

South African Reserve Bank

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**Prudential Authority**

# Selected South African insurance sector data

## December 2018



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# Introduction

This report provides a high level overview of insurers' financial and risk information, compiled by means of the aggregation of data submitted quarterly by individual South African-registered insurers.

The following should be noted with regards to the data contained in this document:

- data is based on reporting by insurance entities in terms of the Insurance Act 18 of 2017 and the prudential standards implemented in South Africa on 1 July 2018;
- this information is subject to change without notice. The data in this report is as at the end of December 2018.

# Registered insurance entities in South Africa

	Sep 2018	Dec 2018
<b>Total</b>	<b>171</b>	<b>169</b>
Life primary insurers	68	65
Life cell captives	5	6
Non-life primary insurers	73	70
Non-life cell captives	5	8
Non-life captives	8	9
Professional reinsurers	10	9
Composite reinsurers	4	5
Life reinsurers	3	2
Non-life reinsurers	3	2
Other	2	2

## Life insurance: Primary insurers

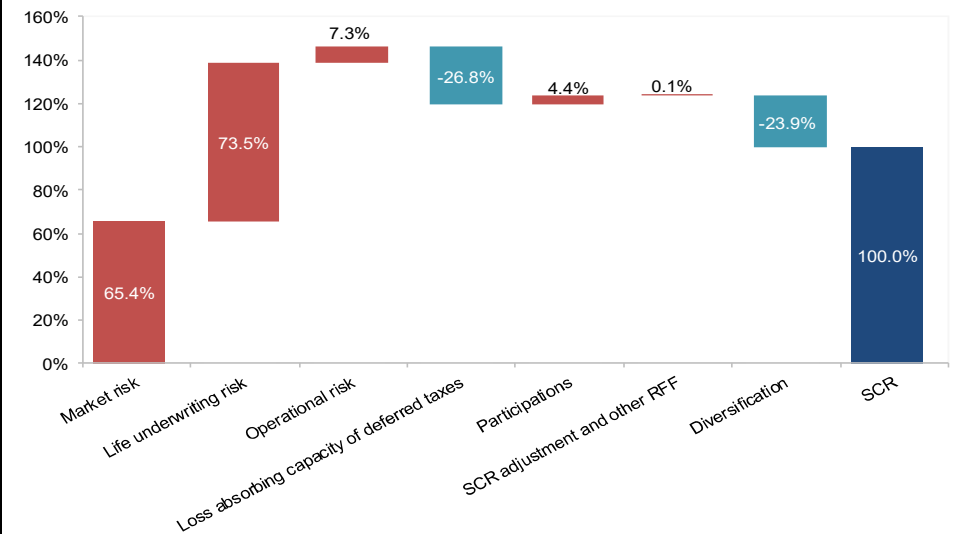
Balance sheet	*Sep 2018 R'mil	Dec 2018 R'mil
<b>Total assets</b>	<b>3,088,391</b>	<b>2,993,436</b>
<i>Of which:</i>		
Total investments	2,903,198	2,781,454
Government bonds	204,315	202,087
Corporate bonds	238,760	242,916
Equity	513,071	488,493
Investment funds	1,561,219	1,482,399
Structured notes	37,842	40,860
Collateralised securities	17,498	16,345
Cash and deposits	217,007	198,277
Mortgages and loans	76,176	72,689
Property	37,310	37,389
Total reinsurance recoverables/ (payable)	11,254	11,737
Derivatives	2,552	4,435
Owner occupied property	7,632	7,426
Other assets	163,756	188,383
<b>Total liabilities</b>	<b>2,737,719</b>	<b>2,630,845</b>
<i>Of which:</i>		
Gross technical provisions	2,565,351	2,474,942
<b>Basic own funds</b>	<b>350,672</b>	<b>362,591</b>
Eligible own funds to meet solvency capital requirements	339,144	345,523
Eligible own funds to meet minimum capital requirements	321,449	321,749
<b>Profitability</b>		
Gross premium	149,036	134,362
Reinsurance	3,796	3,961
Net premiums	145,240	130,401
Net claims paid	117,034	106,426
Investment income/ (loss) <sup>3</sup>	50,150	-76,999
Management expenses	12,046	13,859
Commission paid/ (received)	4,909	4,563
Other expenses	2,201	3,061
Net profit before tax and dividends	16,887	13,878
<b>Other</b>		
Number of policies at the end of period	48,132,967	48,611,048
Number of schemes at the end of period	58,825	60,185

Performance indicators	Sep 2018 %	Dec 2018 %
Claims ratio <sup>1</sup>	80.6	81.6
Commission ratio <sup>1</sup>	3.4	3.5
Management expenses ratio <sup>1</sup>	8.3	10.6
Individual lapse ratio <sup>2</sup>	77.3	61.3
Individual contractual termination <sup>2</sup>	6.0	4.6
Individual expiry <sup>2</sup>	0.9	1.6
Surrenders <sup>2</sup>	5.9	5.4
Surrenders (in-force policies)	0.4	0.5
Individual lapse ratio (in-force policies)	5.7	5.3

### Solvency and capital

Solvency capital requirement cover ratio (Median)	1.9	1.9
Minimum capital requirement cover ratio (Median)	4.2	4.3

### SCR risk components



<sup>1</sup> Expressed as a percentage of net written premium during the period.

<sup>2</sup> Expressed as a percentage of the number of new policies issued during the period.

<sup>3</sup> Overall Investment loss recorded for the quarter ending December 2018 due to market movements.

\*September 2018 figures were restated as a result of a reclassification of some insurers.

## Life insurance: Reinsurers

Balance sheet	*Sep 2018 R'mil	Dec 2018 R'mil
<b>Total assets</b>	7,721	7,256
<i>Of which:</i>		
Total investments	5,943	5,222
Total reinsurance recoverables/ (payable)	80	-41
Current assets	1,576	1,934
<b>Total liabilities</b>	4,552	3,900
<i>Of which</i>		
Gross technical provisions	1,341	995
Accounts payable	1,185	1,536
Reinsurance deposits <sup>2</sup>	1,300	4
<b>Basic own funds</b>	3,169	3,355
Eligible own funds to meet solvency capital requirements	3,169	3,355
Eligible own funds to meet minimum capital requirements	3,169	3,355
<b>Profitability</b>		
Gross premium	1,592	1,578
Reinsurance	784	787
Net premiums	808	791
Net claims paid	335	740
Investment income	104	113
Management expenses	89	71
Other expenses	40	80
Net profit before tax and dividends	-145	204

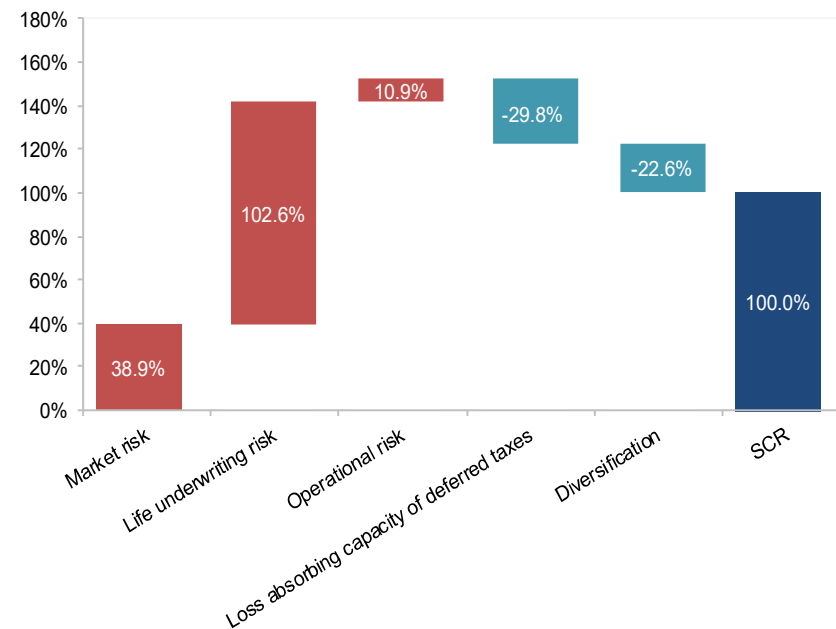
Performance indicators	Sep 2018 %	Dec 2018 %
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Claims ratio <sup>1</sup>	41.5	93.6
Management expenses ratio <sup>1</sup>	11.0	9.0

### Solvency and capital

Solvency capital requirement cover ratio (Median)	1.6	1.5
Minimum capital requirement cover ratio (Median)	5.4	5.3

### SCR risk components



<sup>1</sup> Expressed as a percentage of net written premium during the period.

<sup>2</sup> Fluctuation due to change in reinsurance arrangement between subsidiary and its parent reinsurer.

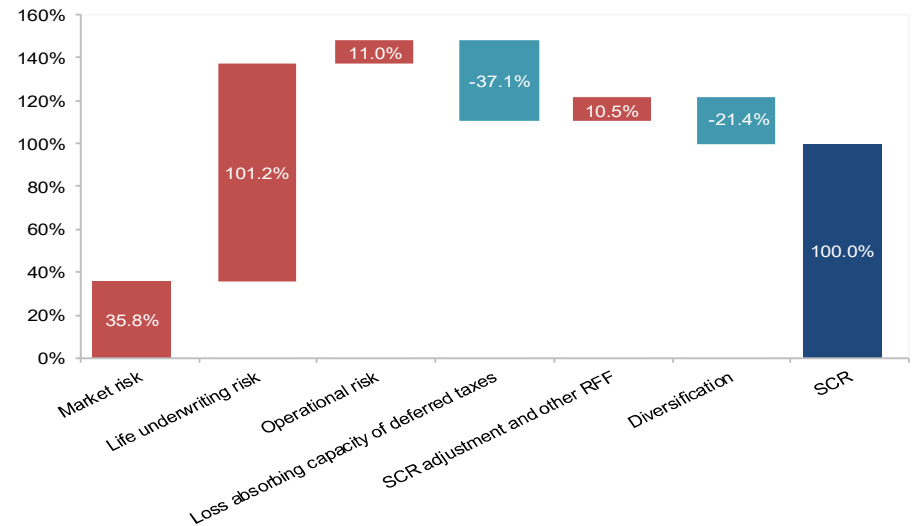
\*September 2018 figures were restated as a result of a reclassification of some insurers.

## Life insurance: Cell Captive insurers

Balance sheet	*Sep 2018 R'mil	Dec 2018 R'mil
<b>Total assets</b>	<b>10,661</b>	<b>10,768</b>
<i>Of which:</i>		
Total investments	11,127	11,259
Government bonds	1,118	1,082
Corporate bonds	2,952	3,324
Equity	566	607
Investment funds	3,982	3,940
Structured notes	2	1
Collateralised securities	200	39
Cash and deposits	2,307	2,265
Total reinsurance recoverables/ (payable)	-1,089	-1,160
Derivatives <sup>3</sup>	-17	-6
Other assets	640	675
<b>Total liabilities</b>	<b>3,873</b>	<b>3,602</b>
<i>Of which:</i>		
Gross technical provisions	1,421	1,229
Deferred tax liabilities	1,668	1,715
<b>Basic own funds</b>	<b>6,789</b>	<b>7,166</b>
Eligible own funds to meet solvency capital requirements	4,216	4,572
Eligible own funds to meet minimum capital requirements	4,141	4,474
<b>Profitability</b>		
Gross premium	2,582	2,864
Reinsurance	642	688
Net premiums	1,940	2,176
Net claims paid	495	414
Investment income	165	143
Management expenses	289	315
Commission paid/ (received)	235	292
Other expenses	1	1
Net profit before tax and dividends	1,509	1,653
<b>Other</b>		
Number of policies at the end of period	5,450,060	5,800,769
Number of schemes at the end of period	376	368

Performance indicators	Sep 2018 %	Dec 2018 %
Claims ratio <sup>1</sup>	25.5	19.0
Commission ratio <sup>1</sup>	12.1	13.4
Management expenses ratio <sup>1</sup>	14.9	14.5
Individual lapse ratio <sup>2</sup>	33.7	34.4
Individual contractual termination <sup>2</sup>	0.9	0.9
Individual expiry <sup>2</sup>	5.6	13.9
Surrenders <sup>2</sup>	3.6	4.5
Surrenders (in-force policies)	0.5	0.7
Individual lapse ratio (in-force policies)	4.6	5.1
<b>Solvency and capital</b>		
Solvency capital requirement cover ratio (Median)	1.2	1.1
Minimum capital requirement cover ratio (Median)	4.1	4.1

### SCR risk components



<sup>1</sup> Expressed as a percentage of net written premiums.

<sup>2</sup> Expressed as a percentage of the number of new policies issued during the period.

<sup>3</sup> One major insurer experienced hedged losses during the review period.

\*September 2018 figures were restated as a result of a reclassification of some insurers.

# Non-Life insurance: Primary insurers

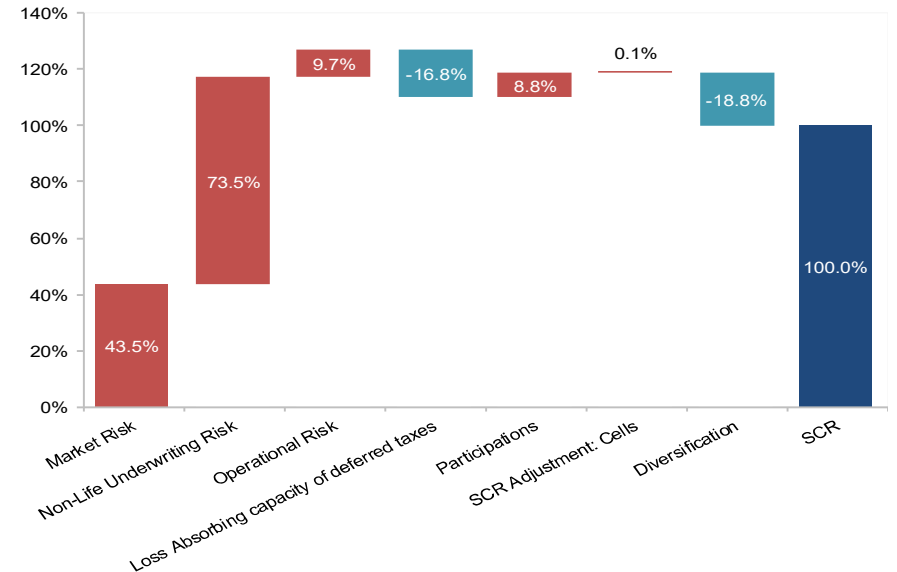
Balance sheet	*Sep 2018 R'mil	Dec 2018 R'mil
<b>Total assets</b>	<b>155,265</b>	<b>149,882</b>
<i>Of which:</i>		
Total investments	104,568	101,218
Government bonds	21,141	21,936
Corporate bonds	23,143	23,610
Equity	17,190	15,682
Investment funds	12,374	11,295
Structured notes	295	413
Collateralised securities	897	841
Cash and deposits	27,716	25,461
Mortgages and loans	1,778	1,945
Property	35	35
Total reinsurance recoverables/ (payable)	18,511	18,420
Derivatives	89	41
Owner occupied property	442	222
Other assets	31,654	29,980
<b>Total liabilities</b>	<b>89,853</b>	<b>85,097</b>
<i>Of which:</i>		
Gross technical provisions	62,332	61,257
Accounts payable	8,836	6,673
Payables (trade, not insurance)	6,904	5,700
<b>Basic own funds</b>	<b>65,412</b>	<b>64,785</b>
Eligible own funds to meet solvency capital requirements	63,979	63,433
Eligible own funds to meet minimum capital requirements	60,644	59,775
<b>Profitability</b>		
Gross written premium	30,609	29,407
Reinsurance	8,722	9,668
Net premiums	21,887	19,739
Net earned premium	19,716	19,233
Investment income <sup>3</sup>	1,676	366
Net claims paid	11,382	12,083
Management expenses	5,113	5,684
Commission paid/ (received)	1,678	1,337
Underwriting profit/(loss)	2,907	1,008
Underwriting and investment income	4,583	1,373
Net profit before tax and dividends	3,933	943

Performance indicators	Sep 2018 %	Dec 2018 %
Claims ratio <sup>1</sup>	57.7	62.8
Management expenses ratio <sup>1</sup>	25.9	29.6
Commission ratio <sup>1</sup>	8.5	6.9
Combined ratio <sup>2</sup>	92.2	99.3
Underwriting profit/(loss) ratio <sup>1</sup>	14.7	5.2
Underwriting and investment income ratio <sup>1</sup>	23.2	7.1

## Solvency and capital

Solvency capital requirement cover ratio (Median)	1.8	1.8
Minimum capital requirement cover ratio (Median)	4.1	3.8

## SCR risk components



<sup>1</sup> Expressed as a percentage of net written premium during the period.

<sup>2</sup> Claims + commission + expenses as a percentage of net earned premium.

<sup>3</sup> Overall investment loss recorded for the quarter ending December 2018 due to market movements.

\*September 2018 figures were restated as a result of a reclassification of some insurers.



# Non-Life insurance: Reinsurers

Balance sheet	*Sep 2018	Dec 2018	Performance indicators	Sep 2018	Dec 2018
	R'mil	R'mil		%	%
<b>Total assets</b>	<b>7,332</b>	<b>7,279</b>	Claims ratio <sup>1 3</sup>	66.0	2.9
<i>Of which:</i>			Commission ratio <sup>1</sup>	31.9	59.1
Total investments	3,995	3,895	Management expenses ratio <sup>1</sup>	7.7	16.9
Total reinsurance recoverables/ (payable)	2,280	2,456	Combined ratio <sup>2</sup>	105.7	78.8
<b>Total liabilities</b>	<b>5,815</b>	<b>5,731</b>	Underwriting profit/(loss) ratio <sup>1</sup>	-6.1	115.9
<i>Of which :</i>			Underwriting and investment income ratio <sup>1</sup>	-2.5	131.5
Gross technical provisions	3,218	3,357	<b>Solvency and capital</b>		
Accounts payable	295	487	Solvency capital requirement cover ratio (Median)	1.4	1.6
Reinsurance deposits	2,246	1,729	Minimum capital requirement cover ratio (Median)	4.8	4.5
<b>Basic own funds</b>	<b>1,517</b>	<b>1,548</b>	<b>SCR risk components</b>		
Eligible own funds to meet solvency capital requirements	1,517	1,548	Market Risk	23.9%	
Eligible own funds to meet minimum capital requirements	1,507	1,525	Non-Life Underwriting Risk	75.4%	
<b>Profitability</b>			Operational Risk	18.1%	
Gross premium	2,768	1,549	Loss Absorbing capacity of deferred taxes	-19.0%	
Reinsurance	1,892	987	Participations	16.2%	
Net premiums	876	562	Diversification	-14.6%	
Net claims paid	596	10	SCR	100.0%	
Net earned premiums	902	353			
Investment income	33	55			
Management expenses	69	60			
Commission paid/ (received)	288	209			
Other expenses	11	3			
Underwriting profit/(loss) <sup>3</sup>	-55	409			
Underwriting and investment income	-22	465			
Net profit before tax and dividends	-34	461			

<sup>1</sup> Expressed as a percentage of net earned premium during the period.

<sup>2</sup> Claims + commission + expenses as a percentage of net earned premium.

<sup>3</sup> Lower than usual claims in December 2018 were as a result of a refund received by one reinsurer.

\*September 2018 figures were restated as a result of a reclassification of some insurers.

## Non-Life insurance: Cell Captive insurers

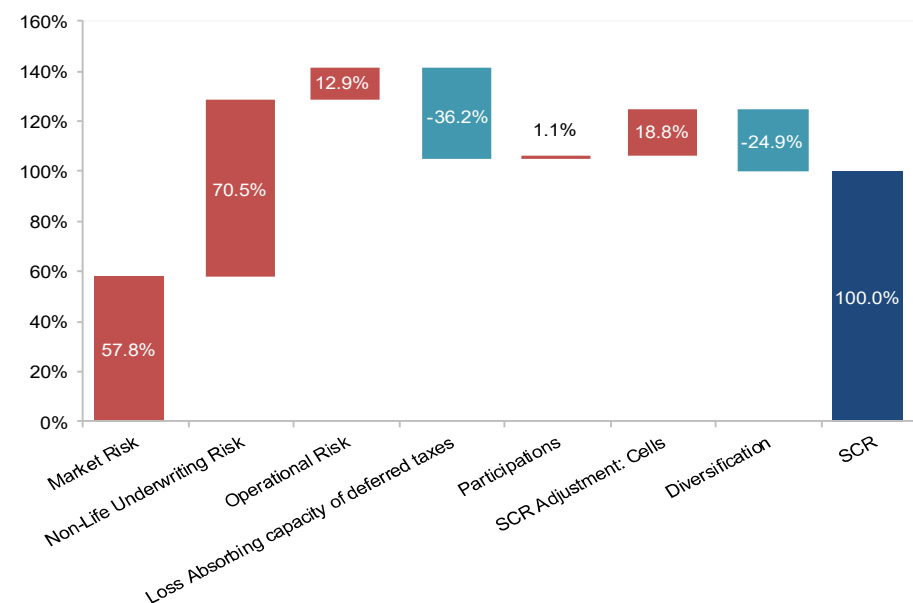
Balance sheet	*Sep 2018 R'mil	Dec 2018 R'mil
<b>Total assets</b>	<b>37,443</b>	<b>37,584</b>
<i>Of which:</i>		
<i>Total investments</i>	29,664	29,709
Government bonds	459	441
Corporate bonds	8,551	8,492
Equity	185	121
Investment funds	13,907	14,434
Structured notes	35	28
Collateralised securities	561	565
Cash and deposits	5,959	5,619
Mortgages and loans	8	8
Total reinsurance recoverables/ (payable)	4,116	3,908
Derivatives	0	5
Other assets	3,662	3,962
<b>Total liabilities</b>	<b>22,936</b>	<b>23,155</b>
<i>Of which:</i>		
Gross technical provisions	19,755	20,047
<b>Basic own funds</b>	<b>14,506</b>	<b>14,428</b>
Eligible own funds to meet solvency capital requirements	11,867	11,691
Eligible own funds to meet minimum capital requirements	11,466	11,442
<b>Profitability</b>		
Gross written premium	4,878	4,494
Reinsurance	1,865	1,962
Net premiums	3,013	2,532
Net earned premium	3,125	2,275
Investment income	504	432
Net claims paid	1,875	1,091
Management expenses	495	524
Commission paid/ (received)	72	-85
Underwriting profit/(loss)	551	129
Underwriting and investment income	1,055	561
Net profit before tax and dividends	1,047	550

Performance indicators	Sep 2018 %	Dec 2018 %
Claims ratio <sup>1</sup>	60.0	47.9
Management expenses ratio <sup>1</sup>	15.8	23.0
Commission ratio <sup>1</sup>	2.3	-3.7
Combined ratio <sup>2</sup>	78.1	67.2
Underwriting profit/(loss) ratio <sup>1</sup>	17.6	5.7
Underwriting and investment income ratio <sup>1</sup>	33.8	24.7

### Solvency and capital

Solvency capital requirement cover ratio (Median)	2.0	2.1
Minimum capital requirement cover ratio (Median)	2.5	2.5

### SCR risk components



<sup>1</sup> Expressed as a percentage of net earned premium during the period.

<sup>2</sup> Claims + commission + expenses as a percentage of net earned premium.

\*September 2018 figures were restated as a result of a reclassification of some insurers.

# Non-Life insurance: Captive insurers

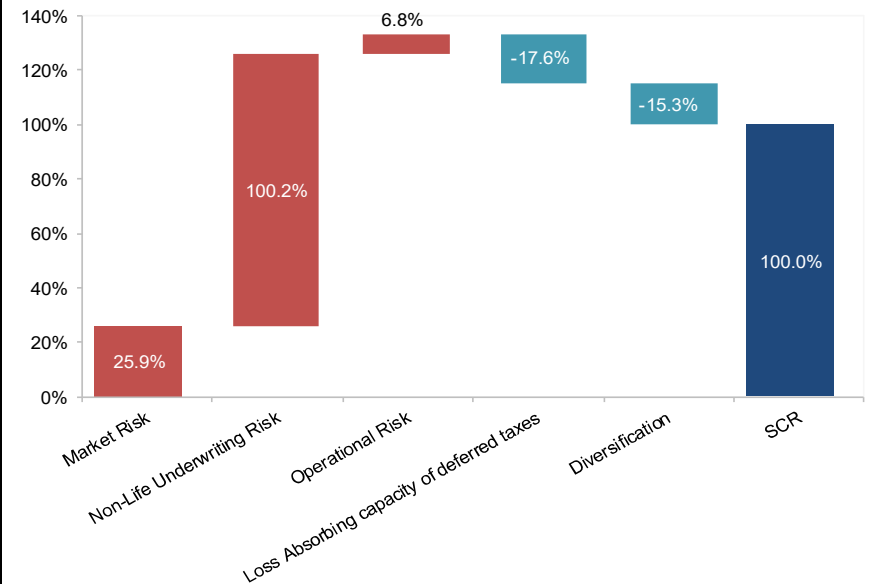
Balance sheet	*Sep 2018 R'mil	Dec 2018 R'mil
<b>Total assets</b>	<b>2,625</b>	<b>2,517</b>
<i>Of which:</i>		
<i>Total investments</i>	2,047	1,981
Government bonds	4	2
Corporate bonds	96	106
Equity	4	5
Investment funds	359	360
Structured notes	8	8
Collateralised securities	3	3
Cash and deposits	1,573	1,496
Total reinsurance recoverables/ (payable)	286	298
Derivatives	-0	-0
Other assets	292	238
<b>Total Liabilities</b>	<b>925</b>	<b>845</b>
<i>Of which:</i>		
Gross technical provisions	823	740
<b>Basic own funds</b>	<b>1,700</b>	<b>1,673</b>
Eligible own funds to meet solvency capital requirements	1,687	1,653
Eligible own funds to meet minimum capital requirements	1,659	1,625
<b>Profitability</b>		
Gross written premium	596	280
Reinsurance	242	10
Net premiums	354	270
Net earned premium	268	335
Investment income	34	33
Net claims paid	83	178
Management expenses	49	53
Commission paid/ (received)	-44	2
Underwriting profit/(loss)	153	107
Underwriting and investment income	187	141
Net profit before tax and dividends	147	104

Performance indicators	Sep 2018 %	Dec 2018 %
Claims ratio <sup>1</sup>	30.8	53.2
Management expenses ratio <sup>1</sup>	13.8	19.7
Commission ratio <sup>1</sup>	-12.3	0.8
Combined ratio <sup>2</sup>	32.9	69.8
Underwriting profit/(loss) ratio <sup>1</sup>	57.0	32.1
Underwriting and investment income ratio <sup>1</sup>	69.6	42.0

## Solvency and capital

Solvency capital requirement cover ratio (Median)	1.8	1.8
Minimum capital requirement cover ratio (Median)	4.1	3.8

## SCR risk components



<sup>1</sup>Expressed as a percentage of net earned premium during the period.

<sup>2</sup>Claims + commission + expenses as a percentage of net earned premium.

\*September 2018 figures were restated as a result of a reclassification of some insurers.

## Composite reinsurers

### Balance sheet

	*Sep 2018 R'mil	Dec 2018 R'mil
<b>Total assets</b>	<b>32,887</b>	<b>33,835</b>
Total investments	18,929	19,512
Total reinsurance recoverables	7,612	8,046
Current assets	5,876	5,782
<b>Total liabilities</b>	<b>22,771</b>	<b>23,549</b>
<i>Of which :</i>		
Gross technical provisions (Life)	5,158	4,729
Gross technical provisions (Non-Life)	10,146	10,454
Reinsurance accounts payable	3,056	3,142
Reinsurance deposits	2,671	2,863
<b>Basic own funds</b>	<b>10,116</b>	<b>10,286</b>
Eligible own funds to meet solvency capital requirements	10,116	10,266
Eligible own funds to meet minimum capital requirements	10,008	10,150

### Profitability

	Sep 2018 Life	Sep 2018 Non-life	Dec 2018 Life	Dec 2018 Non-life
Gross premium	2,356	3,139	2,551	3,645
Reinsurance	102	2,434	122	2,890
Net premiums	2,254	706	2,429	755
Net claims paid	1,743	619	1,691	304
Net earned premiums	448			515
Investment Income	199	117	344	58
Management expenses	79	12	150	12
Commission	214	-	-23	-
Other expenses	49	446	358	62
Underwriting profit/(loss)		-221		156
Underwriting and investment income		-104		214
Net profit before tax and dividends	218	-193	850	147

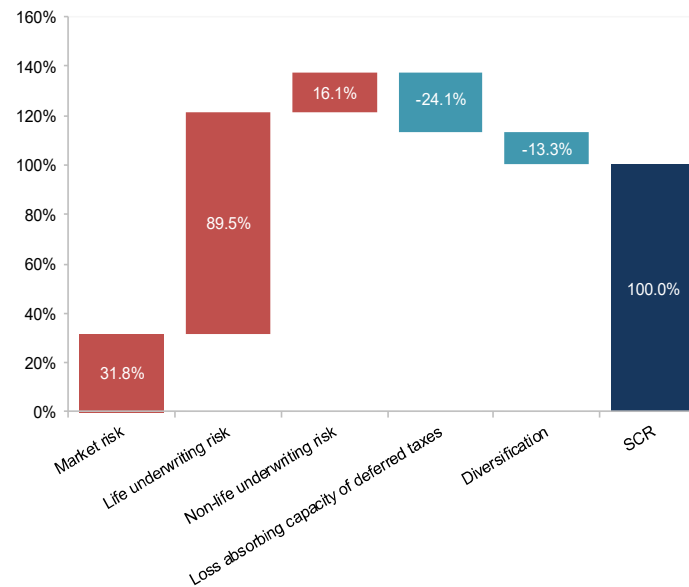
### Performance indicators

	Sep 2018 Life (%)	Sep 2018 Non-life (%)	Dec 2018 Life (%)	Dec 2018 Non-life (%)
Claims ratio <sup>1</sup>	77.3	138.4	69.6	59.1
Management Expenses ratio <sup>1</sup>	3.5	1.7	6.2	1.6
Commission ratio <sup>1</sup>	4.3	0.0	-1.0	0.0
Combined ratio <sup>2</sup>		141.1		61.4
Underwriting profit/(loss) ratio <sup>2</sup>		-49.4		30.3
Underwriting and investment income ratio <sup>2</sup>		-23.2		41.6

### Solvency and capital

	Sep 2018 Life (%)	Sep 2018 Non-life (%)	Dec 2018 Life (%)	Dec 2018 Non-life (%)
Solvency capital requirement cover ratio (Median)	1.6	1.6	1.5	1.5
Minimum capital requirement cover ratio (Median)	4.5	4.5	4.0	4.0

### SCR risk components



<sup>1</sup> Expressed as a percentage of net earned premium during the period.

<sup>2</sup> Claims + commission + expenses as a percentage of net earned premium.

\*September 2018 figures were restated as a result of a reclassification of some insurers.