santam

2020 ANNUAL FINANCIAL STATEMENTS

CONTENTS

HOW TO NAVIGATE THE ANNUAL FINANCIAL STATEMENTS

The format of the annual financial statements for 2020 is consistent with that of 2019. All key information relating to a financial line item is grouped in one note.

PRIMARY STATEMENTS

The primary statements are included at the start of the annual financial statements and include note references to specific underlying detailed notes.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements consist of insurance-specific, financial instrument-specific and risk management notes, followed by less significant notes thereafter.

ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and company financial statements are included in the specific notes to which they relate and are indicated with a grey background.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and company financial statements, are included in the specific notes to which they relate and are indicated with a yellow border.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SANTAM LTD

Responsibility for and approval of the group and company annual financial statements

The board of Santam Ltd accepts responsibility for the integrity, objectivity and reliability of the group and company financial statements of Santam Ltd. Adequate accounting records have been maintained. The board endorses the principle of transparency in financial reporting.

The responsibility for the preparation and presentation of the financial statements has been delegated to management.

The responsibility of the external auditors is to express an independent opinion on the fair presentation of the financial statements based on their audit of Santam Ltd and its subsidiaries.

The board has confirmed that adequate internal financial control systems are being maintained. There were no breakdowns in the functioning of the internal control systems during the year that had a material impact on the financial results. The board is satisfied that the financial statements fairly present the financial position, the results of the operations and cash flows in accordance with relevant accounting policies, based on International Financial Reporting Standards (IFRS).

The board is of the opinion that Santam Ltd is financially sound and operates as a going concern. The financial statements have accordingly been prepared on this basis.

The financial statements were authorised for issue and publication by the board and signed on its behalf by:

VP Khanyile
Chairman

L Lambrechts

L Lambrechts
Chief executive officer
3 March 2021

PREPARATION AND PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS

The preparation of the annual financial statements was supervised by the chief financial officer of Santam Ltd, HD Nel (CA (SA)).

STATEMENT ON INTERNAL FINANCIAL CONTROLS

The directors, whose names are stated below, hereby confirm that:

- the annual financial statements, set out on pages 18 to 146, fairly present in all material respects the financial position, financial performance and cash flows of the group in terms of IFRS.
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading.
- internal financial controls have been put in place to ensure that material information relating to the group have been provided to effectively prepare the financial statements.
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)[1]. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

HD Nel
Chief financial officer

L Lambrechts
Chief executive officer
3 March 2021

SECRETARIAL CERTIFICATION

In accordance with section 88(2)(e) of the Companies Act, 71 of 2008, as amended (the Act), it is hereby certified that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act and that such returns are true, correct and up to date.

M Allie
Company secretary
3 March 2021

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SANTAM LIMITED

Report on the audit of the consolidated and separate financial statements

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Santam Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

WHAT WE HAVE AUDITED

Santam Limited's consolidated and separate financial statements set out on pages 18 to 146 comprise:

- the consolidated and separate statements of financial position as at 31 December 2020;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

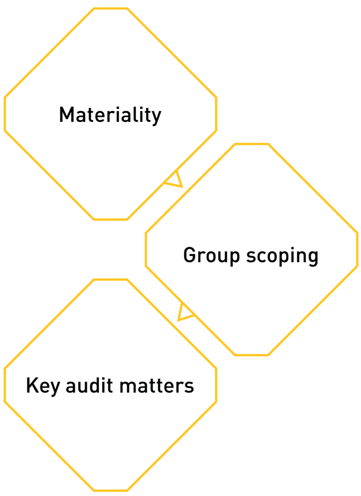
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

OUR AUDIT APPROACH

Overview



Overall group materiality

- Overall group materiality: R209.91 million which represents 0.55% of the consolidated gross written premium.

Group audit scope

- Full scope audits have been performed in respect of the Company and certain subsidiaries based on their financial significance and/or the risks associated with these subsidiaries. Analytical procedures were performed over the remaining subsidiaries as they were deemed to be financially insignificant.

Key audit matters

- Valuation of the Contingent Business Interruption (CBI) claims reserve;
- Valuation of the Incurred But Not Reported (IBNR) liability;
- Fair value of the unquoted equity investment in Shriram General Insurance Company Limited; and
- Recoverable amount of the investment in SAN JV (RF) Proprietary Limited, and its significant investment, Saham Finances SA.

INDEPENDENT AUDITOR'S REPORT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

MATERIALITY

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R209.91 million.
How we determined it	0.55% of the consolidated gross written premium.
Rationale for the materiality benchmark applied	We chose consolidated gross written premium as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is the benchmark that provided the most representative reflection of the activities of the Group. We chose 0.55% in the current year to allow for the sensitivity in the results due to the impact of COVID-19 and the additional economic strain placed on the business.

HOW WE TAILORED OUR GROUP AUDIT SCOPE

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Based on the relative contribution of the Company and each of the subsidiaries to the Group's gross written premium, we scoped in the Company and three subsidiaries with active insurance licences. Full scope audits were performed on these entities. Furthermore, additional entities were scoped in as there are balances in these entities that contribute to the significant risks of material misstatement of the consolidated financial statements. Full scope audits were performed on these entities. Analytical procedures were performed over the remaining subsidiaries as they were deemed to be financially insignificant.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, or component auditors from other PwC network firms or component auditors from other firms operating under our instructions. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis of our opinion on the consolidated financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of the Contingent Business Interruption (CBI) claims reserve	
This key audit matter relates to both the consolidated and separate financial statements **Refer to note 4 to the consolidated and separate financial statements** For the year ended 31 December 2020, the Group and Company have raised a net technical reserve of R2 billion (net of reinsurance) as the best estimate, taking into account the outcome of the Ma-Afrika court case and appeal, as well as other findings locally and internationally in relation to CBI cover. The Group has recognised a net technical reserve in relation to all qualifying CBI policies. The calculation of this reserve is subject to inherent uncertainty and significant estimation is required. We considered the valuation of the CBI claims reserve to be a matter of most significance to the current year audit due to the following key judgements: – Uncertainty regarding the outcome of the outstanding appeal to the Western Cape High Court; – The judgement applied when interpreting the application of the indemnity period on the policies, in the calculation of the Group's exposure; – The level of judgement applied in the determination of aggregation for the purposes of the reinsurance recoveries; and – The magnitude of the CBI reserve and sensitivity to the key assumptions.	In order to assess the reasonableness of judgements applied by management in the determination of the net technical reserve, using our actuarial and legal expertise, we: – Held discussions with management to understand the process, rationale and justifications for key judgements applied in determining the gross reserve as well as the reinsurance share of the CBI claims reserve; – Inspected the external legal opinions obtained by management relating to the gross exposure as well as potential reinsurance recoveries; – Held various walkthrough sessions with management to assess and discuss the inputs into the model, as well as to gain an understanding of the data used to derive these inputs. As part of these sessions, we obtained an understanding of the associated risk in deriving the inputs due to the impact of data not being available; – On a sample basis, we tested the policy exposure and risk location data used to determine the inputs above for accuracy and completeness by comparing the data used to policy information and underwriting systems. No material differences were noted; – Observed the process, controls and governance procedures implemented with respect to the key judgements applied; – Using our actuarial expertise, we tested the mathematical accuracy of the model used to determine the gross reserve as well as the reinsurance share of the CBI claims reserve based on the above. No material differences were noted; and – Reperformed the sensitivity analysis on the key areas of judgement affecting both the gross and reinsurance share of the CBI reserves so as to assess whether the estimates are within an acceptable range. We assessed the disclosure in the financial statements against the requirements of IFRS.

Key audit matter	How our audit addressed the key audit matter
Valuation of the Incurred But Not Reported (IBNR) liability	
This key audit matter relates to both the consolidated and separate financial statements **Refer to note 4.1 to the consolidated and separate financial statements** The total value of the Group's gross IBNR liability at 31 December 2020 was R4 052 million (Company – R3 238 million) as disclosed in note 4.1 – *Insurance liabilities and reinsurance assets*. The calculation of this insurance liability is subject to inherent uncertainty and significant estimation is required. We considered the valuation of the IBNR liability to be a matter of most significance to the current year audit due to the following: – Substantial uncertainty regarding the ultimate outcome of claims that have occurred but had not yet been reported by the reporting date; – The stochastic approach applied by management to determine the IBNR liability; – The significance of estimation uncertainty as a result of actuarial assumptions and the assumption that the historical claims development pattern will occur again in the future; and – The magnitude of the IBNR liability and sensitivity to the key assumptions.	We assessed the reasonability of management's estimate of claims reserves by comparing previous claim estimates to the runoff actually experienced between initial recognition of the claims and the ultimate settlement of the claims. Based on the work we performed, we accepted management's claim reserve estimates. On a sample basis, we tested the data used in calculating actuarial reserves by comparing the data to the claims information on the underlying system such as date of loss, gross claim amount paid and claim number. No material differences were noted. On a sample basis, we tested the claims information recorded on the system (such as loss event, claim estimate, and item being claimed) by tracing the claims to the relevant documentation which detailed the loss event. We compared the claim values used by management to assessor reports. We also tested if the claims were valid claims by testing if the claims related to valid policies (e.g. if the item being claimed was included in the original policy and whether the premium has been paid up). No material differences were noted. We made use of our actuarial expertise to test the model used by management to calculate the IBNR by performing the following procedures: – We compared the methodology applied by management to the methodology applied by other companies in the industry. We found the methodology to be consistent with industry practice; – We recalculated the estimated claims development factors used in the model based on historical data. No material differences were noted; and – We performed independent stochastic simulations, taking into account the standard industry practice. We compared the results of our independent simulations to management's proposed estimates (i.e. best estimate plus margin). We noted that the methods used by management were in line with standard industry practice and no material differences were noted.

INDEPENDENT AUDITOR'S REPORT

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Fair value of the unquoted equity investment in Shriram General Insurance Company Limited</td></tr>
<tr><td>
This key audit matter relates to both the consolidated and separate financial statements
Refer to note 5 to the consolidated and separate financial statements
The Company subscribes from time to time in separate classes of target shares issued by Sanlam Emerging Markets (SEM) in terms of a Participation Transaction, with each separate class linked to a participatory interest in target companies. The target companies with the unquoted SEM target shares are disclosed in note 5 to the consolidated and separate financial statements.
The fair value of the SEM target shares (R1 538 million at 31 December 2020 for both the Group and the Company) as disclosed in note 5 – Financial assets is predominantly determined using a discounted cash flow model. As per note 5.3 – Financial Instruments measured at fair value on a recurring basis, the most significant investment relates to the target share which provides a participatory interest in Shriram General Insurance Company Ltd (SGI) to the value of R1 293 million (2019: R1 226 million). The fair value of the SGI target share is determined using a discounted cash flow model. The most significant assumptions used by management in this model is the discount rate and net insurance margin expectations.
We considered the fair value of the unquoted equity investment in SGI to be a matter of most significance to the current year audit due to the following:

The significant judgement and estimation uncertainties in the assumptions used by management; and
The magnitude of the unlisted investment.

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We assessed management's discounted cash flow model (the model) used for appropriateness, taking into account the nature of the investments and comparing the model to industry norms and acceptable methodology. We found the model to be consistent with industry norms.
We made use of our valuation expertise to test the assumptions used by management in the SGI fair value model by performing the following procedures:

We compared the discount rate used by management in the model to a range of discount rates which we independently calculated based on the market in which SGI operates, taking into account the nature of SGI. We found the discount rate used to be within an acceptable range of our independently calculated discount rates;
In order to assess the reasonability of the cash flow forecasts used by management in the model, we compared previous budgets to the actual experience of SGI. Based on the work we performed, we accepted management's cash flow forecasts;
We tested the key drivers of the net insurance margin expectations by comparing them to our independent expectations, which were based on the historical experience, the actual insurance results of SGI and the market in which it operates. No material differences were noted; and
We compared the fair value of SGI as determined by management to our independently recalculated range of fair values. No material differences were noted.

We assessed the disclosure in the financial statements against the requirements of IFRS.
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INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Recoverable amount of the investment in SAN JV (RF) Proprietary Limited, and its significant investment, Saham Finances SA	
This key audit matter relates to the consolidated and separate financial statements **Considerations relating to the consolidated financial statements** **Refer to note 12 to the consolidated financial statements** The Group accounts for its investment in SAN JV (RF) Proprietary Limited (SAN JV) as an investment in an associate. SAN JV holds an investment in Saham Finances SA (Saham). During the current year, an impairment of R656 million (net of tax) was processed on the Group's effective share of the investment in Saham, as disclosed in note 12 – *Investment in associates and joint ventures* to the consolidated financial statements. The recoverable amount for Saham is based on the value in use. Management performed an impairment assessment comparing the value in use with the carrying value. The calculation of the recoverable amount of Saham is subject to inherent uncertainty and significant estimation is required. The key assumptions used in the impairment assessment are the discount rate, perpetuity growth rate, value of new business (VNB) multiples and the net insurance result margin. We considered the determination of the recoverable amount for the investment in Saham to be a matter of most significance to the current year audit due to the following: – The significant judgement and estimation uncertainty in the assumptions used by management; and – The magnitude of the impairment in the current year. **Considerations relating to the separate financial statements** **Refer to note 12 to the separate financial statements** The recoverable amount for SAN JV is based on that determined for Saham, as its largest investment. During the current year, an impairment of R480 million was processed on the Company's effective share of the investment in Saham, as disclosed in note 12 – *Investment in associates and joint ventures* to the separate financial statements. Based on the above, we considered the determination of the recoverable amount for the investment in SAN JV to be a matter of most significance to the current year audit due to the following: – The significant judgement and estimation uncertainty in the assumptions used by management; and – The magnitude of the impairment in the current year.	The following procedures were performed for the key audit matter relating to the consolidated and separate financial statements: We instructed the component auditors of SAN JV to perform a full scope audit, which included an assessment of the recoverable amount of the investment in Saham. Using our valuation and actuarial expertise, we inspected and assessed the work performed by the component auditors, which we accepted for audit purposes. In addition to the above, we made use of our valuation expertise to test discount rates used by management in the model. On a sample basis, we compared the discount rates to a range of discount rates which we independently calculated based on the markets in which the entities included in the Saham group operate. We found the discount rates used to be within an acceptable range of our independently calculated discount rates. We compared the recoverable amount determined by management to our independently calculated range of fair values using our discount rates. No material differences were noted. We assessed the disclosure in the financial statements against the requirements of IFRS.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Santam 2020 Annual Financial Statements", which includes the Directors' Report, the Report of the Audit Committee and the Secretarial Certification as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Santam 2020 Integrated Report", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Santam Limited for 92 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Chantel van den Heever
Registered Auditor
Cape Town
3 March 2021

REPORT OF THE AUDIT COMMITTEE

COMPOSITION AND CHARTER

The Santam audit committee appointed to hold office until the conclusion of the annual general meeting (AGM) on 2 June 2021, comprises four independent non-executive directors of the company. Messrs B Campbell, MP Fandeso, MJ Reyneke and PE Speckmann were elected to the committee by the company's shareholders at the AGM on 7 July 2020. The qualifications of the members of the committee are listed on page 58 of the integrated report. The members possess the necessary expertise to direct the committee in the execution of its duties.

The audit committee of Santam acts as such for the following companies of the group where an audit committee is required in terms of the Companies Act, 71 of 2008, as amended: Santam Ltd, MiWay Insurance Ltd, Centriq Insurance Company Ltd, Centriq Life Insurance Company Ltd, Santam Structured Insurance Ltd and Santam Structured Life Ltd. The committee has a charter, approved by the board, dealing, inter alia, with its membership, frequency of meetings and responsibilities. The committee conducted its annual review of its charter during November 2020. The committee has a formal work plan to structure the execution of its responsibilities. The committee reviews reports from the external and internal auditors and the chairman of the committee reports on the findings at board meetings.

FUNCTIONS

The responsibility and functions of the audit committee include the review of financial reporting (and their recommendation for approval to the board), regulatory compliance matters and monitoring litigation. The audit committee also has the responsibility of reviewing the basis on which the company has been determined a going concern and is responsible for considering changes to the dividend policy and recommending dividend declarations to the board. The committee's charter allows it to consult with external consultants to assist it with the performance of its functions, subject to a board approval process.

INTERNAL AND EXTERNAL AUDIT

The committee nominates the independent external auditor to the Santam group and its subsidiaries for appointment by the shareholders and approves the terms of engagement and remuneration for the external audit engagement. The committee has considered the latest IRBA inspection findings report in respect of the external auditor when assessing the suitability of the appointment of the audit firm and the designated audit partner. The head of internal audit functionally reports to the chairman of the audit committee and the audit committee is responsible to review and approve the internal audit charter, the internal audit coverage, as well as resource and financial plans of the internal audit department. The committee also evaluates and promotes the independence of internal audit. The committee ensures a combined assurance model is applied to provide a coordinated approach to all assurance activities in the Santam group.

MEETINGS

The committee held four scheduled meetings during the year under review. The required quorum was present at all meetings held. During the year the audit committee reviewed communication from the external auditors and, after conducting its own review, confirmed the independence of the auditors. Refer to page 72 of the integrated report for details of the assessment of the external auditor's independence. The committee also considered and determined the fees and terms of engagement of the external auditors. Furthermore, the nature and extent of all non-audit services provided by PricewaterhouseCoopers Inc and the fees in connection therewith were reviewed and approved by the committee.

CHIEF FINANCIAL OFFICER

As required by the JSE Listings Requirement 3.84, the audit committee has considered the expertise and experience of the chief financial officer, Mr HD Nel (CA (SA)), and concluded that the appropriate requirements have been met. The committee is satisfied that the expertise, resources and experience of the company's finance function is appropriate and that the financial reporting procedures are operating satisfactorily.

INTEGRATED REPORT AND ANNUAL FINANCIAL STATEMENTS

The audit committee reviewed the 2020 Santam Ltd integrated report and considered factors and risks that may impact on the integrity of the report. The audit committee also reviewed the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information. The audit committee has not recommended the engagement of an external assurance provider on material sustainability issues to the board as it is of the view that the assurance provided is adequate, given the maturity of the processes in place. The committee has recommended the integrated report and annual financial statements to the board for approval.

EFFECTIVENESS OF INTERNAL FINANCIAL CONTROLS

The audit committee has confirmed that effective systems of internal control and risk management are being maintained. There were no breakdowns in the functioning of the internal financial control systems during the year, which had a material impact on the Santam Ltd group annual financial statements. The board is satisfied that the annual financial statements fairly present the financial position, changes in equity, the results of operations and cash flows for the group in accordance with International Financial Reporting Standards and are supported by reasonable and prudent judgements consistently applied. The committee is satisfied that it had fulfilled its responsibilities in terms of its charter during the year under review and believes that it complied with its legal, regulatory and other responsibilities for the year.

PE Speckmann
Chairman of the audit committee
3 March 2021

DIRECTORS' REPORT

ACTIVITIES

Santam Ltd (a public company incorporated in South Africa) and its subsidiaries transact all classes of general insurance. Certain licensed subsidiaries conduct individual life and investment linked business.

FINANCIAL REVIEW

The Santam group reported acceptable operating results under very difficult economic circumstances, despite the negative impact of COVID-19. Contingent business interruption (CBI) claims following the national lockdown impacted the underwriting results. Gross written premium growth was also adversely affected by the economic consequences of the strict measures put in place by government to control the spread of COVID-19.

The already weak operating environment in South Africa deteriorated substantially during 2020, resulting in negative economic growth of an estimated 7% as well as significant volatility in equity, interest rate and currency markets.

Despite the challenging economic environment, the group's conventional insurance book achieved gross written premium growth of 5%. A net underwriting margin of 2.5% (2019: 7.7%) of net earned premiums was reported, below the group's target range of 4% to 8%. The alternative risk transfer (ART) business reported strong operating results of R165 million (2019: R171 million). The net insurance result from Sanlam Emerging Markets (SEM) general insurance businesses declined mainly due to lower investment returns on insurance funds in North and West Africa and the impact of the Lebanon port facility explosion on Saham Re.

Net investment income attributable to shareholders, inclusive of the investment return on insurance funds, amounted to R1 027 million (2019: R1 396 million). The lower interest rate environment and fair value losses on financial assets were the key contributor to the weaker performance. Foreign currency gains of R60 million were recognised in 2020, compared to a foreign currency loss of R79 million in 2019.

Equity-accounted losses from associates amounted to R595 million (2019: loss of R42 million) and were negatively impacted by lower investment returns on insurance funds from Saham and Santam's share of an impairment of Saham assets of R656 million recorded by SAN JV, the investment holding company of Saham.

Cash generated from operations was in line with the prior year at R5.9 billion (2019: R5.8 billion).

Headline earnings decreased to 1 100 cps compared to 2 069 cps in 2019. Lower operating results and reduced investment income attributable to shareholders contributed to the decrease.

A return on capital (ROC) of 8% was achieved, below the ROC target of 24% for 2020. The ROC was impacted by the lower insurance and investment results, as well as the Saham impairment. The economic capital coverage ratio at 31 December 2020 was 161% (2019: 160%).

CONVENTIONAL INSURANCE

The conventional insurance business reported a net underwriting margin of 2.5% compared to 7.7% in 2019. CBI claims and provisions of R3 billion negatively impacted the underwriting results in the current period. This was offset to some extent by a benign claims environment which impacted positively on the motor book.

Gross written premium growth

Conventional insurance reported growth of 5%, despite the severely constrained economic climate.

The Santam Commercial and Personal intermediated business reported marginally negative growth for the period following lower new business acquisition, exacerbated by the impact of COVID-19, as well as premium support provided to ease financial pressure on policyholders during the period of hard lockdown. Business retention rates were better than expected in the difficult economic environment.

The Santam Specialist business experienced continued strong growth in the corporate property, crop and engineering businesses. In contrast, the growth in the travel insurance, aviation, transport and marine businesses was negatively impacted by COVID-19.

MiWay achieved excellent growth of 7% in the current operating environment, despite R40 million of premium relief provided to policyholders.

Santam Re achieved strong growth in its third-party business, positively impacted by the weak rand.

Gross written premiums from outside South Africa written on the Santam Ltd and Santam Namibia Ltd licences grew by 28% to R4 963 million (2019: R3 866 million). Strong growth was achieved by the Santam Specialist business (corporate property and engineering) and Santam Re in Africa, Southeast Asia, India and the Middle East. The specialist Pan-African insurance business with Saham contributed gross written premium of more than R200 million. Weak economic conditions and COVID-19 negatively impacted Santam Namibia's performance.

The property class reported growth of 8% on the back of strong growth in the specialist property business offset partly by lower growth through the intermediated channel.

The motor class reported gross written premiums in line with 2019, despite premium relief support to policyholders during the lockdown in April and May 2020. The excellent growth achieved by MiWay and Santam Re was offset by a contraction of the motor business written by the Santam Commercial and Personal business. New motor products were introduced by Santam and MiWay to recognise reduced driving patterns.

Gross written premium growth of crop business benefited from Santam's strong market position, as well as increased hectares planted.

DIRECTORS' REPORT

The engineering class benefited from strong growth from outside South Africa but was negatively impacted by lower premiums in this class written in Santam Re. The liability class continued to experience competitive pressure and focused on improved profitability, resulting in growth of 4% during the period. The accident and health class reported growth of 10%, with strong growth reported by Santam Re, partially offset by negative growth in the travel insurance business.

Underwriting result

The loss ratio was adversely impacted by provisions for CBI claims, partly offset by a benign claims environment, with limited natural catastrophes and lower claims frequencies experienced over several insurance classes following the impact of the COVID-19 lockdown in South Africa.

Santam announced in January 2021 that it will commence the process of assessing and settling valid claims for policies with CBI extensions after obtaining legal certainty on the proximate cause of business interruption losses. The court judgments on cases in South Africa and the United Kingdom resolved that there is cover for business interruption losses caused by COVID-19 itself and the government response through the national lockdown and related restrictions, provided that there was an occurrence of COVID-19 within the designated radius of the insured premises.

In the case between Santam and Ma-Afrika Hotels (Pty) Ltd and Stellenbosch Kitchen (Pty) Ltd (the Ma-Afrika judgment) the Western Cape High Court found that the indemnity period that applies to CBI claims should be based on the standard physical damage business interruption indemnity period and not the indemnity period that applies to business interruption extensions covering contagious and infectious diseases. Santam's view is that the indemnity period is limited to three months. Santam has been granted leave to appeal the Ma-Afrika judgment with respect to the length of the indemnity period to the Supreme Court of Appeal. In February 2021, Santam commenced with interim payments to affected policyholders based on the three-month indemnity period.

The potential outcome of the appeal against the Ma-Afrika judgment relating to the indemnity period and the extent of Santam's reinsurance recoveries may still impact Santam's assessment of the estimated net CBI claims. In addition, the inherent complexity of business interruption claims, as well as bespoke policy wordings for corporate clients, require significant assumptions to be applied to determine the best estimate CBI claims provisions. These factors could result in significantly higher or lower actual claims.

In August 2020, Santam paid R1 billion interim relief to small and medium-sized businesses in hospitality, leisure and non-essential retail services that have policies with CBI cover. The amounts paid as part of the relief to the insured businesses will be offset against valid claims arising from the assessment process.

The motor class reported strong underwriting performance in the intermediated and direct distribution channels. The motor loss ratio benefited from a benign claims environment with the hard lockdown reducing claims activity in April and May 2020. Following the relaxing of lockdown regulations from 1 June 2020, the claims frequency started to increase, but remained below expected levels for most of the year, returning to normal in November and December 2020 when lockdown restrictions were reduced. Total premium relief of R310 million was provided to motor policyholders in recognition of reduced travelling during the lockdown period. MiWay reported excellent underwriting results for the year, with a loss ratio of 50.6% (2019: 54.2%) and an underwriting profit of R486 million (2019: R393 million).

The property class also benefited from the benign claims environment experienced during 2020. This was, however, offset by the CBI claims resulting in a loss of R2 410 million (2019: profit of R212 million).

The travel insurance business, included in the accident and health class of business, was negatively impacted by the COVID-19 pandemic.

The engineering and crop insurance classes continued to deliver excellent underwriting results. The liability class recovered strongly during the second half of 2020, following adverse reserve developments on a few long-outstanding claims in the first half of the year.

A net acquisition cost ratio of 29.3% was achieved compared to 30.2% in 2019. The net commission ratio was 12.7% (2019:12.5%).

The management expense ratio of 16.6% was lower than the 17.7% in 2019 on the back of cost containment efforts. A decrease in variable incentive cost and COVID-19-related savings was partly offset by a further provision raised in the first half of the year of R54 million to account for the liquidity concerns at a third-party premium-collection agency that went into voluntary curatorship in September 2018.

Strategic project costs, included as part of management expenses, amounted to 1.4% (2019: 1%) of net earned premium. These costs relate to the development of a new claims platform, the IFRS 17 accounting standards implementation project, data enhancements and digital solutions.

Investment return on insurance funds

The investment return on insurance funds of 2.1% (2019: 2.4%) of net earned premium was negatively impacted by the lower interest rate environment.

ALTERNATIVE RISK TRANSFER (ART) BUSINESS

The ART business reported operating results of R165 million (2019: R171 million). Income from clients increased to R385 million (2019: R331 million), supported by satisfactory fee income growth in Centriq and improved investment margins achieved. Underwriting results were negatively impacted by COVID-19-related claims.

DIRECTORS' REPORT

SEM GENERAL INSURANCE BUSINESSES INCLUDING SAHAM

Gross written premium growth

The markets where SEM operates were also subject to the negative growth impact of COVID-19.

The Saham portion of the SEM general insurance portfolio achieved 9.4% growth in gross written premiums in rand terms (negative growth of 4.5% in constant currencies). The general insurance business in Morocco reported an overall decrease in net earned premium in constant currencies, mainly due to negative growth in the motor portfolio.

Shriram General Insurance Company Ltd (SGI) experienced 1.5% growth in gross written premium in rand terms (negative 6.1% growth in constant currencies).

Net insurance result

Santam's share of the general insurance net insurance results from the SEM businesses reduced by 23.0%.

Good progress has been made in improving the underwriting performance of the Saham general insurance portfolio. The overall underwriting margin for Saham improved to 7.3% (6.9% excluding Lebanon) compared to 2.0% in 2019 (1.9% excluding Lebanon) of net earned premiums.

Morocco achieved a satisfactory underwriting margin of 7.9% due to lower claims ratios on motor and health business. Angola's performance improved over the year driven by increasing volumes, an improvement in the motor loss ratio and rate reviews in the health business. This was, however, partially offset by further devaluation of the kwanza. Saham Re, and to a lesser extent, Continental Re's underwriting margin was suppressed by the Beirut port facility explosion. Continental Re also experienced some large claims in the last two months of the year.

The net underwriting margin of all the SEM general insurance businesses (including Saham) in Africa improved to 6.1% (7.2% excluding the impact of the Beirut port facility explosion) (2019: 2.0%), well within the 5% to 9% target range.

Investment return on insurance funds amounted to 3.0% on the Saham portfolio compared to 11.8% in 2019, outside of the target range of 6% to 9% of net earned premiums. This was mainly attributable to lower returns in Morocco and negative returns in Côte d'Ivoire. Management has reviewed the composition of the investment portfolio in the context of long-term value creation, local capital requirements and its risk appetite. The future asset allocation strategy will support an above-hurdle return on capital at a lower level of expected volatility. Given the current market values and economic climate, the implementation of the strategy is expected to be phased in over time as and when opportunities present themselves.

SGI's net underwriting margin declined to 6.7% of net earned premiums compared to the high base of 19.3% in 2019, which included one-off reserve releases in respect of third-party pool business. The investment return on insurance funds of 24.6% (2019: 28.8%) was only slightly lower, following the impact of COVID-19 market conditions.

INVESTMENT RESULTS

Santam's listed equity portfolio achieved a return of 2.1% for the year ended 31 December 2020, relative to the SWIX benchmark (60% SWIX and 40% capped SWIX) which delivered a return of 1.8%.

On 6 August 2020, the group entered into a zero-cost collar over equities to the value of R1 billion, based on the SWIX 40 to provide capital protection in the volatile market conditions. The structure was rolled on 3 November 2020, realising a profit of R50 million. The structure provided full downside protection from the market level at 3 November 2020. As at 31 December 2020, the structure's valuation amounted to a loss of R77 million. The structure expired on 3 February 2021 and was rolled for a further three-month period.

The Santam group's interest-earning investments are managed in enhanced cash and active income portfolios. The interest portfolios delivered good results and exceeded their STeFI-related benchmarks.

Foreign currency gains of R60 million (2019: foreign currency losses of R79 million) were recorded. This included foreign currency gains of R17 million on Santam's investments in SEM's general insurance businesses in Africa, India and Southeast Asia (2019: R82 million foreign currency losses).

A foreign currency collar on R500 million worth of exposure, which was entered into on 19 August 2019 at a spot rate of 15.25 against the US dollar, matured on 19 May 2020, realising a loss of R54 million. No further foreign currency collars were entered into during the year.

Net losses on financial assets and liabilities of R113 million (2019: net gains of R45 million) include fair value losses on local and foreign bonds and property exposure in the fixed income portfolios as well as the fair value movement on derivatives. Positive fair value movements (excluding the impact of currency movements) of R17 million (2019: R393 million) on Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia contributed to the investment performance.

Net losses from associated companies of R595 million included an impairment of intangible assets of R656 million from Saham (held through SAN JV).

The carrying value of Saham was adversely affected during the first half of 2020 by the downturn in financial markets and deteriorating economic conditions following COVID-19 in the territories where Saham operates.

However, foreign currency translation gains of R209 million in respect of the Saham investment, which are recognised directly against equity, limited the overall reduction in the Saham carrying value to approximately R447 million. The carrying value of Saham at 31 December 2020 was R1 823 million.

CAPITAL

On 25 November 2020, the group successfully raised a further R1 billion of subordinated debt in order to maintain a debt to equity ratio of between 25% to 30%. The proceeds from this issue will be partly used to replace existing subordinated debt of R500 million, that will become callable in April 2021.

The group economic capital requirement at 31 December 2020, based on the internal model, amounted to R7.4 billion (2019: R7.3 billion). This equates to an economic capital coverage ratio of 161% (2019: 160%), slightly above the midpoint of the capital target range of 150% to 170%. The economic capital coverage ratio already includes the anticipated redemption of R500 million subordinated debt in April 2021.

The group is comfortable to operate at the lower end of this range and remains committed to efficient capital management.

Santam's stress and scenario testing framework assesses the impact on the capital position of the group under a range of different possible events. Several COVID-19 claims scenarios were included in the current review cycle. Santam's economic and regulatory solvency position remains at an acceptable level under all scenarios assessed.

ORDINARY SHARES ISSUED

The shares in issue remained at 115 131 417 (2019: 115 131 417) shares of no par value (including 4 814 034 (2019: 4 656 120) treasury shares). In terms of the deferred share plan (DSP) implemented in 2007 and the performance deferred share plan (PDSP), 403 098 (2019: 352 951) shares were granted to employees on a deferred delivery basis during the year, 51 835 (2019: 31 357) shares lapsed as a result of resignations and 315 556 (2019: 319 771) treasury shares were issued in terms of the DSP and PDSP. Full details are set out in note 17 to the annual financial statements.

A subsidiary in the group holds a total of 4 561 028 (2019: 4 381 950) Santam shares. The shares are held as "Treasury shares". Furthermore, since the unwinding of the Central Plaza structure in 2015, the Emthunzini BBBEE staff trust is under the control of Santam Ltd, resulting in 253 006 (2019: 274 170) shares being recognised as treasury shares as at 31 December 2020 (refer to notes 16 and 17.1 for further details).

CAPITAL STRUCTURE

Debt securities

During November 2020, the company issued additional unsecured subordinated callable floating rate notes to the value of R1 billion in anticipation of the redemption of the R500 million floating rate subordinated debt issued in 2016 and to increase the debt to equity ratio to within the target range of 25% to 30%.

For details on debt securities, refer to note 6.1 to the financial statements.

Share capital

For details on ordinary shares issued, refer to note 16 to the financial statements.

ORDINARY DIVIDENDS

	Group	
	2020 R million	2019 R million
The following dividends were paid and are proposed:		
Interim dividend of nil cents per share (2019: 392 cents)	–	451
Final dividend of nil cents per share (2019: 718 cents)	–	827
	–	1 278

SUBSIDIARIES

Details of the company's direct and indirect interests in subsidiaries are set out in note 10.1 to the financial statements. The following changes in shareholding took place during the year:

On 1 January 2020, the Santam group acquired a shareholding of 51.01% in JaSure Financial Services (Pty) Ltd for R6 million in cash.

The Santam group purchased the remaining 40% non-controlling interest in Echelon Underwriting Managers (Pty) Ltd in three tranches between 6 March 2020 and 8 April 2020 for a total of R69 million in cash.

DIRECTORS' REPORT

ASSOCIATED COMPANIES AND JOINT VENTURES

Details of the holding company's interest in associated companies and joint ventures are set out in note 12.1 to the financial statements. No changes in shareholding took place during the year.

RELATED PARTIES

Related-party relationships exist between the company, subsidiaries, associated companies, joint ventures, Sanlam group, company directors and key management. All material intergroup transactions have been eliminated from the group's financial statements.

For related-party transactions and key management personnel, refer to notes 10.2 (transactions with subsidiaries in the Santam group), 12.2 (transactions with associated companies and joint ventures in the Santam group), 20.3.1 and 20.3.2 (transactions with key management, directors and prescribed officers) and 27 (transactions with Sanlam group entities) to the annual financial statements.

Details of directors' remuneration and their interest in the company's shares appear in notes 16.1 (interest in the shares of the company), 17.1 (deferred share plan), 20.3.1 (remuneration received from the company) and 27 (remuneration received from other companies in the group) to the annual financial statements.

HOLDING COMPANY

Sanlam Ltd, the company's holding company, holds 61.9% (2019: 61.5%) of the total issued ordinary share capital, net of treasury shares.

SEGMENT INFORMATION

Refer to note 2 to the annual financial statements for the segmental report.

DIRECTORATE AND COMPANY SECRETARY

Committee memberships	Risk Committee	Audit Committee	Human Resources and Remuneration Committee	Nominations Committee	Social, Ethics and Sustainability Committee	Investment Committee
Non-executive directors						
B Campbell	✓	✓			✓	
MP Fandeso	✓	✓				
PB Hanratty			✓	✓		
VP Khanyile (chairman)			✓	✓		
MLD Marole			✓	✓	✓	
AM Mukhuba	✓					✓
JJ Ngulube					✓	
MJ Reyneke	✓	✓				✓
PE Speckmann	✓	✓				
Executive directors						
L Lambrechts (chief executive officer)	✓					✓
HD Nel (chief financial officer)	✓					✓

The following changes took place on the company's board of directors during the year:

MP Fandeso – Appointed to the board on 15 January 2020
IM Kirk – Resigned from the board on 30 June 2020
PB Hanratty – Appointed to the board on 11 August 2020
AM Mukhuba – Appointed to the board on 16 November 2020

Company Secretary

M Allie

Registered office for company secretary

PO Box 3881, Tyger Valley 7536
Santam Ltd, 1 Sportica Crescent, Bellville 7530

Mr M Allie was in the position for the whole financial year.

DIRECTORS' REPORT

AUDITORS

PricewaterhouseCoopers Inc will continue in office in accordance with section 90(1) of the Companies Act, 71 of 2008, as amended (Companies Act) until the next AGM where they will be considered for re-appointment.

SPECIAL RESOLUTIONS PASSED

The following special resolutions were passed by Santam Ltd at the annual general meeting on 7 July 2020:

- Approval of non-executive directors' remuneration.
- General authority to the directors, in accordance with the JSE Listings Requirements and Companies Act, to repurchase the company's shares.
- General authority to grant financial assistance to any related party established for the benefit of employees of the group in connection with the purchase of securities.
- General authority to provide direct or indirect financial assistance to related companies or persons (or inter-related companies or corporations).

NOTICE IN TERMS OF SECTION 45(5) OF THE COMPANIES ACT, 2008, AS AMENDED (THE ACT)

The company is from time to time, as an essential part of conducting the business of the group, required to provide financial assistance to group companies as part of its day-to-day operations in the form of loan funding, guarantees or general financial assistance as contemplated in section 45 of the Act. In accordance with section 45(5) of the Act this serves to give notice that the Santam board, in line with existing practice, approved that the company, in accordance with and subject to the provisions of section 45 of the Act and in terms of the special resolution passed at the company's annual general meeting in 2020, may provide such direct or indirect financial assistance to related and inter-related companies and corporations as described in section 45 of the Act. The amount and format of financial assistance which may be granted pursuant to the resolution is subject to ongoing review by the Santam board and may in total exceed 0.1% of the Santam group's net asset value.

STATEMENTS OF FINANCIAL POSITION

	Notes	Group 2020 R million	Group 2019 R million	Company 2020 R million	Company 2019 R million
ASSETS					
Intangible assets	13	**968**	948	**260**	240
Property and equipment	15	**760**	984	**534**	695
Investment in subsidiaries	10	**–**	–	**1 109**	1 109
Investment in associates and joint ventures	12	**2 205**	2 661	**2 034**	2 514
Strategic investment – unquoted SEM target shares	5.1, 5.1.2	**1 538**	1 474	**1 538**	1 474
Deferred income tax	22	**102**	107	**–**	–
Deposit with cell owner	9.3	**161**	180	**–**	–
Cell owners' and policyholders' interest	9.1	**14**	26	**–**	–
Financial assets at fair value through income	5.1, 5.2	**29 394**	24 411	**13 865**	11 058
Reinsurance assets	4.1	**8 946**	6 821	**7 978**	5 763
Deferred acquisition costs	4.1.2	**839**	727	**732**	639
Loans and receivables including insurance receivables	4.2, 5.6	**6 855**	6 237	**4 978**	4 794
Current income tax assets		**15**	16	**–**	–
Cash and cash equivalents	5.7	**4 383**	4 642	**2 036**	2 057
Total assets		**56 180**	49 234	**35 064**	30 343
EQUITY					
Capital and reserves attributable to the company's equity holders					
Share capital	16	**103**	103	**103**	103
Treasury shares	16	**(527)**	(482)	**–**	–
Other reserves	18.1	**(196)**	(405)	**–**	–
Distributable reserves	18.2	**9 976**	10 326	**7 779**	8 398
		9 356	9 542	**7 882**	8 501
Non-controlling interest	11	**736**	521	**–**	–
Total equity		**10 092**	10 063	**7 882**	8 501
LIABILITIES					
Deferred income tax	22	**104**	78	**19**	–
Cell owners' and policyholders' interest	9.1, 9.2	**4 238**	3 964	**–**	–
Reinsurance liability relating to cell owners	9.4	**161**	180	**–**	–
Financial liabilities at fair value through income					
Debt securities	6.1	**3 089**	2 080	**3 089**	2 080
Investment contracts	6.3	**1 838**	1 618	**–**	–
Derivatives	6.4	**80**	–	**80**	–
Lease liabilities	6.9	**782**	978	**585**	731
Financial liabilities at amortised cost					
Repo liability	6.5	**867**	785	**–**	–
Collateral guarantee contracts	6.6	**128**	120	**128**	120
Insurance liabilities	4.1	**28 871**	23 207	**19 070**	14 285
Deferred reinsurance acquisition revenue	4.1.2	**517**	489	**442**	408
Provisions for other liabilities and charges	19	**153**	123	**104**	72
Trade and other payables including insurance payables	4.3, 6.7	**5 089**	5 280	**3 577**	3 952
Current income tax liabilities		**171**	269	**88**	194
Total liabilities		**46 088**	39 171	**27 182**	21 842
Total shareholders' equity and liabilities		**56 180**	49 234	**35 064**	30 343

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Group 2020 R million	Group 2019 R million	Company 2020 R million	Company 2019 R million
Gross written premium		**38 273**	35 852	**29 976**	28 431
Less: reinsurance written premium		**12 756**	10 720	**6 572**	5 840
Net written premium		**25 517**	25 132	**23 404**	22 591
Less: change in unearned premium					
Gross amount	4.1.1	**1 549**	1 494	**477**	489
Reinsurers' share	4.1.1	**(693)**	(588)	**(241)**	(186)
Net insurance premium revenue		**24 661**	24 226	**23 168**	22 288
Interest income on amortised cost instruments	5.9	**185**	186	**40**	25
Interest income on fair value through income instruments	5.9	**1 435**	1 580	**687**	817
Other investment income	5.9	**398**	288	**436**	370
Income from reinsurance contracts ceded		**2 089**	1 995	**1 576**	1 435
Net (losses)/gains on financial assets and liabilities at fair value through income	5.10	**(273)**	321	**(80)**	341
Other income	20.1	**347**	271	**79**	56
Net income		**28 842**	28 867	**25 906**	25 332
Insurance claims and loss adjustment expenses	4.4	**25 205**	19 894	**21 726**	16 525
Insurance claims and loss adjustment expenses recovered from reinsurers	4.4	**(8 435)**	(4 813)	**(5 773)**	(2 665)
Net insurance benefits and claims		**16 770**	15 081	**15 953**	13 860
Expenses for the acquisition of insurance contracts	20.2	**5 124**	4 878	**5 622**	5 164
Expenses for marketing and administration	20.2	**4 449**	4 536	**3 193**	3 316
Expenses for investment-related activities	20.2	**66**	70	**46**	44
Amortisation and impairment of intangible assets	13, 20.2	**70**	79	**22**	39
Investment return allocated to cell owners and structured insurance products		**418**	614	**–**	–
Total expenses		**26 897**	25 258	**24 836**	22 423
Results of operating activities		**1 945**	3 609	**1 070**	2 909
Finance costs	6.8	**(318)**	(368)	**(241)**	(267)
Net loss from associates and joint ventures	12	**(595)**	(42)	**–**	–
Impairment of associates and joint ventures	12	**(15)**	(4)	**(480)**	(120)
Income tax recovered from cell owners and structured insurance products	21	**429**	280	**–**	–
Profit before tax		**1 446**	3 475	**349**	2 522
Tax expense allocated to shareholders		**(371)**	(874)	**(110)**	(651)
Tax expense allocated to cell owners and structured insurance products		**(429)**	(280)	**–**	–
Total tax expense	21	**(800)**	(1 154)	**(110)**	(651)
Profit for the year		**646**	2 321	**239**	1 871
Other comprehensive income, net of tax					
Items that may subsequently be reclassified to income					
Share of associates' currency translation differences	18.1	**209**	(315)	**–**	–
Total comprehensive income for the year		**855**	2 006	**239**	1 871
Profit attributable to:					
– equity holders of the company		**542**	2 199	**239**	1 871
– non-controlling interest		**104**	122	**–**	–
		646	2 321	**239**	1 871
Total comprehensive income attributable to:					
– equity holders of the company		**751**	1 884	**239**	1 871
– non-controlling interest		**104**	122	**–**	–
		855	2 006	**239**	1 871
Earnings attributable to equity holders	23				
Basic earnings per share (cents)		**491**	1 990		
Diluted earnings per share (cents)		**489**	1 978		

STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the company						
	Share capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million	Total R million	Non-controlling interest R million	Total R million
GROUP							
Balance as at 31 December 2019	**103**	**(467)**	**(90)**	**9 311**	**8 857**	**508**	**9 365**
Profit for the year	–	–	–	2 199	**2 199**	122	**2 321**
Other comprehensive income:							
Share of associates' currency translation differences	–	–	(315)	–	**(315)**	–	**(315)**
Total comprehensive income for the year ended 31 December 2019	**–**	**–**	**(315)**	**2 199**	**1 884**	**122**	**2 006**
Issue of treasury shares in terms of share option schemes	–	91	–	(91)	**–**	–	**–**
Purchase of treasury shares	–	(106)	–	–	**(106)**	–	**(106)**
Share-based payment costs	–	–	–	85	**85**	–	**85**
Share of associates' other movements in retained earnings	–	–	–	(7)	**(7)**	–	**(7)**
Dividends paid	–	–	–	(1 171)	**(1 171)**	(109)	**(1 280)**
Balance as at 31 December 2019	**103**	**(482)**	**(405)**	**10 326**	**9 542**	**521**	**10 063**
Profit for the year	–	–	–	542	**542**	104	**646**
Other comprehensive income:							
Share of associates' currency translation differences	–	–	209	–	**209**	–	**209**
Total comprehensive income for the year ended 31 December 2020	**–**	**–**	**209**	**542**	**751**	**104**	**855**
Issue of treasury shares in terms of share option schemes	–	110	–	(110)	**–**	–	**–**
Purchase of treasury shares	–	(155)	–	–	**(155)**	–	**(155)**
Share-based payment costs	–	–	–	80	**80**	–	**80**
Share of associates' other movements in retained earnings	–	–	–	(5)	**(5)**	–	**(5)**
Equity interest issued in cell captive[1]	–	–	–	–	**–**	166	**166**
Dividends paid	–	–	–	(793)	**(793)**	(50)	**(843)**
Non-controlling interest acquired	–	–	–	(64)	**(64)**	(5)	**(69)**
Balance as at 31 December 2020	**103**	**(527)**	**(196)**	**9 976**	**9 356**	**736**	**10 092**

	Attributable to equity holders of the company						
	Share capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million	Total R million	Non-controlling interest R million	Total R million
COMPANY							
Balance as at 31 December 2019	**103**	**–**	**–**	**7 763**	**7 866**	**–**	**7 866**
Profit for the year	–	–	–	1 871	**1 871**	–	**1 871**
Total comprehensive income for the year ended 31 December 2019	**–**	**–**	**–**	**1 871**	**1 871**	**–**	**1 871**
Share-based payment costs	–	–	–	79	**79**	–	**79**
Loss on delivery of shares in terms of share scheme	–	–	–	(98)	**(98)**	–	**(98)**
Dividends paid	–	–	–	(1 217)	**(1 217)**	–	**(1 217)**
Balance as at 31 December 2019	**103**	**–**	**–**	**8 398**	**8 501**	**–**	**8 501**
Profit for the year	–	–	–	239	**239**	–	**239**
Total comprehensive income for the year ended 31 December 2020	**–**	**–**	**–**	**239**	**239**	**–**	**239**
Share-based payment costs	–	–	–	70	**70**	–	**70**
Loss on delivery of shares in terms of share scheme	–	–	–	(101)	**(101)**	–	**(101)**
Dividends paid	–	–	–	(827)	**(827)**	–	**(827)**
Balance as at 31 December 2020	**103**	**–**	**–**	**7 779**	**7 882**	**–**	**7 882**

[1] *A subsidiary of the group issued an equity interest in cell captives during the year. Refer to note 9 for more detail.*

STATEMENTS OF CASH FLOWS

	Notes	Group 2020 R million	Group 2019 R million	Company 2020 R million	Company 2019 R million
Cash flows from operating activities					
Cash generated from operations	25	**5 948**	5 831	**3 132**	3 418
Interest paid		**(326)**	(339)	**(244)**	(249)
Income tax paid	26	**(437)**	(955)	**(191)**	(730)
Acquisition of financial assets		**(29 373)**	(24 169)	**(17 755)**	(15 575)
Proceeds from sale of financial assets		**25 315**	22 529	**16 062**	15 365
Net cash from operating activities		**1 127**	2 897	**1 004**	2 229
Cash flows from investing activities					
Acquisition of financial assets		**(1 862)**	(913)	**(1 862)**	(913)
Proceeds from sale of financial assets		**690**	958	**690**	958
Acquisition of subsidiaries, net of cash acquired	14	**(4)**	(48)	**–**	–
Purchases of equipment	15.1	**(65)**	(53)	**(32)**	(29)
Purchases of intangible assets	13	**(81)**	(67)	**(42)**	(37)
Capitalisation of associates	14	**–**	(158)	**–**	(158)
Net cash used in investing activities		**(1 322)**	(281)	**(1 246)**	(179)
Cash flows from financing activities					
Purchase of treasury shares		**(155)**	(106)	**–**	–
Purchase of non-controlling interest in subsidiary		**(69)**	–	**–**	–
Proceeds from issue of unsecured subordinated callable notes		**1 000**	–	**1 000**	–
Dividends paid to company's shareholders		**(793)**	(1 171)	**(827)**	(1 217)
Dividends paid to non-controlling interest		**(50)**	(109)	**–**	–
Payment of principal element of lease liabilities	6.9	**(141)**	(173)	**(96)**	(108)
Net cash (used in)/from financing activities		**(208)**	(1 559)	**77**	(1 325)
Net (decrease)/increase in cash and cash equivalents		**(403)**	1 057	**(165)**	725
Cash and cash equivalents at beginning of year		**4 642**	3 618	**2 057**	1 361
Exchange gains/(losses) on cash and cash equivalents		**144**	(33)	**144**	(29)
Cash and cash equivalents at end of year		**4 383**	4 642	**2 036**	2 057

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and company financial statements are included in the specific notes to which they relate. These policies have been consistently applied to all the years presented, unless otherwise indicated.

1.1 Statement of compliance

The financial statements are prepared in accordance with the JSE Ltd Listings Requirements, the requirements of the Companies Act and the company's memorandum of incorporation. The Listings Requirements require annual reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the IFRS Interpretations Committee interpretations and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

1.2 Basis of preparation

The financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through income and the application of the equity method of accounting for investments in associate and joint ventures.

The consolidated annual financial statements have been prepared on a going concern basis. In adopting the going concern basis, the board has reviewed the group's ongoing commitments for the next 12 months and beyond. The board's review included the group's strategic plans and updated financial forecasts including capital position, liquidity and credit facilities, and investment portfolio.

In the context of the current challenging environment a range of downside scenarios have been considered. These included scenarios which reflected:

- COVID-19-related claims, and
- ongoing impact of COVID-19, including lower economic activity, suppressed spending, business confidence, market volatility and multiple future waves.

In addition, a stress test exercise has been undertaken to consider the impact on the group's capital position including the following one-off type events: severe COVID-19-related claims, including adverse outcomes of legal cases relating to business interruption claims, adverse catastrophe experience and severe and sudden financial market movements. An aggregated scenario such as this, and the sequence of events it involves, is considered to be remote and there are mitigating recovery actions that can be taken to restore the capital position to the group's target range.

As a result, the board believes that the group is well placed to meet future capital requirements and liquidity demands. Based on this review no material uncertainties that would require disclosure have been identified in relation to the ability of the group to remain a going concern for at least the next 12 months, from the date of the approval of the consolidated annual financial statements.

All amounts in the financial statements are presented in South African rand, rounded to the nearest million, unless otherwise stated.

Refer to note 31 for new standards, amendments and interpretations effective and not yet effective in 2020, as well as a detailed analysis of the expected impact of the standards that are not yet effective.

Standards effective in 2020

The following new IFRSs and/or IFRICs were effective for the first time from 1 January 2020:

- Amendments to IFRS 3 *Business Combinations*
- Amendments to IFRS 7 *Financial Instruments: Disclosures*
- Amendments to IFRS 9 *Financial Instruments*
- Amendments to IAS 1 *Presentation of Financial Statements*
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

No material impact on the annual financial statements was identified resulting from the adoption of these amendments made to IFRS.

Standards not yet effective in 2020

- IFRS 16 *Leases* COVID-19-Related Rent Concessions Amendment
- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* – interest rate benchmark (IBOR) reform (Phase 2)
- Amendment to IAS 1 *Presentation of Financial Statements* on Classification of Liabilities as Current or Non-current
- Amendment to IFRS 3 *Business Combinations*
- Amendments to IAS 16 *Property, Plant and Equipment* on Proceeds before Intended Use
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* on Onerous Contracts–Cost of Fulfilling a Contract
- IFRS 17 *Insurance Contracts*
- IFRS 17 *Insurance Contracts* Amendments

The group did not early adopt any of the IFRS standards. Of the standards that are not yet effective, management expects IFRS 17 to have a future impact on the group and company.

IFRS 17 INSURANCE CONTRACTS

The IASB issued IFRS 17 *Insurance Contracts* in May 2017, and on 25 June 2020 the IASB issued amendments to the standard. The effective date of IFRS 17, including the amendments, has been deferred by two years to annual reporting periods beginning on or after 1 January 2023. The standard needs to be applied retrospectively.

In contrast to the requirements of IFRS 4, IFRS 17 provides a comprehensive model (general measurement model) for the measurement of insurance contracts, supplemented by the variable fee approach for contracts with direct participation features and the premium allocation approach applicable mainly for short-duration contracts.

The main features of the general model for insurance contracts are that the profitability groups of contracts identified:

- be measured at the present value of future cash flows incorporating an explicit risk adjustment, and remeasured every reporting period (the fulfilment cash flows);
- a contractual service margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts, is recognised in profit or loss over the service period (coverage period).

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage (fulfilment cash flows related to future service and the contractual service margin) and the liability for incurred claims (fulfilment cash flows related to past service).

Where the requirements are met to measure a group of insurance contracts using the premium allocation approach, the liability for remaining coverage corresponds to premiums received at initial recognition less acquisition costs. However, the general model remains applicable for the measurement of incurred claims.

Based on the group's analysis of insurance policies issued, the group predominantly writes short-term contracts, therefore the premium allocation approach will be applied to the bulk of the insurance book.

Insurance revenue and insurance service expenses are recognised in the statement of comprehensive income based on the concept of services provided during the period. The standard also recognises losses earlier on contracts that are expected to be onerous. Based on the group's analysis to date we do not expect a significant impact on the financial results due to onerous contracts.

The standard introduces a new, more granular system of reporting for both insurance revenue and insurance contract liabilities and does not only impact accounting and actuarial reporting, but has a pervasive impact across the group's operating model. Due to the fundamental changes required by the standard, and to ensure successful implementation, an IFRS 17 project team was established. Within the project team are further sub-teams including: data acquisition, data integration, IFRS 17 valuation, general ledger, consolidation and reporting integration. In addition, during 2020 the project commenced with the documentation of the future financial processes. During 2021 there will also be a significant focus on the group's new information management target operating model.

The group's audit committee and an IFRS 17 steering committee provide oversight and governance over the project. The steering committee is comprised of senior management from various functions including: finance, risk, information technology, operations and group internal audit.

Accounting policy papers, actuarial methodologies and disclosure requirements have been prepared to be consistently implemented throughout the group. The project team remains up to date, and closely monitors, all technical developments from the IASB and industry to evaluate the effects of such developments and, where applicable, will align the policy and methodology papers accordingly.

Development of systems to implement IFRS 17 for the group's gross and inward reinsurance business is in progress and the work on outward reinsurance business has commenced. The transition methodology and financial impact assessment will be a key focus area during 2021. It is expected that due to the short contract boundaries for the majority of the insurance book a fully retrospective approach will be applied with limited application of the modified retrospective approach for contracts with longer contract boundaries. Parallel run testing of the IFRS 17 solution is scheduled to take place in 2022. Further focus areas for 2021 include an evaluation of future management reporting and key performance indicators, the treatment of related party transactions, business training initiatives and designing the required solution controls. Once IFRS 17 internal development has been completed, there will be greater clarity on the impact of the standard on the results.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3 Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company's accounting policies. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are highlighted below with more detail provided in the specific notes to which they relate:

- Claims incurred but not reported – note 4.1
- Fair value of financial instruments that are not listed or quoted – note 5.3
- Impairment assessment of investment in associates and joint ventures – note 12

In 2020, the COVID-19 global pandemic has had a significant impact on market conditions and the group's business. Estimates and their underlying assumptions continue to be reviewed on an ongoing basis with revisions to estimates being recognised prospectively. Where an estimate has been made in response to COVID-19, additional disclosure has been provided in the relevant note to provide context to the figures presented:

- Valuation of insurance contract liabilities: the assumptions used in the estimation of the eventual outcome of the claim events that have occurred that are expected to give rise to claims by the end of the reporting period but remain unsettled have been adjusted for the potential impact of COVID-19. This includes frequency, severity and development pattern assumptions.
- Measurement and impairment of goodwill and associates: key assumptions applied in the valuation of the recoverable amount have been adjusted, and the estimation of useful economic life has been reviewed to reflect the potential impact of COVID-19.

1.4 COVID-19 relief activities

PREMIUM RELIEF

Premium relief of R310 million was granted to policyholders in the form of discounts and premium holidays. It is accounted for as a decrease in gross written premium in the period in which the relief is formally communicated to the individual policyholders.

CONTINGENT BUSINESS INTERRUPTION (CBI) CLAIMS

The company has raised a net technical provision of R2 billion at 31 December 2020 as a best estimate of its net exposure in relation to policies with contagious and infectious disease CBI extensions. The provision raised is in addition to the R1 billion of interim relief payments made in August 2020, which will be offset against valid claims arising from the assessment process.

Following the Supreme Court of Appeal (SCA) ruling on Guardrisk's Café Chameleon case and the ruling of the UK Supreme Court in the FCA test case matter, legal certainty has been achieved with regard to policy response. It was confirmed that commercial policy wordings with the relevant extension will provide cover for business interruption losses caused by the COVID-19 pandemic in general, and the government response to it, provided that there was an occurrence of COVID-19 within the designated radius of the insured premises.

A recent judgment by the Western Cape High Court, with regard to a specific policy (Ma-Afrika) written by the company's hospitality and leisure (H&L) division, ruled that the indemnity period that applies to CBI claims should be based on the standard physical damage business interruption indemnity period and not the indemnity period that applies to business interruption extensions covering contagious and infectious diseases. The company's view is that the indemnity period is limited to three months and the company will contest this ruling at the SCA. This matter only relates to H&L clients, which make up less than a third of total policies with CBI extensions.

In determining the appropriate level of provisions, the company has considered the underlying exposure, the recent court judgments, the uncertainty regarding the length of the indemnity period on specific H&L policies as well as the extent of the response to CBI claims by the company's reinsurance counterparties.

The potential outcome of the appeal against the Ma-Afrika judgment relating to the indemnity period and the extent of the company's reinsurance recoveries may still impact the company's assessment of the estimated net CBI claims. In addition, the inherent complexity of business interruption claims, as well as bespoke policy wordings for corporate clients, require significant assumptions to be applied to determine the best estimate CBI claims provisions. These factors could result in significantly higher or lower actual claims.

Refer to note 4.1 for relevant disclosure.

IMPACT ON FINANCIAL RESULTS

The underwriting results in the current period were impacted by the COVID-19 pandemic.

The motor class reported strong underwriting performance, benefiting from a benign claims environment with the hard lockdown reducing claims activity in April and May 2020. Total premium relief of R310 million was provided by MiWay and Santam Commercial and Personal Business to motor policyholders in recognition of reduced travelling during the lockdown period. Following the relaxing of lockdown regulations from 1 June 2020, claims frequency started to normalise, but was still lower than the prior year.

The property class also benefited from reduced claims activity during the lockdown from April 2020. This was however offset by R1 billion of relief payments in August 2020, as well as a further technical provision for CBI claims of R2 billion at year-end.

Investment return on insurance funds and investment income on shareholders' funds were negatively impacted by the lower interest rate environment.

The group's stress and scenario testing framework assesses the impact on the capital position of the group under a range of different possible events. A number of COVID-19 claims scenarios have been included in the current review cycle and it can be confirmed that both the group's economic and regulatory solvency position remains at an acceptable level under all scenarios assessed.

Management has performed an assessment on the other financial statement line items and the impact of COVID-19 is immaterial.

2 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the chief executive officer, supported by the group executive committee.

The group conducts mainly insurance and investment activities.

Insurance activities

The group presents its insurance results in the following segments:

- Conventional insurance business written on insurance licences controlled by the group, consisting of Santam Commercial and Personal, Santam Specialist (niche business and agriculture), Santam re and MiWay;
- Alternative risk transfer (ART) insurance business written on the insurance licences of Centriq and Santam Structured Insurance (SSI); and
- Santam's share of the insurance results of the Sanlam Emerging Markets (SEM) general insurance businesses, including SAN JV (Saham).

Conventional insurance is further analysed by insurance class. Operating segments are aggregated based on quantitative and/or qualitative significance. The performance of insurance activities is based on gross written premium as a measure of growth, with operating result as measure of profitability.

Insurance business denominated in foreign currencies is covered by foreign-denominated bank accounts and investment portfolios. Foreign exchange movements on underwriting activities are therefore offset against the foreign exchange movements recognised on the bank accounts and investment portfolios.

The investment return on insurance funds is calculated based on the day-weighted effective return realised by the group on the assets held to cover the group's net insurance working capital requirements.

Investment activities

Investment activities are all investment-related activities undertaken by the group. Due to the nature of the activities conducted, investment activities are considered to be one operating segment. Investment activities are measured based on net investment income. Revenue is earned from the various investment portfolios managed in the form of interest, dividend and fair value gains or losses, as well income from associates and joint ventures that are not considered to be strategic investments.

All activities

Given the nature of the operations, there is no single external client that provides 10% or more of the group's revenues.

The Santam BEE transaction costs are unrelated to the core underwriting and investment performance of the group. Therefore, these costs are disclosed as unallocated activities.

Santam Ltd is domiciled in South Africa. Geographical analysis of the gross written premium and non-current assets is based on the countries in which the business is underwritten or managed. Non-current assets comprise goodwill and intangible assets, property and equipment, investments in associates and joint ventures and SEM target shares.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2 SEGMENT INFORMATION (continued)

2.1 Segment report

For the year ended 31 December 2020 Business activity	Insurance Conventional R million	Insurance Alternative risk transfer R million	Insurance Santam's share of SAN JV and other SEM businesses R million	Insurance Total R million
Revenue	**31 098**	**7 175**	**2 968**	**41 241**
External	30 821	7 175	2 968	**40 964**
Intersegment[5]	277	–	–	**277**
Operating result before non-controlling interest and tax[1]	**1 118**	**165**	**381**	**1 664**
Reallocation of operating result	–	–	(381)	**(381)**
Investment income net of investment-related fees	–	462	32	**494**
Investment return allocated to cell owners and structured insurance products	–	(418)	–	**(418)**
Finance costs[2]	–	(44)	–	**(44)**
Income from associates and joint ventures including impairment	–	–	(658)	**(658)**
Santam BEE costs	–	–	–	**–**
Amortisation and impairment of intangible assets[3]	(18)	(1)	–	**(19)**
Income tax recovered from cell owners and structured insurance products	–	429	–	**429**
Profit before tax	**1 100**	**593**	**(626)**	**1 067**

1 *Includes depreciation of R213 million for Conventional and R11 million for ART.*
2 *Finance costs relating to lease liabilities has been included in operating result.*
3 *Amortisation of computer software is included as part of operating result. Santam's share of the costs to manage the SEM portfolio of R6 million has been included in operating result.*
4 *Reconciling items consist of the reallocation of net operating results relating to the underlying investments of the SEM target shares and SAN JV for management reporting purposes (as a result of the investments in SEM being carried at fair value through income, and SAN JV being equity-accounted), and the reallocation of investment revenue for IFRS purposes.*
5 *Intersegment revenue includes revenue earned from Santam's share of SAN JV and other SEM businesses segment.*

For the year ended 31 December 2019 Business activity	Insurance Conventional R million	Insurance Alternative risk transfer R million	Insurance Santam's share of SAN JV and other SEM businesses R million	Insurance Total R million
Revenue	**29 725**	**6 127**	**2 771**	**38 623**
External	29 487	6 127	2 771	**38 385**
Intersegment[5]	238	–	–	**238**
Operating result before non-controlling interest and tax[1]	**2 400**	**171**	**495**	**3 066**
Reallocation of operating result	–	–	(495)	**(495)**
Investment income net of investment-related fees	–	614	257	**871**
Investment return allocated to cell owners and structured insurance products	–	(614)	–	**(614)**
Finance costs[2]	–	–	–	**–**
Income from associates and joint ventures including impairment	–	–	(89)	**(89)**
Santam BEE costs	–	–	–	**–**
Amortisation and impairment of intangible assets[3]	(34)	(1)	–	**(35)**
Income tax recovered from cell owners and structured insurance products	–	280	–	**280**
Profit before tax	**2 366**	**450**	**168**	**2 984**

1 *Includes depreciation of R208 million for Conventional and R15 million for ART.*
2 *Finance costs relating to lease liabilities has been included in operating result.*
3 *Amortisation of computer software is included as part of operating result. Santam's share of the costs to manage the SEM portfolio of R12 million has been included in operating result.*
4 *Reconciling items consist of the reallocation of net operating results relating to the underlying investments of the SEM target shares and SAN JV for management reporting purposes (as a result of the investments in SEM being carried at fair value through income, and SAN JV being equity-accounted), and the reallocation of investment revenue for IFRS purposes.*
5 *Intersegment revenue includes revenue earned from Santam's share of SAN JV and other SEM businesses segment.*

Investment R million	Total R million	Reconciling and unallocated[4] R million	IFRS total R million
637	**41 878**	**(3 605)**	**38 273**
637	**41 601**	(3 605)	**37 996**
–	**277**	–	**277**
–	**1 664**	**(381)**	**1 283**
–	**(381)**	381	**–**
523	**1 017**	–	**1 017**
–	**(418)**	–	**(418)**
(190)	**(234)**	–	**(234)**
48	**(610)**	–	**(610)**
–	**–**	(2)	**(2)**
–	**(19)**	–	**(19)**
–	**429**	–	**429**
381	**1 448**	**(2)**	**1 446**

Investment R million	Total R million	Reconciling and unallocated[4] R million	IFRS total R million
859	**39 482**	**(3 630)**	**35 852**
859	**39 244**	(3 630)	**35 614**
–	**238**	–	**238**
–	**3 066**	**(495)**	**2 571**
–	**(495)**	495	**–**
745	**1 616**	–	**1 616**
–	**(614)**	–	**(614)**
(294)	**(294)**	–	**(294)**
43	**(46)**	–	**(46)**
–	**–**	(3)	**(3)**
–	**(35)**	–	**(35)**
–	**280**	–	**280**
494	**3 478**	**(3)**	**3 475**

2 SEGMENT INFORMATION (continued)

2.1 Segment report (continued)

ADDITIONAL INFORMATION ON CONVENTIONAL INSURANCE ACTIVITIES

	2020 R million	2019 R million
Revenue	**31 098**	29 725
Net earned premium	**24 320**	23 673
Net claims incurred	**16 593**	14 711
Net commission	**3 083**	2 950
Management expenses (excluding BEE costs)[1, 2]	**4 029**	4 192
Net underwriting result	**615**	1 820
Investment return on insurance funds	**501**	579
Net insurance result	**1 116**	2 399
Other income	**106**	93
Other expenses	**(104)**	(92)
Operating result before non-controlling interest and tax	**1 118**	2 400

[1] *Amortisation of computer software has been included in management expenses.*
[2] *Finance costs relating to lease liabilities has been included in management expenses.*

The group's conventional insurance activities are spread over various classes of general insurance.

	2020		2019	
	Gross written premium R million	Underwriting result R million	Gross written premium R million	Underwriting result R million
Accident and health	**641**	**94**	585	24
Crop	**1 262**	**147**	886	(87)
Engineering	**1 651**	**433**	1 601	312
Guarantee	**117**	**(14)**	246	(58)
Liability	**1 362**	**149**	1 310	159
Miscellaneous	**38**	**(10)**	21	7
Motor	**13 430**	**2 100**	13 340	1 201
Property	**11 798**	**(2 410)**	10 974	212
Transportation	**799**	**126**	762	50
Total	**31 098**	**615**	29 725	1 820
Comprising:				
Commercial insurance	**18 215**	**(1 176)**	17 117	928
Personal insurance	**12 883**	**1 791**	12 608	892
Total	**31 098**	**615**	29 725	1 820

ADDITIONAL INFORMATION ON ALTERNATIVE RISK TRANSFER INSURANCE ACTIVITIES

The group's alternative risk insurance activities can be analysed as follows:

	2020 R million	2019 R million
Income from clients	**385**	331
Participation in underwriting results[1]	**34**	59
	419	390
Administration expenses	**(254)**	(219)
Operating result before non-controlling interest and tax	**165**	171

[1] *This relates to Centriq Insurance and SSI's selective participation in underwriting risk across the portfolios of traditional insurance business.*

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF SAHAM AND OTHER SEM BUSINESSES

	2020			2019		
	SEM R million	Saham R million	Total R million	SEM R million	Saham R million	Total R million
Revenue	1 183	1 785	**2 968**	1 140	1 631	2 771
Operating result before non-controlling interest and tax	258	123	**381**	319	176	495

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF OTHER SEM BUSINESSES

	2020 R million	2019 R million
Revenue	**1 183**	1 140
Net earned premium	**994**	879
Net claims incurred	**644**	510
Net acquisition cost	**301**	254
Net underwriting result	**49**	115
Investment return on insurance funds	**207**	204
Other income	**2**	–
Operating result before non-controlling interest and tax	**258**	319

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF SAHAM'S GENERAL AND REINSURANCE BUSINESS

	2020 R million	2019 R million
Revenue	**1 785**	1 631
Net earned premium	**1 258**	1 225
Net claims incurred	**757**	776
Net acquisition cost	**409**	425
Net underwriting result	**92**	24
Investment return on insurance funds	**37**	145
Other (expenses)/income*	**(6)**	7
Operating result before non-controlling interest and tax	**123**	176

* *Other (expenses)/income includes the net profit/loss for health, property and Elite lines of business.*

2 SEGMENT INFORMATION (continued)

2.1 Segment report (continued)

ADDITIONAL INFORMATION ON SAHAM (100%)

	Life business		General insurance[1]		Consolidation and other[2]		Saham total	
	2020 R million	2019 R million	2020 R million	2019 R million	2020 R million	2019 R million	2020 R million	2019 R million
Financial services income	**962**	1 229	**13 458**	14 085	**543**	283	**14 963**	15 597
Long-term insurance contracts	**884**	1 139	**–**	–	**–**	–	**884**	1 139
General insurance contracts	**–**	–	**12 577**	12 248	**–**	–	**12 577**	12 248
Investment return on insurance funds	**50**	70	**376**	1 454	**–**	–	**426**	1 524
Other	**28**	20	**505**	383	**543**	283	**1 076**	686
Sales remuneration	**(260)**	(212)	**(1 605)**	(1 617)	**–**	–	**(1 865)**	(1 829)
Underwriting policy benefits	**(259)**	(376)	**(7 579)**	(7 757)	**–**	–	**(7 838)**	(8 133)
Administration cost	**(440)**	(468)	**(3 035)**	(2 947)	**(609)**	(460)	**(4 084)**	(3 875)
Gross result from financial services	**3**	173	**1 239**	1 764	**(66)**	(177)	**1 176**	1 760
Tax	**(30)**	(61)	**(284)**	(504)	**39**	17	**(275)**	(548)
(Loss)/profit after tax	**(27)**	112	**955**	1 260	**(27)**	(160)	**901**	1 212
Non-controlling interest	**(21)**	(38)	**(250)**	(354)	**(18)**	(6)	**(289)**	(398)
Net result from financial services	**(48)**	74	**705**	906	**(45)**	(166)	**612**	814
Project expenses	**(2)**	–	**–**	–	**–**	–	**(2)**	–
Net investment return on shareholders' funds	**(201)**	(101)	**(755)**	(108)	**(148)**	(2)	**(1 104)**	(211)
Amortisation of intangibles	**–**	(5)	**(39)**	(24)	**(15)**	(10)	**(54)**	(39)
Impairments	**(40)**	–	**(318)**	–	**–**	–	**(358)**	–
Foreign currency translation differences	**–**	–	**17**	(76)	**70**	(40)	**87**	(116)
Net other (expenses)/earnings	**(2)**	–	**26**	–	**–**	–	**24**	–
Hyperinflation[3]	**(325)**	–	**1 616**	–	**–**	–	**1 291**	–
Attributable earnings	**(618)**	(32)	**1 252**	698	**(138)**	(218)	**496**	448

[1] *General insurance includes the following lines of business: general insurance, health, property, reinsurance and Elite.*
[2] *Consolidation and other includes the following: central corporate costs, withholding tax incurred by holding companies in the structure, Netis Group.*
[3] *The impact of applying IAS 29 Financial Reporting in Hyperflationary Economies for LIA (Lebanon) is included in the hyperinflation line.*

ADDITIONAL INFORMATION ON INVESTMENT ACTIVITIES

The group's return on investment-related activities can be analysed as follows:

	2020 R million	2019 R million
Investment income	717	724
Net (losses)/gains on financial assets and liabilities at fair value through income	(128)	91
Income from associates and joint ventures	48	43
Investment-related revenue	637	858
Expenses for investment-related activities	(66)	(70)
Finance costs	(190)	(294)
Net total investment-related transactions	381	494

For a detailed analysis of investment activities, refer to notes 5.1 and 5.10.

2.2 Geographical analysis

	Gross written premium		Non-current assets	
	2020 R million	2019 R million	2020 R million	2019 R million
South Africa	33 310	31 986	2 111	2 269
Rest of Africa[1]	4 169	3 701	1 934	2 414
Southeast Asia, India and Middle East	3 362	2 633	1 321	1 384
Other	400	303	–	–
	41 241	38 623	5 366	6 067
Reconciling items[2]	(2 968)	(2 771)	–	–
Group total	38 273	35 852	5 366	6 067

[1] *Includes gross written premium relating to Namibia of R971 million (2019: R1 044 million).*

[2] *Reconciling items relate to the underlying investments included in the SEM target shares and SAN JV for management reporting purposes (as a result of the investments in SEM being carried at fair value through income, and SAN JV being equity-accounted).*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3 RISK AND CAPITAL MANAGEMENT

3.1 Objective and framework

As an insurance group, Santam Ltd and its subsidiaries are exposed to various insurance and financial risks. These risks cause uncertainty and therefore the challenge for management is to determine what level of uncertainty is acceptable for each business unit as it strives to enhance stakeholder value.

Santam has adopted an enterprise risk management (ERM) approach and framework that enables management to effectively deal with uncertainty and thus enhance the capacity to build value by efficiently and effectively deploying resources in pursuit of achieving the group's objectives. The ERM process adopted is considered appropriate to the nature, scale and complexity of the group and company's business and risks. The Santam approach is aligned with the principles of the King IV Report, ISO 31000, Solvency and Assessment Management (SAM) requirements as well as the requirements of our majority shareholder, Sanlam.

Santam's ERM framework and process is designed to assist the board in ensuring that management continually monitors risk and reports back to the risk committee on the status of these risks. ISO 31000 was adopted to ensure that a structured and practical approach to risk management is implemented throughout the business. Santam's ERM process is well defined and businesses are responsible and accountable for integrating ERM in their operations. ERM adds value by being aligned to the business strategy and objectives.

3.2 Risk assessment process

A key component of the ERM framework is the risk assessment process. Santam's risk assessment process consists of risk identification, risk analysis, risk evaluation and risk treatment/management of those risks that are relevant to the company and group's strategic objectives. Risks are identified from a top-down (strategic) and bottom-up (operational) perspective to create and maintain an integrated view of material risk exposures. The top-down approach is undertaken at an executive and senior management level and considers strategic risks affecting Santam in the medium to long term. In parallel, the bottom-up approach is undertaken by enterprise, risk and compliance management (ERCM) at a business unit or specialist unit level to assess all categories of risks from their perspectives with specific focus on underwriting, reinsurance and financial risks.

The risk identification process is used to build an aggregated view of all significant risks faced by the company. This, together with the risk categories and knowledge base, is translated into the Santam risk universe. The risk universe is a summary of the most common risk themes across all categories of risk within the company and group and assists management in understanding and effectively managing the relevant risks.

Risk analysis provides an input to risk evaluation and informs decisions on how the risks need to be treated. Risk analysis involves consideration of the causes and sources of risk, their positive and negative consequences and the likelihood that those consequences may occur.

Santam analyses quantifiable risks by using an internally developed economic capital model. The model covers the following risk categories:

- insurance risk (consisting of underwriting and reinsurance risk)
- credit risk
- market risk
- operational risk

A number of risks faced by Santam are not modelled on the internal model, namely: strategic, liquidity, conduct, reputational, political, regulatory, compliance, sovereign downgrade, legal, outsourcing and cyber risks. These risks are analysed individually by management and appropriate measures are implemented to monitor and mitigate these risks.

Once the relevant risks are better understood, the risk appetite framework governs how the risks should be managed within the group. Santam has formulated a risk appetite policy which aims to quantify the amount of capital the company and group is willing to put at risk in the pursuit of value creation. It is within this risk appetite framework that Santam has selected its asset allocation and reinsurance programmes which are among the most important determinants of risk and hence capital requirements within the organisation. The internal model allows for the measurement of Santam's expected performance relative to the risk appetite assessment criteria agreed to by Santam's board. The risk appetite process also includes the assessment of non-financial measures in determining the overall capital requirements. These assessments are presented to the risk committee as well as the board on a quarterly basis for consideration.

The group issues contracts that transfer insurance risk or financial risk or both (refer to note 4 for the general terms of insurance contracts). Insurance risk (ie underwriting and reinsurance risk) and investment risk (ie market and credit risk) impact the balances and transactions reported in a financial period. The discussions that will follow provide more detail on how Santam and its subsidiaries manage insurance and investment risk from a financial reporting perspective. The table below is a summary of all the financial balances that are affected by insurance and/or investment risk. It provides a summary of all balances that management considers to be either directly or indirectly exposed to foreign currency risk. For this reason, the investment in SAN JV is also included in the table although it is not a financial or insurance instrument.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Notes	Group total 2020 R million	Group total Restated[1] 2019 R million	Group foreign 2020 R million	Group foreign Restated[1] 2019 R million
Financial and insurance assets					
Equity securities					
Listed equities and similar securities	5.1, 5.3	**2 577**	2 420	**324**	328
Unlisted equities and similar securities	5.1, 5.3	**1 614**	1 557	**1 555**	1 496
Interest-bearing investments					
Government interest-bearing investments	5.1, 5.3	**4 496**	3 019	**1 084**	1 026
Corporate interest-bearing investments	5.1, 5.3	**14 418**	12 089	**1 224**	524
Mortgages and loans	5.1, 5.3	**146**	165	**10**	10
Structured transactions					
Structured notes	5.1, 5.3	**264**	365	**–**	–
Derivative assets	5.1, 5.2, 5.3	**–**	35	**–**	35
Investment funds	5.1, 5.3	**5 191**	4 480	**204**	136
Cash, deposits and similar securities	5.1, 5.3	**2 226**	1 755	**664**	645
Total investment assets		**30 932**	25 885	**5 065**	4 201
Receivables due from contract holders/intermediaries (net of provisions)	4.2, 4.5, 4.7	**4 933**	4 745	**2 026**	1 453
Receivables due from reinsurers (net of provisions)	4.2, 4.6, 4.7	**459**	373	**–**	3
Loans and receivables excluding insurance receivables	5.6, 5.8	**1 463**	1 119	**–**	–
Cell owners' and policyholders' interest	9.1, 9.2	**14**	26	**–**	–
Reinsurance assets	4.1, 4.6	**8 946**	6 821	**1 925**	1 384
Deferred acquisition cost	4.1.2, 4.5	**839**	727	**–**	–
Deposit with cell owner	9.3	**161**	180	**–**	–
Cash and cash equivalents	5.7, 5.8	**4 383**	4 642	**1 120**	1 198
Total financial and insurance assets		**52 130**	44 518	**10 136**	8 239
Investment in associates and joint ventures		**2 205**	2 661	**1 823**	2 323
Total assets with direct or indirect foreign currency exposure		**54 335**	47 179	**11 959**	10 562
Financial and insurance liabilities					
Debt securities	6.1, 6.2	**3 089**	2 080	**–**	–
Investment contracts	6.3	**1 838**	1 618	**–**	–
Derivatives	6.4	**80**	–	**3**	–
Cell owners' and policyholders' interest	9.1, 9.2	**4 238**	3 964	**–**	–
Repo liability	6.5	**867**	785	**–**	–
Collateral guarantee contracts	6.6	**128**	120	**–**	–
Insurance liabilities	4.1, 4.5	**28 871**	23 207	**5 242**	4 260
Deferred reinsurance acquisition revenue	4.1.2, 4.6	**517**	489	**–**	–
Reinsurance liability relating to cell owners	9.4	**161**	180	**–**	–
Total trade and other payables including insurance payables					
Amounts due to contract holders/intermediaries	4.3	**2 874**	3 044	**789**	602
Trade and other payables excluding insurance payables	6.7	**2 215**	2 236	**–**	–
Total financial and insurance liabilities		**44 878**	37 723	**6 034**	4 862

[1] *Refer to note 5.1 for the prior period restatement.*

3 RISK AND CAPITAL MANAGEMENT (continued)

3.2 Risk assessment process (continued)

	Notes	Company total 2020 R million	Company total Restated[1] 2019 R million	Company foreign 2020 R million	Company foreign Restated[1] 2019 R million
Financial and insurance assets					
Equity securities					
Listed equities and similar securities	5.1, 5.3	**1 235**	1 152	**–**	–
Unlisted equities and similar securities	5.1, 5.3	**1 611**	1 553	**1 555**	1 496
Interest-bearing investments					
Government interest-bearing investments	5.1, 5.3	**2 772**	1 460	**883**	850
Corporate interest-bearing investments	5.1, 5.3	**7 636**	6 388	**1 122**	420
Mortgages and loans	5.1, 5.3	**117**	136	**–**	–
Structured transactions					
Structured notes	5.1, 5.3	**196**	260	**–**	–
Derivative assets	5.1, 5.2, 5.3	**–**	35	**–**	35
Investment funds	5.1, 5.3	**289**	432	**78**	–
Cash, deposits and similar securities	5.1, 5.3	**1 547**	1 115	**664**	615
Total investment assets		**15 403**	12 532	**4 302**	3 416
Receivables due from contract holders/intermediaries (net of provisions)	4.2, 4.5, 4.7	**4 203**	4 179	**1 899**	1 324
Receivables due from reinsurers (net of provisions)	4.2, 4.5, 4.7	**302**	206	**–**	3
Loans and receivables excluding insurance receivables	5.6, 5.8	**473**	409	**–**	–
Reinsurance assets	4.1, 4.5,4.6	**7 978**	5 763	**1 624**	1 040
Deferred acquisition cost	4.1.2, 4.5	**732**	639	**–**	–
Cash and cash equivalents	5.5, 5.7, 5.8	**2 036**	2 057	**770**	909
Total financial and insurance assets		**31 127**	25 785	**8 595**	6 692
Investment in associates and joint ventures		**2 034**	2 514	**2 034**	2 514
Total assets with direct or indirect foreign currency exposure		**33 161**	28 299	**10 629**	9 206
Financial and insurance liabilities					
Debt securities	6.1, 6.2	**3 089**	2 080	**–**	–
Derivatives	6.4	**80**	–	**3**	–
Collateral guarantee contracts	6.6	**128**	120	**–**	–
Insurance liabilities	4.1, 4.5	**19 070**	14 285	**4 844**	3 742
Deferred reinsurance acquisition revenue	4.1.2, 4.6	**442**	408	**–**	–
Total trade and other payables including insurance payables					
Amounts due to contract holders/intermediaries	4.3	**2 198**	2 490	**486**	319
Trade and other payables excluding insurance payables	6.7	**1 379**	1 462	**–**	–
Total financial and insurance liabilities		**26 386**	20 845	**5 333**	4 061

[1] *Refer to note 5.1 for the prior period restatement.*

3.2.1 INSURANCE RISK

Insurance risk refers to the risk of loss as a result of underwriting insurance contracts. More specifically, Santam group defines insurance risk to include:

- Underwriting risk
- Reinsurance risk

Santam's group risk management function has developed a group-wide governance and risk management framework in terms of the board-approved underwriting and reinsurance policies, required by the regulator's prudential standards.

This framework is implemented at business unit level through underwriting practice policies (approved by the business unit boards) that set out the specific requirements and parameters within which insurance risks are managed. Through the group risk management's ongoing monitoring and review processes, business units are held accountable to the framework.

A key benefit of the framework from a risk management perspective is that it facilitates enhanced oversight and collaboration between business units, and significantly improves the understanding and management of risk concentrations that arise from time to time and that extend over several business unit portfolios in most instances.

3.2.1.1 Underwriting risk

Underwriting risk results from fluctuations in the timing, frequency and severity of insured events. It includes the risk that premium provisions turns out to be insufficient to compensate expected future claims, that the claims provisions raised for both reported and unreported claims are inadequate as well as the risk resulting from the volatility of expense payments.

The group manages underwriting risk through its underwriting strategy and proactive claims handling. The underwriting strategy aims to ensure that the portfolio of insurance contracts issued is well diversified and reasonably priced. Claims costs are actively managed to ensure that the impact of factors such as the volatility of the rand is adequately addressed.

In order to determine the underwriting risk faced by Santam and its subsidiaries, a stochastic simulation of Santam's claims is performed at a line of business level. Assumptions for each line of business are determined based on more than 18 years' worth of historical data. The results of this analysis are then used to identify where underwriting action is required. These actions can include, but are not limited to, changes to the pricing of insurance policies or adjustments to the reinsurance programme.

Refer to note 4.5 for detail on these risks and the way the group manages it.

3.2.1.2 Reinsurance risk

Reinsurance risk is the risk of loss due to either insufficient or inappropriately structured reinsurance cover relative to the group and company's risk management strategy and objectives. It also includes the risk that the reinsurance programme is inappropriately administered. The group and company obtain third-party reinsurance cover to reduce risks from single events or accumulations of risk that could have a significant impact on the current year's earnings or the company's capital.

Refer to note 4.6 for detail on these risks and the way the group manages it.

3.2.2 CREDIT RISK

Credit risk reflects the financial impact of the default of one or more of Santam's counterparties.

Santam is exposed to financial risks caused by a loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. Key areas where Santam is exposed to credit default risk are:

- Failure of an asset counterparty to meet their financial obligations (note 5.8)
- Reinsurer default on presentation of a large claim (note 4.7)
- Reinsurers' default on their share of Santam's insurance liabilities (note 4.7)
- Default on amounts due from insurance contract intermediaries (note 4.7)

Santam determines the credit quality for each of its counterparties by reference to ratings from independent rating agencies such as Standard & Poor's (S&P) and Moody's. Santam measures the probability of default on the basis of assessments made by the rating agencies over a one-year time horizon and the resulting loss given default. The underlying default probabilities are based on the credit migration models developed by S&P and Moody's which incorporate up to 90 years' worth of credit default information. For default risk Santam uses a model which is largely based on Basel II regulations.

The credit risk analysis is used by management to determine the level of risk capital that should be held for the following types of exposures:

- Risk-based assets such as bonds and bank deposits
- Outstanding premiums due from intermediaries and reinsurance receivables due from reinsurers
- Reinsurance claims provisions
- Exposure to potential reinsurance recoveries based on the losses generated by the internal model

Refer to notes 4.7 and 5.8 as indicated above for detail on credit risk.

3 RISK AND CAPITAL MANAGEMENT (continued)

3.2 Risk assessment process (continued)

3.2.3 MARKET RISK

Market risk arises from the level or volatility of the market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as interest rates, equity prices and exchange rates. The following financial and insurance assets, disclosed based on similar characteristics, are affected by market risk:

- Equity and similar securities
- Interest-bearing investments
- Investment funds
- Receivables due from contract holders/intermediaries
- Reinsurance receivables
- Reinsurance assets
- Other loans and receivables
- Cash and cash equivalents
- Cash, deposits and similar securities
- Cell owners' and policyholders' interest
- Structured transactions

The group uses a number of sensitivity or stress-test based risk management tools to understand the impact of the above risks on earnings and capital in both normal and stressed conditions. These stress tests combine deterministic shocks, analysis of historical scenarios and stochastic modelling using the internal economic capital model to inform the group and company's decision-making and planning process and also for identification and management of risks within the business units.

Each of the major components of market risk faced by Santam is described in more detail below.

3.2.3.1 Price risk

The group and company are subject to price risk due to the impact that volatility in the market has on the value of its equity portfolios, resulting in either a positive or negative effect on the net asset value of the group and company.

Santam has a well-defined investment strategy, including return objectives, asset allocation, portfolio construction and asset manager selection. The strategy has been translated into various specialist mandates which in turn have been outsourced mostly to Sanlam Investment Management (SIM). The total level of equity investments, both listed and unlisted, is closely monitored by the investment committee and the board. The internal economic capital model is used to model the asset mix and absolute level of equity exposure on at least a quarterly basis and to compare the results to Santam's risk appetite. The analysis is presented to the investment committee for consideration in terms of required actions.

Refer to note 5.4 for detail on price risk.

3.2.3.2 Interest rate risk

Interest rate risk arises from the net effect on assets and liabilities due to a change in the level of interest rates. The market value of bonds and other fixed interest-bearing financial instruments are dependent on the level of interest rates. This includes movements in fixed income prices reflecting changes in expectations of credit losses, changes in investor risk aversion, or price changes caused by market liquidity. The income received from floating rate interest-bearing financial instruments is also affected by changes in interest rates.

The impact of a change in the interest rate on the asset mix as well as the economic capital requirements is determined using the internal economic capital model. The result of this analysis is presented to the investment committee on at least a quarterly basis for consideration and approval of required actions.

Refer to notes 5.5 and 6.2 for detail on interest rate risk.

3.2.3.3 Currency risk

Foreign currency risk is the risk that Santam will be negatively impacted by changes in the level or volatility of currency exchange rates relative to the South African rand.

In accordance with Santam's international diversification strategy, Santam is entering into various transactions where there is an underlying foreign currency risk such as the investments in the SEM target shares and SAN JV. Santam is also expanding its reinsurance offerings to predominantly other countries in Africa as well as Southeast Asia and India. Furthermore, Santam has established an international investment portfolio to ensure adequate asset liability matching in terms of the claims process and capital requirements.

Santam has a well-defined foreign currency management policy which is used to ensure adequate overall asset liability matching. Santam applies hedge accounting only when approved by the investment committee.

Refer to note 7 for detail on foreign currency risk.

3.2.4 LIQUIDITY RISK

Liquidity risk is the risk that Santam will encounter difficulty in raising funds to meet the commitments associated with its financial obligations as a result of assets not being available in a form that can immediately be converted into cash.

Santam manages liquidity requirements by matching the underlying risk profile of the assets invested to the corresponding liabilities. For example, the net insurance liabilities are covered by investments with limited capital risk (ie cash and short duration interest-bearing investments) while the subordinated debt security obligations are covered by longer duration interest-bearing investments and interest rate swaps to ensure that the interest rate risk is almost perfectly aligned. Shareholder funds are invested in a combination of financial instruments (ie interest-bearing instruments, preference shares, listed and unlisted shares).

Refer to note 8 for more detail on liquidity risk.

3.2.5 OPERATIONAL RISK

Operational risk is the risk of direct or indirect losses resulting from human factors, external events and inadequate or failed internal processes and systems. Operational risks are inherent in the group and company's operations and are typical of any large enterprise. Major sources of operational risk can include operational process reliability, information security, outsourcing of operations, dependence on key suppliers, implementation of strategic and operational change, integration of acquisitions, fraud, human error such as not placing the necessary facultative reinsurance, client service quality, inadequacy of business continuity arrangements, recruitment, training and retention of employees, and social and environmental impact.

The group and company manage operational risk through a comprehensive system of internal controls. From a risk governance perspective, the three lines of defence approach are used to identify the various levels of controls, oversight and assurance, including consideration of role-player independence. Risk management processes for oversight include using a range of techniques and tools to identify, monitor and mitigate its operational risk in accordance with the group's risk appetite. These tools include risk and control self assessments and questionnaires, key risk indicators (eg fraud and service indicators), scenario analyses and loss reporting. In addition, the group and company have developed a number of contingency plans including incident management and business continuity plans. Quantitative analysis of operational risk exposures material to the group and company are used to inform decisions on controls and the overall amount of capital held for potential risk exposures. A compulsory annual internal control declaration is completed by senior and executive management and results are reported to the risk and audit committees. The outcome of the declaration is reviewed to ensure material control breakdowns have been noted and appropriately addressed. The declaration process supports the board in its assessment of the system of internal controls.

3 RISK AND CAPITAL MANAGEMENT (continued)

3.2 Risk assessment process (continued)

3.2.6 IMPACT OF COVID-19 ON RISK MANAGEMENT

The global outbreak of COVID-19 during the first half of 2020 had a significant impact on market conditions and the insurance industry, and has triggered the need to consider the impact on the principal risks managed by the group. Therefore, a detailed assessment of the risks faced specifically in relation to COVID-19 has been undertaken. This includes risks we believe could threaten the group's business model, future performance, solvency or liquidity.

The group has implemented a robust governance framework charged with defining and ongoing management of the strategies designed to accelerate decision-making and mitigate as far as possible the increased risk arising as a result of COVID-19. In response to COVID-19, key mitigants and controls have been considered and several key actions have been implemented to mitigate the additional risks that have been identified:

Key risks and exposures	Key mitigants and controls
Reserving risk	
There is a risk that the group's estimate of future claims payments is insufficient. COVID-19 has increased the risk of estimation uncertainty as the impact on future claims patterns such as frequency and severity are just emerging. The ongoing legal uncertainty relating to the indemnity period in policies with CBI extensions written by the Hospitality and Leisure (H&L) division of the company and the extent of reinsurance recoveries.	– Experienced actuaries responsible for estimation of the actuarial valuation of the required reserves based on claims experience, business volume, anticipated change in the claims environment and claims cost. – This has involved extensive discussion and interaction between the underwriting, claims and legal functions to understand the exposure and claims experience to date, and to confirm the legal position on cover. – Reserves were reviewed by the chief risk officer (CRO) and considered by the executive risk forum, attended by the chief executive officer, chief financial officer, CRO, chief underwriting officer and the board audit and risk committees. – Claims case reserves represent the best estimate of outstanding value and were reviewed by the CRO. – Legal counsel supports the group's view on CBI policy wording relating to the indemnity period for H&L policies. – Margins are held to be at least sufficient at the 75th percentile in accordance with group policy for uncertainties.
Underwriting and claims risk	
There is a risk that underwritten business is less profitable than planned due to insufficient pricing and settling of claims reserves.	– Additional monitoring procedures have been implemented to track COVID-19-related claims, including frequency and changes in payment patterns. – A continuous process has been initiated by the commercial underwriting function to identify and assess potential COVID-19 underwriting impacts and take necessary actions. – Well-defined risk appetite statements are rigorously monitored at quarterly board risk committee meetings, with remediation action taken where deemed necessary. – Extensive control validation and assurance activities are performed over underwriting pricing and claims.
Market, credit and currency risks	
There is a risk to the group's insurance funds arising from movements in macroeconomic variables, including widening credit spreads, fluctuating bond yields and currency fluctuations. COVID-19 has generated increased levels of market volatility, in particular in late March 2020 increasing the risk of credit default and downgrade.	– The group's investment strategy to back insurance funds with cash and high-quality money market and other interest-bearing instruments reduces the risk of default and ensures sufficient liquidity. Shareholder funds are invested in high-quality interest-bearing instruments, a listed equity portfolio and diversified strategic equity investments on the African continent, India and Malaysia. The group also entered into a zero cost collar to protect the value of the equity portfolio (refer to note 6.4).

Key risks and exposures	Key mitigants and controls
Market, credit and currency risks (continued)	
Clients facing financial difficulty may not make premium payments.	– The group matches its foreign currency liabilities and capital requirements with appropriate foreign currency assets. The impact of exchange rate movements on the group's performance and capital position is closely monitored. When deemed necessary, the group implements foreign currency hedging structures in order to manage its financial exposure to exchange rate movements. – The group's investment strategy continues to be reviewed in light of COVID-19 developments and frequency of engagement with the group fund managers has been increased. – Increased credit risk monitoring is in place to proactively manage financial risk arising from potential default of policyholders on their premiums. – The group has provided payment relief to clients experiencing financial difficulty as a result of COVID-19.
Operational risk	
This risk relates to customer relationship and/or reputational damage arising from operational failure such as information technology (IT) system failure. The operational environment as a result of government imposed lockdown measures has increased this risk with new ways of working and servicing the client.	– Remote working across the group was enabled rapidly in a controlled manner, through distribution of IT equipment and home working control procedures to continue servicing the group's clients during lockdown. The return to office will be carefully planned to ensure operational impact is minimised and government guidelines are met. – IT services have been maintained across the group with infrastructure continuing to support the remote working environment. – Operational risk and resilience processes and procedures are in place, including incident management. – IT and data risks remain under close monitoring, especially cyber threat.

3.3 Solvency and capital management

Capital adequacy risk is the risk that the group and company are holding insufficient reserves to cover the variations in actual future experience that is worse than what has been assumed in the setting of the general insurance technical provisions as well as in the financial soundness valuation of its long-term insurance business.

The group and company must maintain a capital balance that will be at least sufficient to meet obligations in the event of substantial deviations, such as a 1-in-200-year event, from the main risk assumptions affecting the group and company's business.

The overall capital management objectives of the group and company are:

- to comply with the requirements set by the regulators of the insurance markets where the group and company operates;
- to protect policyholders against adverse results that may affect the solvency of the group and company and therefore their ability to meet their financial obligations;
- to retain sufficient capital to fund the strategic objectives of the group and company; and
- to provide an adequate return for shareholders and benefits for other various stakeholders.

The material components of the capital management process are described in more detail below.

3.3.1 CAPITAL APPETITE

The group and company's objective is to maintain sufficient capital (including foreign capital), which comprises shareholders' equity and subordinated debt capital to meet their strategic business plan and objectives. This represents sufficient surpluses for both regulatory and economic capital. To assist in managing their capital position, the group and company have set an internal coverage ratio band for their economic capital requirement while at all times achieving specific threshold levels for their regulatory capital requirement.

The internal economic capital model is the preferred measure of capital sufficiency used to support, inform and improve decision-making across the group. It is used to determine the group's optimum capital structure, its investment strategy, its reinsurance programme and to determine the pricing and target returns for each portfolio. The economic capital analysis compares available capital with the economic capital assessment.

When determining capital requirements, Santam uses a risk measure of value-at-risk at the 99.5th percentile confidence level over a one-year period. This means that the threshold economic and regulatory coverage ratios use a 1-in-200-year worst case event as their base.

The group economic capital requirement at 31 December 2020, based on the internal economic capital model, amounted to R7.4 billion (2019: R7.3 billion) or an economic capital coverage ratio of 161% (2019: 160%).

3 RISK AND CAPITAL MANAGEMENT (continued)

3.4 Regulatory and compliance risk management

Regulatory and compliance risk is the risk that the group and company will be negatively affected by a change in regulations or will fall foul of regulations or non-compliance with internal policies that are already in place, resulting in either penalties or fines and significantly impacting Santam's reputation.

In addition to the regulatory and compliance risk, note that the Financial Sector Regulation Act, 2017 commenced on 1 April 2018 and established the Financial Sector Conduct Authority (the Authority) to regulate and supervise financial product providers and financial services providers and to improve market conduct in order to protect financial clients. Market conduct and/or conduct of business risk can be described as the risk to clients, insurers, the insurance sector or the insurance market that arises from insurers and/or intermediaries conducting their business in a way that does not ensure fair treatment of clients.

Santam constituted a conduct of business committee (previously TCF committee), consisting of key stakeholders, to monitor the manner in which treating customers fairly outcomes are evidenced within Santam and the Santam group. This committee meets on a quarterly basis. Quarterly reports are also submitted to the Santam social, ethics and sustainability (SES) committee, the risk committee and a summary to the board touching on the relevant information, progress and risk profile pertaining to market conduct outcomes. The Conduct Framework was formalised and presented to the SES committee.

Santam's conduct of business committee is aligned with the Authority's focus to improve market conduct to protect financial clients. As a result of the well-entrenched treating customers fairly culture in the organisation, Santam is well positioned to ensure fair treatment and protection of financial clients through its commitment to doing ***Insurance good and proper*** being core to its ethos, the fact that Santam puts the considerations of its clients at the forefront of its commercial endeavours and the significant work conducted in adopting and demonstrating compliance with the Treating Customers Fairly (TCF) regulations.

National Treasury published the draft Conduct of Financial Institutions (COFI) Bill for public comment on 11 December 2018. One of the purposes of the COFI Bill is to build a consistent, strong and effective market conduct legislative framework for all institutions performing financial activities. As a result of Santam's commitment to continuous refinement of its processes across the group to ensure that it is able to demonstrate fair treatment of its clients and the implementation of the policyholder protection rules under the Short-term Insurance Act, it is in a favourable position to ensure compliance with the proposed COFI Bill.

The Santam board of directors and management are actively monitoring the changes. The possible implications in the business plans and governance structures going forward are analysed on a continuous basis and the necessary changes are implemented where deemed reasonable. The group and its subsidiaries seek constructive engagement with their various regulators and policymakers. This is done through appropriate participation in industry forums.

In each country in which the group issues insurance contracts, the local insurance regulator specifies the minimum amount and the type of capital that must be held by each of the subsidiaries, in addition to their insurance liabilities. The minimum required capital must be maintained at all times throughout the year.

The group has complied with the local solvency regulations for regulated entities.

Santam has a COVID-19 task team in place to manage all regulatory compliance, as well as track operational concerns to ensure continuity in the various scenarios. There are dashboards/tracking documents in place to ensure that Santam is always on track. The task team meetings convene weekly, and the sessions are monitored and actions tracked. Updates are reported quarterly in the ERM report to the risk committee.

3.5 Conduct risk

Conduct risk is the risk that an entity's behaviour may result in unfair treatment of its clients. These risks can manifest through insurance product design, sales process, various distributional channels adopted by the entity, conflicts of interest between distribution channels that may arise in the distribution of insurance products, remuneration strategies, handling of claims and/or complaints management. The South Africa market conduct regulator aligned its market conduct legislation with the principles of fair treatment of clients. Santam, by complying with the South African market conduct legislation, implicitly adopts the principles of fair treatment as a fundamental cornerstone of its business.

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS

		Group		Company	
	Notes	2020 R million	2019 R million	2020 R million	2019 R million
Insurance liabilities	4.1	**28 871**	23 207	**19 070**	14 285
Reinsurance assets	4.1	**(8 946)**	(6 821)	**(7 978)**	(5 763)
Receivables arising from insurance and reinsurance contracts	4.2	**(5 392)**	(5 118)	**(4 505)**	(4 385)
Payables arising from insurance and reinsurance contracts	4.3	**2 874**	3 044	**2 198**	2 490
		17 407	14 312	**8 785**	6 627

Risk management

Refer to note 4.5 for detail on risks relating to insurance liabilities and reinsurance assets, and the management thereof.

4.1 Insurance liabilities and reinsurance assets

	Group		Company	
	2020 R million	2019 R million	2020 R million	2019 R million
Gross				
Long-term insurance contracts				
– claims reported and loss adjustment expenses	**73**	37	**–**	–
– claims incurred but not reported	**48**	45	**–**	–
General insurance contracts				
– claims reported and loss adjustment expenses	**12 286**	9 171	**11 523**	7 960
– claims incurred but not reported	**4 004**	3 064	**3 238**	2 524
– unearned premiums	**12 460**	10 890	**4 309**	3 801
Total insurance liabilities – gross	**28 871**	23 207	**19 070**	14 285
Expected to be settled after 12 months	**1 974**	2 353	**1 714**	1 897
Expected to be settled within 12 months	**26 897**	20 854	**17 356**	12 388
Recoverable from reinsurers				
Long-term insurance contracts				
– claims reported and loss adjustment expenses	**12**	10	**–**	–
– claims incurred but not reported	**14**	13	**–**	–
General insurance contracts				
– claims reported and loss adjustment expenses	**5 663**	4 297	**5 406**	3 659
– claims incurred but not reported	**1 197**	699	**789**	553
– unearned premiums	**2 060**	1 802	**1 783**	1 551
Total reinsurers' share of insurance liabilities	**8 946**	6 821	**7 978**	5 763
Expected to be recovered after 12 months	**381**	521	**349**	299
Expected to be recovered within 12 months	**8 565**	6 300	**7 629**	5 464
Net				
Long-term insurance contracts				
– claims reported and loss adjustment expenses	**61**	27	**–**	–
– claims incurred but not reported	**34**	32	**–**	–
General insurance contracts				
– claims reported and loss adjustment expenses	**6 623**	4 874	**6 117**	4 301
– claims incurred but not reported	**2 807**	2 365	**2 449**	1 971
– unearned premiums	**10 400**	9 088	**2 526**	2 250
Total insurance liabilities – net	**19 925**	16 386	**11 092**	8 522

Amounts due from reinsurers in respect of claims already paid by the group on the contracts that are reinsured are included in note 4.2.

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.1 Insurance liabilities and reinsurance assets (continued)

ACCOUNTING POLICY - INSURANCE AND INVESTMENT CONTRACTS – CLASSIFICATION

The group issues contracts that transfer insurance risk, financial risk or both.

Contracts under which the group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating, credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk (refer note 6.3).

Insurance contracts

Insurance contracts are classified into three main categories, depending on the type of insurance risk exposure, namely general, long-term and cell insurance (refer to note 9 for detail on cell insurance).

(a) General insurance

General insurance provides benefits under general insurance policies, which include engineering, guarantee, liability, miscellaneous, motor, accident and health, property, transportation and crop policies, or a contract comprising a combination of any of those policies. General insurance contracts are further classified into the following categories:

- Personal insurance, consisting of insurance provided to individuals and their personal property
- Commercial insurance, providing cover on the assets and liabilities of business enterprises

Recognition and measurement

(i) Gross written premium

Gross premiums exclude value added tax and any other foreign indirect taxes. Premiums are accounted for as income when the risk related to the insurance policy incepts and are spread over the risk period of the contract by using an unearned premium provision. This also includes premiums received in terms of inward reinsurance arrangements. All premiums are shown before deduction of commission payable to intermediaries.

(ii) Provision for unearned premiums

The provision for unearned premiums represents the portion of the current year's premiums that relate to risk periods extending into the following year. Unearned premium is calculated using a method which approximates the 365th method, except for insurance classes where allowance is made for uneven exposure which consists of crop and alternative risk business. Unearned premium for crop business is modelled using a method that more accurately matches the incidence of claims experienced by these businesses, using more than 10 years of data. For policies written within the alternative risk business whose risk is not spread evenly over the period of insurance, unearned premium is provided for using discounted cash flow projections, adjusted for a risk margin to recognise uncertainty inherent in the cash flow projection.

(iii) Provision for unexpired risk

Provision is made for underwriting losses that may arise from unexpired risks when it is anticipated that unearned premiums will be insufficient to cover future claims, as well as claims-handling fees and related administrative costs. This liability adequacy test is performed annually to ensure the adequacy of general insurance liabilities.

(iv) Provision for claims

Provision is made on a prudent basis for the estimated final cost of all claims that had not been settled on the accounting date, less amounts already paid. Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. The company's own assessors or contracted external assessors individually assess claims. The claims provision includes an estimated portion of the direct expenses of the claims and assessment charges. Claims provisions are not discounted.

(v) Provision for claims incurred but not reported (IBNR)

Provision is made for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to the company at that date. This provision is calculated using actuarial modelling (refer note 4.5).

(vi) Deferred acquisition costs (DAC)

Commissions that vary with and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned, and recognised as an asset. All other costs are recognised as expenses when incurred.

(vii) Reinsurance contracts held

Contracts entered into by the group with reinsurers under which the group is compensated for losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts (as detailed above) are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Income received from insurance contracts entered into by the group under which the contract holder is another insurer (inwards reinsurance) is included with premium income.

The benefits to which the group is entitled under its reinsurance contracts held are recognised as assets. These assets consist of short-term balances due from reinsurers (refer to note 4.2 for more detail) on settled claims, as well as estimates (classified as reinsurance assets) that are calculated based on the gross outstanding claims and IBNR provisions. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when incurred. Amounts that the group is required to pay under financial reinsurance contracts held are recognised as reinsurance liabilities ("reinsurance liability relating to cell owners").

The reinsurer's share of unearned premiums represents the portion of the current year's outward reinsurance premiums that relate to risk periods covered by the related reinsurance contracts extending into the following year. The reinsurers' share of unearned premium is calculated using the 365th method except in the case of non-proportional treaties where unearned premiums on minimum and deposit premiums are calculated using the 12th method. For uneven risk business the reinsurers' share of unearned premium follow the same basis used for calculating gross unearned premium.

Income from reinsurance contracts ceded, that varies with and is related to obtaining new reinsurance contracts and renewing existing reinsurance contracts, is deferred over the period of the related reinsurance contract and is recognised as a liability.

The group assesses its reinsurance assets for impairment on a six-monthly basis. If there is objective evidence that the reinsurance asset is impaired, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income. A provision for impairment of reinsurance assets is established when there is objective evidence that the group will not be able to collect all amounts due according to their original terms.

(viii) Salvage reimbursements

Some insurance contracts permit the group to sell (usually damaged) property acquired in settling a claim (ie salvage). The group may also have the right to pursue third parties for payment of some or all costs (ie subrogation). The impact of salvage recoveries on claims development is factored into the determination of total insurance liabilities. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in determining the insurance liability for claims and are recognised in loans and receivables when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

(b) Long-term insurance

These contracts provide long-term benefits usually associated with insured events such as death or retirement. Long-term insurance contracts underwritten mainly consist of funeral policies with limited exposure to group life risks. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

The liabilities under life insurance contracts are valued in terms of the financial soundness valuation basis containing a discounted cash flow valuation based on best estimates of future cash flows plus margins for adverse deviation as prescribed by SAP 104 issued by the Actuarial Society of South Africa, and are reflected as "Insurance liabilities" in the statement of financial position. The operating surpluses or losses arising from life insurance contracts are determined by the annual valuation. These surpluses or losses are arrived at after taking into account the movement within the policyholder liabilities.

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.1 Insurance liabilities and reinsurance assets (continued)

4.1.1 MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

	2020			2019		
Year ended 31 December	Gross R million	Reinsurance R million	Net R million	Gross R million	Reinsurance R million	Net R million
(a) Claims and loss adjustment expenses						
GROUP						
Notified claims	9 208	(4 307)	4 901	8 497	(4 152)	4 345
Incurred but not reported	3 109	(712)	2 397	2 909	(677)	2 232
Total at the beginning of the year	12 317	(5 019)	7 298	11 406	(4 829)	6 577
Cash paid for claims settled in the year	(21 077)	6 055	(15 022)	(18 898)	4 093	(14 805)
Increase in liabilities						
– arising from current year claims	25 205	(8 435)	16 770	19 894	(4 813)	15 081
– arising from portfolio transfer	(50)	9	(41)	(36)	–	(36)
– arising from foreign currency adjustments	16	18	34	(51)	(15)	(66)
– business combinations	–	–	–	2	–	2
Transfer to cell owners' and policyholders' interest	–	486	486	–	545	545
Total at the end of the year	16 411	(6 886)	9 525	12 317	(5 019)	7 298
Notified claims	12 359	(5 675)	6 684	9 208	(4 307)	4 901
Incurred but not reported	4 052	(1 211)	2 841	3 109	(712)	2 397
Total at the end of the year	16 411	(6 886)	9 525	12 317	(5 019)	7 298

	2020			2019		
Year ended 31 December	Gross R million	Reinsurance R million	Net R million	Gross R million	Reinsurance R million	Net R million
COMPANY						
Notified claims	7 960	(3 659)	4 301	7 470	(3 741)	3 729
Incurred but not reported	2 524	(553)	1 971	2 415	(529)	1 886
Total at the beginning of the year	10 484	(4 212)	6 272	9 885	(4 270)	5 615
Cash paid for claims settled in the year	(17 466)	3 772	(13 694)	(15 889)	2 737	(13 152)
Increase in liabilities						
– arising from current year claims	21 726	(5 773)	15 953	16 525	(2 665)	13 860
– arising from foreign currency adjustments	17	18	35	(37)	(14)	(51)
Total at the end of the year	14 761	(6 195)	8 566	10 484	(4 212)	6 272
Notified claims	11 523	(5 406)	6 117	7 960	(3 659)	4 301
Incurred but not reported	3 238	(789)	2 449	2 524	(553)	1 971
Total at the end of the year	14 761	(6 195)	8 566	10 484	(4 212)	6 272

Year ended 31 December	2020 Gross R million	2020 Reinsurance R million	2020 Net R million	2019 Gross R million	2019 Reinsurance R million	2019 Net R million
(b) Provision for unearned premiums						
GROUP						
At the beginning of the year	**10 890**	**(1 802)**	**9 088**	9 256	(1 658)	7 598
Charged to the statement of comprehensive income	**1 549**	**(693)**	**856**	1 494	(588)	906
Foreign currency movement	**32**	**10**	**42**	(105)	43	(62)
Other	**33**	**(2)**	**31**	21	7	28
Portfolio transfer	**(44)**	**–**	**(44)**	224	–	224
Transfer to cell owners' and policyholders' interest	**–**	**427**	**427**	–	394	394
Total at the end of the year	**12 460**	**(2 060)**	**10 400**	10 890	(1 802)	9 088

Year ended 31 December	2020 Gross R million	2020 Reinsurance R million	2020 Net R million	2019 Gross R million	2019 Reinsurance R million	2019 Net R million
COMPANY						
At the beginning of the year	**3 801**	**(1 551)**	**2 250**	3 415	(1 406)	2 009
Charged to the statement of comprehensive income	**477**	**(241)**	**236**	489	(186)	303
Foreign currency movement	**31**	**9**	**40**	(103)	41	(62)
Total at the end of the year	**4 309**	**(1 783)**	**2 526**	3 801	(1 551)	2 250

4.1.2 MOVEMENTS IN DEFERRED ACQUISITION COSTS AND DEFERRED REINSURANCE ACQUISITION REVENUE

	Group 2020 R million	Group 2019 R million	Company 2020 R million	Company 2019 R million
(a) Deferred acquisition costs				
At the beginning of the year	**727**	619	**639**	564
Movement for the period (included in expenses for the acquisition of insurance contracts)	**112**	108	**93**	75
Total at the end of the year	**839**	727	**732**	639
(b) Deferred reinsurance acquisition revenue				
At the beginning of the year	**489**	487	**408**	374
Movement for the period (included in income from reinsurance contracts ceded)	**28**	2	**34**	34
Total at the end of the year	**517**	489	**442**	408

Deferred acquisition costs and deferred reinsurance acquisition revenue are expected to be realised and settled within 12 months.

Insurance liabilities calculations

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of the insurance company, principally in respect of the insurance liabilities of that company.

Insurance liabilities include the provisions for unearned premiums (including an evaluation of the necessity for an unexpired risk provision), outstanding claims and incurred but not reported claims.

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.1 Insurance liabilities and reinsurance assets (continued)

Process to determine significant assumptions

Insurance risks are unpredictable and the group recognises that it is not always possible to forecast, with absolute precision, future claims payable under existing insurance contracts. Over time, the group has developed a methodology that is aimed at establishing insurance provisions that have an above-average likelihood of being adequate to settle all its insurance obligations.

(i) Unearned premium provision

Unearned premiums represent the proportion of premiums written in the current year, which relate to risks that have not expired by the end of the financial year.

The group raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is released as the risk covered by the contract expires. Most of the group's insurance contracts have an even risk profile. Therefore, the unearned premium provision is released evenly over the period of insurance using a time proportioned basis. For the remainder of the insurance portfolio, which consists of crop and alternative risk business, the unearned premium is released on a basis consistent with the increasing, decreasing or uneven risk profile of the contracts involved. This risk profile is determined based on a historic time-based analysis of the incurred claims.

The provision for unearned premiums is first determined on a gross level and thereafter the reinsurance impact is separately recognised based on the relevant reinsurance contract. Deferred acquisition costs and reinsurance commission revenue is recognised on a basis that is consistent with the related provision for unearned premiums.

At each reporting date an assessment is made of whether the provisions for unearned premiums are adequate. A separate provision can be made, based on information available at the reporting date, for any estimated future underwriting losses relating to unexpired risks (unexpired risk provision).

(ii) Unexpired risk provision

If the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to those policies, after deduction of any deferred commission expenses, management assesses the need for an unexpired risk provision.

The need for an unexpired risk provision is assessed on the basis of information available at the reporting date. Claims events occurring after the statement of financial position date in relation to the unexpired period of policies in force at that time are not taken into account in assessing the need for an unexpired risk provision.

Management will base the assessment on the expected outcome of those contracts on a portfolio basis, including the available evidence of claims experience on similar contracts in the past year, as adjusted for known differences, events not expected to recur and the normal level of seasonal claims.

(iii) Outstanding claims

Outstanding claims represent the group's estimate of the cost of settlement of claims that have occurred and were reported by the reporting date, but that have not yet been finally settled.

Claims provisions are determined based on previous claims experience, knowledge of events, the terms and conditions of the relevant policies and on the interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with due regard for the specific circumstances, information available from the insured and/or loss adjuster, past experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions. The group employs employees experienced in claims handling and rigorously applies standardised policies and procedures to claims assessment.

The ultimate cost of reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Therefore, case estimates are reviewed regularly and updated when new information becomes available.

The provision for outstanding claims is initially estimated at a gross level. A separate calculation is performed to estimate reinsurance recoveries. The calculation of reinsurance recoveries considers the type of risk underwritten, the year in which the loss claim occurred, under which reinsurance programme the recovery will be made, the size of the claim and whether the claim was an isolated incident or formed part of a catastrophe reinsurance claim.

(iv) Claims incurred but not reported (IBNR)

There is considerable uncertainty concerning the eventual outcome of claims that have occurred but had not yet been reported to the insurer by the reporting date. The IBNR provision relates to these events.

The stochastic chain ladder methodology assists in developing a greater understanding of the trends inherent in the data being projected to estimate the ultimate cost of claims. This process is performed separately for each line of business.

Stochastic chain ladder methodology

The basic technique involves analysing historical claims development factors, net of reinsurance, and selecting estimated development factors based on this historical pattern. The selected development factors are applied to cumulative internal claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year.

It is the nature of this technique that a weighted average of claims inflation within the past data will be projected into the future. A stochastic process is applied to the choice of development factors for each accident year in accordance with standard statistical practices. Numerous simulations are performed to obtain a distribution of the ultimate claims cost.

The claims provisions are subject to close scrutiny both within the group's business units and at a company level. In addition, for major insurance classes where the risks and uncertainties inherent in the provisions are greatest, regular and ad hoc detailed reviews are undertaken by advisers who are able to draw upon their specialist expertise and a broader knowledge of current industry trends in claims development. The results of these reviews are considered when establishing the appropriate levels of provisions for the outstanding claims and unexpired periods of risk.

The IBNR reserve is held so as to be at least sufficient at the 75th percentile of the ultimate cost distribution.

IBNR is considered to be the most sensitive to changes in assumptions; therefore a sensitivity analysis is performed. In the southern African operations, excluding alternative risk business, a 5% upward adjustment in the level of sufficiency of the IBNR reserve would result in an additional charge of approximately R60 million (2019: R66 million) (before taxation), while a 5% downward adjustment in the level of sufficiency would result in a release of reserves in the statement of comprehensive income of approximately R50 million (2019: R58 million) (before taxation).

As this method uses historical claims development information, it assumes that the historical claims development pattern will occur again in future. There are reasons why this may not be the case. Such reasons include:

- Change in processes that affect the development/recording of claims paid and incurred
- Economic, legal, political and social trends
- Changes in mix of business
- Random fluctuations, including the impact of large losses

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks and the cost of a claim will be determined by the actual loss suffered by the policyholder. There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the group. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim.

The establishment of insurance liabilities is an inherently uncertain process and as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims can vary substantially from the initial estimates, particularly for the group's long tail lines of business. The group seeks to provide appropriate levels of claims provisions taking the known facts and experience into account. It should be emphasised that the estimation techniques for the determination of insurance liabilities involve obtaining corroborative evidence from as wide a range of sources as possible and combining these to form the overall estimate.

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.1 Insurance liabilities and reinsurance assets (continued)

COVID-19-related claim estimates

Estimation methodologies and reserving processes remained consistent for the year ended 31 December 2020. The ultimate costs of claims are always uncertain, increasingly so at present given the impact of the COVID-19 pandemic. Materially different outcomes to those assumed are possible. Current year claims exhibit different characteristics to those normally observed. Open claims from prior periods before the pandemic are also impacted by changing circumstances during the claim settlement period. Assumptions have been made in key areas in order to estimate the ultimate cost of claims, such as:

- Frequency, based on different levels of reported claim counts observed
- Severity, based on different average claims costs observed
- Direct COVID-19 ultimate claims costs, including the outcome of legal proceedings

The heightened level of uncertainty around the estimates of ultimate claim costs will persist for some time.

At 30 June 2020, the group had raised a technical provision of R1 290 million as the best estimate of its exposure relating to policies with CBI extensions. The best estimate was subject to significant uncertainty, which at that time included the uncertainty with regard to the findings of the courts in relation to Santam's Ma-Afrika case.

For the year ended 31 December 2020, Santam has raised a net technical provision of R2 billion as the best estimate, taking into account the outcome of the Ma-Afrika case, the Supreme Court of Appeal judgment on Guardrisk's Café Chameleon case as well as other findings locally and internationally in relation to CBI cover. The group has recognised a provision in relation to all qualifying policies.

Judgement is applied in the determination of the best estimate of the insurance liability and reinsurance asset associated with the group's exposure to CBI claims. There remains, however, significant uncertainty regarding the ultimate outcome of these claims (and the related reinsurance recovery). The judgement applied includes:

Insurance liabilities:

- The likelihood of successfully appealing the Western Cape High Court ruling on the length of the indemnity period applicable to certain policies written by Santam's Hospitality and Leisure (H&L) division

  In its judgment handed down on 17 November 2020, the Western Cape High Court determined that the indemnity period that is stated in the Business Interruption section of the policy schedule (18 months for the Ma-Afrika policy) rather than the indemnity period in relation to business interruption extensions (three months). The group has obtained external legal advice on this matter, and, based on that advice, believes that there is a reasonable prospect of success in relation to the appeal.
- The assumptions used to determine the gross exposure at a policy level (including the determination of lost profits as a result of the business interruption, and any cost savings experienced)

Reinsurance assets:

- The impact of judgements applied in the measurement of the insurance liability above, which impacts the total value of claims potentially ceded to the reinsurer as well as the determination of timing for aggregation purposes
- The proportion of CBI claims which aggregate as a single loss occurrence under Santam's catastrophe reinsurance treaty

The group's best estimate of the insurance liability and reinsurance asset at 31 December 2020 is R5.3 billion and R3.3 billion respectively (R5.3 billion and R3.3 billion respectively for the company).

There are a number of interdependent judgements applied in the measurement of the insurance liability and reinsurance asset in relation to this exposure, and therefore when assessing the potential impact on the group, consideration should be applied to the ultimate net impact.

A sensitivity analysis on the net CBI provision of R2 billion has been performed by assuming a 10% positive and negative combined impact on the assumptions used to derive the provision. A 10% positive movement in the combined assumptions used would result in a decrease in the net provision of 30%. A 10% negative movement in the assumptions used would result in an increase in the net provision of 31%.

Leave to appeal the Ma-Afrika judgment in relation to the indemnity period was granted on 16 February 2021. Management is in the process of engaging with the participants on the reinsurance programme. The level of gross exposure at the policy level will be finalised as detailed information becomes available from policyholders' assessed claims.

4.2 Receivables arising from insurance and reinsurance contracts

	Group		Company	
	2020 R million	Restated[1] 2019 R million	2020 R million	2019 R million
Due from contract holders/intermediaries	**5 243**	4 998	**4 416**	4 338
Less provision for impairment of receivables from intermediaries	**(310)**	(253)	**(213)**	(159)
Due from reinsurers	**520**	437	**360**	269
Less provision for impairment of receivables from reinsurers	**(61)**	(64)	**(58)**	(63)
Total	**5 392**	5 118	**4 505**	4 385
Receivables arising from insurance and reinsurance contracts are expected to be received within 12 months.				
Reconciliation of provisions for impairment of receivables from intermediaries and reinsurers				
At the beginning of the year	**317**	223	**222**	221
Charge to the statement of comprehensive income:				
– increase in provisions	**99**	95	**54**	1
– provisions reversed	**(45)**	(1)	**(5)**	–
Total at the end of the year	**371**	317	**271**	222

[1] *Provision for impairment of receivables from intermediaries to the value of R48 million was netted off against "Due from contract holders/intermediaries" in December 2019 in error and has been grossed up in the current year's disclosure. Amounts due from contract holders/intermediaries was R4 950 million and provision for impairment of receivables from intermediaries was R205 million as published.*

The estimated fair values of receivables are the discounted amounts of the estimated future cash flows expected to be received.

The carrying value of receivables approximates fair value. Provisions for impairment are based on the recoverability of individual loans and receivables. Included is a provision for impairment of R222 million (2019: R159 million) for group and R213 million (2019: R159 million) for company relating to a third-party premium collection agency that went into voluntary curatorship in September 2018.

ACCOUNTING POLICY – RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE CONTRACTS

Receivables are recognised when due. These include amounts due from agents, reinsurers, intermediaries and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of comprehensive income. A provision for impairment of insurance receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to their original terms.

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.3 Payables arising from insurance and reinsurance contracts

	Group		Company	
	2020 R million	**2019 R million**	**2020 R million**	**2019 R million**
Amounts due to intermediaries	**1 465**	1 534	**1 461**	1 499
Amounts due to reinsurers	**1 251**	1 328	**737**	991
Amounts due to policyholders	**158**	182	**–**	–
Total	**2 874**	3 044	**2 198**	2 490

Payables arising from insurance and reinsurance contracts are expected to be settled within 12 months.

The carrying value of payables approximates fair value.

ACCOUNTING POLICY – PAYABLES ARISING FROM INSURANCE AND REINSURANCE CONTRACTS

Payables are recognised when due. These include amounts due to agents, reinsurers, intermediaries and insurance contract holders.

4.4 Insurance benefits and claims

	Gross R million	Reinsurance R million	Net R million
2020			
GROUP			
Claims paid	**21 077**	**(6 055)**	**15 022**
Movement in the expected cost of outstanding claims	**4 128**	**(2 380)**	**1 748**
Total claims and loss adjustment expenses	**25 205**	**(8 435)**	**16 770**
COMPANY			
Claims paid	**17 466**	**(3 772)**	**13 694**
Movement in the expected cost of outstanding claims	**4 260**	**(2 001)**	**2 259**
Total claims and loss adjustment expenses	**21 726**	**(5 773)**	**15 953**
2019			
GROUP			
Claims paid	18 898	(4 093)	14 805
Movement in the expected cost of outstanding claims	996	(720)	276
Total claims and loss adjustment expenses	19 894	(4 813)	15 081
COMPANY			
Claims paid	15 889	(2 737)	13 152
Movement in the expected cost of outstanding claims	636	72	708
Total claims and loss adjustment expenses	16 525	(2 665)	13 860

4.4.1 CLAIMS DEVELOPMENT TABLES

The presentation of the claims development tables for the Santam group and company is based on the actual date of the event that caused the claim (accident year basis). The claims development tables represent the development of actual claims paid for continuing operations.

Payment development

		Claims paid in respect of								
	Total R million	2020 R million	2019 R million	2018 R million	2017 R million	2016 R million	2015 R million	2014 R million	2013 R million	2012 and prior R million
GROUP										
– General insurance claims – gross										
Reporting year										
Actual claims costs:										
– 2020	**21 077**	**14 165**	3 951	1 804	176	445	49	465	22	–
– 2019	**18 898**	**–**	14 055	3 667	606	244	101	204	10	11
– 2018	**17 997**	**–**	–	12 231	4 627	503	371	165	84	16
– 2017	**18 823**	**–**	–	–	13 623	4 032	534	438	104	92
– 2016	**16 112**	**–**	–	–	–	11 087	3 909	506	380	230
– 2015	**14 019**	**–**	–	–	–	–	9 786	3 388	354	491
– 2014	**13 556**	**–**	–	–	–	–	–	9 031	3 578	947
– 2013	**13 148**	**–**	–	–	–	–	–	–	9 152	3 996
– 2012	**11 340**	**–**	–	–	–	–	–	–	–	11 340
Cumulative payments to date		**14 165**	18 006	17 702	19 032	16 311	14 750	14 197	13 684	17 123
– General insurance claims – net										
Reporting year										
Actual claims costs:										
– 2020	**15 022**	**11 293**	2 868	342	62	337	37	77	6	–
– 2019	**14 805**	**–**	11 746	2 574	177	129	89	77	7	6
– 2018	**14 107**	**–**	–	10 955	2 563	246	191	80	69	3
– 2017	**13 819**	**–**	–	–	10 852	2 359	242	196	91	79
– 2016	**12 808**	**–**	–	–	–	9 865	2 386	212	153	192
– 2015	**11 476**	**–**	–	–	–	–	8 734	2 239	171	332
– 2014	**11 040**	**–**	–	–	–	–	–	7 927	2 489	624
– 2013	**11 335**	**–**	–	–	–	–	–	–	8 423	2 912
– 2012	**9 904**	**–**	–	–	–	–	–	–	–	9 904
Cumulative payments to date		**11 293**	14 614	13 871	13 654	12 936	11 679	10 808	11 409	14 052

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.4 Insurance benefits and claims (continued)

4.4.1 CLAIMS DEVELOPMENT TABLES (continued)

		Claims paid in respect of								
	Total R million	2020 R million	2019 R million	2018 R million	2017 R million	2016 R million	2015 R million	2014 R million	2013 R million	2012 and prior R million
COMPANY										
– General insurance claims – gross										
Reporting year										
Actual claims costs:										
– 2020	**17 466**	**11 137**	3 403	1 791	146	459	47	483	–	–
– 2019	**15 889**	**–**	11 680	3 096	559	236	97	213	8	–
– 2018	**15 377**	**–**	–	10 803	3 671	367	300	153	75	8
– 2017	**16 136**	**–**	–	–	12 114	3 056	412	402	85	67
– 2016	**14 338**	**–**	–	–	–	10 414	2 996	400	343	185
– 2015	**12 335**	**–**	–	–	–	–	9 009	2 708	262	356
– 2014	**11 901**	**–**	–	–	–	–	–	8 539	2 645	717
– 2013	**11 525**	**–**	–	–	–	–	–	–	8 539	2 986
– 2012	**9 755**	**–**	–	–	–	–	–	–	–	9 755
Cumulative payments to date		**11 137**	15 083	15 690	16 490	14 532	12 861	12 898	11 957	14 074
– General insurance claims – net										
Reporting year										
Actual claims costs:										
– 2020	**13 694**	**10 375**	2 499	320	67	325	34	74	–	–
– 2019	**13 152**	**–**	10 429	2 206	241	117	80	72	7	–
– 2018	**12 560**	**–**	–	9 716	2 341	204	153	74	66	6
– 2017	**12 501**	**–**	–	–	9 935	2 049	194	176	79	68
– 2016	**11 714**	**–**	–	–	–	9 208	2 032	165	137	172
– 2015	**10 399**	**–**	–	–	–	–	8 053	1 894	152	300
– 2014	**10 021**	**–**	–	–	–	–	–	7 354	2 118	549
– 2013	**10 446**	**–**	–	–	–	–	–	–	7 740	2 706
– 2012	**9 157**	**–**	–	–	–	–	–	–	–	9 157
Cumulative payments to date		**10 375**	12 928	12 242	12 584	11 903	10 546	9 809	10 299	12 958

4.4.2 REPORTING DEVELOPMENT

		Financial year in which claim occurred								
	Total R million	2020 R million	2019 R million	2018 R million	2017 R million	2016 R million	2015 R million	2014 R million	2013 R million	2012 and prior R million
GROUP										
– General insurance claims provision – gross										
Reporting year										
Provision raised:										
– 2020	**12 359**	**7 888**	1 335	1 031	579	743	164	219	183	217
– 2019	**9 208**	**–**	4 353	2 647	772	675	170	187	122	282
– 2018	**8 497**	**–**	–	5 033	1 405	1 082	221	312	134	310
– 2017	**8 348**	**–**	–	–	5 240	1 541	493	506	201	367
– 2016	**6 814**	**–**	–	–	–	3 870	1 143	895	297	609
– 2015	**6 279**	**–**	–	–	–	–	3 100	1 577	758	844
– 2014	**6 240**	**–**	–	–	–	–	–	4 069	844	1 327
– 2013	**5 523**	**–**	–	–	–	–	–	–	3 267	2 256
– 2012	**4 948**	**–**	–	–	–	–	–	–	–	4 948
– General insurance claims provision – net										
Reporting year										
Provision raised:										
– 2020	**6 684**	**4 128**	796	565	301	252	108	106	126	302
– 2019	**4 901**	**–**	2 813	768	363	298	133	116	105	305
– 2018	**4 345**	**–**	–	2 679	602	321	175	135	113	320
– 2017	**4 442**	**–**	–	–	3 031	451	252	170	171	367
– 2016	**3 973**	**–**	–	–	–	2 334	512	312	234	581
– 2015	**4 056**	**–**	–	–	–	–	2 291	581	348	836
– 2014	**3 968**	**–**	–	–	–	–	–	2 337	448	1 183
– 2013	**4 207**	**–**	–	–	–	–	–	–	2 459	1 748
– 2012	**3 971**	**–**	–	–	–	–	–	–	–	3 971

		Financial year in which claim occurred								
	Total R million	2020 R million	2019 R million	2018 R million	2017 R million	2016 R million	2015 R million	2014 R million	2013 R million	2012 and prior R million
COMPANY										
– General insurance claims provision – gross										
Reporting year										
Provision raised:										
– 2020	**11 523**	**7 730**	1 081	874	517	665	136	185	124	211
– 2019	**7 960**	**–**	3 570	2 380	698	659	144	163	105	241
– 2018	**7 470**	**–**	–	4 172	1 290	1 067	222	307	122	290
– 2017	**7 462**	**–**	–	–	4 396	1 523	503	516	200	324
– 2016	**6 191**	**–**	–	–	–	3 431	1 068	890	269	533
– 2015	**5 675**	**–**	–	–	–	–	2 782	1 442	705	746
– 2014	**5 711**	**–**	–	–	–	–	–	3 768	741	1 202
– 2013	**5 038**	**–**	–	–	–	–	–	–	3 101	1 937
– 2012	**4 523**	**–**	–	–	–	–	–	–	–	4 523
– General insurance claims provision – net										
Reporting year										
Provision raised:										
– 2020	**6 117**	**3 771**	708	527	283	238	94	95	111	290
– 2019	**4 301**	**–**	2 436	660	325	282	114	103	98	283
– 2018	**3 729**	**–**	–	2 125	567	313	171	133	109	311
– 2017	**3 829**	**–**	–	–	2 495	435	241	158	163	337
– 2016	**3 570**	**–**	–	–	–	2 208	405	250	209	498
– 2015	**3 656**	**–**	–	–	–	–	2 104	487	317	748
– 2014	**3 556**	**–**	–	–	–	–	–	2 122	374	1 060
– 2013	**3 865**	**–**	–	–	–	–	–	–	2 279	1 586
– 2012	**3 696**	**–**	–	–	–	–	–	–	–	3 696

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.5 Insurance risk

As mentioned in note 3.2., Santam manages insurance risk in two main components which are discussed in more detail below:

- Underwriting risk
- Reinsurance risk (refer to note 4.6)

UNDERWRITING RISK

In general, the group issues personal, commercial, niche and cell/policyholder insurance policies, as well as reinsurance contracts in respect of most of the classes of business listed below:

Accident and health – Provides cover for death, disability and certain health events. This excludes the benefits to the provider of health services and is linked directly to the expenditure in respect of health services.

Alternative risk transfer (ART) – The use of techniques, other than traditional insurance, that include at least an element of insurance risk to provide entities with risk coverage or protection.

Aviation – Covers property (both movable and immovable) risks associated with aircraft (ie in respect of their use, ownership, storage, loss or damage), as well as liability and transport risks associated with this class of business.

Bonds and guarantees – A contract whereby the insurer assumes an obligation to discharge the debts or other obligations of another person in the event of the failure of that person to do so.

Credit insurance – Covers risks associated with the financial losses that result from the default of specified third parties (typically trade partners – both local and foreign) of the insured.

Crop – Provides indemnity for crops while still on the field against hail, drought and excessive rainfall. Cover ceases as soon as harvesting has taken place.

Engineering – Provides cover for risks relating to:

- The possession, use or ownership of machinery or equipment, other than a motor vehicle, in the carrying on of a business
- The erection of buildings or other structures or the undertaking of other works
- The installation of machinery or equipment

Liability – Provides cover for risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract.

Marine – Covers property (both movable and immovable) risks associated with watercraft (ie in respect of their use, ownership, storage, loss or damage) as well as liability and transport risks (both on land and on water bodies) associated with this class of business.

Motor – Covers risks relating to the possession, use or ownership of a motor vehicle. This cover can include risks relating to vehicle accident, theft or damage to third-party property or legal liability arising from the possession, use or ownership of the insured vehicle.

Property – Covers risks relating to the use, ownership, loss of or damage to moveable or immovable property other than a risk covered more specifically under another insurance contract policies including an extension for contingent business interruption cover, for both physical and non-physical damage, are included in the property class.

Transportation – Covers risks relating to the possession, use or ownership of a vessel, aircraft or other craft or for the conveyance of persons or goods by air, space, land or water. It also covers risks relating to the storage, treatment or handling of goods that are conveyed.

Travel – Covers risks associated with local and international travel, for both business and leisure purposes.

Underwriting risk results from fluctuations in the timing, frequency and severity of insured events. It includes the risk that either premium or claims provisions turn out to be insufficient to pay insurance claims as well as the risk resulting from the volatility of expense payments. Expense risk is implicitly included as part of the underwriting risk.

In order to quantify the underwriting risk faced by Santam, a stochastic simulation of Santam's claims is performed at a line of business level within Santam's internal economic capital model. Assumptions for each line of business are determined based on more than 15 years' worth of historical data. The expected claims liabilities are modelled for specific lines of business, which are then split into the appropriate sub-classes. For each sub-class of business, three types of losses are modelled, namely attritional losses, individual large losses and catastrophe losses. Each of the sub-classes is modelled based on its own assumptions whose methodology and calibration are thoroughly documented in the internal model documentation.

The attritional losses are modelled as a percentage of the premium. The large losses are modelled by fitting separate distributions to the claims frequency and the claim severity.

Santam also models various catastrophes and the losses from each catastrophe are allocated to multiple classes of business. The following catastrophes are modelled:

- Earthquake
- Storm (small)
- Storm (large)
- Hail (excluding crop damage)
- Marine (cargo)
- Aviation (hull/liability)
- Conflagration (property)
- Conflagration (liability)
- Utility failure
- Latent liability
- Economic downturn

The net claims ratio for the group, excluding the share of SEM and SAN JV businesses, which is important in monitoring insurance risk, has developed as follows over the past seven years:

Loss history	2020	2019	2018	2017	2016	2015	2014
Net claims paid and provided %[1]	**68.0**	62.3	60.6	65.9	65.1	62.1	63.1

[1] *Expressed as a percentage of net earned premiums.*

Pricing for the group's products is generally based upon historical claims frequencies and claims severity averages, adjusted for inflation and modelled catastrophes trended forward to recognise anticipated changes in claims patterns. While claims remain the group's principal cost, the group also makes allowance in the pricing procedures for acquisition expenses, administration expenses, investment income, the cost of reinsurance and for a profit loading that adequately covers the cost of the capital.

Underwriting limits (per risk and, where relevant, per event) are set for business units, underwriting managers and intermediaries to ensure that the group's risk appetite is appropriately delegated. Underwriting performance is monitored continuously and the pricing policy is revised accordingly. Risk factors considered as part of the review are unique to each class of business (listed above) and constantly evolve as the risk environment changes. The group has the right to reprice and change the conditions for accepting risks on renewal and/or, in most cases, 30 days.

Expenses are monitored by each business unit based on an approved budget and business plan.

The underwriting strategy aims to ensure that the risks underwritten are well diversified in terms of type and amount of risk, size, economic sector and geography. The Santam group has a sufficiently diversified portfolio based on insurance classes as demonstrated in the segmental report. The group is currently focusing on obtaining international geographical diversification through the business written by the Santam Re (which underwrites inward reinsurance contracts only) and the Santam Specialist business. The current geographical allocation of premium income is provided in the segmental report.

Underwriting risk is further mitigated by ensuring that reserve and reinsurance risk (discussed in note 4.6) is adequately managed.

Reserve risk relates to the risk that the claim provisions held for both reported and unreported claims as well as their associated expenses may prove insufficient.

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.5 Insurance risk (continued)

Santam currently calculates its technical reserves on two different methodologies, namely the "percentile approach" and the "cost-of-capital approach". The "percentile approach" is used to evaluate the adequacy of technical reserves for financial reporting purposes, while the "cost-of-capital approach" is used as one of the inputs for regulatory reporting purposes.

Percentile approach

Under this methodology, reserves are held to be at least sufficient at the 75th percentile of the ultimate loss distribution.

The first step in the process is to calculate a best estimate reserve. Being a best estimate, there is an equally likely chance that the actual amount needed to pay future claims will be higher or lower than this calculated value.

The next step is to determine a risk margin. The risk margin is calculated such that there is now at least a 75% probability that the reserves will be sufficient to cover future claims. For more detail on the reserving techniques used in this approach, refer to critical accounting estimates and judgements in note 4.1.

Cost-of-capital approach

The cost-of-capital approach to reserving is aimed at determining a market value for the liabilities on the statement of financial position. This is accomplished by calculating the cost of transferring the liabilities, including their associated expenses, to an independent third party.

The cost of transferring the liabilities off the statement of financial position involves calculating a best estimate of the expected future cost of claims, including all related run-off expenses, as well as a margin for the cost of capital that the independent third party would need to hold to back the future claims payments.

Refer to section 3.3 for more detail on the capital management process.

Santam is not significantly exposed to seasonality due to the broad range of insurance contracts that the group writes. Motor and property contains an element of seasonality, e.g. hail storms in the summer, however, there may not be a direct correlation between that seasonality and the group's financial results. There is an element of seasonality attached to crop, however, the group's exposure is limited.

4.6 Reinsurance risk

Santam has an extensive reinsurance programme that has developed over many years to suit the risk management needs of the business units in the group.

The internal model is used to evaluate the type and quantum of reinsurance to purchase within Santam's risk appetite framework. The reinsurance programme is placed into both the local and international reinsurance markets. Reinsurance arrangements in place include proportional, excess of loss, stop loss and catastrophe coverage.

The core components of the reinsurance programme comprised:

- Individual excess-of-loss cover for property, liability, engineering, aviation and marine risks, which provides protection to limit losses between the range of R17 million to R80 million per risk, excluding reinstatement premiums and inclusive of Santam Re's participations, following a claim or claims against the covers. Santam protects its property per risk loss exposure down to a maximum amount of R85 million on any one risk.
- Santam buys catastrophe cover exceeding the 1-in-250 year earthquake catastrophe loss using an external validated earthquake loss prediction model. This model typically results in cover of up to 1.05% of the total exposure of the significant geographical areas, amounting to protection of R8.7 billion per event, with an attachment point of R150 million. For 2021 Santam group purchased catastrophe cover up to R10.5 billion with a R150 million retention. This represents 1.11% of the total exposure of the significant geographical areas.
- In 2018 Santam purchased a multi-year aggregate excess of loss treaty, which protects the Santam group against the accumulation of multiple catastrophe losses over a financial year, which losses are below the catastrophe excess of loss retention of R150 million. The 2020 financial year is the second year of the multi-year cover.
- Our agriculture portfolio is protected through a 60% proportional and a non-proportional reinsurance arrangement with non-proportional cover set at levels offering protection from extreme aggregate loss events.

Santam has arrangements to support growth in territories outside South Africa in situations where this is dependent on Santam's S&P international rating scale rating. In 2019, Santam entered into an agreement with New Reinsurance Company Ltd Switzerland (New Re), which is a wholly owned Munich Re company. In terms of the agreement, selected Santam business units are able to write inwards international reinsurance business on New Re's AA- credit rating licence. The five-year agreement between Santam and New Re became effective 1 January 2020.

The agreement with New Re replaced the previous agreement with Munich Reinsurance Company of Africa Ltd (Munich Re of Africa) which was in place from 1 January 2017.

Santam has a reinsurance quota share programme, with a number of key international reinsurers, with an estimated annual reinsurance quota share premium of R1.17 billion. The agreement reduces Santam's net catastrophe exposure.

The board approves the reinsurance renewal process on an annual basis. The major portion of the reinsurance programme is placed with external reinsurers that have an international credit rating of no less than A- (2019: A-) from S&P or AM Best, unless specific approval is obtained from the board to use reinsurers with ratings lower than the agreed benchmark.

4.7 Insurance-related credit risk

Key insurance-related areas where Santam is exposed to credit default risk are:

- Reinsurers' default on presentation of a large claim
- Reinsurers' default on their share of Santam's insurance liabilities
- Default on amounts due from insurance contract intermediaries

For default risk Santam uses a model which is largely based on the Basel II regulation.

Credit risk capital is held for the following type of exposure:

- Outstanding premiums due from intermediaries and reinsurance due from reinsurers
- Reinsurance claims provisions
- Exposure to potential reinsurance recoveries based on the losses generated by the internal model

The Intermediary Guarantee Facility (IGF) ceased to exist from 31 March 2019. Debtors falling into the "Not rated" category are managed by the internal credit control department on a daily basis to ensure recoverability of amounts.

Santam uses a large panel of high-quality reinsurance companies. The credit risk of reinsurers included in the reinsurance programme is considered annually by reviewing their financial strength as part of the renewal process. The group's largest reinsurance counterparty is Munich Re (2019: Allianz). The credit risk exposure is further monitored throughout the year to ensure that changes in credit risk positions are adequately addressed.

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.7 Insurance-related credit risk(continued)

The current year includes an additional provision of R63 million for group and R54 million for company (included in receivables due from contract holders/intermediaries) that was raised for liquidity concerns at a third-party premium collection agency that went into voluntary curatorship in September 2018.

The following table provides information regarding the aggregated credit risk exposure for insurance assets:

31 December 2020	AA- R million	A+ R million	A R million	A- R million
GROUP				
Receivables due from contract holders/intermediaries	**403**	**115**	**83**	**71**
Reinsurance receivables	**–**	**25**	**48**	**43**
Total	**403**	**140**	**131**	**114**
COMPANY				
Receivables due from contract holders/intermediaries	**386**	**100**	**81**	**61**
Reinsurance receivables	**–**	**22**	**47**	**27**
Total	**386**	**122**	**128**	**88**

31 December 2019	AA+ R million	AA R million	AA- R million	A+ R million	A R million	A- R million
GROUP						
Receivables due from contract holders/intermediaries	–	187	30	–	6	69
Reinsurance receivables	5	4	80	24	3	37
Total	5	191	110	24	9	106
COMPANY						
Receivables due from contract holders/intermediaries	–	187	30	–	6	69
Reinsurance receivables	–	4	49	16	1	22
Total	–	191	79	16	7	91

BBB+ R million	BBB R million	BB+ R million	BB R million	BB- R million	Below BB- R million	Not rated R million	Carrying value R million
19	**7**	**–**	**5**	**58**	**–**	**4 172**	**4 933**
38	**–**	**12**	**3**	**–**	**2**	**288**	**459**
57	**–**	**12**	**8**	**58**	**2**	**4 460**	**5 392**
19	**7**	**–**	**5**	**29**	**–**	**3 515**	**4 203**
33	**–**	**11**	**–**	**–**	**2**	**160**	**302**
52	**7**	**11**	**5**	**29**	**2**	**3 675**	**4 505**

BBB- R million	BB+ R million	Not rated R million	Carrying value R million
10	1	4 442	4 745
1	20	199	373
11	21	4 641	5 118
10	1	3 876	4 179
–	5	109	206
10	6	3 985	4 385

4 INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

4.7 Insurance-related credit risk (continued)

AGEING OF INSURANCE-RELATED RECEIVABLES

The following table provides information regarding the carrying value of insurance assets that have been impaired and the ageing of financial assets that are past due but not impaired.

The due date for receivables due from contract holders or intermediaries, where premiums are collected via intermediaries, is based on the agreement with the contract holders or intermediaries. In terms of the agreement, payment is due 15 days after the month in which it is collected in accordance with the Insurance Act.

31 December 2020	Neither past due nor impaired R million	0 – 3 months R million	3 – 6 months R million	6 months – 1 year R million	Greater than 1 year R million	Amounts that have been impaired R million	Impairment R million	Carrying value R million
GROUP								
Receivables due from contract holders/intermediaries	3 318	704	307	177	427	310	(310)	4 933
Reinsurance receivables	248	103	17	6	85	61	(61)	459
Total	3 566	807	324	183	512	371	(371)	5 392
COMPANY								
Receivables due from contract holders/intermediaries	2 785	609	220	177	412	213	(213)	4 203
Reinsurance receivables	142	81	–	2	77	58	(58)	302
Total	2 927	690	220	179	489	271	(271)	4 505

31 December 2019	Neither past due nor impaired R million	0 – 3 months R million	3 – 6 months R million	6 months – 1 year R million	Greater than 1 year R million	Amounts that have been impaired R million	Impairment[1] R million	Carrying value R million
GROUP								
Receivables due from contract holders/intermediaries	3 780	723	90	131	21	253	(253)	4 745
Reinsurance receivables	147	83	27	29	87	64	(64)	373
Total	3 927	806	117	160	108	317	(317)	5 118
COMPANY								
Receivables due from contract holders/intermediaries	3 365	612	51	131	20	159	(159)	4 179
Reinsurance receivables	50	53	3	33	67	63	(63)	206
Total	3 415	665	54	164	87	222	(222)	4 385

1 *Provision for impairment of receivables from intermediaries to the value of R48 million was netted off against due from contract holders/intermediaries for the group in December 2019 in error and has been grossed up in the current year's disclosure. Amounts due from contract holders/intermediaries was R4,950 million and provision for impairment of receivables from intermediaries was R205 million as published.*

5 FINANCIAL ASSETS

	Notes	Group 2020 R million	Group 2019 R million	Company 2020 R million	Company 2019 R million
Financial assets mandatorily measured at fair value through income					
Strategic investments – unquoted SEM target shares	5.1.2	**1 538**	1 474	**1 538**	1 474
Financial assets at fair value through income	5.1	**29 394**	24 376	**13 865**	11 023
Derivative assets	5.2	**–**	35	**–**	35
Financial assets measured at amortised cost					
Loans and receivables excluding insurance receivables	5.6	**1 463**	1 119	**473**	409
Cash and cash equivalents	5.7	**4 383**	4 642	**2 036**	2 057
Financial assets		**36 778**	31 646	**17 912**	14 998

Risk management

Refer to the following notes for detail on risks relating to financial assets and the management thereof:

- Fair value of financial assets – note 5.3
- Price risk – note 5.4
- Interest rate risk – note 5.5
- Credit risk – note 5.8
- Liquidity risk – note 8

5.1 Financial assets at fair value through income (excluding derivatives)

The group's financial assets at fair value through income are summarised below by investment type:

	Group 2020 R million	Group 2019 R million	Company 2020 R million	Company 2019 R million
Equity securities				
Listed equities and similar securities	**2 577**	2 420	**1 235**	1 152
Unlisted equities and similar securities	**1 614**	1 557	**1 611**	1 553
Interest-bearing investments				
Government interest-bearing investments	**4 496**	3 019	**2 772**	1 460
Corporate interest-bearing investments	**14 418**	12 089	**7 636**	6 388
Mortgages and loans	**146**	165	**117**	136
Structured transactions				
Structured notes	**264**	365	**196**	260
Investment funds	**5 191**	4 480	**289**	433
Cash, deposits and similar securities	**2 226**	1 755	**1 547**	1 115
Financial assets at fair value through income	**30 932**	25 850	**15 403**	12 497
Financial assets at fair value through income (excluding SEM target shares)				
Expected to be realised after 12 months	**20 435**	18 620	**8 829**	8 098
Expected to be realised within 12 months	**8 959**	5 756	**5 036**	2 925
Strategic investments – unquoted SEM target shares				
Expected to be realised after 12 months	**1 538**	1 474	**1 538**	1 474
Expected to be realised within 12 months	**–**	–	**–**	–

5 FINANCIAL ASSETS (continued)

5.1 Financial assets at fair value through income (excluding derivatives) (continued)

ACCOUNTING POLICY – FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME

(a) Classification

The group classifies the following financial assets at fair value through income:

- Equity instruments that are held for trading.
- Equity instruments for which the group has not elected to recognise fair value gains and losses through other comprehensive income (OCI).
- Debt instruments that do not qualify for measurement at either amortised cost or fair value through OCI. A key input in the assessment of the classification of debt instruments held was the business model applied to manage the financial assets. Financial assets that are held to sell and those that are managed and whose performance is evaluated on a fair value basis will be measured at fair value through income because they are neither held to collect contractual cash flows nor held to collect contractual cash flows and sell.

Information about these financial assets is provided internally on a fair value basis to the group's key management personnel. The group's investment strategy is to invest in equity and debt securities, and to evaluate them with reference to their fair values. Assets that are part of these portfolios are classified upon initial recognition at fair value through income.

(b) Recognition and measurement

Purchases and sales of investments are recognised on trade date – the date on which the group commits to purchase or sell the asset.

5.1.1 RECLASSIFICATION OF FINANCIAL ASSETS

In order to align with the group's holding company, Sanlam Ltd, the classification categories of financial assets at fair value through income were changed and restated. In total, financial assets at fair value through income did not change.

	As published 2019 R million	Restatement R million	Restated 2019 R million
GROUP			
Financial assets at fair value through income			
Equity securities			
– Quoted	2 420	(2 420)	–
Listed equities and similar securities*	–	2 420	2 420
– Unquoted			
Strategic investment – SEM target shares	1 474	(1 474)	–
Unquoted other	83	(83)	–
Unlisted equities and similar securities*	–	1 557	1 557
Total equity securities	**3 977**	**–**	**3 977**
Debt securities/interest-bearing investments			
– Quoted			
Government and other bonds	4 276	(4 276)	–
Collateralised securities	315	(315)	–
Money market instruments (long-term instruments)	3 338	(3 338)	–
– Unquoted			
Government and other bonds	922	(922)	–
Money market instruments (long-term instruments)	5 517	(5 517)	–
Redeemable preference shares	130	(130)	–
Government interest-bearing investments*	–	3 019	3 019
Corporate interest-bearing investments*	–	12 089	12 089
Mortgages and loans*	–	165	165
Structured notes*	–	365	365
Total debt securities/interest-bearing investments	**14 498**	**1 140**	**15 638**
Unitised funds/investment funds			
Unitised investments			
Underlying equity securities	697	(697)	–
Underlying debt securities	3 783	(3 783)	–
Investment funds*	–	4 480	4 480
Total unitised funds/investment funds	**4 480**	**–**	**4 480**
Derivatives			
Foreign currency collar	34	–	34
Futures	1	–	1
Total derivatives	**35**	**–**	**35**
Short-term money market instruments	2 895	(2 895)	–
Cash deposits and similar securities*	–	1 755	1 755
Financial assets at fair value through income	**25 885**	**–**	**25 885**

	As published 2019 R million	Restatement R million	Restated 2019 R million
COMPANY			
Financial assets at fair value through income			
Equity securities			
– Quoted	1 152	(1 152)	–
Listed equities and similar securities*	–	1 152	1 152
– Unquoted			
Strategic investment – SEM target shares	1 474	(1 474)	–
Unquoted other	79	(79)	–
Unlisted equities and similar securities*	–	1 553	1 553
Total equity securities	**2 705**	**–**	**2 705**
Debt securities/interest-bearing investments			
– Quoted			
Government and other bonds	2 392	(2 392)	–
Collateralised securities	209	(209)	–
Money market instruments (long-term instruments)	2 491	(2 491)	–
– Unquoted			
Government and other bonds	193	(193)	–
Money market instruments (long-term instruments)	1 740	(1 740)	–
Redeemable preference shares	70	(70)	–
Government interest-bearing investments*	–	1 460	1 460
Corporate interest-bearing investments*	–	6 388	6 388
Mortgages and loans*	–	136	136
Structured notes*	–	260	260
Total debt securities/interest-bearing investments	**7 095**	**1 149**	**8 244**
Unitised funds/investment funds			
Unitised investments			
Underlying equity securities	99	(99)	–
Underlying debt securities	334	(334)	–
Investment funds*	–	433	433
Total unitised funds/investment funds	**433**	**–**	**433**
Derivatives			
Foreign currency collar	34	–	34
Futures	1	–	1
Total derivatives	35	–	35
Short-term money market instruments	2 264	(2 264)	–
Cash deposits and similar securities*	–	1 115	1 115
Financial assets at fair value through income	**12 532**	**–**	**12 532**

* *These categories were presented for the first time for the six months ended 30 June 2020.*

The disclosure of equity securities remains largely unchanged. The category of debt securities has been replaced with interest-bearing investments. With the exception of some floating rate notes which were previously included as short-term money market, interest-bearing investments contain largely the same securities that were previously classified as debt securities. In the previous disclosure, government and corporate bonds were classified in the same line, whereas in the new disclosure government bonds and other notes are disclosed separately to corporate bonds and other notes. These two types of interest-bearing investments have different risk characteristics. The old category of long-term money market has been reallocated to corporate interest-bearing investments and cash deposits and similar securities, as appropriate. Cash deposits and similar securities include negotiable certificates of deposit and fixed deposits held with major banks. These instruments would have previously been disclosed as long-term or short-term money market instruments. Floating rate notes previously categorised as long-term or short-term money market instruments are now included in corporate interest-bearing investments. Structured transactions contain investments which were previously disclosed as collateralised securities and derivatives. Investment funds were previously labelled as unitised investments.

5 FINANCIAL ASSETS (continued)

5.1 Financial assets at fair value through income (excluding derivatives) (continued)

5.1.2 SEM TARGET SHARES

Santam subscribes from time to time in separate classes of target shares issued by SEM in terms of a Participation Transaction, with each separate class linked to a participatory interest in the target companies listed below. The fair value of these instruments at year-end was R1 538 million (2019: R1 474 million). The shares were classified as unlisted equity securities.

	Incorporated in	Type of business	Santam Effective Holding 2020 %	Santam Effective Holding 2019 %
Pacific & Orient Insurance Co. Berhad (P&O)	Malaysia	P&O is a niche general insurer based in Kuala Lumpur, Malaysia	**15.4**	15.4
Shriram General Insurance Company Ltd (SGI)[1]	India	SGI is the general insurance business of the Shriram group, a financial conglomerate based in India	**15.0**	15.0
NICO Holdings general insurance subsidiaries	Malawi, Zambia	The NICO subsidiaries offer predominantly personal and commercial insurance products	**5.6**	5.6
Sanlam General Insurance (Uganda) Ltd	Uganda	The company offers predominantly personal and commercial insurance products	**9.5**	9.5
Sanlam General Insurance (Tanzania) Ltd	Tanzania	The company offers predominantly personal and commercial insurance products	**5.0**	5.0
Soras Assurance Generales Ltd	Rwanda	The company offers motor, medical, fire, goods in transit, weather index and other miscellaneous insurance products	**9.0**	9.0
Socar s.a. Burundi	Burundi	Forms part of the Soras group and offers general insurance products	**3.1**	3.1
FBN General Insurance Ltd[2]	Nigeria	FBN General Insurance Ltd offers a wide range of general insurance products	**10.0**	3.5
Sanlam General Insurance (Kenya) Ltd	Kenya	Sanlam General Insurance Ltd offers a wide range of general insurance products	**3.9**	3.9
Zimnat Lion Insurance Company Ltd	Zimbabwe	Zimnat Lion Insurance Company Ltd offers a wide range of general insurance products	**4.0**	4.0
Grand Reinsurance Company (Private) Ltd (Grand Re)	Zimbabwe	Grand Re provides reinsurance solutions to cover all general insurance business	**4.0**	4.0
Botswana Insurance Company Ltd	Botswana	Botswana Insurance Company Ltd offers a wide range of general insurance products	**2.9**	2.9

[1] *These are currently the more material investments due to their relative size to the entire SEM target share investment portfolio.*
[2] *During 2020, the group purchased additional target shares in FBN General Insurance Ltd.*

5.1.3 STRUCTURED ENTITIES

A structured entity is one that has been designed so that voting or similar rights are not the dominant factor in deciding who controls it. The group considers collective investment schemes and other unit-linked investments to be structured entities. The following note provides information on significant unconsolidated structured entities in which the group holds an interest. Collective investment schemes are categorised into equity, property or money market instruments based on a minimum of 55% per category of the underlying asset composition of the fund by value. In the event no one category meets this threshold, it is classified as a mixed class. Money market collective investment schemes are categorised as such.

	Group		Company	
	2020 R million	2019 R million	2020 R million	2019 R million
Collective investment schemes				
Local and foreign				
Property	**180**	247	**65**	99
Money market	**3 120**	2 466	**125**	334
Equity	**523**	450	**78**	–
Mixed	**1 368**	1 317	**21**	–
Total investment in unconsolidated structured entities	**5 191**	4 480	**289**	433

5.2 Derivative assets

	Group 2020 R million	Group 2019 R million	Company 2020 R million	Company 2019 R million
Financial assets – at fair value through income				
Exchange traded futures	**–**	1	**–**	1
Over the counter				
Foreign currency collar	**–**	34	**–**	34
	–	35	**–**	35

On 10 September 2018 Santam entered into a foreign currency collar against the US Dollar. The collar expired in two equal tranches on 4 January 2019 and 7 January 2019 and realised a total profit of R36.5 million. On 12 June 2019 Santam entered into another foreign currency collar against the US dollar. The collar unwound on 12 December 2019 resulting in a profit of R5 million. A further foreign currency collar on R500 million worth of US dollar exposure was entered into on 19 August 2019 at a spot rate of 15.25 ZAR and cap of 16.59 ZAR against the US dollar. The collar expired on 19 May 2020 realising a loss of R54 million. The foreign currency collar is classified as a level 2 financial instrument per the fair value hierarchy.

On 6 August 2020, Santam entered into a zero cost collar over equities to the value of R1 billion, based on the SWIX 40 to provide capital protection in the current volatile market conditions. The structure offered full downside protection from the implementation level 10 858, with upside participation (excluding dividends) of 0.275%. The structure was rolled on 3 November 2020, realising a profit of R50 million. The structure continues to provide full downside protection from the market level at the date of rolling of 10 307 with upside participation (excluding dividends) of 0.85% and expires on 3 February 2021. As at 31 December 2020, the structure's valuation amounted to a loss of R77 million.

At 31 December 2020 the group also had interest rate swaps as part of the international bond portfolio. The fair value of the swap is disclosed on a net basis in the statement of financial position as well as the statement of comprehensive income due to the contractual right to settle the instrument on a net basis. They are classified as level 3 per the fair value hierarchy. The gross exposure asset and liability at year-end amounted to R46 million (2019: R69 million) and R46 million (2019: R69 million) respectively.

ACCOUNTING POLICY – DERIVATIVES

Derivatives are initially recognised in the statement of financial position at fair value on the date on which the contract is entered into and subsequently measured at their fair value. These derivatives are regarded as non-hedge derivatives. Changes in the fair value of such derivative instruments are recognised immediately in the statement of comprehensive income. Quoted derivative instruments are valued at quoted market prices, while unquoted derivatives are valued independently using valuation techniques such as discounted cash flow models and option models. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a current legal enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

5.3 Financial instruments measured at fair value on a recurring basis

The table below analyses financial instruments, carried at fair value through income, by valuation method. There were no significant changes in the valuation methods applied since 31 December 2019. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (that is, by prices) or indirectly (that is, derived from prices). The fair value of level 2 instruments is determined as follows:
  - Listed equity securities are valued using quoted prices with the main assumption that quoted prices might require adjustments due to an inactive market.
  - Unlisted equity securities are valued using the discounted cash flow (DCF) or net asset value method based on market input.
  - Interest-bearing investments:
    - Quoted interest-bearing investments are valued using yield of benchmark bond, DCF benchmarked against similar instruments with the same issuer, price quotations of JSE interest rate market or issue price of external valuations based on market input.[1]
    - Unquoted interest-bearing investments are valued using DCF, real interest rates, benchmark yield plus fixed spread or deposit rates based on market input.
  - Investment funds:
    - Quoted investment funds with underlying equity securities are valued using quoted prices with the main assumption that quoted prices might require adjustments due to an inactive market.
    - Quoted investment funds with underlying debt securities are valued using DCF, external valuations and published price quotations on the JSE equity and interest rate market or external valuations that are based on published market input with the main assumptions being market input, uplifted with inflation.[1]
  - Derivatives are valued using the Black-Scholes model, net present value of estimated floating costs less the performance of the underlying index over contract term, DCF (using fixed contract rates and market-related variable rates adjusted for credit risk, credit default swap premiums, offset between strike price and market projected forward value, yield curve of similar market-traded instruments) with the main assumptions being market input, credit spreads and contract inputs.
  - Structured transactions are valued using DCF, real interest rates, benchmark yield plus fixed spread or deposit rates based on market input.
- Level 3: Input for the asset or liability that is not based on observable data (that is, unobservable input).

There were no significant transfers between level 1 and level 2 during the current or prior period. The group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

[1] *These investments are classified as level 2 as the markets that they trade on are not considered to be active.*

5 FINANCIAL ASSETS (continued)

5.3 Financial instruments measured at fair value on a recurring basis (continued)

31 December 2020	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
GROUP				
Financial assets				
Equity securities				
Listed equities and similar securities	2 577	–	–	2 577
Unlisted equities and similar securities	–	5	1 609	1 614
Interest-bearing investments				
Government interest-bearing investments	–	4 496	–	4 496
Corporate interest-bearing investments	–	14 358	60	14 418
Mortgages and loans	–	146	–	146
Structured transactions				
Structured notes	–	264	–	264
Investment funds	–	5 191	–	5 191
Cash, deposits and similar securities	–	2 226	–	2 226
Financial assets at fair value through income	2 577	26 686	1 669	30 932

31 December 2020	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
COMPANY				
Financial assets				
Equity securities				
Listed equities and similar securities	1 235	–	–	1 235
Unlisted equities and similar securities	–	–	1 611	1 611
Interest-bearing investments				
Government interest-bearing investments	–	2 772	–	2 772
Corporate interest-bearing investments	–	7 636	–	7 636
Mortgages and loans	–	117	–	117
Structured transactions				
Structured notes	–	196	–	196
Investment funds	–	289	–	289
Cash, deposits and similar securities	–	1 547	–	1 547
Financial assets at fair value through income	1 235	12 557	1 611	15 403

31 December 2019	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
GROUP				
Financial assets				
Equity securities				
Listed equities and similar securities	2 420	–	–	2 420
Unlisted equities and similar securities	–	4	1 553	1 557
Interest-bearing investments				
Government interest-bearing investments	–	3 019	–	3 019
Corporate interest-bearing investments	–	12 029	60	12 089
Mortgages and loans	–	165	–	165
Structured transactions				
Structured notes	–	365	–	365
Derivative assets	–	35	–	35
Investment funds	–	4 480	–	4 480
Cash, deposits and similar securities	–	1 755	–	1 755
Financial assets at fair value through income	2 420	21 852	1 613	25 885

31 December 2019	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
COMPANY				
Financial assets				
Equity securities				
Listed equities and similar securities	1 152	–	–	1 152
Unlisted equities and similar securities	–	–	1 553	1 553
Interest-bearing investments				
Government interest-bearing investments	–	1 460	–	1 460
Corporate interest-bearing investments	–	6 388	–	6 388
Mortgages and loans	–	136	–	136
Structured transactions				
Structured notes	–	260	–	260
Derivative assets	–	35	–	35
Investment funds	–	433	–	433
Cash, deposits and similar securities	–	1 115	–	1 115
Financial assets at fair value through income	1 152	9 827	1 553	12 532

5 FINANCIAL ASSETS (continued)

5.3 Financial instruments measured at fair value on a recurring basis (continued)

LEVEL 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from the stock exchange or pricing service, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the closing price. These instruments are included in level 1 and comprise mainly equity instruments classified as trading securities that are listed on the JSE or Namibian Stock Exchange.

LEVEL 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant input required to fair value an instrument is observable, the instrument is included in level 2. Level 2 instruments comprise the following:

- Investment funds
- Derivatives
- Interest-bearing investments
- Structured transactions
- Cash, deposits and similar securities

where the value is determined by using market observable input, eg JIBAR, prime rate, foreign currency rates, listed bond rates of similar instruments, without significant adjustments.

LEVEL 3

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value level 3 financial instruments include:

- Unlisted equity instruments
  - Fair value (excluding SEM target shares) is determined based on valuation techniques where the input is determined by management, e.g. multiples of net asset value, and is not readily available in the market or where market observable input is significantly adjusted. Valuations are generally based on price/earnings multiples ranging between 2.3 and 8.5. The value of unlisted equity instruments (excluding SEM target shares) is not material.
  - The fair value of the SEM target shares is determined using predominantly discounted cash flow (DCF) models, with the remainder valued at or within close proximity of the latest available net asset value of the underlying company. The most significant investment relates to the target share which provides a participatory interest in Shriram General Insurance Company Ltd (SGI) to the value of R1 293 million (2019: R1 226 million). No other individual target share is material. The fair value of the SGI target share is determined through using a DCF model, and significant assumptions are tested with local management as well as Santam's representative on the SGI board of directors. The 10 year DCF model discounts expected cash flows and a perpetual value (after providing for regulatory capital requirements) at an appropriate risk-adjusted discount rate. The most significant unobservable inputs used in this DCF model are the discount rate of 14.3% (2019: 14.3%). A Rand/Indian Rupee exchange rate of 0.201 (2019: 0.197) was used to translate the DCF valuation result in Indian Rupee to Rand. An average net insurance margin over a 10 year period of 23.4% (2019: 22.6%) was incorporated. Should the discount rate increase or decrease by 10%, the investment would decrease by R234 million (December 2019: R237 million) or increase by R398 million (December 2019: R420 million), respectively. If the relative foreign exchange rate increase or decrease by 10%, the fair value will increase or decrease by R129 million (December 2019: R123 million). Should the net insurance margin profile (projected over a period of 10 years) increase or decrease by 10%, the fair value will increase or decrease by R109 million (December 2019: R105 million). The remaining target shares are mostly impacted by changes in exchange rates.

ACCOUNTING POLICY – DETERMINATION OF FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the group has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair values of quoted investments are based on current stock exchange prices at the close of business on the statement of financial position date. If the market for a financial asset is not active or if it is unquoted, the group establishes fair value by using valuation techniques. These include discounted cash flow analysis, recent arm's length transactions, premium/discount to net asset value and price-earnings techniques. The group's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data.

The fair values of unit-linked investment contracts are measured with reference to their respective underlying assets. Debt securities are measured at fair value based on the market rate of an equivalent non-convertible bond. Unit trusts are measured at fair value based on the quoted repurchase prices.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from the stock exchange or pricing service, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the closing price. These instruments are included in level 1 and comprise mainly equity instruments classified as trading securities that are listed on the JSE or Namibian Stock Exchange.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS - FAIR VALUE OF FINANCIAL INSTRUMENTS THAT ARE NOT LISTED OR QUOTED

The fair values of financial assets and liabilities that are not listed or quoted in an active market are determined using valuation techniques. The assumptions used in these valuation techniques are described as part of the fair value hierarchy analysis included in this note.

5 FINANCIAL ASSETS (continued)

5.3 Financial instruments measured at fair value on a recurring basis (continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2020:

31 December 2020	Equity securities R million	Interest-bearing investments R million	Total R million
GROUP			
Opening balance	1 553	60	1 613
Acquisitions	30	–	30
Gains recognised in profit or loss	26	–	26
Closing balance	1 609	60	1 669

31 December 2020	Equity securities R million	Debt securities R million	Total R million
COMPANY			
Opening balance	1 553	–	1 553
Acquisitions	30	–	30
Gains recognised in profit or loss	28	–	28
Closing balance	1 611	–	1 611

The unquoted equity instruments recognised as level 3 instruments consist mainly of the participation target shares issued by SEM.

Of the R26 million gain (December 2019: R259 million gain) recognised on equity securities, a R34 million gain (December 2019: R256 million gain) relates to the SEM target shares, of which R17 million (December 2019: R82 million losses) relates to foreign exchange gains, and R17 million to an increase (December 2019: R338 million increase) in fair value in local currency terms. The key drivers of the fair value movements of Santam's share of the SEM investment portfolio were:

- The increase in the value of SGI of R50 million (excluding the impact of exchange rate movements) is mainly attributable due to a more favourable dividend withholding tax regime in India. This was offset to some extent by lower premium growth forecasts in the short term, due to the impact of the COVID-19 pandemic and an economic downturn on sales volumes.

Santam's economic participation via the SEM African target share portfolio was amended to reduce the participation percentage from 35% to 10% effective 1 January 2019. As a result Santam received a cash target share distribution of R167 million from SEM on 28 June 2019, comprising a capital distribution of R112 million and an income distribution of R55 million. The capital distribution was recognised directly in the statement of financial position as a reduction of the target share investment value. The income distribution was recognised in the statement of comprehensive income, where it was countered with a release of the realised fair value adjustment of the same value. On 30 June 2020, Santam subscribed for a further target share in FBN General Insurance Ltd (FBNGI) at a cost of R30 million. As a result, Santam's participatory interest in FBNGI increased to 10%.

The following table presents the changes in level 3 instruments for the year ended 31 December 2019:

31 December 2019	Equity securities R million	Interest-bearing investments R million	Total R million
GROUP			
Opening balance	1 390	61	1 451
Acquisitions	18	–	18
Settlements	(114)	–	(114)
Gains/(losses) recognised in profit or loss	259	(1)	258
Closing balance	1 553	60	1 613
COMPANY			
Opening balance	1 390	–	1 390
Acquisitions	18	–	18
Settlements	(114)	–	(114)
Gains recognised in profit or loss	259	–	259
Closing balance	1 553	–	1 553

5.4 Price risk

The group is subject to price risk due to daily changes in the market values of its equity portfolios. The group is not directly exposed to commodity price risk, but does have indirect commodity price exposure via various equity share holdings. Any change in valuation of these companies due to change in commodity prices will reflect in the change in share price of these companies.

Each of the following investments has an individual value of more than 1.5% of the total quoted equity investment portfolio. Details of the investments below 1.5%, summarised as "Other", are open to inspection at the registered office of the company.

	Group				Company			
	2020		2019		2020		2019	
	Number of shares	Market value R million	Number of shares	Market value R million	Number of shares	Market value R million	Number of shares	Market value R million
Direct listed equity exposure								
Listed								
Naspers Ltd	84 166	254	81 609	186	68 001	205	64 780	148
Growthpoint Properties Ltd	9 423 196	118	2 387 294	53	1 840 508	23	1 797 206	40
Anglo plc	154 251	75	148 304	59	131 908	64	131 908	53
Redefine Properties Ltd[1]	21 433 017	71	1 387 042	10	1 185 899	4	1 185 899	9
Prosus N.V.	42 961	69	67 779	71	40 364	65	56 834	60
FirstRand Group Ltd	1 360 605	69	503 999	32	1 091 967	56	419 134	26
MTN Group Ltd	1 146 829	69	449 450	37	461 919	28	378 093	31
British American Tobacco Plc	107 202	59	112 104	67	76 022	41	76 022	45
Blue Labels Telecoms Ltd[1]	15 046 052	58	–	–	–	–	–	–
Impala Platinum Holdings	233 913	47	256 356	37	198 989	40	198 989	29
Standard Bank Group Ltd	372 624	47	338 562	57	313 717	40	289 434	49
BHP Billiton Plc	101 735	40	103 404	34	90 020	35	90 020	30
Anglo American Platinum Ltd[2]	25 407	37	25 236	33	23 816	34	23 816	31
Northam Platinum Ltd[2]	163 134	34	174 225	22	127 880	27	127 880	16
Sibanye Stillwater Ltd[2]	485 953	29	–	–	364 218	22	–	–
Shoprite Holdings Ltd[2]	196 343	27	125 916	16	175 591	25	125 916	16
Bid Corporation Ltd[2]	98 595	26	92 312	30	82 690	22	82 690	27
AngloGold Ashanti Ltd[2]	69 111	24	28 171	9	59 078	20	27 378	9
Absa Group Ltd[2]	198 417	24	193 737	29	172 291	21	172 291	26
Other	–	1 399	–	1 637	–	462	–	506
		2 576		2 419		1 234		1 151
Irredeemable preference shares		1		1		1		1
		2 577		2 420		1 235		1 152
Indirect listed equity exposure								
Unitised funds		703		697		143		99

[1] *In the prior year these investments did not exceed 1.5% of the total quoted equity investment portfolio.*

[2] *These investments do not exceed 1.5% on a group level.*

The group takes a long-term view when agreeing investment mandates with the relevant portfolio managers and looks to build value over a sustained period of time rather than utilising high levels of purchases and sales in order to generate short-term gains from its equity holdings.

Equity price risk arises from the negative effect that a fall in the market value of equities can have on Santam's net asset value. The group's objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively managed through a variety of modelling methods. The group sets appropriate risk limits to ensure that no significant concentrations in individual companies arise. The group's largest investment in any one company comprises 9.9% (2019: 7.7%) of the total quoted equities and 0.5% (2019: 0.4%) of the total assets. The company's largest investment in any one company comprises 16.6% (2019: 12.8%) of the total quoted equities and 0.6% (2019: 0.5%) of the total assets.

SENSITIVITY ANALYSIS ON LISTED EQUITIES AND SIMILAR SECURITIES

At 31 December 2020, the group's listed equities and similar securities were recorded at their fair value of R3 280 million (2019: R3 117 million). A 10% decline or increase in each individual unit price would have the net effect of decreasing or increasing profit before taxation by R328 million (2019: R312 million).

The company's listed equities and similar securities were recorded at their fair value of R1 378 million (2019: R1 251 million). A 10% decline or increase in each individual unit price would have the net effect of decreasing or increasing profit before taxation by R138 million (2019: R125 million).

5 FINANCIAL ASSETS (continued)

5.5 Interest rate risk – financial assets

Exposure to interest rate risk is monitored through several methods that include scenario testing and stress testing using measures such as duration. The bond returns are modelled based on the historical performance of the individual bonds held in the portfolio, and adjusted to reflect the current interest rates and inflation environment. The risk-free rate used for modelling is 9% as at 31 December 2020 (2019: 9%).

SENSITIVITY ANALYSIS ON INTEREST-BEARING INSTRUMENTS

Interest-bearing instruments with a fixed rate give rise to fair value interest rate risk, while interest-bearing instruments with a floating rate give rise to cash flow interest rate risk.

The following table provides an indication of the impact of a 1% change in interest rates on the net income before tax as well as the net comprehensive income of the group and the company:

	2020		2019	
	1% increase R million	1% decrease R million	1% increase R million	1% decrease R million
GROUP				
Financial assets – fixed rate				
Interest-bearing investments				
Government interest-bearing investments	(114)	118	(47)	48
Corporate interest-bearing investments	(46)	48	(33)	39
Structured transactions				
Structured notes	(1)	1	–	–
Cash, deposits and similar securities	(13)	13	(11)	11
Total	(174)	180	(91)	98
Financial assets – variable rate				
Interest-bearing investments				
Government interest-bearing investments	4	(4)	6	(6)
Corporate interest-bearing investments	71	(71)	56	(56)
Mortgages and loans	1	(1)	–	–
Cash, deposits and similar securities	6	(6)	1	(1)
Cash and cash equivalents	39	(39)	39	(39)
Total	121	(121)	102	(102)

	2020		2019	
	1% increase R million	1% decrease R million	1% increase R million	1% decrease R million
COMPANY				
Financial assets – fixed rate				
Interest-bearing investments				
Government interest-bearing investments	(101)	105	(35)	36
Corporate interest-bearing investments	(38)	41	(32)	34
Structured transactions				
Structured notes	(1)	1	–	–
Cash, deposits and similar securities	(11)	12	(10)	10
Total	(151)	159	(77)	80
Financial assets – variable rate				
Interest-bearing investments				
Government interest-bearing investments	1	(1)	3	(3)
Corporate interest-bearing investments	63	(63)	56	(56)
Mortgages and loans	1	(1)	–	–
Cash, deposits and similar securities				
Cash and cash equivalents	16	(16)	21	(21)
Total	81	(81)	80	(80)

5.5.1 RECLASSIFICATION OF FINANCIAL ASSETS

	1% increase As published 2019 R million	Restatement R million	Restated 2019 R million	1% decrease As published 2019 R million	Restatement R million	Restated 2019 R million
GROUP						
Financial assets – fixed rate						
Debt securities						
Quoted	(78)	78	–	85	(85)	–
Unquoted	(11)	11	–	11	(11)	–
Short-term money market instruments	(2)	2	–	2	(2)	–
Interest-bearing investments						
Government interest-bearing investments*	–	(47)	**(47)**	–	48	**48**
Corporate interest-bearing investments*	–	(33)	**(33)**	–	39	**39**
Cash, deposits and similar securities*	–	(11)	**(11)**	–	11	**11**
Total change in net fair value movements before tax	**(91)**	**–**	**(91)**	**98**	**–**	**98**
Financial assets – variable rate						
Cash and cash equivalents	39	–	**39**	(39)	–	**(39)**
Debt securities						
Quoted	28	(28)	–	(28)	28	–
Unquoted	20	(20)	–	(20)	20	–
Short-term money market instruments	15	(15)	–	(15)	15	–
Interest-bearing investments						
Government interest-bearing investments*	–	6	**6**	–	(6)	**(6)**
Corporate interest-bearing investments*	–	56	**56**	–	(56)	**(56)**
Cash, deposits and similar securities*	–	1	**1**	–	(1)	**(1)**
Total change in investment income before tax	**102**	**–**	**102**	**(102)**	**–**	**(102)**

	1% increase As published 2019 R million	Restatement R million	Restated 2019 R million	1% decrease As published 2019 R million	Restatement R million	Restated 2019 R million
COMPANY						
Financial assets – fixed rate						
Debt securities						
Quoted	(66)	66	–	69	(69)	–
Unquoted	(10)	10	–	10	(10)	–
Short-term money market instruments	(1)	1	–	1	(1)	–
Interest-bearing investments						
Government interest-bearing investments*	–	(35)	**(35)**	–	36	**36**
Corporate interest-bearing investments*	–	(32)	**(32)**	–	34	**34**
Cash, deposits and similar securities	–	(10)	**(10)**	–	10	**10**
Total change in net fair value movements before tax	**(77)**	**–**	**(77)**	**80**	**–**	**80**
Financial assets – variable rate						
Cash and cash equivalents	21	–	**21**	(21)	–	**(21)**
Debt securities						
Quoted	28	(28)	–	(28)	28	–
Unquoted	16	(16)	–	(16)	16	–
Short-term money market instruments	15	(15)	–	(15)	15	–
Interest-bearing investments						
Government interest-bearing investments*	–	3	**3**	–	(3)	**(3)**
Corporate interest-bearing investments*	–	56	**56**	–	(56)	**(56)**
Total change in investment income before tax	**80**	**–**	**80**	**(80)**	**–**	**(80)**

* *These categories are presented for the first time for the six months ended 30 June 2020.*

The interest rate sensitivities for 2019 have been restated in line with the restatement of the category of financial assets. Refer to note 5.1 for detail of the restatement of categories of financial assets.

5 FINANCIAL ASSETS (continued)

5.6 Loans and receivables excluding insurance receivables

	Group		Company	
	2020 R million	Restated[1] 2019 R million	2020 R million	2019 R million
Loans and receivables	**1 287**	1 156	**407**	440
Premium financing receivables	**303**	87	**–**	–
Less provision for impairment	**(127)**	(124)	**(102)**	(108)
Loans to subsidiaries (refer note 10.1)	**–**	–	**168**	77
Total	**1 463**	1 119	**473**	409
Expected to be realised within 12 months	**1 463**	1 119	**305**	332
Expected to be realised after 12 months	**–**	–	**168**	77
Reconciliation of provisions for impairment of other receivables				
At the beginning of the year				
Charge to the statement of comprehensive income:	**124**	137	**108**	121
– decrease in provisions	**3**	(13)	**(6)**	(13)
Total at the end of the year	**127**	124	**102**	108

[1] *Premium financing receivables of R87 million was included in Loans and receivables line in 2019.*

The estimated fair values of loans and receivables are the discounted amounts of the estimated future cash flows expected to be received.

The carrying value of loans and receivables approximates fair value. Provisions for impairment are based on the recoverability of individual loans and receivables.

ACCOUNTING POLICY – LOANS AND RECEIVABLES

Classification

The group classifies its loans and receivables as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flow
- The contractual terms give rise to cash flows that are solely payments of principle and interest

Recognition and measurement

Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective-interest method, less provision for expected credit losses.

Impairment

The group applies the general approach to providing for expected credit losses prescribed by IFRS 9. To measure the expected credit losses, loans and receivables have been grouped based on shared credit risk characteristics and the days past due to create three categories, namely performing, underperforming and not performing. The expected loss rates are based on the payment profiles of receivables over a period of 36 months before year-end. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors, such as the socio-economic environment affecting the ability of the debtors to settle the receivables. Receivables that are 30 days or more past due are considered to be “not performing” and the default rebuttable presumption of 90 days prescribed by IFRS 9 is not applied.

EXPECTED CREDIT LOSS SUMMARY

2020		Group ECL rate	ECL method	Gross	Provision opening balance	(Released)/ raised in the period	Provision closing balance
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	1.51%	12 month	1 286	10	10	20
Underperforming	Loans for which there is a significant increase in credit risk; a significant increase in credit risk is presumed if interest and/or principal repayments are past due	20.90%	Lifetime	91	28	(9)	19
Not performing	Interest and/or principal repayments are 30 days past due	41.30%	Lifetime	213	86	2	88
Write-off	Interest and/or principal repayments are past due and there is no reasonable expectation of recovery			–	–	–	–
Total				**1 590**	**124**	**3**	**127**

2020		Company ECL rate	ECL method	Gross	Provision opening balance	(Released)/ raised in the period	Provision closing balance
Performing[1]	Customers have a low risk of default and a strong capacity to meet contractual cash flows	3.20%	12 month	347	11	–	11
Underperforming	Loans for which there is a significant increase in credit risk; a significant increase in credit risk is presumed if interest and/or principal repayments are past due	20.90%	Lifetime	91	28	(9)	19
Not performing	Interest and/or principal repayments are 30 days past due	52.26%	Lifetime	137	69	3	72
Write-off	Interest and/or principal repayments are past due and there is no reasonable expectation of recovery			–	–	–	–
Total				**575**	**108**	**(6)**	**102**

[1] *Included in performing loans are amounts due from other group companies. Given that the companies that funding has been provided to have no history of default and sufficient net asset value, it is unlikely that the company will experience credit losses in respect of these loans and as such no amounts have been provided for.*

5 FINANCIAL ASSETS (continued)

5.6 Loans and receivables excluding insurance receivables (continued)

The forward-looking information considered was deemed to have an immaterial impact on expected credit loss.

Group

2019		ECL rate	ECL method	Gross	Provision opening balance	(Released)/ raised in the period	Provision closing balance
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	1.05%	12 month	922	20	(10)	10
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are past due	18.27%	Lifetime	151	43	(15)	28
Not performing	Interest and/or principal repayments are 30 days past due	51.66%	Lifetime	170	74	12	86
Write-off	Interest and/or principal repayments are past due and there is no reasonable expectation of recovery			–	–	–	–
Total				1 243	137	(13)	124

Company

2019		ECL rate	ECL method	Gross	Provision opening balance	(Released)/ raised in the period	Provision closing balance
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	4.00%	12 month	268	20	(9)	11
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are past due	22.38%	Lifetime	123	43	(15)	28
Not performing	Interest and/or principal repayments are 30 days past due	55.32%	Lifetime	126	58	11	69
Write-off	Interest and/or principal repayments are past due and there is no reasonable expectation of recovery			–	–	–	–
Total				517	121	(13)	108

These loans and receivables are mostly unrated. Refer to note 5.8 for credit ratings.

The forward looking information considered was deemed to have an immaterial impact on expected credit loss.

5.7 Cash and cash equivalents

	Group		Company	
	2020 R million	**2019 R million**	**2020 R million**	**2019 R million**
Cash at bank and in hand	**4 383**	4 642	**2 036**	2 057
	4 383	4 642	**2 036**	2 057

The carrying value of cash and cash equivalents approximates fair value. The full value is expected to be realised within 12 months. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

ACCOUNTING POLICY – CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and deposits held on call with banks. Cash and cash equivalents are carried at amortised cost.

5.8 Credit risk

Santam continuously monitors its exposure to its counterparties for financial statement as well as regulatory reporting purposes. It has therefore established a number of criteria in its risk appetite statement to monitor concentration risk and provide feedback to management and the risk committee on at least a quarterly basis.

The credit quality of Santam's counterparties are determined using rating agencies' assessments of the probability of default over a one-year time horizon. The underlying default probabilities are based on the credit migration models developed by S&P, Moody's, Fitch and GCR, which incorporate up to 90 years' worth of credit default information. The probability of default assigned are based on the highest credit rating assigned by the various rating agencies.

Credit risk capital is held for exposure to risk-based assets such as bonds and bank deposits.

For concentration risk Santam uses the SAM methodology. The calculation is performed in four steps:

- Determine the exposure by counterparty
- Calculate the excess exposure above a specified threshold level
- Apply a charge to this excess exposure
- Aggregate the individual charges to obtain an overall capital requirement for concentration risk

Santam seeks to avoid concentration of credit risk to groups of counterparties, business sectors, product types and geographical segments. The group's financial instruments, except for Santam's exposure to the four large South African banks, do not represent a concentration of credit risk. In terms of Santam's internal risk appetite framework no more than 15% of total portfolio assets are generally invested in any one of the four major South African banks. Accounts receivable is spread over a number of major companies and intermediary parties, clients and geographic areas. The group assesses concentration risk for debt securities, money market instruments and cash collectively. The group does not have concentrations in these instruments to any one company exceeding 15% of total debt securities, money market instruments or cash.

The following table provides information regarding the aggregated credit risk exposure for financial assets without taking into account collateral. The credit ratings provided in this table were determined as follows: Sanlam Investment Management (SIM) provided management with reports generated from their credit system on a quarterly basis, detailing all counterparty, duration and credit risk. These reports include international, national and internal ratings. SIM also provides management with a conversion table that is then applied to standardise the ratings to standardised international long-term rates. For assets held by subsidiaries and not managed by SIM, a process is agreed with the subsidiaries to align the credit rating analysis with group requirements.

5 FINANCIAL ASSETS (continued)

5.8 Credit risk (continued)

31 December 2020	Credit rating AAA R million	AA+ R million	AA- R million	A+ R million	A R million	A- R million
GROUP						
Financial assets:						
Government interest-bearing investments	17	–	–	–	–	–
Corporate interest-bearing investments	91	34	44	51	105	75
Mortgages and loans	–	–	–	–	–	–
Interest-bearing investments	**108**	**34**	**44**	**51**	**105**	**75**
Structured notes	–	–	–	–	–	–
Structured transactions	**–**	**–**	**–**	**–**	**–**	**–**
Investment funds	**–**	**–**	**–**	**–**	**–**	**–**
Cash, deposits and similar securities	**–**	**–**	**29**	**191**	**–**	**–**
Other loans and receivables	**–**	**–**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**–**	**28**	**496**	**11**	**–**	**–**
Total financial assets	**108**	**62**	**569**	**253**	**105**	**75**

31 December 2020	Credit rating AAA R million	AA+ R million	AA- R million	A+ R million	A R million	A- R million
COMPANY						
Financial assets:						
Government interest-bearing investments	17	–	–	–	–	–
Corporate interest-bearing investments	91	34	44	51	105	75
Mortgages and loans	–	–	–	–	–	–
Interest-bearing investments	**108**	**34**	**44**	**51**	**105**	**75**
Structured notes	–	–	–	–	–	–
Structured transactions	**–**	**–**	**–**	**–**	**–**	**–**
Investment funds	**–**	**–**	**–**	**–**	**–**	**–**
Cash, deposits and similar securities	**–**	**–**	**29**	**191**	**–**	**–**
Other loans and receivables	**–**	**–**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**–**	**28**	**320**	**11**	**–**	**–**
Total financial assets	**108**	**62**	**393**	**253**	**105**	**75**

Credit rating										
BBB+ R million	BBB R million	BB+ R million	BB R million	BB- R million	B+ R million	B R million	B- R million	Below B- R million	Not rated R million	Carrying value R million
–	–	–	4 295	18	15	–	–	20	131	**4 496**
12	56	212	11 552	610	217	7	38	15	1 299	**14 418**
–	–	–	24	78	–	–	–	44	–	**146**
12	**56**	**212**	**15 871**	**706**	**232**	**7**	**38**	**79**	**1 430**	**19 060**
–	–	–	263	–	–	–	–	1	–	**264**
–	**–**	**–**	**263**	**–**	**–**	**–**	**–**	**1**	**–**	**264**
–	**–**	**–**	**944**	**–**	**–**	**–**	**–**	**–**	**3 544**	**4 488**
–	**–**	**–**	**1 812**	**–**	**–**	**–**	**–**	**–**	**194**	**2 226**
–	**–**	**–**	**404**	**63**	**1**	**–**	**–**	**1**	**994**	**1 463**
–	**–**	**108**	**3 726**	**–**	**14**	**–**	**–**	**–**	**–**	**4 383**
12	**56**	**320**	**23 020**	**769**	**247**	**7**	**38**	**81**	**6 162**	**31 884**

Credit rating										
BBB+ R million	BBB R million	BB+ R million	BB R million	BB- R million	B+ R million	B R million	B- R million	Below B- R million	Not rated R million	Carrying value R million
–	–	–	2 719	1	15	–	–	20	–	**2 772**
12	56	212	6 213	388	98	7	1	15	234	**7 636**
–	–	–	24	50	–	–	–	43	–	**117**
12	**56**	**212**	**8 956**	**439**	**113**	**7**	**1**	**78**	**234**	**10 525**
–	–	–	195	–	–	–	–	1	–	**196**
–	**–**	**–**	**195**	**–**	**–**	**–**	**–**	**1**	**–**	**196**
–	**–**	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**145**	**146**
–	**–**	**–**	**1 327**	**–**	**–**	**–**	**–**	**–**	**–**	**1 547**
–	**–**	**–**	**97**	**5**	**1**	**–**	**–**	**1**	**369**	**473**
–	**–**	**108**	**1 569**	**–**	**–**	**–**	**–**	**–**	**–**	**2 036**
12	**56**	**320**	**12 145**	**444**	**114**	**7**	**1**	**80**	**748**	**14 923**

5 FINANCIAL ASSETS (continued)

5.8 Credit risk (continued)

31 December 2019	Credit rating AAA R million	AA+ R million	AA R million	AA- R million	A+ R million
GROUP					
Financial assets:					
Government interest-bearing investments	–	–	–	–	–
Corporate interest-bearing investments	16	18	–	–	–
Mortgages and loans	–	–	–	–	–
Interest-bearing investments	16	18	–	–	–
Structured notes	–	–	–	–	–
Structured transactions	**–**	**–**	**–**	**–**	**–**
Investment funds	–	–	–	–	–
Cash, deposits and similar securities	–	–	225	–	–
Other loans and receivables	–	12	8	23	3
Cash and cash equivalents	–	92	267	113	15
Total financial assets	**16**	**122**	**500**	**136**	**18**

31 December 2019	Credit rating AAA R million	AA+ R million	AA R million	AA- R million	A+ R million
COMPANY					
Financial assets:					
Government interest-bearing investments	–	–	–	–	–
Corporate interest-bearing investments	16	18	–	–	–
Mortgages and loans	–	–	–	–	–
Interest-bearing investments	**16**	**18**	**–**	**–**	**–**
Structured notes	–	–	–	–	–
Structured transactions	–	–	–	–	–
Investment funds	–	–	–	–	–
Cash, deposits and similar securities	–	–	225	–	–
Other loans and receivables	–	–	2	–	–
Cash and cash equivalents	–	92	258	9	15
Total financial assets	**16**	**110**	**485**	**9**	**15**

Credit rating								
BBB+ R million	BBB R million	BBB- R million	BB+ R million	BB R million	BB- R million	Below BB- R million	Not rated R million	Carrying value R million
–	–	2 892	64	18	5	1	39	3 019
11	10	9 259	463	608	585	227	892	12 089
–	–	–	–	18	85	55	7	165
11	10	12 151	527	644	675	283	938	15 273
–	–	339	3	33	17	8	–	400
–	**–**	**339**	**3**	**33**	**17**	**8**	**–**	**400**
–	–	7	–	218	–	–	3 558	3 783
–	–	1 366	–	–	–	–	164	1 755
10	61	73	5	9	4	1	910	1 119
2	11	3 595	72	262	98	94	21	4 642
23	82	17 531	607	1 166	794	386	5 591	26 972

Credit rating								
BBB+ R million	BBB R million	BBB- R million	BB+ R million	BB R million	BB- R million	Below BB- R million	Not rated R million	Carrying value R million
–	–	1 444	10	1	5	–	–	1 460
11	10	5 127	357	382	290	139	37	6 386
–	–	–	–	10	74	45	7	136
11	**10**	**6 571**	**367**	**393**	**369**	**184**	**44**	**7 982**
–	–	240	3	33	11	8	–	260
–	–	240	3	33	11	8	–	260
–	–	–	–	218	–	–	116	334
–	–	892	–	–	–	–	–	1 117
–	61	31	5	9	4	1	296	409
–	–	1 655	–	–	20	–	8	2 057
11	**71**	**9 389**	**375**	**653**	**404**	**193**	**464**	**12 159**

5 FINANCIAL ASSETS (continued)

5.9 Investment income

	Group		Company	
	2020 R million	**2019 R million**	**2020 R million**	**2019 R million**
Interest income derived from	**1 620**	1 766	**727**	842
Financial assets measured at amortised cost	**185**	186	**40**	25
Financial assets mandatorily measured at fair value through income	**1 435**	1 580	**687**	817
Other investment income/(losses)	**398**	288	**436**	370
Dividend income[1]	**316**	291	**401**	365
Foreign exchange differences	**82**	(3)	**35**	5
	2 018	2 054	**1 163**	1 212

[1] *Dividend income for the company includes dividends received from subsidiaries and SEM target shares.*

5.10 Net (losses)/gains on financial assets and liabilities at fair value through income

	Group 2020	Group 2019	Company 2020	Company 2019
Net fair value (losses)/gains on financial assets mandatorily at fair value through income	**(209)**	468	**(72)**	349
Net realised (losses)/gains on financial assets excluding derivative instruments	**(66)**	58	**(36)**	1
Net fair value (losses)/gains on financial assets excluding derivative instruments	**(27)**	358	**79**	296
Net realised fair value (losses)/gains on derivative instruments	**(116)**	52	**(115)**	52
Net fair value losses on financial liabilities designated as at fair value through income	**(64)**	(147)	**(8)**	(8)
Net fair value losses on debt securities	**(8)**	(8)	**(8)**	(8)
Net realised losses on investment contracts	**(56)**	(139)	**–**	–
	(273)	321	**(80)**	341

ACCOUNTING POLICY – INVESTMENT INCOME AND NET (LOSSES)/GAINS ON FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH INCOME

Gains and losses arising from changes in the fair value of the "financial assets mandatorily at fair value through income" category are included in the statement of comprehensive income in the period in which they arise. Dividend income and interest accrued from financial assets mandatorily at fair value through income is recognised in the statement of comprehensive income as part of investment income when the group's right to receive payments is established. Realised gains on instruments mandatorily at fair value through income are calculated as the difference between proceeds received and cost. Realised gains are recognised as part of net loss/gain on financial assets mandatorily at fair value through income and liabilities designated at fair value through income. Interest is accrued on financial assets mandatorily at fair value through income on the effective yield basis.

6 FINANCIAL LIABILITIES

	Notes	Group 2020 R million	Group 2019 R million	Company 2020 R million	Company 2019 R million
The group's financial liabilities are summarised below.					
Financial liabilities designated at fair value through income					
Debt securities	6.1	**3 089**	2 080	**3 089**	2 080
Investment contracts	6.3	**1 838**	1 618	**–**	–
Derivative liabilities	6.4	**80**	–	**80**	–
Financial liabilities at amortised cost					
Repo liability	6.5	**867**	785	**–**	–
Collateral guarantee contracts	6.6	**128**	120	**128**	120
Trade and other payables excluding insurance payables	6.7	**2 215**	2 236	**1 379**	1 462
Financial liabilities		**8 217**	6 839	**4 676**	3 662

Risk management

Refer to the following notes for detail on risks relating to financial assets and the management thereof:

- Interest rate risk – note 6.2
- Currency risk – note 7
- Liquidity risk – note 8

6.1 Debt securities

	Group 2020 R million	Group 2019 R million	Company 2020 R million	Company 2019 R million
At the beginning of the year	**2 055**	2 047	**2 055**	2 047
Cash movements				
New debt securities issued	**1 000**	–	**1 000**	–
Non-cash movements				
Net fair value losses on debt securities	**8**	8	**8**	8
	3 063	2 055	**3 063**	2 055
Accrued interest	**26**	25	**26**	25
	3 089	2 080	**3 089**	2 080
Expected to be settled after 12 months	**2 563**	2 055	**2 563**	2 055
Expected to be settled within 12 months	**526**	25	**526**	25
Estimated redemption value on maturity date	**3 000**	2 000	**3 000**	2 000

During April 2016, the company issued unsecured subordinated callable notes to the value of R1 billion in two equal tranches of fixed and floating rate notes. The effective rate for the floating rate notes represents the three-month JIBAR plus 245 basis points, while the rate for the fixed rate notes amounted to 11.77%. The floating rate notes have an optional redemption date of 12 April 2021 with a final maturity date of 12 April 2026, and the fixed rate notes an optional redemption date of 12 April 2023 with a final maturity date of 12 April 2028.

During June 2017, the company issued additional unsecured subordinated callable floating rate notes to the value of R1 billion in anticipation of the redemption of the R1 billion subordinated debt issued in 2007 and redeemed in September 2017. The effective interest rate for the floating rate notes represents the three-month JIBAR plus 210 basis points. The notes have an optional redemption date of 27 June 2022 with a final maturity date of 27 June 2027.

During November 2020, the company issued additional unsecured subordinated callable floating rate notes to the value of R1 billion floating in anticipation of the redemption of the R500 million floating rate subordinated debt issued in April 2016. The effective interest rate for the floating rate notes represents the three-month JIBAR plus 198 basis points. The notes have an optional redemption date of 30 November 2025 with a final maturity date of 30 November 2030.

Per the conditions set by the Prudential Authority, the company is required to maintain liquid assets equal to the value of the callable notes until their maturity. The callable notes are therefore measured at fair value to minimise undue volatility in the statement of comprehensive income. The fair value of the fixed rate notes is calculated using the yield provided by BESA and adding accrued interest. The fair value of the floating rate notes is calculated using the price provided by BESA and adding accrued interest. They are all classified as level 2 (2019: level 2) in the fair value hierarchy.

Santam's international credit rating was downgraded by one notch from BB+ to BB in May 2020. The rating was reaffirmed in December 2020. The movement in the fair value of the unsecured subordinated callable notes is considered immaterial and mainly represents the market movement.

ACCOUNTING POLICY – DEBT SECURITIES

Debt securities issued by the group comprise subordinated debt instruments fair valued against similar quoted debt instruments. Debt securities are designated as at fair value through income as these instruments are managed at fair value in terms of the related business model.

Fair value movements are recognised in the statement of comprehensive income. Interest accruals are recognised as finance costs in the statement of comprehensive income. Financial liabilities are derecognised when all obligations have been met.

6 FINANCIAL LIABILITIES (continued)

6.2 Interest rate risk – financial liabilities

Interest rate risk arises from the net effect on assets and liabilities of a change in the level of interest rates.

The assets backing the subordinated debt are managed within a mandate to ensure that adequate cover is provided for the related liabilities, ie the market value of the subordinated debt and the market value of the assets backing the debt react the same way to changes in interest rates.

SENSITIVITY ANALYSIS ON INTEREST-BEARING INSTRUMENTS

General insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest-bearing. Interest-bearing instruments with a fixed rate give rise to fair value interest rate risk, while interest-bearing instruments with a floating rate give rise to cash flow interest rate risk.

The following table provides an indication of the impact of a 1% change in interest rates on the net income before tax as well as the net comprehensive income of the group and the company:

	2020		2019	
	1% increase R million	1% decrease R million	1% increase R million	1% decrease R million
GROUP				
Financial liabilities – fixed rate				
Debt securities – quoted	**10**	**(11)**	14	(14)
Derivative instruments	**43**	**(47)**	–	–
Financial liabilities – variable rate				
Debt securities – quoted	**(25)**	**25**	(15)	15
Total change in finance cost and net fair value movement before tax	**28**	**(33)**	(1)	1

	2020		2019	
	1% increase R million	1% decrease R million	1% increase R million	1% decrease R million
COMPANY				
Financial liabilities – fixed rate				
Debt securities – quoted	**10**	**(11)**	14	(14)
Derivative instruments	**43**	**(47)**	–	–
Financial liabilities – variable rate				
Debt securities – quoted	**(25)**	**25**	(15)	15
Total change in finance cost and net fair value movement before tax	**28**	**(33)**	(1)	1

6.3 Investment contracts

	Group	
	2020 R million	2019 R million
At the beginning of the year	**1 618**	1 528
Cash movements		
Investment contracts issued	**333**	188
Investment contracts sold/matured	**(169)**	(237)
Non-cash movements		
Net fair value losses	**56**	139
	1 838	1 618
Expected to be settled after 12 months	**1 480**	1 535
Expected to be settled within 12 months	**358**	83

The net fair value losses on investment contracts are equal to the net fair value losses on the linked financial assets at fair value through income. The movement in the net fair value of the linked assets and liabilities are included in net losses on financial assets and liabilities at fair value through income in the statement of comprehensive income. The movement in the fair value of the investment contracts mainly represents the market movement. The maturity values of these financial liabilities are determined by the fair values of the linked assets. They are classified as level 2 per the fair value hierarchy.

ACCOUNTING POLICY – INVESTMENT CONTRACTS

The group recognises the following investment contracts:

(a) First-party cells

First-party cell captive arrangements are arrangements where the risks that are being insured relate to the cell shareholder's own operations or operations within the cell shareholder's group of companies. The cell shareholder and the policyholder are considered the same person. Where more than one contract is entered into with a single counterparty, it shall be considered a single contract, and the shareholder and insurance agreement are considered together for risk transfer purposes. As these contracts are considered a single contract there is no significant risk transfer and as such cell captive facilities are accounted for as investment contract liabilities.

(b) Policies with no significant risk transfer

A risk is a significant risk if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding those that lack commercial substance and is assessed on a contract-by-contract basis except in circumstances where there is a relatively homogeneous book of small contracts which are known to transfer risk. Should an insurance contract not result in significant risk transfer, the contract will be accounted for as an investment contract.

Investment contract liabilities are recognised when the group becomes party to the contractual provisions of the instrument. It is initially recognised at fair value. The fair value is determined using the fair value of the underlying financial assets linked to the financial liability. Based on the principle of eliminating an accounting mismatch in the financial statements, investment contracts are designated to be measured at fair value through income.

6.4 Derivative liabilities

	Group		Company	
	2020 R million	2019 R million	2020 R million	2019 R million
Exchange-traded futures	77	–	77	–
Over the counter				
Interest rate swaps	3	–	3	–
	80	–	80	–

At 31 December 2020, the group had exchange traded futures with an exposure value of R1 080 million (December 2019: R386 million). The group also had interest rate derivative assets as part of the international bond portfolio with a gross exposure asset and liability at 31 December 2020 of R46 million (December 2019: R69 million) and R46 million (December 2019: R69 million) respectively.

On 6 August 2020, Santam entered into a zero cost collar over equities to the value of R1 billion, based on the SWIX 40 to provide capital protection in the current volatile market conditions. The structure offered full downside protection from the implementation level 10 858, with upside participation (excluding dividends) of 0.275%. The structure was rolled on 3 November 2020, realising a profit of R50 million. The structure continues to provide full downside protection from the market level at the date of rolling of 10 307 with upside participation (excluding dividends) of 0.85% and expires on 3 February 2021. As at 31 December 2020, the structure's valuation amounted to a loss of R77 million.

The zero cost collar is classified as level 3 on the fair value hierarchy. Since implementation of the collar, all fair value losses have been recognised through the statement of comprehensive income amounting to R30 million and a settlement of R50 million in November 2020. The significant input into its valuation is the level of the SWIX40 index. A 10% increase in the index level would result in R107 million loss, and a 10% decrease in the index level would result in a R104 million gain.

ACCOUNTING POLICY – DERIVATIVES

Derivatives are initially recognised in the statement of financial position at fair value on the date on which the contract is entered into and subsequently measured at their fair value. These derivatives are regarded as non-hedge derivatives. Changes in the fair value of such derivative instruments are recognised immediately in the statement of comprehensive income. Quoted derivative instruments are valued at quoted market prices, while unquoted derivatives are valued independently using valuation techniques such as discounted cash flow models and option models. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a current legal enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

6 FINANCIAL LIABILITIES (continued)

6.5 Repo liability

	Group	
	2020 R million	2019 R million
At the beginning of the year	**785**	759
Cash movements		
New repurchase agreements entered into	**640**	377
Repurchase agreements settled	**(564)**	(356)
	861	780
Accrued interest	**6**	5
	867	785
Expected to be settled after 12 months	**419**	402
Expected to be settled within 12 months	**448**	383

The repo liability relates to a sale and repurchase agreement within SSI's portfolio. This liability is secured by debt securities with a value of R936 million (2019: R884 million). The liability is classified as level 2 per the fair value hierarchy. The group continues to receive income derived from the underlying assets over the term of the agreement. The group cannot realise profit or losses on disposing of the underlying assets for the duration of the agreements, as the group does not have custody of the assets during this time.

ACCOUNTING POLICY – REPO LIABILITY

Repo (repurchase) liabilities consist of sale and repurchase of assets agreements. These agreements contain financial liabilities consisting of financial instruments sold with an agreement to repurchase these instruments at a fixed price at a later date. These financial liabilities are classified as financial liabilities at amortised cost.

Where financial instruments are sold subject to a commitment to repurchase them, the financial instrument is not derecognised and remains in the statement of financial position and is valued according to the group's accounting policy relevant to that category of financial instrument. The proceeds received are recorded as a liability (repo liability) carried at amortised cost.

The difference between the sale and repurchase price is treated as finance cost and is accrued over the life of the agreement using the effective interest rate method.

6.6 Collateral guarantee contracts

	Group		Company	
	2020 R million	2019 R million	2020 R million	2019 R million
At the beginning of the year	**120**	158	**120**	158
Cash movements				
New contracts entered into	**33**	27	**33**	27
Contracts ended	**(29)**	(73)	**(29)**	(73)
Non-cash movements				
Interest	**4**	8	**4**	8
	128	120	**128**	120

Liabilities arising out of collateral guarantee contracts are payable on demand should a claim be made against the policy, and is therefore treated as current.

Santam issues guarantees on behalf of its corporate clients covering various risks such as mining rehabilitation. The guarantees are issued on the back of full collateral guarantees in the form of moneys deposited with Santam. These assets are included in financial assets, debt securities, at fair value through income and cash, and amounted to R128 million (2019: R120 million) as at 31 December 2020. These assets are managed in a separate investment portfolio and are sold when required to settle obligations arising from the collateral guarantee contracts. As a result, the transaction is not recorded as an insurance transaction in terms of IFRS 4, but as a financial instrument in terms of IFRS 9.

The carrying value of collateral guarantee contracts approximates fair value.

ACCOUNTING POLICY – COLLATERAL GUARANTEE CONTRACTS

Collateral guarantee contracts are initially recognised at fair value and subsequently measured at amortised cost using the effective-interest method. Interest accruals are recognised as finance costs in the statement of comprehensive income.

6.7 Trade and other payables excluding insurance payables

	Group		Company	
	2020 R million	2019 R million	2020 R million	2019 R million
Amounts due to subsidiaries (refer to note 10.1)	**–**	–	**560**	433
Trade payables and accrued expenses	**2 029**	2 079	**697**	923
Employee benefits	**186**	157	**122**	106
Total	**2 215**	2 236	**1 379**	1 462

The carrying value of trade and other payables approximates fair value. All trade payables are expected to be settled within 12 months.

ACCOUNTING POLICY – TRADE AND OTHER PAYABLES

Trade and other payables, including accruals, are recognised when the group has a present obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits from the group. Trade and other payables are carried at amortised cost.

6.8 Finance costs

	Group		Company	
	2020 R million	2019 R million	2020 R million	2019 R million
Interest expense				
– interest on collateral guarantee contracts	**4**	8	**4**	8
– interest on lease liabilities	**84**	73	**65**	39
– subordinated callable note	**170**	198	**170**	198
– repo liability	**41**	59	**–**	–
– other	**19**	30	**2**	22
	318	368	**241**	267

ACCOUNTING POLICY – FINANCE COSTS

Finance costs are recognised using the effective-interest method.

6.9 Lease liabilities

	Group		Company	
	2020 R million	2019 R million	2020 R million	2019 R million
At the beginning of the year	**978**	–	**731**	–
Addition on adoption of IFRS 16	**–**	1 004	**–**	750
Adjusted opening balance	**978**	1 004	**731**	750
Cash movements				
Payment of principle element of lease liabilities	**(141)**	(173)	**(96)**	(108)
Payment of interest	**(84)**		**(65)**	
Non-cash movements				
New leases entered into and lease extensions during the year	**54**	74	**43**	50
Termination of lease agreements	**(109)**	–	**(93)**	–
Interest	**84**	73	**65**	39
	782	978	**585**	731

6 FINANCIAL LIABILITIES (continued)

6.9 Lease liabilities (continued)

The following table summarises the contractual maturity dates for lease liabilities. The maturity analysis is presented on an undiscounted contractual cash flow basis.

31 December 2020	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
GROUP				
Lease liabilities	206	587	320	**1 113**

31 December 2020	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
COMPANY				
Lease liabilities	145	465	282	**892**

31 December 2019	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
GROUP				
Lease liabilities	220	674	389	**1 283**

31 December 2019	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
COMPANY				
Lease liabilities	151	495	385	**1 031**

ACCOUNTING POLICY – LEASES

Practical expedients applied

In applying IFRS 16 for the first time in 2019, the group has used the following permitted practical expedients:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics (mainly vehicles)
- Reliance on previous assessments on whether leases are onerous
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application

The group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the date of initial application, the group relied on its assessment made applying IAS 17 and IFRIC 4.

Policy for leasing activities

Agreements where the counterparty retains control of the underlying asset are classified as leases.

The group leases various offices, motor vehicles and office equipment. Until the 2018 financial year, leases of property and equipment were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest, the incremental borrowing rate, on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Offices consist mainly of head office buildings and branches. Rental contracts are typically made for fixed periods of three to eight years but may have extension options that exist. Head office buildings are typically leased for longer periods than branches and are the main contributor to the carrying value of the right-of-use asset. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Periods covered by an option to extend the lease are included if the group is reasonably certain to exercise that option taking into account, among others, the remaining term of the original lease, refurbishments, changing technology and cost-saving initiatives. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Vehicles consist of a fleet of vehicles that the group leases for use by various field agents including assessors. The terms of these leases are typically between three and five years. Lease extensions are not considered in the valuation of these leases, as the group does not expect to extend leases on motor vehicles as they are generally replaced with a new lease.

The incremental borrowing rate for Santam Ltd uses the rates on the unsecured subordinated callable notes issued by the company as a basis, while all subsidiaries use a rate at which borrowings can be obtained by them commercially. The rate is then adjusted based on factors relating to the specific lease and underlying asset, including but not limited to the term of the borrowing, the property yield (for property) and the ability to provide security for the purchase of the specific asset.

The group does not account for short term leases, with a term shorter than 12 months as lease liabilities or right-of-use assets. These are accounted for as operating leases.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments, but excluding payments for service components), less any lease incentives receivable
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

After initial recognition, lease liabilities are remeasured where there is a change in the future lease payments or if there is a change in the group's assessment of whether it will exercise an extension or termination option. When the lease is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or recognised in the income statement if the carrying amount of the right-of-use assets has been reduced to zero.

7 CURRENCY RISK

The group has two sources of currency risk:

- Operational currency risk – underwriting liabilities in currencies other than the currency of the primary environment in which the business units operate (non-functional currencies)
- Structured currency risk – investing in SEM target shares and SAN JV

These risks affect both the value of Santam's assets as well as the cost of claims, particularly for imported motor parts, directly and indirectly. The fair value of the investments in the SEM target shares are impacted by changes in the foreign exchange rates of the underlying operations. Santam is also pursuing international diversification in underwriting operations through the business written by Santam Re and the specialist underwriting managers. Any changes in foreign exchange rates relating to the investment in SAN JV are recognised directly in the foreign currency translation reserve in the statement of changes in equity. These movements will only be released to profit or loss should the investment in SAN JV be disposed of.

In order to mitigate the foreign currency mismatch risk, Santam monitors the level of foreign currency assets relative to foreign currency liabilities and foreign currency capital requirements.

The tables presented on pages 91 and 92 provide a summary of the foreign exposures (including structured currency risk) relating to assets and liabilities included in the statement of financial position at the reporting date. Only the material currencies held at the reporting date are disclosed in the table. The exposure disclosed in rand value does, however, represent the group and the company's total exposure to all currencies held at the reporting date irrespective of whether it was separately disclosed in the table. The foreign currency exposure for reinsurance assets disclosed in the table only includes reinsurance contracts denominated in foreign currencies.

Structured currency risk relating to the investments in SAN JV and SEM expose the group and company to multiple underlying currencies, which are not separately disclosed, as it is not direct currency exposure. The group has structured currency exposure of R1 823 million (2019: R2 323 million) relating to its investment in SAN JV, and the company has exposure of R2 034 million (2019:R2 514 million). The group and company have structured currency exposure of R1 538 million (2019: R1 474 million) relating to their investment in SEM target shares. Refer to note 5.3 for additional disclosure on the group's sensitivity in its exposure to structured currency risk arising from the investment in SEM target shares.

Any exposure to the Namibian dollar was not included in the tables as there is currently no impact on profit or loss and/or the net asset value of the group.

Assets and liabilities denominated in foreign currencies included in the statement of financial position

31 December 2020	Euro € million	United States dollar US$ million	Moroccan dirham MAD million	Chinese yuan CNY million	Indian rupee INR million	South Korean won KRW million	Israeli shekel ILS million	Total exposure R million
GROUP								
Debentures, insurance policies, public sector stocks and other loans	0.52	165.97	–	–	–	–	–	**2 310.51**
Cash and cash equivalents and similar instruments	4.10	76.49	–	–	–	–	–	**1 202.64**
Reinsurance assets	0.09	108.18	14.18	–	0.14	–	–	**1 624.01**
Trade and other receivables	–	59.18	27.80	36.92	349.90	4 273.51	112.79	**1 899.42**
Insurance liabilities	(21.43)	(181.73)	(17.26)	(81.67)	(961.17)	(16 559.04)	(152.97)	**(4 844.45)**
Trade and other payables	(0.53)	(26.11)	–	(18.17)	(17.91)	(1 828.19)	–	**(486.02)**
Total foreign currency exposure relating to insurance business (excluding alternative risk)	**(17.25)**	**201.98**	**24.72**	**(62.92)**	**(629.04)**	**(14 113.72)**	**(40.18)**	**1 706.11**
Cash and cash equivalents and similar instruments:								
– relating to alternative risk business	0.28	17.37	–	–	–	–	–	**259.86**
Trade and other payables:								
– relating to alternative risk business	(0.11)	(2.85)	–	–	–	–	–	**(47.38)**
Reinsurance assets	–	–	–	–	–	–	–	**–**
– relating to alternative risk business	–	6.67	–	–	–	–	–	**97.93**
Quoted equity securities	2.61	10.05	–	–	–	–	–	**193.82**
Foreign currency exposure	**(14.47)**	**233.22**	**24.72**	**(62.92)**	**(629.04)**	**(14 113.72)**	**(40.18)**	**2 210.34**

31 December 2020	Euro € million	United States dollar US$ million	Moroccan dirham MAD million	Chinese yuan CNY million	Indian rupee INR million	South Korean won KRW million	Israeli shekel ILS million	Total exposure R million
COMPANY								
Debentures, insurance policies, public sector stocks and other loans	0.52	165.97	–	–	–	–	–	**2 310.51**
Cash and cash equivalents and similar instruments	4.10	76.49	–	–	–	–	–	**1 202.64**
Reinsurance assets	0.09	108.18	14.18	–	0.14	–	–	**1 624.01**
Trade and other receivables	–	59.18	27.80	36.92	349.90	4 273.51	112.79	**1 899.42**
Insurance liabilities	(21.43)	(181.73)	(17.26)	(81.67)	(961.17)	(16 559.04)	(152.97)	**(4 844.45)**
Trade and other payables	(0.53)	(26.11)	–	(18.17)	(17.91)	(1 828.19)	–	**(486.02)**
Total foreign currency exposure relating to insurance business	**(17.25)**	**201.98**	**24.72**	**(62.92)**	**(629.04)**	**(14 113.72)**	**(40.18)**	**1 706.11**
Exchange rates:								
Closing rate	17.97	14.69	1.65	2.24	0.20	0.01	4.54	
Average rate	18.64	16.34	1.73	2.38	0.22	0.01	4.79	

7 CURRENCY RISK (continued)

31 December 2019	Euro € million	United States dollar US$ million	Moroccan dirham MAD million	Chinese yuan CNY million	Indian rupee INR million	South Korean won KRW million	Israeli shekel ILS million	Total exposure R million
GROUP								
Debentures, insurance policies, public sector stocks and other loans	2.13	101.08	–	–	–	–	–	**1 494.83**
Cash and cash equivalents and similar instruments	12.31	78.20	–	–	–	–	–	**1 298.15**
Reinsurance assets	0.14	70.39	32.03	(2.62)	(26.03)	(204.69)	–	**1 039.71**
Trade and other receivables	0.29	47.51	19.67	25.78	317.01	3 331.93	66.42	**1 326.82**
Insurance liabilities	(18.04)	(136.59)	(38.05)	(60.94)	(859.68)	(16 694.17)	(116.87)	**(3 742.25)**
Trade and other payables	(0.13)	(16.86)	–	(17.76)	(17.62)	(1 539.92)	–	**(318.79)**
Total foreign currency exposure relating to insurance business (excluding alternative risk)	**(3.30)**	**143.73**	**13.65**	**(55.54)**	**(586.32)**	**(15 106.85)**	**(50.45)**	**1 098.47**
Cash and cash equivalents and similar instruments:								
– relating to alternative risk business	0.40	12.72	–	–	–	–	–	**185.17**
Trade and other payables:								
– relating to alternative risk business	0.12	2.79	–	–	–	–	–	**(45.20)**
Equity securities	3.16	10.98	–	–	–	–	–	**225.53**
Derivative instruments	–	2.54	–	–	–	–	–	**36.45**
Foreign currency exposure	**0.38**	**172.76**	**13.65**	**(55.54)**	**(586.32)**	**(15 106.85)**	**(50.45)**	**1 550.42**

31 December 2019	Euro € million	United States dollar US$ million	Moroccan dirham MAD million	Chinese yuan CNY million	Indian rupee INR million	South Korean won KRW million	Israeli shekel ILS million	Total exposure R million
COMPANY								
Debentures, insurance policies, public sector stocks and other loans	2.13	101.08	–	–	–	–	–	**1 494.83**
Cash and cash equivalents and similar instruments	12.31	78.20	–	–	–	–	–	**1 298.15**
Reinsurance assets	0.14	70.39	32.03	(2.62)	(26.03)	(204.69)	–	**1 039.71**
Trade and other receivables	0.29	47.51	19.67	25.78	317.01	3 331.93	66.42	**1 326.82**
Insurance liabilities	(18.04)	(136.59)	(38.05)	(60.94)	(859.68)	(16 694.17)	(116.87)	**(3 742.25)**
Trade and other payables	(0.13)	(16.86)	–	(17.76)	(17.62)	(1 539.92)	–	**(318.79)**
Total foreign currency exposure relating to insurance business	**(3.30)**	**143.73**	**13.65**	**(55.54)**	**(586.32)**	**(15 106.85)**	**(50.45)**	**1 098.47**
Equity securities	–	–	–	–	–	–	–	**21.50**
Derivative instruments	–	2.54	–	–	–	–	–	**36.45**
Foreign currency exposure	**(3.30)**	**146.27**	**13.65**	**(55.54)**	**(586.32)**	**(15 106.85)**	**(50.45)**	**1 156.42**
Exchange rates:								
Closing rate	15.70	13.98	1.49	2.02	0.20	0.01	4.09	
Average rate	16.16	14.43	1.52	2.09	0.21	0.04	4.06	

ACCOUNTING POLICY – FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African rand, which is the group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the closing exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Translation differences on non-monetary items, such as equities held at fair value through income, are reported as part of the fair value gain or loss.

(c) Group companies

The results and financial position of all group entities (none of which uses a currency linked to a hyperinflationary economy) that use a functional currency other than the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.

(ii) Income and expenses for each statement of comprehensive income presented are translated at average exchange rates during each period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

(iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as the foreign entity's assets or liabilities and are translated at the closing rate.

A 10% change in the rand exchange rate against the US dollar and Israeli shekel (ILS) would have the following impact on income before taxation:

31 December 2020	10% strengthening in rand/ILS R million	10% weakening in rand/ILS R million	10% strengthening in rand/US$ R million	10% weakening in rand/US$ R million
GROUP				
Impact on profit or loss	**18.26**	**(18.26)**	**(342.34)**	**342.34**
COMPANY				
Impact on profit or loss	**18.26**	**(18.26)**	**(296.39)**	**296.39**

31 December 2019	10% strengthening in rand/ILS R million	10% weakening in rand/ILS R million	10% strengthening in rand/US$ R million	10% weakening in rand/US$ R million
GROUP				
Impact on profit or loss	20.63	(20.63)	(245.43)	245.43
COMPANY				
Impact on profit or loss	20.63	(20.63)	(204.54)	204.54

The impact of a 10% change in the rand exchange rate against the euro, Chinese yuan, Moroccan dirham, Indian rupee and South Korean won is not disclosed as it is not material for the group or the company for the current year.

The foreign exchange profits or losses arising from the translation of international business unit statements of financial position from their functional currencies into rand are recognised in the currency translation reserve. These movements in exchange rates therefore have no impact on profit. On disposal of the foreign companies, the reserve is realised and released to profit or loss.

Exchange rate profits or losses relating to the SEM target shares are included in the fair value movements of the instruments.

7 CURRENCY RISK (continued)

Derivative risk

The group uses derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in interest rates, foreign exchange rates and equity prices. The group does not use derivatives to leverage its exposure to markets and does not hold or issue derivative financial instruments for speculative purposes. The policy on the use of derivatives is approved by the investment committee and the board. Refer to notes 5.2 and 6.4 for more detail on the derivatives held by the group.

Over-the-counter derivative contracts and exchange-traded futures are entered into only with approved counterparties, in accordance with group policies, effectively reducing the risk of credit loss. The group applies strict requirements to the administration and valuation process it uses, and has a control framework that is consistent with market and industry practice for the activity that it has undertaken.

8 LIQUIDITY RISK

Santam manages the liquidity requirements by matching the duration of the assets invested to the corresponding liabilities. The net insurance liabilities are covered by cash and liquid interest-bearing instruments while Santam's subordinated debt obligation is covered by matching cash and interest-bearing instruments.

The cash mandates include market risk limitations (average duration and maximum duration per instrument) to ensure adequate availability of liquid funds to meet Santam's payment obligations.

Santam's shareholders' funds are invested in a combination of interest-bearing instruments, preference shares, listed equities and unlisted investments. The listed equity portfolio is a well-diversified portfolio with highly liquid shares.

The following table summarises the contractual repricing or maturity dates (whichever is earlier) for financial assets and liabilities that are subject to fixed and variable interest rates. Insurance and financial assets are presented using discounted values. Insurance contract liabilities are also presented and are analysed by remaining estimated duration until settlement. Insurance and financial liabilities are presented on an undiscounted contractual cash flow basis, except for Investment contracts, Reinsurance liability relating to cell owners and cell owners interest which are presented using discounted values. The open ended instruments are available to use within one year.

31 December 2020	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Open ended R million	Carrying value R million
GROUP					
Financial and insurance assets					
Equity securities					
Listed equities and similar securities	–	–	–	2 577	**2 577**
Unlisted equities and similar securities	–	–	–	1 614	**1 614**
Interest-bearing investments					
Government interest-bearing investments	1 955	948	1 593	–	**4 496**
Corporate interest-bearing investments	3 936	8 856	1 546	80	**14 418**
Mortgages and loans	66	69	11	–	**146**
Structured transactions					
Structured notes	55	201	8	–	**264**
Investment funds	**–**	**–**	**–**	**5 191**	**5 191**
Cash, deposits and similar securities	**1 743**	**483**	**–**	**–**	**2 226**
Total investment assets	**7 755**	**10 557**	**3 158**	**9 462**	**30 932**
Receivables due from contract holders/ intermediaries	4 933	–	–	–	**4 933**
Reinsurance receivables	459	–	–	–	**459**
Cell owners' and policyholders' interest	14	–	–	–	**14**
Other loans and receivables	1 429	18	16	–	**1 463**
Reinsurance assets (including DAC)	8 763	905	107	10	**9 785**
Deposit with cell owner	53	100	8	–	**161**
Total	**15 651**	**1 023**	**131**	**10**	**16 815**
Cash and cash equivalents	**4 383**	**–**	**–**	**–**	**4 383**
Total financial and insurance assets	**27 789**	**11 580**	**3 289**	**9 472**	**52 130**

31 December 2020	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
GROUP				
Financial and insurance liabilities				
Debt securities	688	2 812	–	**3 500**
Investment contracts	358	–	1 480	**1 838**
Cell owners' and policyholders' interest	–	4 238	–	**4 238**
Repo liability	448	419	–	**867**
Collateral guarantee contracts	128	–	–	**128**
Derivative liabilities	80	–	–	**80**
Insurance liabilities (including reinsurance deferred acquisition revenue)	26 255	2 812	321	**29 388**
Reinsurance liability relating to cell owners	53	100	8	**161**
Trade and other payables including insurance payables	5 073	–	16	**5 089**
Total financial and insurance liabilities	**33 083**	**10 381**	**1 825**	**45 289**

8 LIQUIDITY RISK (continued)

31 December 2020	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Open ended R million	Carrying value R million
COMPANY					
Financial and insurance assets					
Equity securities					
Listed equities and similar securities	–	–	–	1 235	**1 235**
Unlisted equities and similar securities	–	–	–	1 611	**1 611**
Interest-bearing investments					
Government interest-bearing investments	685	860	1 227	–	**2 772**
Corporate interest-bearing investments	2 824	3 548	1 244	20	**7 636**
Mortgages and loans	48	69	–	–	**117**
Structured transactions					
Structured notes	48	140	8	–	**196**
Investment funds	**–**	**–**	**–**	**289**	**289**
Cash, deposits and similar securities	**1 236**	**311**	**–**	**–**	**1 547**
Total investment assets	**4 841**	**4 928**	**2 479**	**3 155**	**15 403**
Receivables due from contract holders/ intermediaries	**4 205**	**–**	**–**	**–**	**4 205**
Reinsurance receivables	**302**	**–**	**–**	**–**	**302**
Other loans and receivables	**471**	**–**	**–**	**–**	**471**
Reinsurance assets (including DAC)	**7 660**	**938**	**112**	**–**	**8 710**
Total	**12 638**	**938**	**112**	**–**	**13 688**
Cash and cash equivalents	**2 036**	**–**	**–**	**–**	**2 036**
Total financial and insurance assets	**19 515**	**5 866**	**2 591**	**3 155**	**31 127**

31 December 2020	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
COMPANY				
Financial and insurance liabilities				
Debt securities	688	2 812	–	**3 500**
Collateral guarantee contracts	128	–	–	**128**
Derivative liabilities	80	–	–	**80**
Insurance liabilities (including reinsurance deferred acquisition revenue)	16 628	2 578	306	**19 512**
Trade and other payables including insurance payables	3 577	–	–	**3 577**
Total financial and insurance liabilities	**21 101**	**5 390**	**306**	**26 797**

31 December 2019 (Restated)	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Open ended R million	Carrying value R million
GROUP					
Financial and insurance assets					
Equity securities					
Listed equities and similar securities	–	–	–	2 420	2 420
Unlisted equities and similar securities	–	–	–	1 557	1 557
Interest-bearing investments					
Government interest-bearing investments	1 900	534	585	–	3 019
Corporate interest-bearing investments	3 103	7 959	947	80	12 089
Mortgages and loans	26	129	10	–	165
Structured transactions					
Structured notes	118	229	18	–	365
Derivative assets[1]	35	–	–	–	35
Investment funds	–	–	–	4 480	4 480
Cash, deposits and similar securities	975	780	–	–	1 755
Total investment assets	**6 157**	**9 631**	**1 560**	**8 537**	**25 885**
Receivables due from contract holders/ intermediaries	4 745	–	–	–	4 745
Reinsurance receivables	373	–	–	–	373
Cell owners' and policyholders' interest	26	–	–	–	26
Other loans and receivables	1 114	–	–	5	1 119
Reinsurance assets (including DAC)	6 268	951	236	93	7 548
Deposit with cell owner	58	117	5	–	180
Total	**12 584**	**1 068**	**241**	**98**	**13 991**
Cash and cash equivalents	4 642	–	–	–	4 642
Total financial and insurance assets	**23 382**	**10 700**	**1 801**	**8 635**	**44 518**

31 December 2019	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
GROUP				
Financial and insurance liabilities				
Debt securities	199	2 310	–	2 509
Investment contracts	83	–	1 535	1 618
Cell owners' and policyholders' interest	–	3 964	–	3 964
Repo liability	383	402	–	785
Collateral guarantee contracts	120	–	–	120
Insurance liabilities (including reinsurance deferred acquisition revenue)	20 498	2 590	608	23 696
Reinsurance liability relating to cell owners	58	117	5	180
Trade and other payables including insurance payables	5 183	52	45	5 280
Total financial and insurance liabilities	**26 524**	**9 435**	**2 193**	**38 152**

8 LIQUIDITY RISK (continued)

31 December 2019 (Restated)	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Open ended R million	Carrying value R million
COMPANY					
Financial and insurance assets					
Equity securities					
Listed equities and similar securities	–	–	–	1 152	1 152
Unlisted equities and similar securities	–	–	–	1 553	1 553
Interest-bearing investments					
Government interest-bearing investments	668	459	333	–	1 460
Corporate interest-bearing investments	1 693	3 882	793	20	6 388
Mortgages and loans	25	111	–	–	136
Structured transactions					
Structured notes	67	175	18	–	260
Derivative assets	35	–	–	–	35
Investment funds	–	–	–	433	433
Cash, deposits and similar securities	733	382	–	–	1 115
Total investment assets	**3 221**	**5 009**	**1 144**	**3 158**	**12 532**
Receivables due from contract holders/ intermediaries	4 179	–	–	–	4 179
Reinsurance receivables	206	–	–	–	206
Other loans and receivables	409	–	–	–	409
Reinsurance assets (including DAC)	5 208	957	237	–	6 402
Total	10 002	957	237	–	11 196
Cash and cash equivalents	**2 057**	**–**	**–**	**–**	**2 057**
Total financial and insurance assets	**15 280**	**5 966**	**1 381**	**3 158**	**25 785**

31 December 2019	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
COMPANY				
Financial and insurance liabilities				
Debt securities	199	2 310	–	2 509
Collateral guarantee contracts	120	–	–	120
Insurance liabilities (including reinsurance deferred acquisition revenue)	11 720	2 383	590	14 693
Trade and other payables including insurance payables	3 952	–	–	3 952
Total financial and insurance liabilities	**15 991**	**4 693**	**590**	**21 274**

[1] *Derivative assets amounting to R35 million were omitted in error from the 2019 disclosure as published, and has been included in the table above.*

9 CELL OWNERS' AND POLICYHOLDERS' INTEREST AND OTHER ASSETS AND LIABILITIES RELATING TO CELLS

9.1 Reconciliation of cell owners' interest

	Group	
	2020 R million	**2019 R million**
At the beginning of the year	**2 300**	1 780
Cash movements		
Preference shares issued by subsidiary	**127**	125
Redemption of preference shares	**(16)**	(4)
Dividends paid to preference shareholders	**(585)**	(279)
Transfer to non-controlling interest	**(166)**	–
Non-cash movements		
Net increase in cell owners' interest	**1 162**	678
	2 822	2 300
Insolvent cells	**14**	26
	2 836	2 326
Expected to be settled after 12 months	**2 836**	2 326
Expected to be settled within 12 months	**–**	–

Amounts owed by cell owners are unrated and neither past due nor impaired. The increase in the current year's net increase in cell owners' interest is due to profitability of new cell agreements. The transfer to non-controlling interest relates to amended cell share agreements entered into with cell shareholders from November 2020. The amendment resulted in the initial contracts being derecognised and the new contracts classified as equity. According to the amended contracts, the group has sole discretion on payment of dividends and redemption of the cell share capital. As the group has an unconditional right to avoid payment of remaining capital and accrued profits in the cell, the shares issued are now classified as equity compared to being classified as a liability before. Refer to note 11 for the disclosure in this regard.

In the event that claims incurred by the cell captive exceed the related assets, the group will be exposed to the credit risk of the related cell owners until the solvency requirements of the cell captives have been met by the cell owner. Cell owners' credit risk is evaluated before new cell arrangements are established. Solvency levels of cells are assessed on a regular basis.

ACCOUNTING POLICY – LIABILITIES TO CELL SHAREHOLDERS

The group offers cell captive facilities to clients. A cell captive is a contractual arrangement entered into by the group with a cell shareholder, whereby the risks and rewards associated with certain insurance activities accrue to the cell shareholder. Cell captives allow clients to purchase non-convertible preference shares in the registered insurance company which undertakes the professional insurance management of the cell, including: underwriting, reinsurance, claims management, actuarial and statistical analysis, investment and accounting services. The terms and conditions are governed by the shareholders' agreement. There are currently two distinct types of cell captive arrangements: a) first party and b) third party.

a) First-party cell captive arrangements: refer to note 6.3

b) Third-party cell captive arrangements are arrangements where the cell shareholder provides the opportunity to its own client base to purchase branded insurance products. The insurance company is the principal to the insurance contract, although the business is underwritten on behalf of the cell shareholder. The shareholders' agreement, however, determines that the cell shareholders remain responsible for the solvency of the cell captive arrangements. In substance, the insurance company therefore reinsures this business to the cell shareholder as the cell shareholder remains responsible for the solvency of the cell captive arrangement.

The cell shareholder's interest represents the cell shareholder's funds, in respect of the insurance business conducted in the cell structures, held by the insurer and is included under liabilities due to cell shareholders. The carrying value of amounts due to cells is the consideration received for preference shares plus the accumulated funds in respect of business conducted in the cells, measured in accordance with accounting policies set out in note 4, less repayment to cells.

The premiums and claims relating to first-party cells have been excluded from the statement of comprehensive income and are accounted for directly in the liability. The premiums and claims payments relating to contracts in third-party cells have been included in the statement of comprehensive income, but as the third-party cell shareholder, in substance, is the reinsurer, the net result is accounted for as part of the cell owners' interest.

9 CELL OWNERS' AND POLICYHOLDERS' INTEREST AND OTHER ASSETS AND LIABILITIES RELATING TO CELLS (continued)

9.2 Reconciliation of policyholders' interest

	Group	
	2020 R million	**2019 R million**
At the beginning of the year	**1 638**	1 550
Cash movements		
Dividends paid to preference shareholders	**(147)**	(104)
Non-cash movements		
Net (decrease)/increase in policyholders' interest	**(89)**	192
	1 402	1 638
Expected to be settled after 12 months	**1 402**	1 638
Expected to be settled within 12 months	**–**	–

ACCOUNTING POLICY – LIABILITIES TO POLICYHOLDERS

Policyholder liabilities that originated from unit-linked contracts are measured with reference to the respective underlying assets of these contracts.

Policyholders' entitlement to participation in operating results remains contingent until the termination of the agreement with the client or until contractually determined. During the duration of the profit sharing agreement, the estimated entitlement to profit or losses by clients is determined annually and transferred to the policyholders' interest liability. Increases and decreases in the estimated entitlement to operating result that may become apparent in future periods are transferred from or to the operating result of that period.

9.3 Reconciliation of deposit with cell owner

	Group	
	2020 R million	**2019 R million**
At the beginning of the year	**180**	191
Movement for the year (refer to note 9.4)	**(19)**	(11)
	161	180
Expected to be realised after 12 months	**108**	122
Expected to be realised within 12 months	**53**	58

9.4 Reconciliation of reinsurance liability relating to cell owners

	Group	
	2020 R million	**2019 R million**
At the beginning of the year	**180**	191
Impact of discounting (unwinding)	**7**	10
Exits during the period (lapses and death)	**-**	(11)
Repayments	**(58)**	(57)
New tranches written	**-**	41
Impact of change in basis	**26**	(7)
Other	**6**	13
	161	180
Expected to be settled after 12 months	**108**	122
Expected to be settled within 12 months	**53**	58

During 2015, Centriq Life Insurance Company Ltd (Centriq Life) entered into a financial reinsurance agreement whereby the profit in respect of a book of business reinsured, was paid up front by the reinsurer to the cell owner. Centriq Life's reinsurance liability due to the reinsurer was recognised as a reinsurance liability relating to cell owners. The payment made to the cell owner is regarded by Centriq Life as the upfront payment of profits to the cell owner in terms of the cell shareholder agreement and is therefore recognised as a deposit with the cell owner. These liabilities unwind through policy lapses and claims payment. The deposit is classified as unrated and is neither past due nor impaired.

10 INVESTMENT IN SUBSIDIARIES

	Company	
	2020 R million	**2019 R million**
At the beginning and end of the year		
Unlisted shares at cost price less impairment	**1 109**	1 109
Expected to be realised after 12 months	**1 109**	1 109
Expected to be realised within 12 months	**–**	–

On 1 January 2020, the Santam group acquired a shareholding of 51.01% in JaSure Financial Services (Pty) Ltd for R6 million in cash.

The Santam group purchased the remaining 40% non-controlling interest in Echelon Underwriting Managers (Pty) Ltd in three tranches between 6 March 2020 and 8 April 2020 for a total of R69 million in cash.

On 1 March 2019, the Santam group acquired a shareholding of 100% in Vantage Insurance Acceptances (Pty) Ltd for R31.3 million in cash, including contingent payments estimated at R6 million.

On 1 March 2019, the Santam group acquired a shareholding of 100% in X'S Sure (Pty) Ltd for R36 million, including contingent payments estimated at R6 million.

Refer to note 14 for more detail on these acquisitions.

Management performed an impairment review on all investments in subsidiaries. No impairments were required in the current or prior year.

ACCOUNTING POLICY – CONSOLIDATION

(a) Subsidiaries and business combinations

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

The company accounts for its investments in subsidiaries at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Changes in ownership interests without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

10 INVESTMENT IN SUBSIDIARIES (continued)

10.1 Analysis of investments in subsidiaries

INVESTMENT IN SUBSIDIARIES

Unlisted companies

	Nature of business	Country of incorporation	Issued capital R	Proportion held by the company 2020	Proportion held by the company 2019	Book value R million	Owing by Santam Ltd R million	Owing to Santam Ltd R million
Direct								
Aegis Insurance Company Ltd	Insurance	RSA	7 600 000	**100.0%**	100.0%	–	8	–
Centriq Insurance Holdings Ltd	Holding company	RSA	102 330 000	**100.0%**	100.0%	150	–	–
Guardian National Insurance Company Ltd	Insurance	RSA	178 603 840	**100.0%**	100.0%	626	286	–
Insurance Broker Resource Centre (Pty) Ltd	Underwriting	RSA	38 172 012	**100.0%**	100.0%	–	–	–
Main Street 409 (Pty) Ltd	Holding company	RSA	850	**100.0%**	100.0%	33	50	–
Mirabilis Engineering Underwriting Managers (Pty) Ltd	Underwriting	RSA	84 000 850	**55.0%**	55.0%	84	–	–
Riscor Underwriting Managers (Pty) Ltd	Underwriting	RSA	37 500 100	**100.0%**	100.0%	–	5	–
Santam Namibia Holdings (Pty) Ltd	Holding company	RSA	445 000 001	**100.0%**	100.0%	168	–	–
Sentinel Insurance Corporation Ltd	Investments	RSA	1 000 000	**100.0%**	100.0%	1	1	–
Swanvest 120 (Pty) Ltd	Holding company	RSA	100	**100.0%**	100.0%	–	131	–
Thebe Risk Services Holdings (Pty) Ltd	Holding company	RSA	1 000	**100.0%**	100.0%	47	57	–
Travest Investments (Pty) Ltd	Investments	RSA	860	**100.0%**	100.0%	–	–	–
						1 109	**538**	**–**
Indirect								
Admiral Professional Underwriting Agency (Pty) Ltd	Underwriting	RSA	2 270 403	**100.0%**	100.0%	12	–	–
Africa Group Financial Services (Pty) Ltd	Holding company	RSA	100	**100.0%**	100.0%	–	–	–
Beyonda Group (Pty) Ltd	Insurance	RSA	200	**87.5%**	87.5%	14	–	–
Brolink (Pty) Ltd[5]	Administration company	RSA	146 325 847	**100.0%**	100.0%	26	–	–
Centriq Insurance Company Ltd	Insurance	RSA	55 000 084	**100.0%**	100.0%	102	–	–
Centriq Life Insurance Company Ltd	Insurance	RSA	15 000 000	**100.0%**	100.0%	16	–	–
Cenviro Solutions (Pty) Ltd	Underwriting	RSA	100	**51.0%**	51.0%	–	–	–
Credit Innovation (Pty) Ltd	Insurance	RSA	6 248 571	**80.3%**	60.0%	6	–	–
C-Sure Underwriting Managers (Pty) Ltd	Underwriting	RSA	1 000	**100.0%**	100.0%	2	–	1
Echelon Private Client Solutions (Pty) Ltd[3]	Underwriting	RSA	1 000	**100.0%**	60.0%	–	–	–
Emerald Risk Transfer (Pty) Ltd	Underwriting	RSA	2 000 174	**100.0%**	100.0%	94	–	–
Ground up Risk Partners (Pty) Ltd	IT Services	RSA	100	**100.0%**	100.0%	–	–	–
H & L Underwriting Managers (Pty) Ltd	Underwriting	RSA	100	**100.0%**	100.0%	–	–	–
Insure Group Managers Finance (Pty) Ltd[2]	Underwriting	RSA	750	**75.0%**	0.0%	–	–	–
JaSure Financial Services (Pty) Ltd[1]	Underwriting	RSA	6 000 001	**51.0%**	0.0%	6	–	–
Just I-Insure Consultants (Pty) Ltd	Underwriting	RSA	120	**100.0%**	100.0%	–	–	–
Misty Sea Trading 267 (Pty) Ltd	Investments	RSA	11 200 952	**100.0%**	100.0%	–	15	–
MiAdmin (Pty) Ltd	Administration company	RSA	–	**100.0%**	100.0%	–	–	–
MiWay Group Holdings (Pty) Ltd[6]	Holding company	RSA	1 101 111	**100.0%**	100.0%	59	–	–
MiWay Insurance Ltd	Insurance	RSA	2 434 600	**100.0%**	100.0%	2	–	–
Multiplex Investment Holding Company (Pty) Ltd	Holding company	RSA	–	**100.0%**	100.0%	–	–	–
Nova Risk Partners Ltd[4]	Insurance	RSA	–	**0.0%**	100.0%	–	–	–
Premium Finance Partners (Pty) Ltd[9]	Lending specialist	RSA	750	**75.0%**	75.0%	–	–	167
Santam Namibia Ltd	Insurance	Namibia	8 307 147	**60.0%**	60.0%	5	7	–
Santam Financial Services Ltd DAC	Insurance	Ireland	15 038 450	**100.0%**	100.0%	15	–	–
Santam SI Investments Mauritius Ltd (Mauritius)	Insurance	Mauritius	12	**100.0%**	100.0%	–	–	–
Santam SI Investments (Pty) Ltd	Insurance	RSA	78 551 000	**100.0%**	100.0%	193	–	–
Santam Specialist Business Ltd	Administration company	UK	19	**100.0%**	100.0%	–	–	–
Santam Structured Insurance Ltd	Insurance	RSA	215 476 000	**100.0%**	100.0%	300	–	–
Santam Structured Life Ltd	Insurance	RSA	40 000 000	**100.0%**	100.0%	40	–	–
Santam Structured Insurance Ltd PCC	Insurance	Mauritius	15 000 000	**100.0%**	100.0%	15	–	–
Santam Structured Reinsurance Ltd PCC	Insurance	Mauritius	829 700 000	**100.0%**	100.0%	798	–	–
Snyman en Van der Vyver Finansiële Dienste (Pty) Ltd	Broker	RSA	58 389 804	**100.0%**	100.0%	90	–	–
Stalker Hutchison Admiral (Pty) Ltd	Underwriting	RSA	7 914 393	**100.0%**	100.0%	53	–	–
Travel Insurance Consultants (Pty) Ltd	Underwriting	RSA	–	**100.0%**	100.0%	–	–	–
Vantage Insurance Acceptances (Pty) Ltd[7]	Underwriting	RSA	100	**100.0%**	100.0%	31	–	–
Wheatfields Investments no 136 (Pty) Ltd	Underwriting	RSA	120	**100.0%**	100.0%	–	–	–
X'S Sure (Pty) Ltd[8]	Insurance	RSA	100	**100.0%**	0.0%	36	–	–
						1 915	**22**	**168**
Total investments in subsidiaries						**3 024**	**560**	**168**

1 On 1 January 2020, the Santam group acquired a shareholding of 51.01% in JaSure (Pty) Ltd for R6 million in cash.
2 On 1 January 2020, the Santam group acquired a shareholding of 75% in Insure Group Managers Finance (Pty) Ltd for R250 000 in cash.
3 The Santam group purchased the remaining 40% non-controlling interest in three tranches between 6 March 2020 and 8 April 2020 for a total of R69 million in cash.
4 On 30 November 2020, Nova Risk Partners Ltd repaid its share capital and premium to the Santam group and is in the process of being deregistered.
5 During 2020, the Santam group converted a loan to Brolink (Pty) Ltd to the value of R40 million to investment in subsidiary. This resulted in Brolink (Pty) Ltd issuing additional share capital to the Santam group in lieu of the loan.
6 During 2020, MiWay Group Holdings (Pty) Ltd repaid R99.5 million of share premium to the Santam group. The repayment of share premium did not affect the Santam group's assessment of control over MiWay Group Holdings (Pty) Ltd.
7 On 1 March 2019, the Santam group acquired a shareholding of 100% in Vantage Insurance Acceptances (Pty) Ltd for R31.3 million in cash, including contingent payments estimated at R6 million.
8 On 1 March 2019, the Santam group acquired a shareholding of 100% in X'S Sure (Pty) Ltd for R36 million, including contingent payments estimated at R6 million.
9 During 2019, the Santam group acquired a shareholding of 75% in Premium Finance Partners (Pty) Ltd for R1 000.

Expected credit losses on amounts owing to Santam are considered immaterial. These amounts have been included in the assessment in note 5.6.

10.2 Transactions with entities in the group

During the year the company and its subsidiaries in the ordinary course of business entered into various transactions with other group companies.

The company has several intercompany balances owed by and to subsidiaries in the group as at the end of the year. Loans to subsidiaries with outside shareholders are interest bearing and are repayable on demand. Loans to wholly-owned subsidiaries are interest free and repayable on demand. These inter-Santam group balances have been eliminated on consolidation (for detail on balances, refer to table on the previous page).

In 2013 Santam entered into a contingent capital facility with Centriq Insurance Company Ltd of R50 million. A facility fee of 0.5% of the contingent capital facility was charged. The capital facility ensured appropriate economic capital levels for the prudential management of the entity. The agreement ended on 18 December 2019. It was however renewed effective 19 December 2019 for a period of two years. The facility is for R50 million. The facility fee is 0.5% per annum (excluding value added tax) of the capital facility less all capital withdrawals made.

The following is a summary of transactions and balances with subsidiaries:

		Company	
		2020 R million	**2019 R million**
a)	**Insurance contracts and other services**		
	– MiWay Group Holdings Ltd (for insurance premiums)	**2 473**	2 314
	– Centriq Insurance Holdings Ltd (for insurance premiums)	**164**	174
	– Santam Namibia Ltd (for insurance premiums)	**81**	71
	– other subsidiaries (for administration services)	**33**	42
	– subsidiaries (for administration services)	**(409)**	(411)
	– subsidiaries (for brokerage commission)	**(1 174)**	(995)
	– MiWay Group Holdings Ltd (for insurance claims paid)	**(1 196)**	(1 227)
	– Centriq Insurance Holdings Ltd (for insurance claims paid)	**(94)**	(104)
	– Santam Namibia Ltd (for insurance claims paid)	**(9)**	(8)
	– Santam Namibia Ltd (for reinsurance services)	**(20)**	(29)
	– Santam Namibia Ltd (for reinsurance claims)	**2**	28
	– Santam Namibia Ltd (for reinsurance commission)	**5**	12
b)	**Year-end balances with related parties**		
	Emthunzini Black Economic Empowerment staff trust	**2**	11

For loans with subsidiaries, refer to table in note 10.1.

11 NON-CONTROLLING INTEREST IN SUBSIDIARIES

The following table summarises the information relating to the group's subsidiaries that have material non-controlling interests (NCIs), before any intragroup eliminations.

	Group	
	2020 R million	**2019 R million**
Mirabilis Engineering Underwriting Managers (Pty) Ltd	**37**	28
Other	**12**	13
Santam Namibia Ltd	**521**	480
Santam Structured Reinsurance Ltd PCC	**166**	–
Total	**736**	521

11 NON-CONTROLLING INTEREST IN SUBSIDIARIES (continued)

	Mirabilis Engineering Underwriting Managers (Pty) Ltd		Santam Namibia Ltd	
	2020 R million	**2019 R million**	**2020 R million**	**2019 R million**
Ownership and voting right	**45.0%**	45.0%	**40.0%**	40.0%
Target share interest			**37.4%**	37.4%
Current assets	**99**	75	**525**	615
Non-current assets	**13**	16	**589**	543
Current liabilities	**23**	28	**660**	770
Non-current liabilities	**6**	–	**13**	–
Net assets	**83**	63	**441**	388
Carrying amount of NCI	**37**	28	**521**	480
SEM target shares	**–**	–	**344**	324
Ordinary shareholders	**37**	28	**177**	156
Revenue	**165**	137	**971**	1 044
Profit after tax	**78**	54	**75**	108
Total comprehensive income	**78**	54	**75**	108
Profit allocated to NCI	**35**	24	**58**	84
Cash flows from operating activities	**76**	64	**18**	129
Cash flows from investing activities	**–**	(1)	**–**	(19)
Cash flows from financing activities, before dividends to NCI	**(35)**	(29)	**(12)**	(23)
Cash flows from financing activities – cash dividends to NCI	**(26)**	(21)	**(17)**	(78)
Net increase/(decrease) in cash and cash equivalents	**15**	13	**(11)**	9

	Santam Structured Reinsurance Ltd PCC			
	Attributable to NCI		Attributable to shareholders of the group	
	2020 R million	**2019 R million**	**2020 R million**	**2019 R million**
Current assets	**310**	–	**3 067**	–
Non-current assets	**3**	–	**–**	–
Current liabilities	**147**	–	**1 332**	–
Non-current liabilities	**–**	–	**930**	–
Net assets	**166**	–	**805**	–
Carrying amount	**166**	**–**	**805**	**–**

As the cell contracts were amended close to year-end (refer note 9) no information relating to profit or cash flows is provided.

Santam set up a wholly-owned subsidiary, Santam Namibia Holdings (Pty) Ltd (Namibian HoldCo), in December 2013. Namibian HoldCo purchased the 60% of the issued ordinary shares of Santam Namibia Ltd (Santam Namibia) that was held by Santam Ltd. SEM subscribed for target shares to the value of R277 million in Santam Namibia HoldCo linked to a 37.4% participatory interest in Santam Namibia. The target shares issued to SEM are also disclosed as part of non-controlling interest. Santam Ltd's effective participation in Santam Namibia is therefore 22.6%. However, Santam Ltd retains control over Santam Namibia by way of a service level agreement and representation on board committees, the duration of which is under the control of Santam Ltd. Santam ultimately directs the relevant activities of Santam Namibia through a technical services level agreement. The agreement provides Santam with the ability to make key operational and financial decisions relating to the relevant activities of Santam Namibia.

ACCOUNTING POLICY – NON-CONTROLLING INTEREST

The group recognises any NCI in an acquiree on an acquisition-by-acquisition basis, either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

ACCOUNTING POLICY – CELL EQUITY

The group offers cell captive facilities to clients which are similar to the cell captive disclosed in note 9.1, except that the group has sole discretion on the payment of dividends and redemption of the cell share capital. As the group has an unconditional right to avoid payment of remaining capital and accrued profits in the cell, the cell owners' interest is classified as equity as non-controlling interest. Unlike other third-party cell captives, the insurance company does not reinsure business to the cell shareholder, and the cell shareholder participates in the operating results of the cell as an attribution of profit.

12 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	Group	
	2020 R million	**2019 R million**
At the beginning of the year	**2 661**	2 927
Capitalisation	**–**	158
Share of results after tax	**(595)**	(42)
Share of results before tax	**(612)**	11
Share of tax	**17**	(53)
Dividends received from associates and joint ventures	**(50)**	(56)
Impairment	**(15)**	(4)
Share of associates other reserves	**204**	(322)
Foreign currency translation	**209**	(315)
Retained earnings	**(5)**	(7)
At the end of the year	**2 205**	2 661

During May 2019, as well as November 2019, a pro rata recapitalisation took place in terms of which Santam injected a further total of R158 million into SAN JV. Refer to note 14 for more detail regarding this transaction.

Management performed an impairment review on all investments in associates and joint ventures. In the current year, the carrying value of Indwe Broker Holdings Group (Pty) Ltd was adjusted by R15 million to align with the current valuation performed. (In the prior year a R4 million adjustment was made.)

The group's share of results of SAN JV includes an impairment of the underlying investment in Saham. The details relating to the impairment test performed is included below.

Associates – Impairment of goodwill and value of business acquired and other assets

The recoverable amount of goodwill and other intangible assets for impairment testing purposes has been determined based on the value in use of the businesses. For life businesses this is determined as the embedded value of life insurance businesses plus a value of new life insurance business multiple. For general insurance businesses the value in use was determined on a discounted cash flow valuation basis. These are considered to be the appropriate measure of value in use.

The embedded value (plus a value of new life insurance business multiple) for life businesses or fair value of general insurance businesses therefore has a significant impact on whether an impairment of goodwill and/or value of business acquired is required.

12 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

SAHAM (100%)

The carrying value of Saham comprise of net asset value (NAV), other intangible assets and goodwill. The recoverable amount is based on the value in use. The impairment test compares the value in use with the carrying value.

Changes to Saham's NAV impact the carrying value directly. Some valuation impacts will correspond to changes in the NAV. Other valuation impacts, such as assumption changes that affect longer-term cash flows, affect the carrying value through other intangible assets and goodwill.

Saham's value in use reduced from R25 billion at 31 December 2019 to R22 billion at 30 June 2020, mainly due to the impact of COVID-19 and the increased sovereign risk in Lebanon, partially offset by the impact of a weaker Rand. At the time of the 30 June 2020 valuation, the ultimate impact of COVID-19 on the economic environment and ultimately our operations across the Saham portfolio were very uncertain. The assumed cashflows represented our best estimate of the recovery path at the time but assuming risk discount rates that reflected the high level of uncertainty. The end-result implied an impairment of the carrying value of the Saham investment at 30 June 2020. The largest drivers of the valuation was attributable to the general insurance businesses, contributing 87% of the total value with the life businesses contributing the remaining 13%.

The valuation was updated as at 31 December 2020 to reflect our better understanding of the short-term recovery expected. On average, the risk discount rates reduced to reflect our higher level of comfort with the assumed cashflows. We do, however, remain conscious of the impact that future waves of COVID-19, the emergence of new variants of the virus and local lockdowns may have on our operations. The level of uncertainty therefore remains high and the risk discount rates continue to reflect this. The relative contribution of the general insurance businesses remained the same as at 30 June 2020.

The result of the valuation impact was a further decrease of the value to R20 billion at December 2020. This is mainly the result of exchange rates. Most notably within the portfolio was weaker Angola Kwanza since June 2020. In addition to this, the Rand has also strengthened significantly against the most significant exchange rates in the portfolio (namely the US Dollar, the West African Franc and the Moroccan Dirham) and this reduced the value in Rand. However, the valuation at 31 December 2020 supported the carrying value.

Most of the premium paid for synergies as part of the Saham acquisition has been written off to R422 million at 31 December 2020. Realisation of the synergies will take longer than originally anticipated due to the slowdown in economic growth across the Saham footprint as a result of COVID-19.

The following key assumptions were adjusted:

GENERAL INSURANCE BUSINESSES

- Economic assumptions were revised downwards in the current uncertain environment, in respect of both economic growth forecasts and future investment returns. This resulted in lower assumed growth on the assets held backing the claims liabilities which affects the valuations of the general insurance operations;
- Top-line growth was reduced across the board for general insurance operations, through lower assumed premium growth assumed in the valuation models for the general insurance operations; and
- The valuation of the general insurance operations in Lebanon is maintained at zero as a meaningful economic recovery is not expected in the foreseeable future.

LIFE INSURANCE BUSINESSES

- The valuation of the life insurance business in Lebanon is maintained at zero in line with the general insurance operations. The other Saham life operations resulted in no significant impairments; and
- New business inflow assumptions for the other life businesses were revised downwards due to lower economic growth forecasts.

KEY ASSUMPTIONS

Key assumptions in determining the value in use for cash generating units (excludes Lebanon):

	General Insurance			Life		
	31 December 2020	30 June 2020	31 December 2019	31 December 2020	30 June 2020	31 December 2019
Weighted average local discount rate[1,3]	11.0%	11.3%	11.7%	11.6%	11.6%	13.5%
Weighted average perpetuity growth rate	5.7%	5.9%	5.7%	4.9%	4.6%	5.8%
VNB Multiples	n/a	n/a	n/a	10.0 – 16.3	10.0 – 16.3	15.9 – 24.0
Revenue: compounded annual growth rate (range of values over the 10 years)	6.3% – 8.9%	5.7% – 11.5%	6.2% – 9.9%	n/a	n/a	n/a
Net insurance result margin[2]	11.0% – 17.0%	11.0% – 18.0%	10.0% – 19.0%	n/a	n/a	n/a

[1] *It represents the total weighted average risk discount rate (RDR) in local currency terms. The devaluation of the Rand is expected to increase this return over time.*
[2] *Expressed as a percentage of net earned premiums.*
[3] *Weighted average local discount rate for 30 June 2020 has been aligned with current year methodology.*

For life embedded values, cash flows are projected over the lifetime of the in-force book. Future life new business and general insurance cash flows are projected over 10 years. The year 10 cash flow is expected to be at a stable level and sustainable into perpetuity. This is projected into perpetuity and discounted accordingly.

Management has determined the values assigned to each of the key assumptions above as follows:

Assumption	Approach used to determine the values
Discount rates	This is a function of the local risk free rates (reflecting country risk) plus a specific risk premium per business.
Perpetuity growth rate	This is a function of expected long-term inflation and Gross Domestic Product (GDP) growth rates of each country.
Revenue annual growth rates	This is a function of expected long-term inflation and GDP growth rates of each country, including industry growth rates and management's expectations for the future.

The gross impairment of goodwill and other intangible assets amounts to R6.9 billion (R6.6 billion net of tax).

The impairment comprises of the following on a 100% view:

- Write-down of goodwill in respect of the premium paid at acquisition for synergies of R2 822 million.
- Reducing the valuation of the Lebanon businesses to zero (which is still regarded as a going concern), resulting in impairments of goodwill of R815 million, other intangible assets of R816 million (net of tax) and other net assets of R100 million.
- Write-down of goodwill as a result of the COVID-19 impact on future economic growth and investment return assumptions amounts to R2 007 million.

An impairment assessment was conducted as at 30 June 2020 which resulted in the recognition of impairment. A reassessment was conducted as at 31 December 2020. As reflected per the table below the value in use is higher than the carrying value and as a result no additional impairment is required. Impairment recognised during the current year amounted to R6 560 million. Impairment to the carrying value of goodwill recognised as at 30 June 2020 is not reversed.

	General insurance R million	Life R million	Lebanon R million	Total R million
31 December 2020				
Value in use	17 950	2 390	–	20 340
Carrying value (after impairment)	17 646	2 496	–	20 142
Impairment recognised during the current year	(4 327)	(502)	(1 731)	(6 560)

Goodwill, included in the 30 June 2020 carrying values above pre-impairment, are allocated to the CGUs as follows: R13.4 billion (General insurance), R2.2 billion (Life) and R816 million (Lebanon) respectively. Remaining goodwill after impairments amounts to R9.0 billion (General insurance) and R1.7 billion (Life) respectively.

General insurance businesses sensitivity analysis (excluding Lebanon, as the base value is zero)

The sensitivities below are based on 10% shareholding of Santam.

	Value R million	% change R million
Base value[1]	1 795	
Risk Discount Rate +1 %	1 605	(10.6%)
Risk Discount Rate -1 %	2 074	15.5%
Perpetuity growth rate +1%	1 929	7.4%
Rand exchange rate depreciation +10%	1 975	10.0%

[1] *This value includes notional dividends.*

12 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

Life businesses sensitivity analysis (excluding Lebanon, as the base value is zero)

The sensitivities below are based on 10% shareholding. The total value in use of the businesses comprises the embedded value of R232 million and the value of new business of R103 million of which the sensitivities are provided below:

1. EMBEDDED VALUE SENSITIVITY ANALYSIS

	Embedded value R million	Change R million
Base value	232	
Risk discount rate increase by 1%	224	(3.5%)

2. VALUE OF NEW BUSINESS SENSITIVITY ANALYSIS

	Present value of future new business R million	Change R million
Base value	103	
Risk discount rate increase by 1%	88	(14.6%)

Refer to note 2.1 for impact of the impairment on the Segmental report. The impairment is included under the Santam's share of SAN JV and other SEM businesses operating segment.

	Company	
	2020 R million	2019 R million
At the beginning of the year	2 514	2 476
Capitalisation	–	158
Impairment[1]	(480)	(120)
At the end of the year	2 034	2 514
Dividend income received from associates	46	49
Total income from associates	46	49

[1] *The impairment relates to the company's holding in SAN JV. Refer to detail above.*

ACCOUNTING POLICY – EQUITY-ACCOUNTED INVESTEES

The group's interest in equity-accounted investees comprises interests in associates and joint ventures. Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Joint ventures are entities over which the group has joint control with other investors. Investments in associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates and joint ventures includes goodwill identified on acquisition (see note 13).

If the ownership interest in an equity-accounted investee is reduced, but significant influence or joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of its equity-accounted investees' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The group's share of other post-acquisition movements in equity reserves (other than those related to dividends) is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an equity-accounted investee equals or exceeds its interest in the equity-accounted investee, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the equity-accounted investee.

On consolidation exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

The group determines at each reporting date whether there is any objective evidence that the investment in associates and joint ventures is impaired. If this is the case, the group calculates the amount of the impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and recognises the amount adjacent to share of profit or loss of associates and joint ventures in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the group and its associates and joint ventures are recognised in the group's financial statements only to the extent of unrelated investors' interests in the associates and joint ventures. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates and joint ventures are recognised in the statement of comprehensive income.

Equity accounting is discontinued when the group no longer has significant influence or joint control over the investment.

The company accounts for its investment in associates and joint ventures at cost less provision for impairment.

The aggregate assets, liabilities, revenues and profits/(losses) of the principal associates and joint ventures, all of which are unlisted, were as follows:

	Indwe Broker Holdings Group (Pty) Ltd (joint venture) R million	SAN JV (RF) (Pty) Ltd (associate) R million	Western National Insurance Ltd[1] (associate) R million	Other (associates) R million	Total R million
2020					
Revenue	338	20 272	1 408	44	22 062
Depreciation and amortisation	1	946	–	–	947
Interest income	9	427	46	–	482
Interest expense	–	52	–	–	52
Income tax (expense)/credit	(8)	415	(54)	(1)	352
Profit/(loss) from continuing operations	21	(6 515)	145	(7)	(6 356)
Total comprehensive income/(loss)	21	(2 835)	145	(7)	(2 676)
Current assets	184	17 408	477	14	18 083
Non-current assets	93	58 066	590	22	58 771
Current liabilities	(169)	(9 677)	(357)	(14)	(10 217)
Non-current liabilities	(14)	(40 886)	–	(16)	(40 916)
Non-controlling interest	–	(4 768)	–	–	(4 768)
Net asset value (after NCI)	94	20 143	710	6	20 953
Calculated carrying value	35	1 823	323	16	2 197
Intangible assets recognised in the carrying value of associates	–	–	–	8	8
Carrying value	35	1 823	323	24	2 205

	Indwe Broker Holdings Group (Pty) Ltd (joint venture) R million	SAN JV (RF) (Pty) Ltd (associate) R million	Western National Insurance Ltd[1] (associate) R million	Other (associates) R million	Total R million
2019					
Revenue	316	18 248	1 068	44	**19 676**
Depreciation and amortisation	12	766	–	–	**778**
Interest income	13	2 289	31	1	**2 334**
Interest expense	–	46	–	–	**46**
Income tax (expense)/credit	(10)	(366)	(33)	(1)	**(410)**
Profit/(loss) from continuing operations	20	(617)	83	(8)	**(522)**
Total comprehensive income/(loss)	20	(4 085)	83	(7)	**(3 989)**
Current assets	199	18 283	561	11	**19 054**
Non-current assets	92	56 798	299	22	**57 211**
Current liabilities	(163)	(8 545)	(5)	(4)	**(8 717)**
Non-current liabilities	(19)	(36 545)	(241)	(2)	**(36 807)**
NCI	–	(4 849)	–	–	**(4 849)**
Net asset value (after NCI)	109	25 142	614	27	**25 892**
Calculated carrying value	49	2 323	263	18	**2 653**
Intangible assets recognised in the carrying value of associates	–	–	–	8	**8**
Carrying value	**49**	**2 323**	**263**	**26**	**2 661**

[1] *Western National Insurance has a financial year-end of 28 February. The information included in the summary is based on the management accounts for the 12 months ended 31 August 2020 (2019: 10 months ended 31 August 2019).*

12 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

Additional information regarding joint ventures is as follows:

	Indwe Broker Holdings Group (Pty) Ltd R million
2020	
Cash and cash equivalents	**168**
Current liabilities (excluding trade and other payables and provisions)	**143**
Non-current liabilities (excluding trade and other payables and provisions)	**14**
2019	
Cash and cash equivalents	187
Current liabilities (excluding trade and other payables and provisions)	121
Non-current liabilities (excluding trade and other payables and provisions)	12

12.1 Analysis of investments in associates and joint ventures

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Unlisted companies

	Nature of business	Country of incorporation	Issued capital R	Proportion held by the company 2020	Proportion held by the company 2019	Carrying value including equity-accounted earnings R million	Owing by Santam Ltd R million	Owing to Santam Ltd R million
Direct								
SAN JV (RF) (Pty) Ltd	Insurance	RSA	28 021 466 642	**10.0%**	10.0%	1 823	9	144
South African Nuclear Pool Administrators (Pty) Ltd[1]	Insurance	RSA	120	**33.3%**	25.0%	–	–	–
						1 823	**9**	**144**
Indirect								
HCV Underwriting Managers (Pty) Ltd	Insurance	RSA	300	**30.0%**	30.0%	13	–	–
Indwe Broker Holdings Group (Pty) Ltd	Intermediary	RSA	28 552 225	**24.0%**	24.0%	35	–	–
RTS Construction & Engineering (Pty) Ltd	Industrial technologies	RSA	100	**30.0%**	30.0%	–	–	–
STRIDE South Africa (RF) (Pty) Ltd	IT company	RSA	25 140 000	**33.3%**	33.3%	–	–	–
Ctrl Investment Holdings (Pty) Ltd	IT company	RSA	15 172 451	**25.0%**	25.0%	7	–	16
Vulindlela Underwriting Managers (Pty) Ltd	Underwriting	RSA	800	**47.0%**	47.0%	4	–	–
Western National Insurance Ltd	Insurance	RSA	165 000 000	**40.0%**	40.0%	323	38	24
						382	**38**	**40**
Total investments in associates and joint ventures						**2 205**	**47**	**184**

[1] *Effective 30 November 2020, one of the other shareholders sold their 25% shareholding back to the company. The remaining shareholders each retained a 33.3% shareholding, via a share buy-back by the company.*

12.2 Transactions with entities in the group

During the year the company in the ordinary course of business entered into various transactions with associates and joint ventures.

The following is a summary of transactions and balances with associates and joint ventures:

		Company	
		2020 R million	**2019 R million**
a)	**Insurance contracts and other services**		
	– associates and joint ventures (for administration services)	**(66)**	(70)
	– associates and joint ventures (for brokerage commission)	**(83)**	(89)
	– associates (for outward reinsurance contracts)	**(282)**	(263)
	– associates (for outward reinsurance claims covered)	**157**	162
	– associates (for outward reinsurance commissions covered)	**32**	30
	– associates (for inward reinsurance contracts)	**204**	200
	– associates (for inward reinsurance claims covered)	**(100)**	(145)
	– associates (for inward reinsurance commissions covered)	**(58)**	(54)
	– SAN JV (RF) (Pty) Ltd group (for inward reinsurance contracts)	**277**	238
	– SAN JV (RF) (Pty) Ltd group (for inward reinsurance claims covered)	**(2)**	(292)
	– SAN JV (RF) (Pty) Ltd group (for inward reinsurance commissions covered)	**(38)**	(33)
	– SAN JV (RF) (Pty) Ltd group (for outward reinsurance contracts)	**(46)**	(57)
	– SAN JV (RF) (Pty) Ltd group (for outward reinsurance claims covered)	**192**	22
	– SAN JV (RF) (Pty) Ltd group (for outward reinsurance commissions covered)	**12**	9
b)	**Year-end balances with related parties**		
	Western National Insurance Ltd	**14**	(7)
	SAN JV (RF) (Pty) Ltd group	**135**	37
	Ctrl Investment Holdings (Pty) Ltd	**16**	4

For loans with associates, refer to table in note 12.1.

13 INTANGIBLE ASSETS

	Goodwill R million	Computer software R million	Brand, trademark and trade names R million	Key business relationships R million	Total R million
GROUP					
At 1 January 2019					
Cost[1]	744	470	7	122	**1 343**
Accumulated impairment/amortisation[1]	(102)	(276)	(3)	(77)	**(458)**
Net book amount	**642**	**194**	**4**	**45**	**885**
Year ended 31 December 2019					
Opening net book amount	642	194	4	45	**885**
Acquisitions	–	67	–	–	**67**
Impairment	(2)	–	–	(1)	**(3)**
Amortisation	–	(48)	(2)	(26)	**(76)**
Business combinations	36	–	2	37	**75**
Closing net book amount	676	213	4	55	**948**
At 31 December 2019					
Cost[1]	780	537	7	100	**1 424**
Accumulated impairment/amortisation[1]	(104)	(324)	(3)	(45)	**(476)**
Net book amount	**676**	**213**	**4**	**55**	**948**
Year ended 31 December 2020					
Opening net book amount	676	213	4	55	**948**
Acquisitions	–	81	–	–	**81**
Amortisation	–	(54)	(2)	(14)	**(70)**
Business combinations	9	–	–	–	**9**
Closing net book amount	**685**	**240**	**2**	**41**	**968**
At 31 December 2020					
Cost[1]	789	618	7	100	**1 514**
Accumulated impairment/amortisation[1]	(104)	(378)	(5)	(59)	**(546)**
Net book amount	**685**	**240**	**2**	**41**	**968**

	Goodwill R million	Computer software R million	Brand, trademark and trade names R million	Key business relationships R million	Total R million
COMPANY					
At 1 January 2019					
Cost[1]	76	239	1	89	**405**
Accumulated amortisation[1]	–	(93)	(1)	(69)	**(163)**
Net book amount	**76**	**146**	**–**	**20**	**242**
Year ended 31 December 2019					
Opening net book amount	76	146	–	20	**242**
Acquisitions	–	37	–	–	**37**
Amortisation	–	(19)	–	(20)	**(39)**
Closing net book amount	76	164	–	–	**240**
At 31 December 2019					
Cost[1]	76	276	1	30	**383**
Accumulated amortisation[1]	–	(112)	(1)	(30)	**(143)**
Net book amount	**76**	**164**	**–**	**–**	**240**
Year ended 31 December 2020					
Opening net book amount	76	164	–	–	**240**
Acquisitions	–	42	–	–	**42**
Amortisation	–	(22)	–	–	**(22)**
Closing net book amount	76	184	–	–	**260**
At 31 December 2020					
Cost[1]	76	318	1	30	**425**
Accumulated amortisation[1]	–	(134)	(1)	(30)	**(165)**
Net book amount	**76**	**184**	**–**	**–**	**260**

[1] *In 2019 fully amortised and retired assets were included in cost and accumulated amortisation. This has been corrected retrospectively. For group the 2019 Brand, trademark and trade names cost disclosed was R37 million and accumulated amortisation was R33 million, Key business relationships cost disclosed was R259 million and accumulated amortisation was R204 million. For company the 2019 Key business relationships cost disclosed was R93 million and accumulated amortisation was R93 million.*

Computer software

Additional software acquired by the group during the year consists of external software of R8 million (2019: R10 million) and internally developed software of R73 million (2019: R57 million). The internally developed software acquired in the prior year forms part of a strategic project to develop a new claims management system. Implementation of phase 1 of the project commenced in 2020 and phase 2 in 2021. It is expected that the useful life of the technology will be 10 years from the implementation date for each phase.

Key business relationships

Key business relationships consist of client lists acquired and key intermediary or other relationships acquired as part of business combinations and capitalised.

The valuation of key intermediary or other relationships is based on discounted cash flow models. Discount rates between 22% and 24% (2019: 21% and 25%) are used as significant input.

ACCOUNTING POLICY – GOODWILL

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. It represents the excess of the consideration transferred over the group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree at the acquisition date.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs) that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the group at which goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates and joint ventures is included in the carrying amount of investments in associates and joint ventures.

Impairment

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

Impairment tests of goodwill

In accordance with the accounting policy stated above, the group tests annually whether goodwill has suffered any impairment. The recoverable amounts of CGUs have been determined by estimating the future cash flows expected to arise from the CGU and a suitable discount rate to calculate the present value. Cash flows projected for 10 years and a terminal growth rate of 5% is applied. Refer to the tables on the previous two pages for impairment of goodwill recognised.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

	Group	
	2020 R million	**2019 R million**
Crop	**19**	19
Alternative risk	**16**	16
Brokerage	**79**	79
Policy administration	**49**	40
Engineering	**28**	28
MiWay group	**331**	331
Liability	**87**	87
Accident and health	**76**	76
	685	676

13 INTANGIBLE ASSETS (continued)

Impairment tests of goodwill (continued)

All CGUs were tested for impairment. When testing for impairment, the recoverable amount of a CGU, based on the fair value less cost of disposal, is determined using discounted cash flow projections. The input into the fair value measurement is classified as level 3 in terms of the fair value hierarchy. The cash flow projections are based on budgets approved by management. The impairment tests are applied using the following internal processes:

- Comparing original budgets to updated forecasts and aligning projected cash flows when deemed necessary
- Current changes in operations are assessed to determine whether it will have an impact on the valuation
- The discount rates applied in the cash flow projections are reassessed

The nature of goodwill mainly relates to employee skill and industry knowledge. In 2020, goodwill of R9 million was raised on acquisition of JaSure (Pty) Ltd (Policy administration), (2019: R14 million and R22 million were raised on acquisition of X's Sure (Pty) Ltd (Miway Group) and Vantage Insurance Acceptances (Pty) Ltd (brokerage) respectively).

Discount rates between 14.6% and 24% (2019: 14% and 19%) were applied in the recoverable amount valuation. As discount rates are considered a significant input in the valuation of these entities, a sensitivity analysis was performed on the valuation outcome of the most significant CGU. If discount rates increase by 10% the valuations would decrease on average by 13.3% (2019: 13.0%). Should the discount rates decrease by 10% the valuations would increase on average by 17.8% (2019: 17.5%). These sensitivities and other relevant factors were considered in the overall impairment testing and it was concluded that no impairment would be required.

ACCOUNTING POLICY – OTHER INTANGIBLE ASSETS

Computer software

Computer software is recognised at cost less amortisation and impairment charges. Computer software packages acquired are initially recognised at fair value. Costs associated with maintaining computer software programs are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, which do not exceed 10 years.

Brands, trademarks and trade names

Separately acquired brands, trademarks and trade names are shown at historical cost. Brands, trademarks and trade names acquired in a business combination are recognised at fair value at the acquisition date. Brands, trademarks and trade names have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of brands, trademarks and trade names over their estimated useful lives of three to five years.

Key business relationships

Key business relationships acquired in a business combination are recognised at fair value at the acquisition date. The key business relationships have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the estimated useful life of three to six years of the key business relationship.

14 CORPORATE TRANSACTIONS

For the year ended 31 December 2020

Acquisitions

JASURE FINANCIAL SERVICES (PTY) LTD

On 1 January 2020, the Santam group acquired a shareholding of 51.01% in JaSure Financial Services (Pty) Ltd for R6 million in cash. Goodwill relates to synergies expected to be received.

	R million
Details of the assets and liabilities acquired are as follows:	
Deferred income tax	(1)
Trade and other payables	(5)
Net asset value acquired	(6)
Non-controlling interest	3
Goodwill	9
Purchase consideration paid	6

ECHELON UNDERWRITING MANAGERS (PTY) LTD

The Santam group purchased the remaining 40% non-controlling interest in three tranches between 6 March 2020 and 8 April 2020 for a total of R69 million in cash.

INSURE GROUP MANAGERS FINANCE (PTY) LTD

On 1 July 2020, the Santam group acquired a shareholding of 100% in Insure Group Managers Finance (Pty) Ltd for R250 000 in cash.

	R million
Details of the assets and liabilities acquired are as follows:	
Deferred tax	1
Loans and receivables	42
Cash and cash equivalents	2
Trade and other payables	(45)
Net asset value acquired/purchase consideration paid	–

For the year ended 31 December 2019

Acquisitions

VANTAGE INSURANCE ACCEPTANCES (PTY) LTD

On 1 March 2019, the Santam group acquired a shareholding of 100% in Vantage Insurance Acceptances (Pty) Ltd for R31.3 million in cash, including contingent payments estimated at R6 million. Goodwill raised relates to synergies expected to be received.

	R million
Details of the assets and liabilities acquired are as follows:	
Intangible assets	9
Loans and receivables including insurance receivables	3
Cash and cash equivalents	4
Deferred income tax	(2)
Trade and other payables including insurance payables	(5)
Net asset value acquired	9
Goodwill	22
Future contingent consideration payable	(6)
Purchase consideration paid	25

14 CORPORATE TRANSACTIONS (continued)

For the year ended 31 December 2019

Acquisitions (continued)

XS SURE (PTY) LTD

On 1 March 2019, the Santam group acquired a shareholding of 100% in X'S Sure (Pty) Ltd for R36 million, including contingent payments estimated at R6 million.

	R million
Details of the assets and liabilities acquired are as follows:	
Intangible assets	18
Financial assets at fair value through income	14
Loans and receivables including insurance receivables	3
Cash and cash equivalents	3
Deferred income tax	(8)
Insurance liabilities	(2)
Trade and other payables including insurance payables	(5)
Current tax liability	(1)
Net asset value acquired	22
Goodwill	14
Future contingent consideration payable	(6)
Purchase consideration paid	30

SAN JV (RF) (PTY) LTD

During May 2019 a pro rata funding took place in terms of which Santam injected a further R60 million into SAN JV (RF) (Pty) Ltd. A further similar funding took place in November 2019 and Santam injected R98 million into SAN JV (RF) (Pty) Ltd.

15 PROPERTY AND EQUIPMENT

Property and equipment consists of owned and leased assets that do not meet the definition of investment property.

		Group		Company	
	Note	2020 R million	2019 R million	2020 R million	2019 R million
Property and equipment owned		**139**	124	**61**	57
Property and equipment leased (right-of-use asset)	15.2	**621**	860	**473**	638
Total		**760**	984	**534**	695

15.1 Types of property and equipment

	Owner-occupied properties R million	Computer equipment R million	Furniture, equipment and other assets R million	Total R million
GROUP				
At 1 January 2019				
Cost or valuation	39	291	136	**466**
Accumulated depreciation	(4)	(236)	(84)	**(324)**
Net book amount	**35**	**55**	**52**	**142**
Year ended 31 December 2019				
Opening net book amount	35	55	52	**142**
IFRS 16 adoption	914	–	25	**939**
Adjusted opening net book amount	949	55	77	**1 081**
Additions	64	41	22	**127**
Owned assets	–	41	12	**53**
Leased assets	64	–	10	**74**
Disposals	–	–	(1)	**(1)**
Depreciation charge	(145)	(41)	(37)	**(223)**
Owned assets	–	(41)	(26)	**(67)**
Leased assets	(145)	–	(11)	**(156)**
Closing net book amount	868	55	61	**984**
At 31 December 2019				
Cost or valuation	1 017	313	181	**1 511**
Accumulated depreciation	(149)	(258)	(120)	**(527)**
Net book amount	868	55	61	**984**
Year ended 31 December 2020				
Opening net book amount	868	55	61	**984**
Additions	52	46	19	**117**
Owned assets	–	46	19	**65**
Leased assets	52	–	–	**52**
Disposals	(117)	–	–	**(117)**
Owned assets	–	–	–	**–**
Leased assets	(117)	–	–	**(117)**
Depreciation charge	(164)	(39)	(21)	**(224)**
Owned assets	–	(39)	(11)	**(50)**
Leased assets	(164)	–	(10)	**(174)**
Closing net book amount	639	62	59	**760**
At 31 December 2020				
Cost or valuation	**952**	**347**	**200**	**1 499**
Accumulated depreciation	**(313)**	**(285)**	**(141)**	**(739)**
Net book amount	**639**	**62**	**59**	**760**

15 PROPERTY AND EQUIPMENT (continued)

15.1 Types of property and equipment (continued)

	Owner-occupied properties R million	Computer equipment R million	Furniture, equipment and other assets R million	Total R million
COMPANY				
At 1 January 2019				
Cost or valuation	1	147	64	**212**
Accumulated depreciation	–	(109)	(43)	**(152)**
Net book amount	**1**	**38**	**21**	**60**
Year ended 31 December 2019				
Opening net book amount	1	38	21	**60**
IFRS 16 adoption	674	–	22	**696**
Adjusted opening net book amount	675	38	43	**756**
Additions	42	23	14	**79**
Owned assets	–	23	6	**29**
Leased assets	42	–	8	**50**
Depreciation charge	(99)	(25)	(16)	**(140)**
Owned assets	–	(25)	(6)	**(31)**
Leased assets	(99)	–	(10)	**(109)**
Closing net book amount	618	36	41	**695**
At 31 December 2019				
Cost or valuation	717	170	100	987
Accumulated depreciation	(99)	(134)	(59)	(292)
Net book amount	618	36	41	695
Year ended 31 December 2020				
Opening net book amount	618	36	41	**695**
Additions	44	30	2	**76**
Owned assets	–	30	2	**32**
Leased assets	44	–	–	**44**
Disposals	(82)	–	–	**(82)**
Owned assets	–	–	–	**–**
Leased assets	(82)	–	–	**(82)**
Depreciation charge	(118)	(24)	(13)	**(155)**
Owned assets	–	(24)	(4)	**(28)**
Leased assets	(118)	–	(9)	**(127)**
Closing net book amount	462	42	30	**534**
At 31 December 2020				
Cost or valuation	**679**	**200**	**102**	**981**
Accumulated depreciation	**(217)**	**(158)**	**(72)**	**(447)**
Net book amount	**462**	**42**	**30**	**534**

Depreciation expense has been included in expenses for marketing and administration in the statement of comprehensive income (refer to note 20.2).

ACCOUNTING POLICY – PROPERTY AND EQUIPMENT

(a) Property

All owner-occupied buildings are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the building. Land is not depreciated. Buildings are depreciated on a straight-line basis to allocate the cost over the estimated useful life (50 years) of the building. The residual values and useful lives of buildings are reviewed at each statement of financial position date and adjusted accordingly.

(b) Equipment

Equipment is stated at cost less accumulated depreciation and impairment charges. Depreciation is calculated on the difference between the cost and residual value of the asset and is charged to the statement of comprehensive income over the estimated useful life of each significant part of an item of equipment, using the straight-line basis.

Estimated useful lives are as follows:

Computer equipment	3 years
Furniture and equipment	3 – 6 years
Motor vehicles	Up to 5 years

The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are included in profit or loss before tax.

Repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits from the existing asset will flow to the group.

ACCOUNTING POLICY – LEASES

Practical expedients applied

In applying IFRS 16 for the first time in 2019, the group has used the following permitted practical expedients:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics (mainly vehicles);
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the date of initial application, the group relied on its assessment made applying IAS 17 and IFRIC 4.

Policy for leasing activities

Agreements where the counterparty retains control of the underlying asset are classified as leases.

The group leases various offices, motor vehicles and office equipment. Until the 2018 financial year, leases of property and equipment were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases, other than short term leases, are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest, the incremental borrowing rate, on the remaining balance of the liability for each period. The right-of-use asset is subsequently depreciated using the straight-line method over the earlier of the useful life of the underlying asset or the period of the lease term. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Short term leases with a term shorter than 12 months are accounted for as operating leases.

Offices consist mainly of head office buildings and branches. Rental contracts are typically made for fixed periods of three to eight years but may have extension options that exist. Head office buildings are typically leased for longer periods than branches and are the main contributor to the carrying value of the right-of-use asset. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Periods covered by an option to extend the lease are included if the group is reasonably certain to exercise that option taking into account, among others, the remaining term of the original lease, refurbishments, changing technology and cost-saving initiatives. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Vehicles consist of a fleet of vehicles that the group leases for use by various field agents including assessors. The terms of these leases are typically between three and five years. Lease extensions are not considered in the valuation of these leases, as the group does not expect to extend leases on motor vehicles as they are generally replaced with a new lease.

Policy for leasing activities (continued)

Assets and liabilities arising from a lease are initially measured on a discounted value basis. Right-of- use asset comprise of:

- the amount of the initial measurement of the lease liability, as described in note 6.9;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the lessee.

Right-of-use assets are subsequently measures at cost less accumulated depreciation and impairment.

16 SHARE CAPITAL

	Group and company ordinary shares		Group treasury shares	
	Number of shares (thousands)	Stated capital R million	Number of shares (thousands)	Stated capital R million
At 1 January 2019	**115 131**	**103**	**4 677**	**467**
Purchase of treasury shares	–	–	353	**106**
Reissue of treasury shares	–	–	(374)	**(91)**
At 31 December 2019	**115 131**	**103**	**4 656**	**482**
Purchase of treasury shares	–	–	570	155
Reissue of treasury shares	–	–	(412)	(110)
At 31 December 2020	**115 131**	**103**	**4 814**	**527**

The total authorised number of ordinary shares is 150 million shares of no par value and 12 million non-redeemable, non-participating, non-cumulative no par value preference shares. All issued shares are fully paid. Subject to the restrictions imposed by the Companies Act, the authorised and unissued shares are under the control of the directors until the forthcoming annual general meeting.

In 2007 a subsidiary in the group acquired 6 972 940 Santam shares through a voluntary share buy-back offer on 20 April 2007 at R102 per share. During 2020 the subsidiary acquired an additional 570 000 (2019: 353 000) shares to utilise as part of the deferred share plan (DSP), while 390 922 (2019: 326 518) shares were reissued in terms of the DSP. The net amount of these transactions has been deducted from shareholders' equity. The shares are held as "Treasury shares".

Since the unwinding of the Central Plaza structure in 2015, the Emthunzini BBBEE staff trust is under the control of Santam Ltd. During 2020, the staff trust distributed 21 164 (2019: 45 279) shares.

ACCOUNTING POLICY – SHARE CAPITAL

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the company's equity holders net of any directly attributable incremental transaction costs and the related income tax effects.

Where such shares are subsequently reissued for no consideration to employees under long-term incentive schemes, the cost of these shares when acquired as treasury shares is transferred from treasury shares to distributable reserves.

16.1 Directors' and prescribed officers' interest in the shares of the company

At 31 December 2020 the directors of the company held direct and indirect interests, including family interests, in 74 030 of the company's issued ordinary shares (2019: 72 527). Details of shares held per individual director are listed below. A total of 86 931 (2019: 68 704) deferred shares are allocated to directors in terms of the company's employee share schemes. No material changes occurred between the reporting date and the date of approval of the financial statements.

	Direct		Indirect		
2020	**Beneficial**	**Non-beneficial**	**Beneficial**	**Non-beneficial**	**Total**
Executive directors and prescribed officers					
L Lambrechts	37 764	–	–	–	**37 764**
HD Nel[1]	20 125	–	–	–	**20 125**
Non-executive directors					
B Campbell	8 370	–	–	–	**8 370**
MP Fandeso	1 196	–	–	–	**1 196**
VP Khanyile	–	–	200	–	**200**
JJ Ngulube	5 104	–	–	–	**5 104**
MJ Reyneke	–	–	271	–	**271**
PE Speckmann	1 000	–	–	–	**1 000**
	73 559	**–**	**471**	**–**	**74 030**
2019					
Executive directors and prescribed officers					
L Lambrechts	21 353	–	–	–	**21 353**
HD Nel[1]	15 035	–	–	–	**15 035**
Non-executive directors					
B Campbell	8 370	–	–	–	**8 370**
VP Khanyile	–	–	200	–	**200**
IM Kirk	23 750	–	–	–	**23 750**
JJ Ngulube	2 548	–	–	–	**2 548**
MJ Reyneke	–	–	271	–	**271**
PE Speckmann	1 000	–	–	–	**1 000**
	72 056	**–**	**471**	**–**	**72 527**

[1] *At 31 December 2020, 10 905 (2019: 10 905) Santam shares with a market value of R2.8 million (2019: R3.1 million) were pledged as security for a loan of R1 million with Sanlam Private Wealth.*

17 SHARE INCENTIVE SCHEMES

(i) Deferred share plan (DSP) and performance deferred share plan (PDSP)

DEFERRED SHARE PLAN (DSP)

Awards granted under the DSP are conditional rights to acquire shares for no consideration subject to vesting conditions being satisfied. The vesting conditions are that the individual remains employed by the group throughout the vesting period and maintains agreed individual performance hurdles.

A rule change in the DSP and PDSP schemes was approved by the HRRC and implemented in 2017 to address shareholder concerns around vesting. All new share awards from 2017 are subject to the following measurement of performance conditions:

- 40% of the award to be measured after three years since the date of grant, and to the extent that the performance hurdle is not achieved, the entitlement to the DSP shares will lapse
- 30% of the award to be measured after four years since the date of grant, and to the extent that the performance hurdle is not achieved, the entitlement to the DSP shares will lapse
- 30% of the award to be measured after five years since the date of grant, and to the extent that the performance hurdle is not achieved, the entitlement to the DSP shares will lapse

The vesting period for shares awarded before 2017 is five years and staggered vesting occurs in years three to five as follows:

a) After three years – 40%

b) After four years – 70% less any portion that vested earlier

c) After five years – 100% less any portion that vested earlier

The award granted under the DSP is not subject to the satisfaction of the group performance conditions but does require meeting individually contracted performance hurdles. Typically, the award granted under the DSP has a face value of up to 105% of total guaranteed package (TGP). To the extent that this percentage falls, whether through vesting or due to a promotion or salary increase, an additional award may be granted on an annual basis to maintain the level of participation under the DSP.

EXECUTIVE COMMITTEE DSP PERFORMANCE CONDITIONS

The short-term individual financial and strategic performance conditions are aligned to the long-term strategic focus areas of the group. Individual key performance indicators (KPI's) scores, which include both strategic and financial indicators, measured over a rolling five-year period will be used as a basis to assess performance achievement by an executive committee member.

PERFORMANCE DEFERRED SHARE PLAN (PDSP)

To the extent that the face value of awards granted under the DSP does not satisfy the specified multiple of TGP to be granted as long-term incentive (LTI) awards, the individual will be granted an award under the PDSP. Awards granted under the PDSP are conditional rights to acquire Santam and Sanlam shares for no consideration, subject to various vesting conditions being satisfied.

In addition to the individual remaining employed by the group throughout the measurement period and maintaining agreed individual performance hurdles, the vesting of the Santam PDSP award is also subject to the achievement of the Santam group's return on capital (ROC) hurdles as determined by the directors.

For Santam PDSP awards granted before 2020, the ROC hurdle was the cost of capital for the relevant measurement period, as finally determined by the directors. For Sanlam PDSP awards (awarded up to 2018), in addition to continued employment by the group throughout the measurement period and maintaining agreed individual performance hurdles, the vesting of the PDSP is also subject to the condition that the Sanlam group's return on group embedded value (RoGEV) exceeds the cost of capital for the measurement period by an agreed margin.

The use of relevant performance conditions is considered appropriate as these are the key drivers of the Santam group's and Sanlam group's strategies. The use of these measures creates a direct link between the LTI reward, group strategy and shareholders' interests.

This arrangement is aimed at encouraging performance that will result in targets being met earlier within the agreed performance measurement period. To the extent that the value of performance awards falls below the specified multiple of TGP, whether through vesting or due to a promotion or salary increase, an additional award may be granted on an annual basis to maintain the level of performance awards and encourage ongoing long-term performance.

Allocations were made as follows during the year:

	Number of participants		Number of shares	
	2020	2019	**2020**	2019
Allocations in respect of:				
Santam DSP	**304**	315	**365 626**	321 714
Santam PDSP	**10**	10	**37 472**	31 237
			403 098	352 951

The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R97 million (2019: R101 million) and is expensed in the statement of comprehensive income over the vesting period of five years. The fair value is based on the Santam share price on grant date, adjusted for dividends not accruing to participants during the vesting period and the probability that the service and performance conditions will be met in part.

2019	**Date awarded**	**Latest irreversible date**	**Grant price**	**Number of shares**
The following shares were awarded and the delivery thereof deferred to a predetermined future date.	1 June 2014	31 May 2019	R193.60	591
	1 June 2015	31 May 2020	R196.54	79 808
	21 September 2016	31 May 2020	R191.21	14 725
	1 June 2016	31 May 2021	R206.57	187 649
	21 September 2016	31 May 2021	R183.88	16 587
	1 June 2017	31 May 2022	R223.30	289 135
	1 June 2018	31 May 2023	R309.84	278 081
	1 June 2019	31 May 2024	R286.92	352 645
				1 219 221

Movements during the period	**Average price**	**Number of shares**
As at 1 January 2019	R232.24	1 217 398
Shares awarded in 2019	R286.92	352 951
Awarded shares lapsed due to resignations	R238.82	(31 357)
Shares issued	R200.17	(319 771)
As at 31 December 2019	R256.43	1 219 221

2020	**Date awarded**	**Latest irreversible date**	**Grant price**	**Number of shares**
The following shares were awarded and the delivery thereof deferred to a predetermined future date.	1 June 2016	31 May 2021	R206.57	**87 065**
	21 September 2016	31 May 2021	R183.88	**7 696**
	1 June 2017	31 May 2022	R223.30	**164 172**
	1 June 2018	31 May 2023	R309.84	**263 749**
	1 June 2019	31 May 2024	R318.80	**333 170**
	1 June 2020	31 May 2025	R241.07	**399 076**
				1 254 928

Movements during the period	**Average price**	**Number of shares**
As at 1 January 2020	R256.43	**1 219 221**
Shares awarded in 2020	R241.07	**403 098**
Awarded shares lapsed due to resignations	R250.65	**(51 835)**
Shares issued	R210.64	**(315 556)**
As at 31 December 2020	R263.75	**1 254 928**

17 SHARE INCENTIVE SCHEMES (continued)

(i) Deferred share plan (DSP) and performance deferred share plan (PDSP) (continued)

ACCOUNTING POLICY – DEFERRED SHARE PLANS

In terms of the DSP and PDSP, Santam undertakes to deliver a fixed number of shares to selected employees on predetermined dates in the future, in accordance with the terms and conditions of the plans detailed above.

The fair value of equity instruments granted is measured on grant date using an appropriate valuation model, which takes into account the market price on grant date, the fact that employees will not be entitled to dividends until the shares vest, as well as an assumption on the actual percentage of shares that will be delivered. The fair value on grant date is recognised in the statement of comprehensive income on a straight-line basis over the vesting period of the equity instruments, adjusted to reflect actual levels of vesting, with a corresponding increase in equity.

(ii) The Emthunzini Black Economic Empowerment staff trust (the staff trust)

The staff trust is one of three components of a structured entity which hosted the Santam BBBEE scheme that unwound during 2015. Refer to note 16 for further information on the structured entity. Units were allocated to new black employees that joined the Santam group and to black employees that were promoted since the previous allocation. These units were allocated on a deferred delivery basis over a seven-year period. The fair value used in determining the allocation was based on the unit price on grant date, adjusted for expected employee attrition over the vesting period. The unit price reflected the number of Santam shares held in the staff trust. During 2018, units were converted into shares using an equivalent fair value rate. Any new awards are made in shares. The total share allocation costs for the staff trust amounting to R2 million (2019: R3 million) has been included in the statement of comprehensive income.

2019	Date awarded	Latest irreversible date	Grant price	Number of shares
The following units/shares were awarded and the delivery thereof deferred to a predetermined future date.	1 September 2013	31 August 2020	R185.32	7 741
	1 December 2013	30 November 2020	R171.91	839
	1 September 2014	31 August 2021	R218.90	14 018
	1 December 2014	30 November 2021	R212.68	1 706
	1 July 2015	30 June 2022	R217.00	709
	1 September 2015	31 August 2022	R214.50	591
	1 September 2016	31 August 2023	R220.00	7 528
	1 September 2017	31 August 2024	R259.00	6 564
	1 September 2018	31 August 2025	R303.17	10 392
	1 September 2019	31 August 2026	R285.00	7 019
				57 107

Movements during the period	Average price	Number of units/ shares
As at 1 January 2019	R214.65	100 018
Shares awarded in 2019	R285.00	7 019
Shares reinstated in 2019	R185.32	283
Awarded shares lapsed due to resignations	R186.13	(5 387)
Shares issued	R194.57	(44 826)
As at 31 December 2019	R286.45	57 107

2020	Date awarded	Latest irreversible date	Grant price	Number of shares
The following shares were awarded and the delivery thereof deferred to a predetermined future date.	1 September 2014	31 August 2021	R218.90	**6 631**
	1 December 2014	30 November 2021	R212.68	**853**
	1 July 2015	30 June 2022	R217.00	**472**
	1 September 2015	31 August 2022	R214.50	**394**
	1 September 2016	31 August 2023	R220.00	**5 646**
	1 September 2017	31 August 2024	R259.00	**3 940**
	1 September 2018	31 August 2025	R303.17	**7 093**
	1 September 2019	31 August 2026	R285.00	**7 019**
	1 September 2020	31 August 2027	R248.00	**1 634**
				33 682

Movements during the period	Average price	Number of shares
As at 1 January 2019	R286.45	**57 107**
Shares awarded in 2020	R248.00	**1 634**
Awarded options lapsed due to resignations	R283.97	**(4 009)**
Shares issued	R209.64	**(21 050)**
As at 31 December 2020	R256.13	**33 682**

ACCOUNTING POLICY – THE EMTHUNZINI BLACK ECONOMIC EMPOWERMENT (BEE) SCHEME

In terms of the BEE scheme, Central Plaza (a structured entity within the Sanlam group) undertook to deliver a specified number of units to selected black Santam employees or strategic business partners on predetermined dates in the future. Employees still need to be in the employment of Santam on or by those dates. Vesting occurs based on the contracts with employees or the strategic business partners, but does not exceed a period of seven years.

The Central Plaza structure unwound on 28 February 2015. Unvested and unallocated units relating to black Santam employees were transferred to the staff trust that is controlled by Santam Ltd. The staff trust is consolidated. All units relating to strategic business partners were settled as part of the unwinding process. The fair value of equity instruments granted is measured on grant date using an appropriate valuation model, which takes into account the market price on grant date, the cost of funding, as well as an assumption on the actual percentage of shares that will be delivered. The fair value on grant date is recognised in the statement of comprehensive income on a straight-line basis over the vesting period of the equity instruments, adjusted to reflect actual levels of vesting, with a corresponding increase in equity.

17 SHARE INCENTIVE SCHEMES (continued)

17.1 Shares granted under the deferred share plan and performance deferred share plan to executive directors and prescribed officers

The DSP was implemented during 2007, in terms of which shares are granted to employees on a deferred delivery basis over a five-year period. In addition to the DSP, a PDSP is also in place. Refer to note 17 for details on these plans.

DSP AND PDSP – DIRECTORS' AND PRESCRIBED OFFICERS' PARTICIPATION

2020	As at 31 December 2019	Number of shares awarded during year	Number of shares vested during year	Gain per share on vesting	Date awarded	As at 31 December 2020
Santam shares						
L Lambrechts	8 751	–	(8 751)	R266.94	01/06/15	–
	366	–	(366)	R266.94	21/09/16	–
	8 046	–	(4 023)	R266.94	01/06/16	4 023
	350	–	(175)	R266.94	21/09/16	175
	7 740	–	(3 096)	R266.94	01/06/17	4 644
	10 686	–	–	–	01/06/18	10 686
	15 547	–	–	–	01/06/19	15 547
	–	17 724	–	–	01/06/20	17 724
	51 486	17 724	(16 411)			52 799
HD Nel	1 802	–	(1 802)	R266.94	01/06/15	–
	76	–	(76)	R266.94	21/09/16	–
	2 816	–	(1 408)	R266.94	01/06/16	1 408
	124	–	(62)	R266.94	21/09/16	62
	4 356	–	(1 742)	R266.94	01/06/17	2 614
	2 850	–	–	–	01/06/18	2 850
	5 194	–	–	–	01/06/19	5 194
	–	22 004	–	–	01/06/20	22 004
	17 218	22 004	(5 090)			34 132
Total	68 704	39 728	(21 501)			86 931

2019	As at 31 December 2018	Number of shares awarded during year	Number of shares vested during year	Gain per share on vesting	Date awarded	As at 31 December 2019
Santam shares						
IM Kirk*	3 062	–	(3 062)	R303.01	01/06/14	–
	3 062	–	(3 062)			–
L Lambrechts	17 013	–	(8 262)	R303.01	01/06/15	8 751
	1 221	–	(855)	R303.01	21/09/16	366
	13 411	–	(5 365)	R303.01	01/06/16	8 046
	584	–	(234)	R303.01	21/09/16	350
	7 740	–	–	–	01/06/17	7 740
	10 686	–	–	–	01/06/18	10 686
	–	15 547	–	–	01/06/19	15 547
	50 655	15 547	(14 716)			51 486
HD Nel	255	–	(255)	R303.01	01/06/14	–
	38	–	(38)	R303.01	21/09/16	–
	3 504	–	(1 702)	R303.01	01/06/15	1 802
	252	–	(176)	R303.01	21/09/16	76
	4 694	–	(1 878)	R303.01	01/06/16	2 816
	205	–	(81)	R303.01	21/09/16	124
	4 356	–	–	–	01/06/17	4 356
	2 850	–	–	–	01/06/18	2 850
	–	5 194	–	–	01/06/19	5 194
	16 154	5 194	(4 130)			17 218
Total	69 871	20 741	(21 908)			68 704

* *Shares were received in position of chief executive officer prior to 1 January 2015.*

17.2 Shares granted under the deferred share plans to executive directors and prescribed officers

2020	As at 31 December 2019	Number of shares awarded during year	Number of shares vested during year	Gain per share on vesting	Date awarded	As at 31 December 2020
Sanlam shares						
L Lambrechts	**12 310**	**–**	**(4 924)**	**R56.67**	**01/06/17**	**7 386**
	18 982	**–**	**–**	**–**	**01/06/18**	**18 982**
	31 292	**–**	**(4 924)**			**26 368**
HD Nel	**2 468**	**–**	**(2 468)**	**R56.67**	**01/06/15**	**–**
	5 241	**–**	**(1 547)**	**R56.67**	**01/06/16**	**3 694**
	6 929	**–**	**(2 771)**	**R56.67**	**01/06/17**	**4 158**
	5 062	**–**	**–**	**–**	**01/06/18**	**5 062**
	19 700	**–**	**(6 786)**			**12 914**
Total	**50 992**	**–**	**(11 710)**			**39 282**

2019	As at 31 December 2018	Number of shares awarded during year	Number of shares vested during year	Gain per share on vesting	Date awarded	As at 31 December 2019
Sanlam shares						
L Lambrechts	12 310	–	–	–	01/06/17	12 310
	18 982	–	–	–	01/06/18	18 982
	31 292	–	–			31 292
IM Kirk*	5 097	–	(5 097)	R76.16	01/06/14	–
	5 097	–	(5 097)			–
HD Nel	426	–	(426)	R76.16	01/06/14	–
	4 936	–	(2 468)	R76.16	01/06/15	2 468
	7 303	–	(2 062)	R76.16	01/06/16	5 241
	6 929	–	–	–	01/06/17	6 929
	5 062	–	–	–	01/06/18	5 062
	24 656	–	(4 956)			19 700
Total	61 045	–	(10 053)			50 992

* *Shares were received in position of chief executive officer prior to 1 January 2015.*

18 RESERVES

18.1 Other reserves

	Translation reserve R million	Capital contribution reserve R million	Total R million
GROUP			
Balance as at 1 January 2019	**(99)**	**9**	**(90)**
Share of associates' currency translation differences	(315)	–	**(315)**
Balance as at 31 December 2019	**(414)**	**9**	**(405)**
Share of associates' currency translation differences	209	–	**209**
Balance as at 31 December 2020	**(205)**	**9**	**(196)**

Exchange differences, resulting from the translation of the financial statements of foreign operations with a presentation currency different to that of the group, are taken to the translation reserve on consolidation to form part of equity. On disposal of such a foreign operation the translation differences are recognised in the statement of comprehensive income as part of the profit or loss on disposal.

The capital contribution reserve reflects the reserves of the Emthunzini BBBEE staff trust that came under the control of Santam Ltd as a result of the unwinding of the Central Plaza structure in 2015.

The hedging reserve represented the cumulative foreign currency movements on the cash resources designated for the funding of the additional investment in SAN JV in 2017 and 2018. Refer to note 5.7 and 7 for more detail.

18 RESERVES (continued)
18.2 Distributable reserves

	Group		Company	
	2020 R million	**2019 R million**	**2020 R million**	**2019 R million**
Share-based payment reserve				
At the beginning of the year	**801**	716	**72**	91
Transfer from retained earnings	**80**	85	**70**	79
Loss on delivery of shares in terms of share scheme	**–**	–	**(101)**	(98)
At the end of the year	**881**	801	**41**	72
Retained earnings	**9 095**	9 525	**7 738**	8 326
Total distributable reserves	**9 976**	10 326	**7 779**	8 398

The obligation that flows from an agreement between the entity and another party to enter into a share-based payment transaction, which entitles the other party to receive benefits in terms of the agreement, is recognised as a share-based payment expense in the statement of comprehensive income. A release of this reserve will not be recognised in profit or loss.

ACCOUNTING POLICY – HEDGING

The group has elected to apply IFRS 9 for hedge accounting.

When such hedging opportunities are identified, the group documents the relationship between hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction at the inception of the hedging transaction. The group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the hedging instrument that will be used in the hedging transaction is and will continue to be highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the foreign currency value of the hedging instrument that will be designated and qualifies as a cash flow hedge, is recognised in other comprehensive income and accumulates in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within investment income (if applicable). The tax charge on the accumulated foreign currency movements is also recognised in equity.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss. When the highly probable forecast transaction that is hedged results in the recognition of a non-financial asset (for example, the acquisition of an associate), the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss when the relating asset is impaired or sold.

When the highly probable forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

19 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Group		Company	
	2020 R million	2019 R million	2020 R million	2019 R million
At the beginning of the year	**123**	162	**72**	99
Charged to statement of comprehensive income:				
– additional provisions	**56**	45	**40**	21
– reversal of provisions	**(6)**	(35)	**(5)**	(32)
Used during the year	**(20)**	(49)	**(3)**	(16)
Year ended 31 December	**153**	123	**104**	72

The balance consists mainly of the cash-settled share-based payment liability in Santam Ltd, the provision for the MiWay deferred bonus plan and key SSI management's 10% economic participation interest in SSI. Participants in the MiWay deferred bonus scheme can redeem their units at any time following their respective vesting dates. In addition, there is a compulsory redemption upon the completion of the fifth year of issue of the units.

ACCOUNTING POLICY - PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

20 OTHER INCOME AND EXPENSES BY NATURE

20.1 Other income

	Group		Company	
	2020 R million	2019 R million	2020 R million	2019 R million
Fee income from policy administration	**262**	173	**–**	–
Commission	**85**	98	**79**	56
	347	271	**79**	56

ACCOUNTING POLICY – OTHER INCOME

Fee income is earned by intermediaries within the group for administration services performed on behalf of insurance companies, in terms of binder agreements. The group also earns administration fees for administration of cell captives on behalf of cell owners. These arrangements contain no significant financing components, revenue is earned at a point in time. The group does not recognise any assets in relation to costs required to fulfil its performance obligations in respect of these arrangements.

Commission is earned by the group in its capacity as an intermediary, and is accounted for in the same manner as fee income.

20 OTHER INCOME AND EXPENSES BY NATURE

20.2 Expenses by nature

	Group		Company	
	2020 R million	**2019 R million**	**2020 R million**	**2019 R million**
Auditor's remuneration	**38**	32	**17**	16
Audit fees				
– Current year	**33**	27	**16**	15
– Prior year	**4**	4	**–**	–
– Non-audit services	**1**	1	**1**	1
Depreciation	**224**	223	**155**	140
Amortisation of intangible assets	**70**	76	**22**	39
Impairment of intangible assets	**–**	3	**–**	–
Employee benefit expense	**3 356**	3 511	**2 232**	2 408
Operating lease rentals	**9**	31	**–**	20
– low value leases	**9**	31	**–**	20
Service level agreement related to computer equipment	**239**	239	**239**	239
Research and development costs	**130**	86	**130**	86
Expenses for the acquisition of insurance contracts	**5 124**	4 878	**5 622**	5 164
Investment-related activities	**66**	70	**46**	44
Provision for impairment of intermediaries (refer to note 4.2)	**63**	–	**54**	–
Other expenses*	**390**	414	**366**	407
Total expenses	**9 709**	9 563	**8 883**	8 563

* *Includes allocation of claims handling costs to claims costs.*

ACCOUNTING POLICY – LOW VALUE LEASES

Leases relating to low value assets, which consist of office furniture and equipment, are expensed on a straight-line basis.

20.3 Employee benefit expense

	Group		Company	
	2020 R million	**2019 R million**	**2020 R million**	**2019 R million**
Wages, salaries and bonus	**2 759**	2 917	**1 703**	1 890
Social security costs	**170**	177	**164**	164
Long-term incentive scheme costs	**121**	126	**76**	79
Pension costs – defined contribution plans	**304**	288	**287**	272
BBBEE cost	**2**	3	**2**	3
	3 356	3 511	**2 232**	2 408

ACCOUNTING POLICY – EMPLOYEE BENEFITS

(a) Pension obligations

The group only has defined contribution pension plans. A defined contribution plan is a pension plan under which the group pays a fixed contribution into a separate entity. The group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans the group pays contributions to publicly and privately administered pension insurance plans on a mandatory basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Long-term incentive and retention bonus plan

Certain employees were paid retention bonuses in terms of the long-term incentive and retention bonus plan. These beneficiaries – including executive directors, executive management, senior and middle management – are subject to retention periods. Should the beneficiary be in breach of the retention period, a certain amount is subject for repayment. The costs associated with the long-term incentive and retention bonus plan are recognised in the statement of comprehensive income over the retention period.

(c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to: either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(d) Performance bonus plans

The group recognises a liability and an expense for bonuses based on a formula that takes into consideration the net insurance result after certain adjustments as well as growth targets. The group recognises an accrual where contractually obliged or where there is a past practice that has created a constructive obligation.

(e) Leave pay

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the statement of financial position date.

20.3.1 TRANSACTIONS WITH KEY MANAGEMENT

Remuneration is paid to key management (executive committee members) of the group.

Key management also have general insurance contracts with the company in their private capacity. Premiums on these contracts are not material.

	Company	
	2020 R million	2019 R million
Key management compensation paid		
Salaries and other short-term employee benefits paid	**77**	74
Retention payments paid	**9**	–
Share-based payments and long-term deferred bonus schemes	**19**	25

20 OTHER INCOME AND EXPENSES BY NATURE (continued)

20.3 Employee benefit expense (continued)

20.3.2 TRANSACTION WITH DIRECTORS AND PRESCRIBED OFFICERS

Remuneration is paid to directors and prescribed officers in the form of fees to non-executive directors and remuneration to executive directors of the company. All directors of Santam Ltd have notified that they did not have a material interest in any contract of significance with the company or any of its subsidiaries, which could have given rise to a conflict of interest during the year.

Certain directors have general insurance contracts with the company in their private capacity. These contracts are not material.

Directors' and prescribed officers' emoluments

The group human resources committee considers the remuneration of all executive directors as well as the fees paid to all non-executive directors. Fees payable to directors are recommended by the board to the annual general meeting for approval. This note reflects the total of executive and non-executive directors' earnings, other benefits and costs incurred by the company, in accordance with the requirements of the Companies Act and Listings Requirements introduced by the JSE Ltd.

	Salary R000	Performance bonus[1] R000	Other benefits and costs[2, 3] R000	Total R000
Executive directors and prescribed officers				
2020				
Paid by the company				
L Lambrechts	5 889	–	210	**6 099**
HD Nel	3 446	–	209	**3 655**
	9 335	**–**	**419**	**9 754**
2019				
Paid by the company				
L Lambrechts	5 620	7 200	210	13 030
HD Nel	3 301	3 400	226	6 927
	8 921	**10 600**	**436**	**19 957**

1 *Bonus in respect of 2020 paid in 2021 (2019 paid in 2020).*
2 *Includes retirement funding benefits. During 2020, R210 000 (2019: R210 000) was paid in respect of L Lambrechts and R208 636 (2019: R226 344) was paid in respect of HD Nel.*
3 *Adjusted to exclude company costs.*

	Directors' fees	
	2020 R000	**2019 R000**
Non-executive directors		
Paid by the company		
B Campbell	**905**	910
MP Fandeso	**1 051**	–
BTPKM Gamedze[2]	**–**	140
PB Hanratty[1]	**325**	–
VP Khanyile	**1 078**	1 028
IM Kirk[1]	**317**	629
MLD Marole	**828**	631
AM Mukhuba[1]	**155**	–
NV Mtetwa	**–**	612
JJ Ngulube[1]	**519**	446
MJ Reyneke	**1 085**	850
PE Speckmann[2]	**1 520**	1 349
HC Werth[1]	**–**	323
	7 783	6 918
Total directors' remuneration	**17 537**	26 875

1 *Fees were paid to the holding company, Sanlam Ltd.*
2 *Fees include amounts paid by subsidiaries of the group.*

OUTPERFORMANCE PLAN (OPP)

The Santam Ltd human resources committee extended an OPP effective 1 January 2015 to certain senior leaders (five-year measurement period) to reward superior performance over the measurement period. No payments were made under the OPP unless operational targets have outperformed and growth in net insurance results exceeded the hurdle set for the Santam group for the period. Full payments were only made if the stretch performance targets were met. There were no interim measurement periods. The maximum payment under the senior leaders' OPP was 4.9 times the 2019 total guaranteed package of a participant, payable in two equal tranches in April and November 2020. The stretch performance targets were not met for the five-year period to 31 December 2019. No payments were therefore made under the senior leaders' OPP plan. No further OPP was in place for the 2020 year for executive management.

21 INCOME TAX EXPENSE

	Group		Company	
	2020 R million	2019 R million	2020 R million	2019 R million
South African normal taxation				
Current year	**760**	1 045	**106**	590
– charge for the year	**759**	1 043	**106**	589
– other taxes	**1**	2	**–**	1
Prior year	**(8)**	20	**(6)**	22
Foreign taxation – current year	**17**	74	**–**	–
Income taxation for the year	**769**	1 139	**100**	612
Deferred taxation	**31**	15	**10**	39
Current year	**31**	25	**10**	50
Prior year	**–**	(10)	**–**	(11)
Deferred taxation for the year	**31**	15	**10**	39
Total taxation as per the statement of comprehensive income	**800**	1 154	**110**	651
Income tax recovered from cell owners and structured insurance products	**(429)**	(280)	**–**	–
Total tax expense attributable to shareholders	**371**	874	**110**	651
Profit before taxation per statement of comprehensive income	**1 446**	3 475	**349**	2 522
Adjustment for income tax recovered from cell owners and structured insurance products	**(429)**	(280)	**–**	–
Total profit before tax attributable to shareholders	**1 017**	3 195	**349**	2 522

	Group		Company	
	2020	2019	2020	2019
Reconciliation of taxation rate (%)				
Normal South African taxation rate	**28.0**	28.0	**28.0**	28.0
Adjusted for				
– Disallowable expenses	**0.6**	0.4	**1.1**	0.2
– Foreign tax differential	**0.5**	0.1	**–**	–
– Exempt income[1]	**(7.9)**	(2.1)	**(32.6)**	(4.1)
– Investment results	**(0.7)**	–	**(2.1)**	–
– Income from associates and joint ventures	**16.9**	0.4	**38.5**	1.3
– Previous year's underprovision/(overprovision)	**(0.6)**	0.4	**(1.8)**	0.4
– Other permanent differences	**(0.4)**	0.2	**0.2**	–
– Other taxes	**0.1**	–	**0.2**	–
Net increase/(reduction)	**8.5**	(0.6)	**3.5**	(2.2)
Effective rate (%)	**36.5**	27.4	**31.5**	25.8

[1] *Exempt income on a company level consists mainly of dividends received from subsidiaries.*

ACCOUNTING POLICY – INCOME TAX

The tax expense for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

(a) Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company, its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

(b) Withholding tax on dividends

Withholding taxes are measured at the amount expected to be paid to the relevant tax authorities in the country from which dividend income originates. The tax rates and tax laws used to compute the amount are those that are enacted when the dividend was declared.

22 DEFERRED TAX

	Group		Company	
	2020 R million	2019 R million	**2020 R million**	2019 R million
The amounts are as follows:				
Deferred tax assets	**102**	107	**–**	–
Deferred tax liabilities	**(104)**	(78)	**(19)**	–
Total net deferred income tax (liability)/asset	**(2)**	29	**(19)**	–
Deferred tax is made up as follows:				
Lease liability	**220**	274	**164**	205
Unrealised appreciation of investments	**(238)**	(243)	**(226)**	(256)
Provisions and accruals	**223**	269	**114**	171
Right-of-use assets	**(175)**	(241)	**(132)**	(179)
Tax losses carried forward	**6**	4	**–**	–
Other differences	**(38)**	(34)	**61**	59
	(2)	29	**(19)**	–
Movement of deferred tax				
Balance as at 1 January	**29**	74	**–**	45
Charge to the statement of comprehensive income	**(31)**	(15)	**(10)**	(39)
Lease liability	**(54)**	(7)	**(41)**	(5)
Unrealised appreciation of investments	**5**	(76)	**30**	(86)
Provisions and accruals	**(46)**	39	**(57)**	32
Right-of-use assets	**66**	22	**47**	16
Tax losses carried forward	**2**	1	**–**	–
Other differences	**(4)**	6	**11**	4
Business combinations	**–**	(22)	**–**	–
Tax credited directly to equity	**–**	(8)	**(9)**	(6)
Balance as at 31 December	**(2)**	29	**(19)**	–

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 28% (2019: 28%) in South Africa and the official tax rates in the foreign subsidiaries where applicable.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The group has unrecognised tax losses of R14.9 million (2019: R18.4 million).

ACCOUNTING POLICY – DEFERRED TAX

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle the balances on a net basis.

23 EARNINGS PER SHARE

23.1 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	Group	
	2020	**2019**
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	**542**	2 199
Weighted average number of ordinary shares in issue (millions)	**110.30**	110.48
Earnings per share (cents)	**491**	1 990

23.2 Diluted earnings per share

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. In the diluted earnings per share calculation for the shares granted to employees under the deferred share plan, a calculation is done to determine the number of shares that could have been acquired at market price (determined as the average annual share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding shares. This calculation serves to determine the unpurchased shares to be added to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit.

	Group	
	2020	**2019**
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	**542**	2 199
Weighted average number of ordinary shares in issue (millions)	**110.30**	110.48
Adjusted for share options	**0.61**	0.70
Weighted average number of ordinary shares for diluted earnings per share	**110.91**	111.18
Diluted basic earnings per share (cents)	**489**	1 978

23.3 Headline earnings per share

For the calculation of headline earnings per share, the profit attributable to equity holders of the company is adjusted with items excluded from headline earnings per share as listed below, divided by the normal weighted average number of ordinary shares in issue.

	Group	
	2020 R million	**2019 R million**
Headline earnings per share		
Profit attributable to the company's equity holders	**542**	2 199
Impairment of goodwill and other intangible assets	**–**	3
Impairment of associates and joint ventures	**15**	4
Share of associates' impairment of assets	**692**	80
Tax charge on share of associates' impairment of assets	**(36)**	–
Headline earnings	**1 213**	2 286
Weighted average number of ordinary shares in issue (millions)	**110.30**	110.48
Headline earnings per share (cents)	**1 100**	2 069
23.4 Diluted headline earnings per share		
Headline earnings (R million)	**1 213**	2 286
Weighted average number of ordinary shares for diluted earnings per share (millions)	**110.91**	111.18
Diluted headline earnings per share (cents)	**1 094**	2 056
24 DIVIDENDS PER SHARE		
Ordinary dividend per share		
Interim of nil cents per share (2019: 392 cps)	**–**	451
Proposed final of nil cents per share (2019: 718 cps)	**–**	827
	–	1 278

ACCOUNTING POLICY – DIVIDEND DISTRIBUTION

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the board of directors approves the dividend.

25 CASH GENERATED FROM OPERATIONS

	Group		Company	
	2020 R million	2019 R million	2020 R million	2019 R million
Profit before tax	**1 446**	3 475	**349**	2 522
Adjustments for:				
Non-cash items	**1 668**	932	**701**	332
– share-based payment costs	**80**	85	**70**	79
– amortisation of intangible assets	**70**	76	**22**	39
– impairment of goodwill and other intangible assets	**–**	3	**–**	–
– depreciation	**224**	223	**155**	140
– impairment of net investments and loans in associated companies	**15**	4	**480**	120
– loss from associates and joint ventures	**595**	42	**–**	–
– loss/(profit) on sale of property, plant and equipment	**8**	–	**(12)**	–
– movement in expected credit losses	**3**	(34)	**(6)**	–
– cell owners' and policyholders' interest, investment contracts and collateral guarantees	**673**	533	**(8)**	(46)
Repo liability cash movement	**76**	23	**–**	–
Investment income, realised and fair value gains	**(1 745)**	(2 375)	**(1 083)**	(1 553)
Finance costs	**318**	368	**241**	267
Income tax recovered from cell owners and structured insurance products	**(429)**	(280)	**–**	–
Changes in working capital (excluding the effects of acquisitions and disposals of subsidiaries)	**2 617**	1 308	**1 789**	535
Reinsurance assets	**(2 152)**	(362)	**(2 242)**	(115)
Deferred acquisition costs	**(106)**	(128)	**(86)**	(95)
Loans and receivables including insurance receivables	**(634)**	(18)	**(221)**	130
Insurance liabilities	**5 614**	2 388	**4 737**	1 124
Deferred reinsurance acquisition revenue	**11**	59	**36**	44
Provisions for other liabilities and charges	**30**	(18)	**32**	(27)
Trade and other payables including insurance payables	**(146)**	(613)	**(467)**	(526)
Investment income received in cash	**1 997**	2 380	**1 135**	1 315
Dividends received	**316**	284	**355**	316
Dividends received from associates	**50**	56	**46**	49
Interest received	**1 620**	1 766	**727**	842
Foreign exchange differences	**2**	274	**(2)**	104
Movement in provision for investment income	**9**	–	**9**	4
Cash generated from operations	**5 948**	5 831	**3 132**	3 418

ACCOUNTING POLICY – CASH FLOW RELATING TO INVESTMENT PORTFOLIOS

Cash flows relating to investment portfolios are classified as operating activities on the statement of cash flows, other than the acquisition of and proceeds from sales relating to strategic investments, equity portfolios and portfolios backing subordinated debt which are classified as investing activities.

26 INCOME TAX PAID

	Group		Company	
	2020 R million	2019 R million	2020 R million	2019 R million
Amounts charged to profit or loss	**(371)**	(874)	**(110)**	(651)
Income tax credited directly to equity	**6**	(3)	**6**	(3)
Movement in deferred taxation	**26**	23	**20**	44
Movement in taxation liability	**(98)**	(101)	**(107)**	(120)
	(437)	(955)	**(191)**	(730)

27 RELATED-PARTY TRANSACTIONS – SANLAM GROUP

Major shareholders

Sanlam Ltd (incorporated in South Africa) is the ultimate holding company with a 61.9% (2019: 61.5%) shareholding in Santam Ltd. The balance of the shareholders (38.1% (2019: 38.5%)) do not have significant influence and thus no other shareholder is treated as a related party. The shares are widely held by public, non-public, individual and corporate shareholders.

Transactions with the Sanlam Group

The company transacts with the Sanlam Group on various levels, predominantly insurance-related cover provided to Sanlam Group companies. SIM acts as the largest investment fund manager for the group with its fees negotiated on a regular basis. Santam also subscribed to target shares in SEM as described in note 5.1.

The following is a summary of transactions and balances with Sanlam-related parties:

		2020 R million	2019 R million
a)	**Insurance contracts and other services**		
	– Sanlam Ltd and related parties (for insurance premiums)	**17**	10
	– Sanlam Ltd and related parties (for investment management services)	**(48)**	(40)
	– Sanlam Ltd and related parties (for IT infrastructure costs)	**(306)**	(278)
	– Sanlam Ltd and related parties (for administration services)	**(20)**	(20)
	– Sanlam Ltd (for insurance services)	**(6)**	(6)
b)	**Investment income and net realised/unrealised gains received from:**		
	– Sanlam Ltd and related parties	**274**	509
c)	**Dividends paid**		
	– to Sanlam Group	**(487)**	(717)
d)	**Year-end balances with related parties**		
	Sanlam Group: Sanlam Emerging Markets		
	– target shares acquired (refer to note 5.1)	**1 538**	1 474
	– target shares issued (refer to note 11)	**(344)**	(324)
	Sanlam Alternative Income Fund		
	– investment	**1**	220
	Sanlam Property Fund		
	– investment	**102**	151
	Sanlam Capital Markets		
	– cash and money market instruments	**74**	59
	Sanlam Ltd		
	– shares	**17**	21
	Sanlam Life Insurance Ltd		
	– trade payable	**(5)**	(9)

Remuneration received by Santam directors from other Sanlam Group companies for services provided to these companies (disclosed in accordance with section 30(5)(b) of the Companies Act).

Emoluments for the year ended 31 December

	Salary R000	Performance bonus[1] R000	Other benefits R000	Fees R000	Total[2] R000
2020					
PB Hanratty	**3 065**	**–**	**–**	**–**	**3 065**
IM Kirk[3]	**4 848**	**10 000**	**105**	**–**	**14 953**
AM Mukhuba[4]	**1 296**	**–**	**5 983**	**–**	**7 279**
PE Speckmann	**–**	**–**	**–**	**1 399**	**1 399**
	9 209	**10 000**	**6 088**	**1 399**	**26 696**
2019					
IM Kirk	9 385	11 000	210	–	20 595
PE Speckmann	–	–	–	1 031	1 031
HC Werth	5 693	5 000	210	–	10 903
	15 078	16 000	420	1 031	32 529

1 *Performance bonus in respect of 2019 paid in 2020 (2018 paid in 2019).*
2 *Total TGP includes amounts recharged by Sanlam Ltd to Santam Ltd for services provided*
3 *Other payments of R1,8 million in lieu of accrued leave. Emoluments up until 30 June 2020, date of resignation.*
4 *Appointed as Financial Director on 1 October 2020. A retention cash bonus of R5.9 million was granted on appointment.*

27 RELATED-PARTY TRANSACTIONS – SANLAM GROUP (continued)

Emoluments for the year ended 31 December (continued)

DEFERRED SHARE PLAN

Sanlam shares

	Balance 31 December 2019	Awarded in 2020	Shares vested	Balance 31 December 2020
AM Mukhuba	–	**106 789**	**–**	**106 789**
IM Kirk#	158 178	**–**	**(42 597)**	**115 581**
Total	158 178	**106 789**	**(42 597)**	**222 370**

	Balance 31 December 2018	Awarded in 2019	Shares vested	Balance 31 December 2019
L Lambrechts*	6 473	–	(6 473)	–
IM Kirk	151 947	40 922	(34 691)	158 178
HC Werth	94 911	26 754	(22 354)	99 311
Total	**253 331**	**67 676**	**(63 518)**	**257 489**

PERFORMANCE DEFERRED SHARE PLAN

	Balance 31 December 2019	Awarded in 2020	Shares vested	Shares forfeited	Balance 31 December 2020
AM Mukhuba	–	**32 037**	**–**	**–**	**32 037**
IM Kirk#	271 940	**–**	**(56 610)**	**(1 915)**	**213 415**
Total	271 940	**32 037**	**(56 610)**	**(1 915)**	**245 542**

	Balance 31 December 2018	Awarded in 2019	Shares vested	Balance 31 December 2019
L Lambrechts*	4 140	–	(4 140)	–
IM Kirk	248 574	68 547	(45 181)	271 940
HC Werth	109 307	22 285	(9 041)	122 551
Total	**362 021**	**90 832**	**(58 362)**	**394 491**

RESTRICTED SHARE PLAN

	Balance 31 December 2019	Awarded in 2020	Balance 31 December 2020
AM Mukhuba	–	**121 075**	**121 075**
IM Kirk#	37 861	**–**	**37 861**
PB Hanratty	–	**3 000 000**	**3 000 000**
Total	37 861	**3 121 075**	**3 158 936**

	Balance 31 December 2018	Awarded in 2019	Shares vested	Balance 31 December 2019
L Lambrechts*	11 266	–	(11 266)	–
IM Kirk	24 719	13 142	–	37 861
HC Werth	81 817	26 284	(19 155)	88 946
Total	**117 802**	**39 426**	**(30 421)**	**126 807**

* *Shares were received prior to 1 January 2015.*
\# *Shares as at 30 June 2020 upon resignation.*

28 CONTINGENCIES AND UNCERTAINTIES

Contracts with third parties

The group enters into outsourcing contracts and distribution arrangements with third parties in the normal course of its business and is reliant upon those third parties being willing and able to perform their obligations in accordance with the terms and conditions of the contracts.

Litigation, disputes and investigations

The group, in common with the insurance industry in general, is subject to litigation, mediation and arbitration, and regulatory, governmental and other sectoral inquiries and investigations in the normal course of its business. The outcome of these can be uncertain, but based on current information, the directors do not believe that any current mediation, arbitration, regulatory, governmental or sectoral inquiries and investigations and pending or threatened litigation or dispute will have a material adverse effect on the group's financial position. Refer to note 4.1.2 for detail relating to CBI claims.

29 COMMITMENTS

The group does not have any other obligations not disclosed in other parts of these financial statements.

30 EVENTS AFTER THE REPORTING PERIOD

The equity collar over equities to the value of R1 billion to provide capital protection entered into by the group on 3 November 2020 matured on 3 February 2021. The final loss on the contract was R142 million (R77m of the loss was recognised at 31 December 2020). On 3 February 2021, the group rolled the collar structure. The structure offers almost full downside protection from the implementation level 11 857 and expires on 3 May 2021. The equity collar reduces balance sheet volatility in a time of underwriting performance uncertainty because of CBI claims.

On 22 February 2021, Santam's application for leave to appeal the length of the indemnity period in the Ma-Afrika judgment was granted by the Western Cape High Court.

On 24 February 2021, the Minister of Finance announced that the South African corporate tax rate will decrease from 28% to 27% effective on 1 April 2022. The group does not expect this change to have a material impact on the statement of financial position as at 31 December 2020.

There have been no other material changes in the affairs or financial position of the group since the statement of financial position date.

31 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(a) Standards, amendments and interpretations effective in 2020

The following amendments to published standards are mandatory for the group's accounting periods beginning on or after 1 January 2020:

Standard	Effective date	Executive summary
Amendments to IFRS 3 *Business Combinations*	Annual periods beginning on or after 1 January 2020 (Published in October 2018)	The amendments to IFRS 3 revise the definition of a business and the related application guidance in determining whether an acquisition is a business. The amendments indicate that outputs are not critical to a business, however, inputs and a substantial process are the defining factors. The application of the definitions is also dependent on whether the process acquired includes a workforce, and whether the process can be easily replaced without significant cost or effort, particularly where there are no outputs. The amendments also include a simplified optional "fair value concentration test". For acquisitions where substantially all of the fair value of the assets acquired is concentrated in a single asset or group of similar assets the acquisition is not a business and is accounted for as an asset acquisition. This optional test is applicable on a transaction-by-transaction basis.
Amendments to IFRS 7 *Financial Instruments: Disclosures* and IFRS 9 *Financial Instruments*	Annual periods beginning on or after 1 January 2020 (Published in September 2019)	Interest Rate Benchmark Reform requiring additional disclosures around uncertainty arising from the interest rate benchmark reform. The board amended IFRS 7 to require a company to make additional disclosures in its financial statements so that investors can better understand the reform's effects on that company. The additional disclosure requirements are designed to balance the benefits to investors with a company's costs to provide the additional information. These objective-based disclosure requirements limit the costs of applying the amendments by allowing companies to choose their own methods for disclosing the required information.
Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	Annual periods beginning on or after 1 January 2020 (Published October 2018)	The definition of material has been amended in both IAS 1 and IAS 8. This new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The new elements incorporated in the definition are: obscuring information expected to influence decisions and that the users are the primary users of general purpose financial statements. These amendments are not expected to have a significant impact on the financial statements but could change the way information in the financial statements is presented. This is particularly relevant in the clarity of disclosures to not obscure information. In addition, the clarification of the users to determine what is material, could result in a more focused group being considered in making materiality judgements.

There was no material impact on the annual financial statements identified.

Number	Effective date	Executive summary
IFRS 16 *Leases* COVID-19-related rent concessions amendment	Annual periods beginning on or after 1 June 2020 (early adoption is permitted) (Published June 2020)	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.
Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* – interest rate benchmark (IBOR) reform (Phase 2)	Annual periods beginning on or after 1 January 2021 (Published August 2020)	The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.
Amendment to IAS 1 *Presentation of Financial Statements* on classification of liabilities as current or non-current	Annual periods beginning on or after 1 January 2022 (Published January 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).
Amendment to IFRS 3 *Business Combinations*	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The board has updated IFRS 3 *Business Combinations*, to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21 *Levies*, rather than the 2018 Conceptual Framework. The board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.
Amendments to IAS 16 *Property, Plant and Equipment* on Proceeds before intended use	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.
Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* on Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of "costs to fulfil a contract". Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

31 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

(b) Interpretation and amendments to published standards that are not yet effective and have not been early adopted by the group

Number	Effective date	Executive summary
IFRS 17 *Insurance Contracts*	Annual periods beginning on or after 1 January 2023 Early application is permitted for entities that apply IFRS 9 *Financial Instruments*, and IFRS 15 *Revenue from Contracts with Customers*, at or before the date of initial application of IFRS 17. (Published May 2017)	The IASB issued IFRS 17 *Insurance Contracts*, and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. Consequently, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.
IFRS 17 *Insurance Contracts* Amendments	Annual periods beginning on or after 1 January 2023 (Published June 2020)	In response to some of the concerns and challenges raised, the board developed targeted amendments and several proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.

Please refer to note 1.2 for detailed information regarding IFRS 17.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

32 ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS

This note provides information on cellholder/policyholder versus shareholder statement of financial position and statement of comprehensive income. Cellholder/policyholder activities relate mainly to alternative risk transfer insurance business written on the insurance licences of Centriq and SSI.

32.1 Analysis of policyholder/shareholder statement of financial position

2020	Group R million	Shareholder R million	Policyholder/ cellholder R million
ASSETS			
Intangible assets	968	968	–
Property and equipment	760	760	–
Investment in associates and joint ventures	2 205	2 205	–
Strategic investment – unquoted SEM target shares	1 538	1 538	–
Deferred income tax	102	117	(15)
Deposit with cell owner	161	–	161
Cell owners' and policyholders' interest	14	–	14
Financial assets at fair value through income	29 394	16 431	12 963
Reinsurance assets	8 946	7 988	958
Deferred acquisition costs	839	739	100
Loans and receivables including insurance receivables	6 855	4 312	2 543
Current income tax assets	15	15	–
Cash and cash equivalents	4 383	3 309	1 074
Total assets	**56 180**	**38 382**	**17 798**
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(527)	(527)	–
Other reserves	(196)	(196)	–
Distributable reserves	9 976	9 976	–
	9 356	9 356	–
Non-controlling interest	736	570	166
Total equity	**10 092**	**9 926**	**166**
LIABILITIES			
Deferred income tax	104	110	(6)
Cell owners' and policyholders' interest	4 238	–	4 238
Reinsurance liability relating to cell owners	161	–	161
Financial liabilities at fair value through income			
Debt securities	3 089	3 089	–
Investment contracts	1 838	–	1 838
Derivatives	80	80	–
Lease liabilities	782	782	–
Financial liabilities at amortised cost			
Repo liability	867	–	867
Collateral guarantee contracts	128	–	128
Insurance liabilities	28 871	19 584	9 287
Deferred reinsurance acquisition revenue	517	441	76
Provisions for other liabilities and charges	153	153	–
Trade and other payables including insurance payables	5 089	4 012	1 077
Current income tax liabilities	171	205	(34)
Total liabilities	**46 088**	**28 456**	**17 632**
Total shareholders' equity and liabilities	**56 180**	**38 382**	**17 798**

32 ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS (continued)

32.2 Analysis of policyholder/shareholder statement of comprehensive income

2019	Group R million	Shareholder R million	Policyholder/ cellholder R million
ASSETS			
Intangible assets	948	948	–
Property and equipment	984	984	–
Investment in associates and joint ventures	2 661	2 661	–
Strategic investment – unquoted SEM target shares	1 474	1 474	–
Deferred income tax	107	95	12
Deposit with cell owner	180	–	180
Cell owners' and policyholders' interest	26	–	26
Financial assets at fair value through income	24 411	13 116	11 295
Reinsurance assets	6 821	6 125	696
Deferred acquisition costs	727	649	78
Loans and receivables including insurance receivables	6 237	3 970	2 267
Current income tax assets	16	15	1
Cash and cash equivalents	4 642	3 345	1 297
Total assets	49 234	33 382	15 852
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(482)	(482)	–
Other reserves	(405)	(405)	–
Distributable reserves	10 326	10 326	–
	9 542	9 542	–
Non-controlling interest	521	521	–
Total equity	10 063	10 063	–
LIABILITIES			
Deferred income tax	78	80	(2)
Cell owners' and policyholders' interest	3 964	–	3 964
Reinsurance liability relating to cell owners	180	–	180
Financial liabilities at fair value through income			
Debt securities	2 080	2 080	–
Investment contracts	1 618	–	1 618
Lease liabilities	978	978	–
Financial liabilities at amortised cost			
Repo liability	785	–	785
Collateral guarantee contracts	120	–	120
Insurance liabilities	23 207	15 080	8 127
Deferred reinsurance acquisition revenue	489	419	70
Provisions for other liabilities and charges	123	123	–
Trade and other payables including insurance payables	5 280	4 298	982
Current income tax liabilities	269	261	8
Total liabilities	39 171	23 319	15 852
Total shareholders' equity and liabilities	49 234	33 382	15 852

2020	Group R million	Shareholder R million	Policyholder/ cellholder R million
Gross written premium	38 273	31 377	6 896
Less: reinsurance written premium	12 756	6 604	6 152
Net written premium	25 517	24 773	744
Less: change in unearned premium			
Gross amount	1 549	460	1 089
Reinsurers' share	(693)	(208)	(485)
Net insurance premium revenue	24 661	24 521	140
Interest income on amortised cost instruments	185	185	–
Interest income on fair value through income instruments	1 435	845	590
Other investment income	398	330	68
Income from reinsurance contracts ceded	2 089	1 619	470
Net losses on financial assets and liabilities at fair value through income	(273)	(81)	(192)
Other income	347	347	–
Net income	28 842	27 766	1 076
Insurance claims and loss adjustment expenses	25 205	22 308	2 897
Insurance claims and loss adjustment expenses recovered from reinsurers	(8 435)	(5 636)	(2 799)
Net insurance benefits and claims	16 770	16 672	98
Expenses for the acquisition of insurance contracts	5 124	4 642	482
Expenses for marketing and administration	4 449	4 415	34
Expenses for investment-related activities	66	66	–
Amortisation and impairment of intangible assets	70	70	–
Investment return allocated to cell owners and structured insurance products	418	–	418
Expenses	26 897	25 865	1 032
Results of operating activities	1 945	1 901	44
Finance costs	(318)	(274)	(44)
Net loss from associates and joint ventures	(595)	(595)	–
Impairment of associates and joint ventures	(15)	(15)	–
Income tax recovered from cell owners and structured insurance products	429	–	429
Profit before tax	1 446	1 017	429
Income tax expense	(800)	(371)	(429)
Profit for the year	646	646	–

32 ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS (continued)

32.2 Analysis of policyholder/shareholder statement of comprehensive income

2019	Group R million	Shareholder R million	Policyholder/ cellholder R million
Gross written premium	35 852	30 049	5 803
Less: reinsurance written premium	10 720	5 923	4 797
Net written premium	25 132	24 126	1 006
Less: change in unearned premium			
Gross amount	1 494	411	1 083
Reinsurers' share	(588)	(128)	(460)
Net insurance premium revenue	24 226	23 843	383
Interest income on amortised cost instruments	186	186	–
Interest income on fair value through income instruments	1 580	916	664
Other investment income	288	243	45
Income from reinsurance contracts ceded	1 995	1 554	441
Net gains/(losses) on financial assets and liabilities at fair value through income	321	356	(35)
Other income	271	271	–
Net income	28 867	27 369	1 498
Insurance claims and loss adjustment expenses	19 894	17 585	2 309
Insurance claims and loss adjustment expenses recovered from reinsurers	(4 813)	(2 833)	(1 980)
Net insurance benefits and claims	15 081	14 752	329
Expenses for the acquisition of insurance contracts	4 878	4 409	469
Expenses for marketing and administration	4 536	4 510	26
Expenses for investment-related activities	70	70	–
Amortisation and impairment of intangible assets	79	79	–
Investment return allocated to cell owners and structured insurance products	614	–	614
Expenses	25 258	23 820	1 438
Results of operating activities	3 609	3 549	60
Finance costs	(368)	(308)	(60)
Net loss from associates and joint ventures	(42)	(42)	–
Impairment of associates and joint ventures	(4)	(4)	–
Income tax recovered from cell owners and structured insurance products	280	–	280
Profit before tax	3 475	3 195	280
Income tax expense	(1 154)	(874)	(280)
Profit for the year	2 321	2 321	–

ANALYSIS OF SHAREHOLDERS

Analysis of shareholders	**Number of shareholders**	**% of total shareholders**	**Number of shares**	**% Interest**
1 – 100 shares	1 649	23.58	85 101	0.07
101 – 1 000 shares	3 296	47.14	1 396 851	1.21
1 001 – 50 000 shares	1 933	27.65	11 102 063	9.64
50 001 – 100 000 shares	62	0.89	4 393 203	3.82
100 001 – 10 000 000 shares	51	0.73	30 077 647	26.13
More than 10 000 000 shares	1	0.01	68 076 552	59.13
Total	**6 992**	**100.00**	**115 131 417**	**100.00**
Type of shareholder				
Individuals	4 459	63.77	3 866 681	3.36
Companies	600	8.58	85 254 730	74.05
Growth funds/unit trusts	316	4.52	12 646 237	10.98
Nominee companies or trusts	1 119	16.01	3 053 434	2.65
Pension and retirement funds	498	7.12	10 310 335	8.96
Total	**6 992**	**100.00**	**115 131 417**	**100.00**

	Shareholders in South Africa		**Shareholders other than in South Africa**		**Total shareholders**	
Shareholder spread	**Nominal number**	**% Interest**	**Nominal number**	**% Interest**	**Nominal number**	**% Interest**
Public shareholders	6 752	25.43	225	100.00	6 977	30.34
Directors	8	0.07	–	–	8	0.07
Guardian National Insurance Ltd[1]	1	4.24	–	–	1	3.96
Trustees of employees' share scheme[1]	3	1.28	–	–	3	1.19
Holdings of 5% or more	3	68.98	–	–	3	64.44
Sanlam Ltd	2	63.32	–	–	2	59.15
Government Employees Pension Fund	1	5.66	–	–	1	5.29
Total	**6 767**	**100.00**	**225**	**100.00**	**6 992**	**100.00**

[1] *Owners of treasury shares.*

The analysis includes the shares held as treasury shares.

ANALYSIS OF BONDHOLDERS

Analysis of debt security holders	Number of debt security holders	% of total debt security holders	Number of units	% Interest
1 – 50 000 units	9	2.48	275 371	0.01
50 001 – 100 000 units	12	3.31	1 161 600	0.04
100 001 – 1 000 000 units	115	31.68	61 122 990	2.04
1 000 001 – 10 000 000 units	174	47.93	756 348 779	25.21
More than 10 000 000 units	53	14.60	2 181 091 260	72.70
Total	**363**	**100.00**	**3 000 000 000**	**100.00**
Type of debt security holder				
Banks	1	0.28	860 000	0.03
Intermediaries	2	0.55	2 600 000	0.09
Endowment funds	9	2.48	19 434 000	0.65
Insurance companies	23	6.33	153 520 463	5.11
Investment companies	10	2.75	55 888 976	1.86
Medical aid schemes	23	6.34	123 406 961	4.11
Mutual funds	204	56.20	2 172 497 703	72.42
Pension funds	86	23.69	404 397 753	13.48
Private companies	3	0.83	56 637 260	1.89
Public companies	2	0.55	10 756 884	0.36
Total	**363**	**100.00**	**3 000 000 000**	**100.00**

Debt security holder spread	Nominal number	% Interest
Stanlib Income Fund	267 000 000	8.90
Ninety One Cautious Managed Fund	226 700 000	7.56
Nedgroup Investments Flexible Income Fund	225 000 000	7.50
Government Employees Pension Fund	185 000 000	6.17
Other	2 096 300 000	69.87
Total	**3 000 000 000**	**100.00**

ADMINISTRATION

NON-EXECUTIVE DIRECTORS

B Campbell, MP Fandeso, PB Hanratty, VP Khanyile (chairman), MLD Marole, AM Mukhuba, JJ Ngulube, MJ Reyneke, PE Speckmann

EXECUTIVE DIRECTORS

L Lambrechts (chief executive officer), HD Nel (chief financial officer)

SPONSORS

Equity sponsor: Investec Bank Ltd
Debt sponsor: Rand Merchant Bank (A division of FirstRand Bank Limited)

TRANSFER SECRETARIES

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Registration number 1918/001680/06
ISIN ZAE000093779
JSE share code: SNT
NSX share code: SNM
A2X share code: SNT
Debt company code: BISAN

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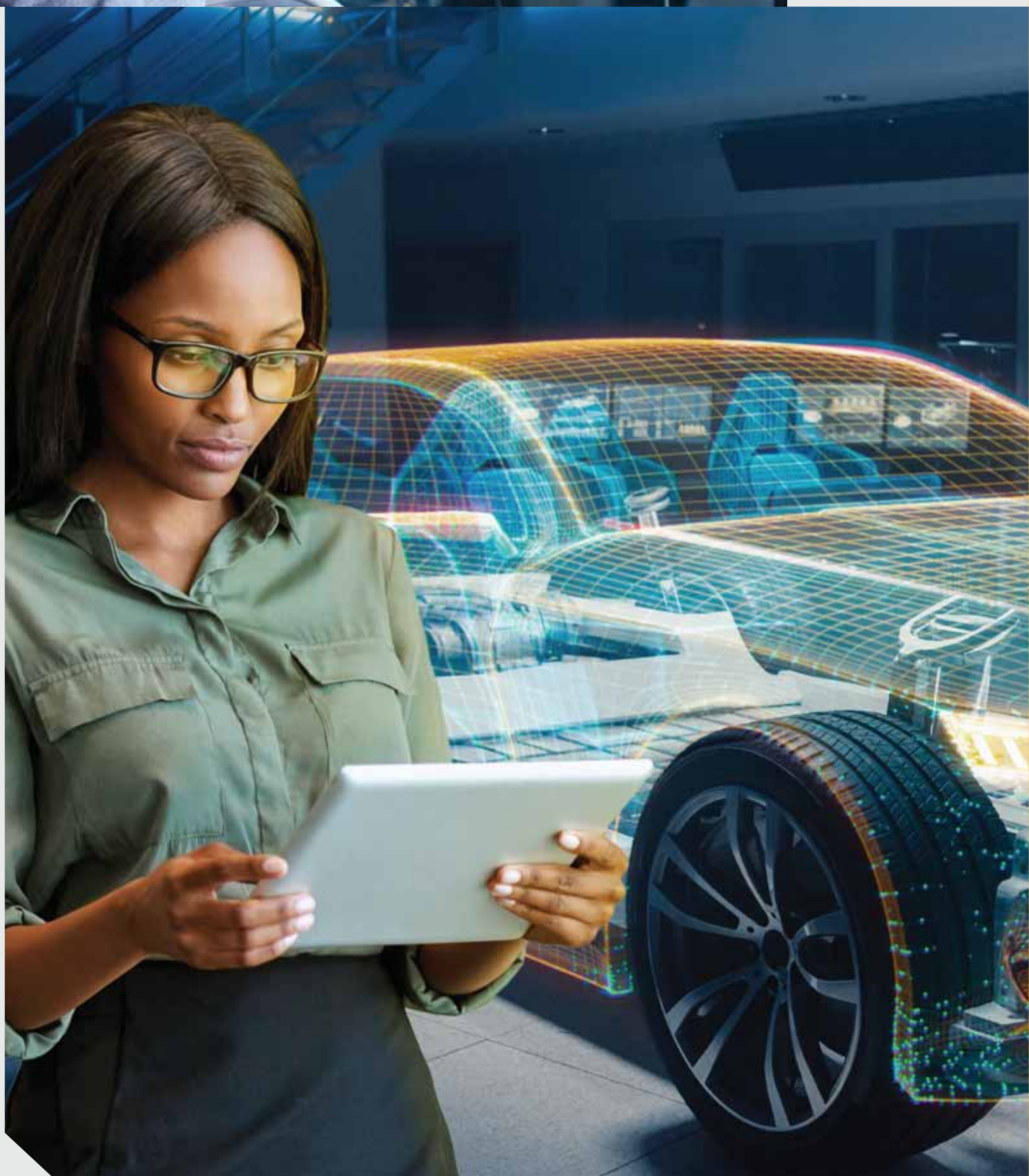

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