

2022  
**ANALYST  
PRESENTATION**

**INTERIM FINANCIAL RESULTS  
FOR THE SIX MONTHS ENDED  
30 JUNE 2022**

PRESENTED BY:  
TAVAZIVA MADZINGA AND HENNIE NEL



# CONTENT



1. The Santam business portfolio
2. Market context
3. Financial results
4. Capital management
5. Group strategy and priorities
6. ESG matters

# THE SANTAM BUSINESS PORTFOLIO



## Conventional



- Santam Commercial and Personal
- Santam Specialist
- Santam Re
- MiWay

## Alternative Risk Transfer (ART)



- Centriq Insurance
- Santam Structured Insurance

## Santam's Strategic Investment Partnerships



Santam's share of the insurance results of the SEM general insurance businesses



## MARKET CONTEXT



# INSURANCE MARKET

## OUTLOOK

### All markets

- Global economy is expected to continue to slowdown
- Inflation continues to surge as supply chain disruptions and high energy prices persist
- Current developments in Ukraine/Russia and China/Taiwan add uncertainty to the economic outlook
- Rate hardening in commercial lines and emerging markets will remain key drivers to insurance growth
- Climate action failure and frequency and severity of extreme weather events remain top risks
- Great Resignation and a shift to remote work intensifies the war for talent
- ESG and climate disclosure are shifting towards mandatory reporting



# INSURANCE MARKET

## OUTLOOK

### South Africa

- Economic growth outlook is revised upwards
- The short-term outlook for the insurance industry remains positive
- The surge in inflation, supply chain disruptions and persistent loadshedding will continue to impact claims cost
- Weather-related events, civil unrest, poor infrastructure maintenance and destruction of property remain key risks for the growth and profitability of the industry
- Reinsurance rates continue to harden and reduced appetite for South African risks
- Increased risk awareness should be supportive of growth





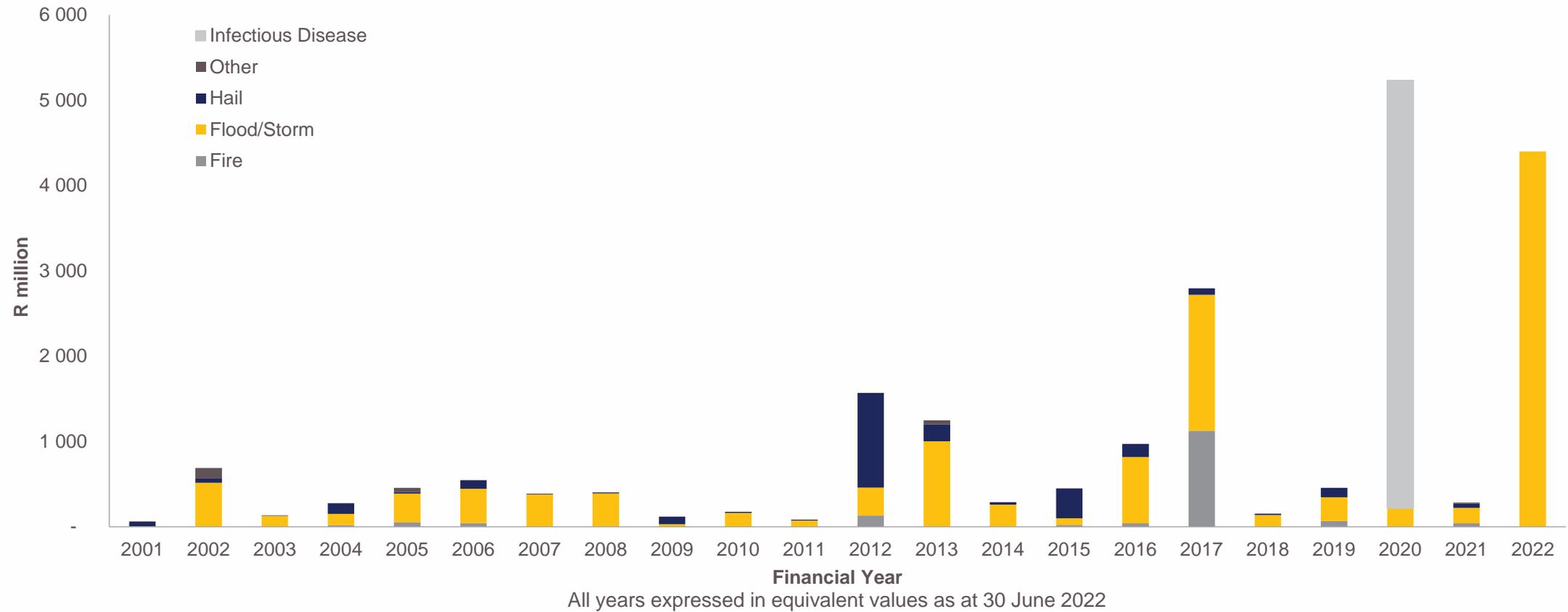
# KWAZULU-NATAL FLOODS

## CURRENT STATUS

- Gross exposure currently estimated at R4.4 billion
- Santam's net exposure estimated to be R566 million, inclusive of reinstatement premiums
- The largest natural catastrophe in Santam's history
- Santam provided on the ground support to its clients during this trying time, with the deployment of our claims team in KwaZulu-Natal immediately after the event

# CATASTROPHE CLAIMS

## GROSS TOTAL CATASTROPHE CLAIMS: ALL PERILS



# OTHER UNDERWRITING FACTORS

## CURRENT STATUS

- Adverse weather conditions in Q1 and several smaller weather-related catastrophe events
- Claims inflation in excess of premium increases
- Large losses
- Power surge claims
- Increase in motor theft



# CONTINGENT BUSINESS INTERRUPTION COVER

## CURRENT STATUS

- Santam reviewed its provisions for CBI claims at 30 June 2022 and the net CBI provision was reduced by R397 million mainly due to
  - actual claims to date being lower than the initial estimates
  - support from all of Santam’s catastrophe reinsurers, who are meeting their obligations
- Some uncertainty remains about ultimate liability – until process has been finalised
- Steady progress in finalising the open CBI claims – gross CBI claims paid of R4.3 billion and reinsurance recoveries of R2.2 billion to the end of June 2022





# SANTAM JUNE 2022

## BUSINESS DEVELOPEMENTS

- April 2022: Santam's economic interest in **SGI** diluted from 15% to 14.1% following KKR transaction
- 4 May 2022: Sale of 10% interest on **SAN JV to Allianz** announced for EUR 120.5 million
- May 2022: **Sub-debt** of R1 billion issued to redeem callable sub-debt of R1 billion in June 2022
- 30 June 2022: Entered into **a zero-cost collar over listed equities** to the value of R1.4 billion



# SANTAM JUNE 2022

## KEY FACTS

- Conventional insurance gross written premium growth of **7%**
- Underwriting margin for conventional insurance business of **2.3%** (Jun 2021: **6.7%**)
- Alternative Risk Transfer operating result of **R111 million** (Jun 2021: **R140 million**)
- Headline earnings per share decreased to **409 cps** (Jun 2021: **863 cps**)
- Return on capital of **7.4%**
- Group economic capital coverage ratio of **157%**
- Interim dividend of **462 cps** (Jun 2021: **432 cps**)



# FINANCIAL RESULTS

# REPORTING ENVIRONMENT

## REPORTED RESULTS AFFECTED BY:

### **Insurance events**

- Adverse weather conditions and KZN floods negatively impacted underwriting results
- Release of net CBI claims provisions of R397 million

### **Market volatility**

- Volatile equity and bond markets contributed to negative market value movements
- Improved interest income following increase in interest rates
- Rand weakness contributed to unrealised foreign currency gains



# EXCHANGE RATE VOLATILITY

## CLOSING RATES

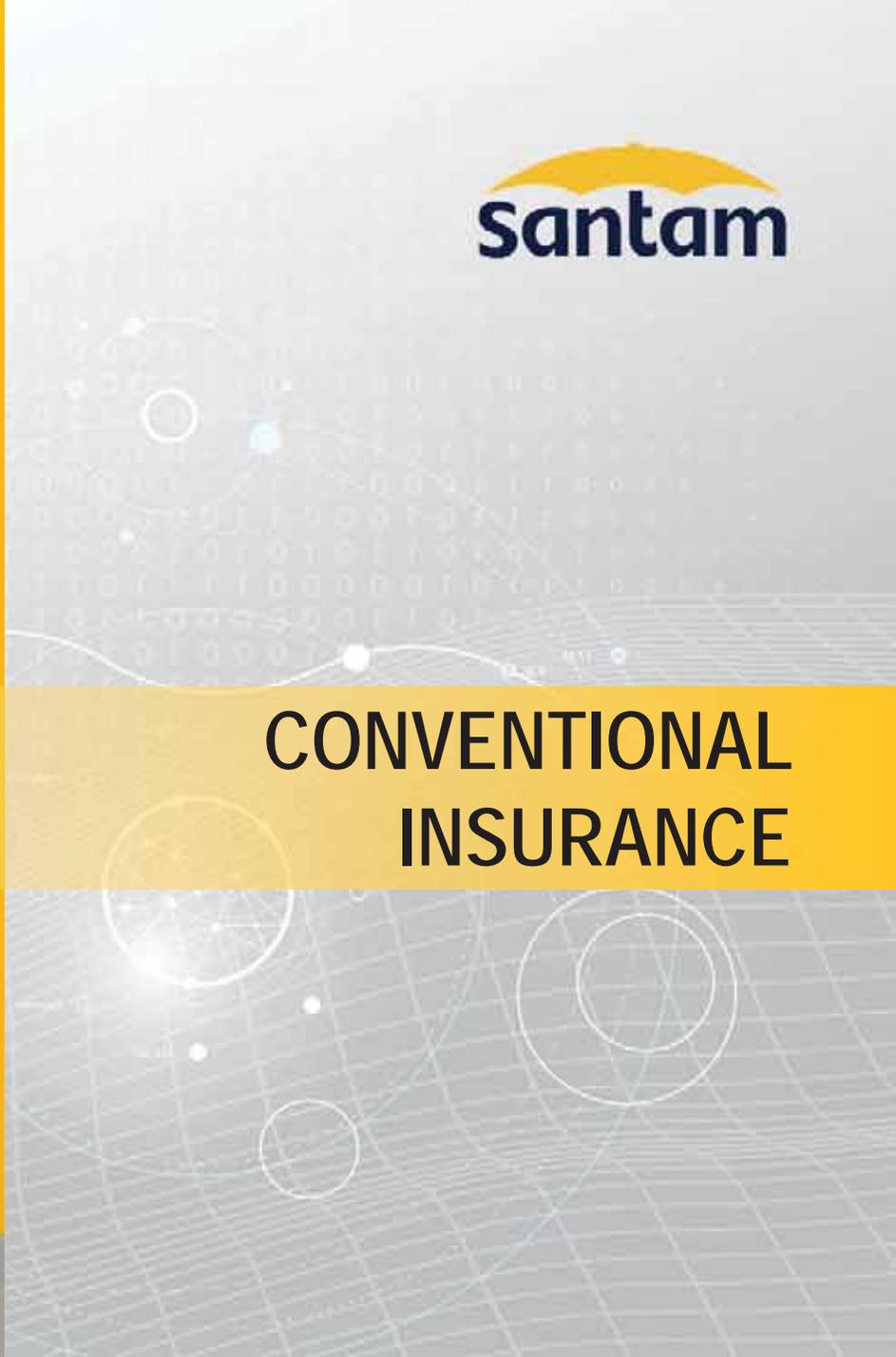
Currency	Jun 2022	Dec 2021	% change
United States Dollar	16.38	15.96	2.6
Moroccan Dirham	1.61	1.72	(6.6)
Indian Rupee	0.21	0.21	(3.5)

## AVERAGE RATES

Currency	Jun 2022	Jun 2021	% change
United States Dollar	15.40	14.52	6.0
Moroccan Dirham	1.59	1.63	(2.5)
Indian Rupee	0.20	0.20	2.1



# CONVENTIONAL INSURANCE



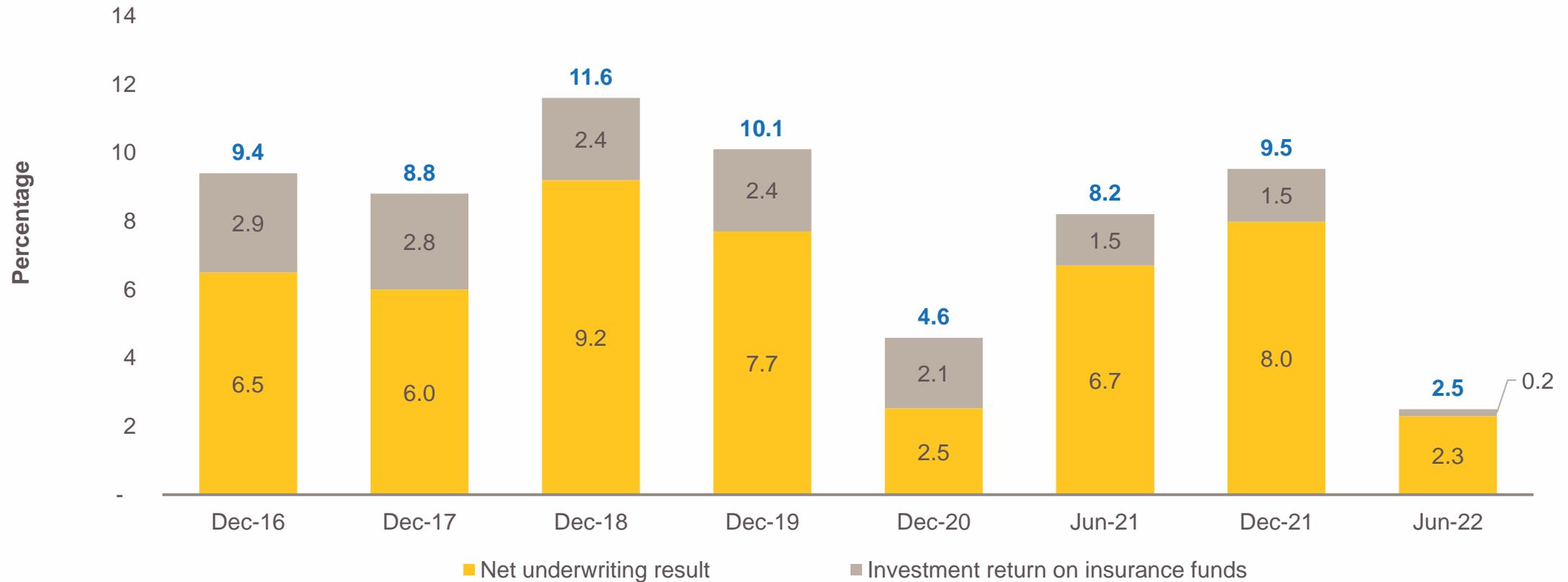
# CONVENTIONAL INSURANCE

## NET INSURANCE RESULT

	Jun 2022 R'm	% of NEP	Jun 2021 R'm	% of NEP	2022/ 2021	5 Yr ave %	10 Yr ave %
<b>Gross written premium</b>	16 543		15 498		7%	6.2	7.4
Net earned premium	13 018	100.0	12 791	100.0	2%	4.7	5.7
Net claims incurred	8 817	67.7	8 109	63.4	9%	64.1	64.4
Net acquisition cost	3 903	30.0	3 829	29.9	2%	30.0	29.2
<b>Net underwriting result</b>	298	2.3	853	6.7	(65%)	5.9	6.4
Investment return on insurance funds	30	0.2	200	1.5	(85%)	1.7	2.2
<b>Net insurance result</b>	328	2.5	1 053	8.2	(69%)	7.6	8.6
Combined ratio		97.7		93.3		94.1	93.6

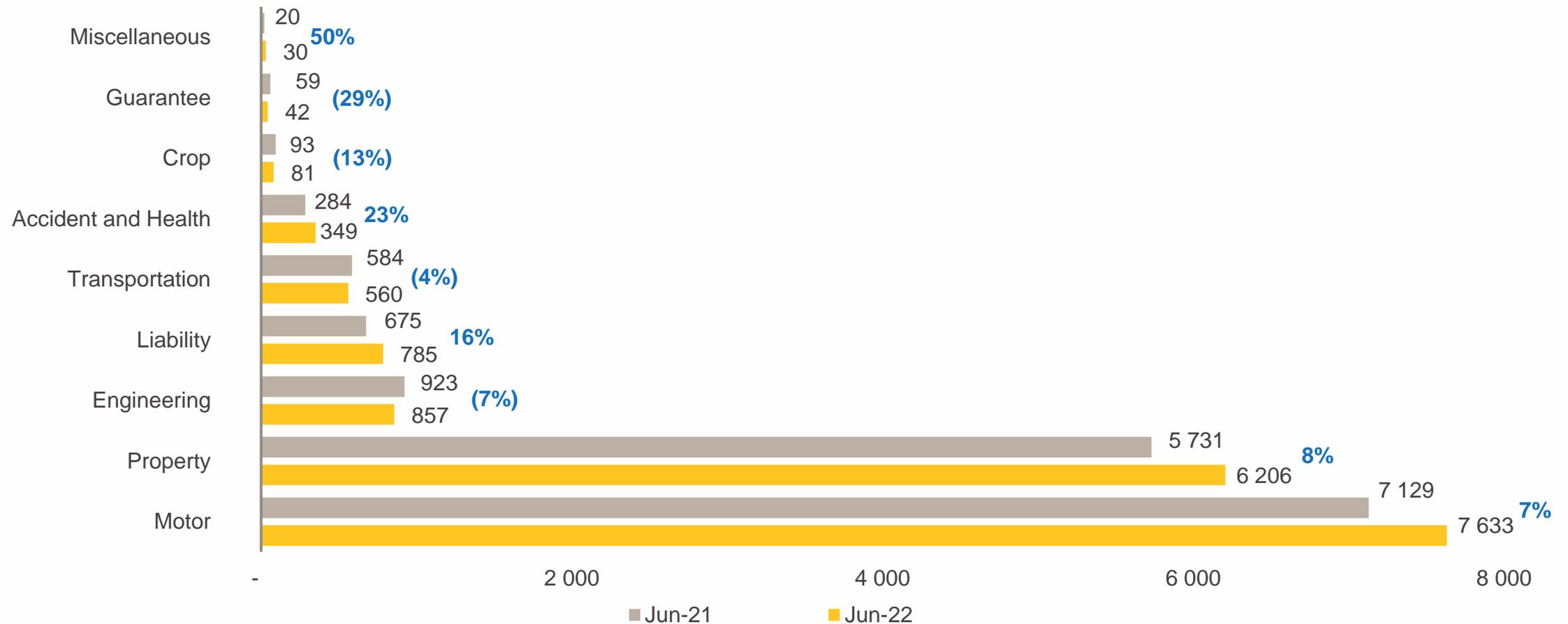
# CONVENTIONAL INSURANCE

## NET INSURANCE RESULT AS % OF NET EARNED PREMIUM



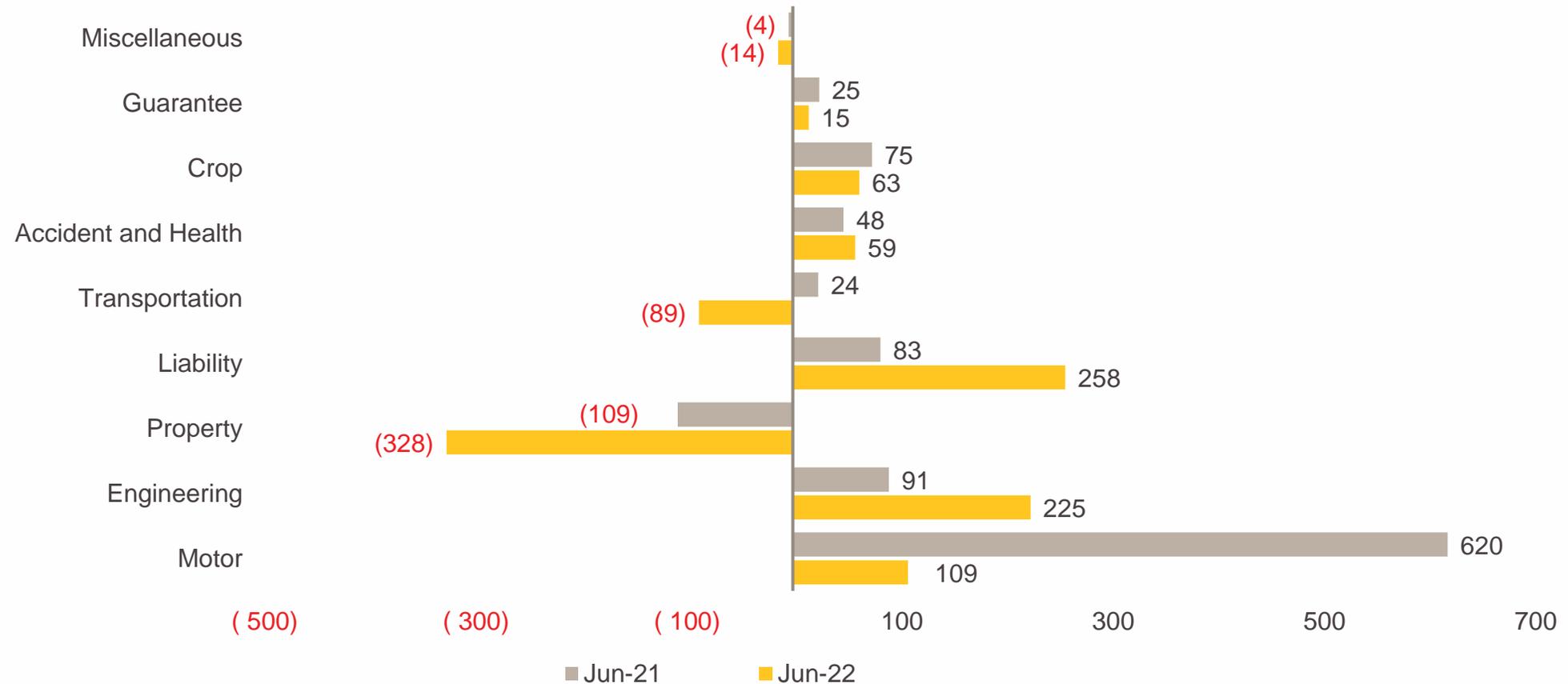
# CONVENTIONAL INSURANCE

## GROSS WRITTEN PREMIUM PER INSURANCE CLASS (R MILLION)



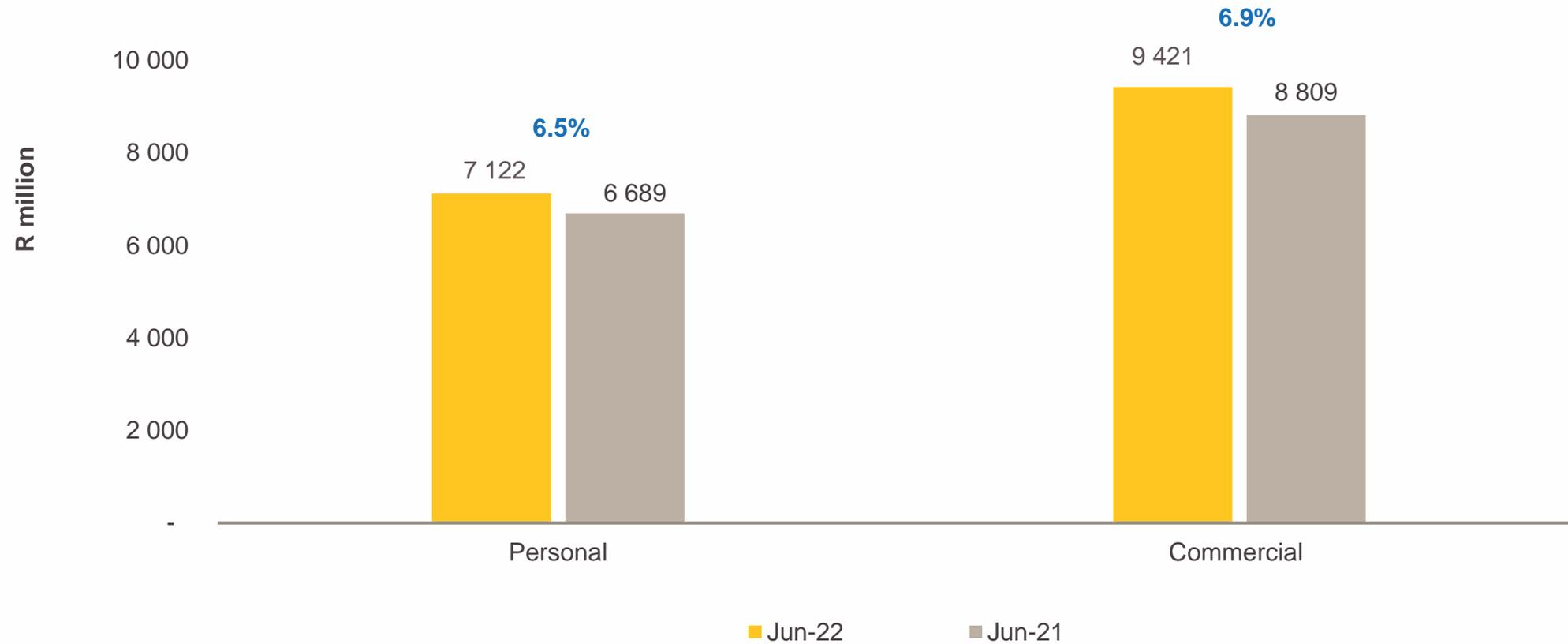
# CONVENTIONAL INSURANCE

## NET UNDERWRITING RESULT PER INSURANCE CLASS (R MILLION)



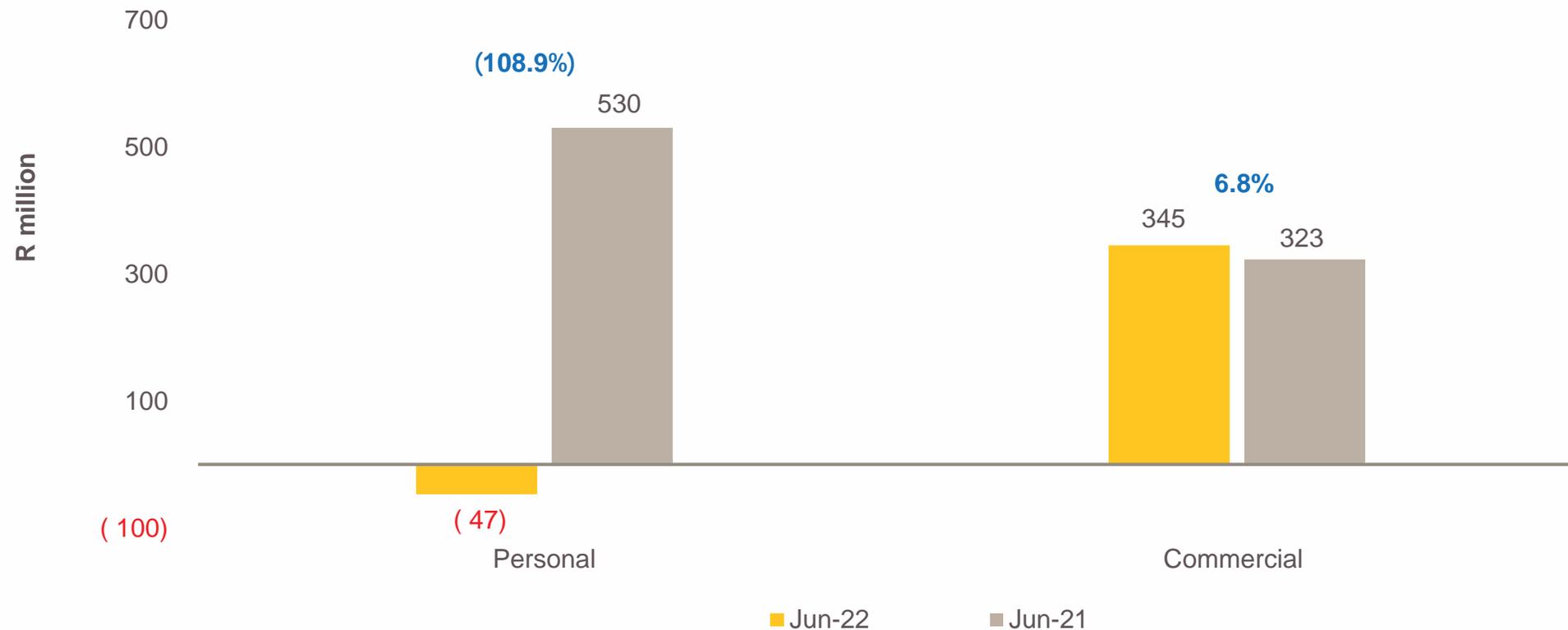
# CONVENTIONAL INSURANCE

## GROSS WRITTEN PREMIUM SEGMENTAL ANALYSIS – PERSONAL AND COMMERCIAL



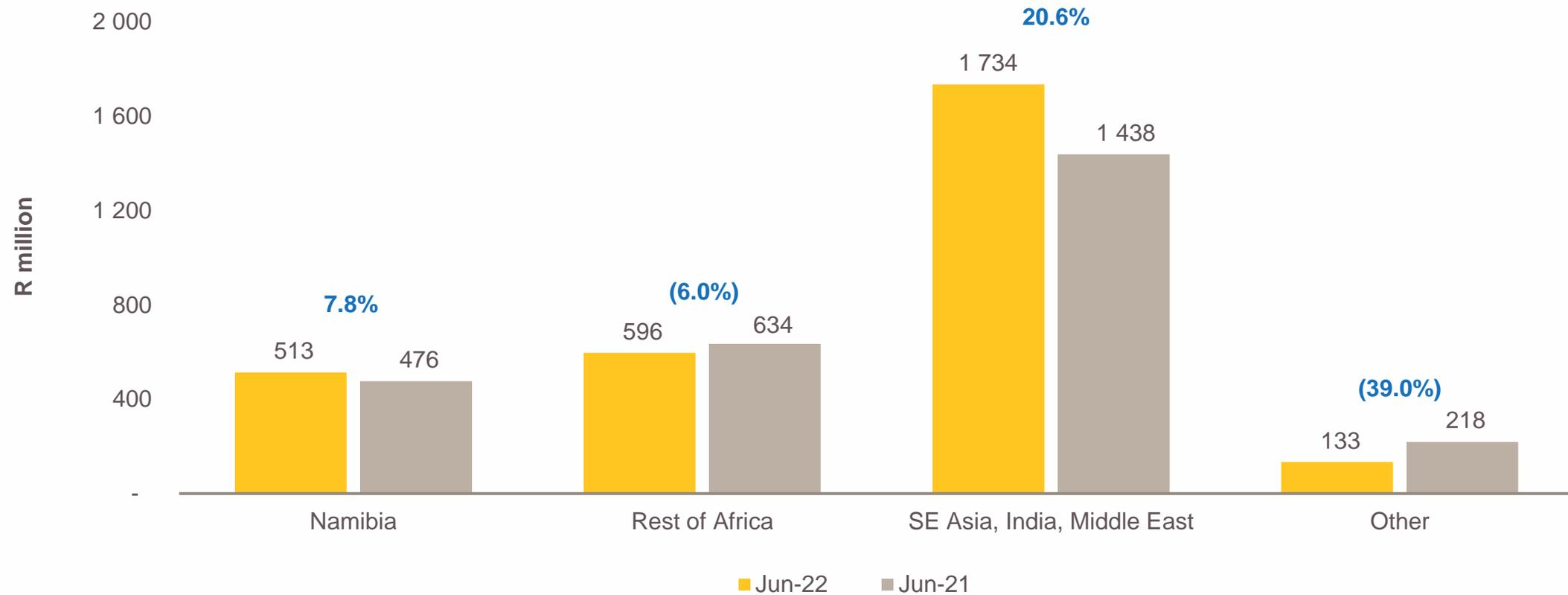
# CONVENTIONAL INSURANCE

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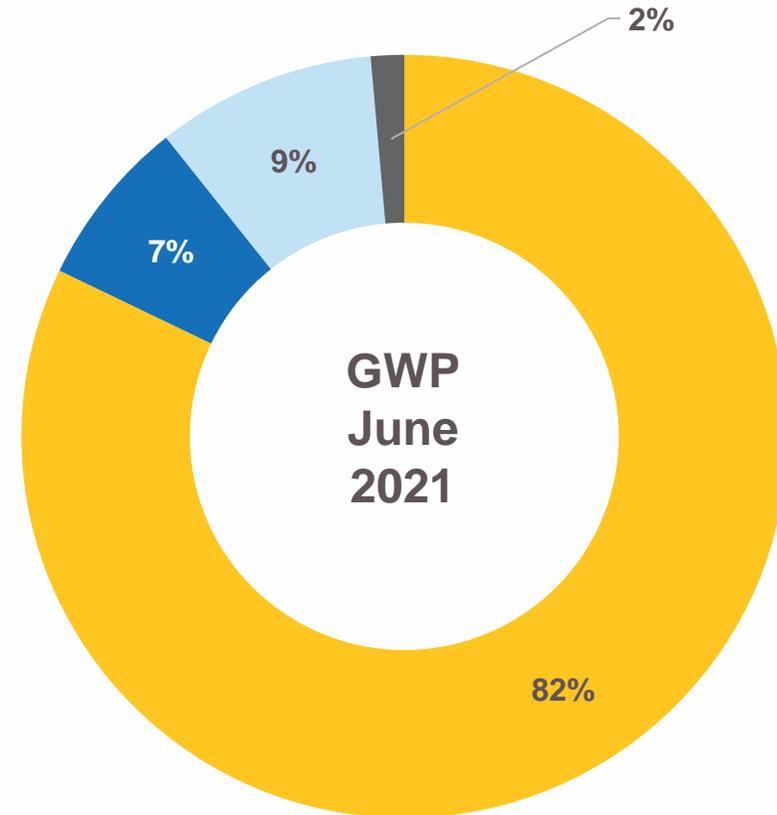
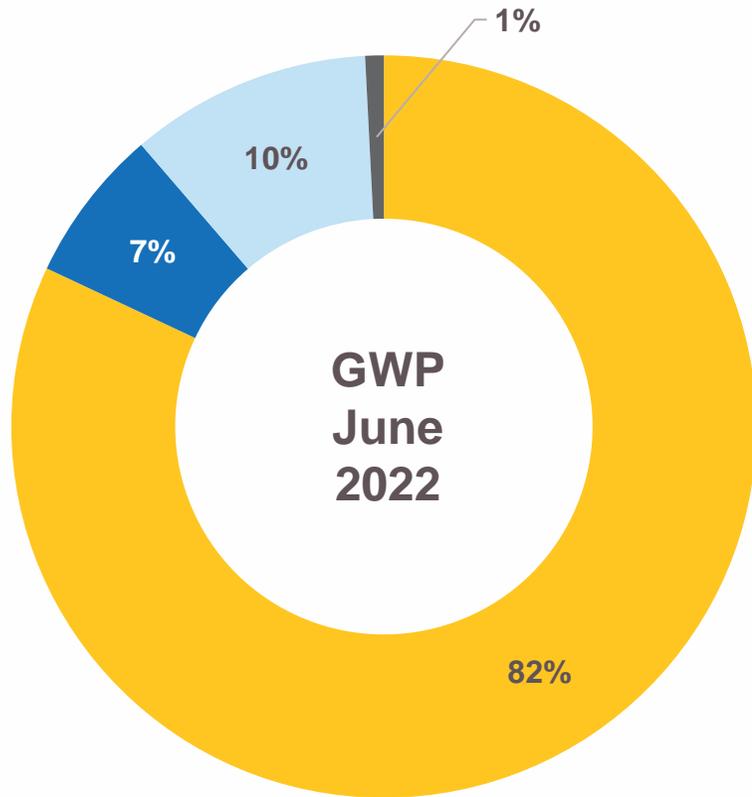
# CONVENTIONAL INSURANCE

## GROSS WRITTEN PREMIUM FROM OUTSIDE SA



# GEOGRAPHIC DIVERSIFICATION

## CONVENTIONAL INSURANCE



■ South Africa

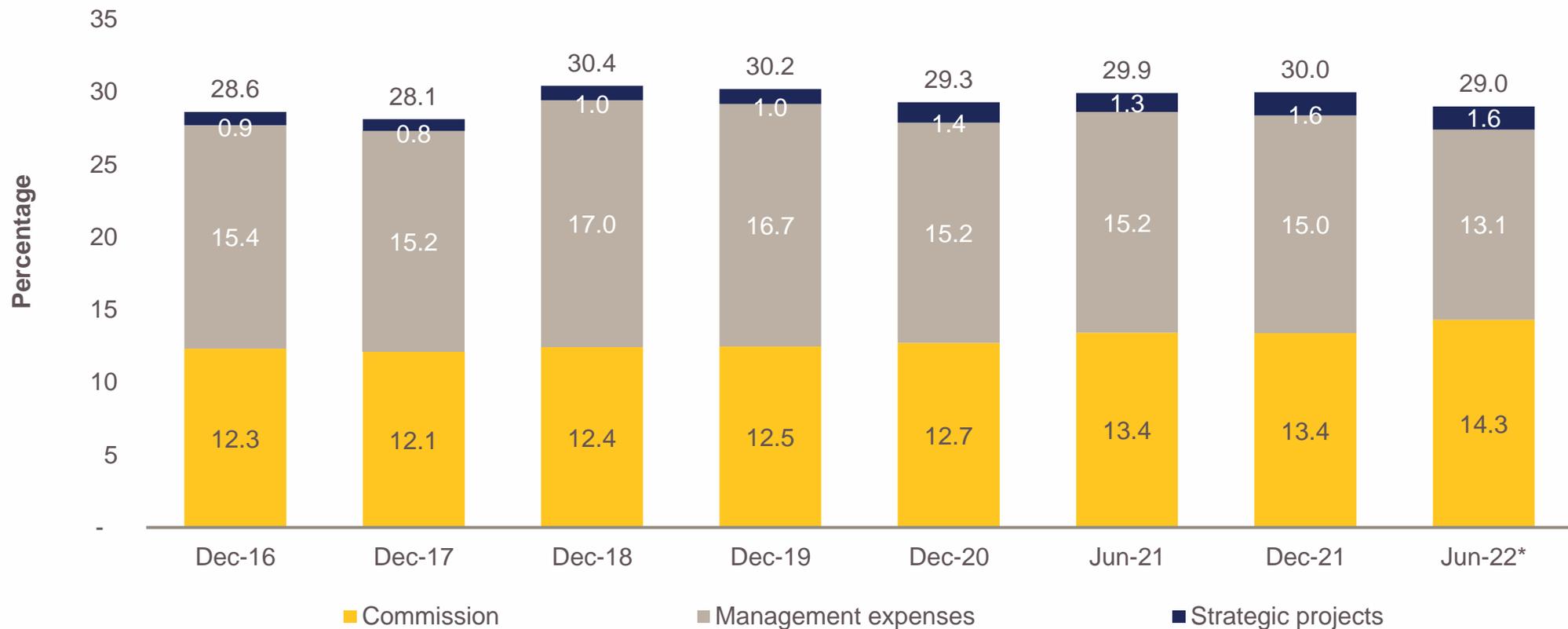
■ Rest of Africa

■ SE Asia, India, Middle East

■ Other

# CONVENTIONAL INSURANCE

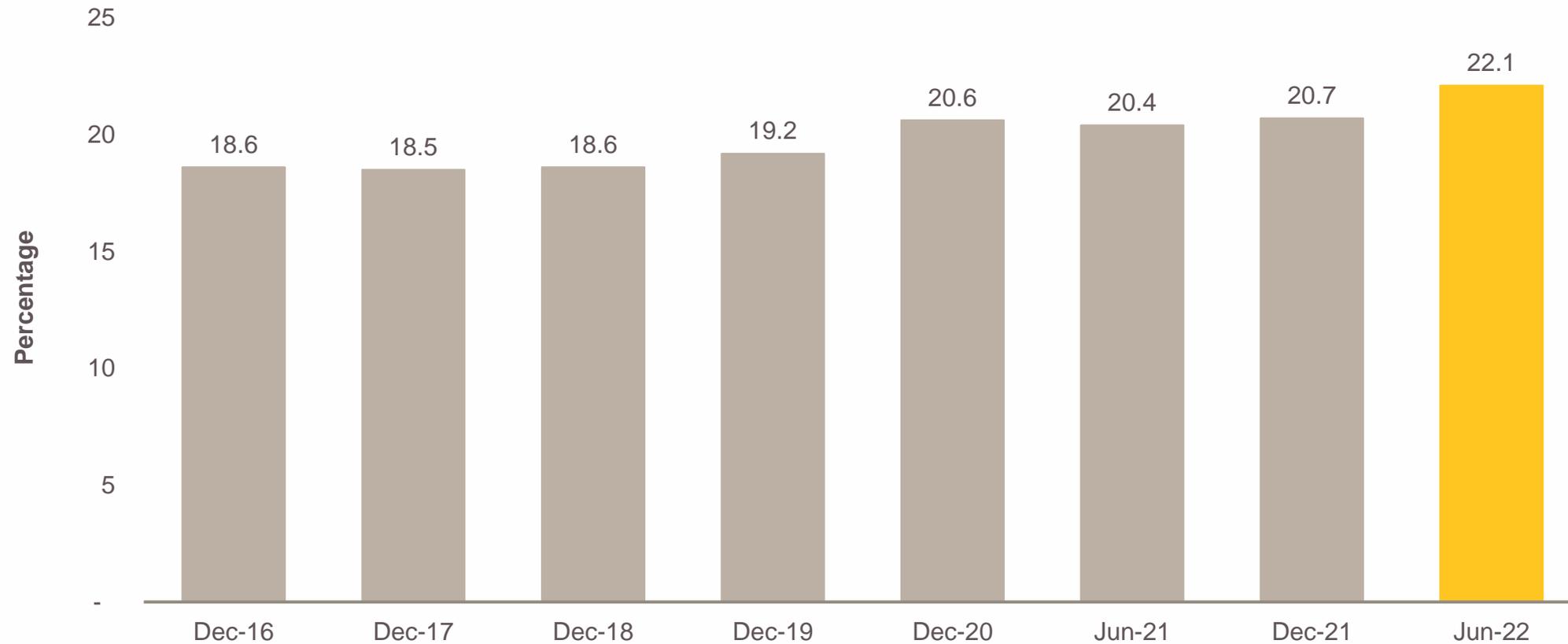
## NET ACQUISITION COST RATIO AS % OF NET EARNED PREMIUM



\* June 2022 ratios presented as a percentage of net earned premium excluding the impact of KZN floods and CBI reinstatement

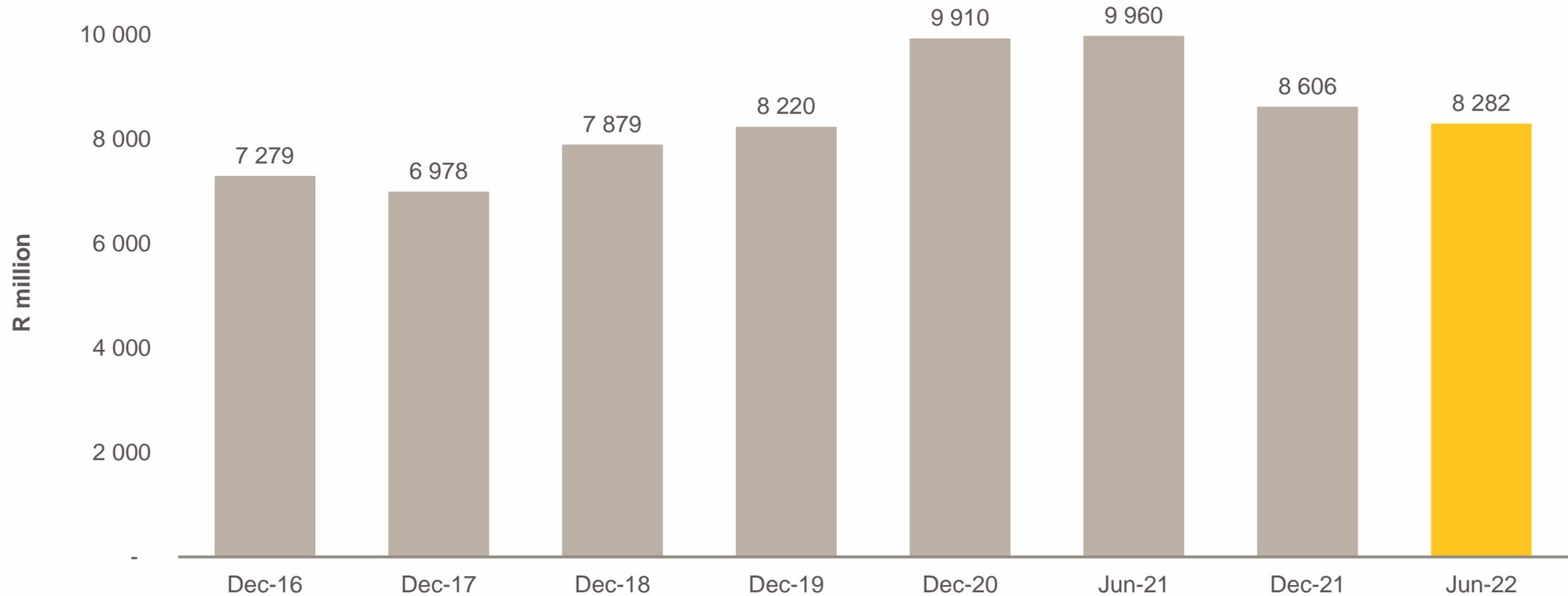
# CONVENTIONAL INSURANCE

## REINSURANCE AS % OF GROSS EARNED PREMIUM



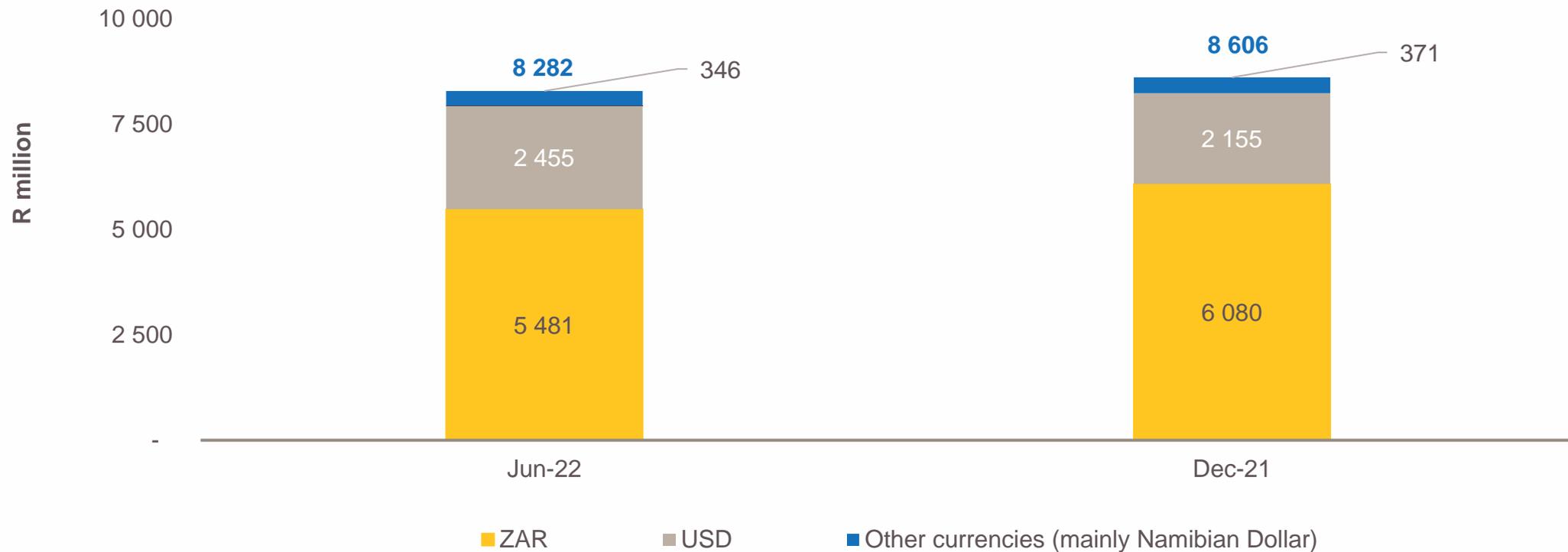
# CONVENTIONAL INSURANCE

## SIZE OF NET INSURANCE FUNDS



# CONVENTIONAL INSURANCE

## ASSETS BACKING NET INSURANCE FUNDS CURRENCY MIX



# CONVENTIONAL INSURANCE

## MIWAY

	Jun 2022	Jun 2021	Change
Gross written premium (R million)	1 626	1 585	2.6%
Gross underwriting result, net of CAT recoveries (R million)	122	159	(23.3%)
Gross claims ratio, net of CAT recoveries	61.3%	58.2%	
Gross acquisition cost ratio	30.2%	31.7%	
Gross underwriting margin	7.5%	10.1%	
Number of clients <sup>1</sup>	339 000	347 000	(2.3%)

<sup>1</sup> Excluding value-added products



# ALTERNATIVE RISK TRANSFER

# ALTERNATIVE RISK TRANSFER (ART)

- **Includes the results from:**

- Centriq Insurance
- Santam Structured Insurance

- **Types of business:**

- Risk finance
- Underwriting managers
- Affinity business
- Structured insurance



# ALTERNATIVE RISK TRANSFER

## CENTRIQ

	Jun 2022 R'm	Jun 2021 R'm	2022/2021
Gross written premium	7 177	3 645	
Income from clients	148	153	(3%)
Participation in underwriting results	17	32	(47%)
Administration expenses	(75)	(73)	3%
<b>Operating result</b>	<b>90</b>	<b>112</b>	<b>(20%)</b>

# ALTERNATIVE RISK TRANSFER

## SANTAM STRUCTURED INSURANCE

	Jun 2022 R'm	Jun 2021 R'm	2022/2021
Gross written premium	1 046	953	
Income from clients	67	75	(11%)
Participation in underwriting results	7	9	(22%)
Administration expenses	(53)	(56)	(5%)
<b>Operating result after non-controlling interest</b>	<b>21</b>	<b>28</b>	<b>(25%)</b>



**SEM PARTNER  
BUSINESSES**



# SEM PARTNER BUSINESSES

- **Main SEM territories**

- SGI (India) – 35% participation
- P&O (Malaysia) – 31.5% participation
- 11 investments in African partner businesses – 10% participation

# SEM PARTNER BUSINESSES

## SANTAM EFFECTIVE HOLDING

	Domicile	Jun 2022	Dec 2021
Pacific and Orient Insurance Company Berhad	Malaysia	15.4	15.4
Shriram General Insurance Company Ltd	India	14.1	15.0
NICO Holdings general insurance subsidiaries	Malawi and Zambia	5.6	5.6
Sanlam General Insurance (Uganda) Ltd	Uganda	9.3	9.5
Sanlam General Insurance (Tanzania) Ltd	Tanzania	6.7	5.0
SORAS Assurances Générales Ltd	Rwanda	9.0	9.0
SOCAR s.a. Burundi	Burundi	3.1	3.1
FBN General Insurance Ltd	Nigeria	10.0	10.0
Sanlam General Insurance Ltd	Kenya	4.1	3.9
Botswana Insurance Company Ltd	Botswana	2.9	2.9
Zimnat Lion Insurance Company Ltd	Zimbabwe	4.0	4.0
Grand Reinsurance Company (Private) Ltd	Zimbabwe	4.0	4.0

# SEM GENERAL INSURANCE PARTICIPATION INVESTMENTS

## ANALYSIS OF SANTAM'S SHARE OF NET INSURANCE RESULT BEFORE TAXATION AND NON-CONTROLLING INTEREST

	Jun 2022 R'm	% of NEP	Jun 2021 R'm	% of NEP	2022/2021
<b>Gross written premium</b>	538		557		(3%)
Net earned premium	384	100.0	415	100.0	(8%)
Net claims incurred	237	61.7	327	78.8	(28%)
Net acquisition cost <sup>1</sup>	160	41.7	116	28.0	38%
<b>Net underwriting result</b>	(13)	(3.4)	(28)	(6.8)	(54%)
Investment return on insurance funds	98	25.5	100	24.1	(2%)
<b>Net insurance result</b>	85	22.1	72	17.3	18%

<sup>1</sup> Santam's share of the costs to manage the SEM portfolio of R3 million (Jun 2021: R2 million) has been included in net acquisition cost.

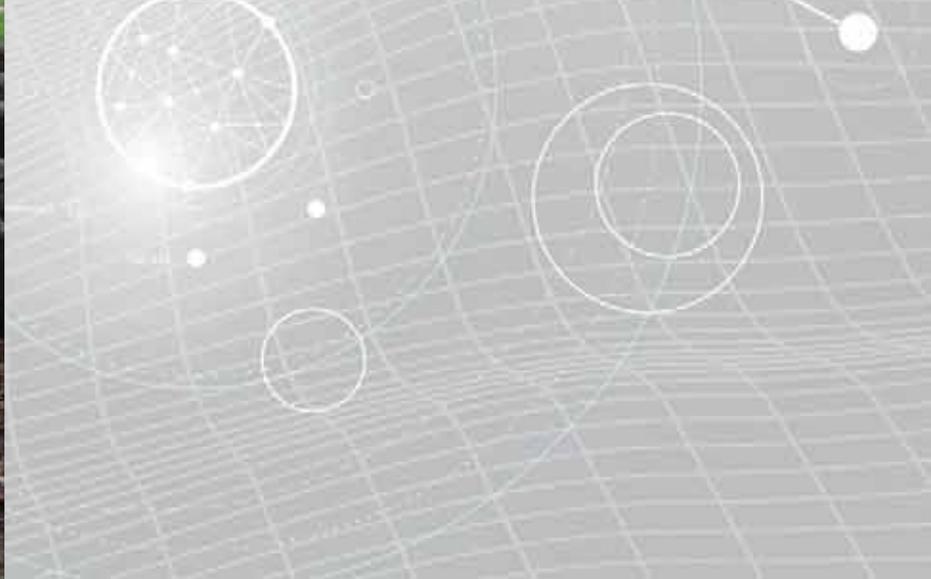
# SAN JV

## RECONCILIATION OF SAN JV CARRYING VALUE AS AT 30 JUNE 2022

	R'm
<b>Carrying value at 1 January 2022</b>	<b>1 848</b>
Equity-accounted loss	(14)
Statement of changes in equity	(66)
Foreign currency translation differences	(58)
Other movements in retained earnings	(8)
<b>Carrying value at 30 June 2022</b>	<b>1 768</b>
<b>Fair value at 1 January 2022</b>	<b>2 263</b>
<b>Expected sale proceeds at 30 June 2022</b>	<b>2 099</b>



**SANTAM GROUP**



# SANTAM GROUP

## NET OPERATING INCOME

R million	Jun 2022	Restated Jun 2021	2022/2021
Conventional insurance	326	1 050	(69%)
Alternative risk transfer insurance (before NCI)	103	153	(33%)
SEM partner businesses	85	72	18%
<b>Net operating income</b>	<b>514</b>	<b>1 275</b>	<b>(60%)</b>
SEM partner businesses	(85)	(72)	
<b>Net operating income</b>	<b>429</b>	<b>1 203</b>	<b>(64%)</b>

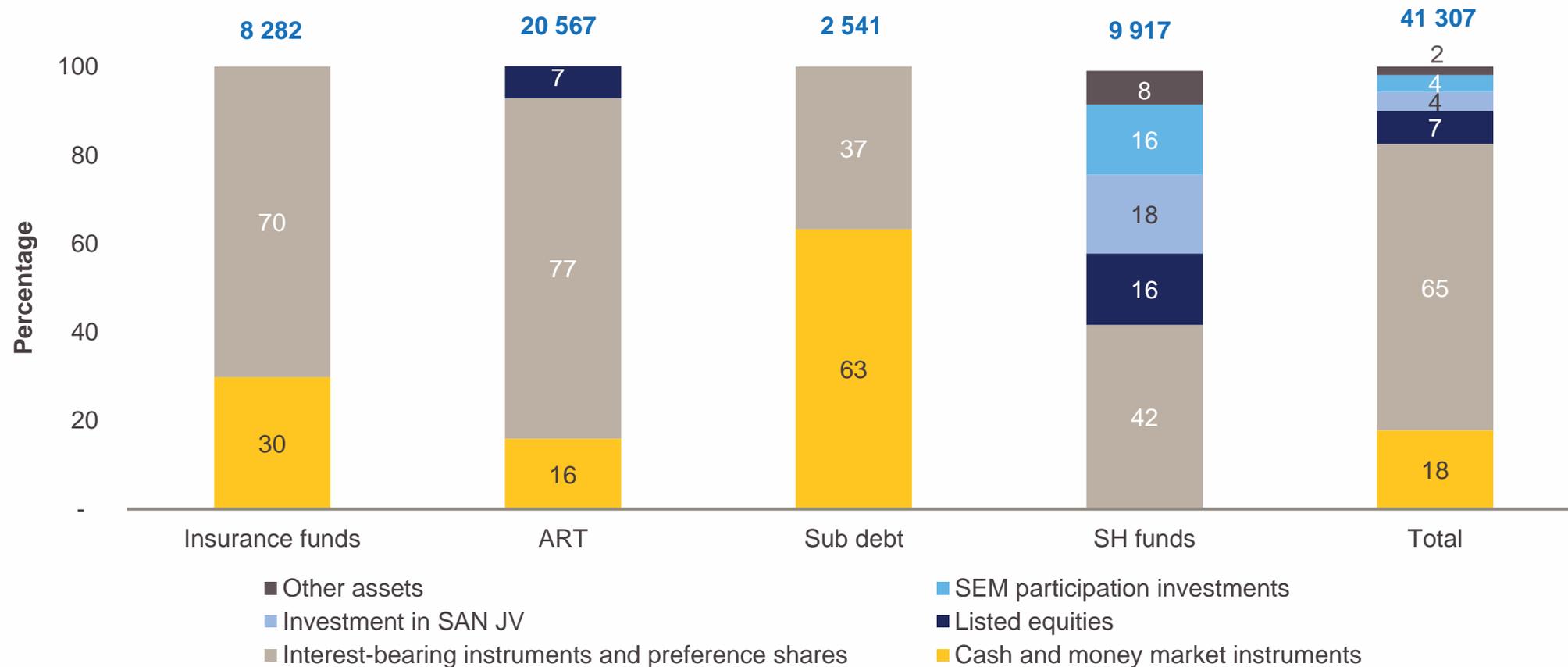
# SANTAM GROUP

## RECONCILIATION TO HEADLINE EARNINGS

	Jun 2022	Jun 2021	2022/2021
<b>Net profit attributable to ordinary shareholders (R million)</b>	465	952	(51%)
Per share (cents)	425	863	
Profit on disposal of intangible assets	(15)	-	
Tax on profit on disposal of intangible assets	4	-	
Gain on remeasurement to subsidiary	(6)	-	
<b>Headline earnings (R million)</b>	448	952	(53%)
Per share (cents)	409	863	

# ASSET LIABILITY MATCHING

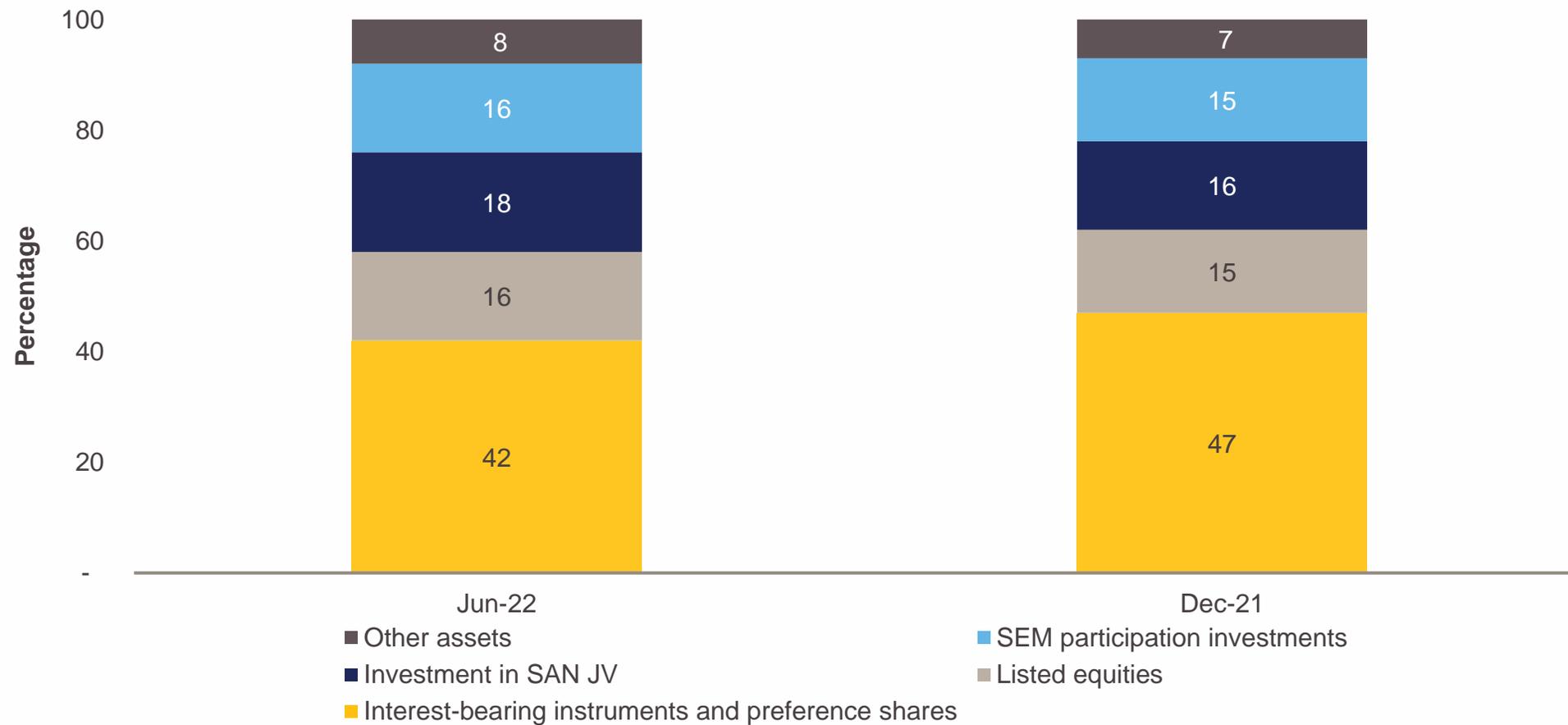
## GROUP CONSOLIDATED ASSETS AT 30 JUNE 2022



The amounts presented above each bar graph is in R'millions

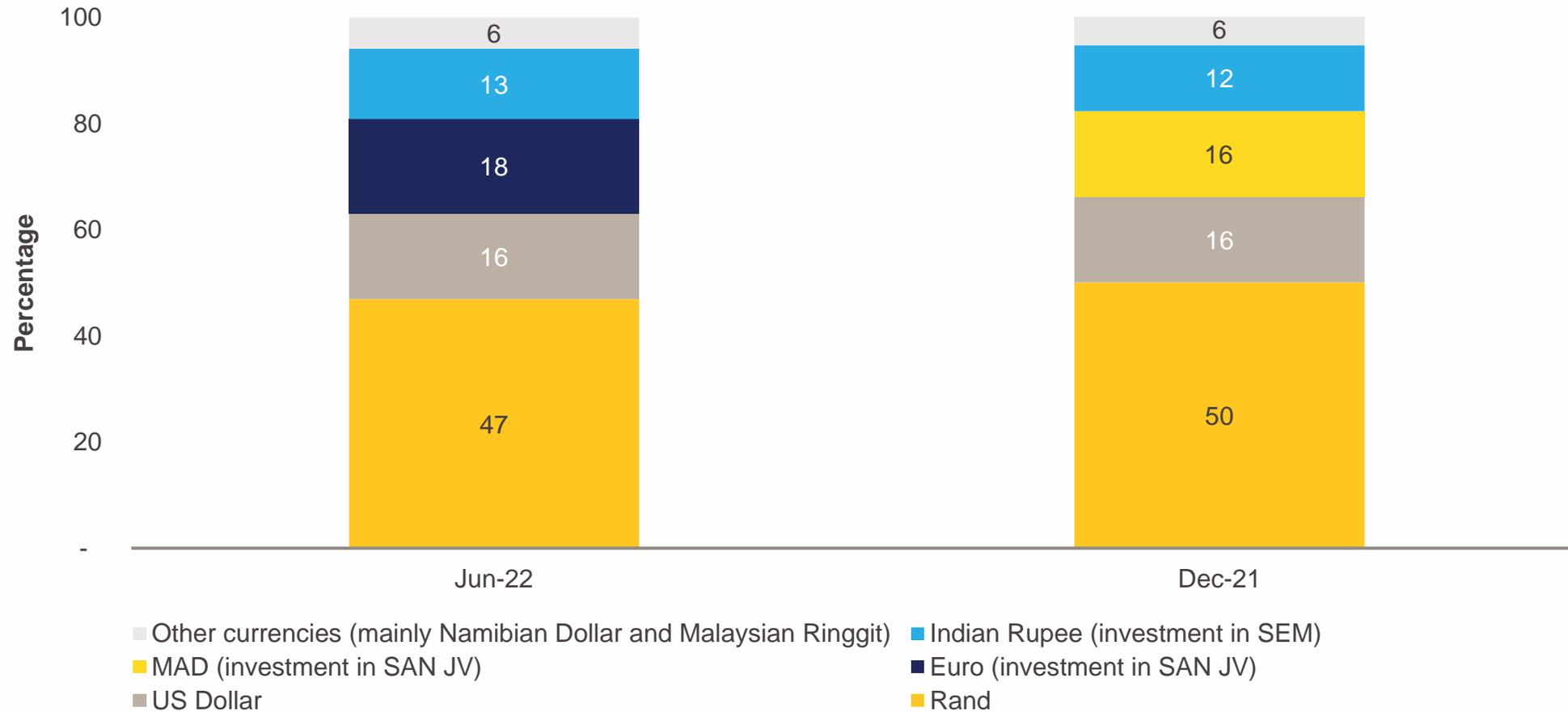
# SHAREHOLDER FUNDS

## ASSET MIX



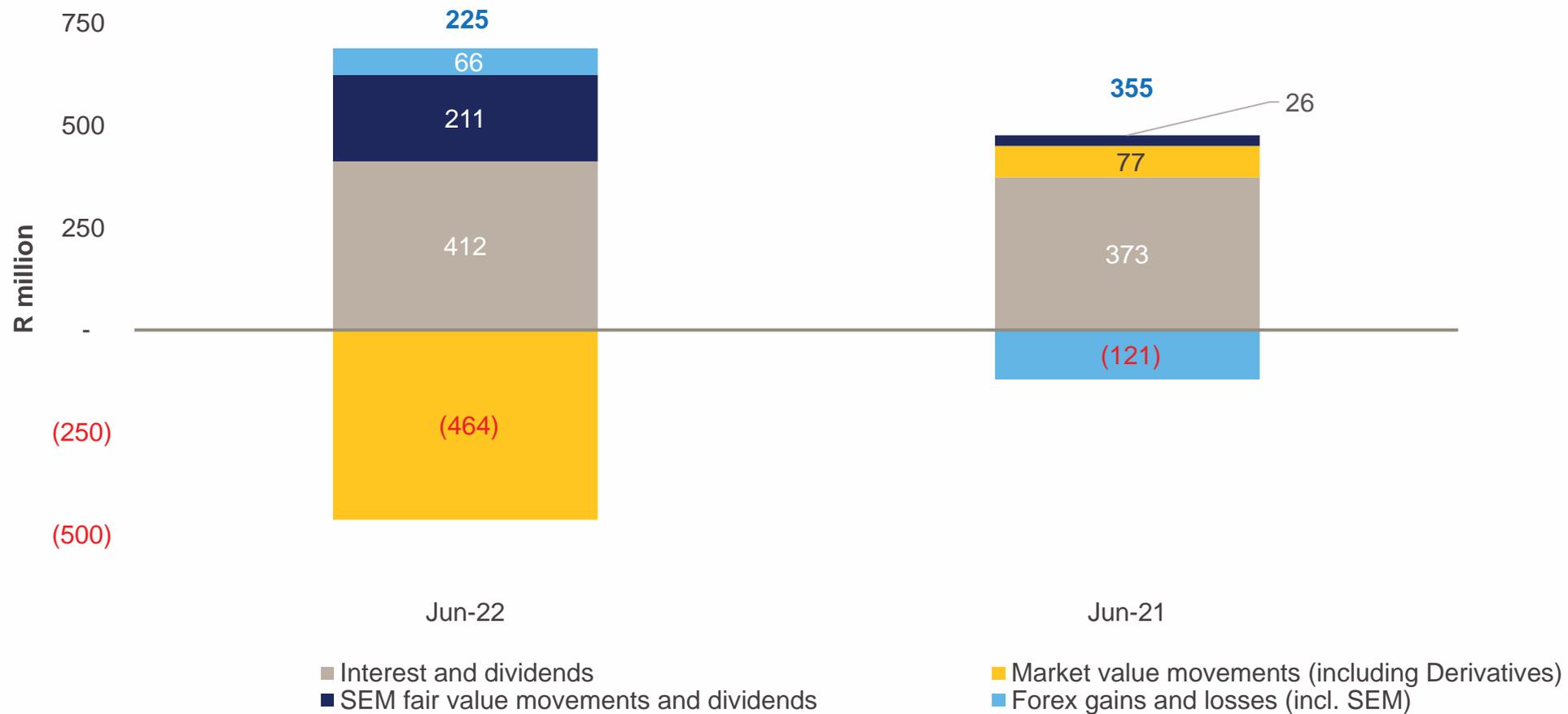
# SHAREHOLDER FUNDS

## CURRENCY MIX



# INVESTMENT RETURN

## ON SHAREHOLDERS FUNDS



# INVESTMENT RETURN

## ANALYSIS OF SANTAM'S SHARE OF NET INVESTMENT IN SEM TARGET SHARES

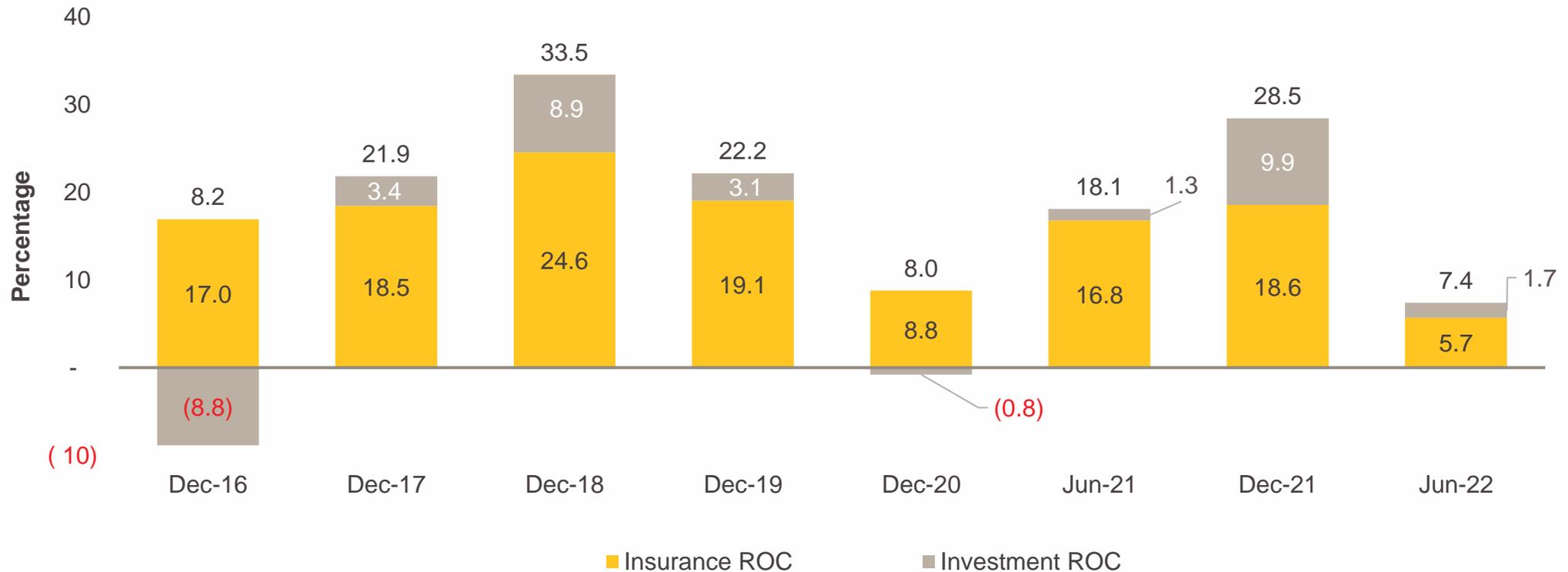
Region	Carrying value Dec 2021 R'm	Dilution R'm	Change in exchange rates R'm	Change in valuation R'm	Carrying value Jun 2022 R'm
Africa	134	-	(2)	(3)	129
Southeast Asia	138	-	(4)	(5)	129
India	1 419	(90)	(48)	30	1 311
<b>Total</b>	<b>1 691</b>	<b>(90)</b>	<b>(54)</b>	<b>22</b>	<b>1 569</b>



# CAPITAL MANAGEMENT

# RETURN ON CAPITAL

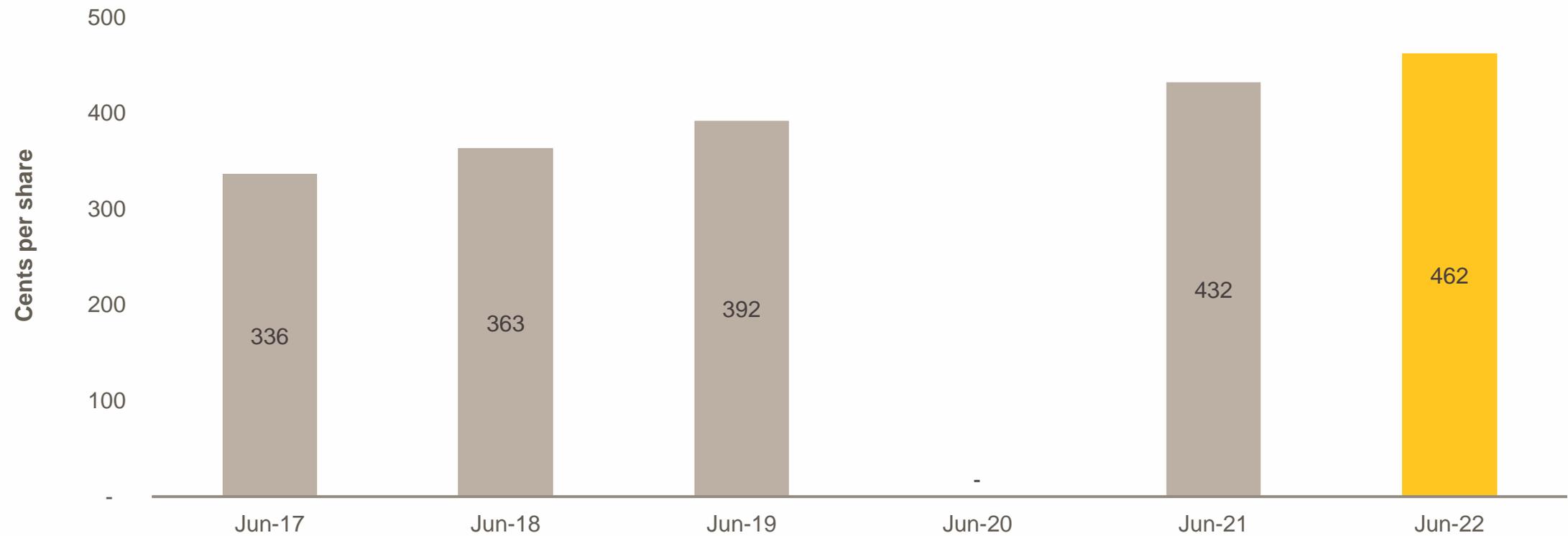
TOTAL COMPREHENSIVE INCOME EXPRESSED AS % OF WEIGHTED AVERAGE SHAREHOLDERS' FUNDS



# CAPITAL MANAGEMENT

- 
- Group economic capital requirement based on the internal model R7.9 billion (Dec 2021: R8.3 billion)
  - Current Group economic capital coverage ratio of **157%**
  - Target economic capital coverage ratio band between 145% and 165%
  - Regulatory internal model capital requirement is R2.1 billion lower than the standard formula capital requirement
  - Considering the capital position, an ordinary dividend of **462** cps was declared, which will reduce the economic capital coverage ratio to a level that remains well within the revised target band.

# DIVIDEND PER SHARE





2022

57%

89%

99.96

+9.91

-87.12

+7.01

-54.23

+4.59

-26.34

43.21

72.66

## GROUP STRATEGY AND PRIORITIES



# STRATEGIC PRIORITIES FOR H2 2022

## DELIVERING ON FUTUREFIT SANTAM, WHILST REVIEWING THE ROBUSTNESS OF THE STRATEGY

- Implementing corrective underwriting actions
- Executing and implementing on growth initiatives
  - Cross-selling initiative with Sanlam
  - Strategic partnerships
  - Tactical acquisitions
- Continue to strengthen our digital and data capabilities
  - Improving our digital E2E insurance offering
  - Embed client experience process and measure customer satisfaction
  - IFRS17 readiness and compliance
- Grow Pan-Africa and international business through Santam Specialist and Santam Re



**ENVIRONMENTAL  
SOCIAL GOVERNANCE**

# OUR ESG COMMITMENTS

## SUPPORTING COMMUNITY RESILIENCE AND ESG COMMITMENTS

- We settled **R14.2 billion** in claims during the first half of 2022
- Promote a diverse and inclusive workforce, employing **more than 6,000 people**
- We now support 82 municipalities through **Partnership for Risk and Resilience (P4RR)**
- Continued as a constituent of the **FTSE 4 Good index series** and **FTSE/JSE Responsible Investment Top 30 index**
- Support the **Principles for Sustainable Insurance (PSI)** with a particular focus on Africa
- Committed to reduce **Scope 3 Greenhouse gas (GHG) emissions**
- Continue to support the **Resilient Investment Fund**





**QUESTIONS?**



**THANK YOU**