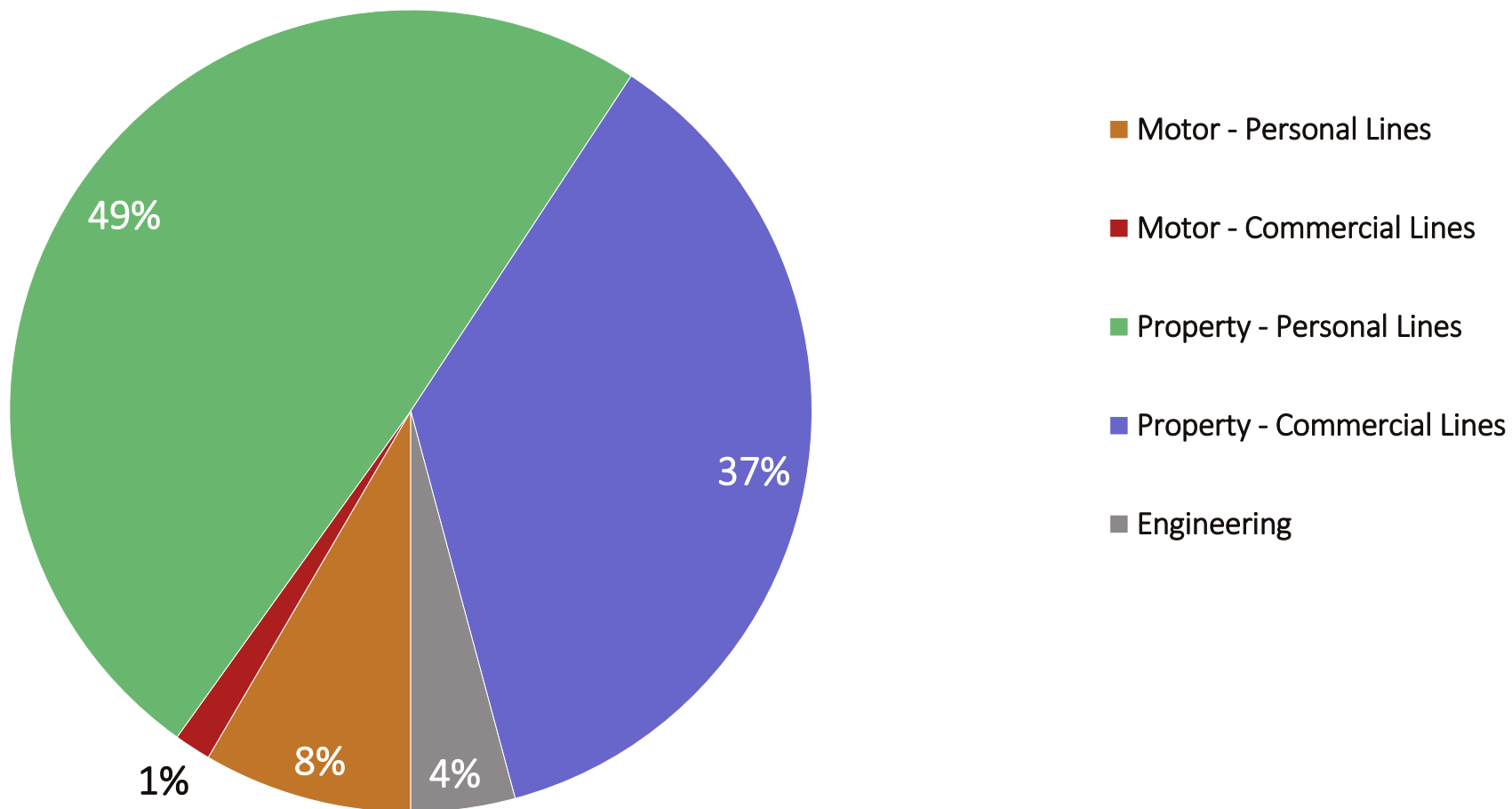
# Capital Relief from Risk Mitigation (2019)



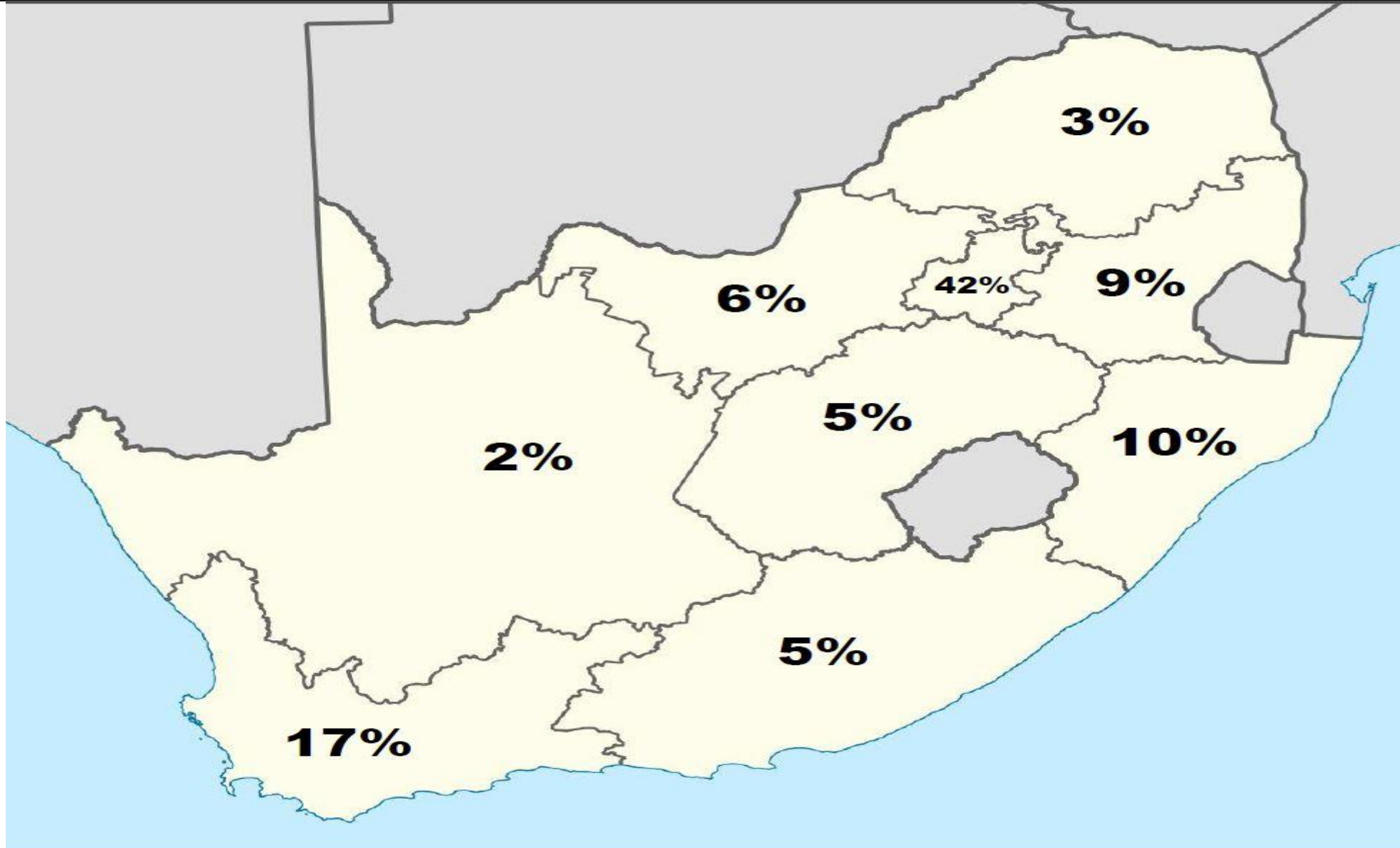
# Catastrophe Risk (2018 - 2019)



# Natural Catastrophe Risk: Total Insured Value by Sub-line of Business (2019)

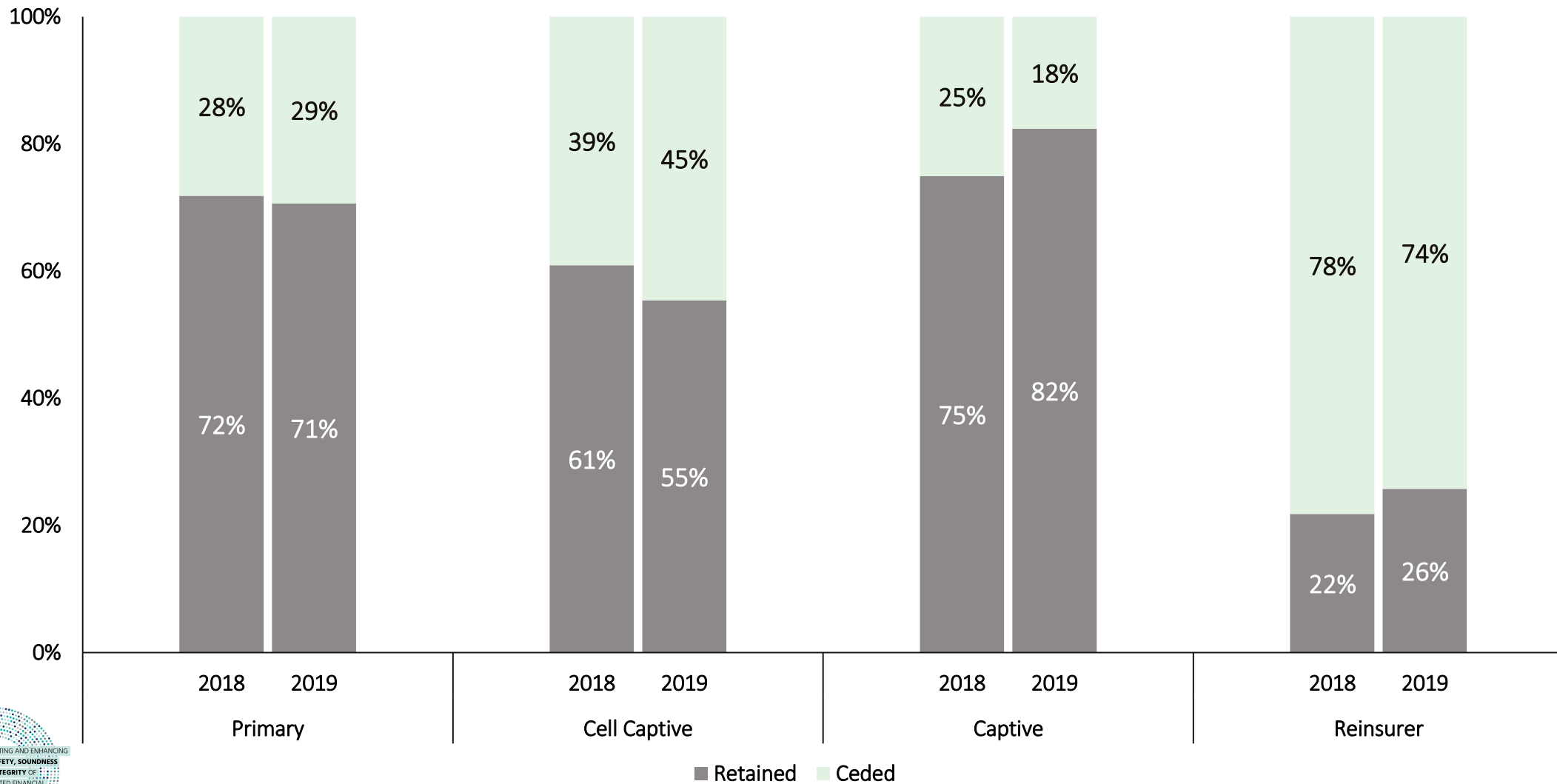


## Natural Catastrophe Risk: Total Insured Value by Zone (2019)



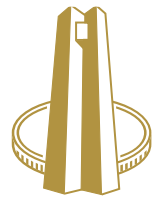


# Use of Reinsurance / Retrocession (2018 - 2019)



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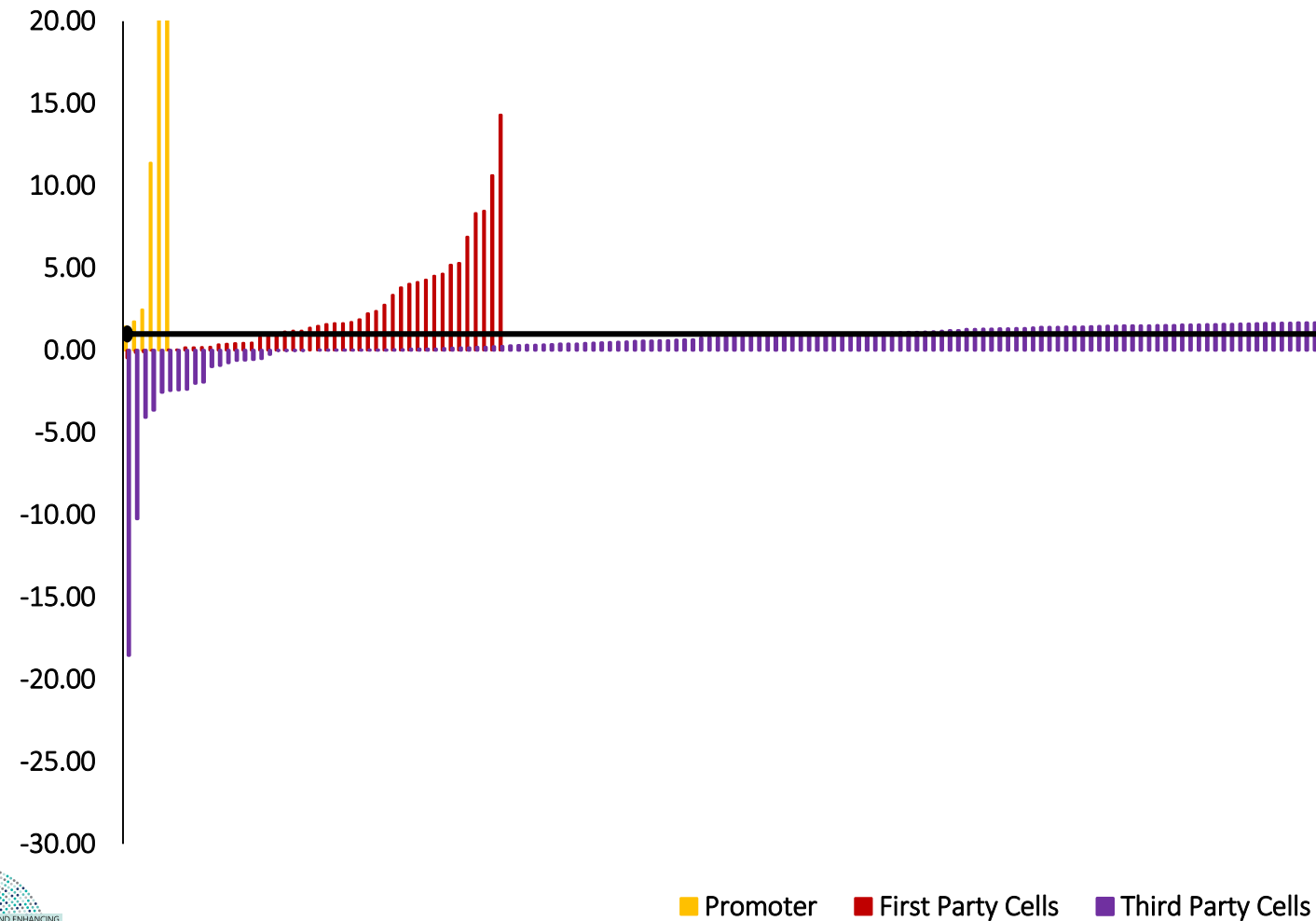
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# Cell – Captives: Premium

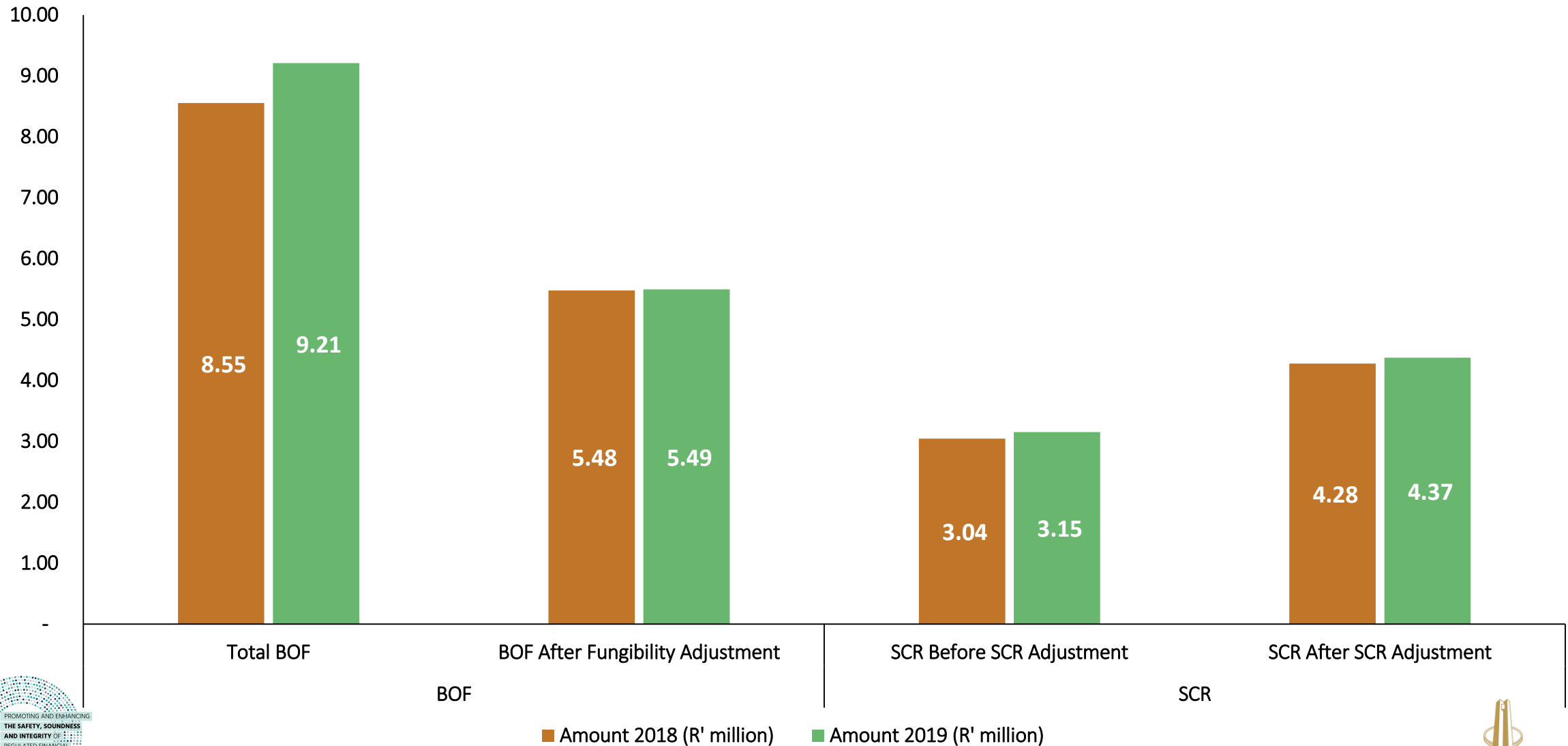
2018	Promoter	First Party Cells	Third Party Cells
<i>Number of Cells</i>	-	51	235
Gross Written Premium (R'bn)	6.6	2.1	8.2
<i>% of Total Industry GWP</i>	4%	1%	6%

2019	Promoter	First Party Cells	Third Party Cells
<i>Number of Cells</i>	-	46	226
Gross Written Premium (R'bn)	6.6	1.7	17.9
<i>% of Total Industry GWP</i>	4%	1%	11%

# Cell – Captives : Solvency Cover Ratios (2019)

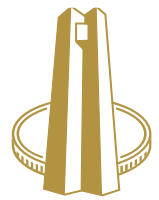


# Cell Structures: Effect on Balance Sheet



# Agenda

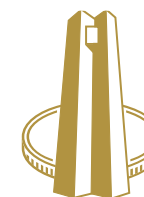
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# Summary

- Industry premiums continue the upward trend
- During the reporting period:
  - Incurred claims ratios were on average 6% higher than the previous year
  - Average retention ratios remained constant
  - Total industry assets grew on average by 9%
- Reinsurers continue to show adverse results



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# Questions

