



2021  
ANALYST  
PRESENTATION

FOR THE YEAR ENDED  
31 DECEMBER 2021

PRESENTED BY:  
LIZÉ LAMBRECHTS AND ASHER GREVLER



# CONTENT



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

# THE SANTAM BUSINESS PORTFOLIO



## Conventional



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

## Alternative Risk Transfer (ART)



- Centriq Insurance
- Santam Structured Insurance

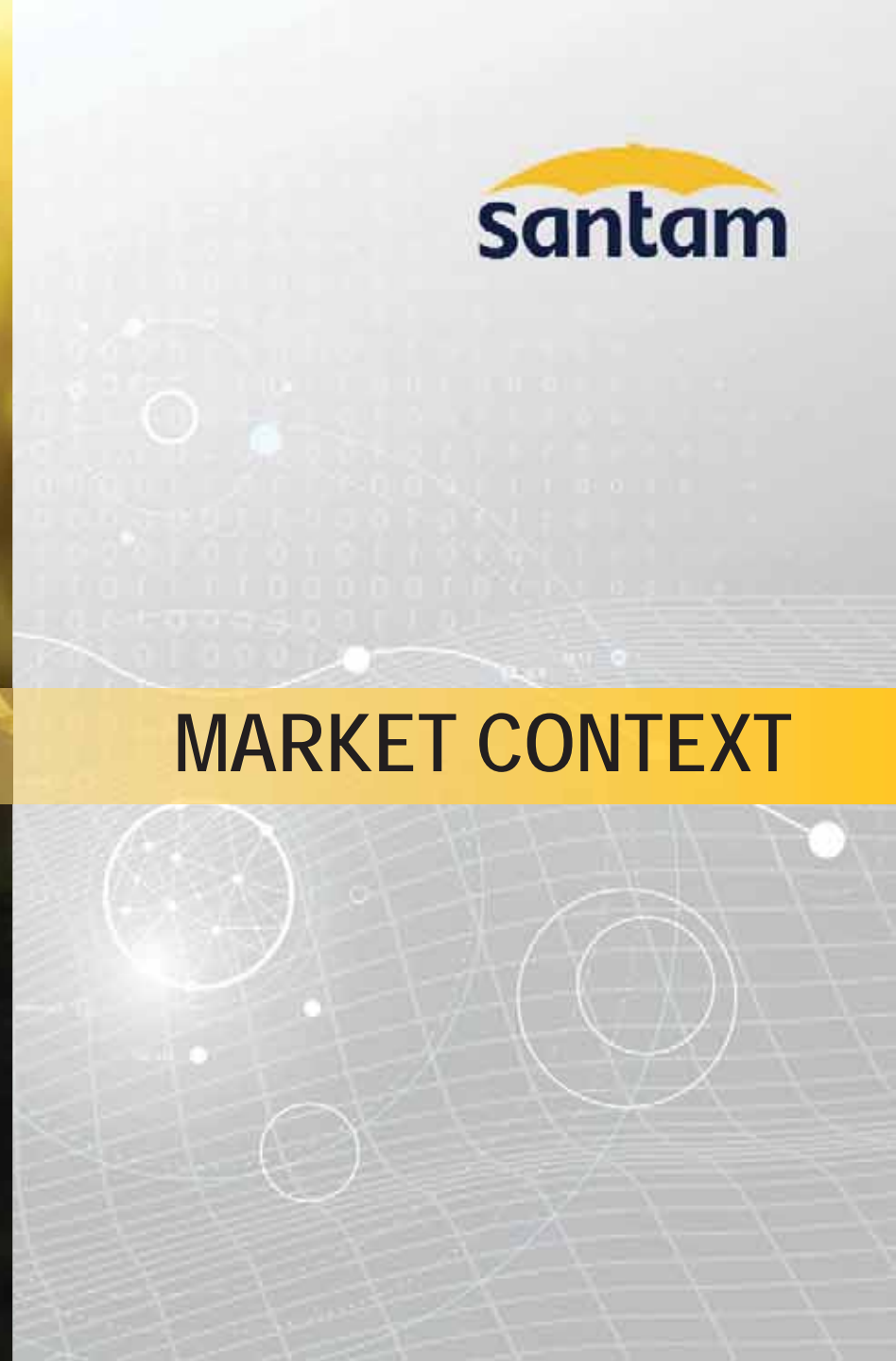
## Santam's Strategic Investment Partnerships inclusive of SAN JV (Saham)



Santam's share of the insurance results of the SEM general insurance businesses, including SAN JV (Saham)



## MARKET CONTEXT





# INSURANCE MARKET

## OUTLOOK

- **All markets**

- Global economy is expected to continue with recovery albeit at a slower pace
- Inflation is expected to surge as supply chain disruptions and high energy prices persist
- Current developments in Eastern Europe add uncertainty to the economic outlook
- Insurance premiums are forecast to grow despite economic headwinds
- Rate hardening, growth of cyber insurance and the shift to digital distribution channels will remain key drivers to insurance growth
- In addition, climate-related weather events and cyber attacks continue to be the top risks
- Investment into Insurtech is expected to continue to increase
- Momentum on climate change action and ESG disclosures are growing



# INSURANCE MARKET

## OUTLOOK

- **South Africa**

- Economic growth expected to be above pre-COVID-19 levels
- The short-term outlook for the insurance industry remains positive
- Competition is and will remain fierce, particularly from non-traditional players and in niche segments
- Digital remains a growth opportunity as well as an opportunity to narrow the risk protection gap
- Weather-related events, civil unrest, poor infrastructure maintenance and destruction of property remain key risks for the growth and profitability of the industry
- Reinsurance rates hardening



# CONTINGENT BUSINESS INTERRUPTION COVER

## CURRENT STATUS

- Legal clarity obtained on length of indemnity period in October 2021
- Santam reviewed its provisions for CBI claims at 31 December 2021 and the net CBI provision was reduced by R450 million mainly due to
  - claims experience to date being lower compared to initial estimates
  - positive feedback from Santam’s reinsurance panel on its catastrophe reinsurance claim
- Uncertainty will remain over ultimate liability – until process has been finalised
- Steady progress in finalising the open CBI claims – gross CBI claims paid of R3.2 billion to end of December 2021, inclusive of relief payments of R1 billion in August 2020





# SANTAM DECEMBER 2021

## KEY FACTS

- Conventional insurance gross written premium growth of **5%**
- Underwriting margin for conventional insurance business of **8.0%** (2020: 2.5%)
- Revision of target net underwriting margin to **5% to 10%**
- Alternative Risk Transfer operating result of **R276 million** (2020: **R165 million**)
- Headline earnings per share increased to **2 495** cps (2020: 905 cps)
- Return on capital of **28.5%**
- Economic capital coverage ratio of **169%**
- Final dividend of **790** cents per share and special dividend of **800** cents per share declared





# FINANCIAL RESULTS

# REPORTING ENVIRONMENT

## REPORTED RESULTS AFFECTED BY:

### Insurance events

- A more normalised claims environment and traffic patterns
- Underwriting account impacted by several large fire claims, civil unrest in July and excessive rains across large parts of South Africa during the fourth quarter
- Release of net CBI claims provision of R450 million

### Market volatility

- Lower interest rate environment resulted in lower investment returns
- Rand weakness contributed to significant unrealised foreign currency gains
- Strong equity markets contributed to positive market value movements



# EXCHANGE RATE VOLATILITY

## CLOSING RATES

Currency	Dec 2021	Jun 2021	Dec 2020	% change Dec 2020 – Jun 2021	% change Dec 2020 – Dec 2021
United States Dollar	15.96	14.28	14.69	(2.8)	8.6
Moroccan Dirham	1.72	1.60	1.65	(2.7)	4.2
Indian Rupee	0.21	0.19	0.20	(4.1)	5.0

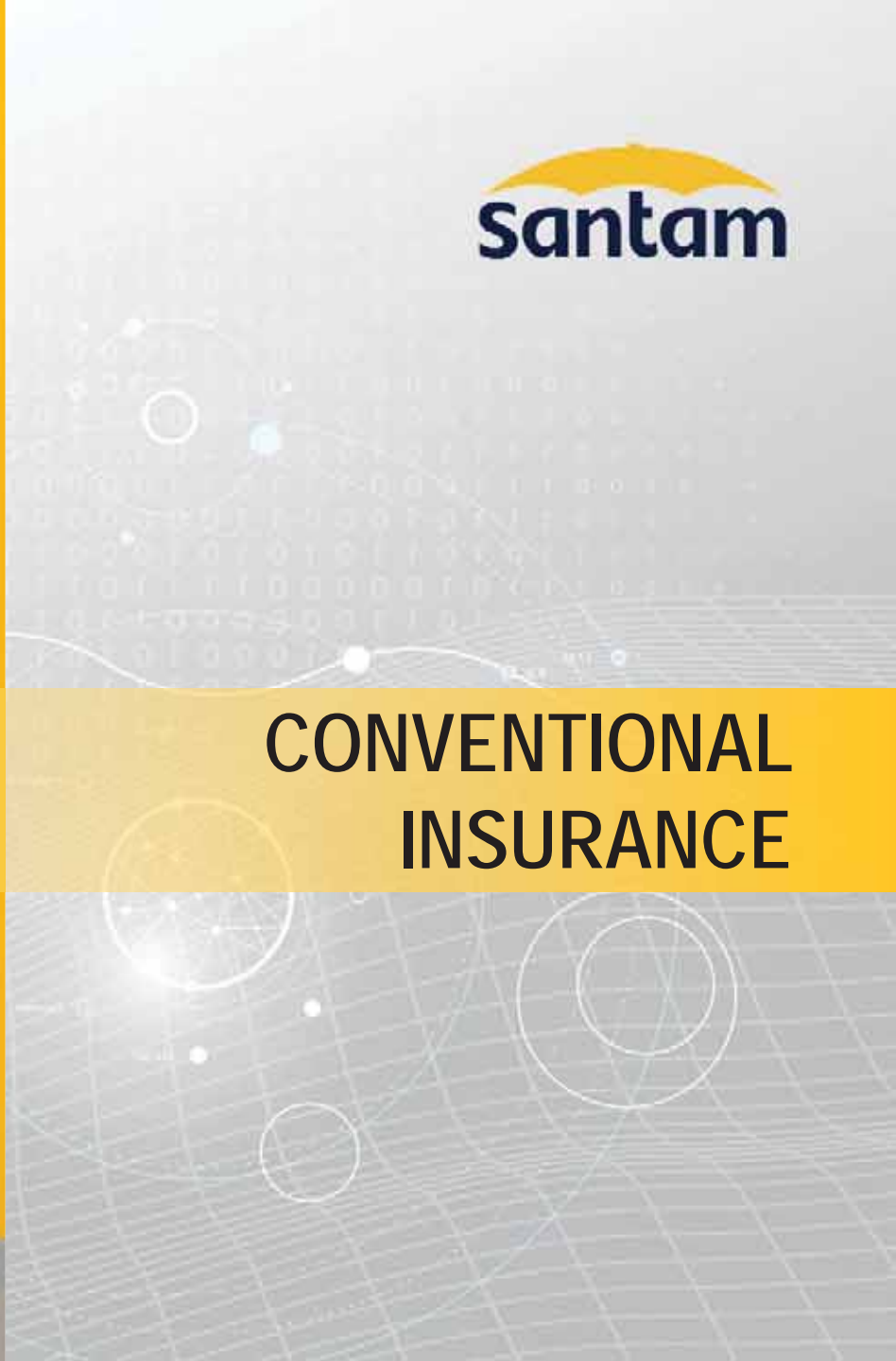
# EXCHANGE RATE VOLATILITY

## AVERAGE RATES

Currency	Dec 2021	Jun 2021	Dec 2020
United States Dollar	14.76	14.52	16.34
Moroccan Dirham	1.64	1.63	1.73
Indian Rupee	0.20	0.20	0.22



# CONVENTIONAL INSURANCE





# CONVENTIONAL INSURANCE

## NET INSURANCE RESULT

	2021 R'm	% of NEP	2020 R'm	% of NEP	2021/ 2020	5 Yr ave %	10 Yr ave %
<b>Gross written premium</b>	32 745		31 098		5%	6.9	7.8
Net earned premium	25 858	100.0	24 320	100.0	6%	6.1	6.2
Net claims incurred	16 023	62.0	16 593	68.2	(3%)	63.7	64.5
Net acquisition cost	7 771	30.0	7 112	29.3	9%	29.6	28.9
<b>Net underwriting result</b>	2 064	8.0	615	2.5	>100%	6.7	6.6
Investment return on insurance funds	400	1.5	501	2.1	(20%)	2.2	2.4
<b>Net insurance result</b>	2 464	9.5	1 116	4.6	>100%	8.9	9.0
Combined ratio		92.0		97.5		93.3	93.4

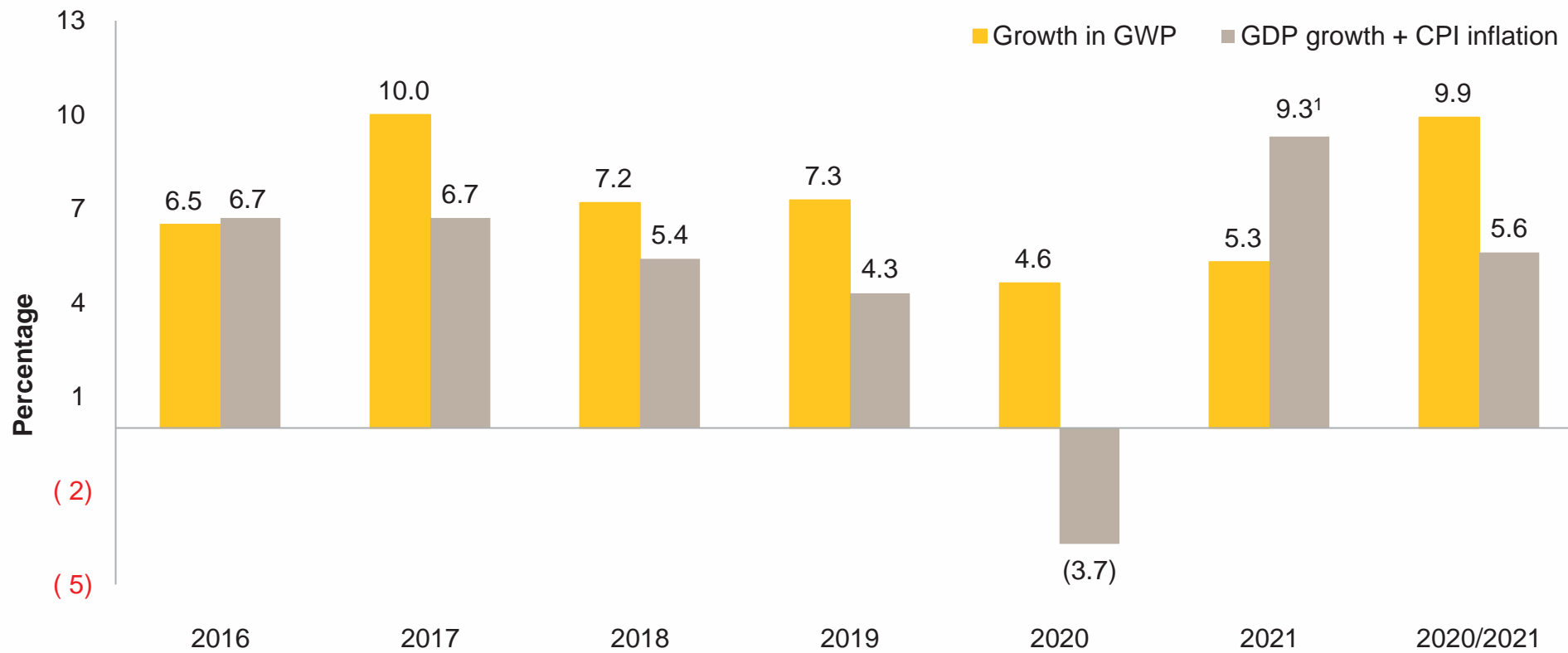
# CONVENTIONAL INSURANCE

## NET INSURANCE RESULT (H1 vs H2 – EXCLUDING IMPACT OF CBI RELEASE)

	H1 2021 R'm	% of NEP	H2 2021 R'm	% of NEP
<b>Gross written premium</b>	15 498		17 247	
Net earned premium	12 791	100.0	13 067	100.0
Net claims incurred	8 109	63.4	8 364	64.0
Net acquisition cost	3 829	29.9	3 942	30.2
<b>Net underwriting result</b>	853	6.7	761	5.8
Investment return on insurance funds	200	1.5	200	1.5
<b>Net insurance result</b>	1 053	8.2	961	7.3
Combined ratio		93.3		94.2

# CONVENTIONAL INSURANCE

## GROSS WRITTEN PREMIUM VS CPI + GDP GROWTH

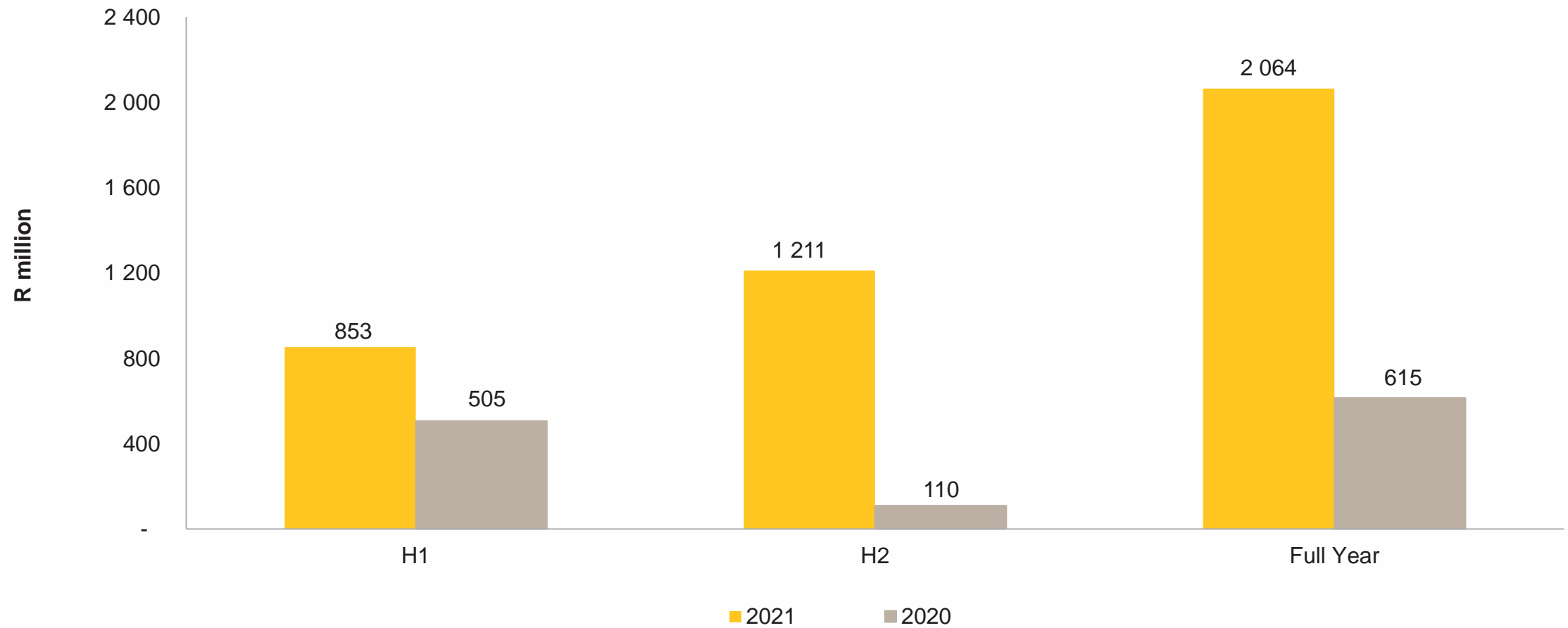


<sup>1</sup>Year-on-year real GDP growth for 2021 of 4.8% per SARB

<sup>2</sup>The 2020/2021 column shows 2020 and 2021 combined

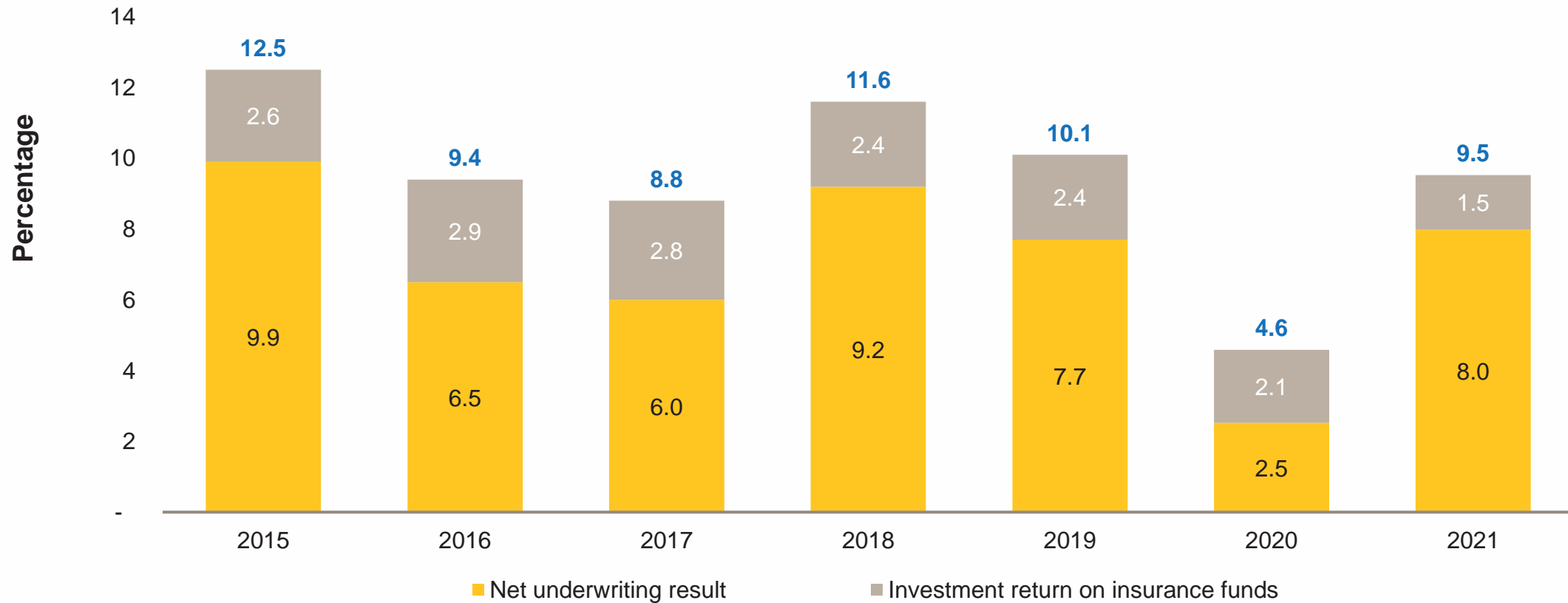
# CONVENTIONAL INSURANCE

## NET UNDERWRITING RESULT (H1 VS H2)



# CONVENTIONAL INSURANCE

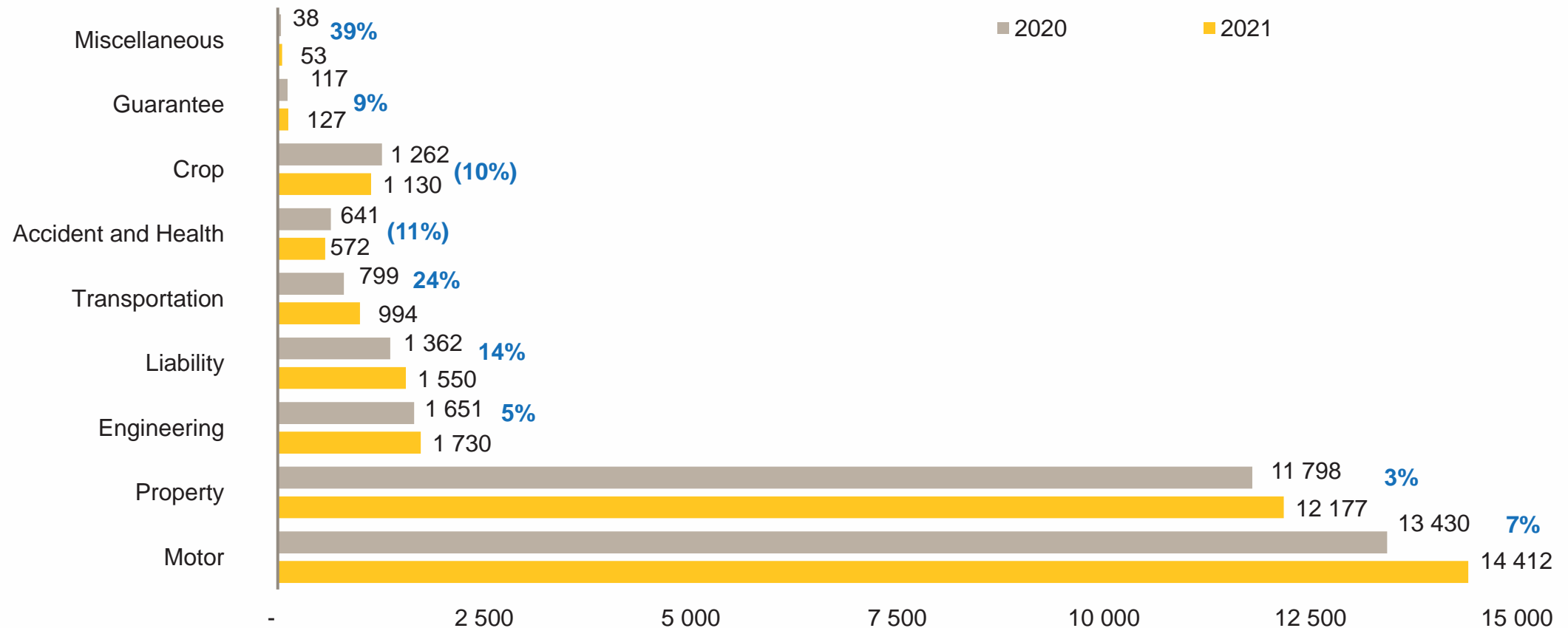
## NET INSURANCE RESULT As % of net earned premium





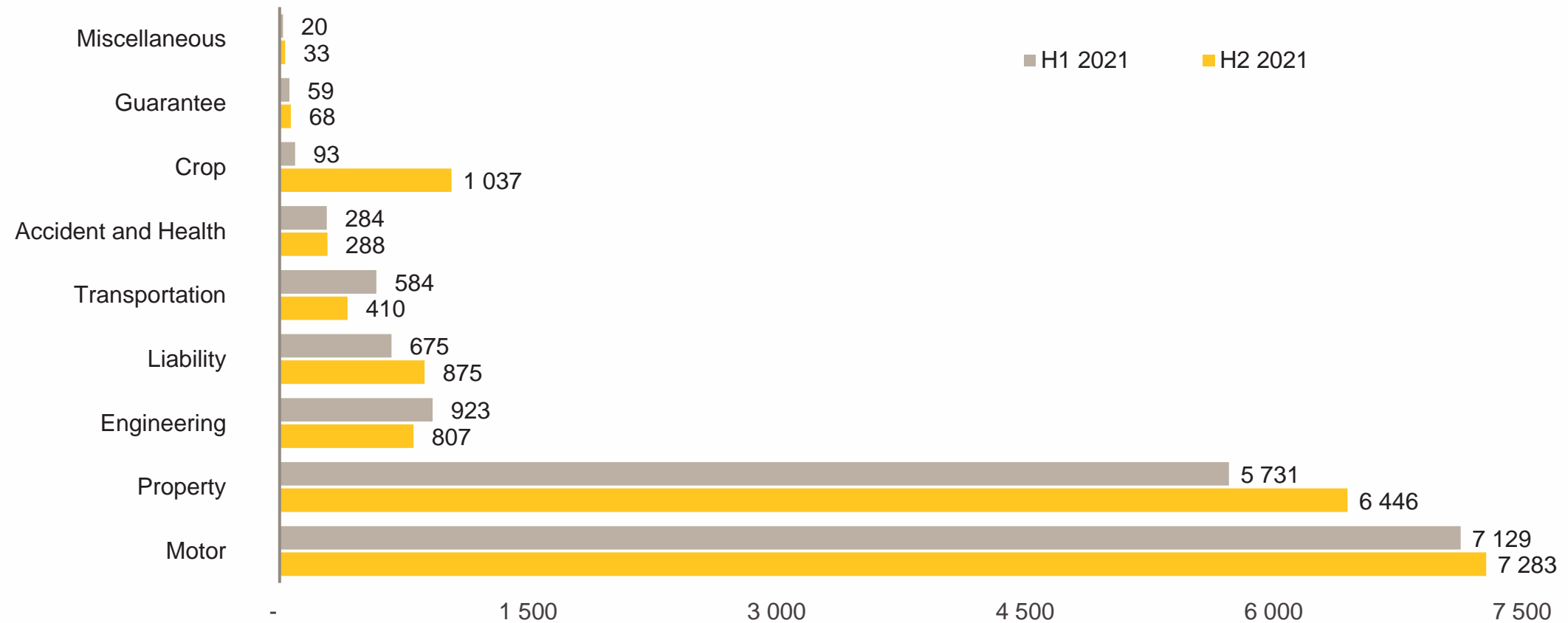
# CONVENTIONAL INSURANCE

## GROSS WRITTEN PREMIUM Per insurance class (R million)



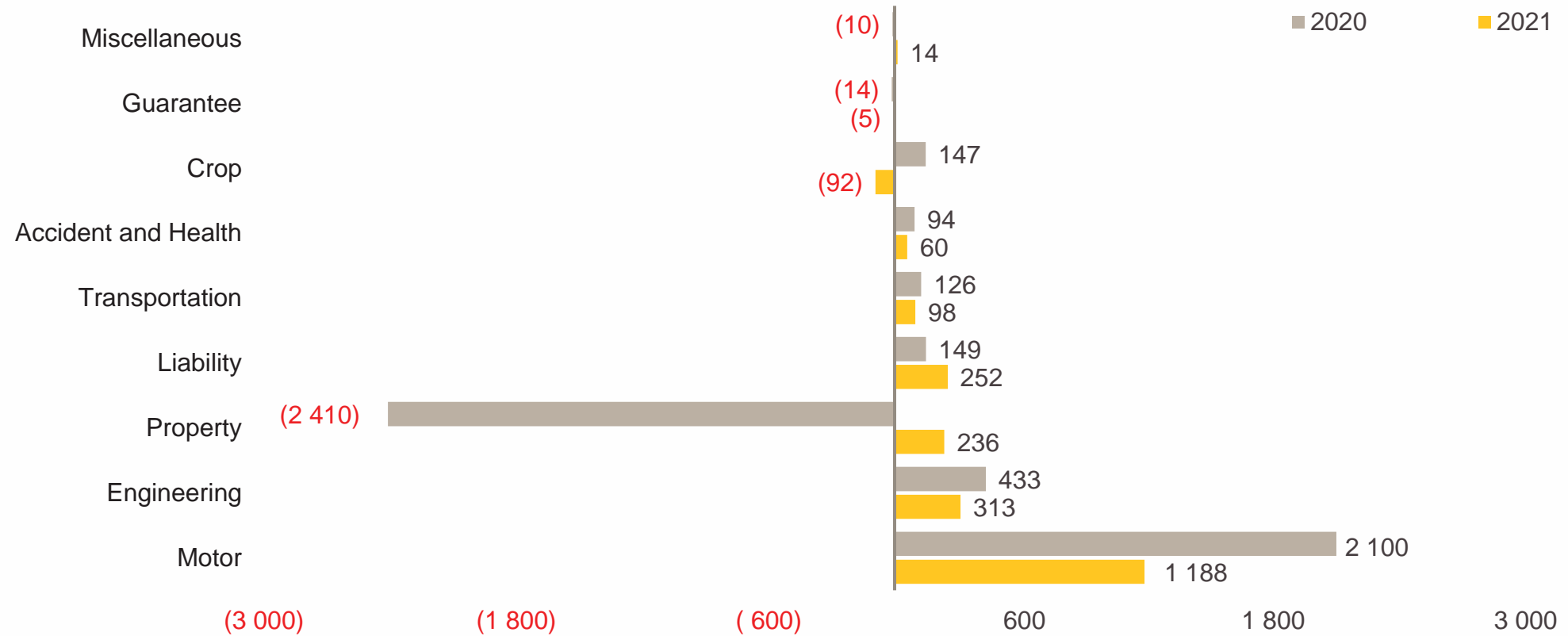
# CONVENTIONAL INSURANCE

## GROSS WRITTEN PREMIUM (H1 VS H2) Per insurance class (R million)



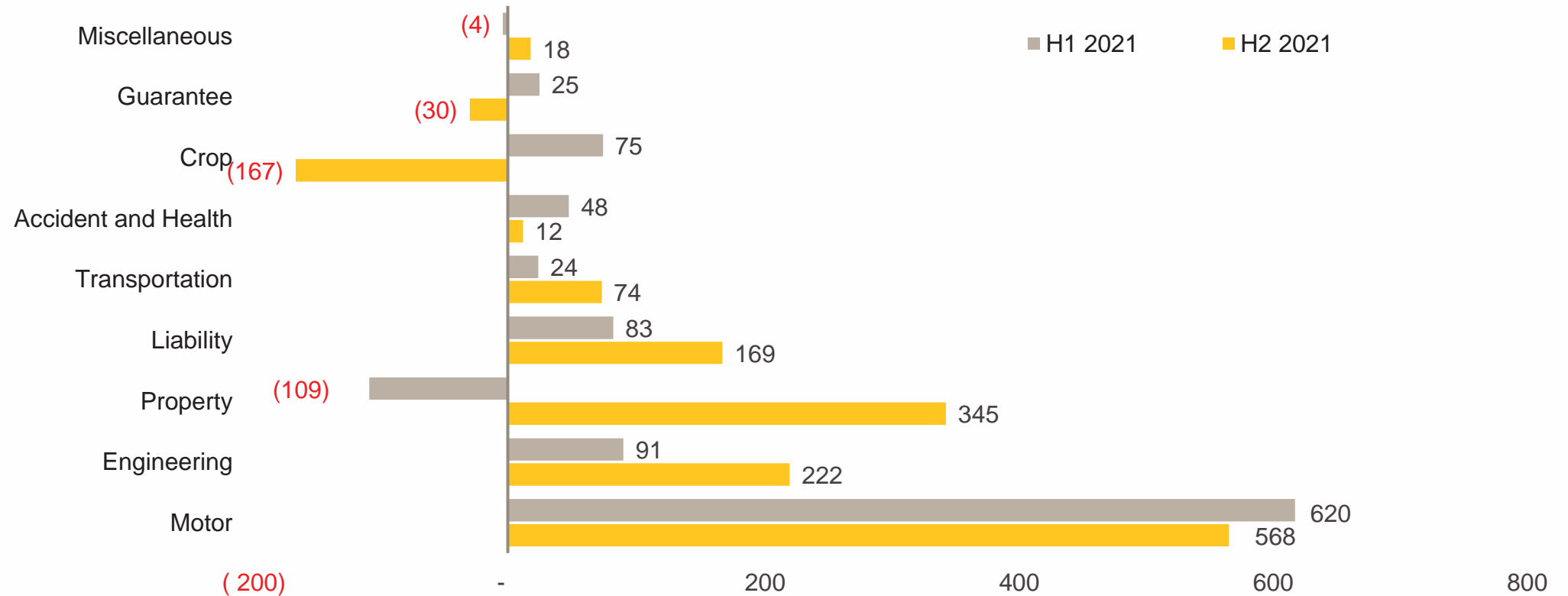
# CONVENTIONAL INSURANCE

## NET UNDERWRITING SURPLUS Per insurance class (R million)



# CONVENTIONAL INSURANCE

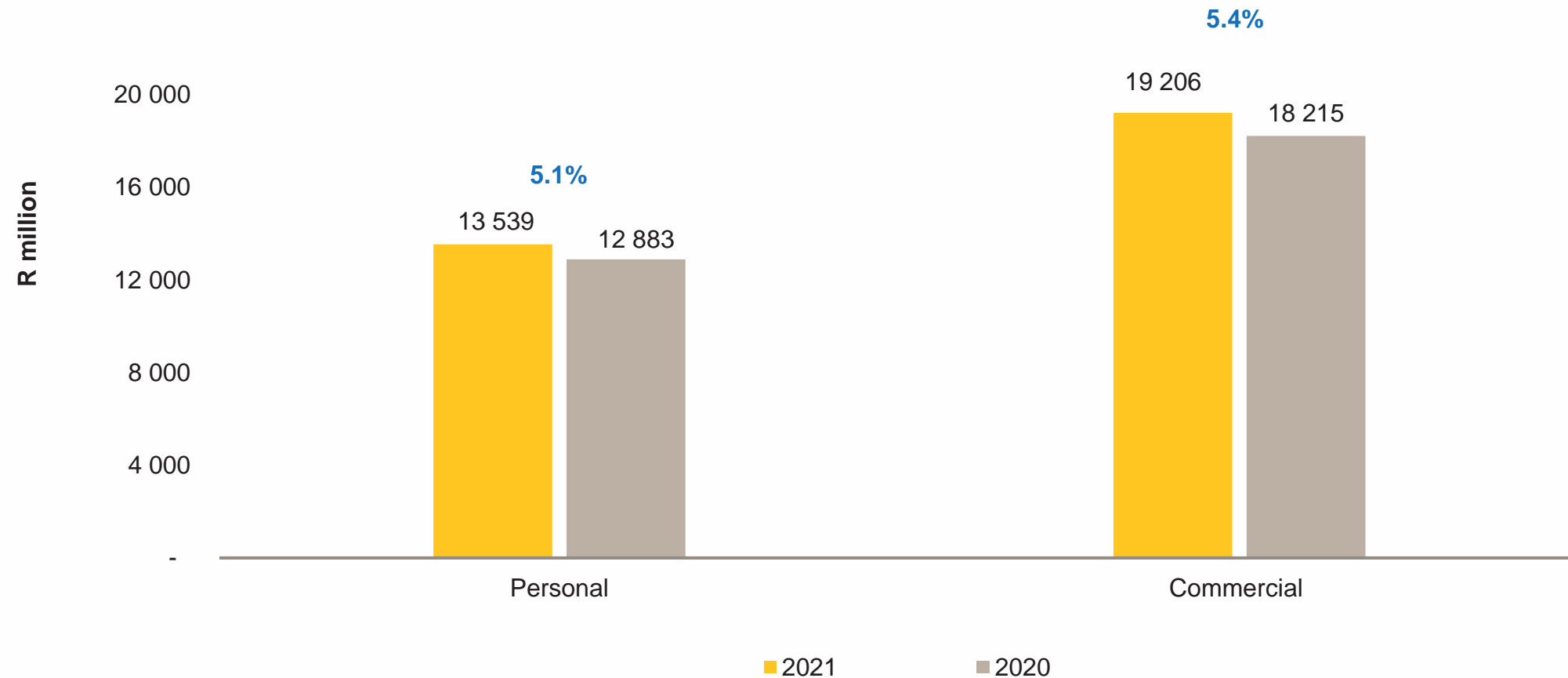
## NET UNDERWRITING SURPLUS (H1 VS H2) Per insurance class (R million)



# CONVENTIONAL INSURANCE

## GROSS WRITTEN PREMIUM

Segmental Analysis – Personal and Commercial

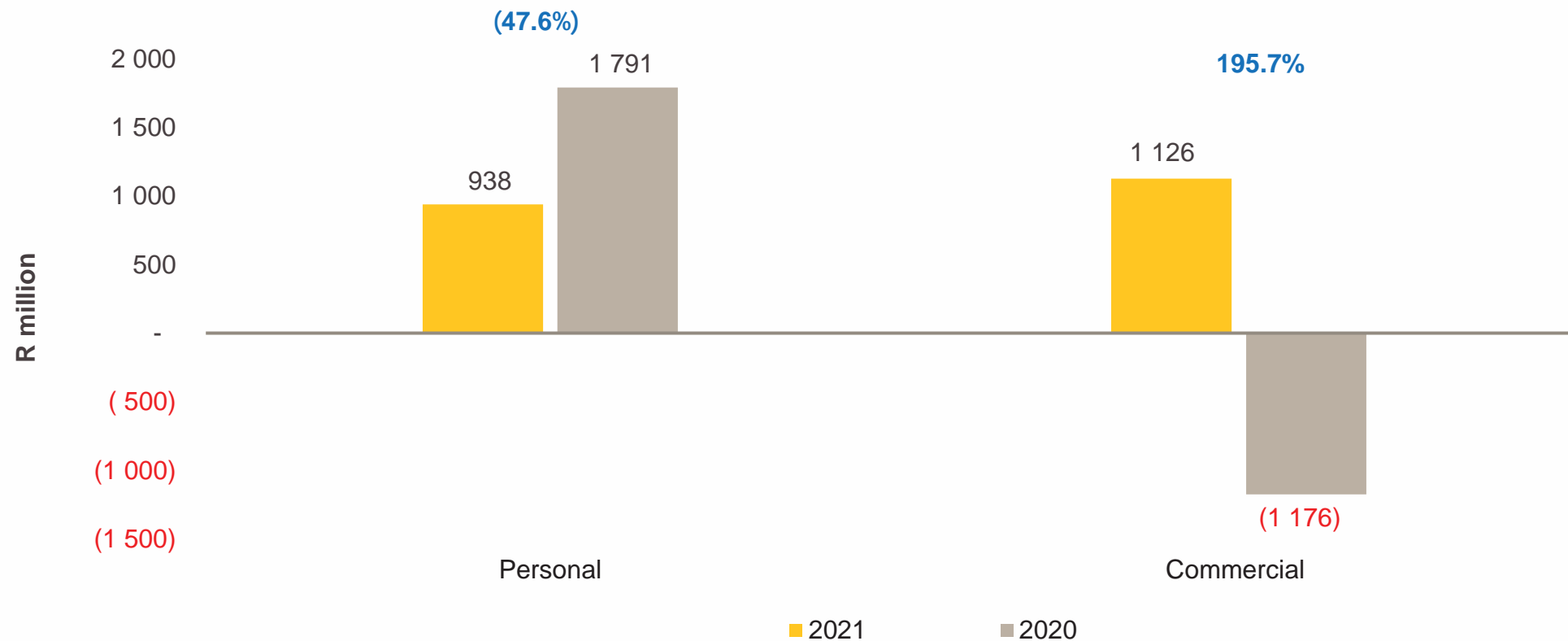




# CONVENTIONAL INSURANCE

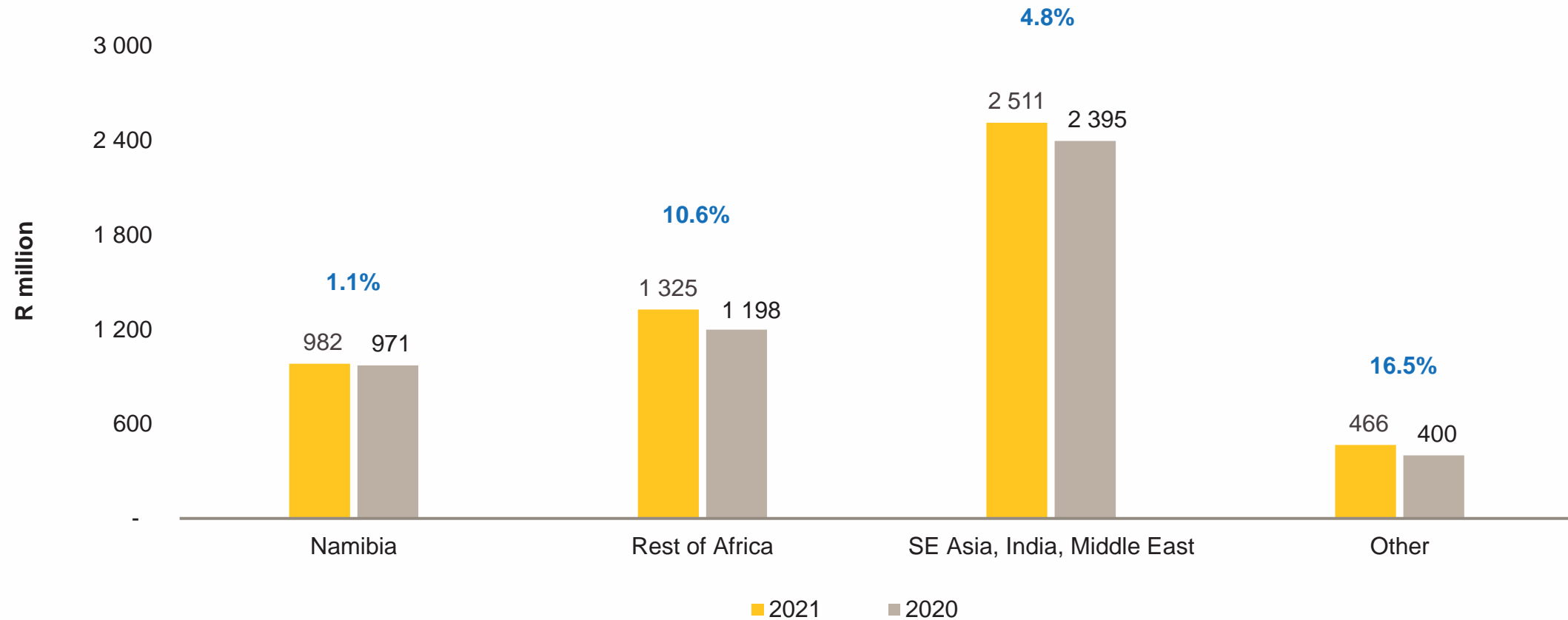
## NET UNDERWRITING RESULT

Segmental Analysis – Personal and Commercial



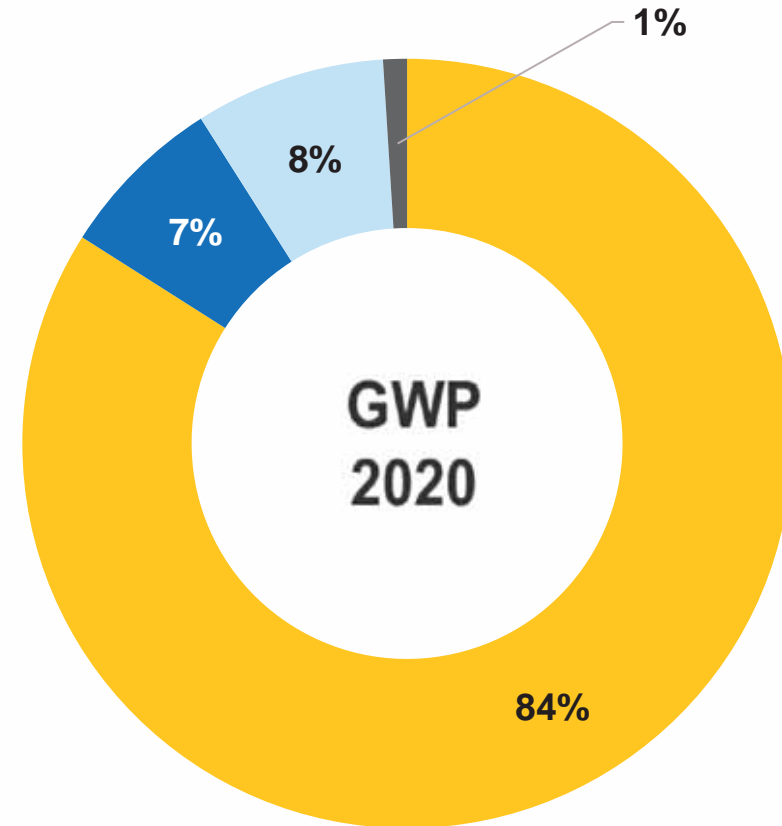
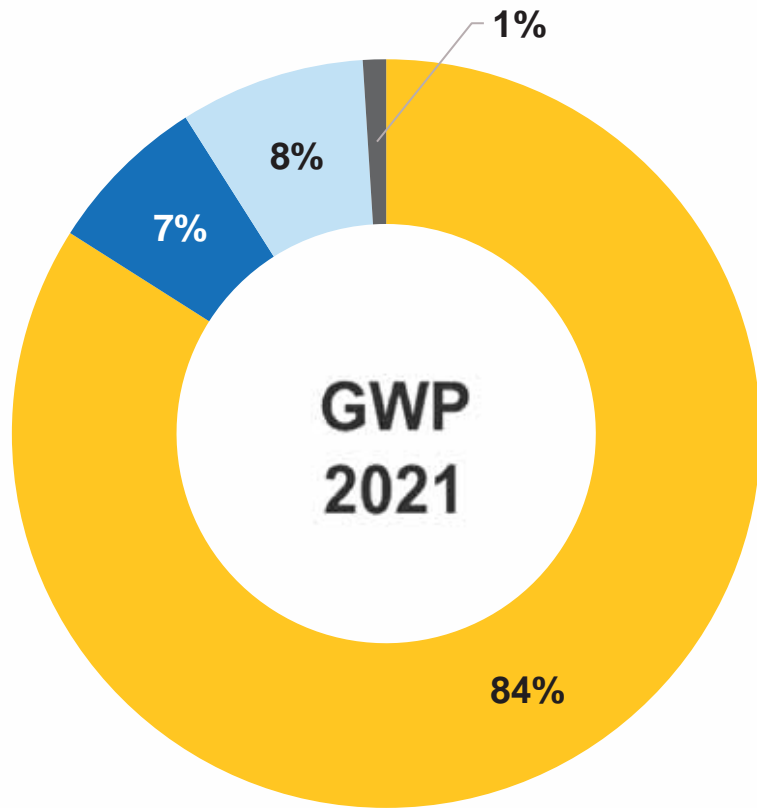
# CONVENTIONAL INSURANCE

## GROSS WRITTEN PREMIUM FROM OUTSIDE SA



# GEOGRAPHIC DIVERSIFICATION

## CONVENTIONAL INSURANCE



■ South Africa

■ Rest of Africa

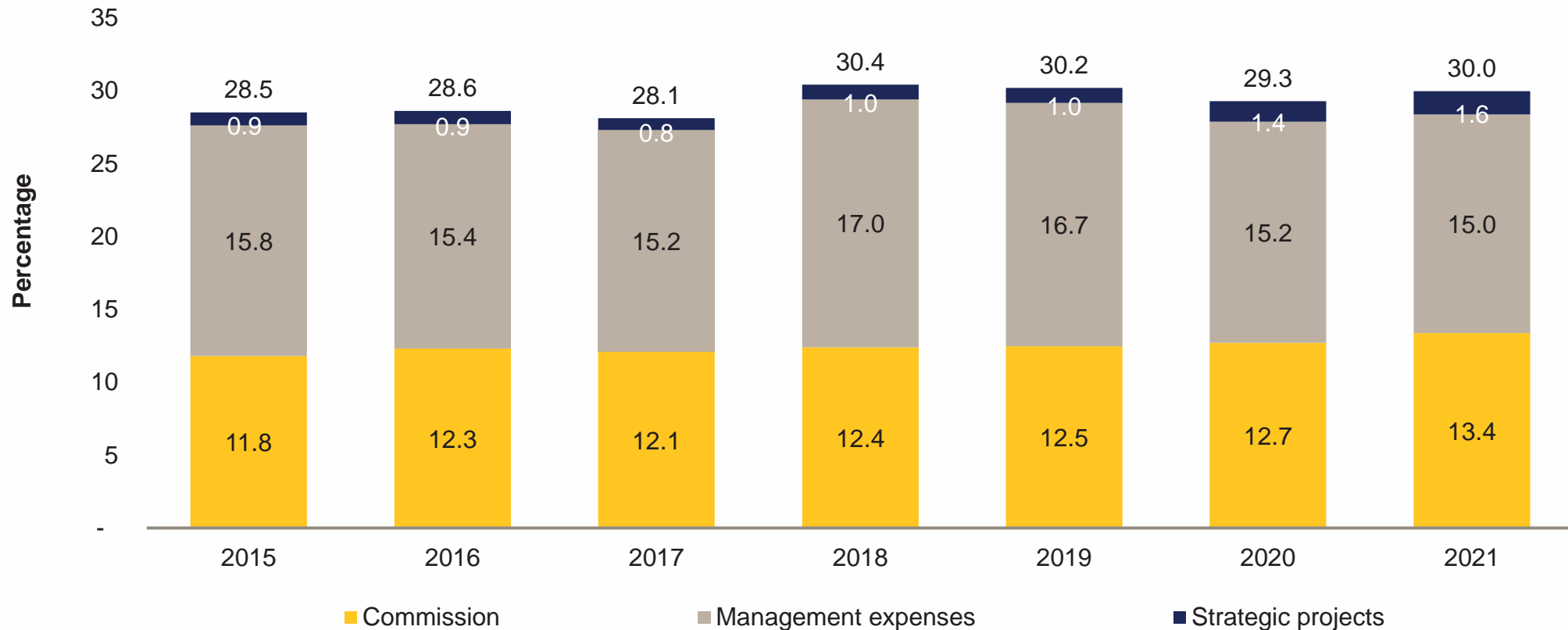
■ Southeast Asia, India, Middle East

■ Other

# CONVENTIONAL INSURANCE

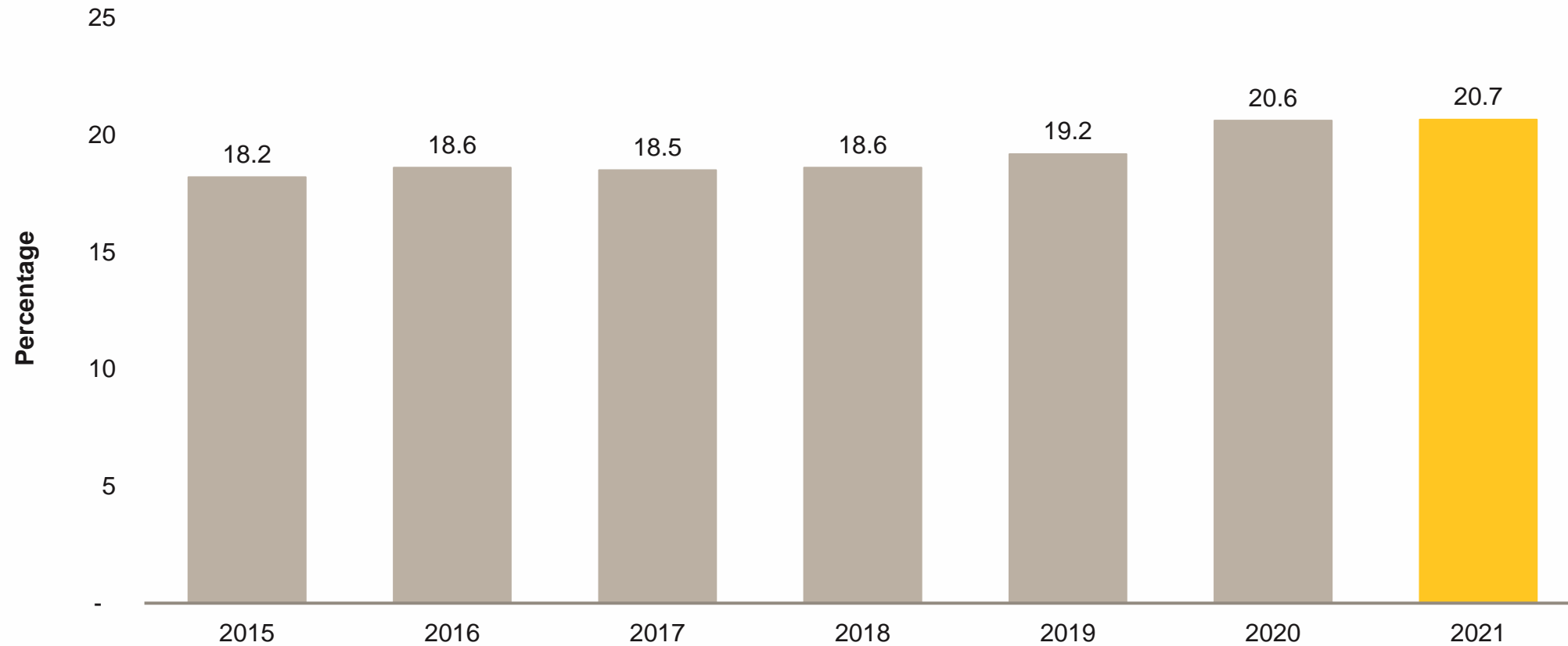
## NET ACQUISITION COST RATIO

As % of net earned premium



# CONVENTIONAL INSURANCE

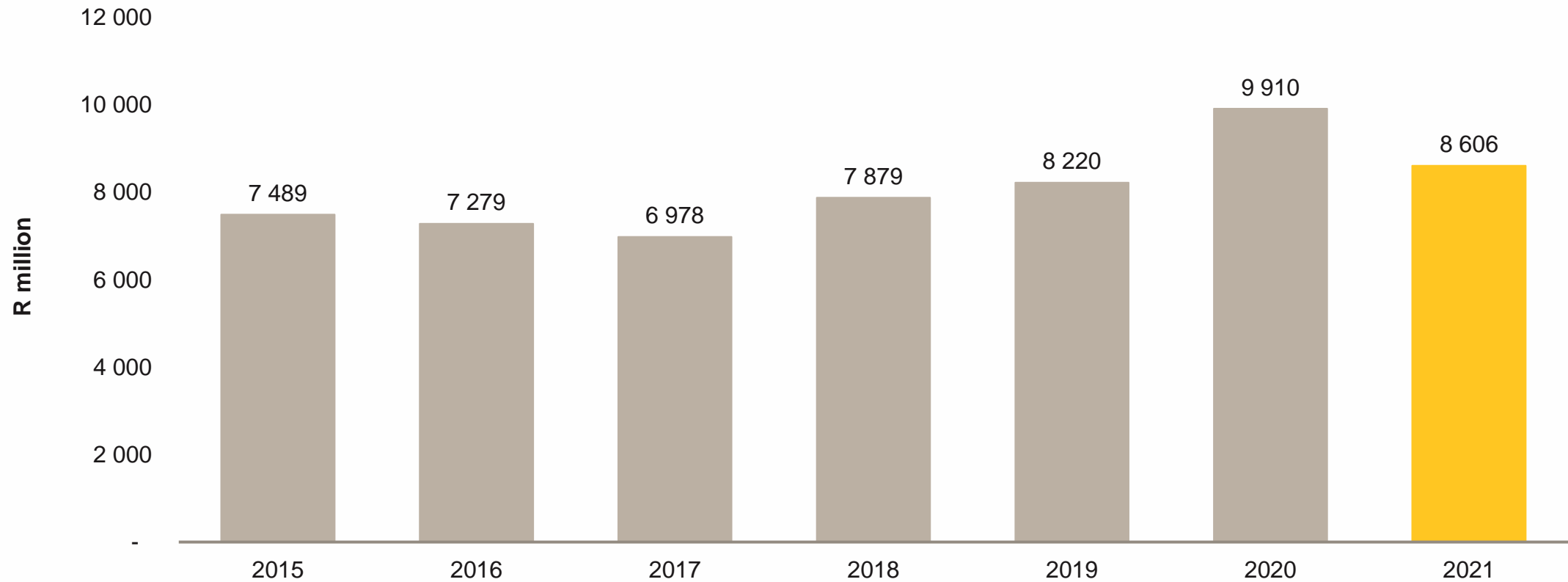
## REINSURANCE AS % OF GROSS EARNED PREMIUM





# CONVENTIONAL INSURANCE

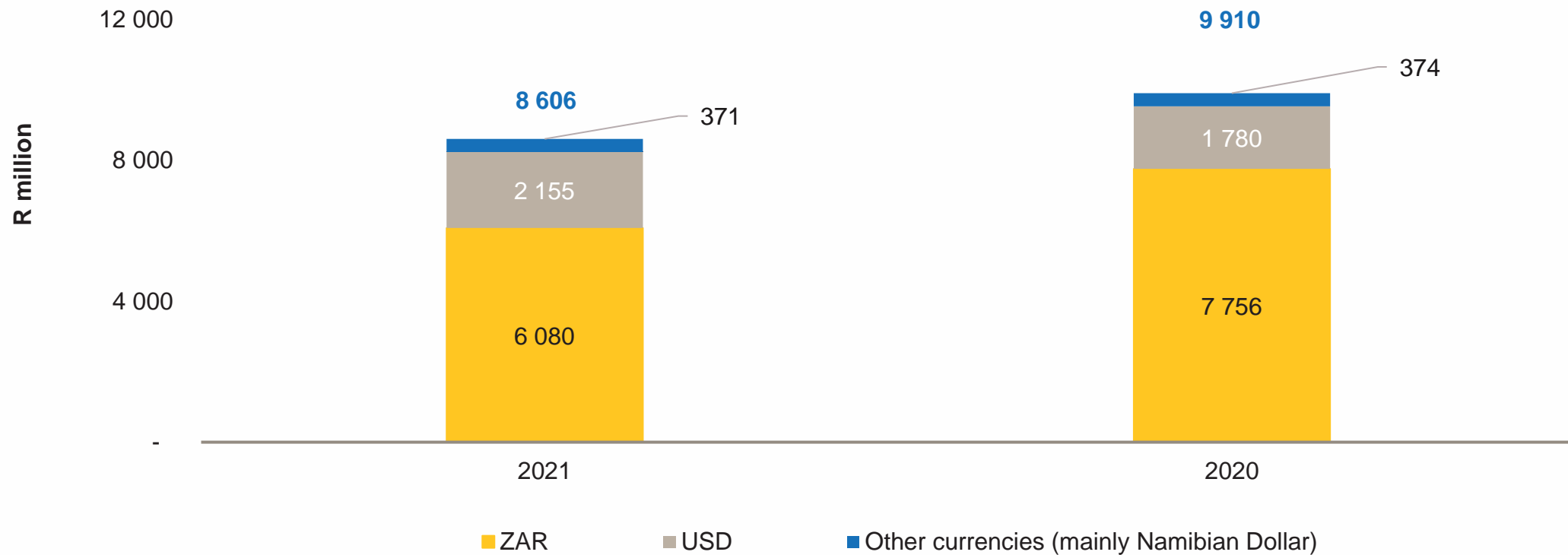
## SIZE OF NET INSURANCE FUNDS



# CONVENTIONAL INSURANCE

## ASSETS BACKING NET INSURANCE FUNDS

Currency mix



# CONVENTIONAL INSURANCE

## MIWAY

	Dec 2021	Dec 2020	Change	H1 2021	H2 2021
Gross written premium (R million)	3 203	2 949	8.6%	1 585	1 618
Gross underwriting result, net of CAT recoveries (R million)	285	486	(41.3%)	159	126
Gross claims ratio, net of CAT recoveries	60.9%	50.6%		58.2%	63.5%
Gross acquisition cost ratio	30.2%	32.8%		31.7%	28.8%
Gross underwriting margin	8.9%	16.5%		10.1%	7.8%
Number of clients <sup>1</sup>	346 000	346 000	-		

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



# ALTERNATIVE RISK TRANSFER

# ALTERNATIVE RISK TRANSFER INSURANCE (ART)

- Includes the results from:
  - Centriq Insurance
  - Santam Structured Insurance

- Types of business:
  - Risk finance
  - Underwriting managers
  - Affinity business
  - Structured insurance



# ALTERNATIVE RISK TRANSFER INSURANCE

## CENTRIQ

	2021 R'm	2020 R'm	2021/2020
Gross written premium	7 950	5 954	
Income from clients	320	263	22%
Participation in underwriting results	57	24	>100%
Administration expenses	(151)	(152)	(1%)
<b>Operating result</b>	<b>226</b>	<b>135</b>	<b>67%</b>

# ALTERNATIVE RISK TRANSFER INSURANCE

## SANTAM STRUCTURED INSURANCE

	2021 R'm	2020 R'm	2021/2020
Gross written premium	1 483	1 281	
Income from clients	150	122	23%
Participation in underwriting results	13	10	30%
Administration expenses	(113)	(102)	11%
<b>Operating result after NCI</b>	<b>50</b>	<b>30</b>	<b>67%</b>

# ALTERNATIVE RISK TRANSFER INSURANCE

## COMBINED RESULTS NET OF NON-CONTROLLING INTEREST

	2021 R'm	2020 R'm	2021/2020	5 Yr Ave %	10 Yr Ave %
Gross written premium	9 385	7 175		17%	32%
Income from clients	470	385	22%		
Participation in underwriting results	70	34	>100%		
Administration expenses	(264)	(254)	4%		
<b>Operating result after NCI</b>	<b>276</b>	<b>165</b>	<b>67%</b>		





**SEM PARTNER  
BUSINESSES**



# SEM PARTNER BUSINESSES

## SAN JV (Saham)

- Operates in 26 countries in Africa and the Middle East
- Santam's effective interest of 10% held through SAN JV

## Main Saham territories

- Morocco
- Ivory Coast
- Mauritius
- Angola

## Main SEM territories

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

# SEM PARTNER BUSINESSES

## SANTAM EFFECTIVE HOLDING

	Domicile	Dec 2021	Dec 2020
SAN JV (Saham)	Morocco	10.0	10.0
Pacific and Orient Insurance Company Berhad	Malaysia	15.4	15.4
Shriram General Insurance Company Ltd	India	15.0	15.0
NICO Holdings general insurance subsidiaries	Malawi and Zambia	5.6	5.6
Sanlam General Insurance (Uganda) Ltd	Uganda	9.5	9.5
Sanlam General Insurance (Tanzania) Ltd	Tanzania	5.0	5.0
SORAS Assurances Générales Ltd	Rwanda	9.0	9.0
SOCAR s.a. Burundi	Burundi	3.1	3.1
FBN General Insurance Ltd	Nigeria	10.0	10.0
Sanlam General Insurance Ltd	Kenya	3.9	3.9
Botswana Insurance Company Ltd	Botswana	2.9	2.9
Zimnat Lion Insurance Company Ltd	Zimbabwe	4.0	4.0
Grand Reinsurance Company (Private) Ltd	Zimbabwe	4.0	4.0

# SEM GENERAL INSURANCE PARTICIPATION INVESTMENTS

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

	2021 R'm	% of NEP	2020 R'm	% of NEP	2021/2020
<b>Gross written premium</b>	1 026		1 183		(13%)
Net earned premium	822	100.0	994	100.0	(17%)
Net claims incurred	593	72.1	644	64.8	(8%)
Net acquisition cost <sup>1</sup>	274	33.3	301	30.3	(9%)
<b>Net underwriting result</b>	(45)	(5.4)	49	4.9	(>100%)
Investment return on insurance funds	201	24.4	207	20.8	(2.9%)
<b>Net insurance result</b>	156	19.0	256	25.7	(39%)

<sup>1</sup> Santam's share of the costs to manage the SEM portfolio of R8.4 million (2020: R6 million) has been included in net acquisition cost.

# SAN JV (SAHAM)

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

	Dec 2021 R'm	% of NEP	Dec 2020 R'm	% of NEP	2021/2020
<b>Gross written premium</b>	1 820		1 785		2%
Net earned premium	1 221	100.0	1 258	100.0	(3%)
Net claims incurred	763	62.5	757	60.2	1%
Net acquisition cost	389	31.9	409	32.5	(5%)
<b>Net underwriting result</b>	69	5.6	92	7.3	(25%)
Investment return on insurance funds	156	12.8	37	3.0	>100%
<b>Net insurance result</b>	225	18.4	129	10.3	74%

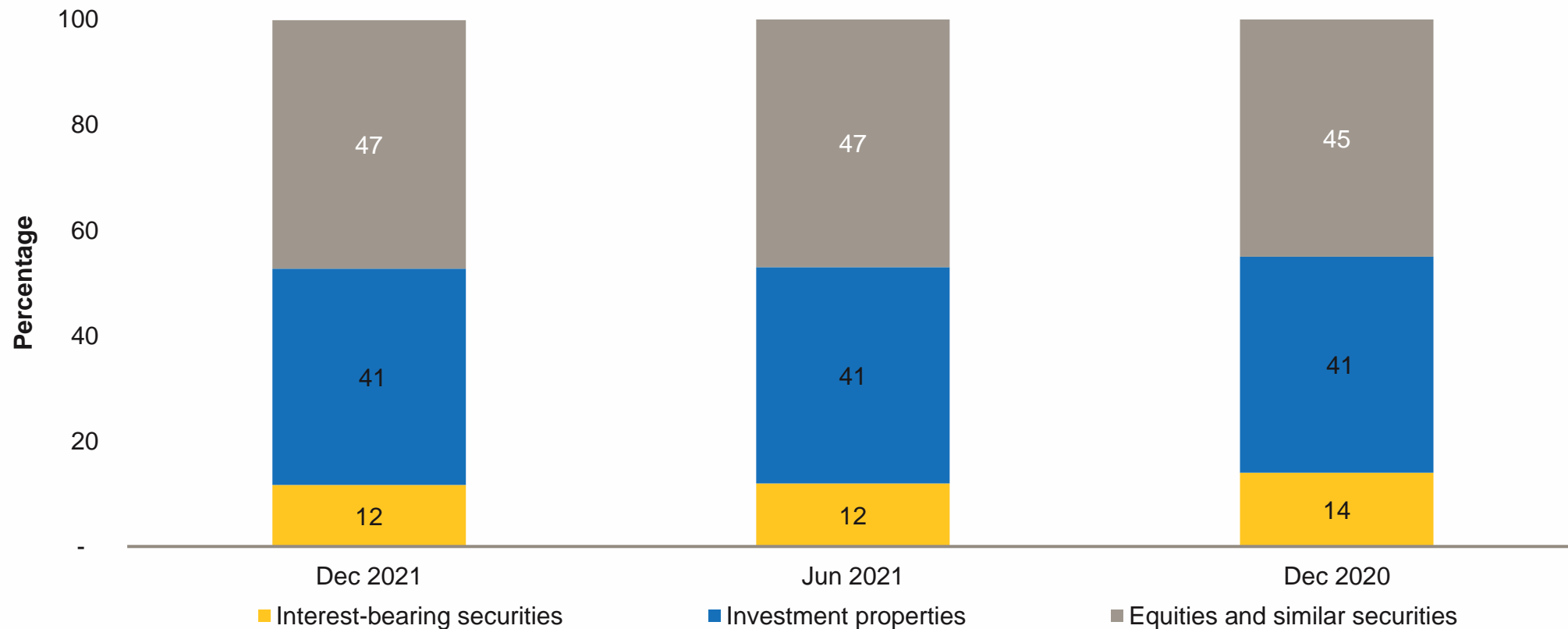
# SEM PARTNER BUSINESSES

## INSURANCE RATIOS 31 DECEMBER 2021

% of NEP	Santam	SEM participations	SAN JV
Net earned premium	100.0	100.0	100.0
Net claims incurred	62.0	72.1	62.5
Net acquisition cost	30.0	33.3	31.9
<b>Net underwriting margin</b>	<b>8.0</b>	<b>(5.4)</b>	<b>5.6</b>
Investment return on insurance funds	1.5	24.4	12.8
<b>Net insurance margin</b>	<b>9.5</b>	<b>19.0</b>	<b>18.4</b>
Target investment return on insurance funds	2.5		6 to 9

# ANALYSIS OF INSURANCE FUNDS

## ANALYSIS OF SAN JV INSURANCE FUNDS



# SAHAM

## RECONCILIATION OF SAN JV CARRYING VALUE AS AT 31 DECEMBER 2021

	R'm
<b>Carrying value at 1 January 2021</b>	<b>1 823</b>
Equity accounted loss	8
After tax operating profit	43
Amortisation of other intangible assets	(31)
Other – consolidation adjustments	(4)
Statement of changes in equity	18
Foreign currency translation differences	18
<b>Carrying value at 31 December 2021</b>	<b>1 848</b>
<b>Fair value at 1 January 2021</b>	<b>2 034</b>
Valuation increase in constant currencies	137
Foreign currency translation impact	92
<b>Fair value at 31 December 2021</b>	<b>2 263</b>





**SANTAM GROUP**

# SANTAM GROUP

## NET OPERATING INCOME

R million	2021	2020	2021/2020
Conventional insurance	2 465	1 118	>100%
Alternative risk transfer insurance (before NCI)	306	165	85%
SEM partner businesses	377	381	(1%)
<b>Net operating income</b>	<b>3 148</b>	<b>1 664</b>	<b>89%</b>
SEM partner businesses	(377)	(381)	
<b>Net operating income</b>	<b>2 771</b>	<b>1 283</b>	<b>&gt;100%</b>

# SANTAM GROUP

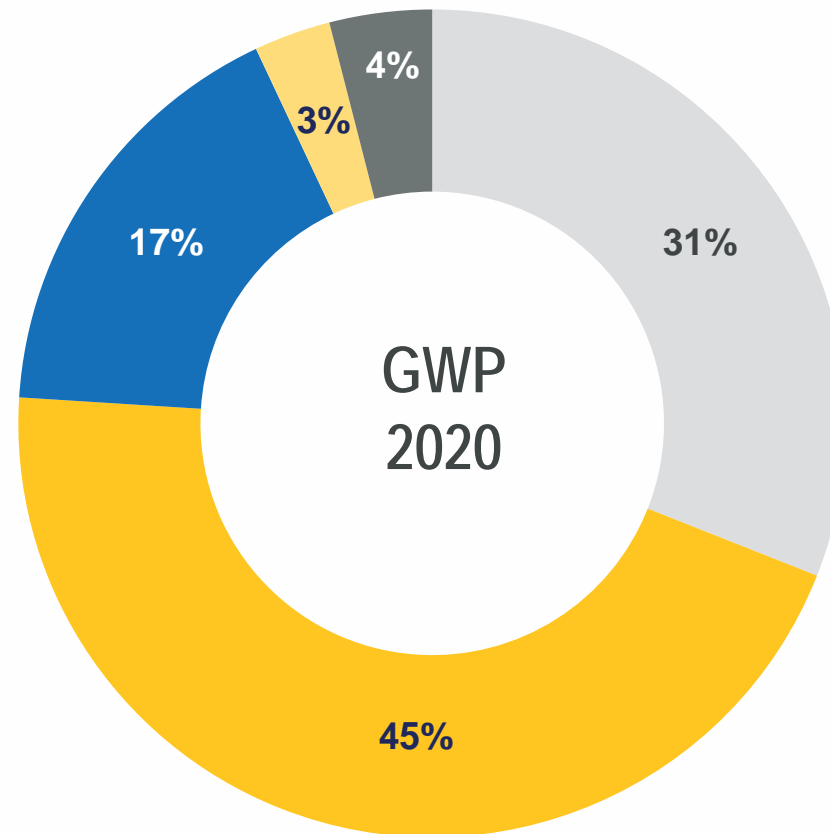
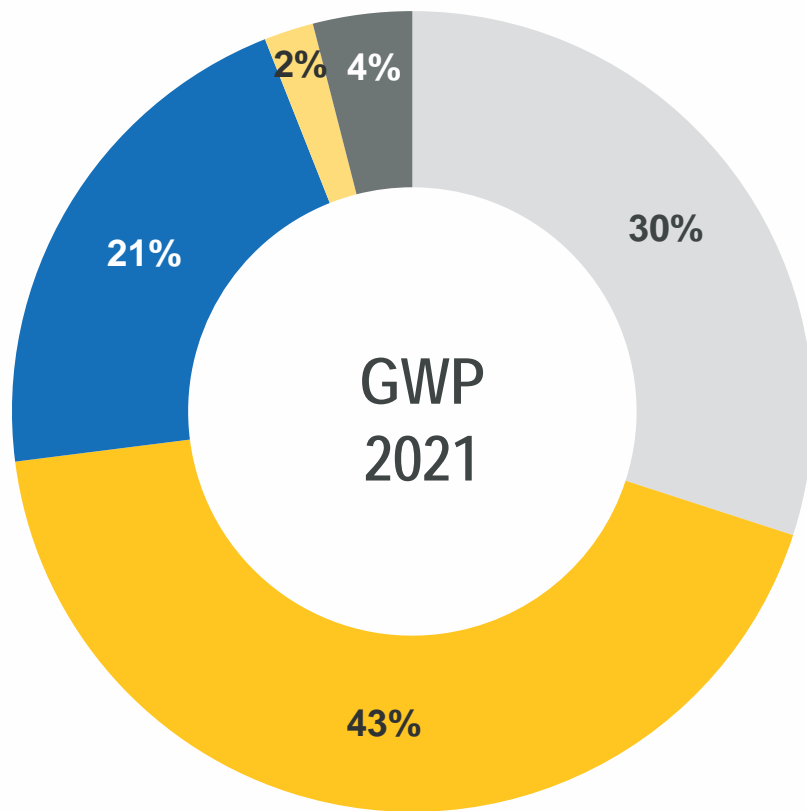
## RECONCILIATION TO HEADLINE EARNINGS

	2021	2020 <sup>1</sup>	2021/2020
<b>Net profit attributable to ordinary shareholders (R million)</b>	2 745	327	>100%
Per share (cents)	2 491	296	
Loss on sale of associate	4	-	
Impairment of associates and joint ventures	-	15	
Share of associates' impairment of assets	-	692	
Tax charge on share of associates' impairment of assets	-	(36)	
<b>Headline earnings (R million)</b>	<b>2 749</b>	<b>998</b>	<b>&gt;100%</b>
Per share (cents)	2 495	905	

<sup>1</sup>2020 numbers restated

# GROWTH DIVERSIFICATION

INCLUDING SEM PARTNER BUSINESSES



■ Personal

■ Commercial

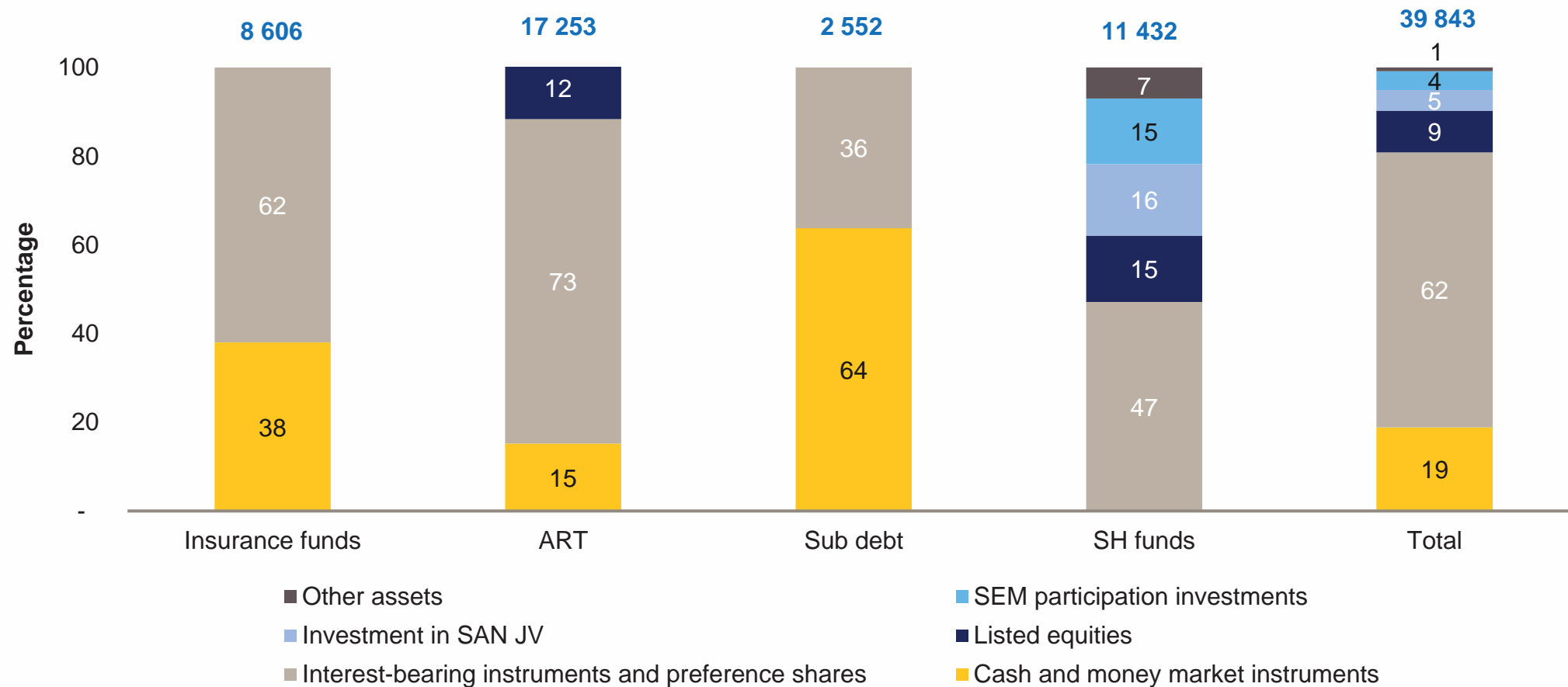
■ ART

■ SEM

■ Saham

# ASSET LIABILITY MATCHING

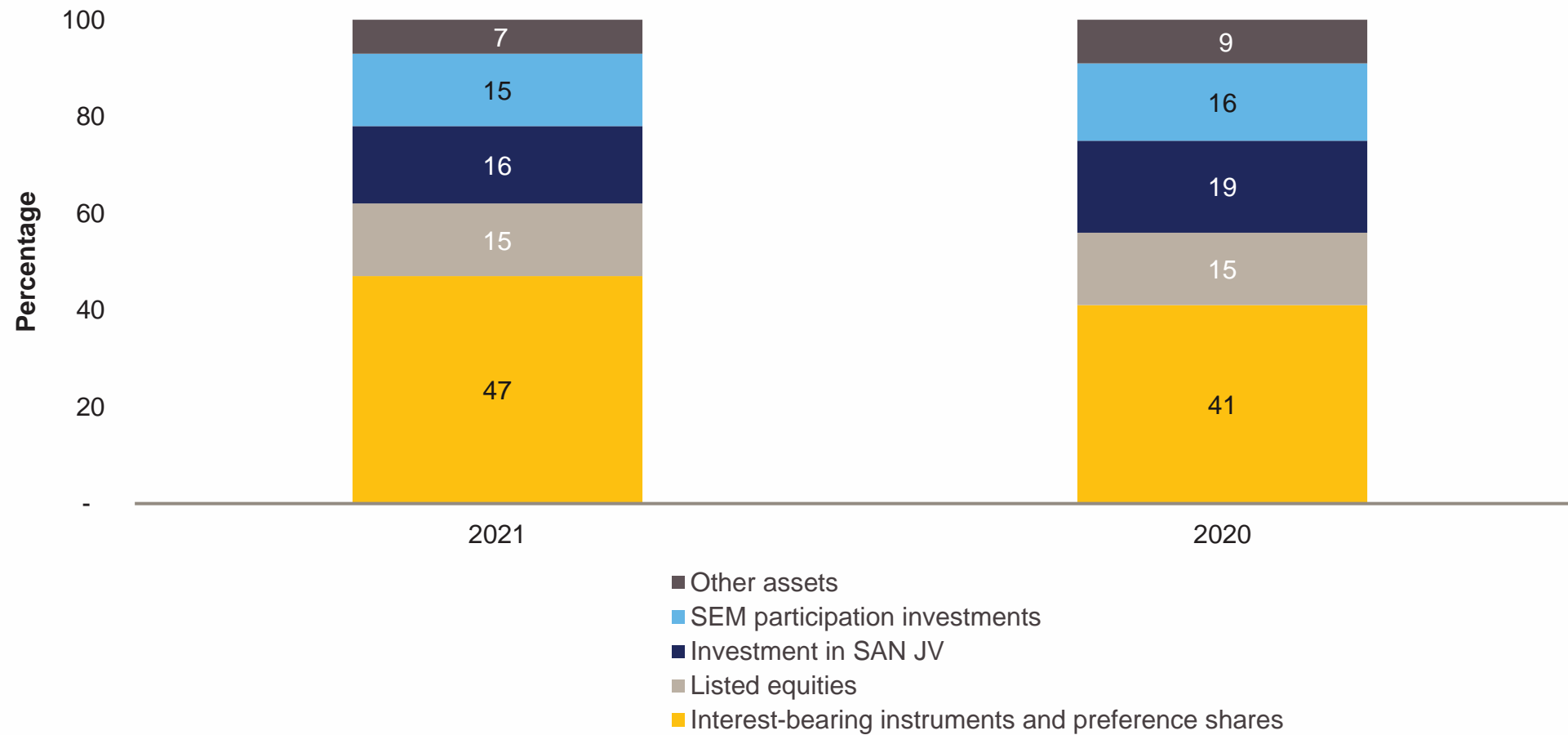
## GROUP CONSOLIDATED ASSETS AT 31 DECEMBER 2021





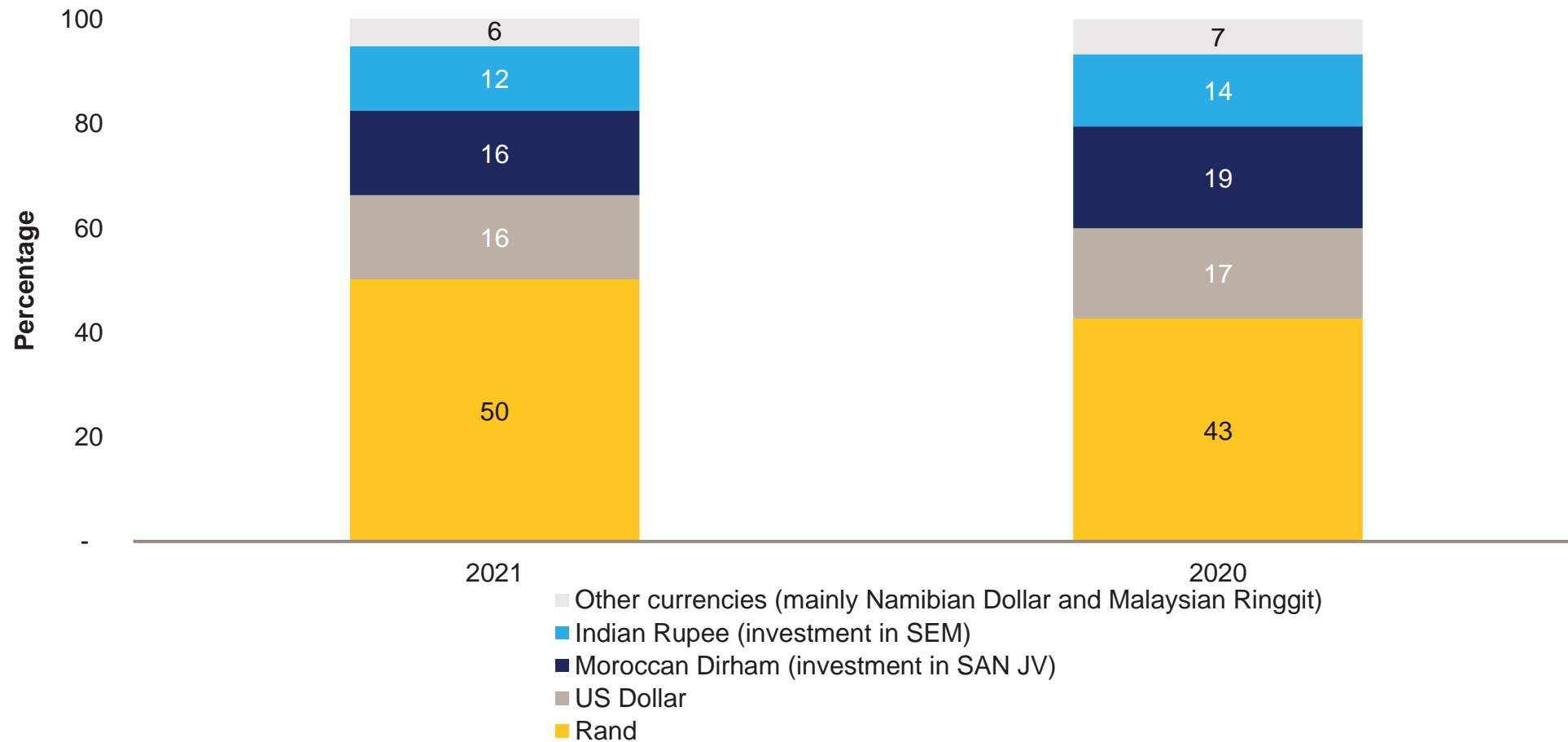
# SHAREHOLDER FUNDS

## ASSET MIX



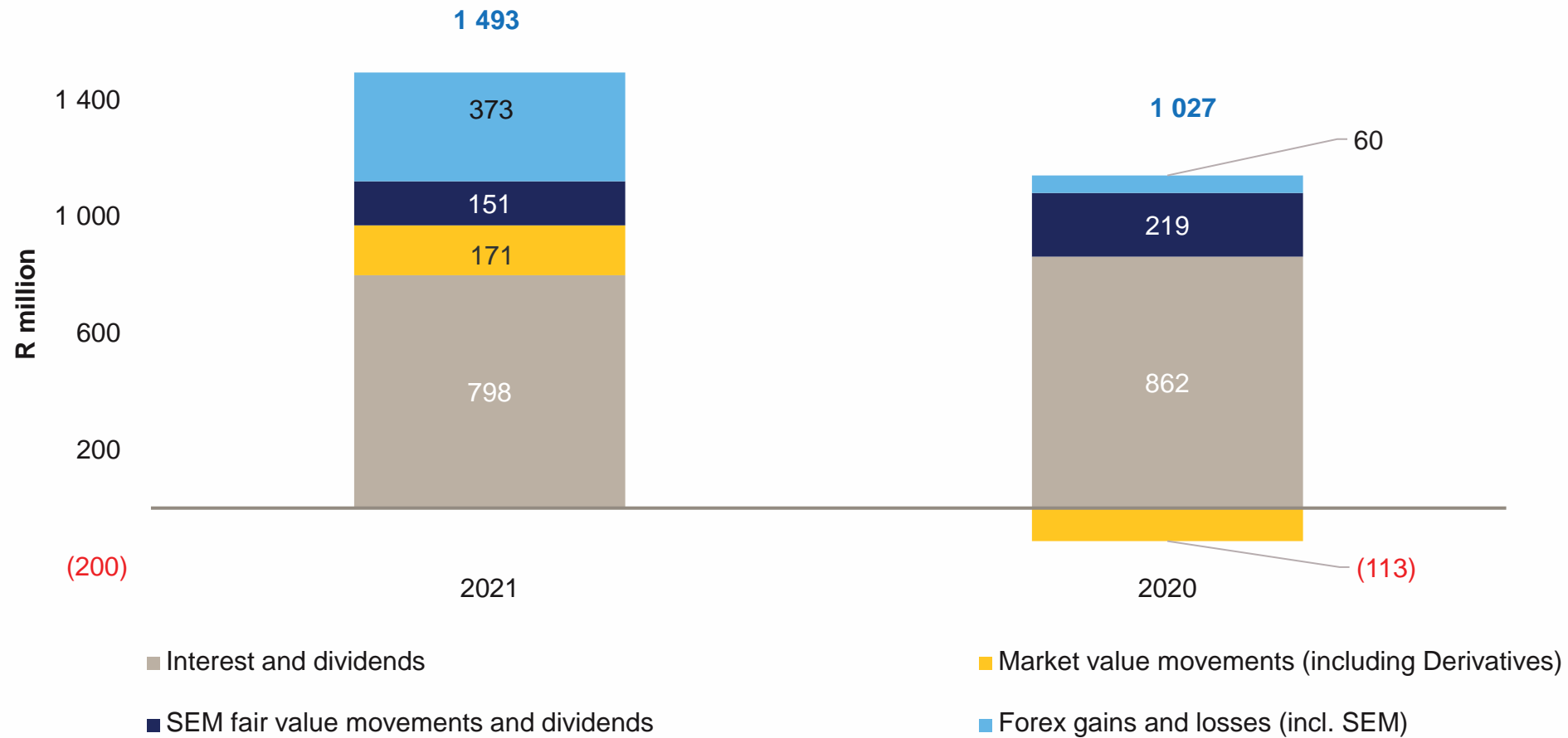
# SHAREHOLDER FUNDS

## CURRENCY MIX



# INVESTMENT RETURN

## ON SHAREHOLDERS FUNDS





# INVESTMENT RETURN

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

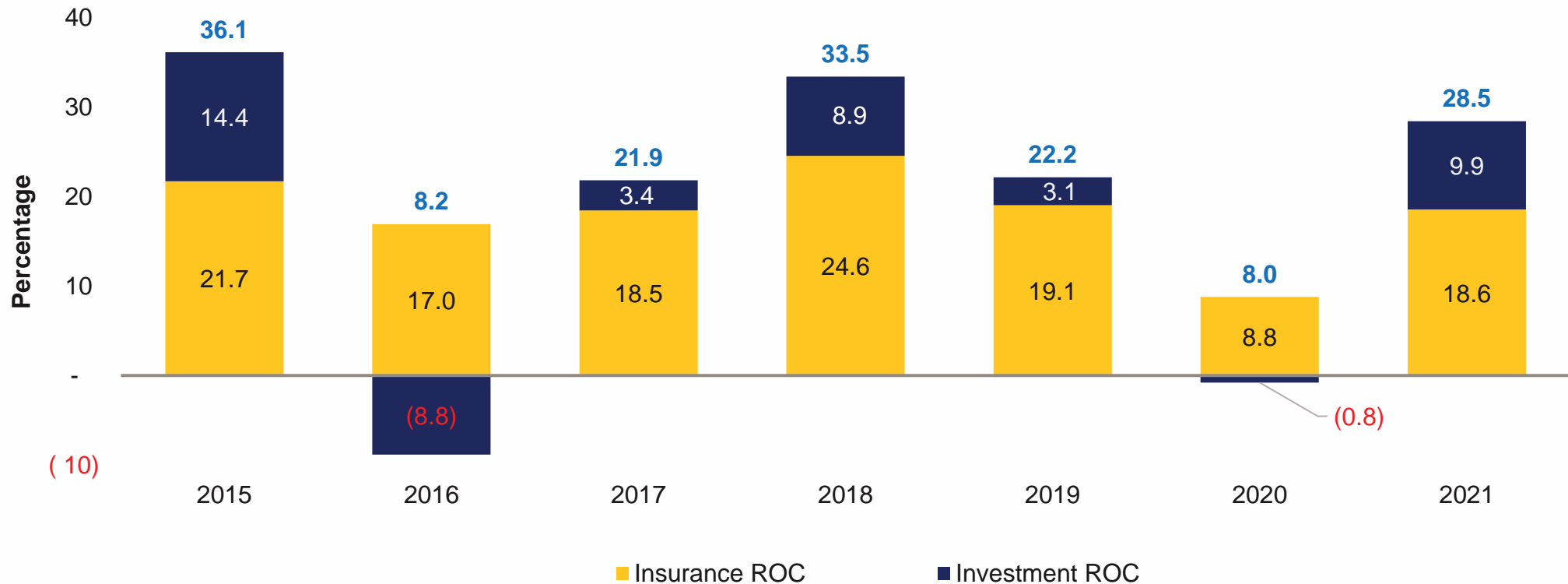
Region	Carrying value 2020 R'm	Additions R'm	Change in exchange rates R'm	Change in valuation R'm	Carrying value 2021 R'm
Africa	109	1	6	18	134
Southeast Asia	136	-	6	(4)	138
India	1 293	-	88	38	1 419
<b>Total</b>	<b>1 538</b>	<b>1</b>	<b>100</b>	<b>52</b>	<b>1 691</b>




# CAPITAL MANAGEMENT

# RETURN ON CAPITAL

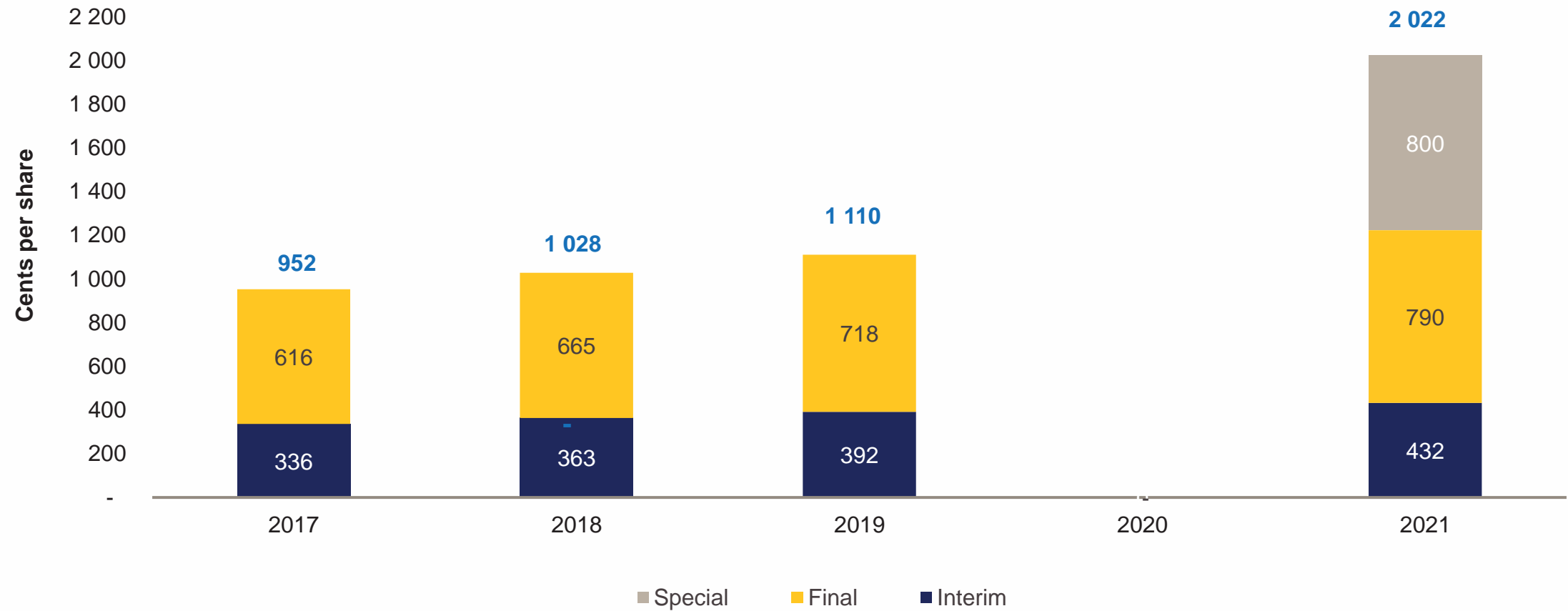
TOTAL COMPREHENSIVE INCOME EXPRESSED AS % OF WEIGHTED AVERAGE SHAREHOLDERS' FUNDS



# CAPITAL MANAGEMENT

- 
- Group economic capital requirement based on the internal model R8.3 billion (2020: R7.4 billion)
  - Current Group economic capital coverage ratio of **169%**
  - During 2021, the Prudential Authority reduced Santam's regulatory capital add-on from 20% to 10%.
  - Target economic capital coverage ratio band reduced from between 150% and 170% to between 145% and 165%
  - Regulatory internal model capital requirement is R1.6 billion lower than the standard formula capital requirement
  - Considering CBI progress and the capital position, an ordinary dividend of 790 cps and a special dividend of 800 cps were declared, which will reduce the economic capital coverage ratio to a level that remains well within the revised target band.

# DIVIDEND PER SHARE







2022

57%

89%

99.96

+9.91

-87.12

+7.01

-54.23

+4.59

-26.34

43.21

72.66

## GROUP STRATEGY AND PRIORITIES

# FUTUREFIT SANTAM

## OUR BUILDING BLOCKS FOR CREATING STAKEHOLDER VALUE

- Extend leadership position in South Africa through intermediary enablement, digital innovation and partnerships
- Deliver Insurance good and proper: most trusted, relevant and purpose-driven brand
- Client experience: creating intuitive client journeys enabled by technology
- Help build resilient societies: through transformation, financial inclusion and P4RR
- International and African diversification: building the Pan-African specialist business and selectively building other international business through Santam Re and Santam Specialist
- Talent and culture: empowering our people and evolve our culture to be competitive in a rapidly changing world
- Enabling insights-driven insurance and informing strategic direction through trusted data
- Build technology as an enabler and driver of innovation, efficiency, and optimal decision-making
- Optimise our financial performance: deliver sound results, stewardship and diversification





# STRATEGIC PRIORITIES 2022

## DELIVERING ON FUTUREFIT SANTAM

- Executing and implement on growth initiatives
  - Cross-selling initiative with Sanlam
  - Strategic partnerships
  - Tactical acquisitions
- Continue to strengthen our digital and data capabilities
  - Improving our digital E2E insurance offering
  - Go live with Guidewire claims module for the motor book,
  - Drive adoption of digital capabilities such as self-service
  - Embed client experience process and measure customer satisfaction
  - IFRS17 readiness and compliance
- Grow Pan-African specialist business with Sanlam Pan-Africa
- Implement new ways of work
- Smooth handover with the new CEO





**ENVIRONMENTAL  
SOCIAL GOVERNANCE**

# OUR ESG COMMITMENTS

## CONTRIBUTING TO A SUSTAINABLE AND TRANSFORMED ECONOMY


### Employee Safety and wellbeing

- We have **adopted a hybrid model**, with employees transitioning back to the office.
- Driving and supporting the **vaccination adoption** and roll-out across the country in partnership with Sanlam and Afrocentric
  - We formulated a policy for **mandatory employee vaccination** against COVID-19
- Promote a diverse and inclusive workforce
  - Creating employment for **more than 6,000 people**
  - Certified **Top Employer** for the sixth consecutive year.
- Maintained **Level 1 BBBEE rating** in terms of the financial sector
- Continued with the five-year **Santam Intermediary Growth and Development Programme (SIGDP)**



# OUR ESG COMMITMENTS

## SUPPORTING COMMUNITY RESILIENCE AND ESG COMMITMENTS

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- We settled **R24.5 billion** in claims during 2021.
  - We now support 63 municipalities through **Partnership for Risk and Resilience (P4RR)**
  - Continued as a constituent of the **FTSE 4 Good index series** and **FTSE/JSE Responsible Investment Top 30 index**
  - We continue to support the UN Environmental Principles for Sustainable Insurance (PSI) with a particular focus on Africa
  - We **adopted TCFD recommendations** and **published our first TCFD report** to signal our commitment in understanding climate-related risks and opportunities.
  - We published the **Human Rights Position Statement** to entrench our corporate citizenship role





**QUESTIONS?**



**THANK YOU**