

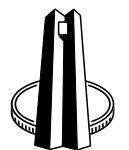


# Non-life Industry Experience 2023

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By: Thando Machobane  
Nonhlanhla Ndlovu

Date: 29 November 2023

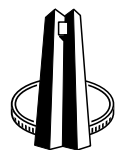


SOUTH AFRICAN RESERVE BANK  
Prudential Authority

# Agenda

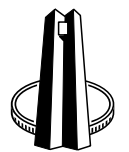
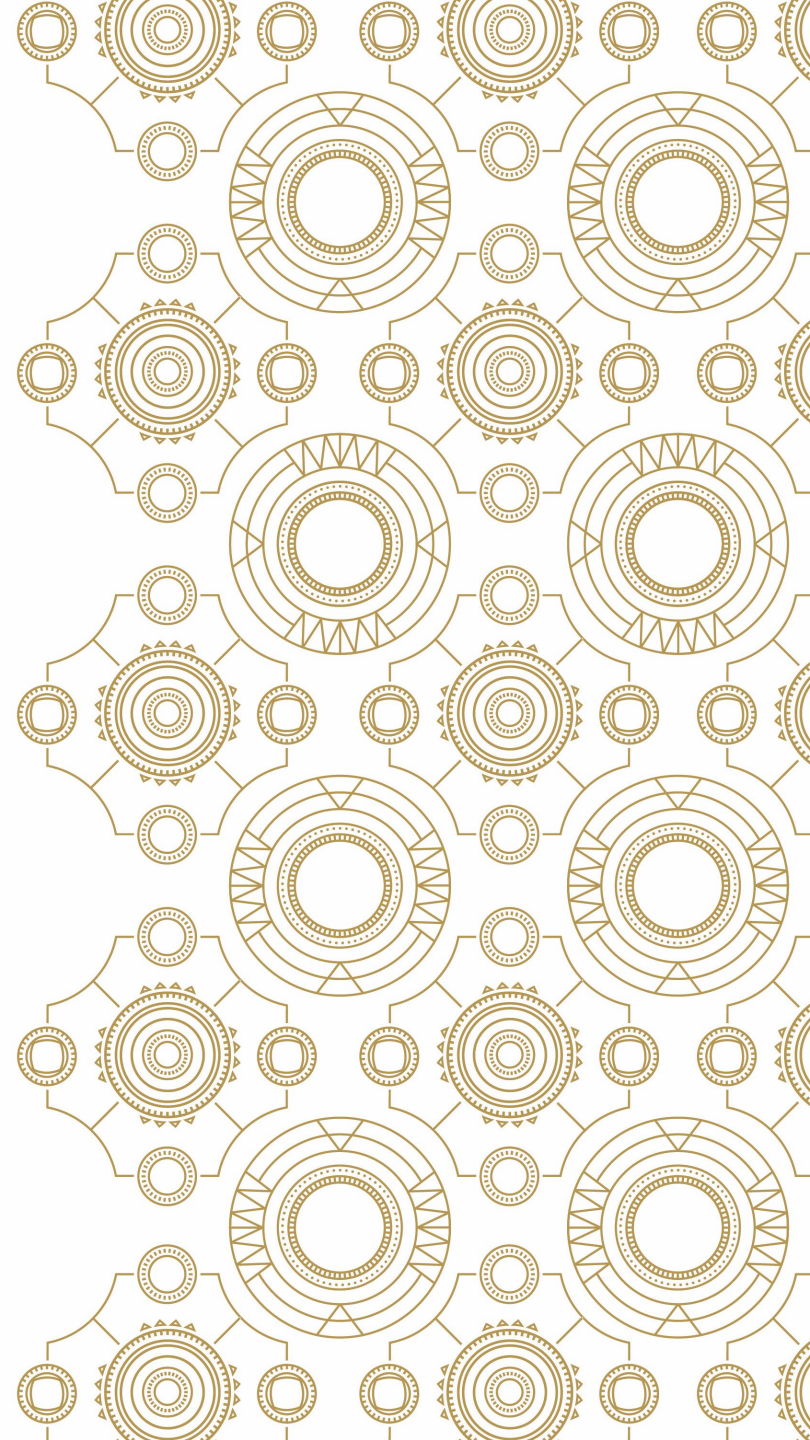
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1. Introduction
2. Key Developments
3. Industry Overview and Performance Indicators
4. Balance Sheet
5. SCR
6. Catastrophe Risk
7. Summary
8. Questions



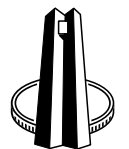
# Introduction

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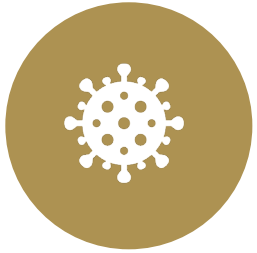


# Introduction

- Analysis based on the 2022 annual quantitative reporting templates submitted to the Prudential Authority
- Insurers excluded from the industry analysis:
  - Run-off
  - Deregistered
- 71 Total Insurers [2021: 73 Total Insurers]
- Types of Insurers
  - 53 Primary Insurers [2021: 56 Primary Insurers]
  - 6 Captive Insurers [2021: 6 Captive Insurers]
  - 6 Cell Captive Insurers [2021: 5 Cell Captive Insurers]
  - 6 Reinsurers [2021: 6 Reinsurers]
- Quality of data received is an issue
  - OF 4.3S
  - TP sheets
  - R sheets
- Rounding



# Key developments



**Covid 19**



**Adverse weather conditions**



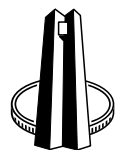
**KZN Riots**



**High inflation, rise in interest rates and volatile markets**

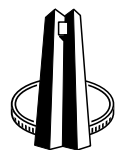
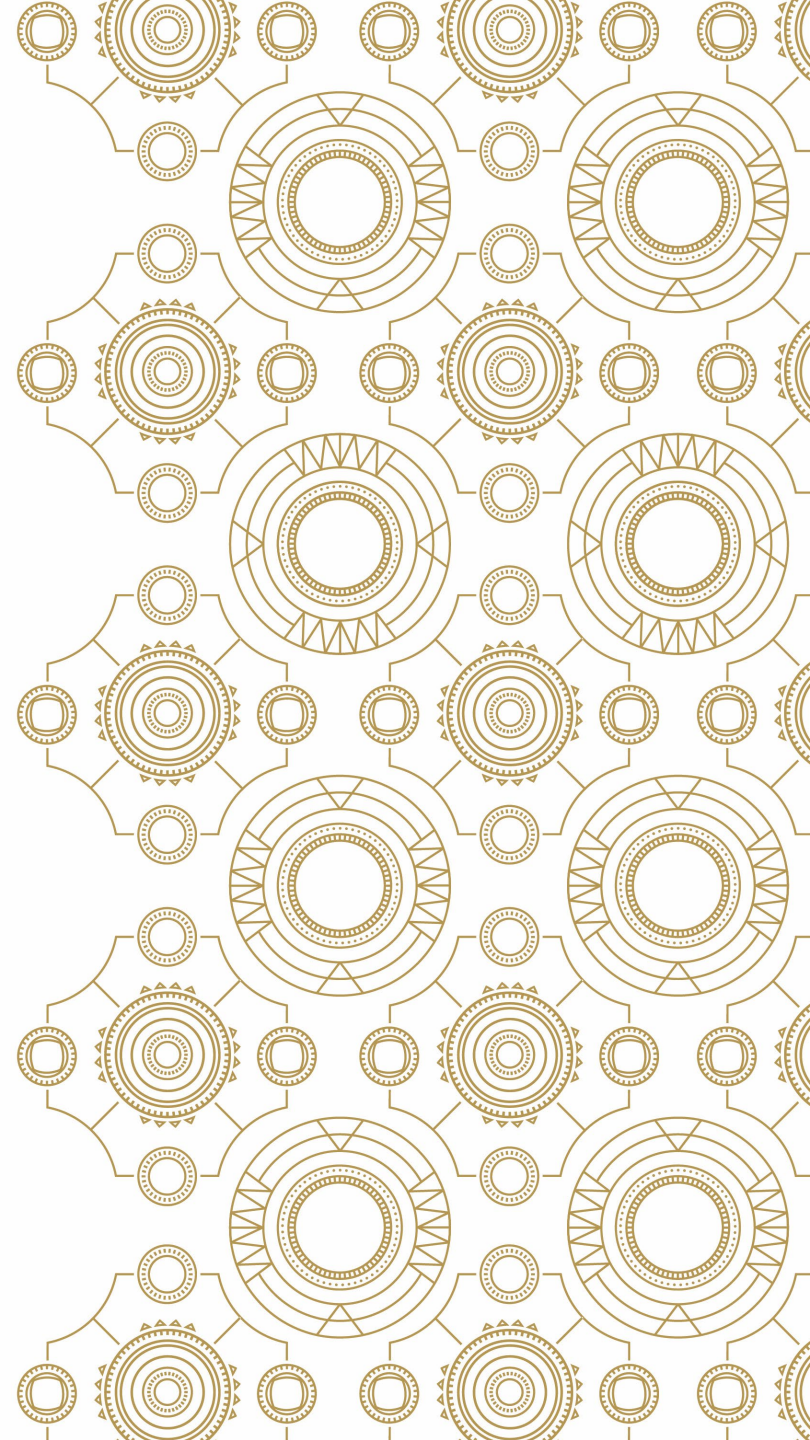


**Loadshedding**

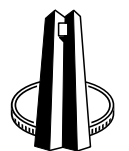
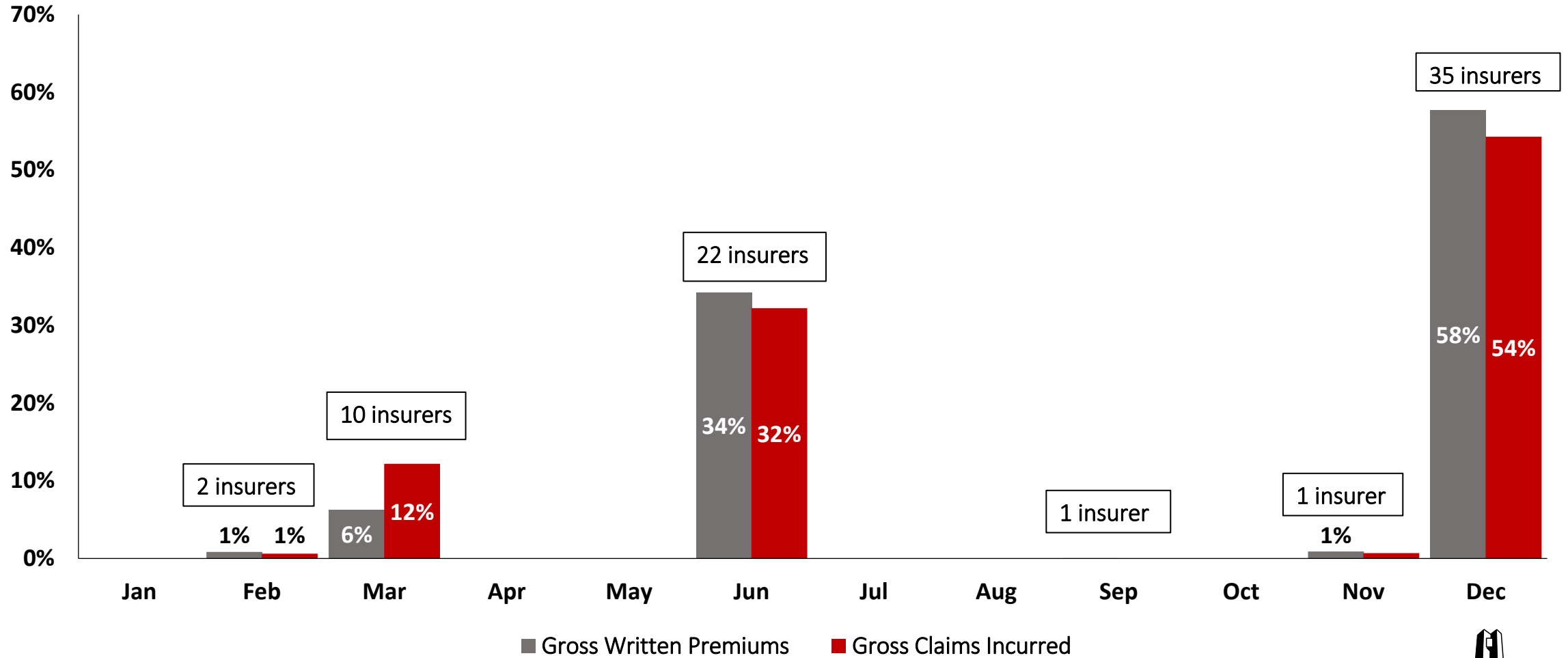


# Industry overview and performance indicators

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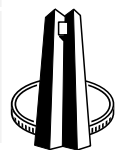


# Distribution of premium and claims by year-end



# Premiums

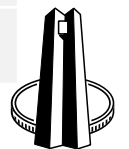
	2021 (R'bn)	2022 (R'bn)	Change (R'bn)	Change
Total Industry GWP	177.3	196.0	18.7	10.6%
Reinsurer	18.7	23.4	4.7	25.0%
Inwards Reinsurance	11.4	12.3	0.9	7.5%
Direct Insurer	147.1	160.3	13.2	9.0%
Net Written Premium	110.9	121.5	10.7	9.6%
NWP % of GWP	62.5%	62.0%		
Net Earned Premium	104.6	110.9	6.3	6.1%





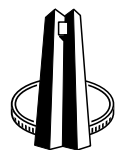
# Gross Written Premiums

	2021	2022
<b>Total Industry GWP (R'bn)</b>	<b>177.3</b>	<b>196.0</b>
<b>Top 10 Insurers Market Share</b>	<b>59.1%</b>	<b>61.8%</b>
1. Santam Limited	17.8%	17.4%
2. Guardrisk Insurance Company Limited	7.7%	7.8%
3. Munich Reinsurance Company Of Africa Limited	4.8%	6.6%
4. Hollard Insurance Company	6.8%	6.6%
5. Old Mutual Insure Limited	6.2%	6.0%
6. Outsurance Insurance Company	5.3%	5.3%
7. Centriq Insurance Company limited	2.9%	4.3%
8. Bryte Insurance Company	3.0%	3.0%
9. Discovery Insure Limited	2.5%	2.7%
10. Mutual And Federal Financing Limited	2.1%	2.2%

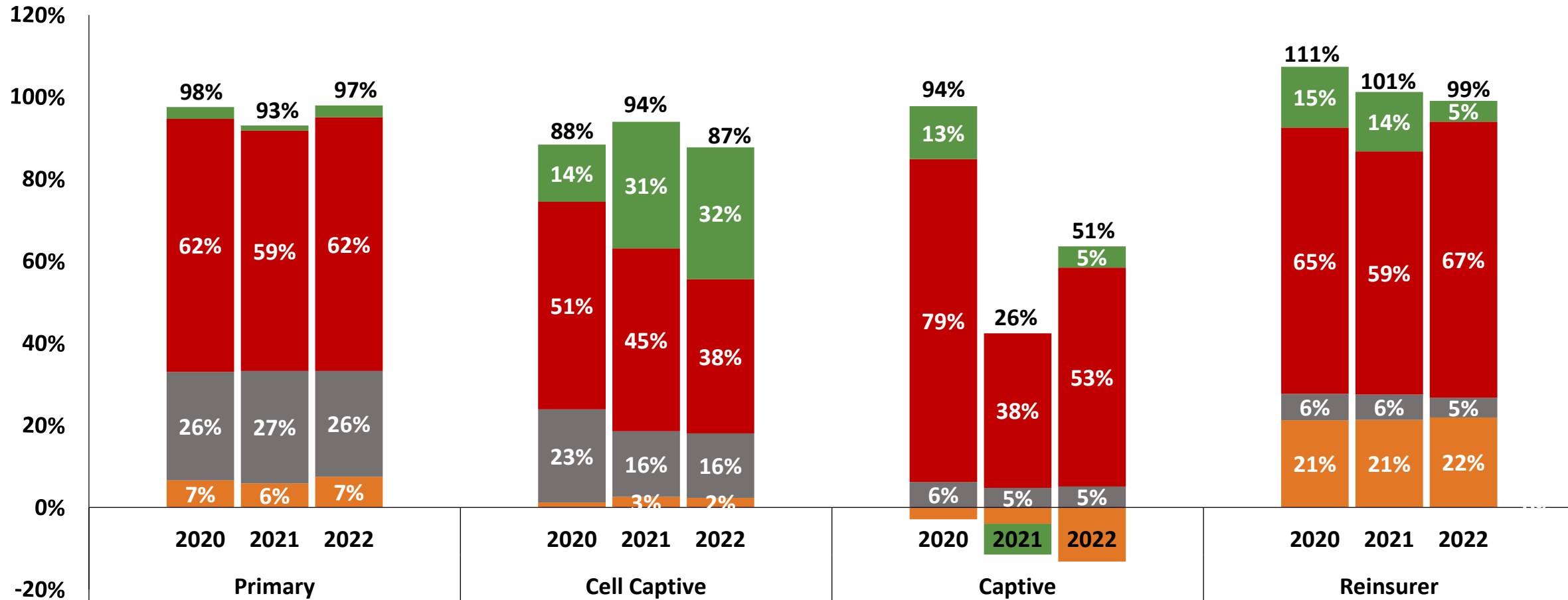


# Gross Written Premiums by Group

	2021	2022
Total % of GWP	52.7%	53.0%
1. Santam Group	23.1%	24.1%
2. Momentum Insurance Group	9.3%	9.2%
3. Old Mutual Insure Group	9.2%	9.1%
4. Hollard Insurance Group	7.3%	7.1%
5. Telesure Group	3.8%	3.5%

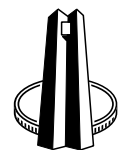


# Key Financial Indicators – Net Combined Ratio by Insurer Type

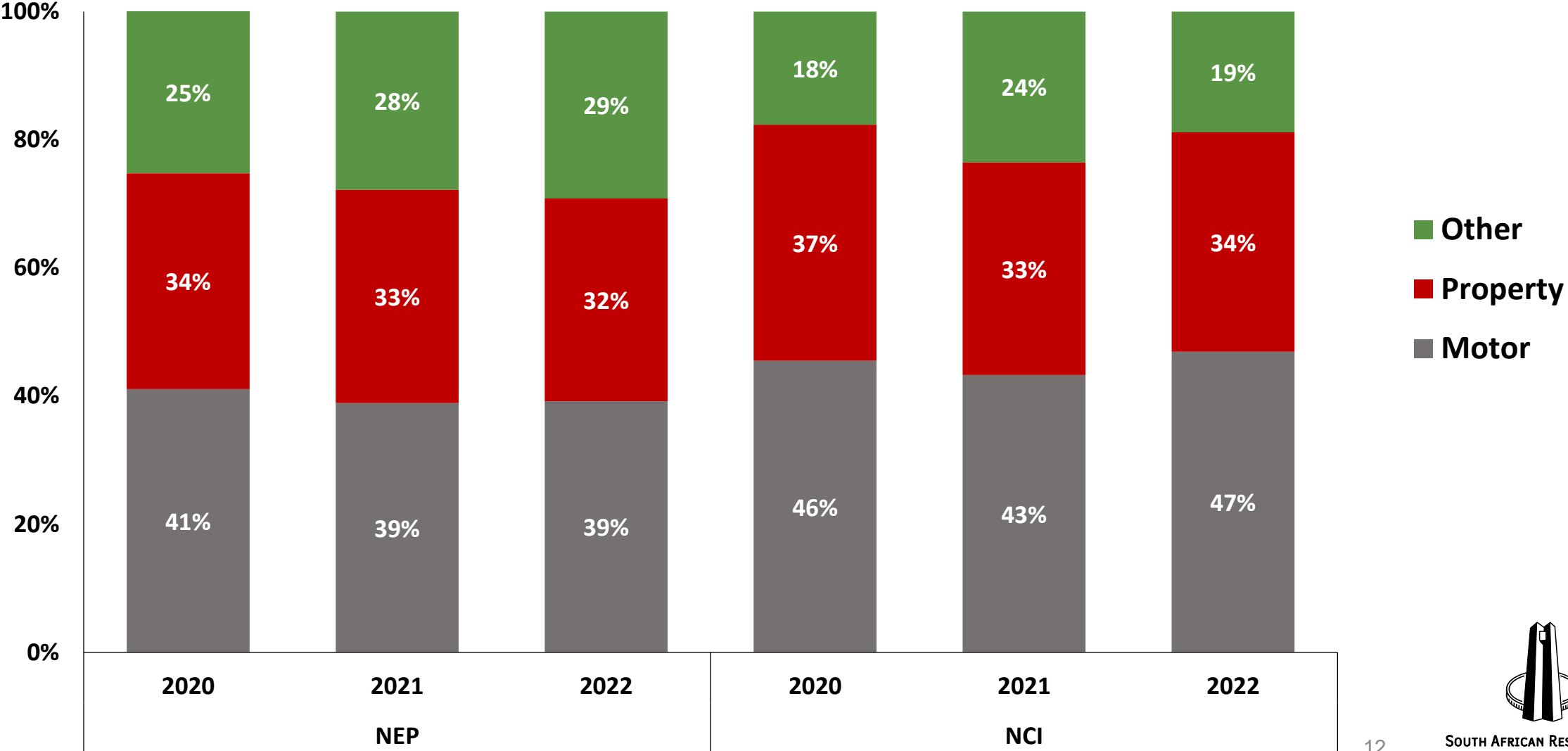


■ Commission Ratio   
 ■ Expense Ratio   
 ■ Claims Ratio   
 ■ Other items

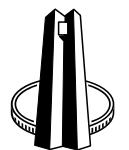
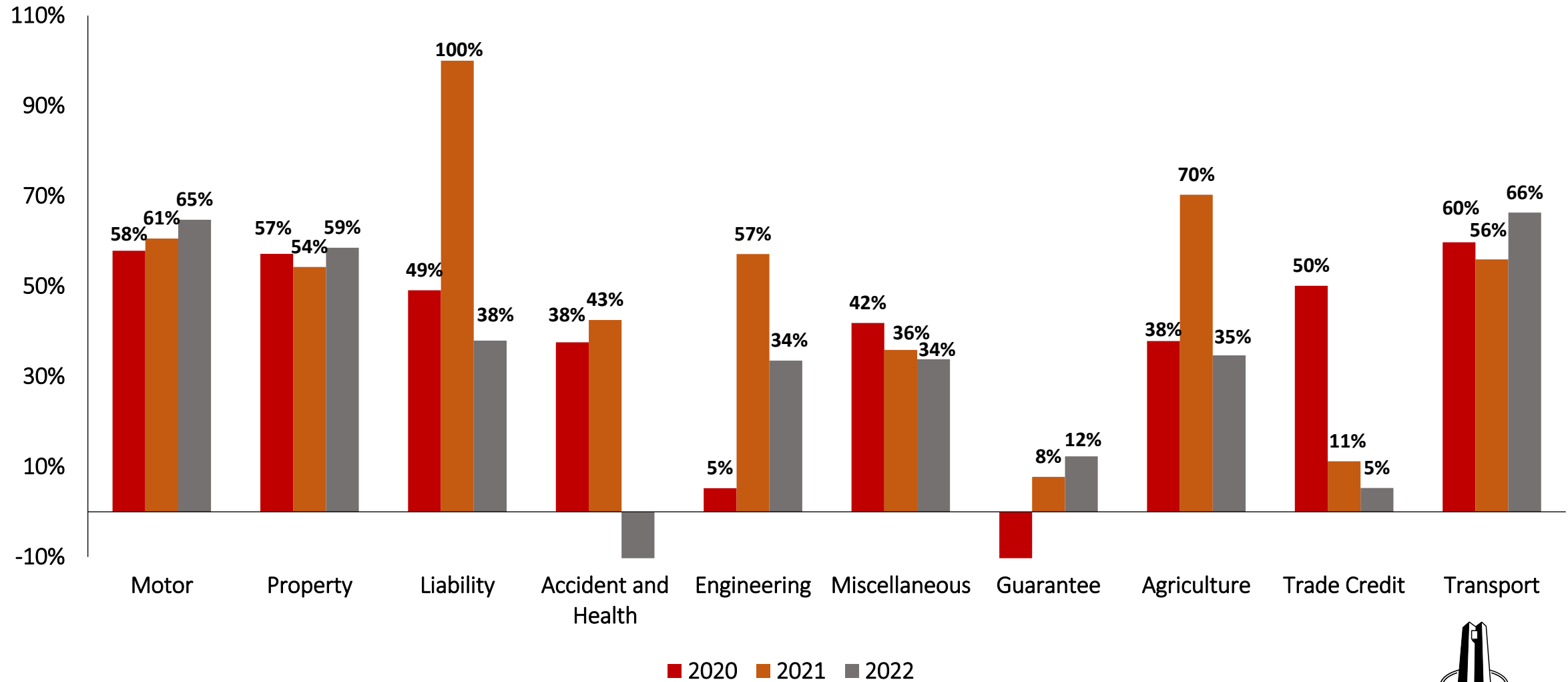
*Other items = (Cashback & other loyalty benefits + Contingent commission + Other contingent payments + Movement in risk margin) / NEP*



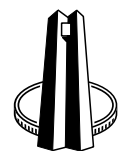
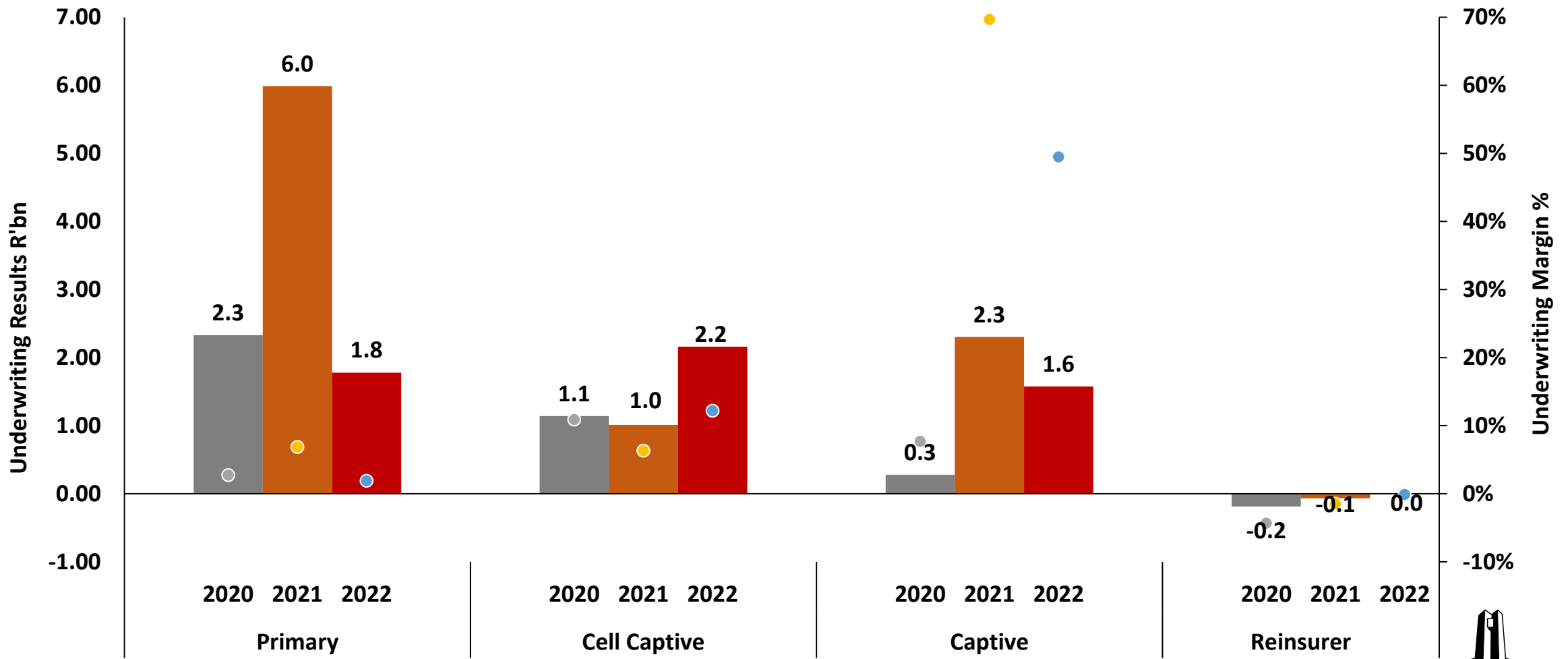
# Key Financial Indicators – Premium and Claims by Largest Line of Business



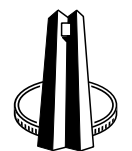
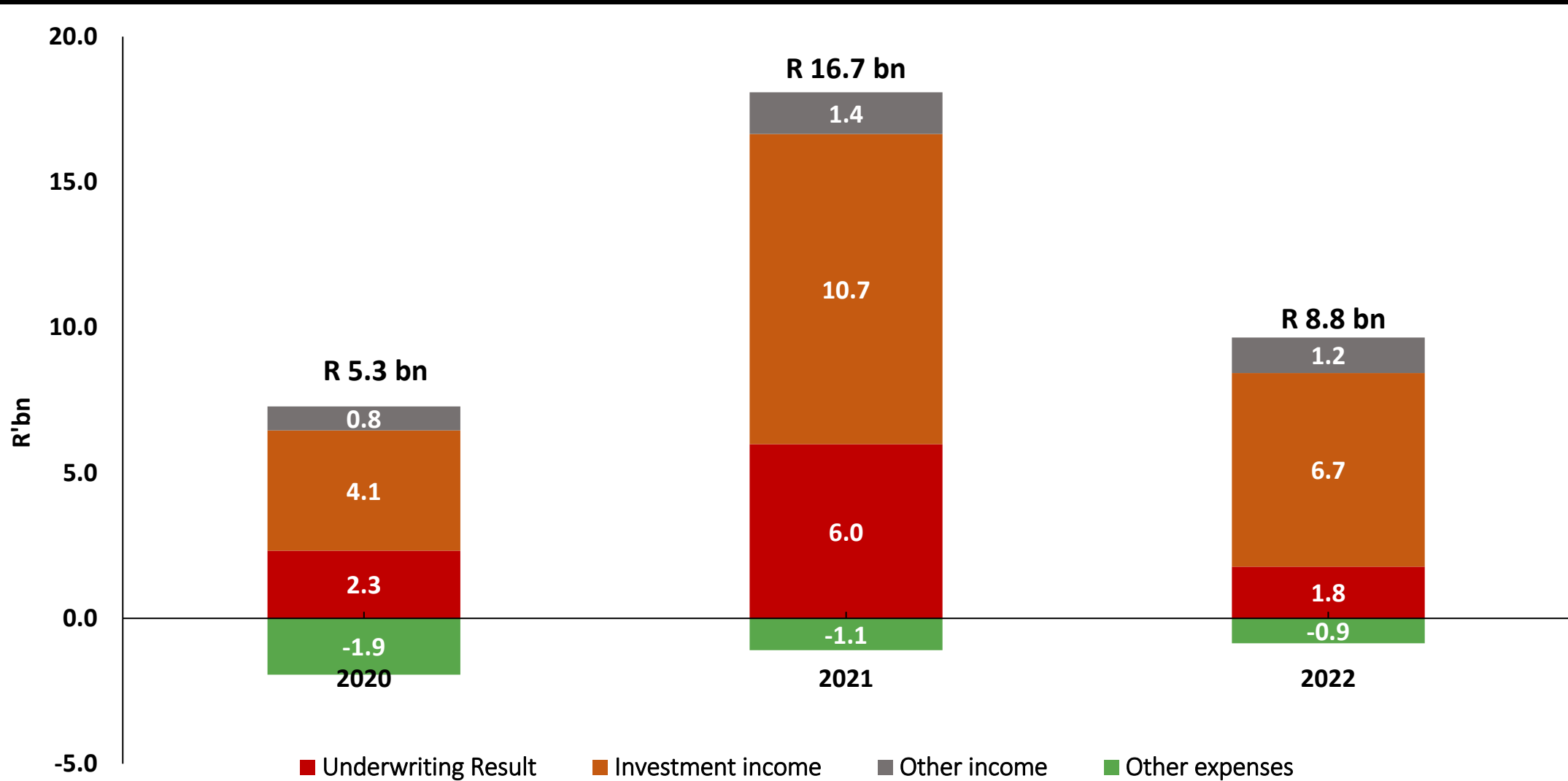
# Key Financial Indicators – Claims Ratio by Larger Line of Business



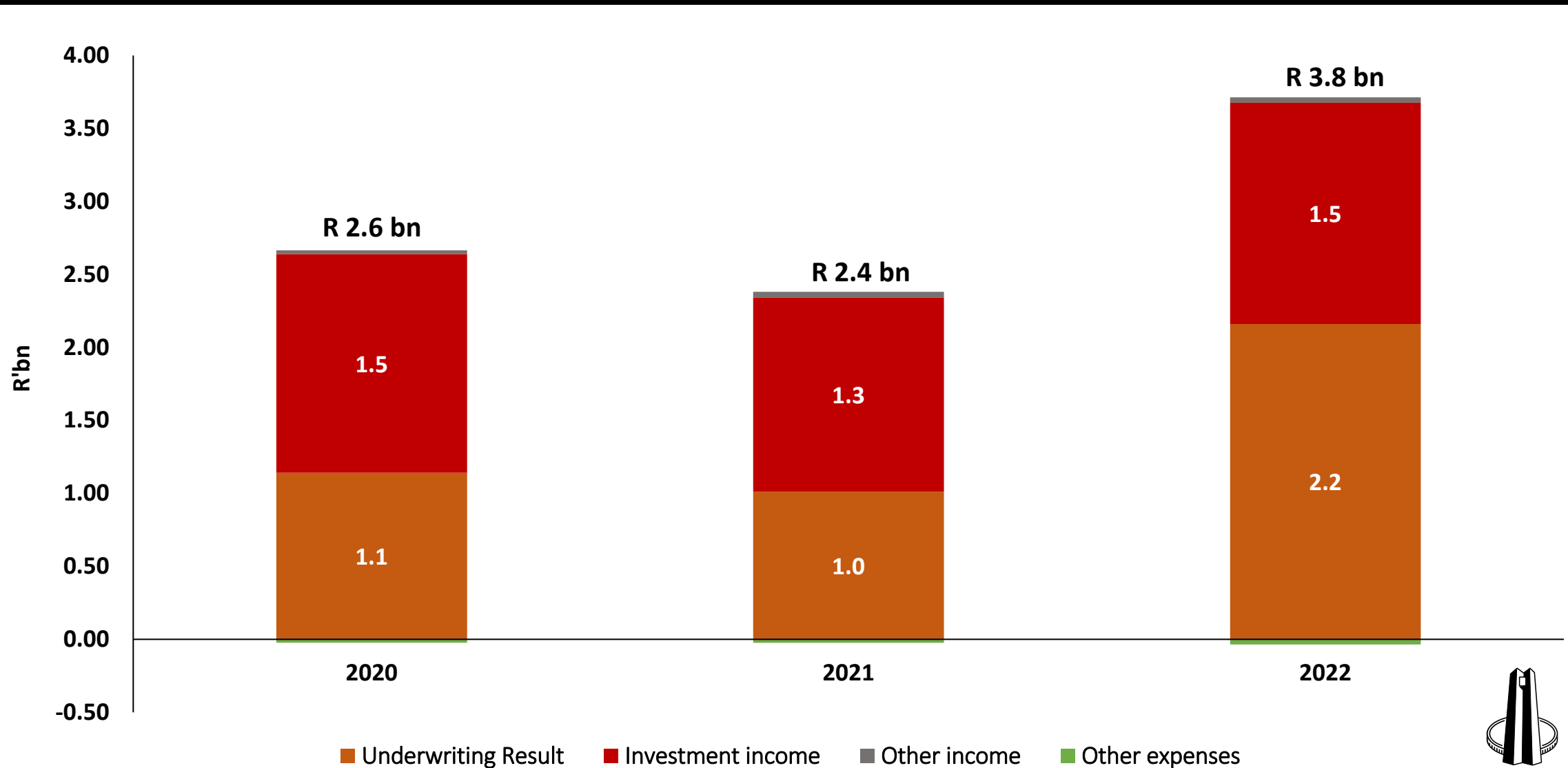
# Underwriting Result – Insurer Type



# SAM Excess Income over Outgo (Primary Insurers)

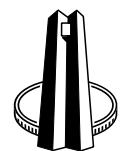
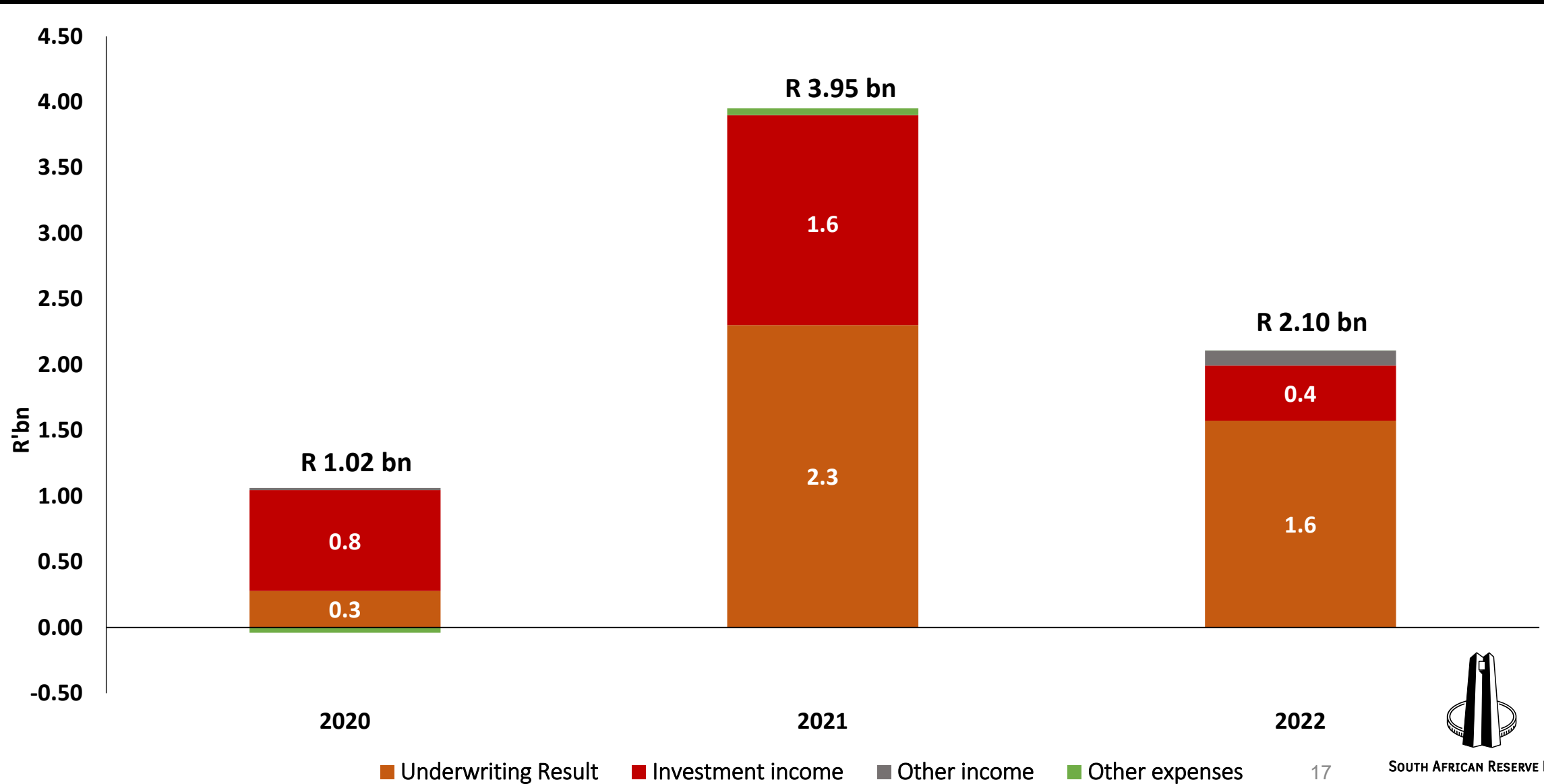


# SAM Excess Income over Outgo (Cell Captives)

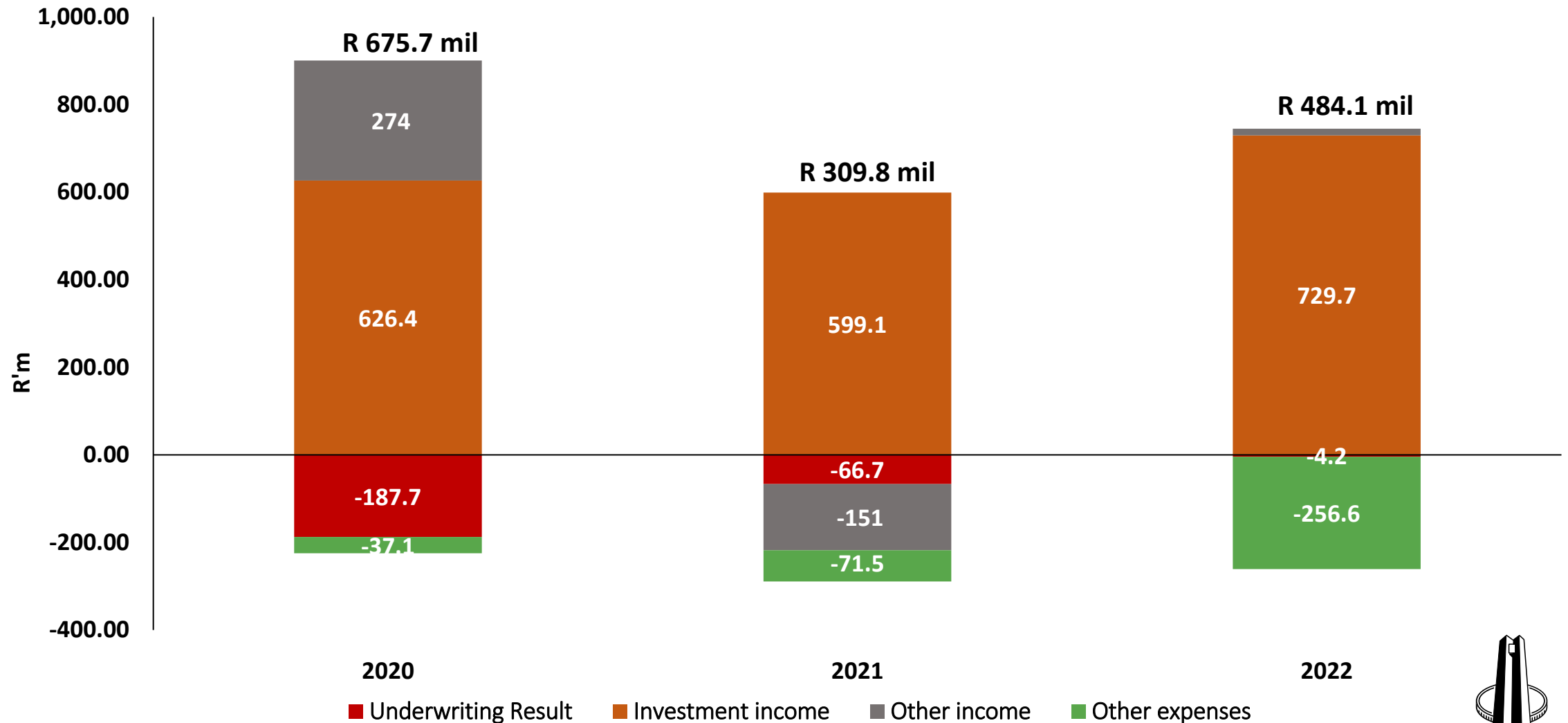




# SAM Excess Income over Outgo (Captives)



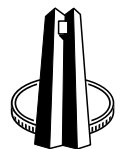
# SAM Excess Income over Outgo (Reinsurers)



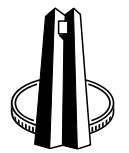
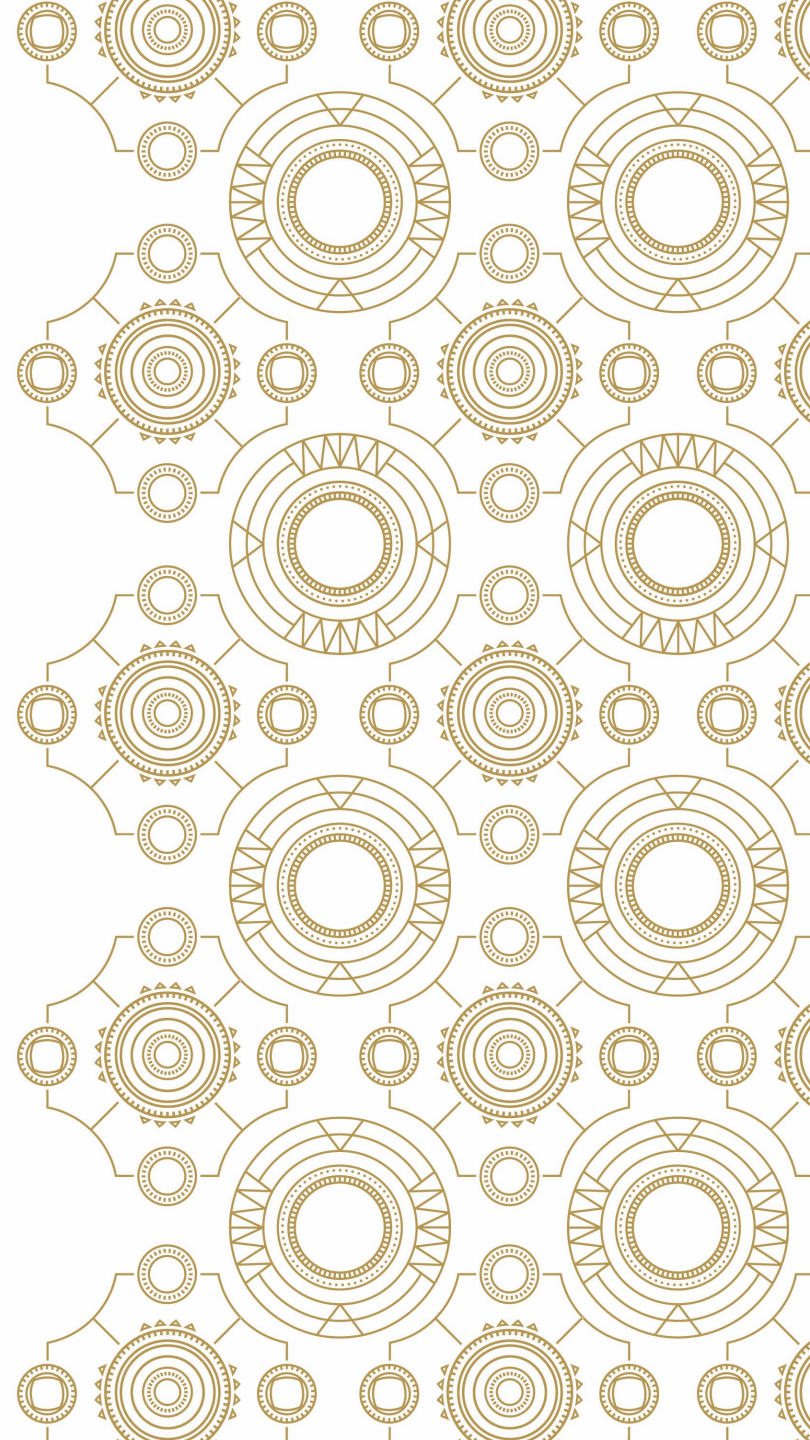
# Agenda

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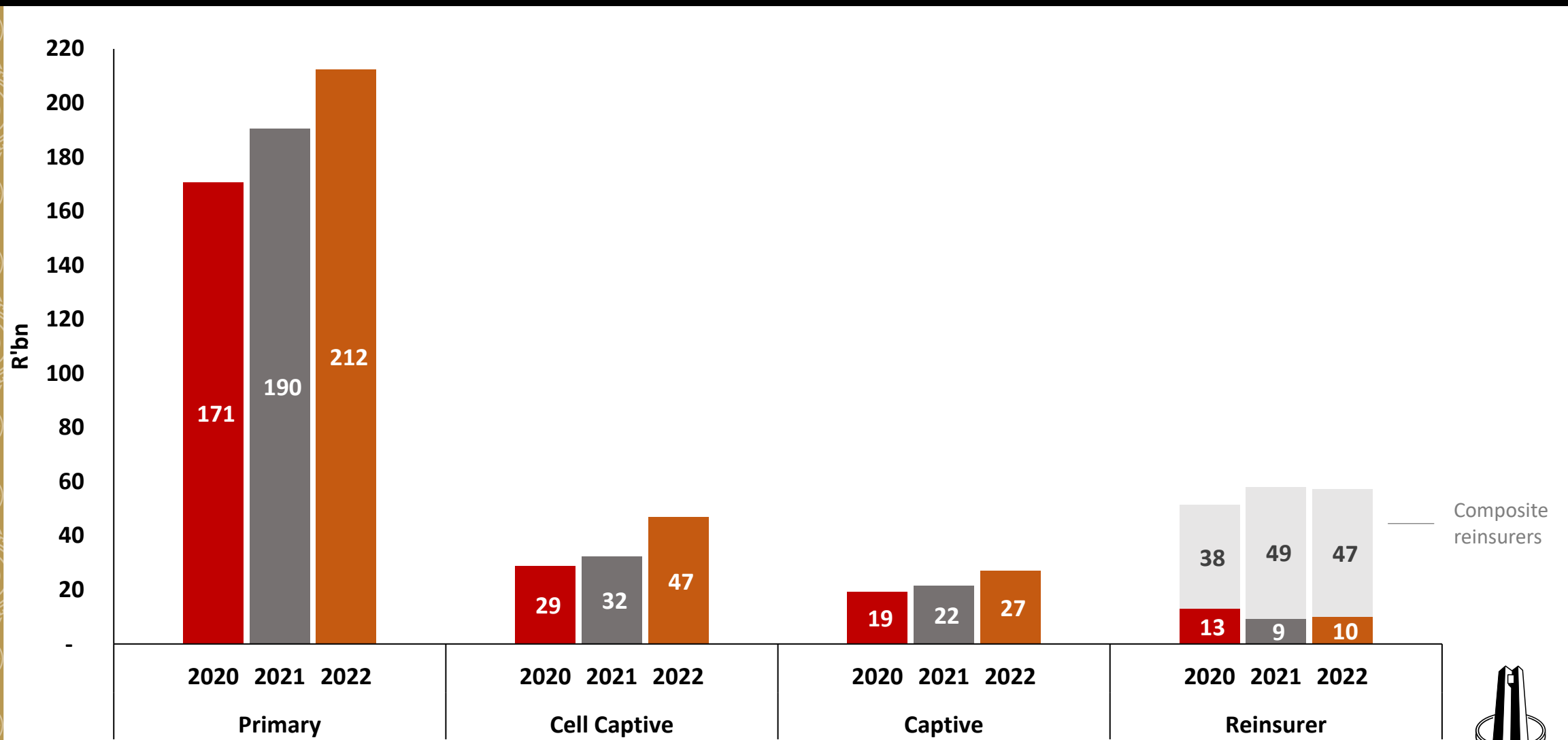
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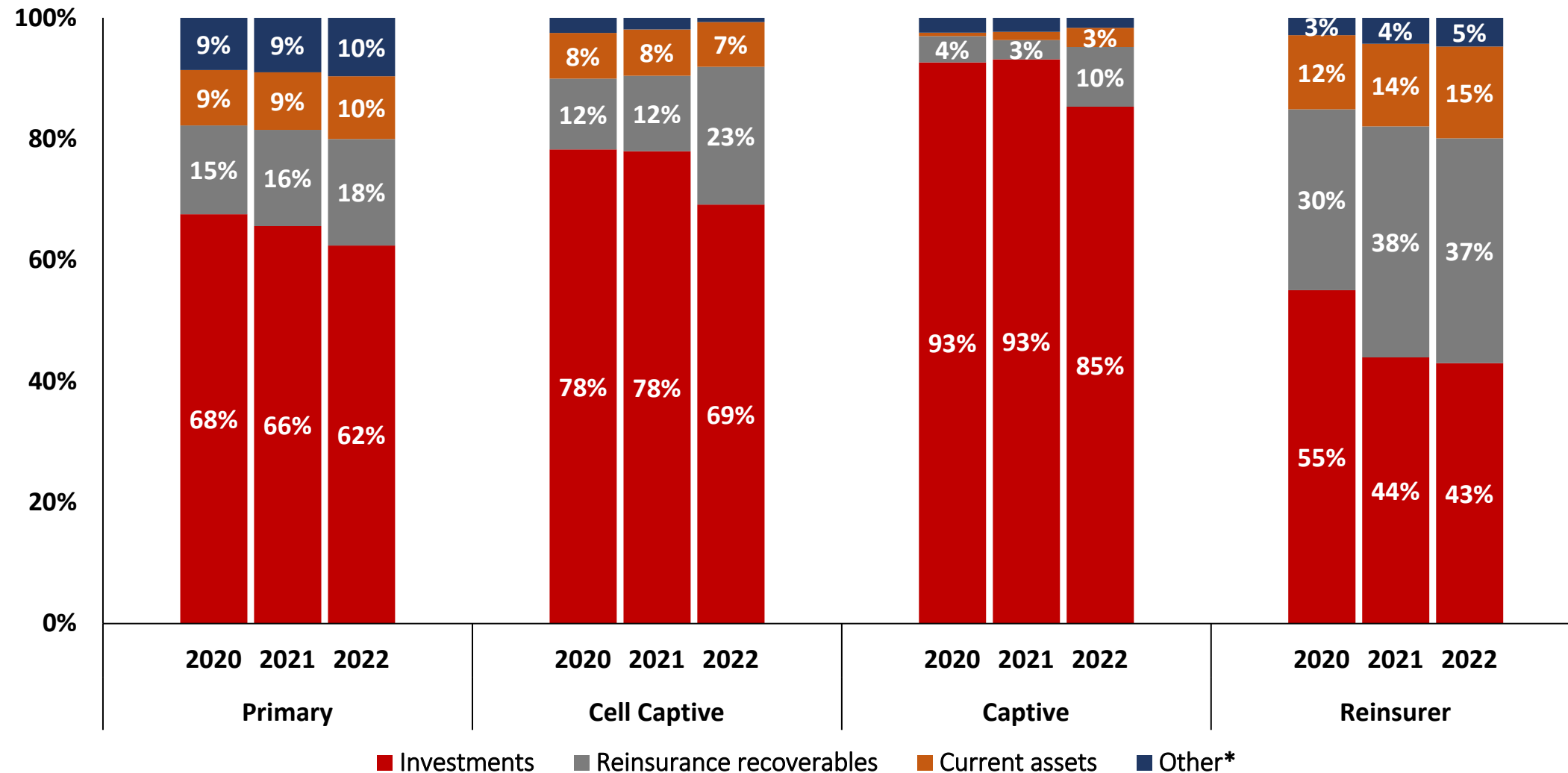
# Assets



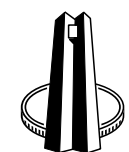
# Total Assets by Insurer Type



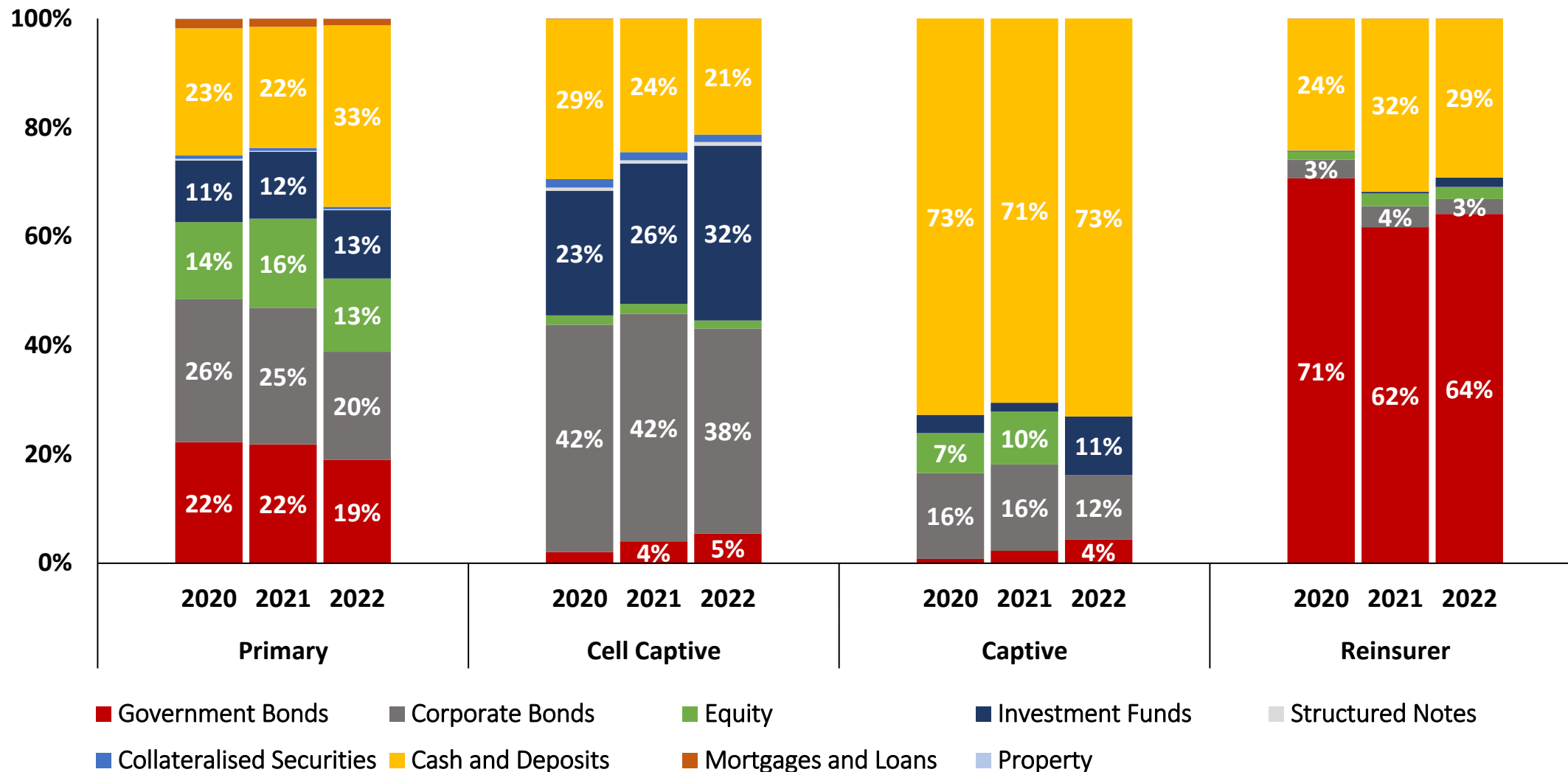
# Asset Composition by Insurer Type



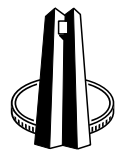
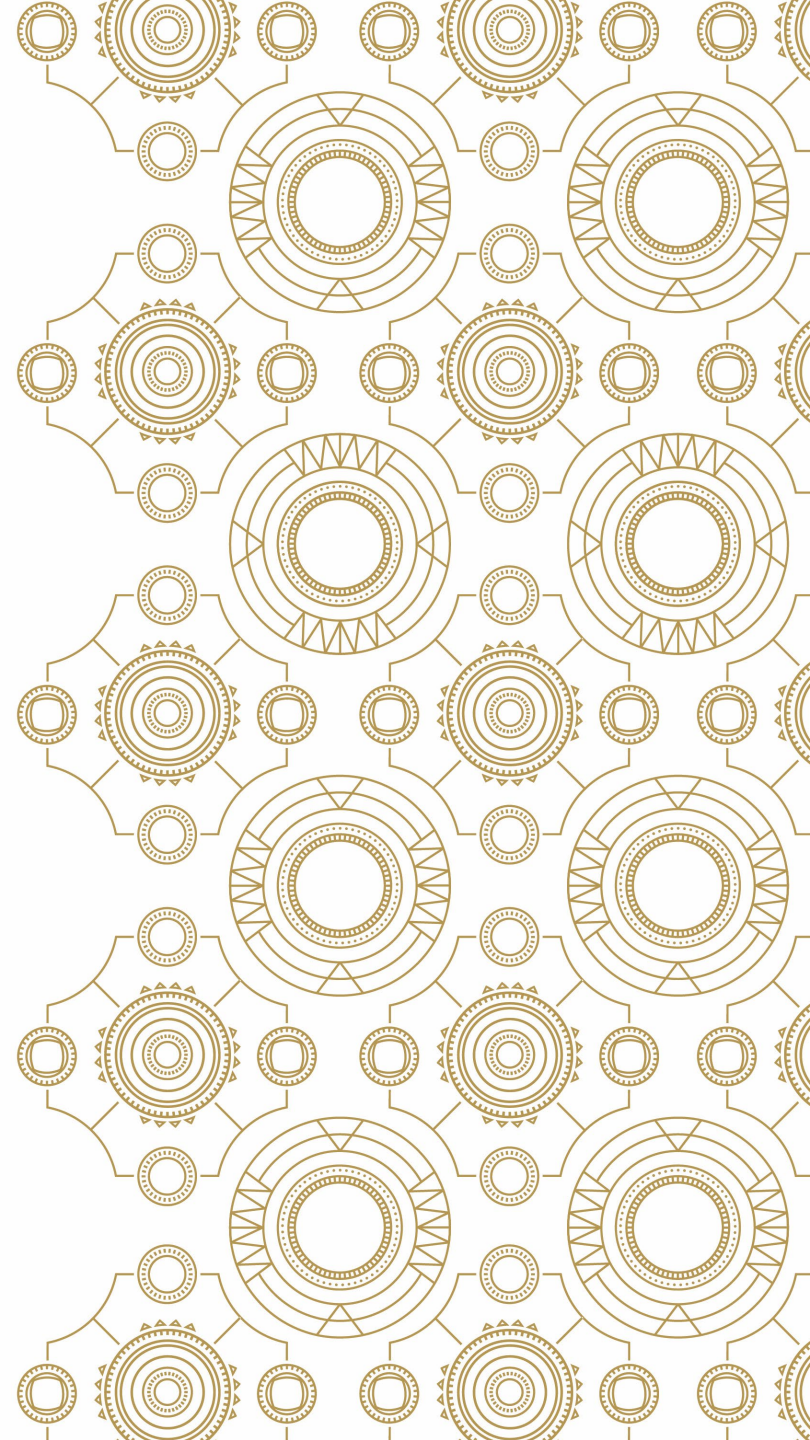
Note: Other includes all the remaining Asset line items



# Investment Composition by Insurer Type

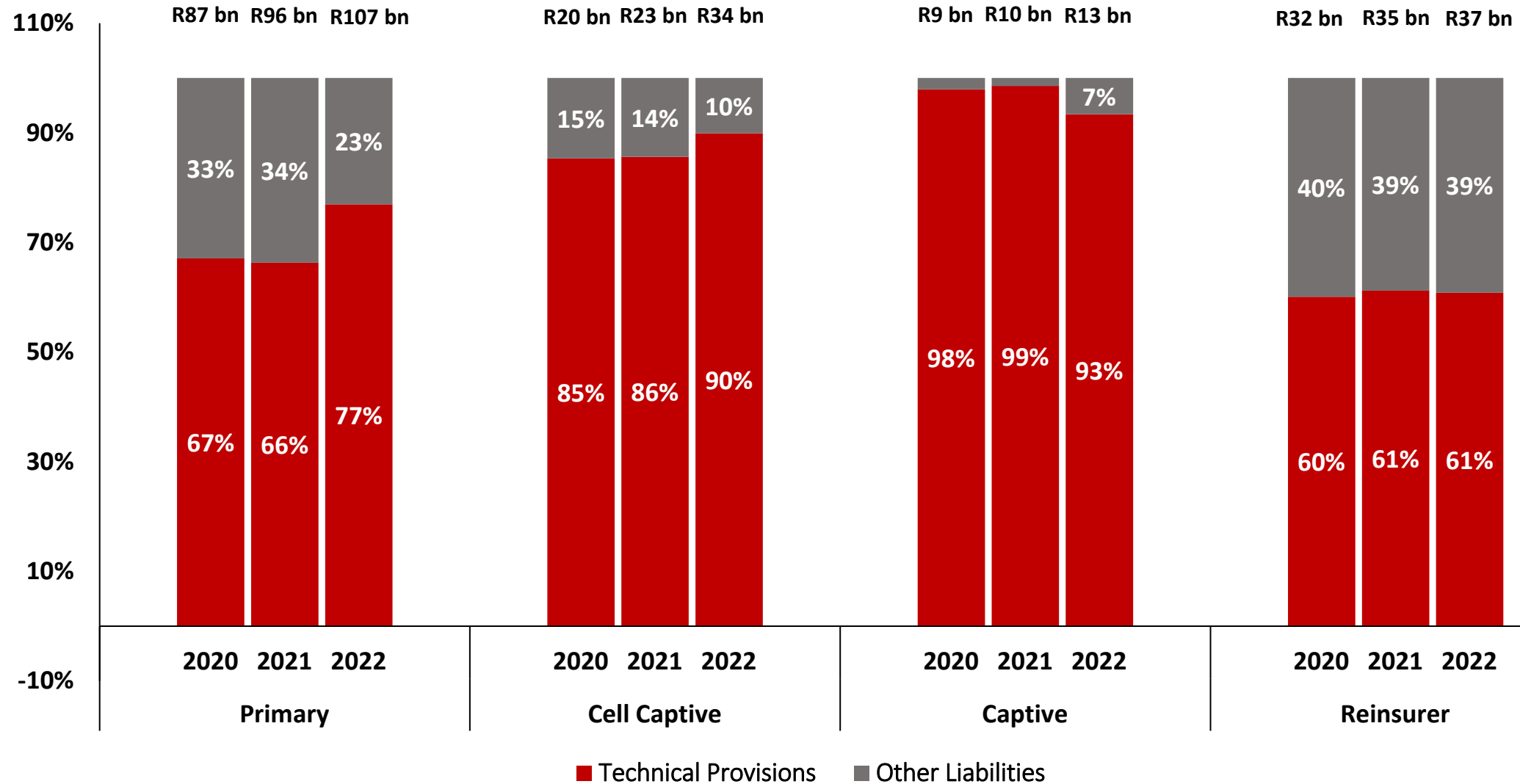


# Liabilities

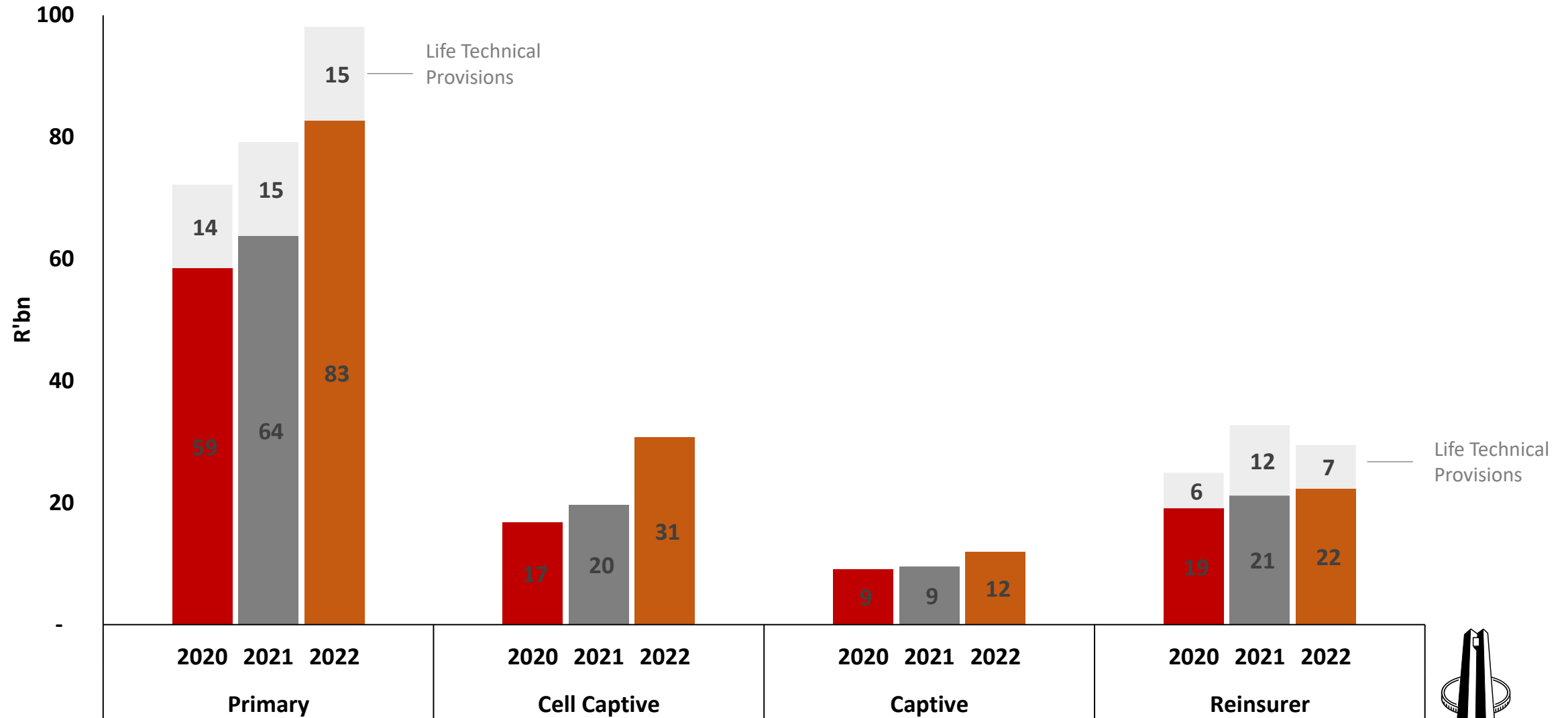




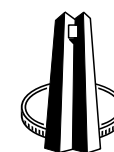
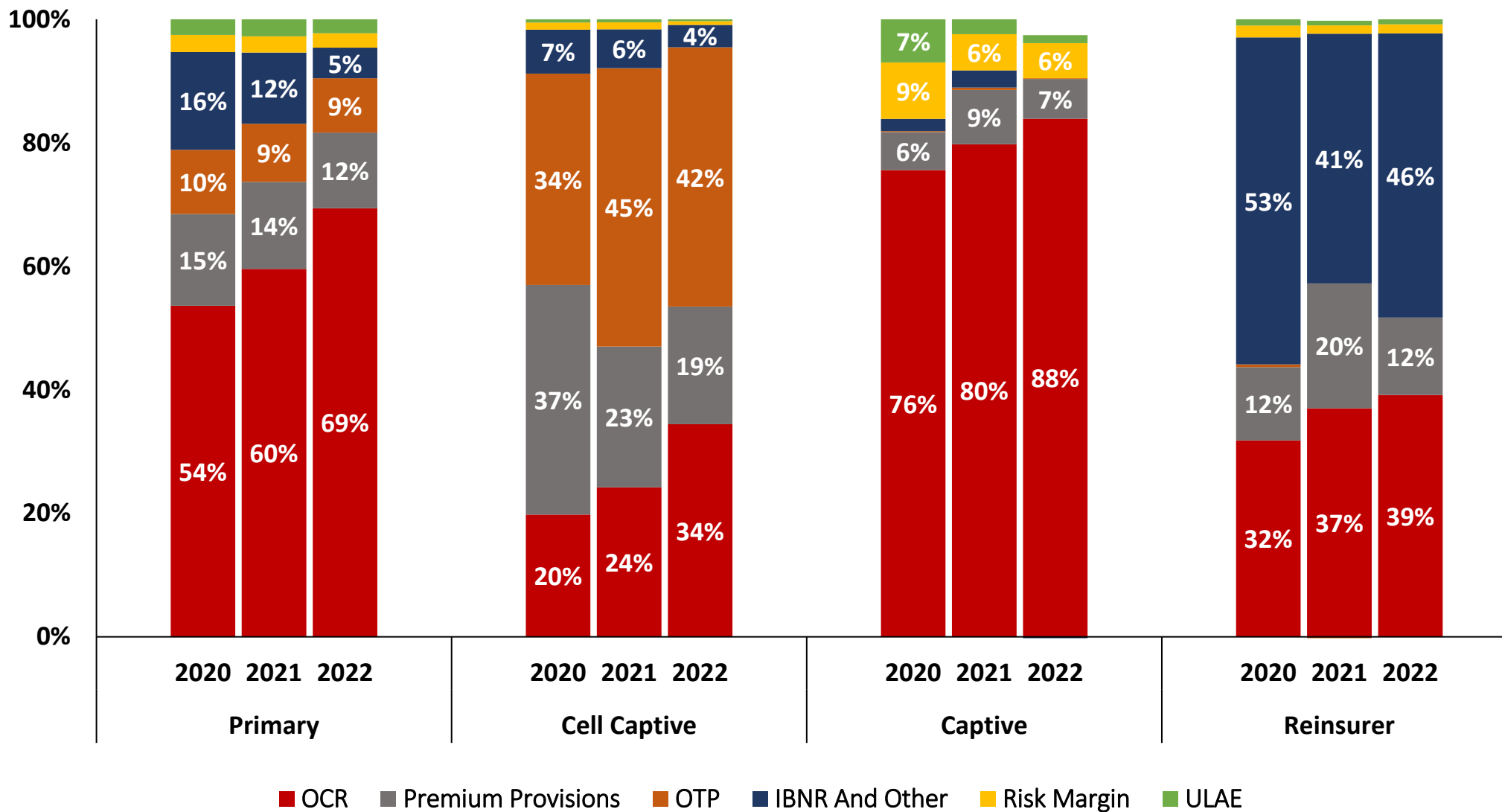
# Non-life Technical Provisions and Other Liabilities



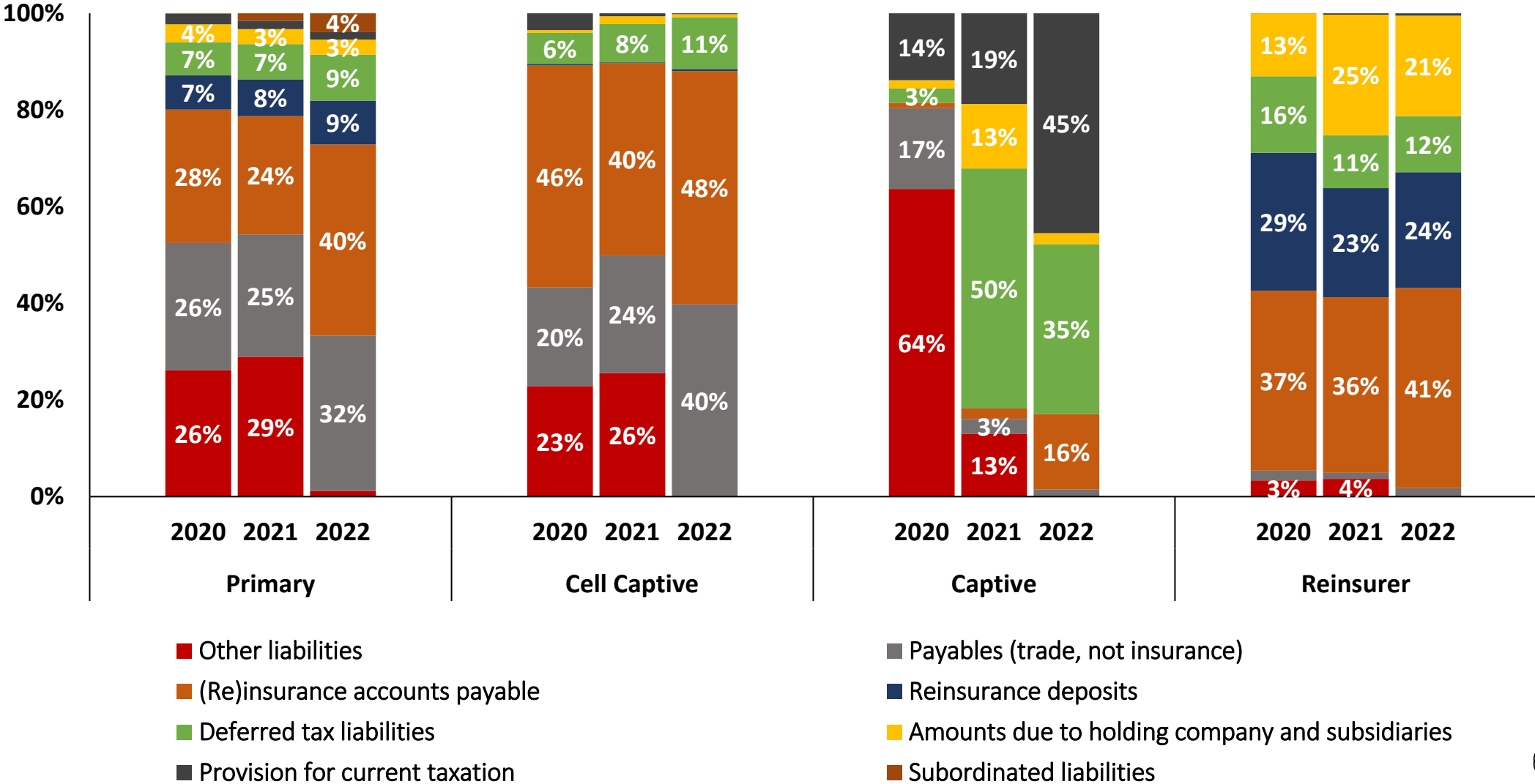
# Total Technical Provisions



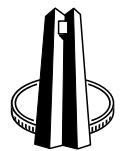
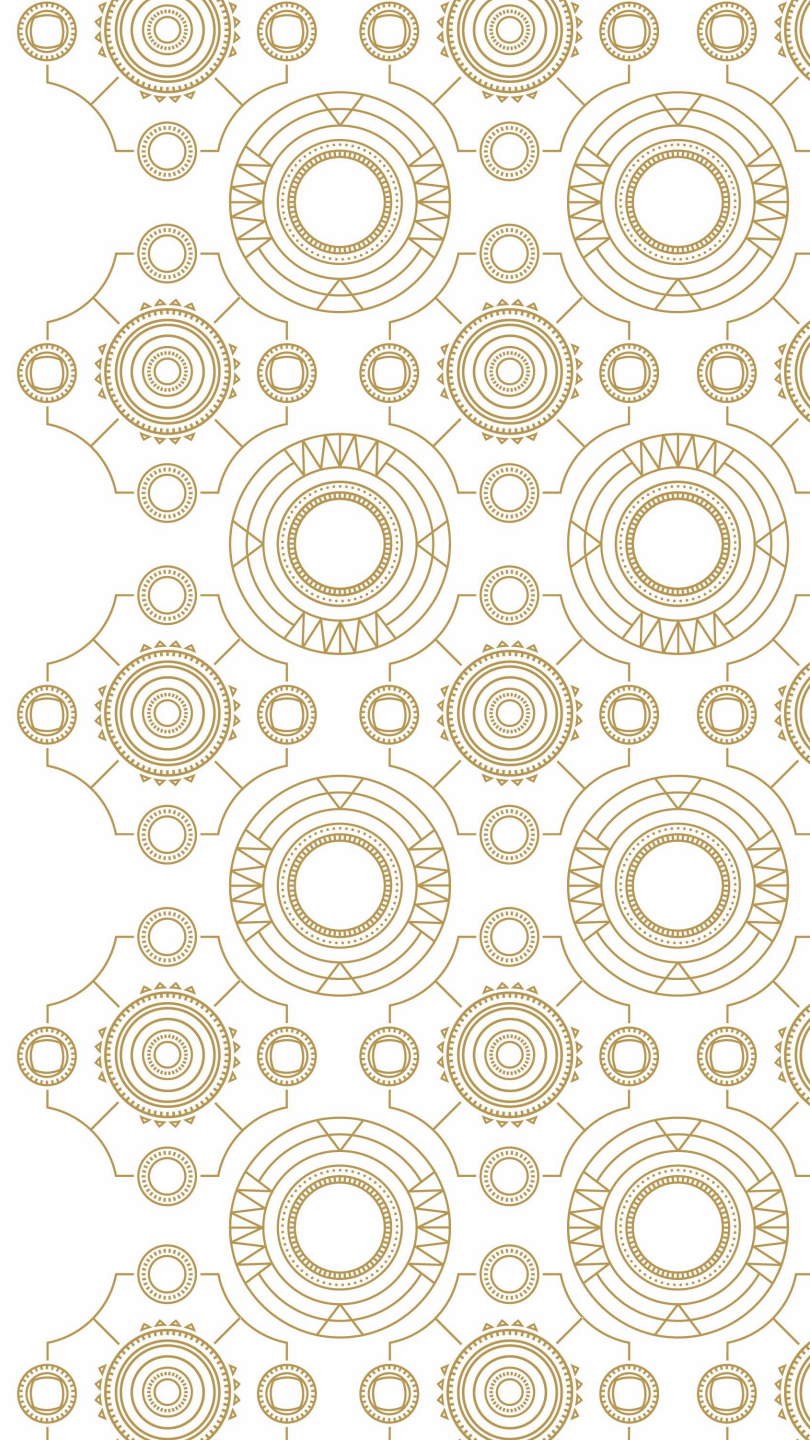
# TPs Composition by Insurer Type



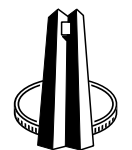
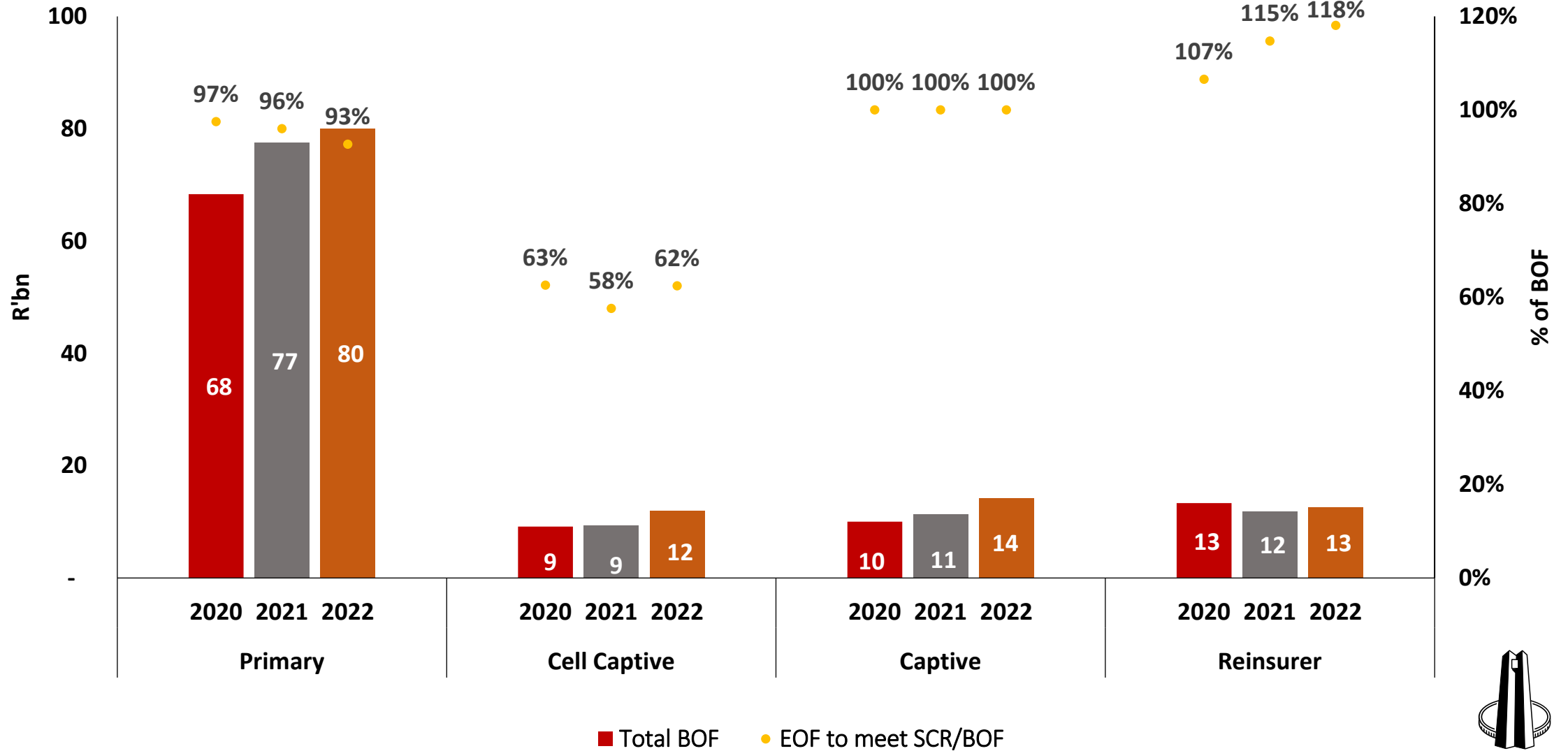
# The breakdown of Other Liabilities



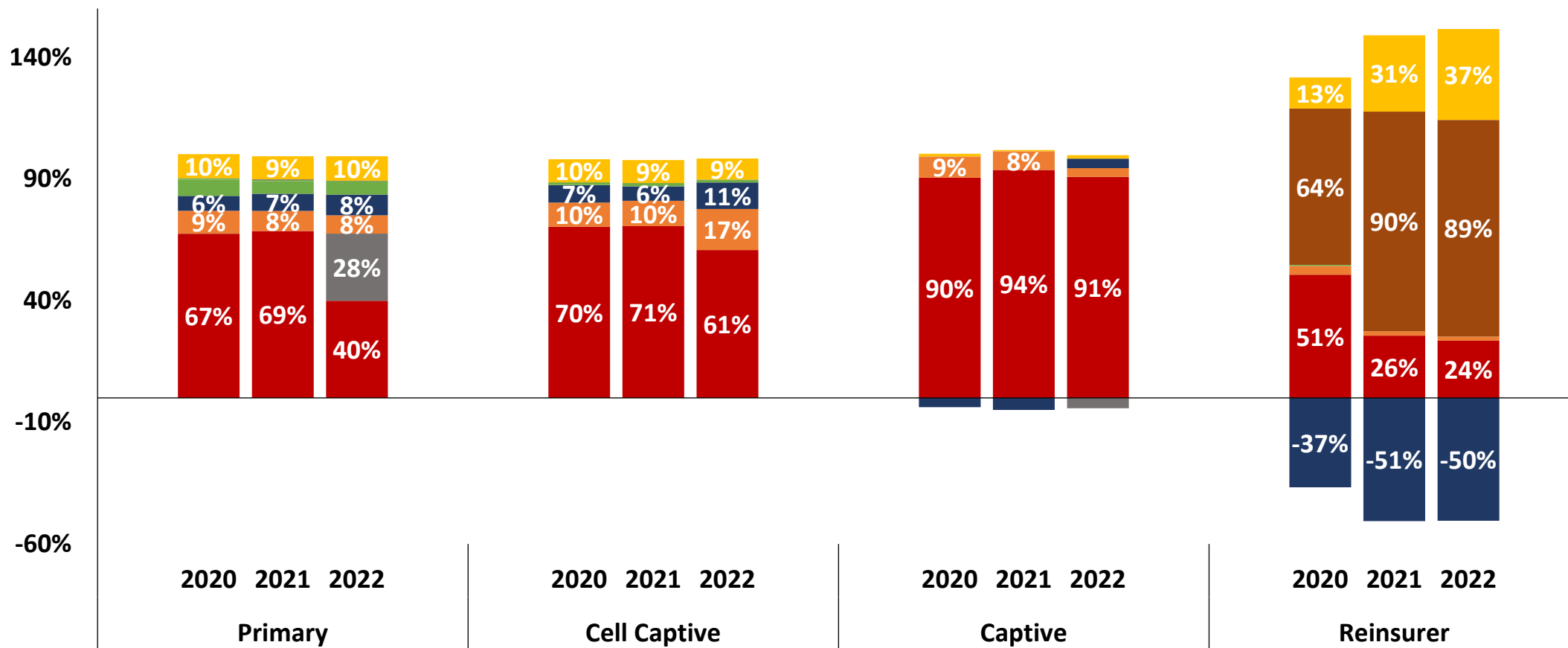
# Basic Own Funds



# Own Funds by Insurer Type

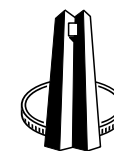


# Composition of BOF by Insurer Type

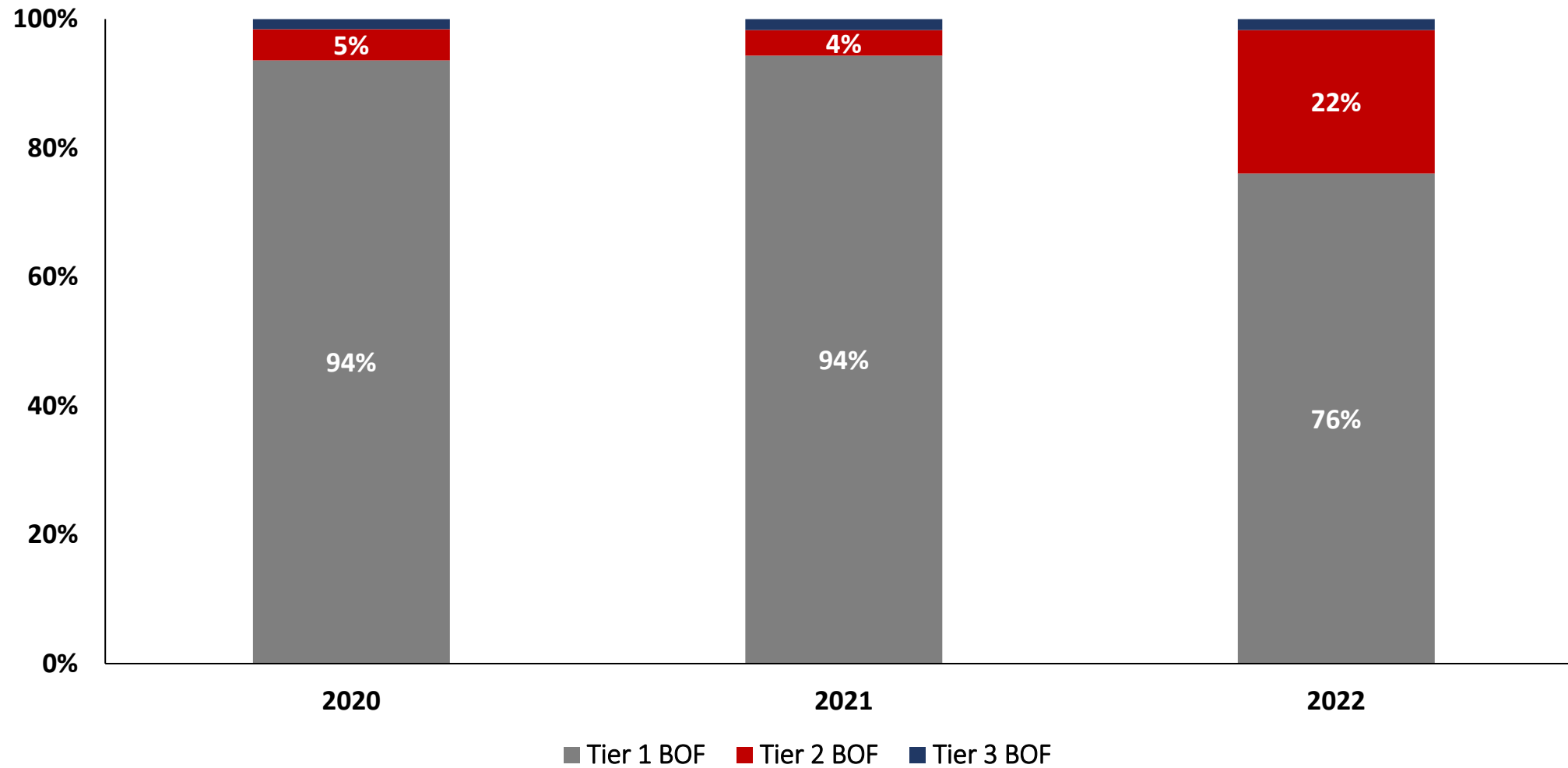


- Retained earnings including profits for year net of foreseeable dividends
- Ordinary share capital (net of own shares)
- Subordinated liabilities
- Preference shares
- Share premium account

- Other capital movements
- Reconciliation reserve
- Other reserves from accounting balance sheet
- Surrender value gap (SVG excl. risk margin)



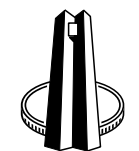
# Tiering of BOF





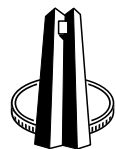
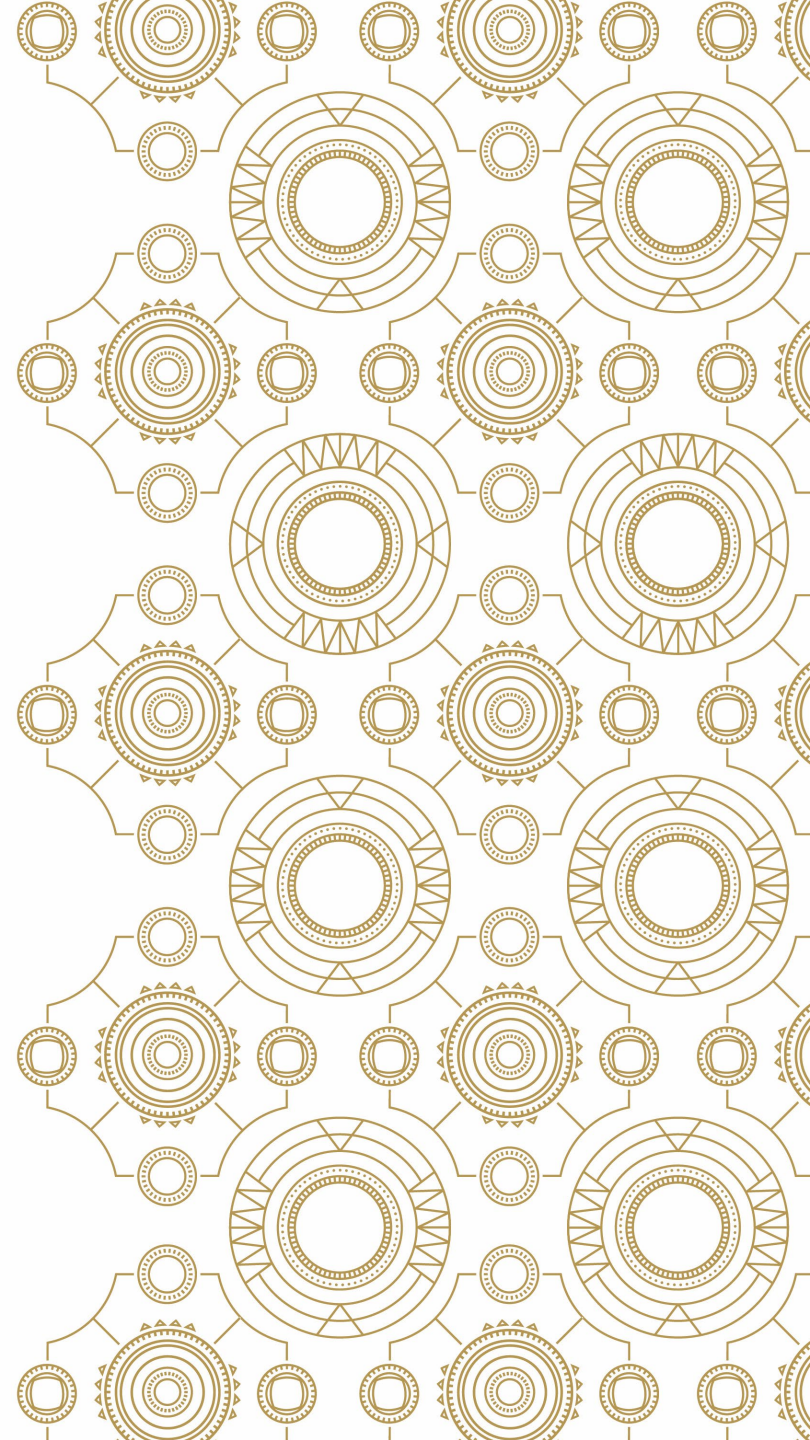
# Tier 2 and Tier 3 BOF

R'bn	2020	2021	2022
<b>Tier 2</b>			
Total Basic own funds before adjustments	4.9	4.3	26.3
Total Basic own funds after adjustments	4.9	4.3	26.3
# Insurers Holding Tier 2 Funds	10	7	8
<b>Tier 3</b>			
Total Basic own funds after adjustments	1.6	1.8	2.0
# of Insurers Holding Tier 3 Funds	53	45	44

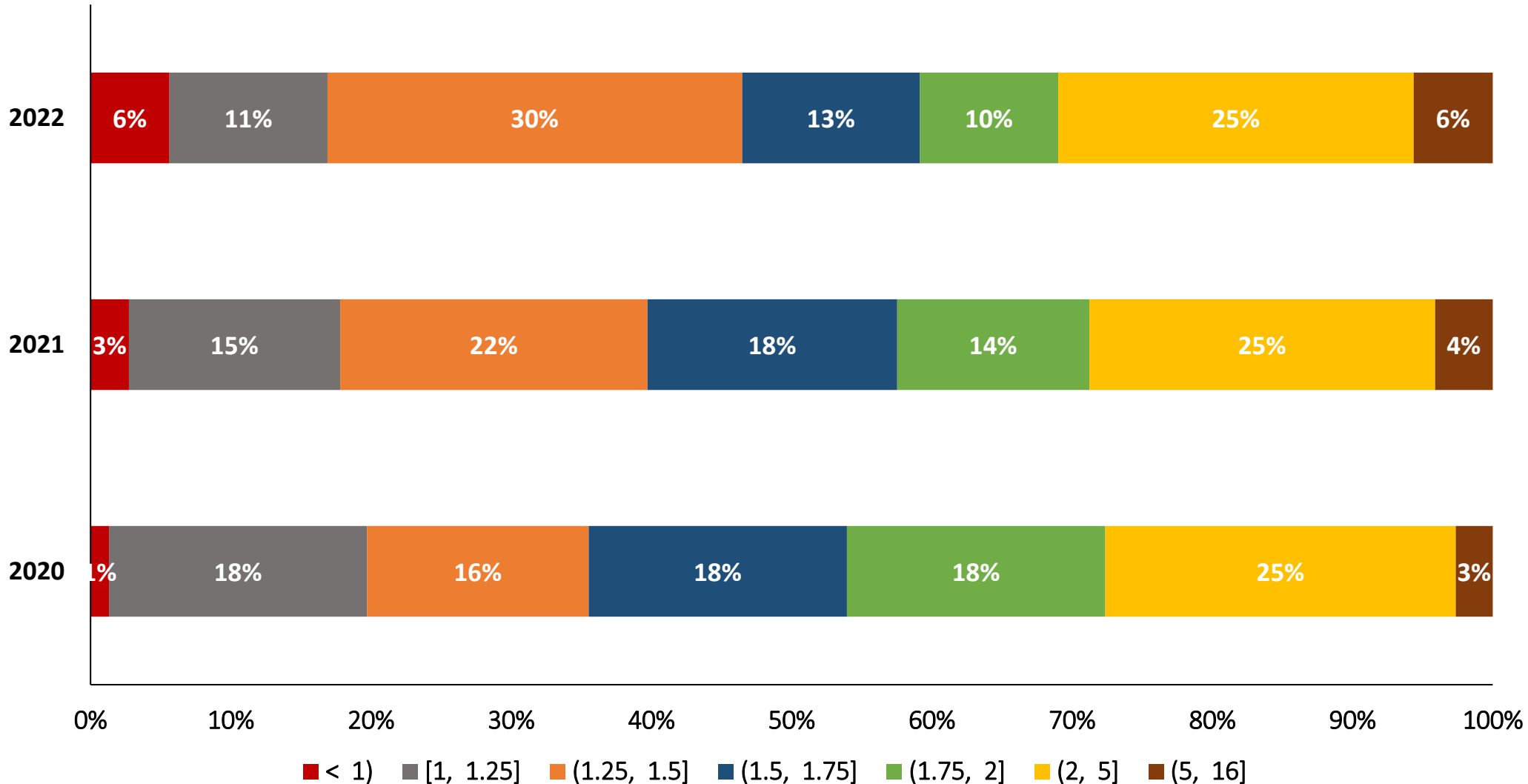


# Solvency Capital Requirements

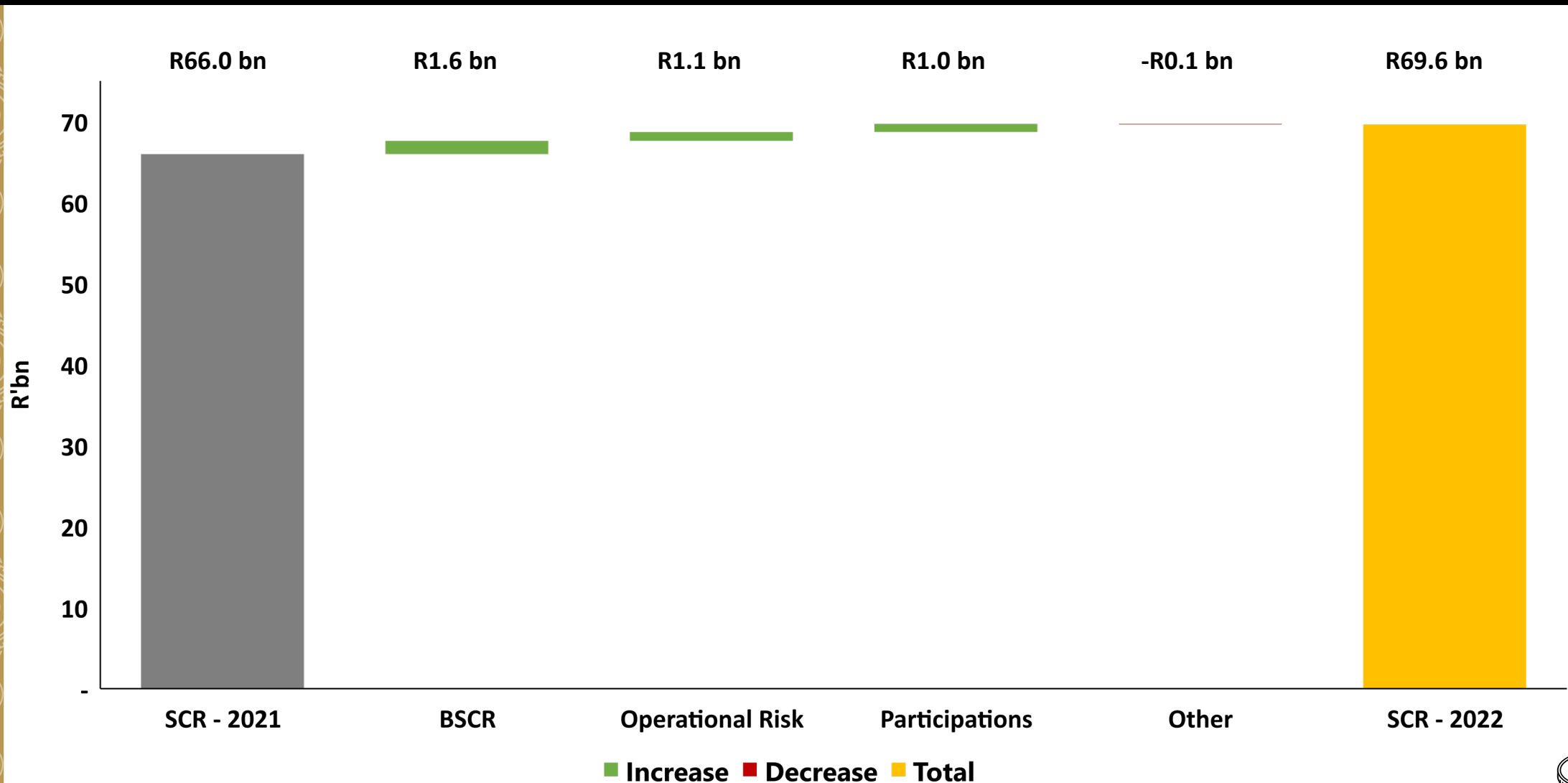
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# SCR Cover Ratios

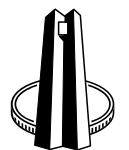


# Movement in SCR (2021-2022)

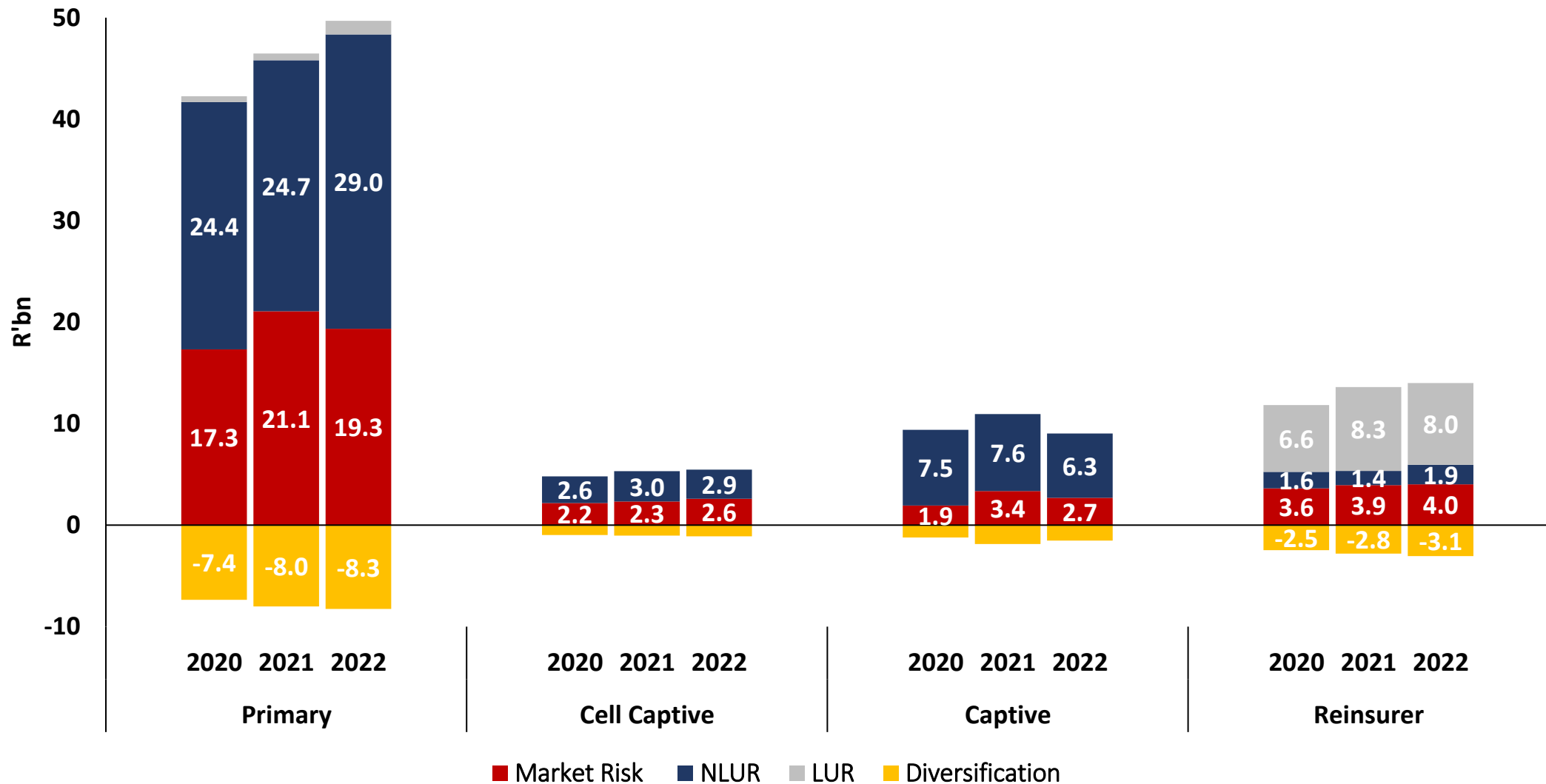


Notes:

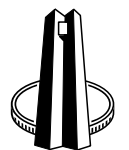
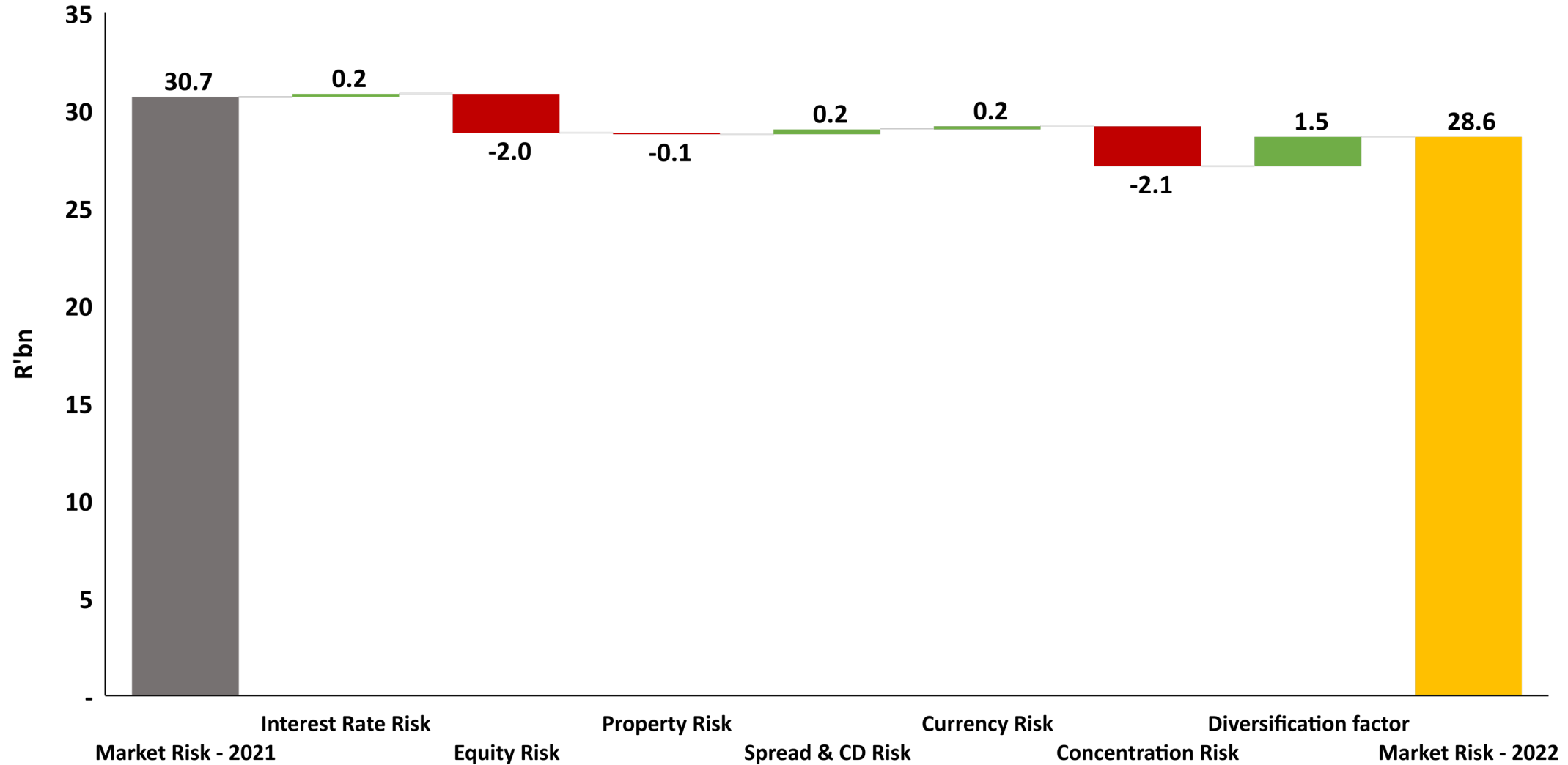
Other = LACDT plus SCR Adjustments: Cells and Ring-Fenced Funds



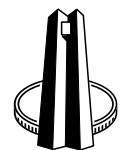
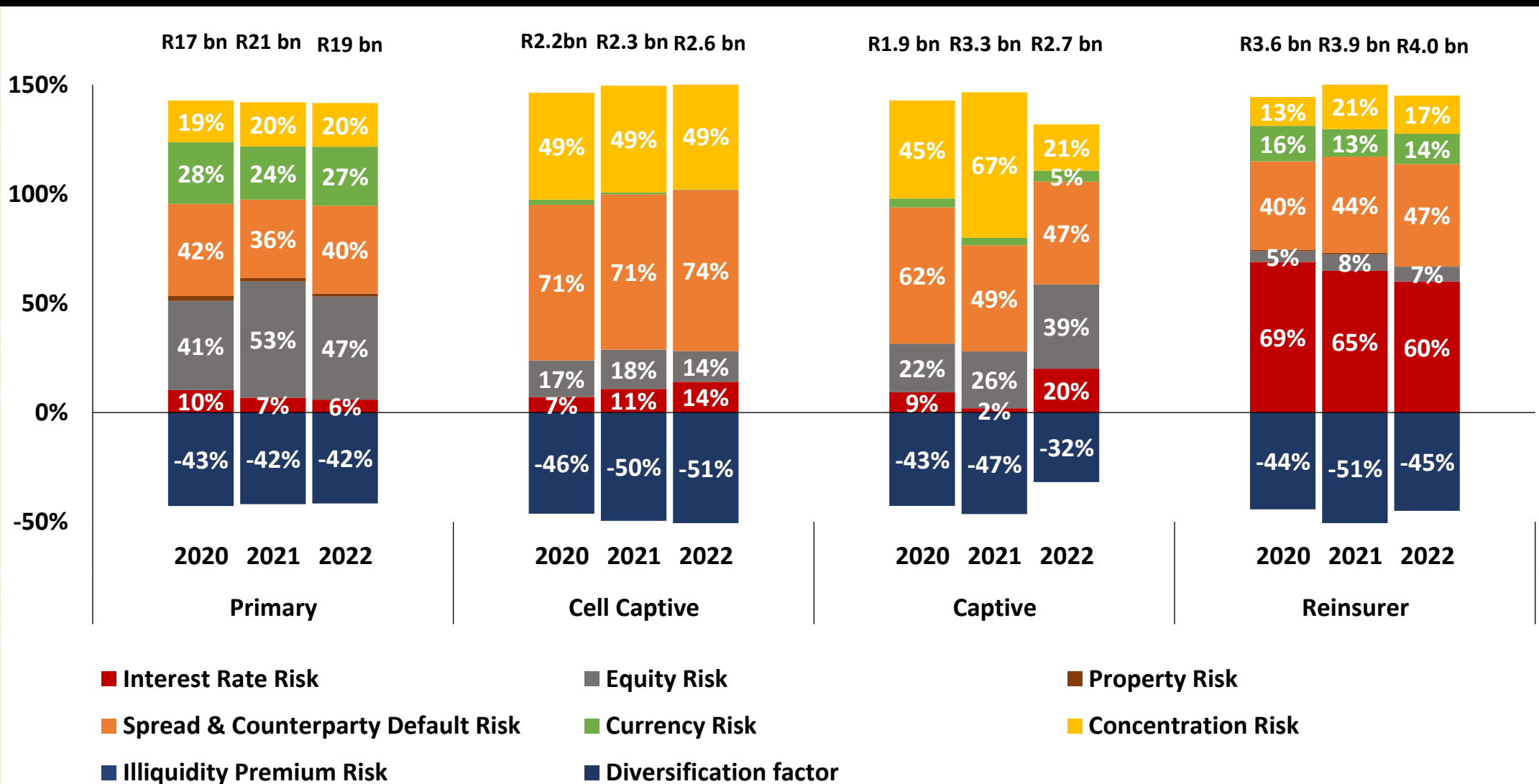
# Breakdown of BSCR by Insurer Type



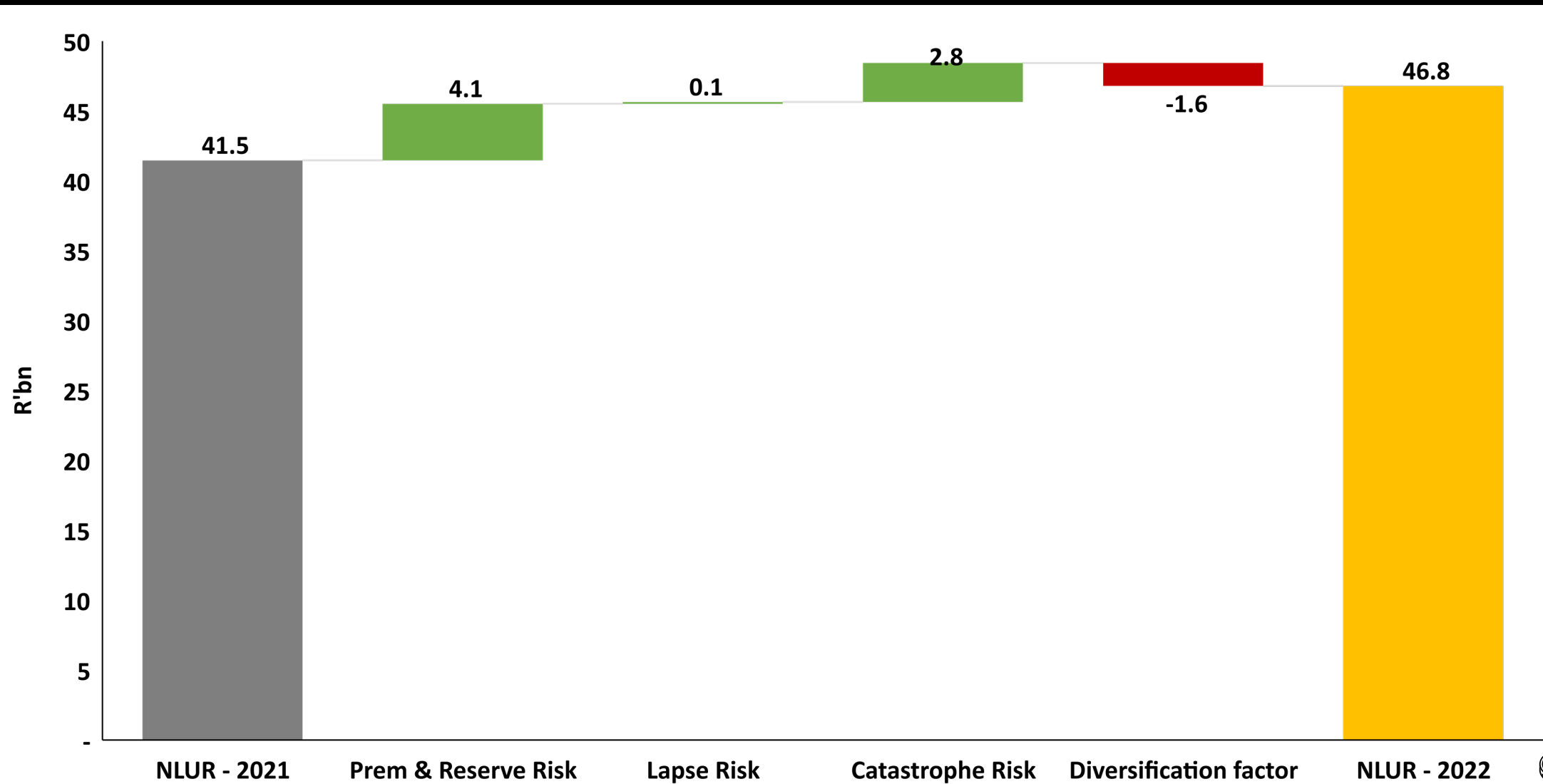
# Movement in Market Risk (2021 – 2022)



# Market Risk - by Insurer Type



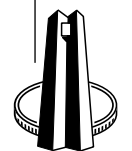
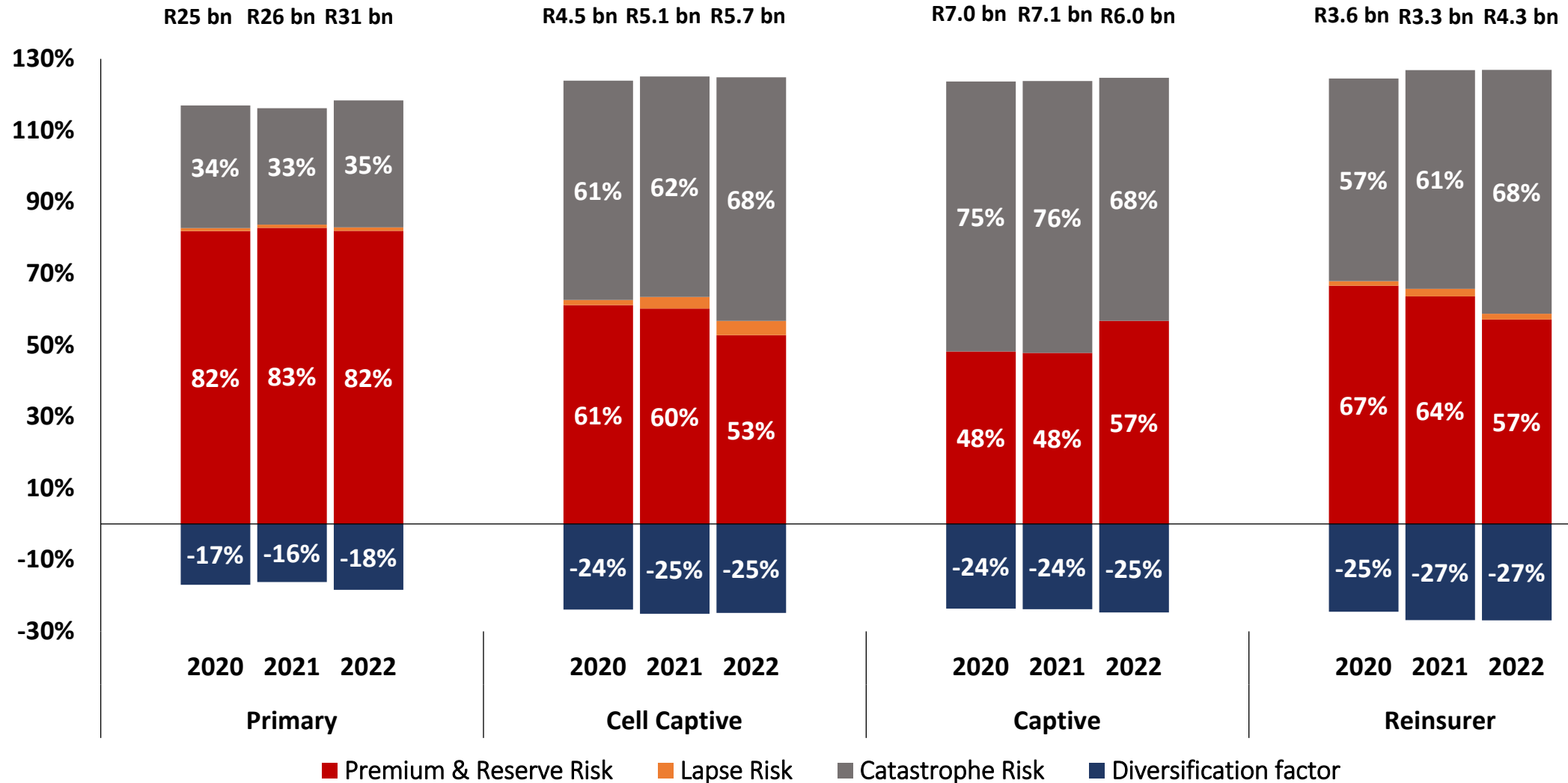
# Movement in Non-Life Underwriting Risk (2021 – 2022)



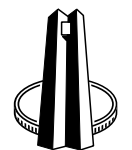
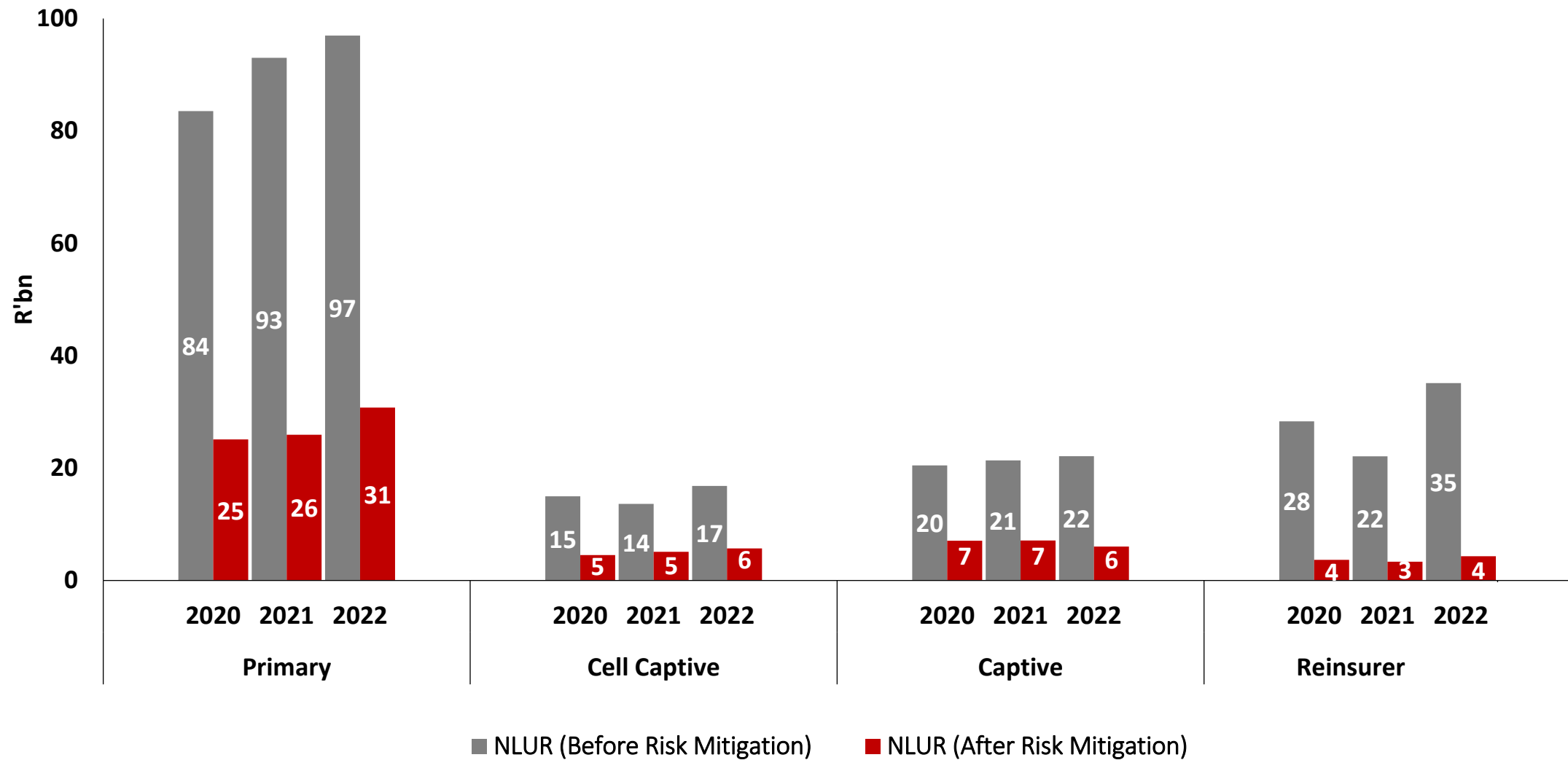
*Note: This slide shows the Diversified capital charge for NLUR*



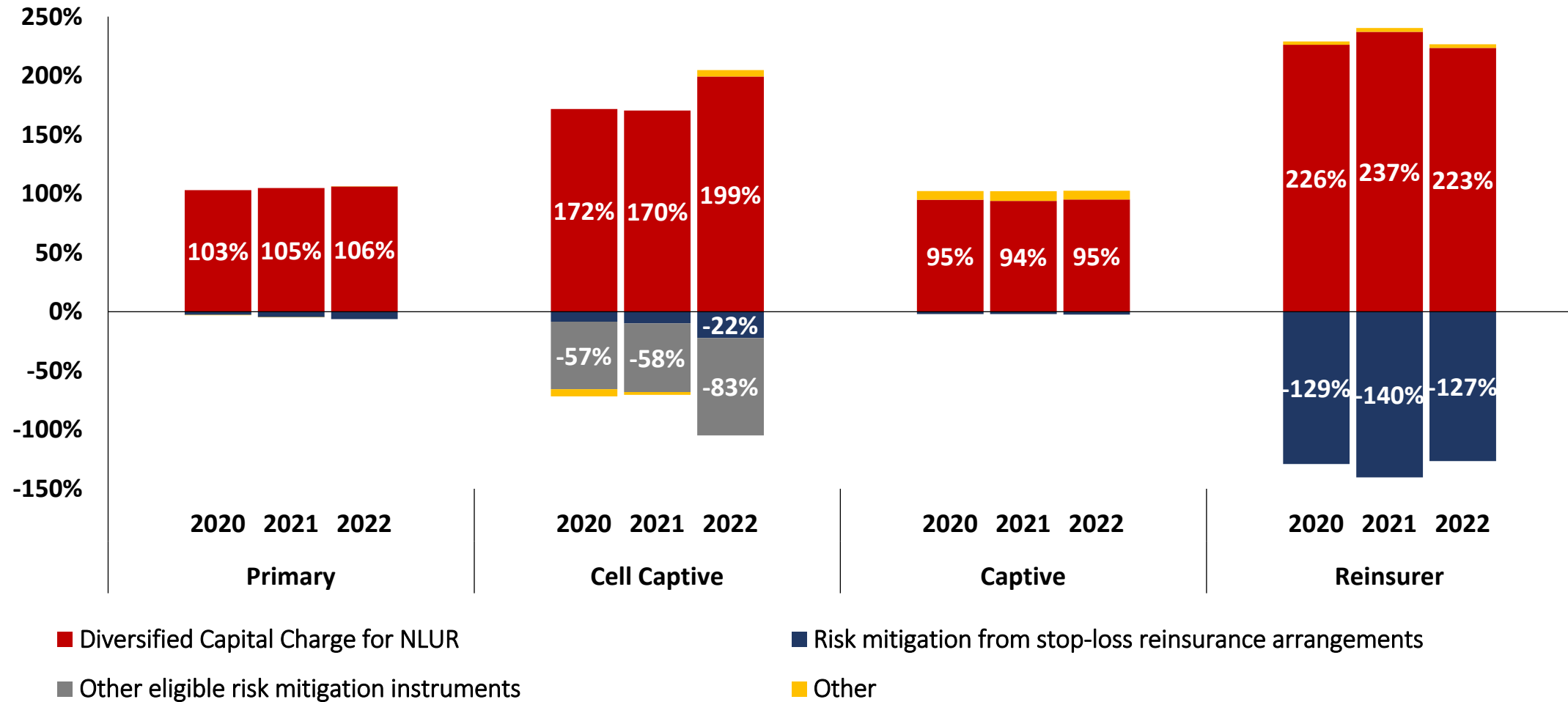
# Non-Life Underwriting Risk Composition



# Effect of Risk Mitigation – NLUR

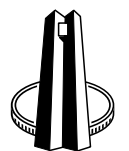


# Overall Non-life Underwriting Risk Composition (SCR<sub>NL</sub>)



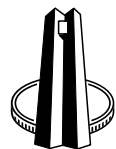
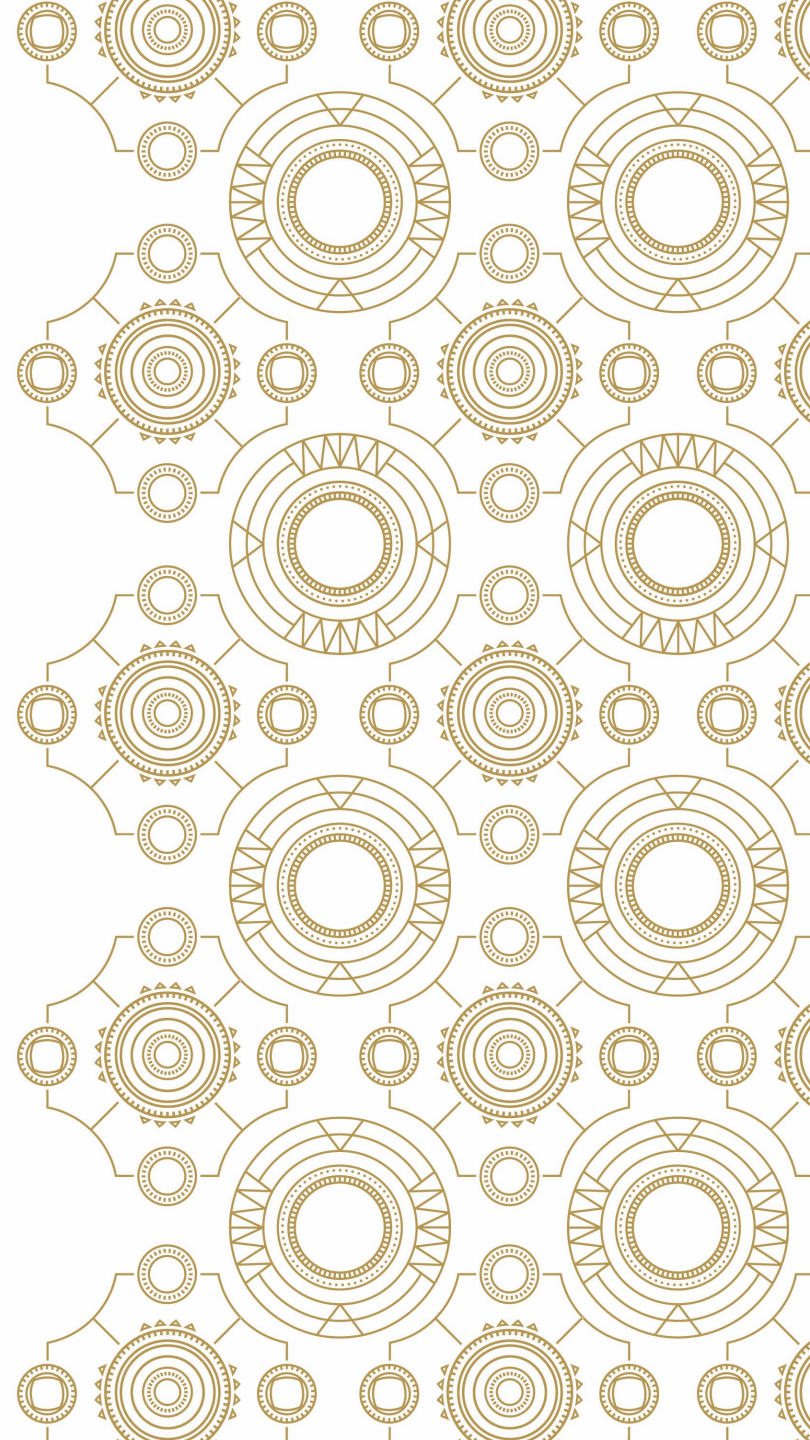
**Notes:**

*Other Includes Optional Adjustment (ADJLossabs); Impairment of Counterparty Default Risk (IMPSL&Other) and Simplification for First Party Insurance Structures (SCR<sub>NL\_fp</sub>)*

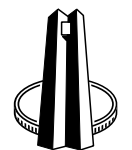
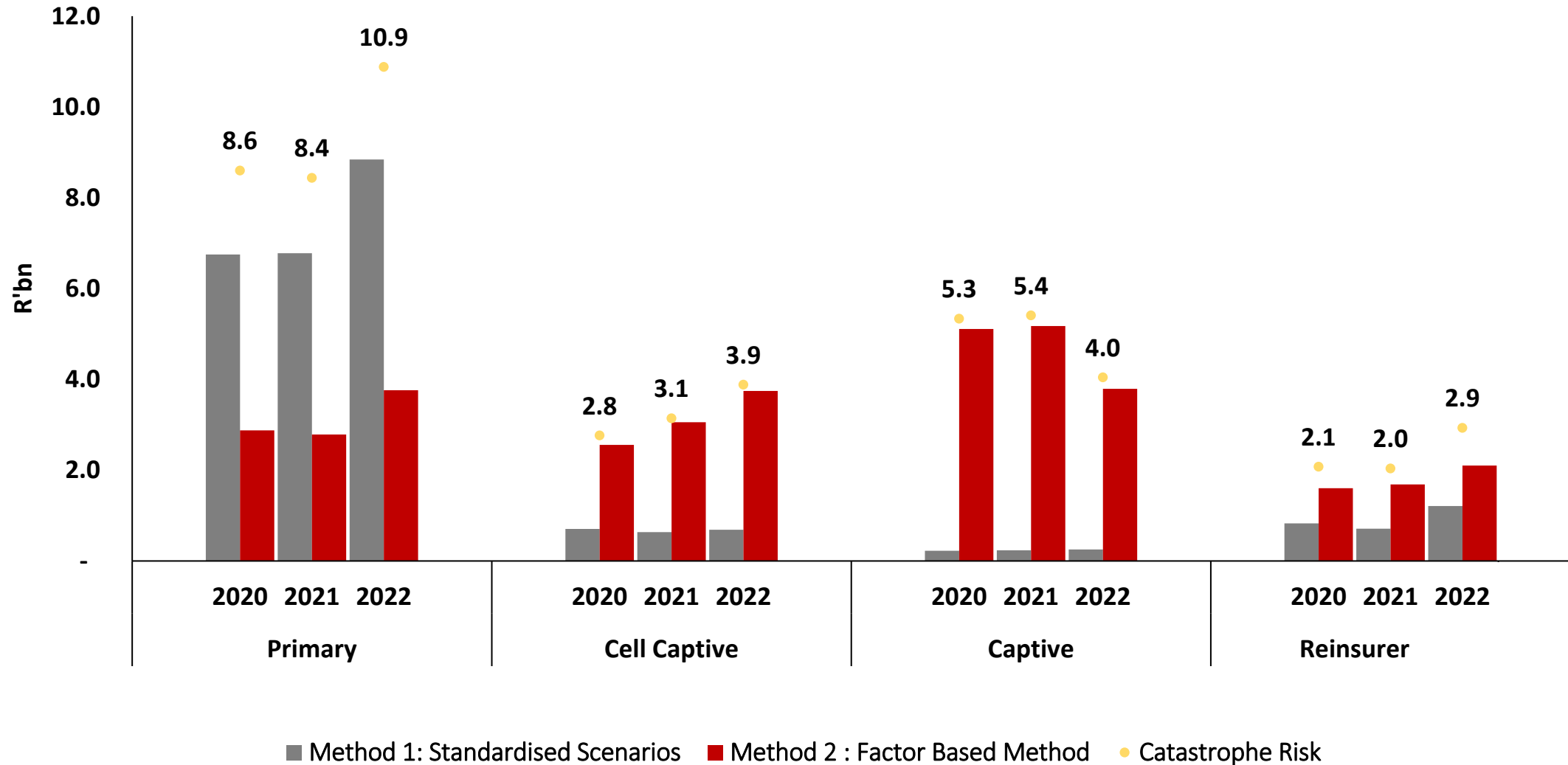


# Catastrophe Risks

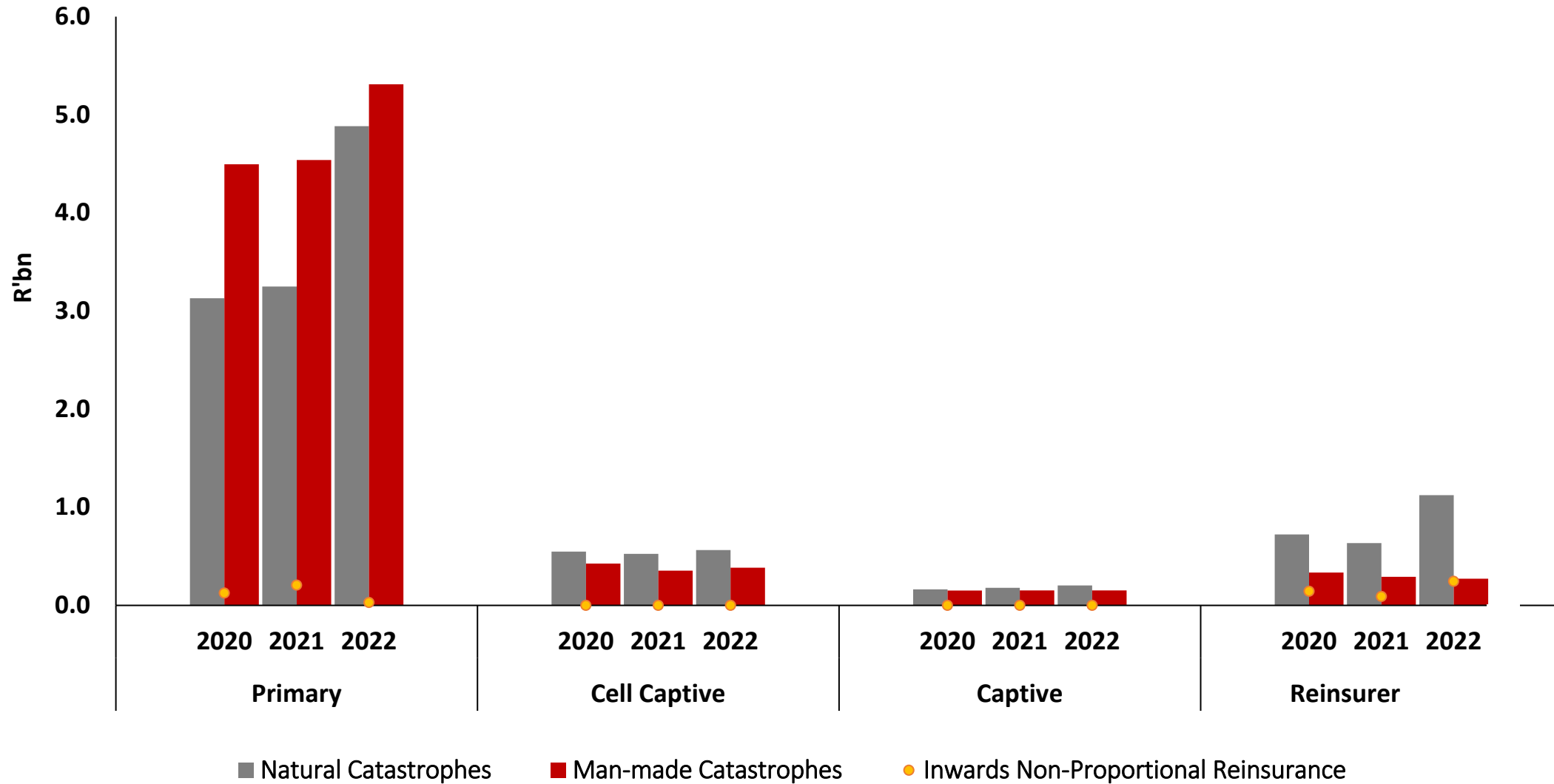
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# Catastrophe Risk - Calculation

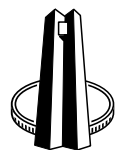
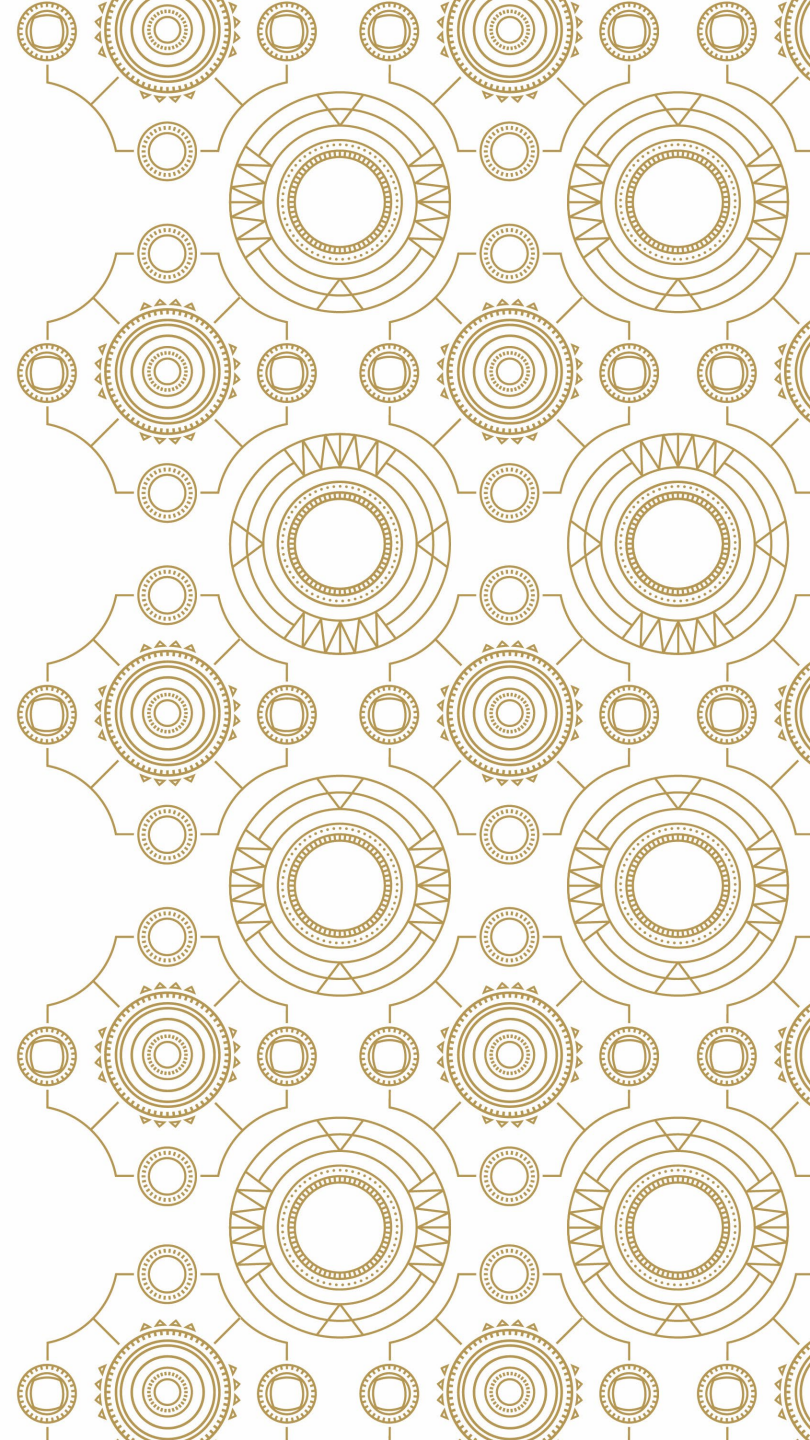


# Catastrophe Risk – Calculation (Method 1)



# Summary

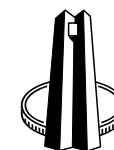
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# Summary

- ❖ Industry premiums continue to show an upward trend.
- ❖ During the reporting period:
  - Incurred claims ratios were on average higher than the previous year
  - Average premium retention ratios remained relatively stable
  - Total industry assets grew on average by 14% mainly driven by Reinsurance recoverables.
  - Total industry Catastrophe charge increased due to the hardening of the reinsurance market.

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