Non-Life Industry Experience 2022

By: Thando Machobane
Lesego Madlala

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South African Reserve Bank
Prudential Authority

Agenda

- Introduction
- Industry Overview and Performance Indicators
- Balance Sheet
- Catastrophe Risk
- Summary
- Questions

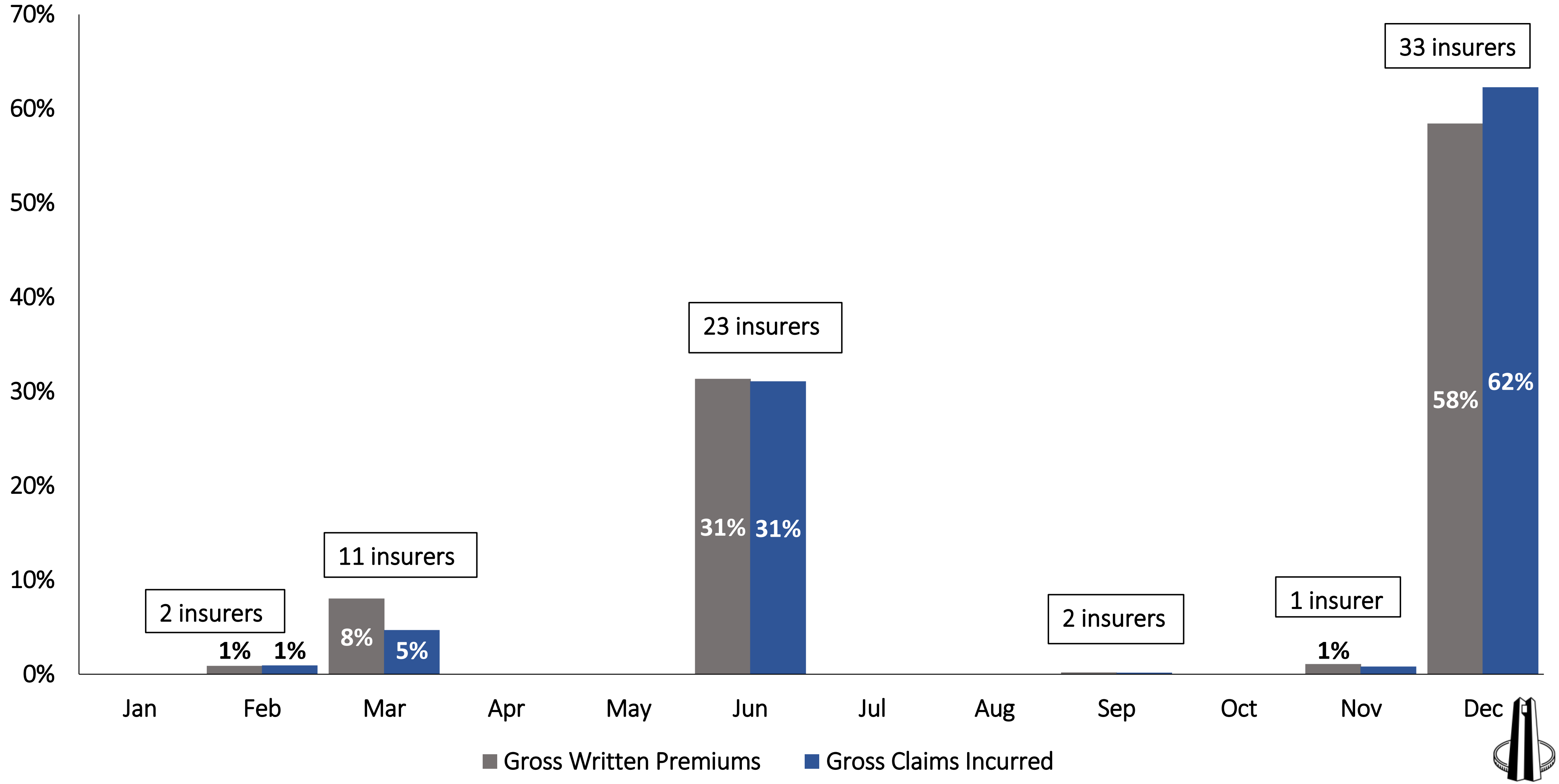
Introduction

Introduction

- Analysis based on the 2021 annual quantitative reporting templates submitted to the Prudential Authority
- Insurers excluded from the industry analysis:
    - Late submissions
    - Run-off
- 72 Total Insurers [2020: 73 Total Insurers]
- Types of Insurers
    - 55 Primary Insurers [2020: 54 Primary Insurers]
    - 6 Captive Insurers [2020: 6 Captive Insurers]
    - 5 Cell Captive Insurers [2020: 6 Cell Captive Insurers]
    - 6 Reinsurers [2020: 7 Reinsurers]
- Quality of data received is an issue
    - OF 4.3S
    - TP sheets
    - R sheets
- Rounding

Industry Overview and Performance Indicators

Distribution of premium and claims by year-end



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Premiums

	2020 (R'bn)	2021 (R'bn)	Change (R'bn)	Change
Total Industry GWP	**168.0**	**177.3**	**9.3**	**5.5%**
Reinsurer	20.4	18.7	-1.6	-8.0%
Inwards Reinsurance	11.1	11.4	0.3	2.8%
Direct Insurer	136.5	147.1	10.6	7.8%
Net Written Premium	**104.8**	**110.9**	**6.1**	**5.8%**
NWP % of GWP	***62.4%***	***62.5%***		
Net Earned Premium	**96.8**	**104.6**	**7.8**	**8.1%**

Gross Written Premiums

	2020	2021
Total Industry GWP (R'bn)	**168.0**	**177.3**
Top 10 Insurers Market Share	**59.5%**	**59.5%**
1. Santam Limited	18.0%	17.8%
2. Guardrisk Insurance Company Limited	7.3%	7.7%
3. Hollard Insurance Company	7.0%	6.8%
4. Old Mutual Insure Limited	6.3%	6.2%
5. Outsurance Insurance Company [2020: Munich Reinsurance Company]	5.3%	5.3%
6. Munich Reinsurance Company Of Africa Limited [2020: Outsurance]	6.1%	4.8%
7. Bryte Insurance Company	2.8%	3.0%
8. Centriq Insurance Company limited	2.6%	2.9%
9. Discovery Insure Limited	2.2%	2.5%
10. ESCAP Limited [2020: Mutual And Federal Financing Limited]	1.9%	2.5%

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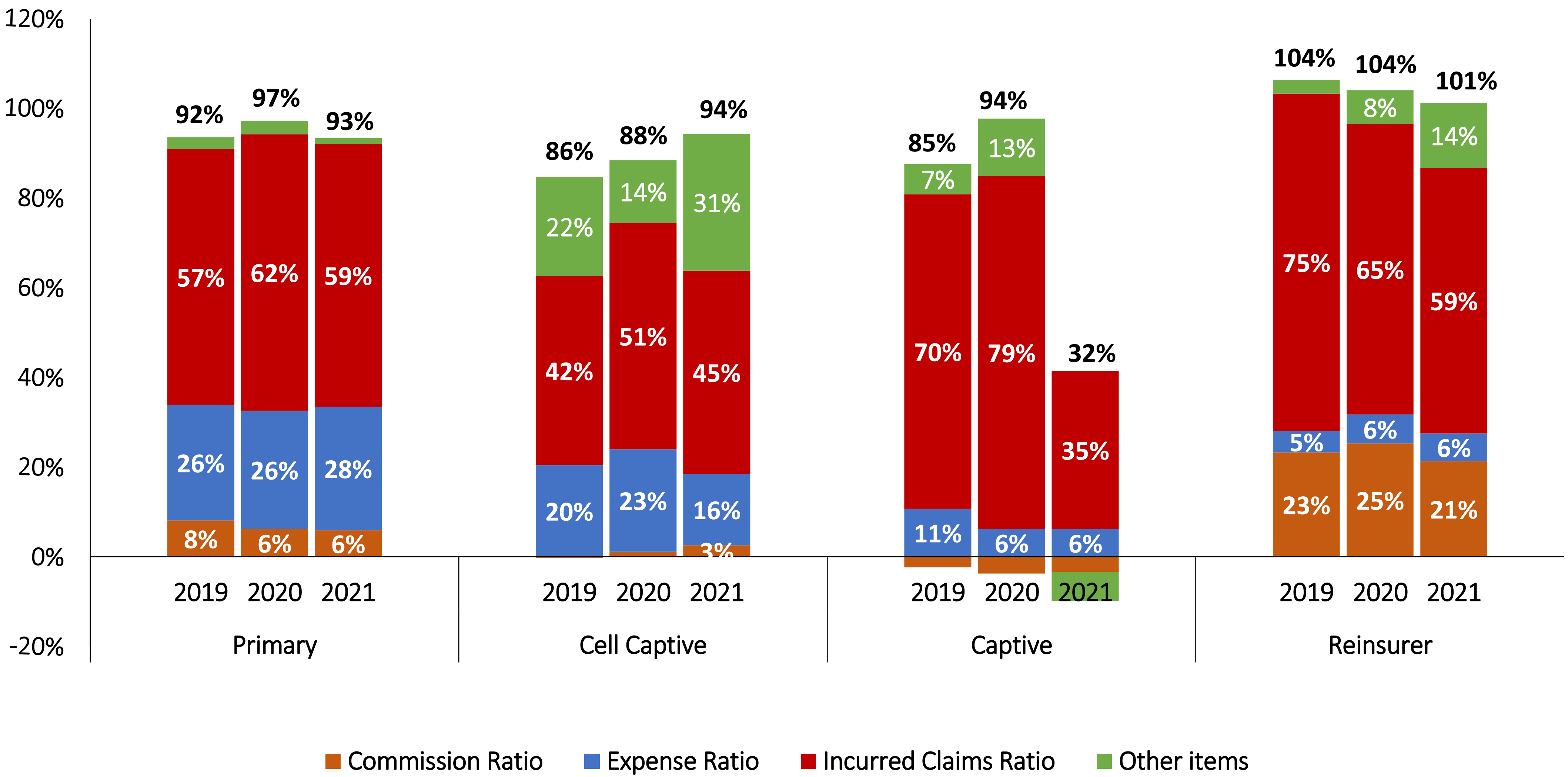
Gross Written Premiums by Group

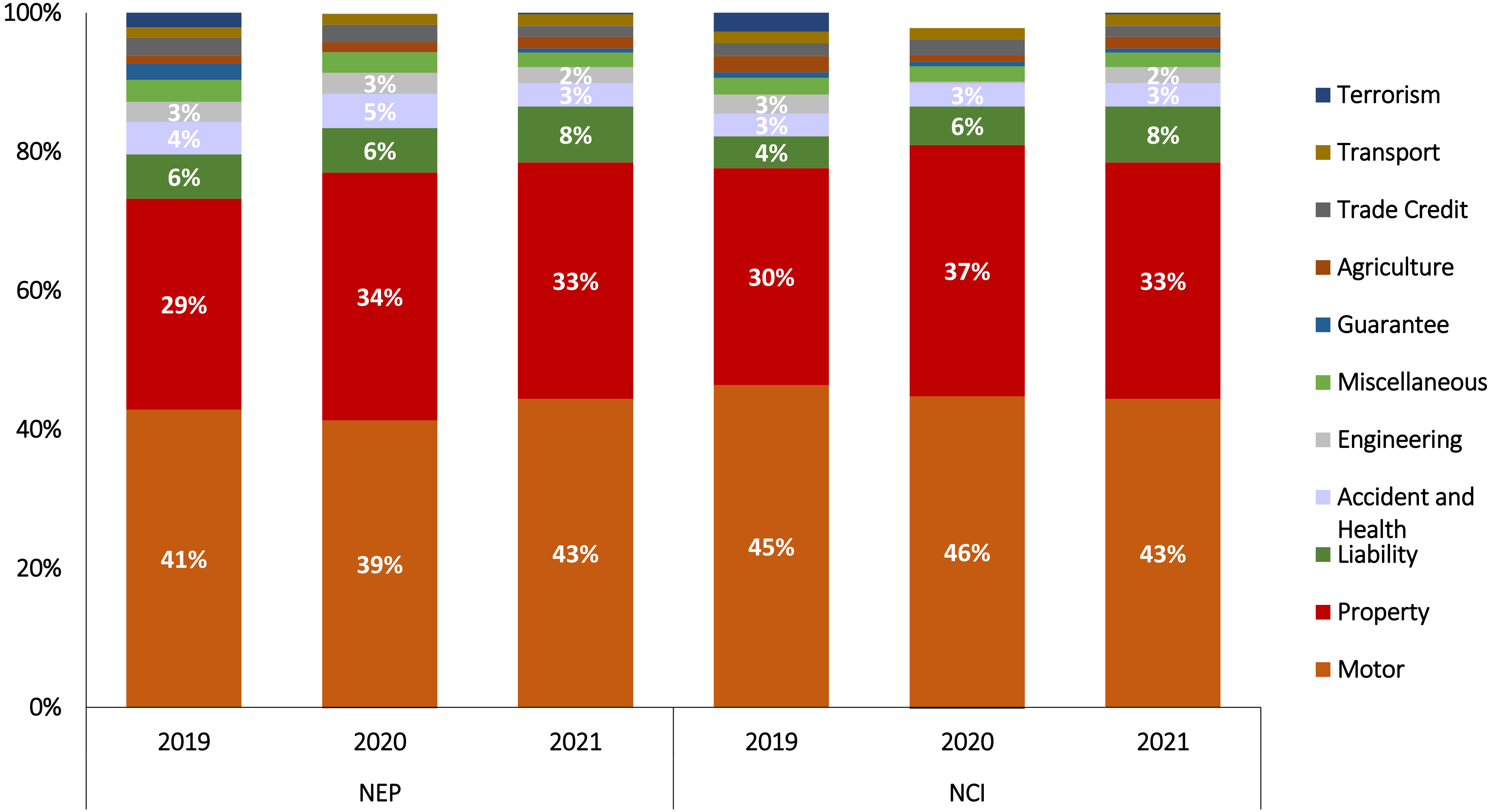
	2020	2021
Total % of GWP	52.8%	52.7%
1. Santam Group	22.8%	23.1%
2. Momentum Group	9.2%	9.3%
3. Old Mutual Group	9.1%	9.2%
4. Hollard Group	7.5%	7.3%
5. Telesure Group	4.1%	3.8%

Key Financial Indicators – Combined Ratio by Insurer Type



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

Key Financial Indicators – Premium and Claims by Line of Business



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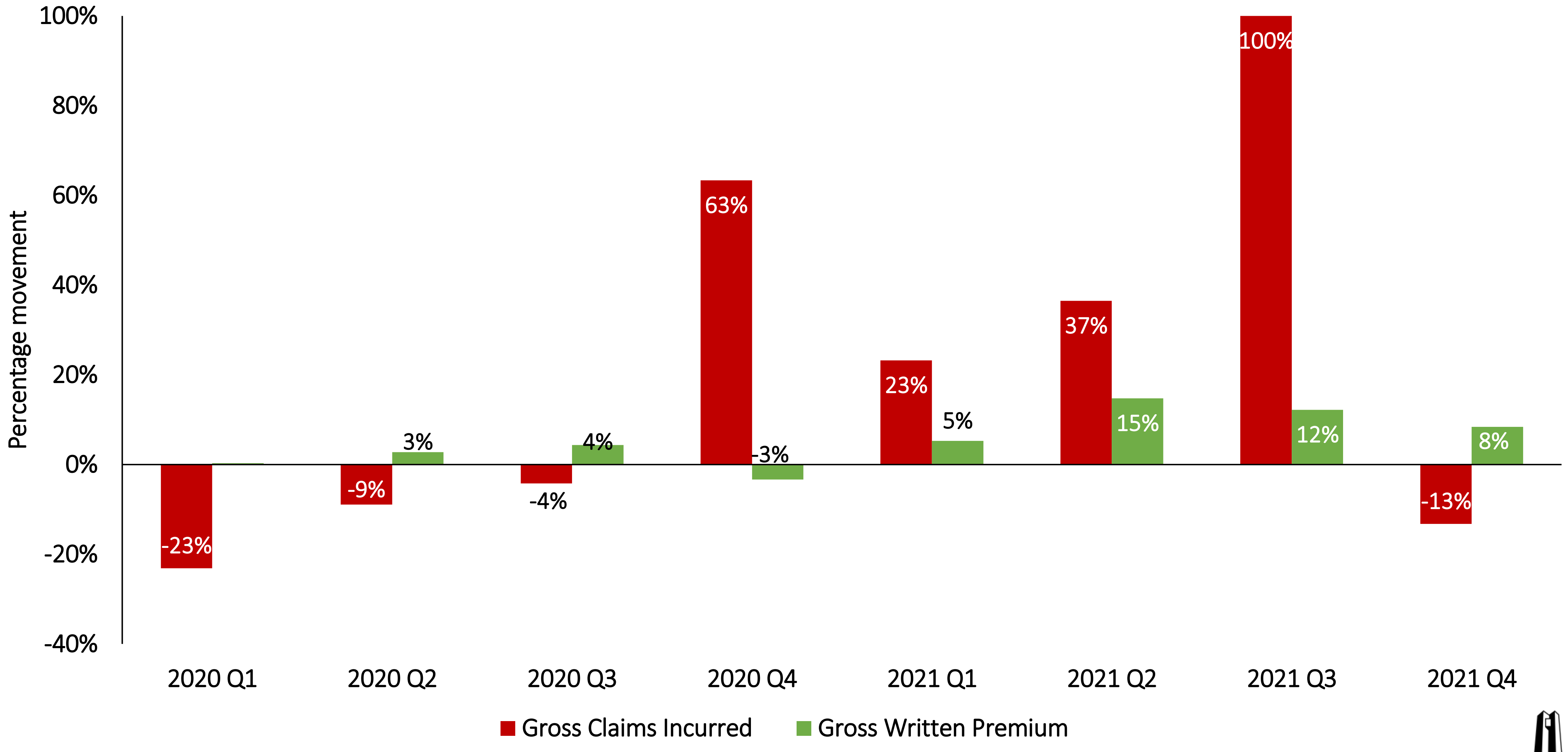
Quarter On Quarter Premium and Claims Movements



Key Financial Indicators – Claims Ratio by Larger Line of Business

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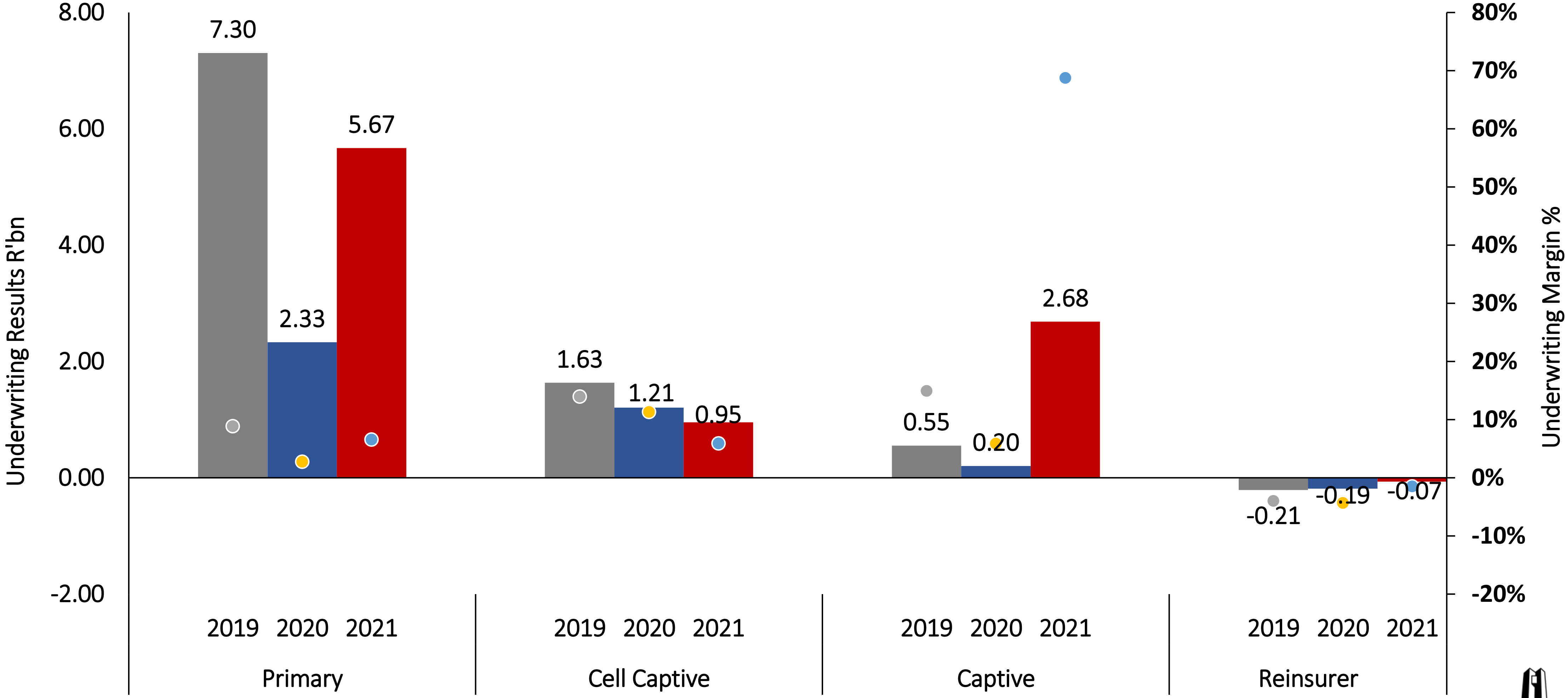
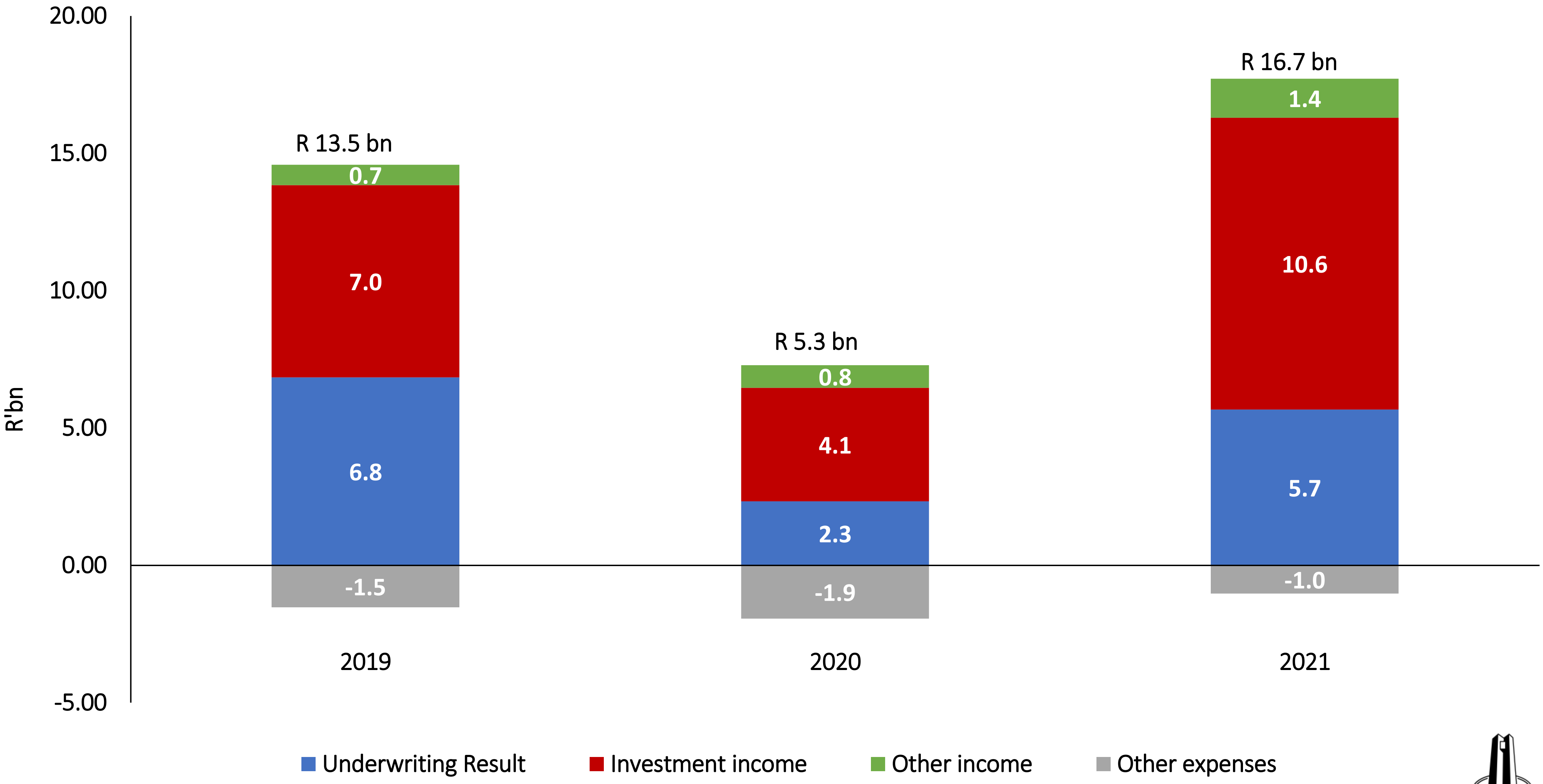
Underwriting Result – Insurer Type



SAM Excess Income over Outgo (Primary Insurers)



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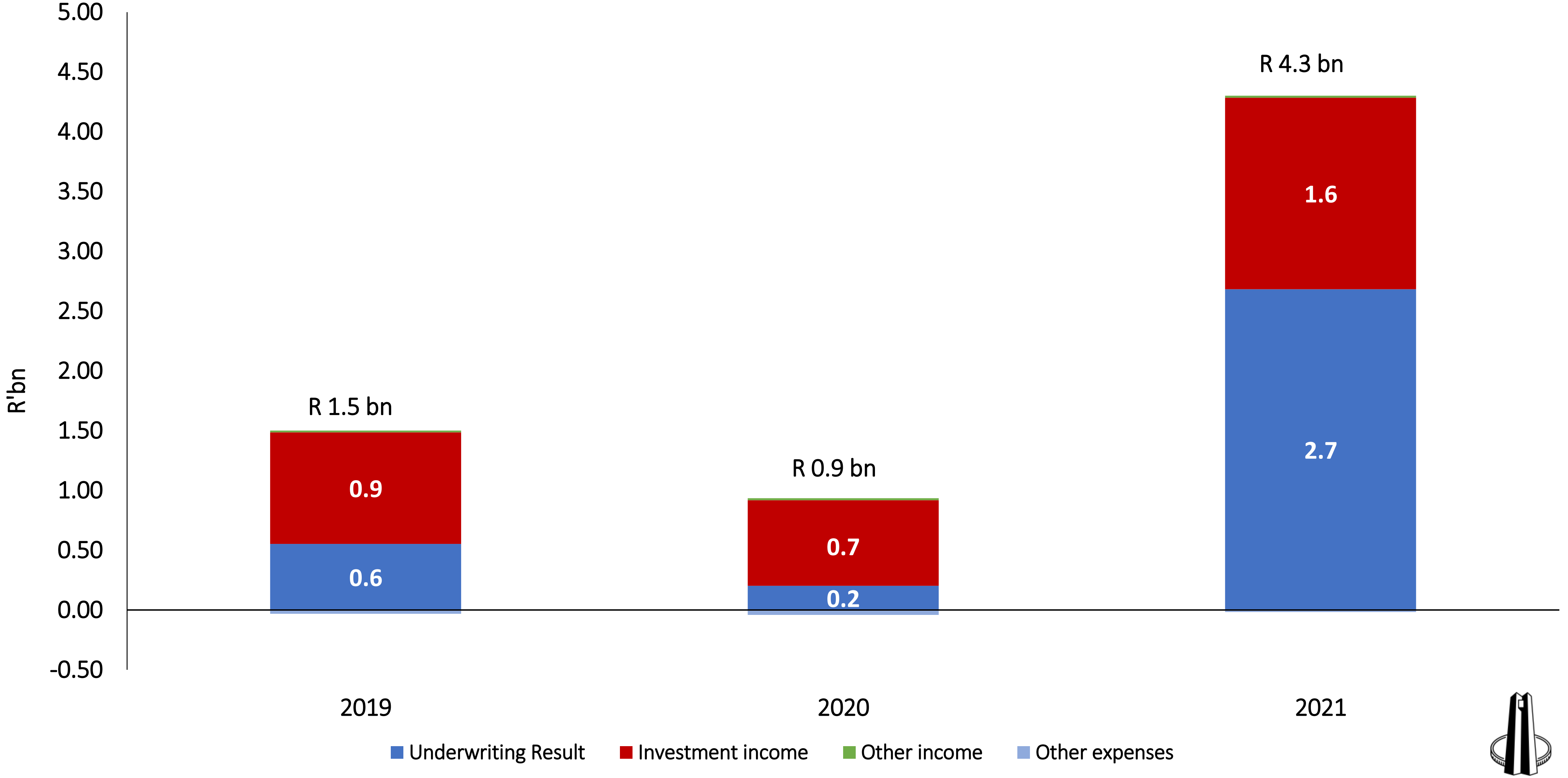
SAM Excess Income over Outgo (Captives)



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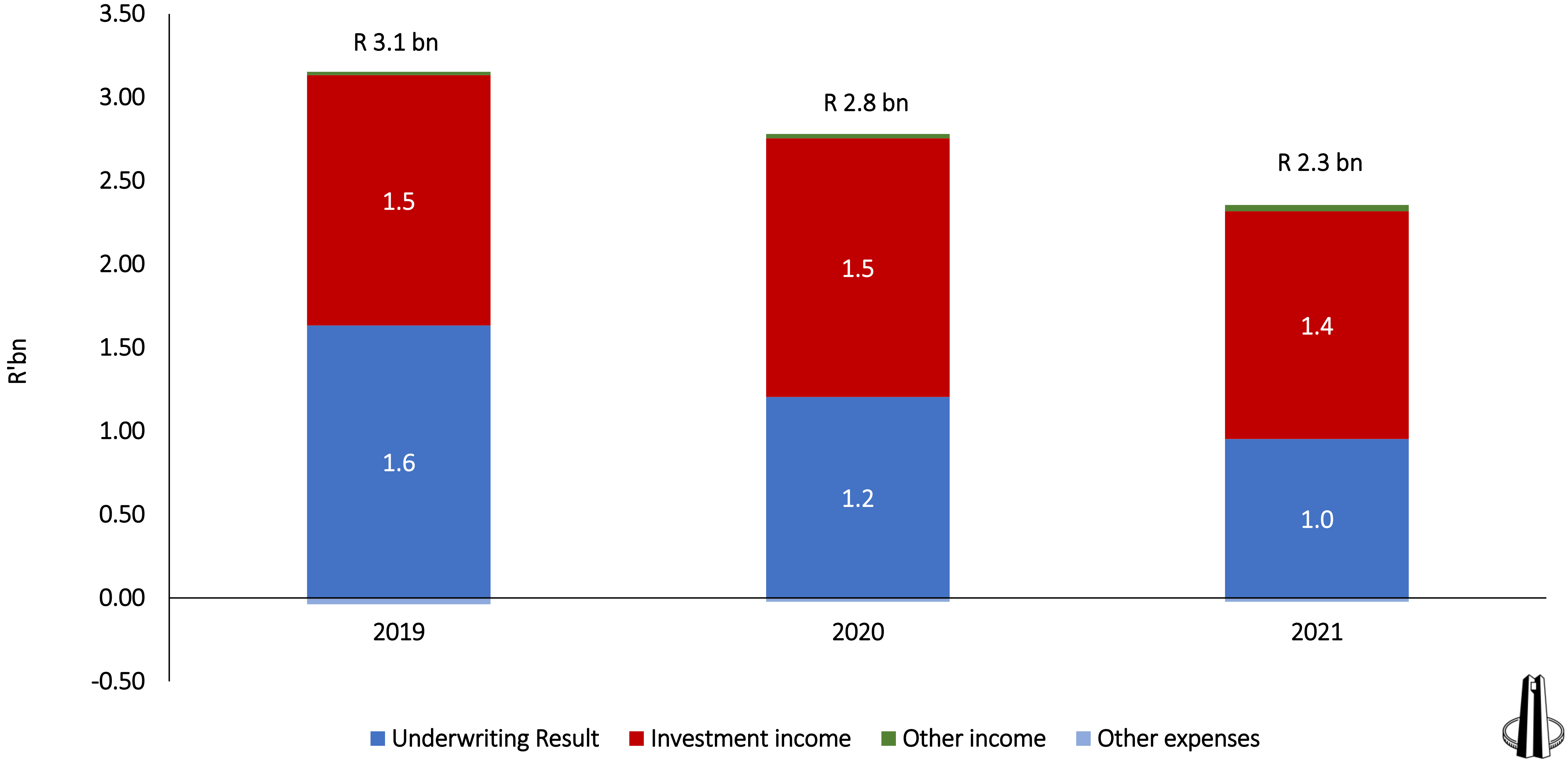
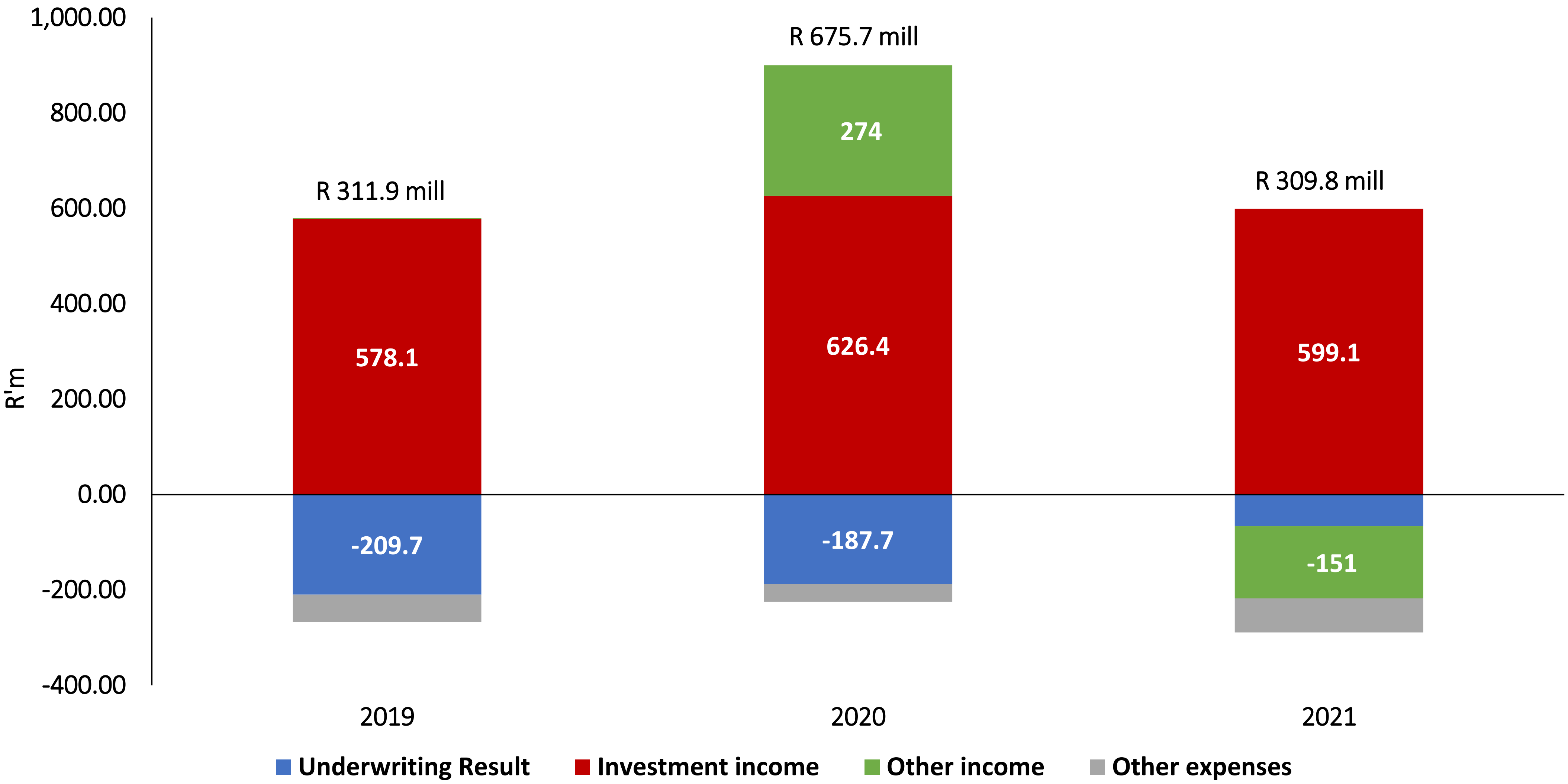
SAM Excess Income over Outgo (Cell Captives)



SAM Excess Income over Outgo (Reinsurers)



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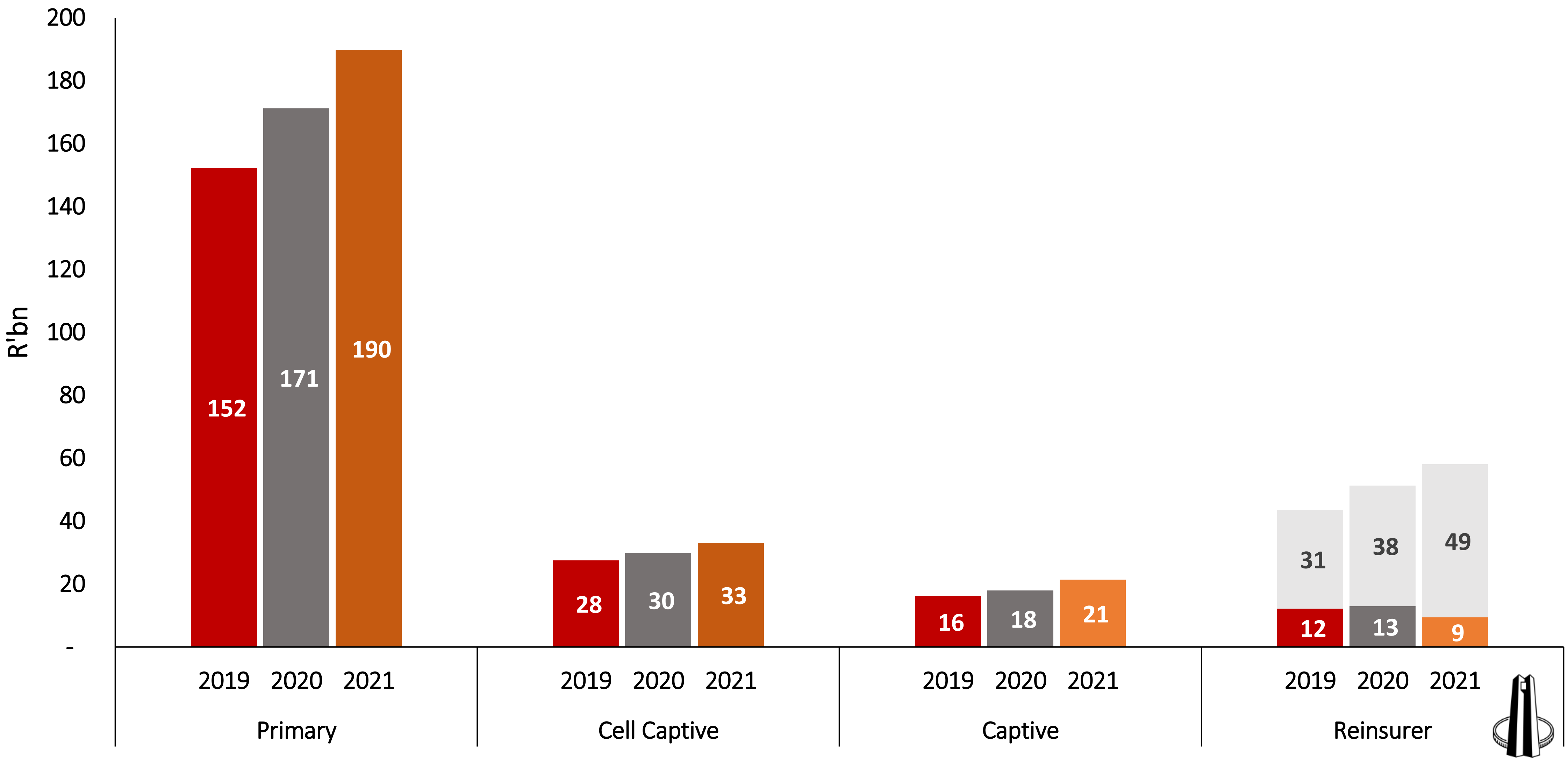
Assets

Total Assets by Insurer Type



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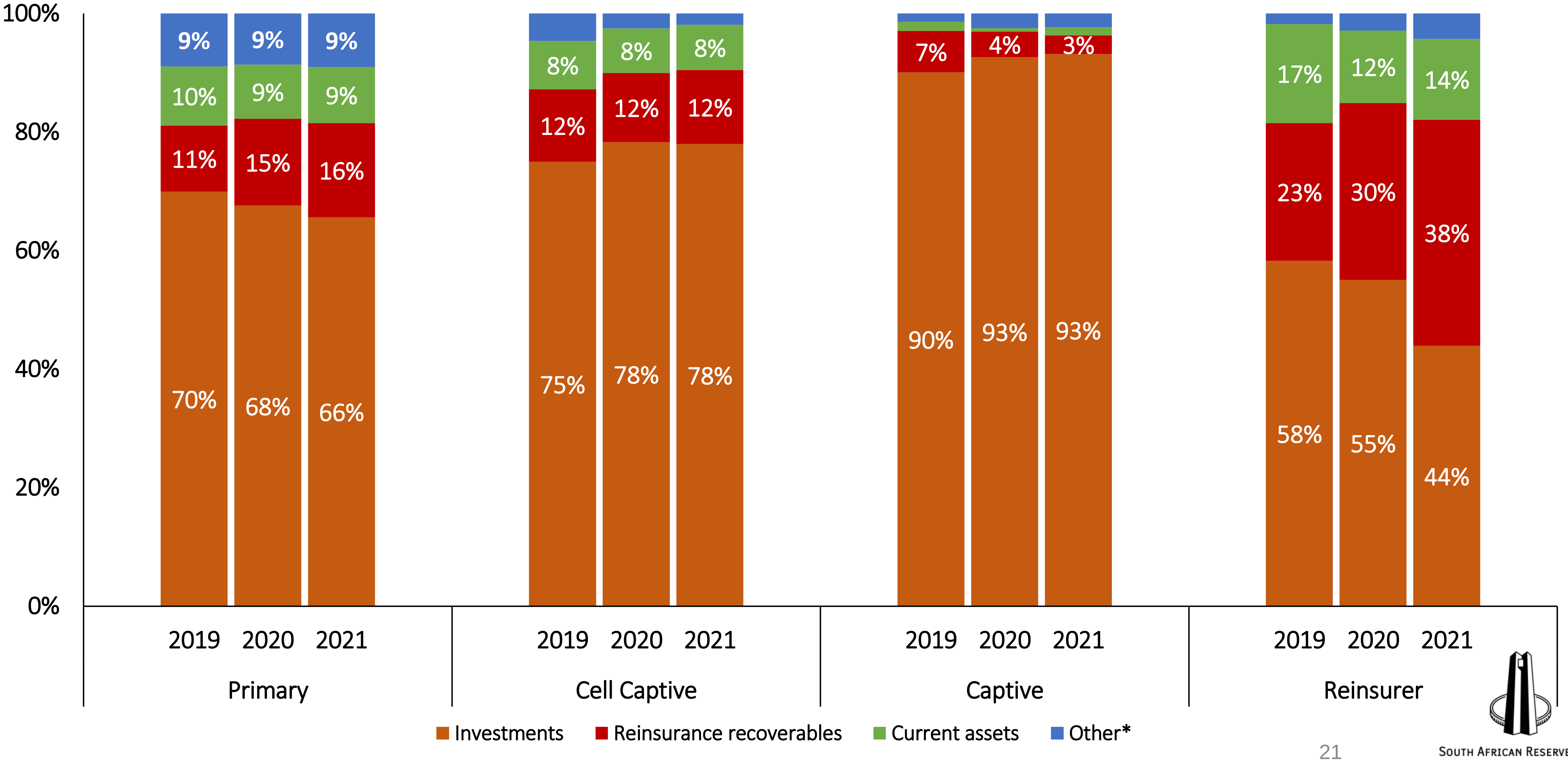
Asset Composition by Insurer Type



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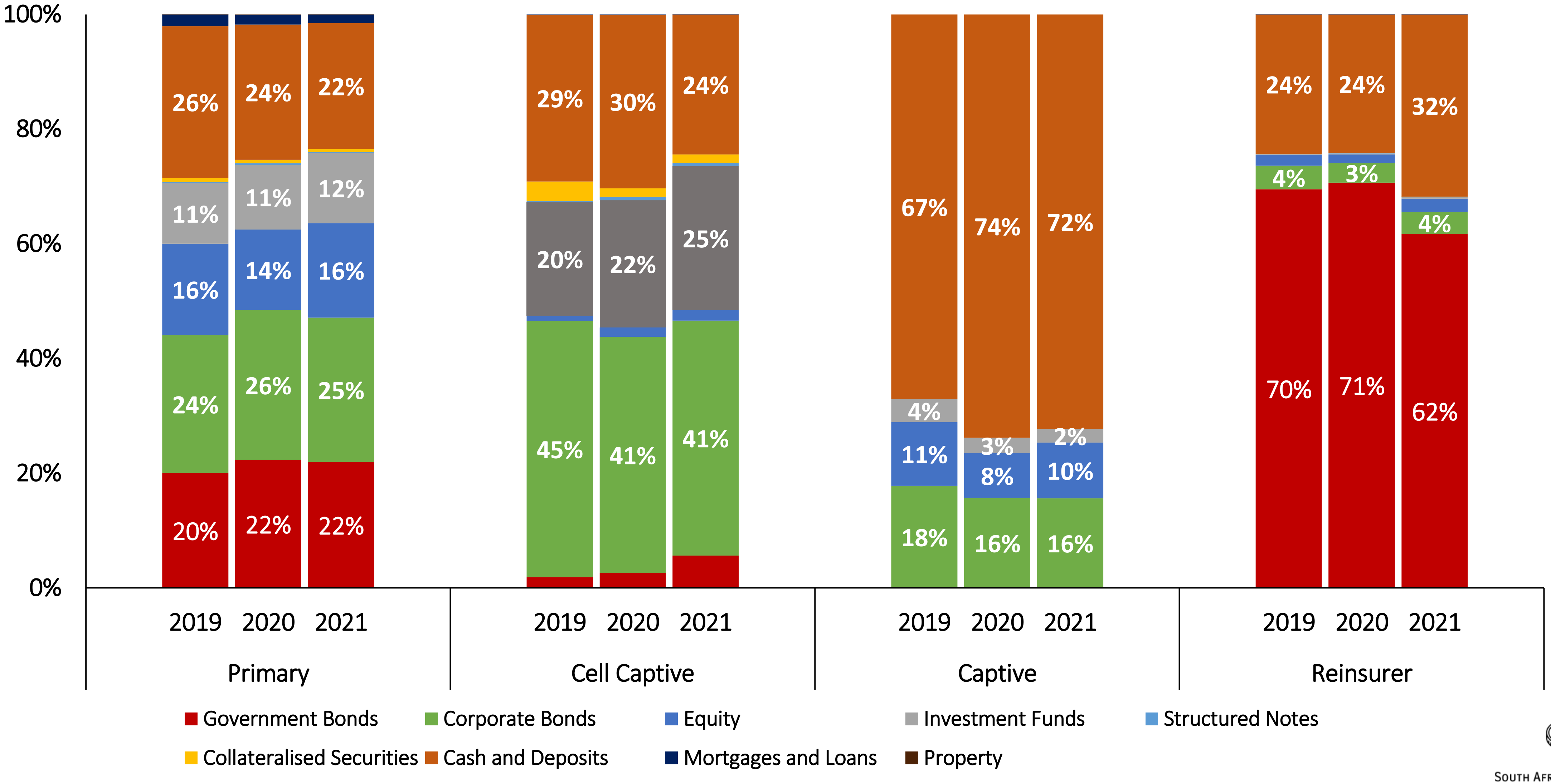
Assets

Total Investments Breakdown by Insurer Type



Liabilities

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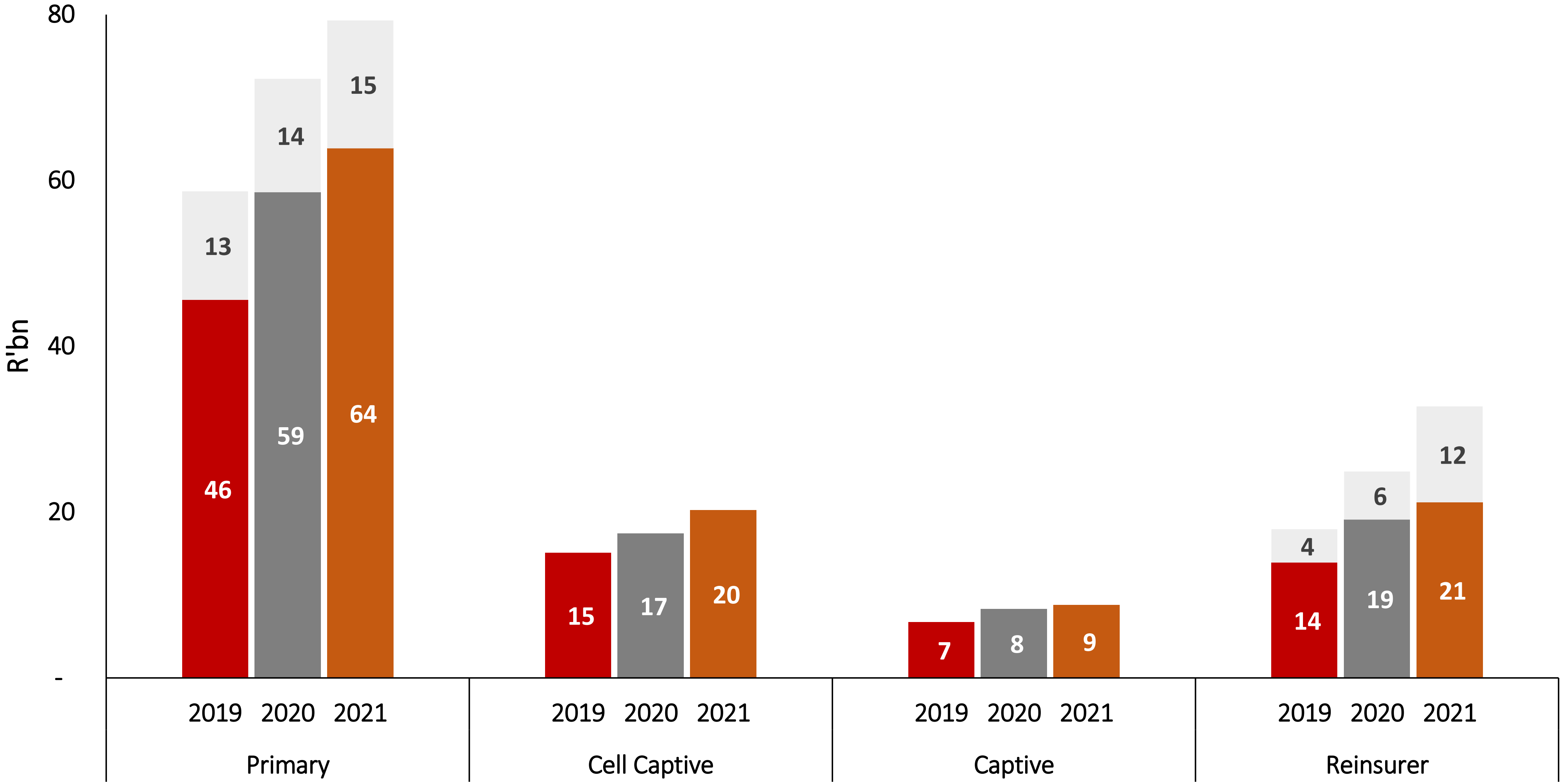
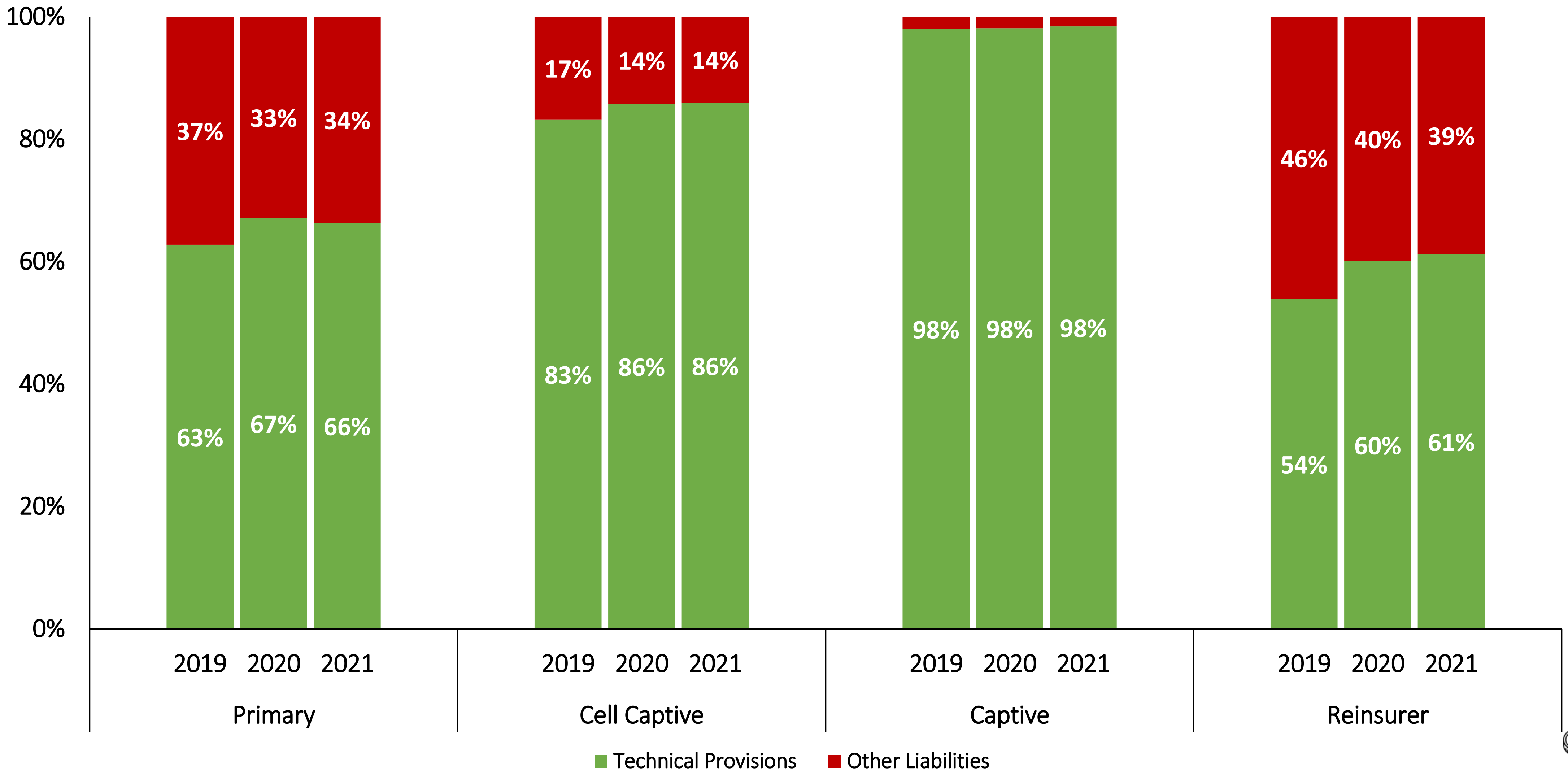
Total TPs by Insurer Type

Other liabilities
Risk margin
Best estimate
Technical provisions



Other liabilities
Risk margin
Best estimate
Technical provisions

TPs and Other Liabilities



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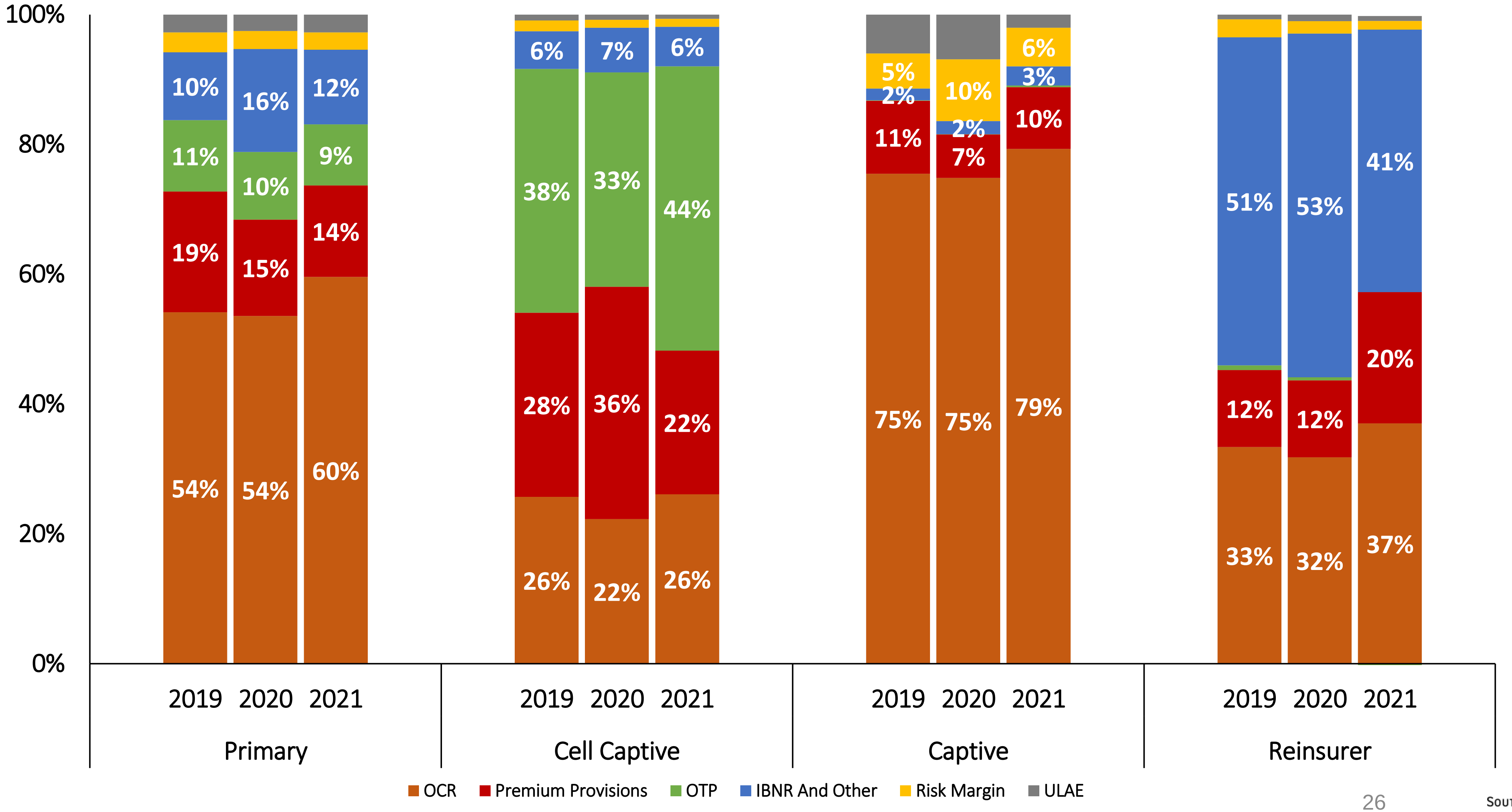
Other liabilities
Risk margin
Best estimate
Technical provisions

TP Composition by Insurer Type



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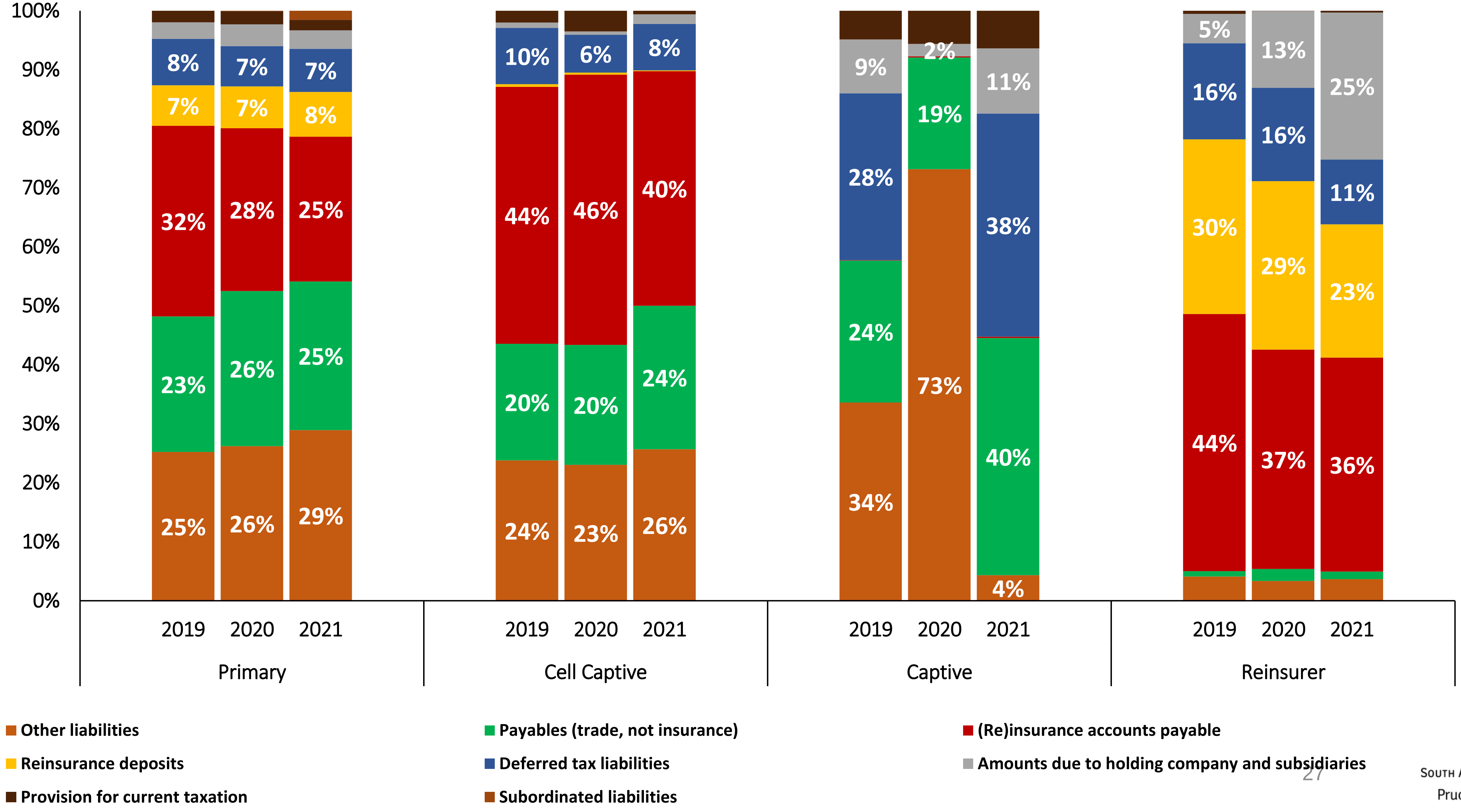
Other liabilities
Risk margin
Best estimate
Technical provisions

Breakdown of Other Liabilities



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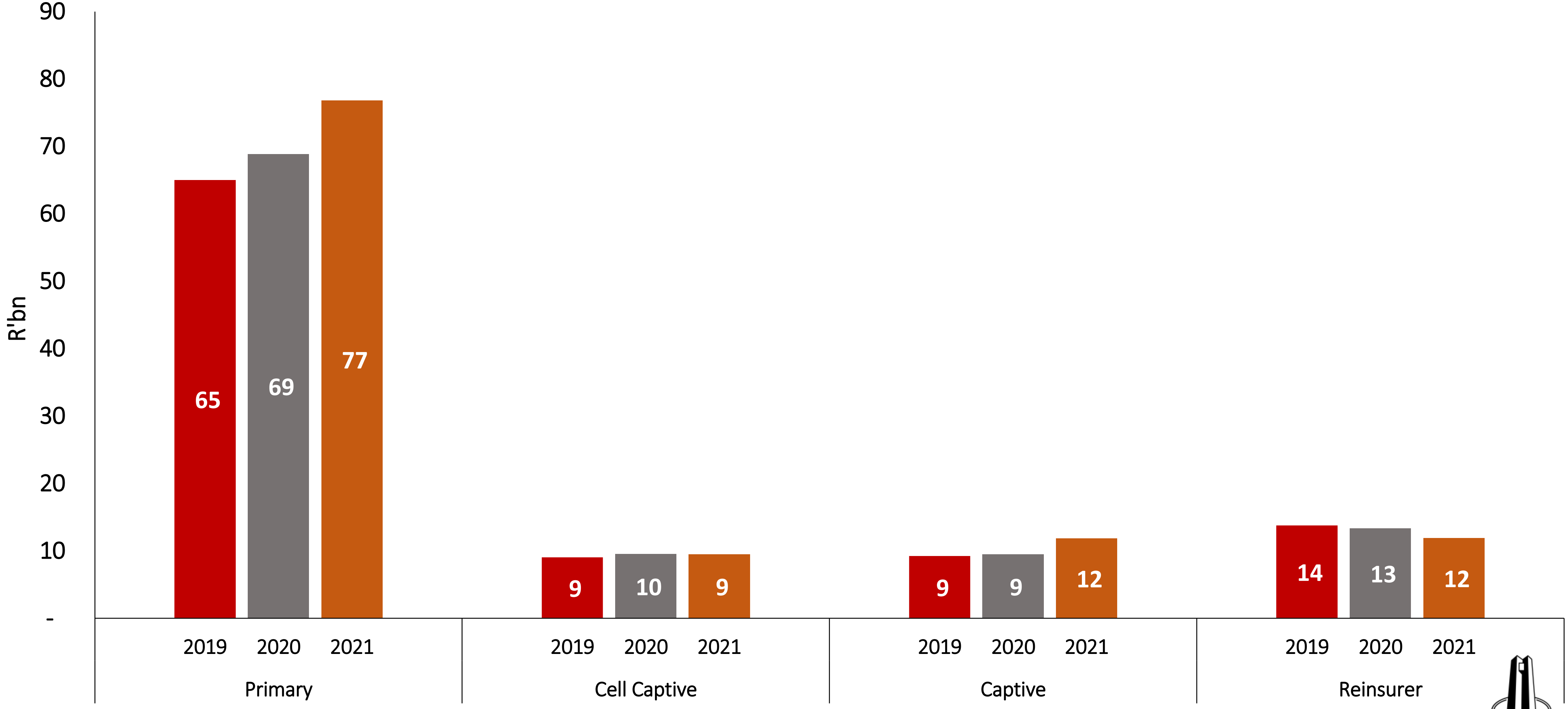
Basic Own Funds

Ancillary own funds

Basic own funds

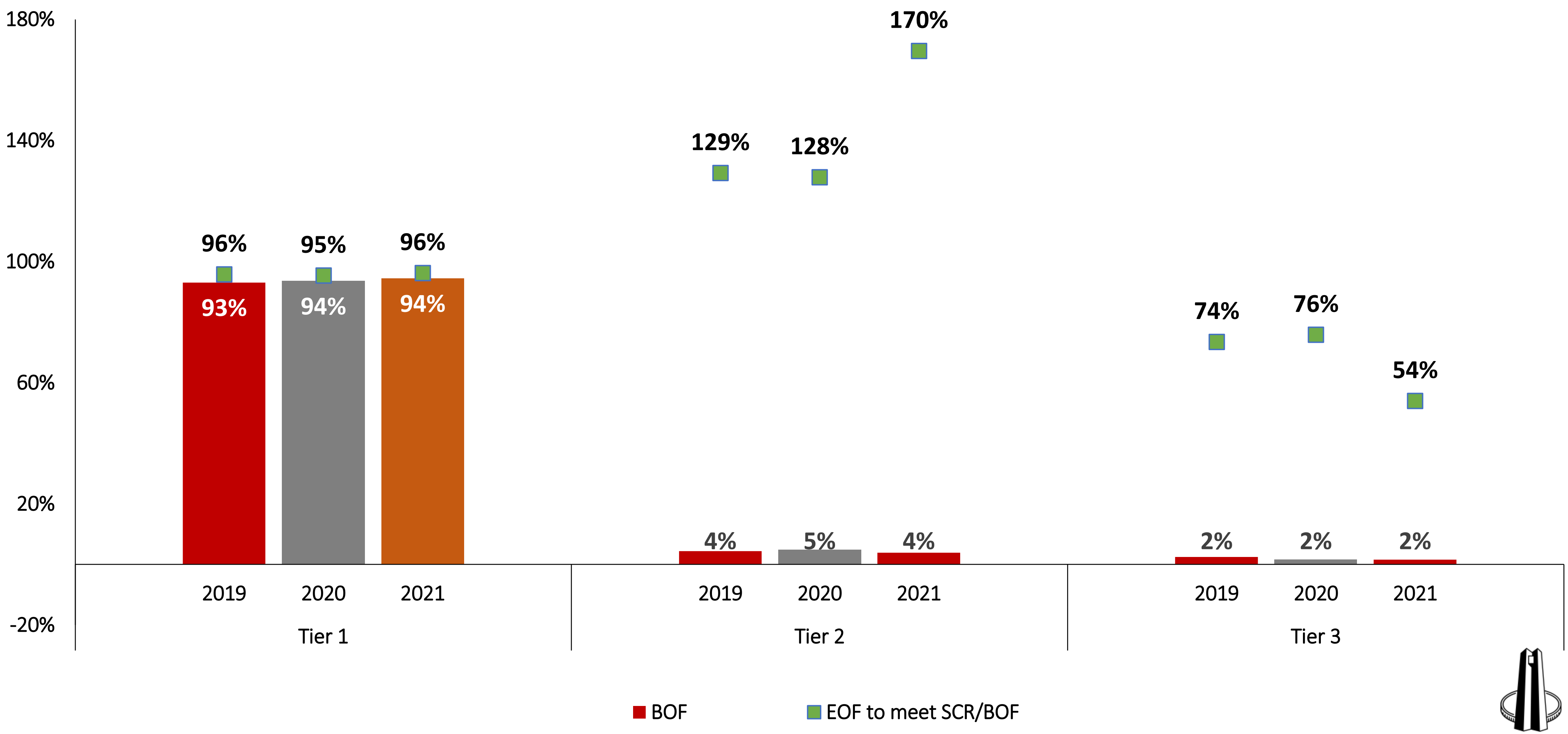
Own Funds by Insurer Type



Ancillary own funds

Basic own funds

Tiering of Own Funds



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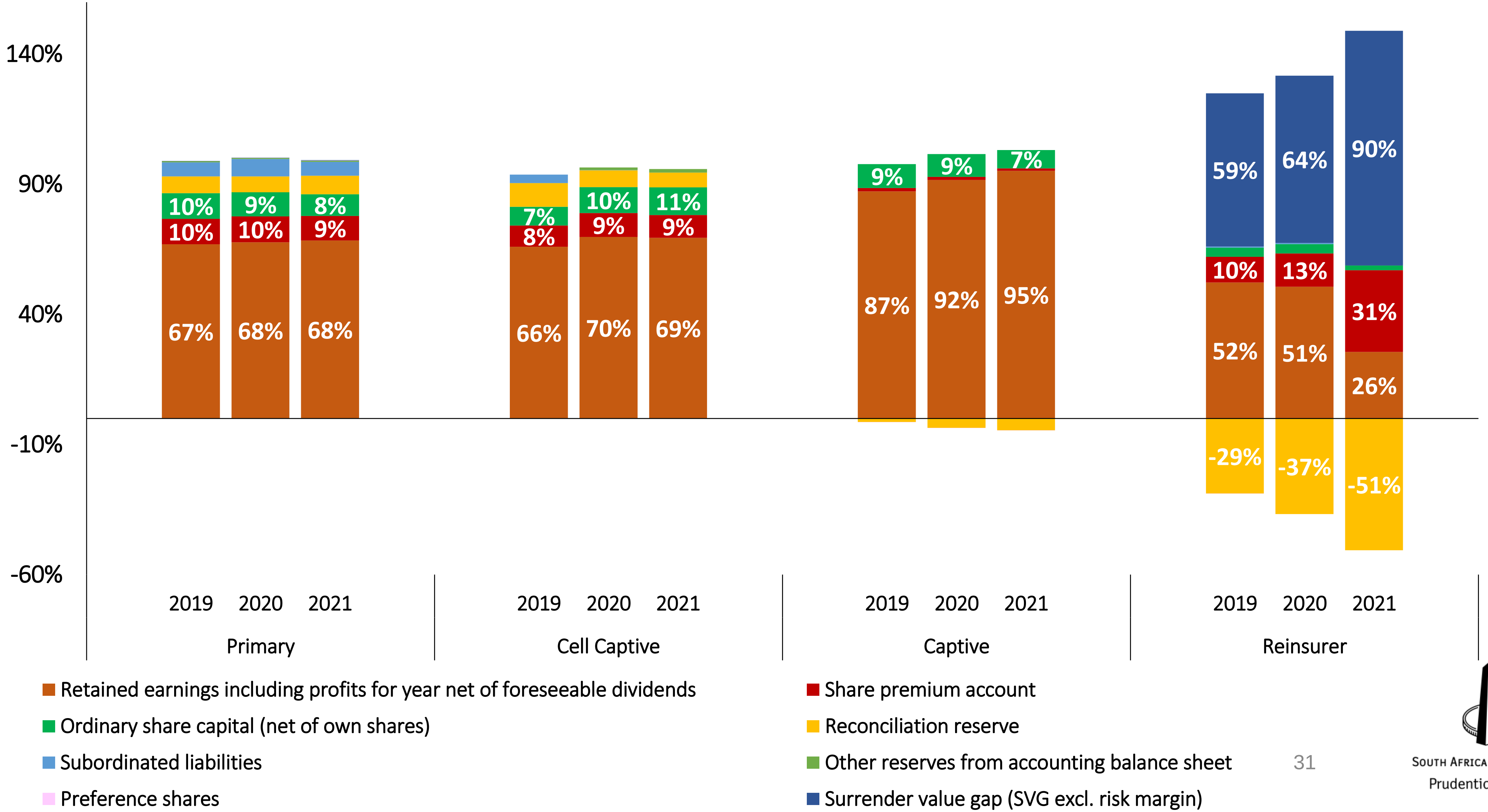
Ancillary own funds

Basic own funds

Composition of BOF by Insurer Type



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Composition of Tier 2 BOF

Tier 2 Components (R'000)	2019	2020	2021
Other reserves from accounting balance sheet	-4 413	-2 868	140
Other paid in capital instruments	3 969 224	4 868 099	4 361 199
Total Basic own funds before adjustments	**3 964 811**	**4 865 231**	**4 361 339**
Restricted reserves - relegate from Tier 1 to Tier 2	7 897	4 032	4 032
Other adjustments	310 556	585	0
Total Basic own funds after adjustments	**4 283 264**	**4 869 848**	**4 237 191**
% of Insurer's Holding Tier 2 Funds	**14%**	**13%**	**10%**

Composition of Tier 3 BOF

Tier 3 Components (R'000)	2019	2020	2021
Total Basic own funds before adjustments	**656 037**	**0**	**466**
Adjustment for intangible assets	9 219	20 198	20 129
Net deferred tax assets - relegate from Tier 1 to Tier 3	1 118 569	1 565 351	1 754 952
Other adjustments	544 923	0	11 563
Adjustment to basic own funds for cells	0	-1 372	0
Total Basic own funds after adjustments	**2 391 748**	**1 584 178**	**1 787 109**
% of Insurer's Holding Tier 3 Funds	**56%**	**71%**	**63%**

Solvency Capital Requirement

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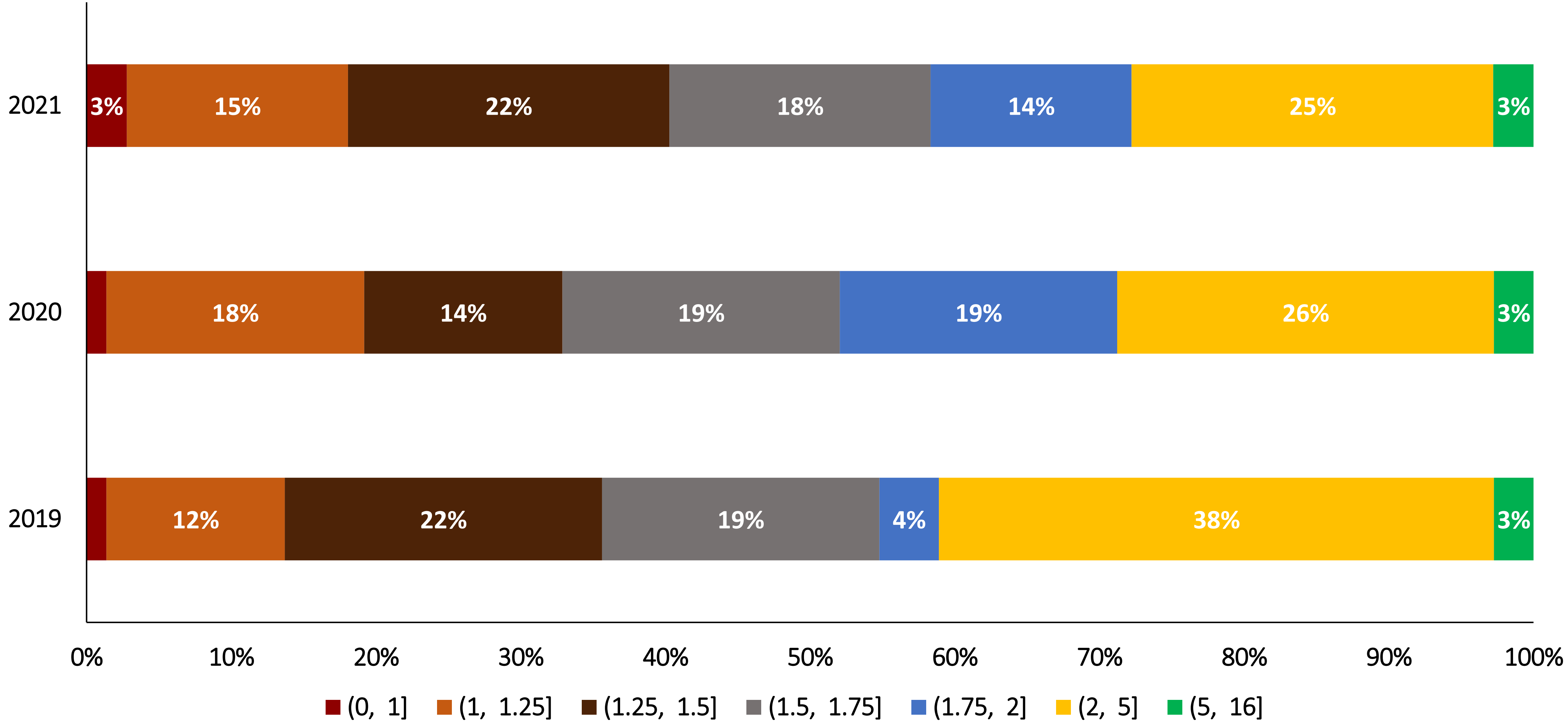
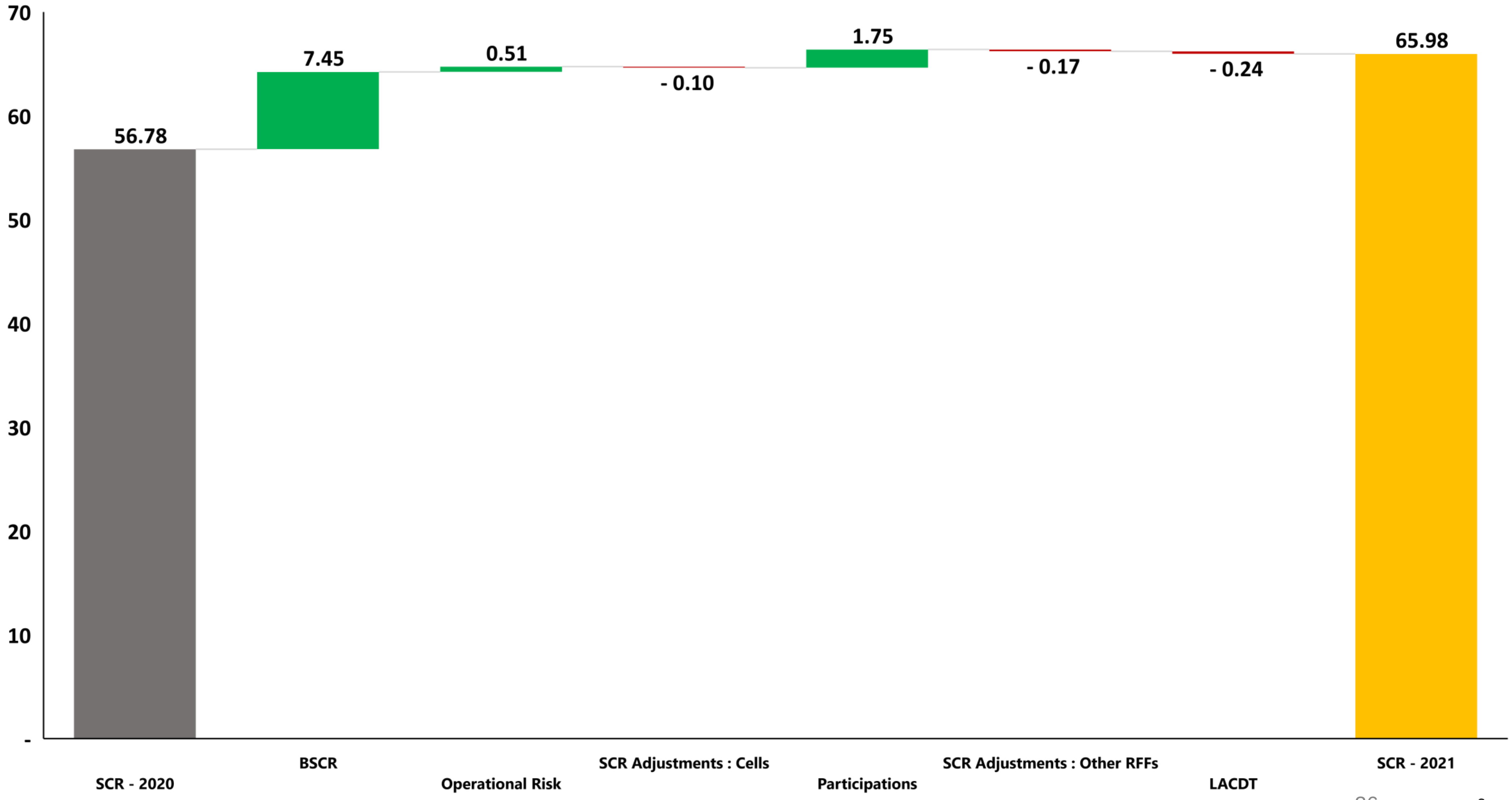
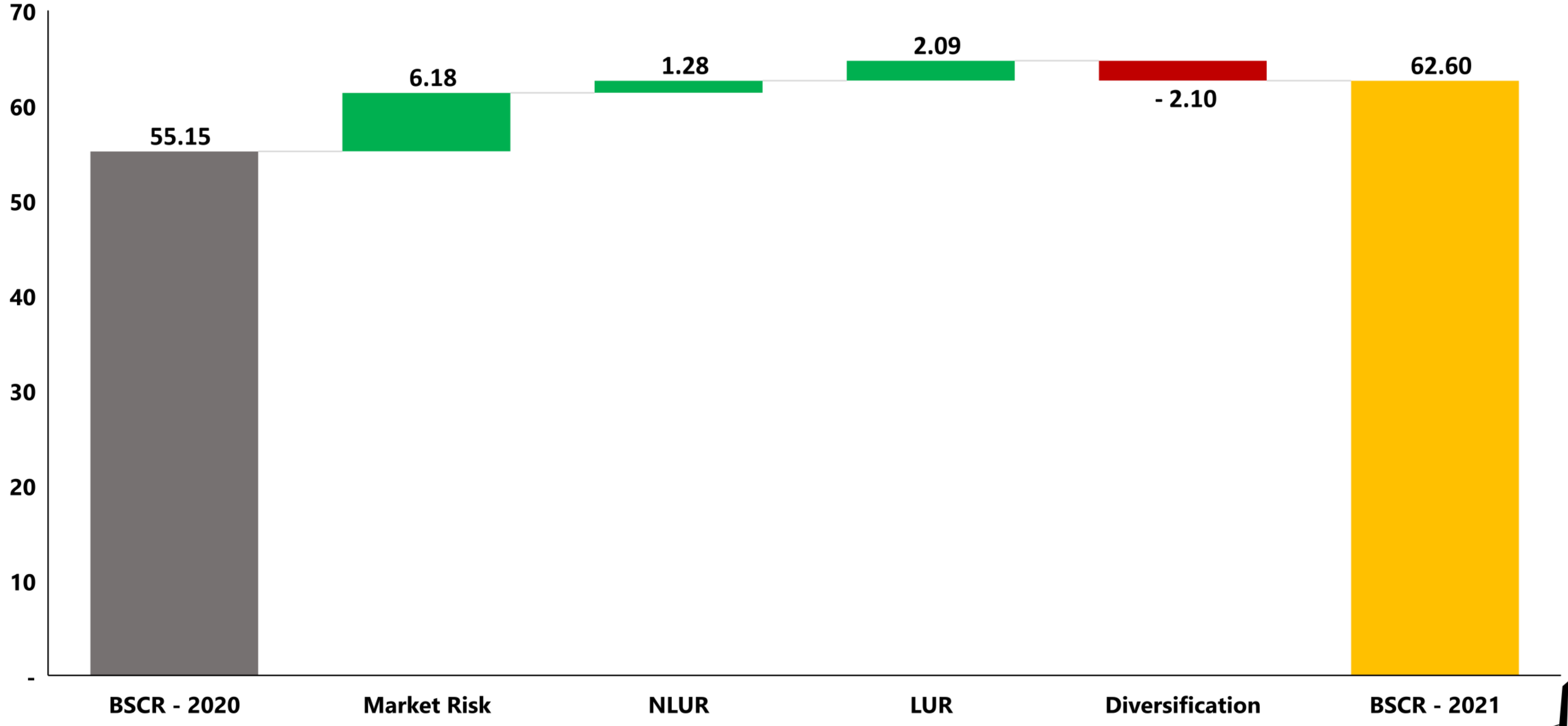
SCR Cover Ratios



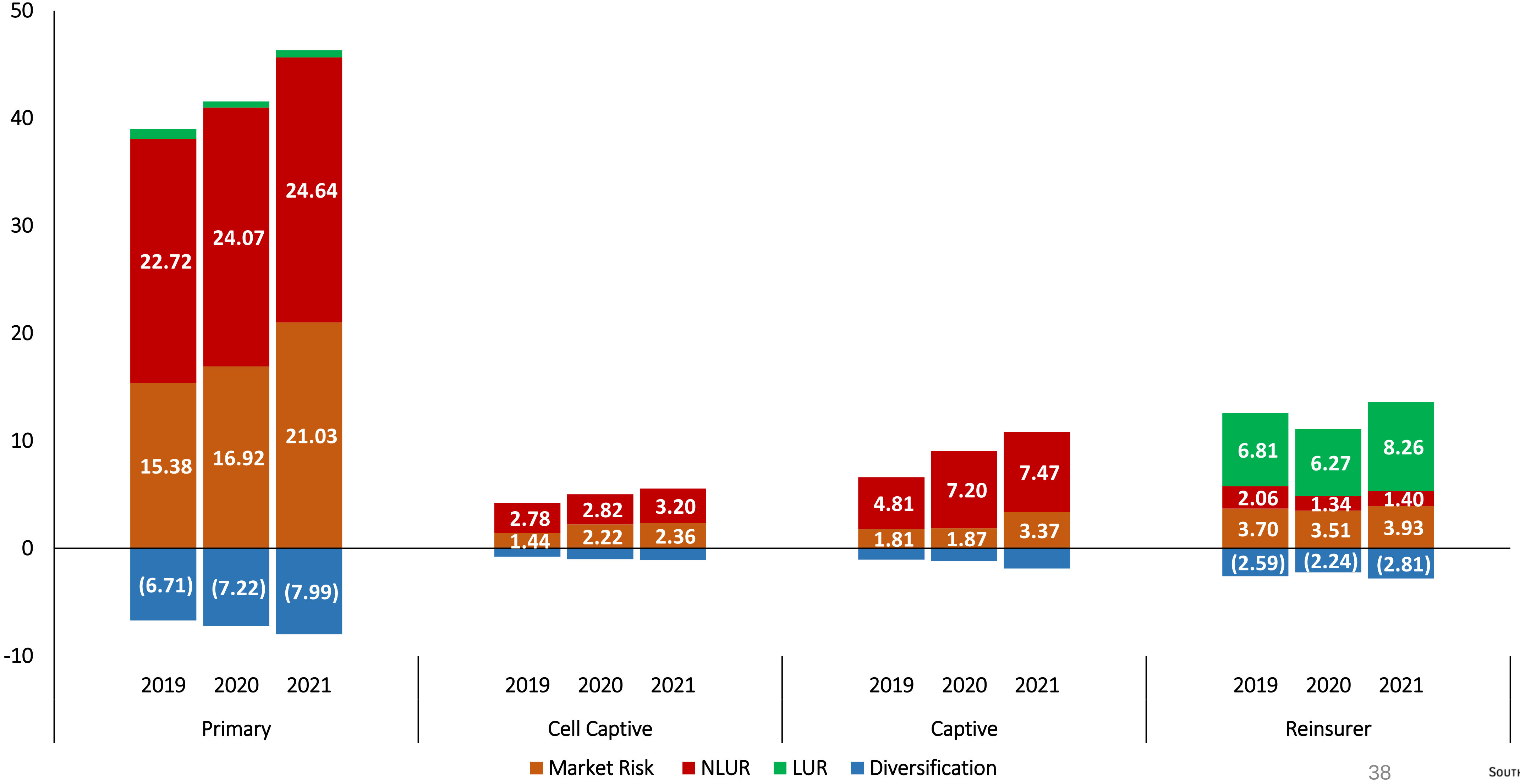
Movement in SCR (2020-2021)



Movement in BSCR (2020 - 2021)



Breakdown of BSCR by Insurer Type



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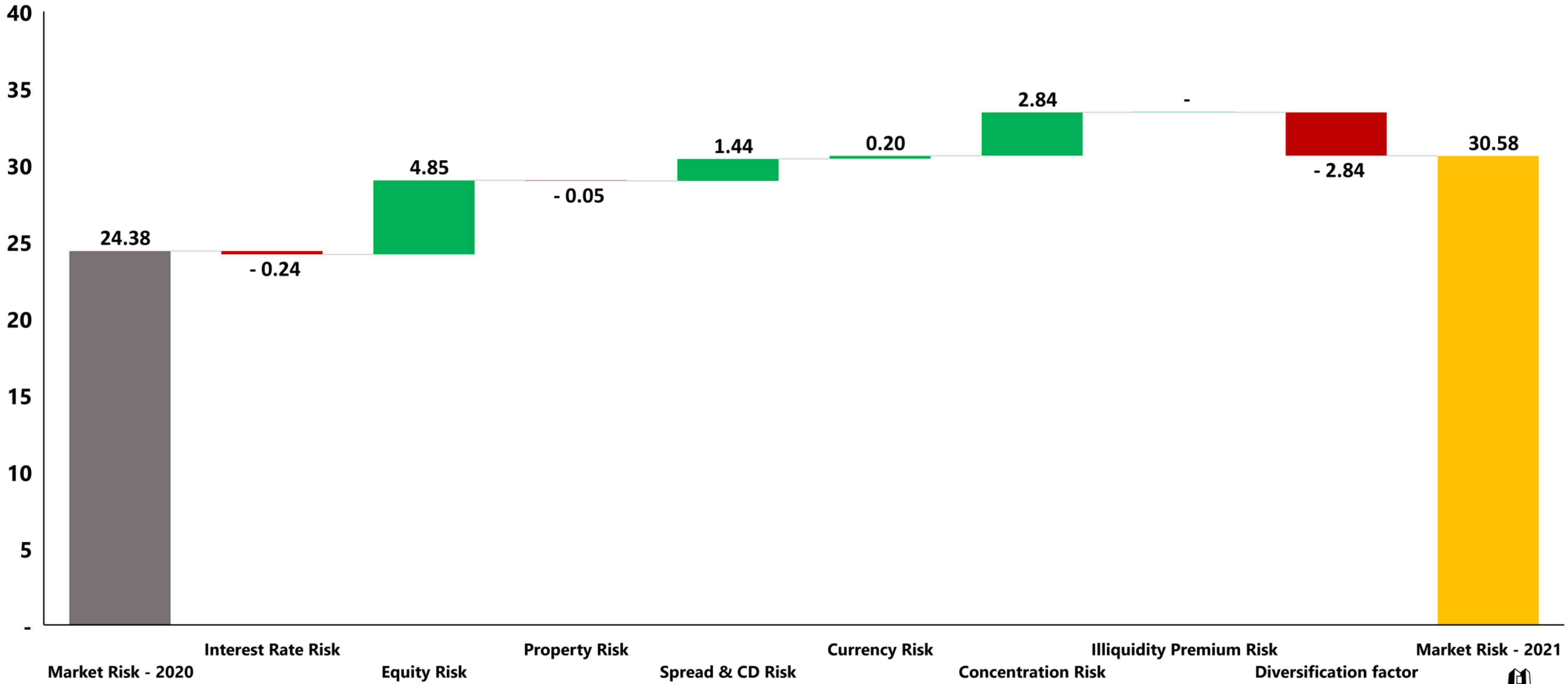
Movement in Market Risk (2020 - 2021)



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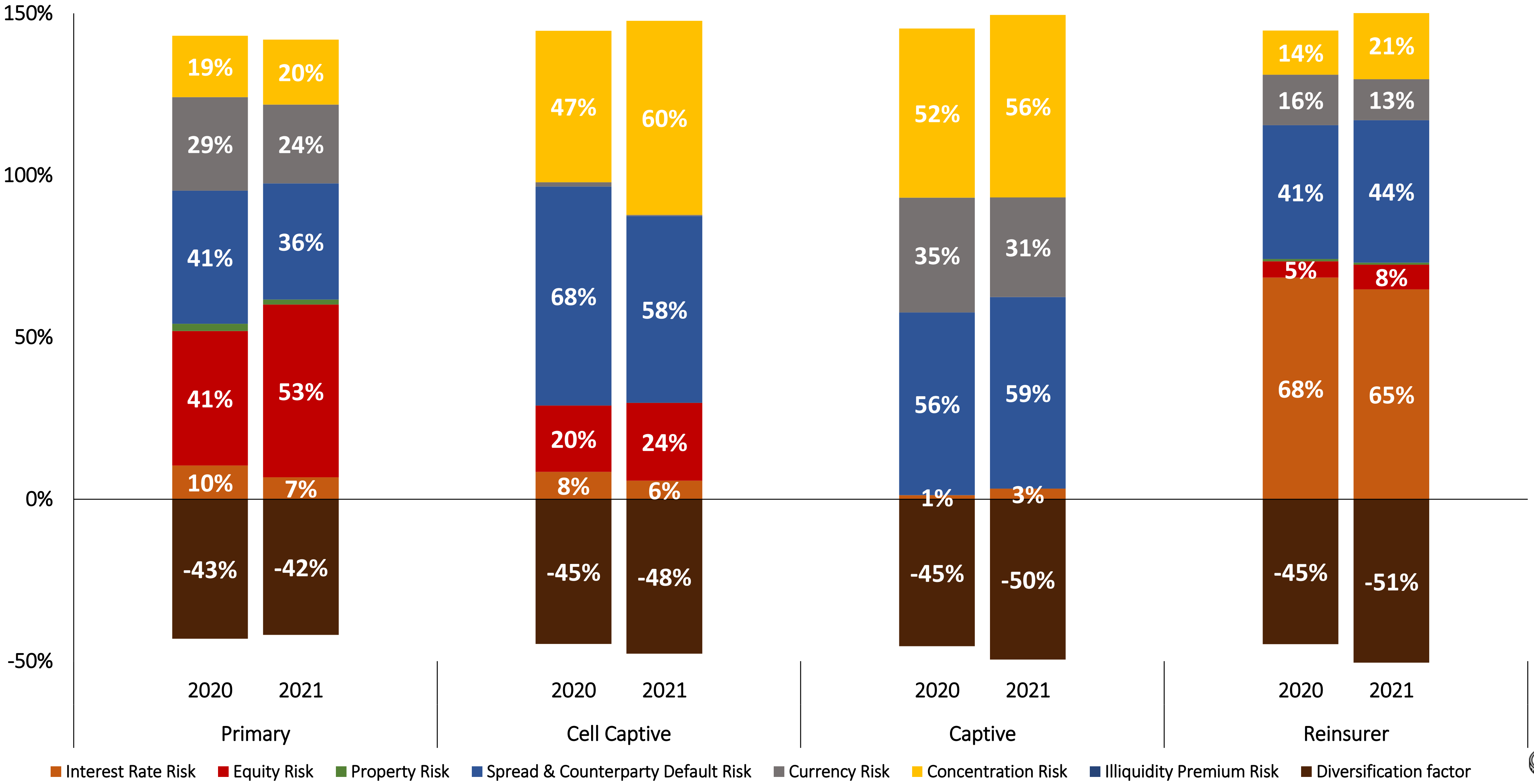
Market Risk – by Insurer Type



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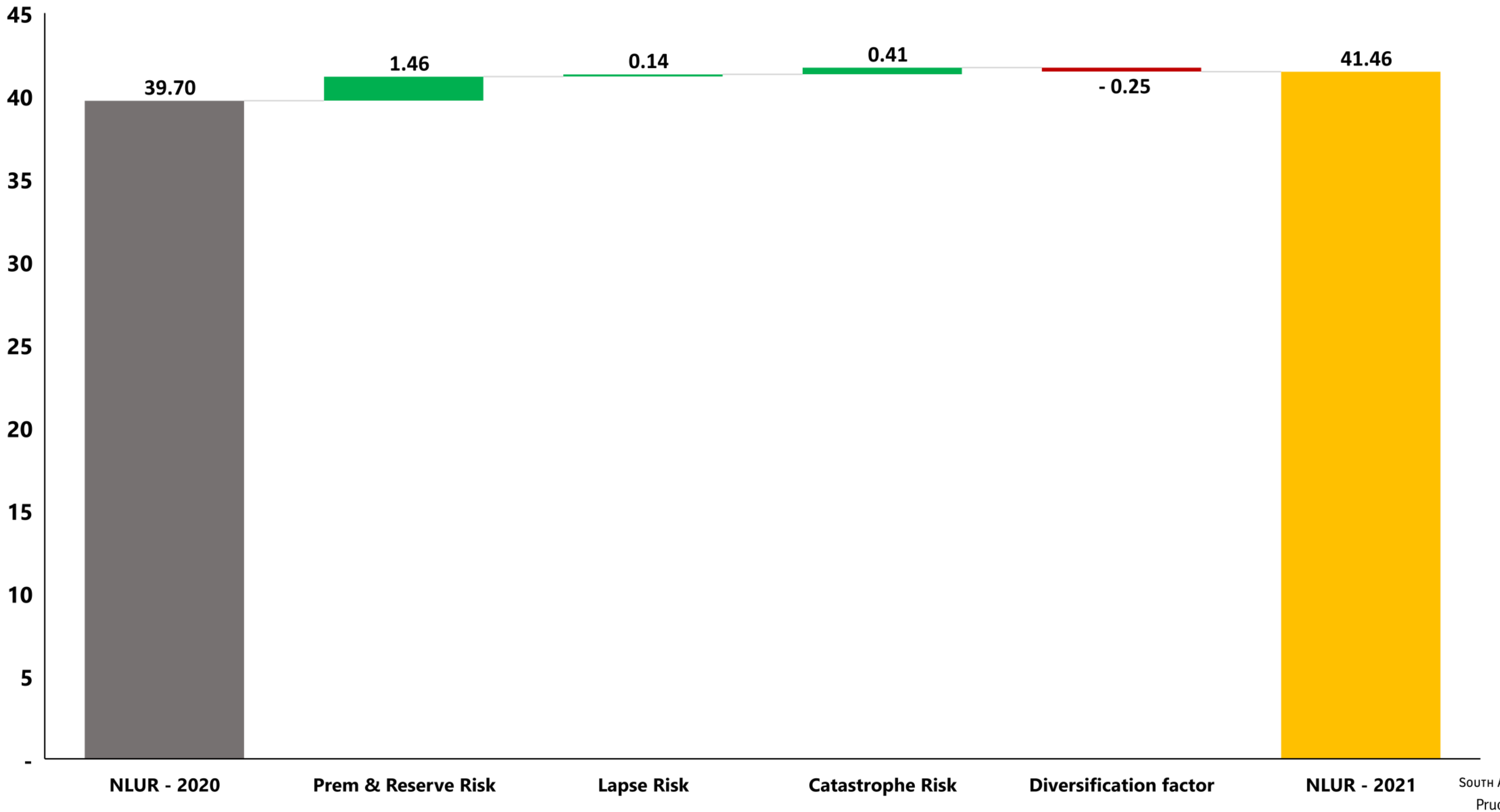
Movement in Non-Life Underwriting Risk (2020 – 2021)



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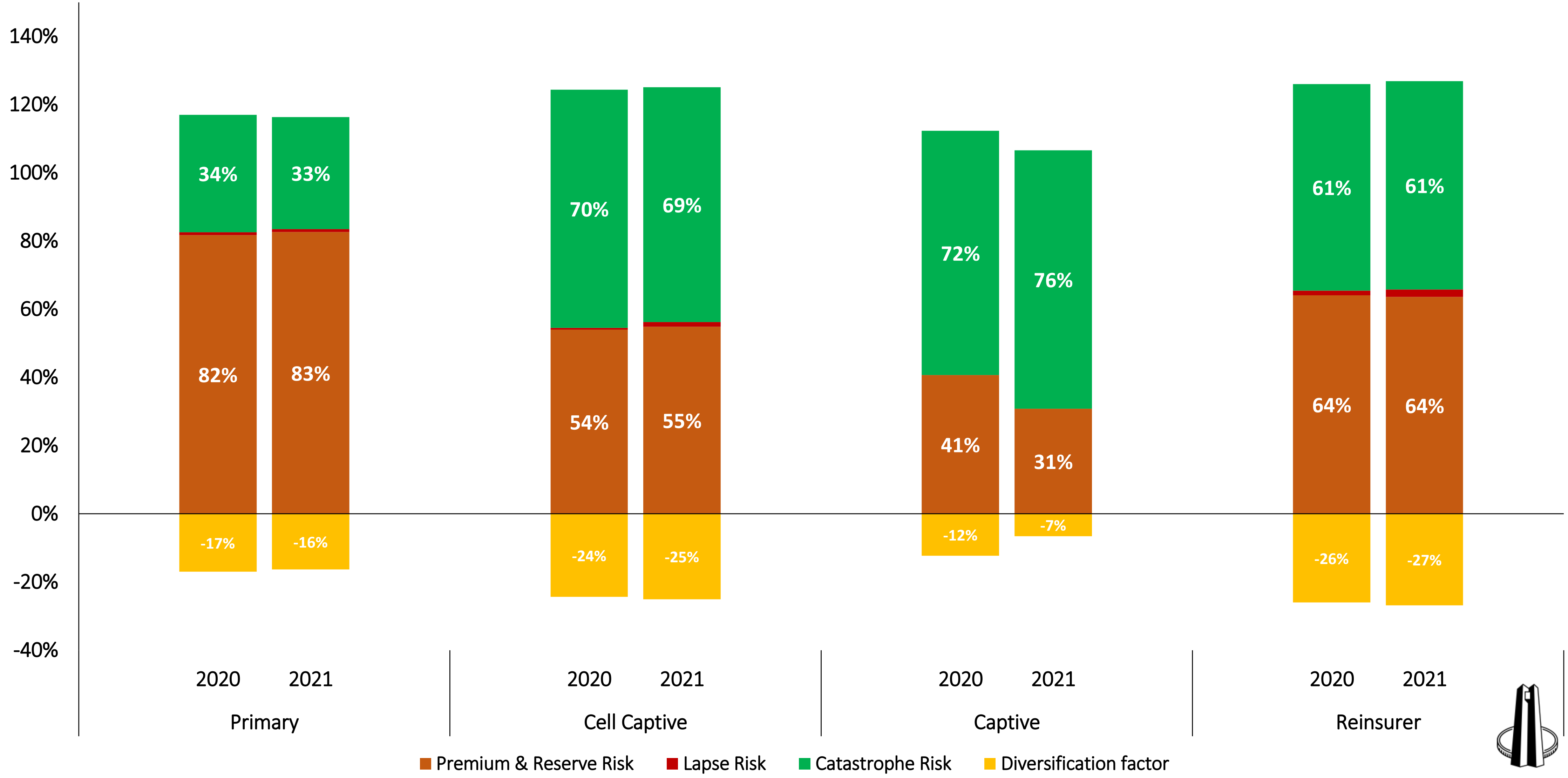
NLUR

Non-Life Underwriting Risk Composition



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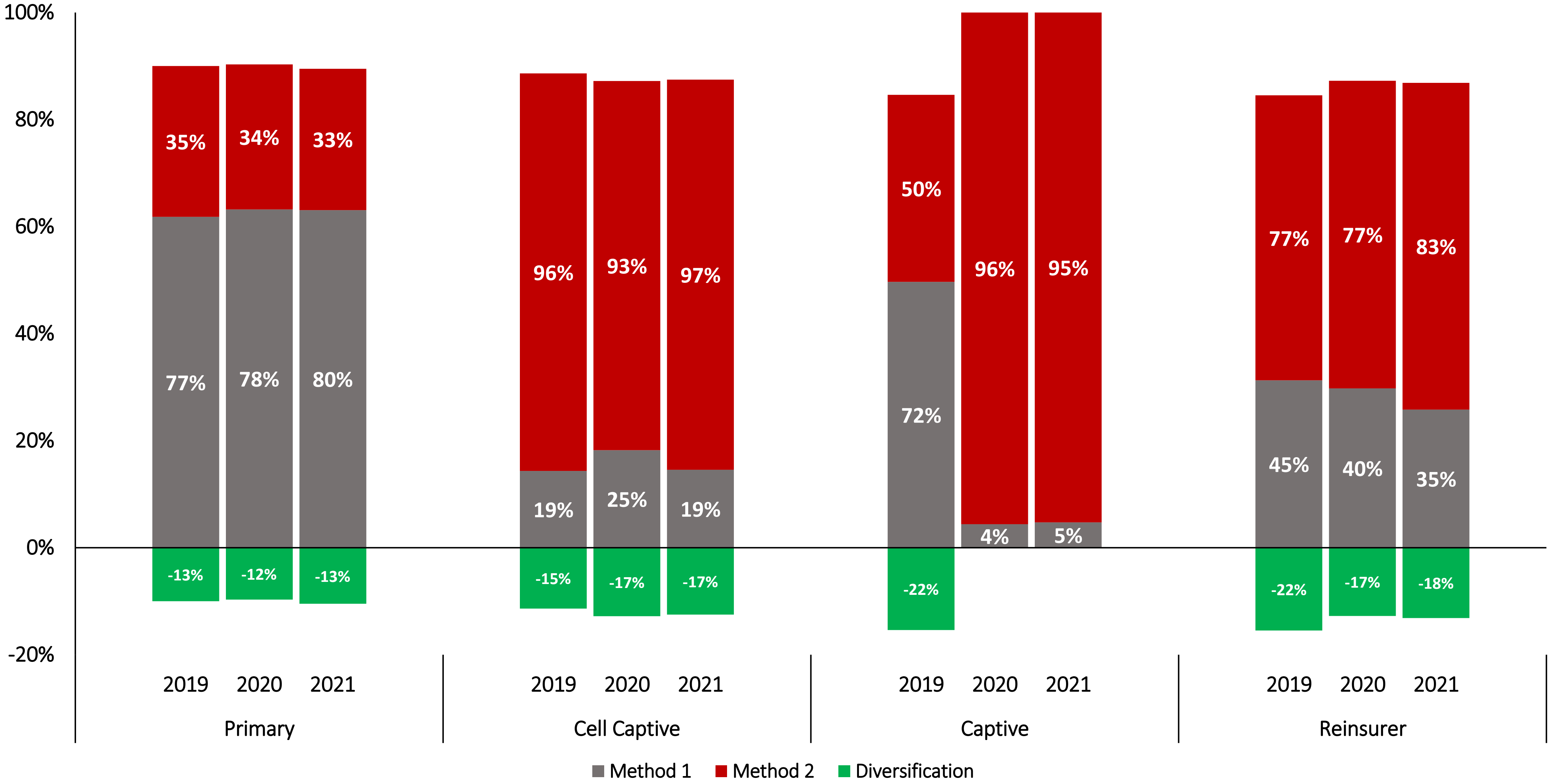
Catastrophe Risk

Catastrophe Risk - Calculation



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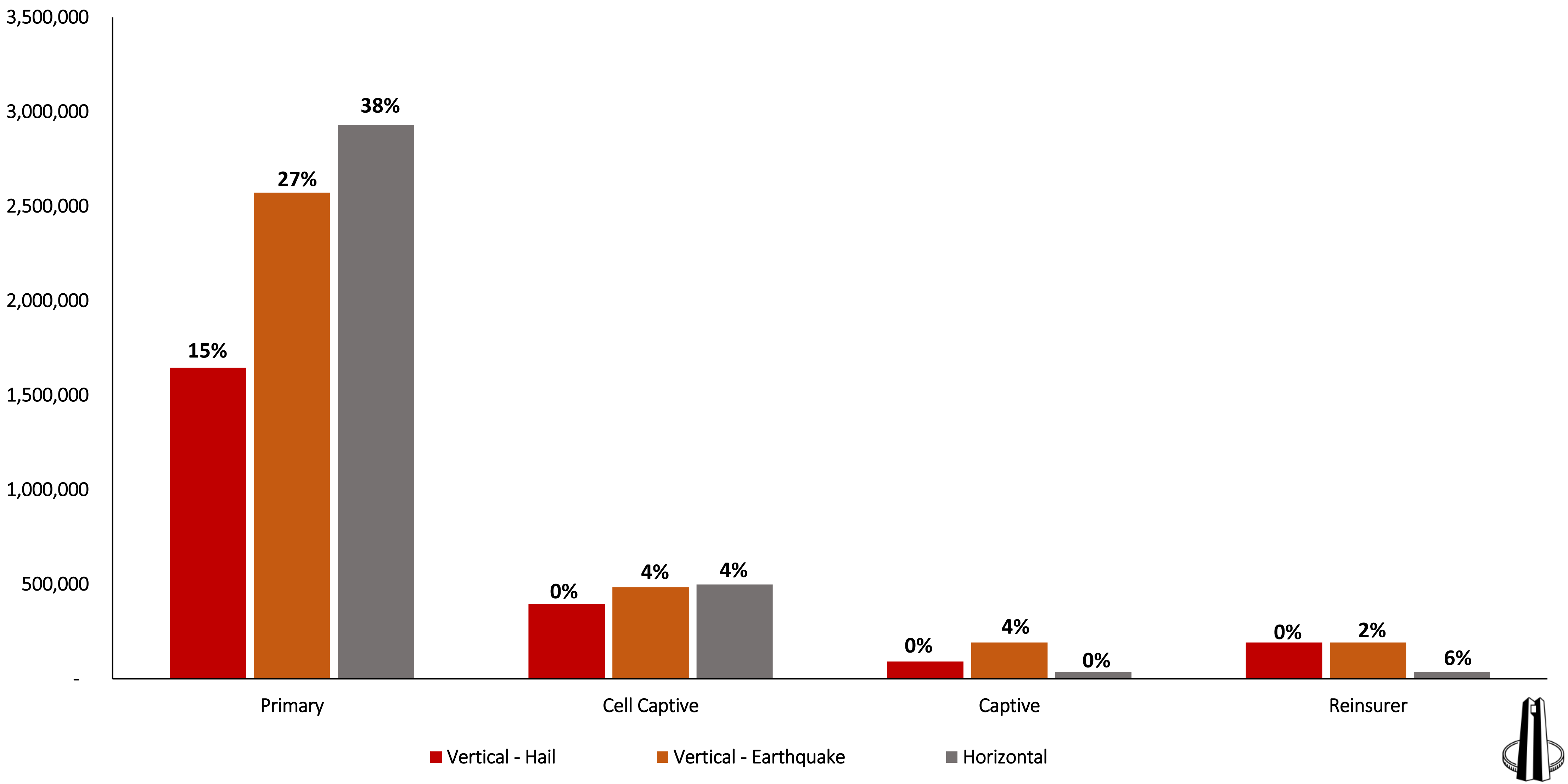
CAT Risk

Catastrophe Risk – Nat CAT Exposure (2021)



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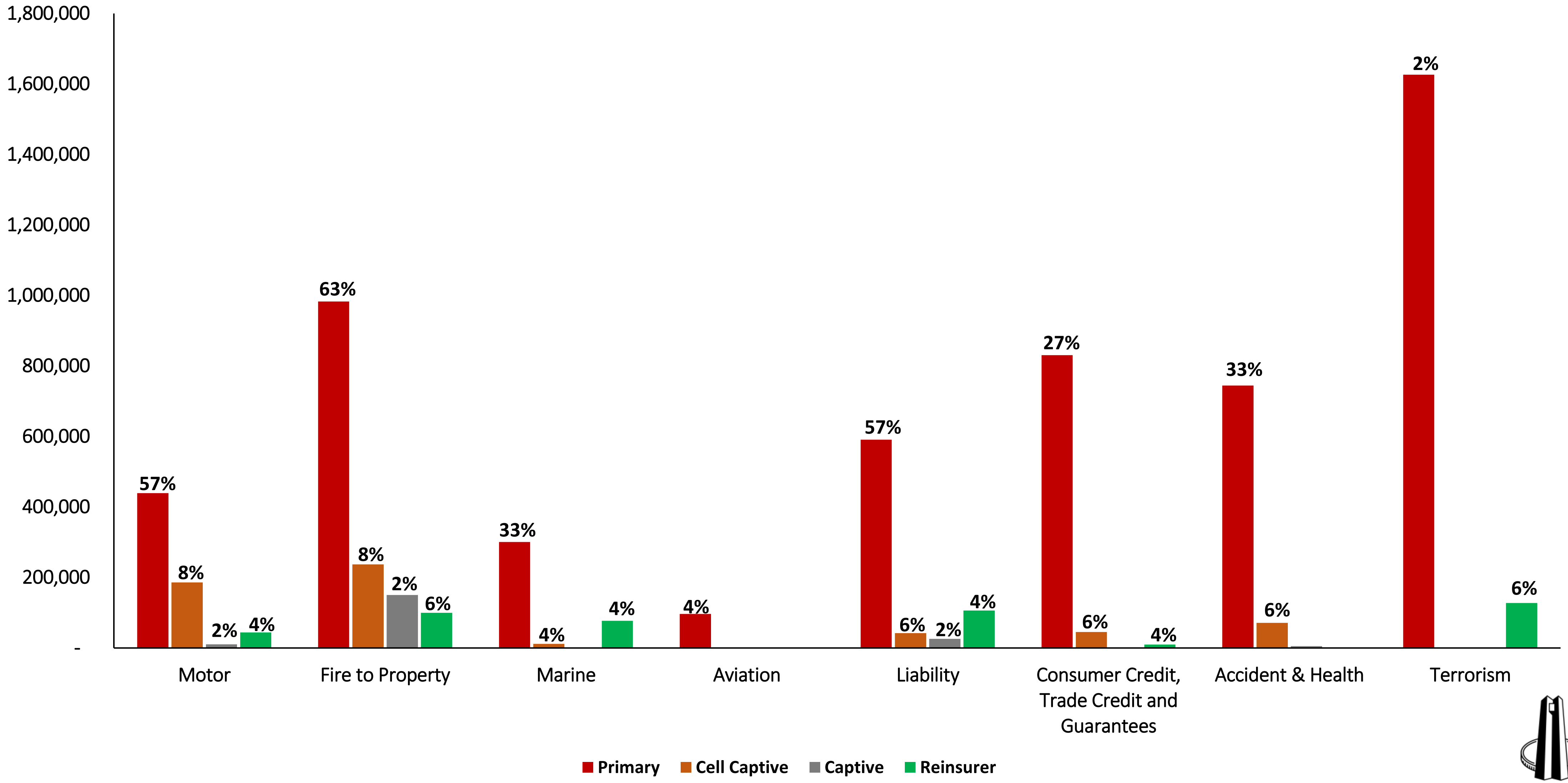
CAT Risk

Catastrophe Risk – Man – Made CAT Exposure (2021)



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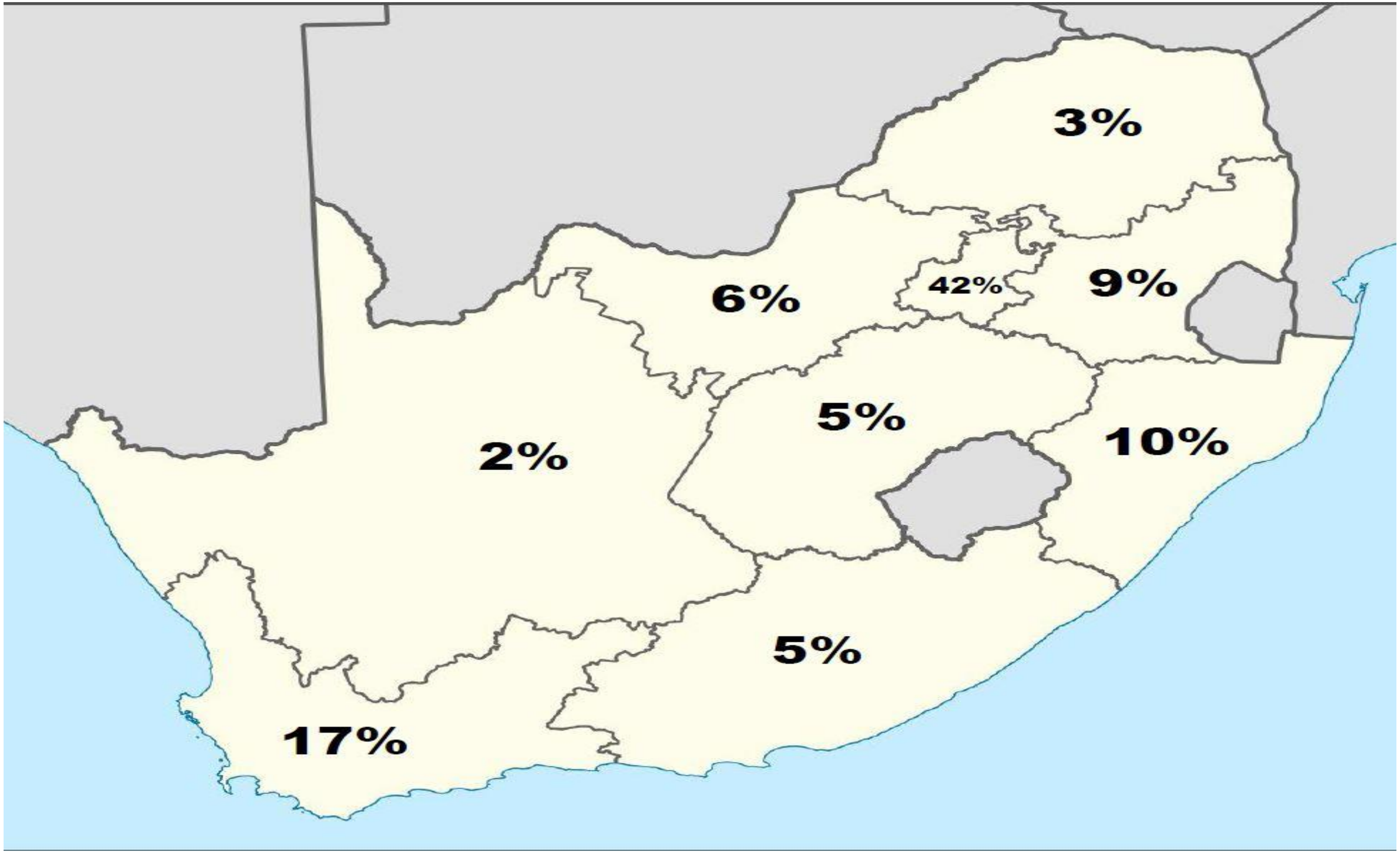
CAT Risk

Natural Catastrophe Risk: Total Insured Value by Zone (2021)



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Summary

- Industry premiums continue the upward trend
- During the reporting period:
  - Incurred claims ratios were on average lower than the previous year
  - Average premium retention ratios remained relatively stable
  - Total industry assets grew on average by 12%
- Reinsurers continue to show adverse results
- For queries kindly contact:
  - Thando.Machobane@resbank.co.za
  - Lesego.Madlala@resbank.co.za

THANK YOU

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