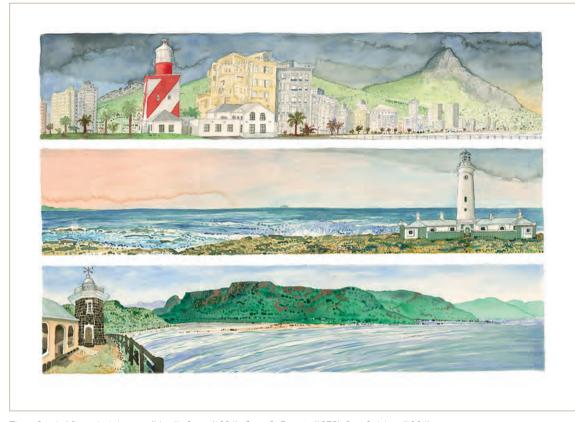


During 2017 Renasa was named the Financial Intermediary Association's Commercial Insurer of the Year for 2017 and also a finalist for the Association's Personal Lines Insurer of the Year.

The award, the most prestigious in the industry, is based on an independent and robust survey which judges insurers on level footing. The award evidences the market's acceptance of Renasa as a leading national insurer in company with its long-established and substantial competitors in the intermediated segment.



Three South African Lighthouses (Mouille Point (1824), Cape St Francis (1878), Port St Johns (1904). 2017.

# **RENASA'S ART**

Renasa believes that economic insurance flows from insured clients practising good risk management to preserve their insured assets and insuring for the sudden and unforseen, rather than the avoidable. Preservation of our environment, whether our immediate surroundings or our wonderful country, is central to this philosophy. Every year, in celebration of this theme, well recognised South African artist, Bruce Backhouse, interprets for Renasa, in his words, '... a different aspect of the rich fabric of our South African legacy, the sculpture of our surroundings'.



# Annual Report 2017 MARKET RECOGNITION

# CONTENTS ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

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# **HIGHLIGHTS - MARKET RECOGNITION**

FIA COMMERCIAL INSURER OF THE YEAR

FINALIST FIA PERSONAL LINES INSURER OF THE YEAR

POST SCALE CONSOLIDATION CONTINUES

GROSS PREMIUMS GROW 5.5% AND EXCEED R 1,3 BILLION

COMMERCIAL LINES CONSTITUTE 50% OF GROSS PREMIUMS

MARKET CONDITIONS SUBDUED – WEAK ECONOMY LIMITS GROWTH

WEAK RAND EXCHANGE RATE DRIVES UP CLAIMS COSTS

**FURTHER MARKET CONSOLIDATION** 

CONTINUED IMPACT OF INCREASED REGULATORY COMPLIANCE COST

ATYPICALLY HIGH WEATHER-RELATED CATASTROPHE FREQUENCY

UNDERWRITING AND CLAIMS CONTROL INITIATIVES ESCALATE OVERHEADS

OVERHEADS REPRESENT 5,8% (2016: 5,4%) OF GROSS PREMIUMS

PROFIT BEFORE PREFERENCE DIVIDENDS ACHIEVED

**SOLVENCY MARGIN IMPROVED TO 44,9%** 

A- RATING REAFFIRMED

THREE YEAR REINSURANCE TREATIES RENEWED

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#### **RENASA'S FOOTPRINT** REGIONS BRANCH OFFICES REPRESENTATIVE OFFICES NORTHERN JOHANNESBURG **GAUTENG** DURBAN SOUTHERN NATAL PORT SHEPSTONE TZANEEN NORTHERN PROVINCE PRETORIA MPUMALANGA **NELSPRUIT** TZANEEN **BLOEMFONTEIN** FREE STATE KLERKSDORP PHALABORWA POLOKWANE KIMBERLEY SOUTHERN PORT ELIZABETH CAPE **CAPE TOWN** LYDENBURG **NELSPRUIT** PRETORIA MIDDELBURG **IOHANNESBURG** POTCHEFSTROOM VEREENIGING KLERKSDORP NEWCASTLE VRYHEID KROONSTAD WELKOM BETHLEHEM KIMBERLEY UPINGTON EMPANGENI GREYTOWN RICHARDS BAY BLOEMFONTEIN PIETERMARITZBURG SPRINGBOK DURBAN PORT SHEPSTONE COLESBERG ALIWAL NORTH UMTATA EAST LONDON PAARL BELLVILLE GEORGE PORT ELIZABETH CAPE TOWN STELLENBOSCH MOSSEL BAY

### MARKET FOCUS AND ALIGNMENT STRATEGY

Renasa believes unreservedly in the value of independent advice and accordingly distributes solely through the intermediated channel to which it is dedicated providing its distributors with products and services which raise their competitiveness. The insured customers sought gravitate to distributors of excellence. It is these distributors with whom Renasa seeks aligned relationships.

Home and champion of the independent broker

Renasa's systems offer intermediaries the support needed to achieve actuarial risk selection and systemised claims cost control while preserving independence and avoiding overbearing interference in intermediary processes. This makes Renasa, at once, the home and the champion of the independent intermediary.

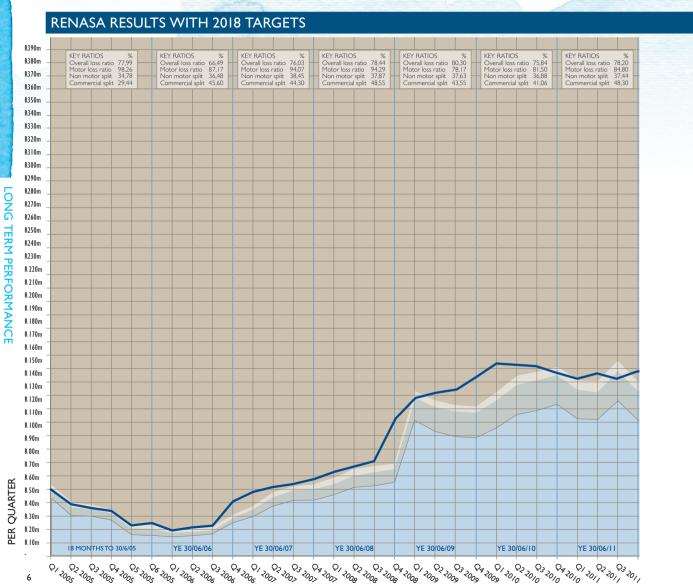
Aligned relationships are those where all links in the insurance distribution chain, that is reinsurers, insurers, distributors and insured customers are motivated by a common purpose.

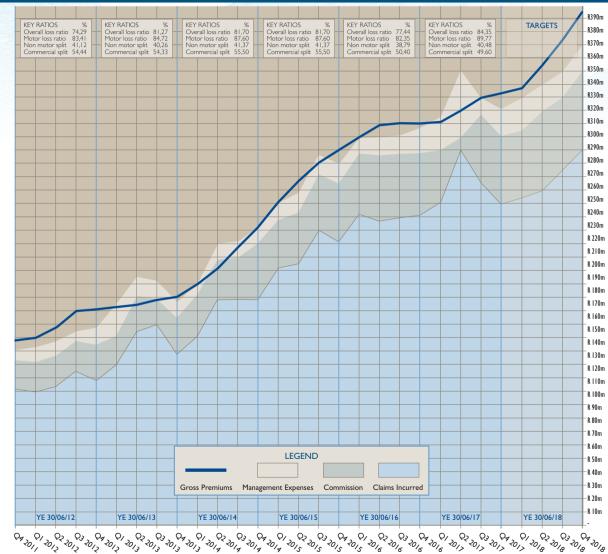
Renasa has long held that the achievement of sustainable value requires sound relationships with its reinsurers, intermediaries and its insured customers. Renasa believes that maintaining those relationships requires economic insurance products backed by personal service levels and direct access to decision-makers within Renasa.

Renasa's philosophy is that economic insurance premiums and improved profits flow from  $-\,$ 

- insuring responsibly for the sudden and unforeseen and not the avoidable;
- sound risk management by insured clients;
- the actuarial pricing of risks; and
- the achievement of economic claims costs.

### RENASA'S LONG TERM PERFORMANCE





### RENASA'S LONG TERM PERFORMANCE

# TURNAROUND 2005 AND 2006 FINANCIAL YEARS

- I Shareholding, board and executive restructured under new control relocated to Johannesburg
- 2 Experienced risk executives engaged
- 3 Commutation of run-off business
- 4 Stricter underwriting controls 60% of top line cancelled
- 5 Stricter claims control initiated
- 6 Intense marketing campaign growth commences and UMA's expanded
- 7 Capital introduced solvency margin 43%
- 8 Reinsurance treaties oversubscribed

# INFRASTRUCTURE DEVELOPED 2007 AND 2008 FINANCIAL YEARS

- I Board expanded
- 2 Intensified marketing top line more than doubles
- 3 Intensive corrective action addresses effects of high growth
- 4 Initial IT infrastructure development rating, admin and claims workflow systems
- 5 Procurement initiatives control costs first profits generated
- 6 Capital introduced and commencement of three-year treaties- solvency margin 51% BBB+ rating
- 7 Full administration services offered to brokers
- 8 RITE social responsibility programme reaches 25 000 learners

#### GROWTH PHASE 2009 AND 2010 FINANCIAL YEARS

- I Intensive marketing again top line more than doubles
- 2 Three large losses including R 45 million fire claim but underwriting profits increase
- 3 Intensive IT development scientific rating and claims control, 3rd party systems integration FAIRFIGHT
- 4 FAIRFIGHT puts intermediaries on equal footing with direct insurers
- 5 Salvage, assessing and audit initiatives improve claims cost control
- 6 Treaty terms favourably renewed, solvency margin 57%
- 7 A- rating
- 8 RITE social responsibility programme reaches 55 000 learners

#### CONSOLIDATON PHASE 2011 AND 2012 FINANCIA<u>L YEARS</u>

- I Marketing team doubled under leadership of Nick Beyers and seven sales offices opened national footprint
- 2 Loss to takeover contracts 2011 premium by 3% but expanded footprint and A- rating bring 24,5% growth in 2012
- 3 Annualised premium tops R 662,5 million by June 2012
- 4 Motor actuary improves rating/selection/margin while procurement initiatives drive down claim costs
- 5 Improved technical performance
- 6 Integrated to all major independent policy/claims administration systems
- 7 Rolling Three Year Reinsurance Treaty favourably renewed
- 8 Solvency Margin to 61,7%; Claims Cash Coverage ratio 16 months

### RENASA'S LONG TERM PERFORMANCE (continued)

# APPROACHING SCALE 2013 AND 2014 FINANCIAL YEARS

- I Margins depressed by catastrophes, weak economy and weak Rand
- 2 Second and third largest insurers lose combined R I billion four competitors leave Renasa's segment
- 3 Growth trend continues: premiums grow 12,3% in 2013 and 22.0% in 2014
- 4 Scale approached: overhead growth contained to 5,7% in 2013 and 6,0% in 2014
- 5 Actuarial/underwriting structures improved across classes claims costs further reduced
- 6 Financial profit achieved despite parlous market conditions A- rating reaffirmed
- 7 Rolling Three Year Reinsurance Treaty favourably renewed
- 8 Solvency Margin to 43,6%; Claims Cash Coverage ratio to 11,7 months

# GROWTH TO SCALE 2015 AND 2016 FINANCIAL YEARS

- I Real-time control of premium/pricing and claims costs give Renasa a 'unique advantage'
- 2 Market consolidation, Renasa's national footprint and 'unique advantage' deliver high growth
- 3 Premiums grow 30,4% in 2015 (exceeding R 1 billion) and 13.6% in 2016 Commercial classes consitute 50%
- 4 Scale benefits despite overhead growth, overheads fall to 5,3% of Gross premiums in 2015 and 5,4% in 2016
- 5 Margins depressed by atypical catastrophe frequency, weak economy/Rand and high regulatory compliance costs

LONG TERM PERFORMANCE

- 6 2016 Underwriting and Financial profit achieved despite depressed margins
- 7 Three Year Reinsurance Treaty renewed, Solvency Margin 42,1%, claims cash coverage ratio 13,4 months
- 8 A- rating reaffirmed

#### MARKET RECOGNITION 2017 FINANCIAL YEAR

- I FIA "Commercial Insurer of the Year" and finalist "Personal Lines Insurer of the Year"
- 2 Continued improvement in underwriting/pricing control and claims cost controls
- 3 Gross premiums grow by a slower 5,5% reflecting market challenges and corrective actions
- 4 Underwriting/claims controls and increased compliance costs drive overheads to 5,8% of Gross premiums
- 5 Underwriting loss sustained due to atypically high catastrophe claims frequency
- 6 Financial profit achieved notwithstanding high catastrophe claims frequency
- 7 Solvency margin improves to 44,9% and claims cash coverage ratio improves to 15,9 months
- 8 A- rating reaffirmed



Renasa is positioned as a serious competitor to major insurers

### CHAIRMAN'S STATEMENT

It is with great pleasure and pride that Renasa received the Financial Intermediary Association's Commercial Insurer of the Year Award and was adjudged runner up in the Personal Lines Insurer of the Year category. These achievements serve to recognize the enormous progress which Renasa has made over the past decade in challenging circumstances and a highly competitive market dominated by powerful institutions. They also entrench Renasa as a principal alternative to the four main insurers which dominate the segment.

This recognition has already bolstered post year end growth and, should Renasa accept all the business recently committed to it, Gross premiums approaching R2 billion could be written in the 2019 financial year.

For the 2017 financial year however, a weak economy and the cost of regulatory change, together with other influences, contained Gross premium growth to 5,5% (2016: 13,6%) to achieve Gross premiums of R 1,26 billion (2016: 1,19 billion). While initiatives to improve margins have, over the past few years achieved their goal, the benefits of these efforts were adversely impacted upon by significant catastrophe claims experience during 2017 which resulted in Renasa sustaining an Underwriting loss of R 3,4 million (2016: profit of R 1,2 million).

Renasa remains a fervent believer in the value of independent advice and so continues to dedicate itself to the intermediated segment seeking to place its intermediaries at a competitive advantage in terms of product, the binding of risk and the settlement of claims using, as it does, experienced managers mandated to provide swift decisions on commercial underwriting and claims matters and technology to afford intermediaries the freedom to manage personal lines business under binding authorities. This technology leads the industry and positions independent intermediaries to compete with direct insurers on equal footing if needs be.

Renasa maintains its association with the world's leading reinsurers and continues to employ multiple year treaties to secure capacity for the premium volumes written. Those reinsurance arrangements and Renasa's solvency management initiatives together ensure adequate capitalization. Solvency levels are carefully monitored to maintain adequate levels until the risk-based solvency

regime is implemented. Renasa is advanced in its preparation for that regime and is in the process of adjusting its capital and reinsurance structure to ensure sufficient solvency. Renasa's solvency margin at the 2017 year end was 44,9% (2016: 42,1%) while the Capital Adequacy Requirement (CAR) cover ratio in terms of the provisional requirements under the Solvency II regime rose to 1,45 (2016: 1,37). Renasa's A- rating was reaffirmed.

Significant growth is expected in the

As mentioned, the volume of new business committed to Renasa post year end promises significant growth, however, the future must be viewed cautiously in light of the recent sweeping regulatory changes and their impact on the intermediated segment including Renasa. The maintenance of margins in the medium term will be a satisfactory outcome as the benefits of improved operating margins over the past few years could be undermined by the cost of regulatory change.

My sincere thanks to my fellow directors and the executive management for their contribution, dedication and commitment in bringing Renasa to its present standing and I look forward with optimism to the next chapter.

DON ERIKSSON

Chairman



# R.I.T.E.

# RENASA INSURANCE TRAINING AND **EDUCATION**

Focus on the Foundation Phase of learning R.I.T.E., for Renasa Insurance Training and Education (a non-profit company of Renasa's social responsibility programme), is an initiative which aims to uplift underprivileged communities by contributing to the "Foundation Phase" of education where the groundwork for future learning is set. With literacy a national crisis, R.I.T.E.'s goal is to raise the standard of education for today's school beginners and, in turn, the level of human capital, the pre-cursor to sustained economic growth. This requires an investment in education and training, particularly at primary and secondary levels, to nurture cognitive capacity, literacy, numeracy and the ability to communicate.

Reading is integral to this development and no-one should be denied the right to learn this skill, R.I.T.E. believes that the Foundation Phase, the basis of all education, is where this development should be emphasized and is therefore where its focus lies.

For many years R.I.T.E. conducted teacher training workshops at which it distributed the Alphaland Literacy programme, which provides the basic tools for teaching reading skills. The programme was donated to underprivileged schools in Gauteng and rural areas in the KZN Midlands, reaching more than 65 000 learners. From these workshops it became evident that underprivileged schools have a serious shortage of reading books at the level where learning to read and write is the focus of teaching.

In response, R.I.T.E. compiled, produced and donated 80 000 readers to these underprivileged schools. R.I.T.E.'s readers cover concepts that are learnt in the Foundation Phase, including colours, shapes, counting, spatial awareness, degrees of comparison and family to name but a few. At teacher training workshops, R.I.T.E. trains, motivates and inspires teachers to employ new and innovative methods of teaching, to engage the children in a fun way so that learning becomes a joy. This is the R.I.T.E. "Reader Project".

R.I.T.E. is now in the process of donating a further 100 000 books to over 1 000 schools. R.I.T.E. hosts workshops where the teachers are up-skilled with techniques that are innovative, creative and cost effective. R.I.T.E. continues to target both urban and rural schools in Gauteng and KZN.

As well as hosting workshops in Alexandra, Tembisa and Soweto, R.I.T.E. presents at Thandulwazi Rokunda every alternate Saturday. This is the Saint Stithians Outreach Programme, which hosts 1000 township teachers who give up their own time on a weekend to attend these workshops.

# Generous support by Renasa's partners

Renasa and its business partners have sponsored the compilation and distribution of the readers through R.I.T.E. including the cost of illustrations and printing. Renasa is most grateful for the support of its business partners.

R.I.T.E. is staffed by two qualified teachers, one the co-developer of the Alphaland Literacy Programme to which R.I.T.E. has the rights.

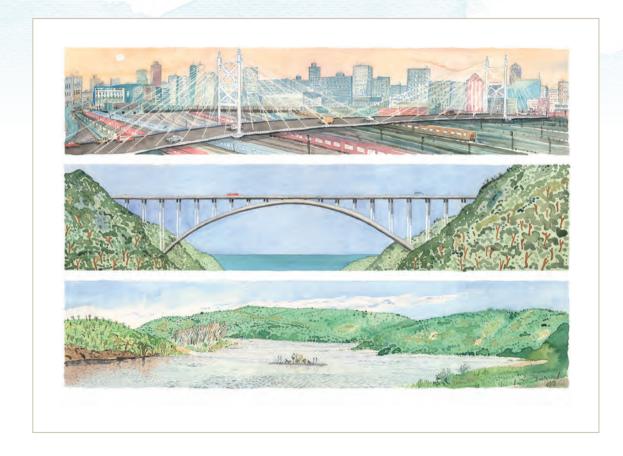
R.I.T.E.'s appreciation goes to Aon Re, Insurance Outsourcing Managers - IOM, The Garrun Group, Munich Reinsurance, Swiss Reinsurance, Botha & Sutherland Attorneys and the many others too numerous to mention who have in the past contributed generously and made this most worthwhile project possible.

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# RENASA'S ART



# RENASA'S ART



Renasa House 2015

Three Iconic South African Bridges (Mandela, Bloukrans, Malgas Pont) 2016



consolidation before significant

# CHIEF EXECUTIVE OFFICER'S REPORT SALIENT FEATURES

The highlight of the 2017 financial year, undoubtedly, was the award by the Financial Intermediaries Association ("FIA") of Renasa as Commercial Insurer of the Year. Although also a finalist in the FIA Personal Lines Insurer of the Year category, it is not widely known that Renasa was, in fact, a close runner up. The impact of that recognition, however, is only beginning to emerge after year end A period of but promises much progress in scale based on the business committed to Renasa.

> That said, during the 2017 year, poor economic conditions, high inflation, a weak Rand exchange rate, the impact of aberrant weather patterns with the attendant increase in catastrophe claims experience and the increased cost of regulatory compliance all again combined to exert pressure on Renasa's market segment and subdue Renasa's margins so that a slight Underwriting loss was sustained and only a marginal Profit achieved.

> During the 2017 year Gross premiums grew by 5,5% (2016: 13,6%) to R 1,26 billion (2016: R 1,19 billion) with first guarter 2017 growth increasing to 8,7% (2017: 4,1%) while the exposure to the more profitable commercial class was maintained at 49,6% (2016: 50,4%) and exposure to specialist classes increased to 17,3% (2016: 15,9%) respectively of Gross premiums. An increased gross claims ratio of 84,4% (2016: 77,4%) (a direct result of the significant increase in catastrophe claims), an increase in net commissions to 3.0% (2016: 2,8%) of Gross premiums and an increase in the overhead growth rate to 12.2% (2016: 10,1%) yielded an Underwriting loss of R 3,4 million (2016: profit of R 1,2 million). With higher cash holdings raising interest income to R 7,1 million (2016: 6,4 million) and a tax charge of R 1,1 million (2016: R 2,1 million), Profit after taxation but before Preference Share dividends of R 2,7 million (2016: R 5,5 million) was achieved.

> Renasa's reinsurance treaties were again renewed largely on expiring terms with Munich Re continuing as the lead reinsurer. Supported by an introduction of capital in terms of Renasa's continuing capitalization strategy, the statutory solvency margin rose to 44,9% (2016: 42,1%), the Capital Adequacy Requirement (CAR) cover ratio in terms of the provisional requirements under the Solvency II regime rose to 1,45 (2016: 1,37) and the claims coverage ratio

increased to 15,9 months (2016: 13,4 months). Renasa's A- rating was once again reaffirmed by Global Credit Rating Co.

There has been no change to the Board or Executive Management structure during the past year and the Operational Management structure remains largely unchanged.

Renasa's mission remains the delivery of competitive products via an unparalleled service to independent intermediaries. Experienced Service Managers, Renasa continues mandated to provide quick underwriting and claims decisions, serve commercial to champion needs while high personal lines service levels are delivered through Renasa's advanced technology which positions independent intermediaries to compete on equal footing with direct insurers but without overbearing insurer control or the need to change their systems.

> Renasa's marketing strategy (which includes a national television campaign, industry journals and web-based media) continues to feature Archie Broker and his faithful dog Roger to raise public and broker awareness of the Renasa brand. The campaign emphasizes Renasa's support for independent intermediaries and the value of independent advice.

> Regarding 2019, the benefits of a significant increase in scale and the improvement to margins form both improved controls and corrective actions will hopefully offset the consequences of the recent raft of legislative changes which impact directly on Renasa's market segment and operations so that, catastrophe weather events aside, the maintenance of operating margins will be a good result.

# the independent intermediary



Difficult conditions persisted once again in Renasa's segment sponsored by:

- Poor economic growth which kept consumers under pressure making growth challenging;
- High inflation and a weak Rand exchange rate which simultaneously maintained upward pressure on, and resistance to, premium increases;
- The increased cost of regulatory compliance in response to the overhaul of industry legislation.



A repeated atypically high catastrophe event frequency added to margin pressure as did more restrictive reinsurance pricing in response to poor global insurance performance. These pressures contributed to the slight Underwriting Loss sustained during the year.

In terms of market position, Renasa now ranks as a primary alternative to the four major insurers operating in the intermediated segment.

#### PREMIUM PERFORMANCE - SLIGHT GROWTH ACHIEVED

despite subdued

Continued corrective action to rectify sub-optimal books of business accumulated Modest profit during the most recent growth phase and the simultaneous parlous economic conditions served to further arrest growth for the 2017 year so that Gross market conditions premiums grew modestly by 5,5% (2016: 13,6%) to R 1,26 billion (2016: 1,19 billion). However, during the first quarter of the 2018 year, Gross premium growth rebounded to 8,7% (2017: 4,1%).

> In this environment, and conforming with Renasa's strategy to build its commercial book, exposure to the generally more profitable commercial classes was maintained at 49,6% (2016: 50,4%) of Gross premiums.

> Once again, Gross premiums from specialist classes outstripped overall premium growth to grow by 14,8% (2016: 18,4%) to R 217,0 million (2016: R 189,0 million). The achievement of a growth rate for specialist classes which is higher than that for the company as a whole is a reflection of the pressure in the intermediated segment of the general insurance market. The concentration in specialist classes likewise improved to 17,3% (2016: 15,9%) of Gross premiums.

Renasa's strategy is to pursue both commercial and personal lines classes. Traditional, personal service for commercial classes is delivered by experienced Service Managers who are mandated to provide on the spot underwriting and claims decisions.

This combines with systemised risk selection and claims cost control in the personal lines motor class creating an autonomous environment and providing a broad offering for intermediaries.

## RENASA'S COMMERCIAL LINES SERVICE OFFERING - PERSONAL SERVICE BY AUTHORISED SERVICE MANAGERS

Renasa continues to service commercial lines with a team of experienced Service Managers authorized to place Renasa on cover for most risks and to authorize most claims without reference. Where volume justifies, Service Managers are based in an intermediary's offices. This ensures swift, personal service by qualified and experienced staff. The team, under Nick Beyers, which provides this service understands thoroughly the needs of the intermediated market and is accomplished at service delivery.

Renasa's Commercial Lines strategy - Personal Service

# RENASA'S PERSONAL LINES SERVICE OFFERING - "SUPERVISED INDEPENDENCE" THROUGH UNIQUE SYSTEMS – ESSENTIAL TOOLS FOR INTERMEDIARIES TO CONTROL MOTOR CLASSES

Renasa believes that, for the intermediated market (where intermediaries administer policies and claims on systems independent of insurer ownership and control ["independent systems"]) to compete effectively with the direct market, claims control and risk selection must be systemized and actuarial but without intrusive interference in intermediary efficiency. This is all the more important given the consolidation trend among insurers and intermediaries alike.

CEO'S REPORT

Accordingly, central to Renasa's strategy is the independent operation by intermediaries on their own chosen administration system (to which Renasa's pricing and claims control systems are seamlessly integrated). Intermediaries operate independently but with the benefit of scientific risk selection and economies of scale in the claims settlement arena. That is "Supervised Independence". However, until the advent of Renasa's strategy, no such system was available to the independent intermediated segment which represents approximately twenty-five per cent of the national insurance market.



Renasa operates a suite of proprietary web-based systems which provide intermediaries with underwriting and claims controls equivalent to those of direct insurers while allowing intermediaries to maintain their administrative independence on their independent systems.

#### SPECIALIST CLASSES AND UNDERWRITING MANAGEMENT AGENTS

Renasa currently underwrites fourteen (2016: fourteen) specialist classes sively for Renasa or through dedicated divisions. Classes include engineering risks, minibus taxis, various heavy commercial vehicle cover, off-road vehicle motor policies. Renasa will continue its strategy to build this division with additional UMA's under consideration at any time. Renasa will also continue to offer underwriters support in the establishment of UMA businesses, most Renasa UMA's having been established as greenfields operations.

Together, these services provide independent intermediaries with a personalised and swift commercial lines service delivered by experienced professionals, an advanced solution to motor class performance, mandates for personal lines which are supported by highly effective systems and services and a broad range of specialist covers.

Renasa's systems comprise:

Renasa's

Independence

strategy - Supervised

- A web-based rating engine which ensures actuarially determined rates at risk item level:
- A web-based claims work flow control system which helps to contain claims costs by controlling each aspect of the settlement process of claims intimated on independent systems;
- An "extract, transform and load" (ETL) system which feeds into Renasa's data warehouse:

Personal Lines all of which are integrated to all commonly used independent systems.

Renasa's offering improves personal lines efficiencies, particularly the motor class, which assists independent intermediaries to defend the attack of direct insurers.

Using these systems, and despite the market pressures of recent times, Renasa has consistently improved its control over the motor class of its independent intermediaries and contained the increase in its average claims cost for that class.

through Underwriting Management Agents ("UMA's") which distribute exclucover, pet health insurance, performance guarantees, medical gap cover, professional indemnity excess buydown, debt counselling products and agreed value

#### THE INTERMEDIARIES' "ONE STOP SHOP"

#### TREATING CUSTOMERS FAIRLY

Treating Customers Fairly ("TCF"), central to Renasa's practises, is now being enforced by regulation. Renasa has implemented controls which ensure that the principle of fairness to customers is embodied in every aspect of Renasa's operations and all the required TCF outcomes are achieved.

#### MANAGEMENT STRUCTURE

Dedication to independent intermediaries continues

There has been no change to the Board or Executive Management structure during the past year although there have, as ever, been some changes within the Operational Management structure associated with Renasa's development.

#### MARKETING AND BRAND DEVELOPMENT

Renasa's marketing strategy using national television, industry journals and web-based media featuring its icons, Archie Broker and his faithful dog Roger, to raise Renasa brand awareness and explain Renasa's intermediary services, has continued unaltered. Renasa's role in providing the most supportive mechanisms and services to assist independent intermediaries who perform policy and claims administration is well explained and the value of independent advice extolled.

**CEO'S REPORT** 

#### **ALIGNMENT STRATEGY**

Renasa continues to follow a strategy aimed at ensuring the sustainability of relationships in both its supply and distribution channels in terms of which all parties benefit fairly. Its long association with both suppliers and distributors continues to bear testimony to this.

#### UNDERWRITING PERFORMANCE

Given conditions in Renasa's market segment, the Underwriting loss of R 3,37 million (2016: Underwriting profit of R 1,17 million) is acceptable especially considering the significant catastrophe experience.

That said, Renasa's underwriting performance must always be read in the light of the market it services. Where an insurer administers policies and claims on a system under its control, it is no great achievement to secure underwriting and claims control. The same cannot, however, be said for the achievement of underwriting and claims control on business administered on independent systems.

Renasa has developed systems which allow real-time control over claims as well



as premiums and pricing even where business is underwritten on independent systems, this without undermining intermediary efficiency.

As much of the growth recently experienced emanates from consolidation in Renasa's segment, the business taken on has never been subject to the premium and pricing control now implemented at Renasa and is largely mispriced. This continues to contribute to the growth strain experienced and the pedestrian underwriting performance while corrective action is implemented.

# Underwriting FINANCIAL REVIEW

performance reflects During 2017 Gross premiums grew by 5,5% (2016: 13,6%) to R 1.26 billion Renasa's market (2016: R 1,19 billion) with 2018 first quarter gross premiums growing by 8,7% segment (2016: 4,1%) to an annualised gross premium of R 1,33 billion (first quarter 2017: R 1,21 billion) which reflects the muted albeit improved growth associated with consolidation of the underwriting performance.

> The increased impact of catastrophe claims lead to a gross claims ratio 84,4% (2016: 77,4%) despite the underwriting action taken during the year.

Net commission received as a percentage of gross premiums grew to 3,0% (2016: 2,8%) while administration fee income increased. Net operating expenses rose by 12,2% (2016: 10,1%) owing to the increased cost of regulatory compliance and underwriting and claims staff costs following a 7,8% increase in the staff complement to 152 (2016: 141). The overall result, however, was an Underwriting loss of R 3,37 million (2016: profit of R 1,17 million) which is satisfactory in light of the catastrophe claims experience.

Given improved cash holdings, interest income grew to R 7,1 million (2016: 6,4 million) so that Profit before taxation and Preference Share dividends of R 2,7 million (2016: R 5,5 million) was achieved.

With a tax charge of R 1,1 million (2016: R 2,1 million), the result was Total comprehensive Income before Preference Share dividends of R 2,7 million (2016: R 5,5 million) and a Return on average Equity of 4,4% (2016: 10,0%) which is considered reasonable in the current circumstances.

#### REINSURANCE AND FINANCING

Renasa has for many years secured reinsurance capacity from its lead reinsurer in treaties which have a three year duration. This is an endorsement of Renasa

and its alignment strategy and commits to Renasa the capital required to fund its growth.

Renasa's cession during the 2017 year remained largely unchanged on most risks.

Renasa's treaties are led by Munich Re with supporting lines from R&V Re, Partner Re, Infiniti Re, Santam Re and GIC Re which again raised the overall security of the treaties.

Net Written Premium for the year grew by 0,4% (2016: 1,2%) to R 132,9 million (2016: R 132,4 million). Renasa's solvency margin at the 2017 year end was 44,9% (2016: 42,1%). Solvency levels are carefully monitored to ensure Total comprehensive adequate levels are maintained until the risk-based solvency regime is finally income maintained implemented. Renasa is advanced in its preparation for the risk-based solvency regime and is in the process of adjusting its capital and reinsurance structure to ensure sufficient solvency.

> In terms of the provisional requirements under the Solvency II regime, Renasa is currently maintaining a Capital Adequacy Requirement (CAR) cover ratio of 1,45 (2016: 1,37). The claims coverage ratio improved during the 2017 year to 15,9 months (2016: 13,4 months). All ratios continue to operate at levels which compare satisfactorily with industry norms.

CEO'S REPORT

The "A-" rating accorded by Global Credit Rating Company since November 2010 was again reaffirmed confirming the strength of Renasa's paper and its position as an alternative to the four leading general insurers serving independent intermediaries.

#### **PROSPECTS**

Following the announcement of Renasa as the FIA's 2017 Commercial Insurer of the Year, the flow of new business prospects increased markedly particularly in the traditionally more profitable commercial classes. Were Renasa to write all of the business currently committed to it, Renasa's Gross premiums for the 2019 financial year would approach R 2 billion. The impact of growth of that magnitude will be significant and an improved margin is targeted given the commercial bias of the business.

The factors which influenced the consolidation in Renasa's market segment over the past several years remain in force including poor economic growth and the cost of regulatory change so that the potential for further consolidation continues to be a



prospect and Renasa will remain alert to the dangers and opportunities which could result. Renasa, however, remains committed to building its premium levels so that they are nationally representative of the market it services to which end the significant effort of recent years directed at the Southern Regions Division comprising the Cape provinces will continue.

The persistent efforts of the past several years focused on the control of personal lines underwriting has yielded some improvement. Continued attention is required, however, as further benefit to performance and margins remains to be extracted in the coming financial years. Also, regarding underwriting performance, the potential for an increased frequency in aberrant weather patterns must be remembered given the catastrophe experience of the past few years. Fortunately, a stronger Rand A- rating reaffirmed exchange rate and muted inflation should contain claims costs inflation.

While the above factors point to improved performance in the forthcoming year, caution is justified taking into account the impact, on the intermediated market particularly, of the recent raft of legislative developments and the consequential changes to business operations, including Renasa's. With that and the above in mind, it will be a satisfactory result if margins can be maintained in the 2018 financial year.

#### **APPRECIATION**

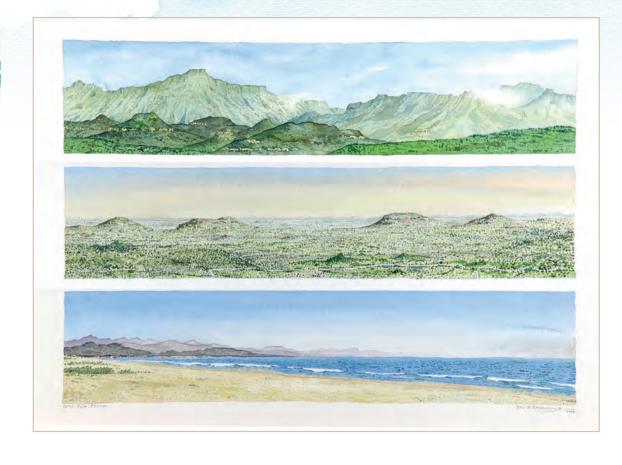
Each year seems to bring its own challenges, none less than those of recent years and those to be faced in the coming year. In such an environment it is invaluable to have an outstanding staff and management complement on which to call. Renasa's progress and its ability in the past to deal with these challenges is driven by the commitment and dedication of staff, management and the Board alike. To all concerned, as well as to our brokers, reinsurers and other business partners, I thank you for the support and the contribution which has helped Renasa develop into the business it is today.

**JONATHAN ROSENBERG** Chief Executive Officer



25

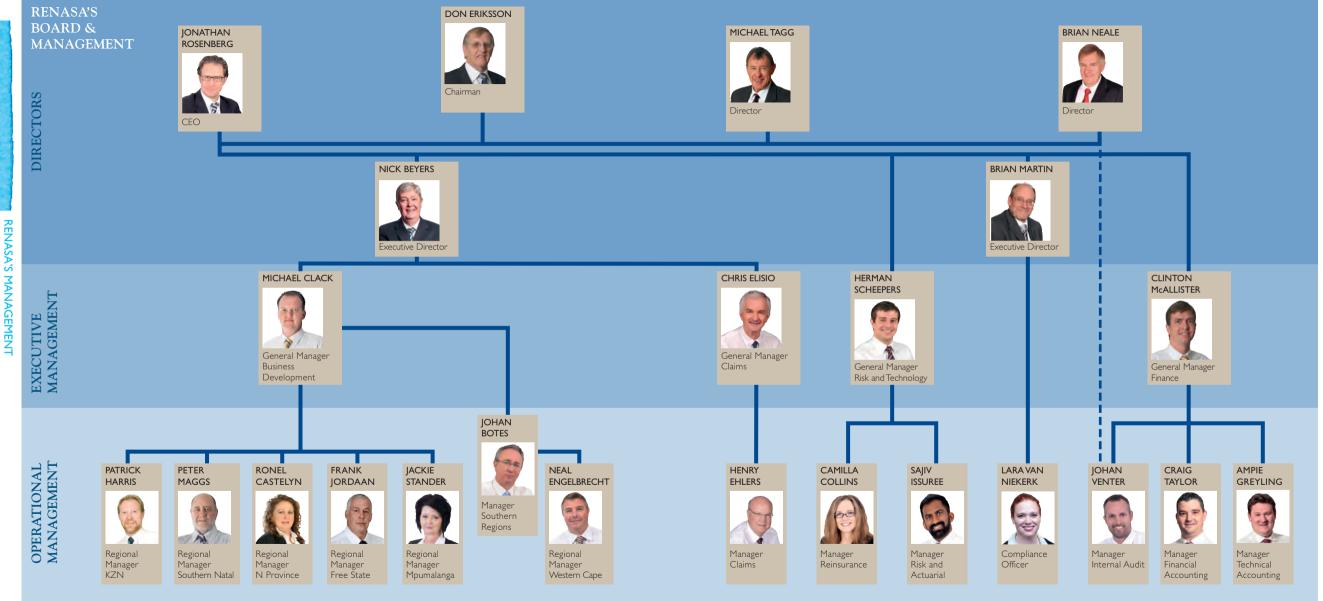
A Ten Year Journey (2006–2015) 2015





Berg, Bush And Beach 2006

Three Aspects Of South Africa 2007



# RENASA'S DIRECTORS

RENASA'S DIRECTORS



DON ERIKSSON

C.A. (S.A.)

Chairman, Independent Non-Executive Director, Chairman Remuneration Committee, Member Audit Committee

Don Eriksson held several senior positions with Price Waterhouse Coopers until 1990 when he joined Commercial Union. He is currently the Chairperson of General Accident Insurance Company and a non-executive director of a number of other companies. He has also held several appointments with the Institute of Directors.



JONATHAN ROSENBERG

B.Acc, M.Comm, C.A. (S.A.)

In 1980 Jonathan became a broking member of the JSE where he remained a member for most of the 1980's gaining extensive investment and corporate finance experience. From the late 1980's until he joined Renasa in 2003, he gained varied experience in investment and fund management and as the Financial Director of a listed company.



NICK BEYERS

ACII A.M.P (Harvard)
Executive Director

Nick began his career with Royal Insurance Company (now M & F) in 1969. From 1971 Nick had a distinguished career with SA Eagle/Zurich rising from claims superintendant to CEO in 1998 which post he held until he retired in 2009. Nick has a wealth of experience, is well known throughout the industry and above all is liked and trusted.



BRIAN MARTIN

BA LLB (Wits) Executive Director Legal and Compliance After serving articles with Deneys Reitz Brian was admitted as an attorney and for 27 years practiced law at various firms specialising in insurance law. While a director of Savage Jooste and Adams, he was elected to be the Ombudsman for Short-term Insurance which he served as for 5 years before joining Renasa in 2011.



(continued



MICHAEL TAGG

B.Sc (Hons)

Independent Non-Executive Director, Member Audit Committee, Member Remuneration Committee

After holding a senior position in the Gold Division of Gold Fields of South Africa since 1988, Michael became the Chairman of a number of listed gold mines and other companies within the Group. He also served on the board of Commercial Union.



BRIAN NEALE

B Com CA (SA)

Independent Non-Executive Director, Chairman Audit Committee, Member Remuneration Committee Brian held the position of Senior Partner at Nwanda Incorporated (formerly Neale Whitecross and Associates) for 16 years prior to which he was a Partner at Price Waterhouse Coopers where he was a member of the World Council of Partners and the Policy Board. He is currently a financial consultant with Upward Spiral and a director of several leading companies.

# RENASA'S EXECUTIVE MANAGEMENT



MICHAEL CLACK
General Manager
Business Development

After commencing his insurance career with a Lloyds underwriter, from 1992 Michael gained wide experience with several underwriters. In 2003 he joined an administrator as an accounts manager. Since 2006, when he joined Renasa, Michael has risen through the ranks to become the leading operations manager at Renasa and is well qualified for his current position.



**CHRIS ELISIO** 

AllSA General Manager Claims

Chris joined Renasa in 2014 and has over 40 years' experience in the insurance industry. He began his insurance career in 1974 at American International Underwriters, now AIG, as a Junior Underwriter. He has occupied a number of positions in underwriting and claims for Hosken Brokers, IGI and Stalker Hutchison and Associates. During 2015 he was promoted to the position of General Manager: Claims.



HERMAN SCHEEPERS

B.Comm Insurance, B.Comm (Hons) Actuarial Science and Mathematical Statistics

General Manager Risk and Technology

Herman began his short-term insurance career in 2003 with Alexander Forbes Insurance Company where he became the Executive Manager of Underwriting in 2006 and a board member in 2008. He joined Renasa in 2011 bringing extensive expertise in risk rating, reinsurance treaty management and insurance systems.



CLINTON McALLISTER

General Manager Finance, Company Secretary and Public Officer

Clinton has experience in both accounting and general management. Since joining Renasa in 2002, Clinton has participated at all levels of Renasa's management including the board and its sub-committees. Clinton has valuable experience in dealing with regulators, reinsurance brokers and other Renasa partners.





**JOHAN BOTES** 

FIISA, National Management Diploma Manager Southern Regions

Johan joined Renasa after a sabbatical from the insurance industry during which he managed a family business. Previously, Johan enjoyed a long and diverse career with Santam where he had been National Manager of Business Development. He had also been an Area Manager of several regions and was named "Relationship Manager of the Year" five times. Prior to joining Santam, Johan was with ABSA Insurance Brokers.



PATRICK HARRIS

B.Comm, DII Regional Manager KZN

Patrick has extensive short term insurance experience, first with East Africa Maritime and Truck and General Underwriting Agency. Before joining Renasa in 2003, Patrick was National Claims Manager at BoE Insurance Company where he was awarded the Candidate of the Year for his results in the Higher Certificate in Insurance Studies.



PETER MAGGS

CIM (Henley University)

Regional Manager Southern Natal

Peter has been in the industry for more than 30 years and is widely known within the market. He has worked for Mutual and Federal, NEG and SA Eagle and has managed his own underwriting company. He brings a wealth of experience to Renasa in all aspects of the business.



RONEL CASTELYN

HC

Regional Manager Northern Province

Ronel joined Renasa in 2011 after a 32 year career in short-term insurance during which she held various positions in underwriting, claims and marketing for Sentraboer, Santam IGI and SA Eagle/Zurich. She has extensive experience and in-depth knowledge of underwriting, risk management, surveys and claims.

# RENASA'S OPERATIONAL MANAGEMENT

(continued)



FRANK JORDAAN
Regional Manager Free State
Frank started his career in the industry in 1975 at
Santam. In 1981 he joined SA Eagle as claims manager
East Rand. In 2002 he became Area Sales Manager
Free State and Northern Cape where he managed all
classes of business underwritten by SA Eagle/Zurich.
After 28 years with SA Eagle/Zurich, in 2010, Frank
joined the Renasa team where he remains committed
to high service levels and strong relationships.



JACKIE STANDER
HIIC NQF5
Regional Manager Mpumalanga
Jackie started her career in the insurance industry in
1987 gaining experience at various insurance companies
(SA Eagle and Santam) and also brokers (Secunda
Brokers and Absa Brokers). She joined Renasa in
2012. During her career, she has held various positions
and brings a wealth of experience which includes
underwriting, claims, marketing, finance and training.



NEAL ENGELBRECHT

BA Business Management
Regional Manager Western Cape
Neal entered the insurance industry in 1997 and has held various positions at major insurers in South Africa and Namibia. Whilst working as a broker, he served as a Business Development Manager on commercial accounts in the Western Cape region and as Branch Manager in Cape Town. Neal joined Renasa in 2011 and, after a sabbatical in 2015, re-joined in May 2016.



FCII Manager Claims
Henry began his career with the AA Mutual Insurance Company in 1971 where he served for fifteen years, the last several as an inspector. In 1986 he joined SA Eagle where he held various senior positions, finally as General Manger responsible for Group Underwriting and Group Claims. He joined Renasa in June 2013 as an Underwriting Manager and moved to the Claims division in January 2014.

# RENASA'S OPERATIONAL MANAGEMENT

(continued)



CAMILLA COLLINS
HIISA
Manager: Reinsurance
Camilla is an IISA Licentiate, having completed the
UNISA Programme in Short Term Insurance in 2008.
She joined Renasa in December 2014 as Reinsurance
Manager. Prior to that she was employed as a Senior
Broker at Cotswold Reinsurance Services from 2011
and completed her RE1 and RE5 exams in 2012.
Previously she was employed as a Reinsurance Broker
at Willis Re from 2004.



SAJIV ISSUREE

8Sc Actuarial Science, Mathematical Statistics and Mathematics
Manager: Risk and Actuarial

Sajiv has over 9 years' Actuarial experience having
worked in the life insurance, reinsurance and short
term insurance industries. He brings experience in
Solvency Assessment and Management (SAM), Capital
Management, Reserving, Product Development and
Pricing. Sajiv joined Renasa in 2014 and is responsible
for managing the Actuarial and Risk functions.



LARA VAN NIEKERK
BA (LAW) L.L.B.
Compliance Officer
Lara is an admitted attorney of the High Court
of South Africa. She joined Renasa in 2016 as an
assistant legal officer and has since been promoted
to the internal Compliance Officer. She completed her
2 years articles of clerkship and was admitted as an
attorney in July 2011, after which she practised as an
attorney for 5 years before joining Renasa.



JOHAN VENTER
CIA, CRMA
Manager Internal Audit
Johan has over 13 years' experience in Internal
Auditing, Forensics and Operational Risk Management.
He began his career in the retail sector where he was
involved in several positions responsible for managing
Internal Audit and various compliance processes. Johan
joined Renasa in 2015 as the manager of the Internal
Audit division.

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# RENASA'S OPERATIONAL MANAGEMENT

(continued)



CRAIG TAYLOR

B.Comm Accounting

Manager Finance

After serving his articles at Horwath Leveton Boner,

Craig joined Renasa as an assistant accountant in

2011. Since then Craig has gained valuable knowledge

of the insurance industry and served in various financial

roles before his appointment as Financial Accountant.



AMPIE GREYLING

B.Compt (Accounting Science)

Manager Technical Accounting

Ampie completed his articles at D'Arcy-Herman &

Co Inc where he gained valuable audit experience in

various sectors of the economy. He joined Renasa in

2012 and gained his technical accounting experience

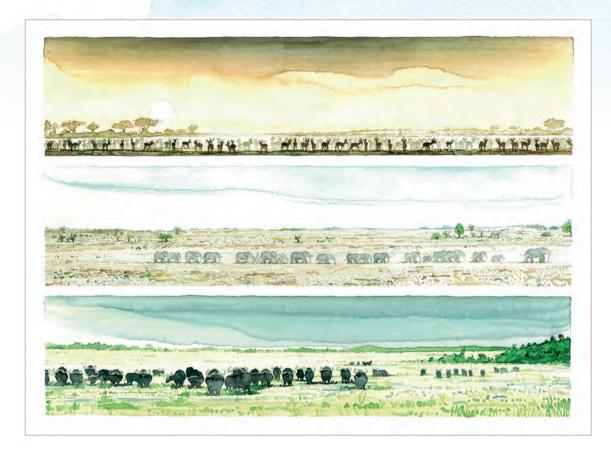
during a period of high growth at Renasa.

# RENASA'S ART



32 South Africans 2008

# RENASA'S ART



Three Large Herds

2009

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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for the year ended 30 June 2017

#### **CORPORATE GOVERNANCE**

#### APPLICATION OF GOVERNANCE

As a public company, Renasa Insurance Company Limited ("the Company" or "Renasa") subscribes to the principles established in the Code of Corporate Practices and Conduct set out in the King Report on Corporate Governance in South Africa ("the King Report"). Renasa is committed to provide its stakeholders with the assurance that it is being managed ethically and in compliance with best practices.

#### **GOVERNANCE STRUCTURES**

#### The Board of Directors

#### Constitution and Responsibilities of the Board

The board of directors, which is chaired by an independent non-executive director, comprises three independent non-executive directors and three directors who perform executive functions. The directors are all of a calibre and possess the experience and skills required to effectively direct the management of a short-term insurer such as Renasa. The board is well equipped to review and assess the strategy and performance of the Company and the various non-financial issues associated with its good governance.

The board comprises individuals of varied skills, experience and background who are together equipped to perform their function in the judicious manner preferred by the Company. The names and credentials of the directors appear on pages 30 and 31.

The function of the board is to:

- give strategic direction to the Company;
- maintain effective control over the Company;
- monitor management;
- implement board plans and strategies;

#### CORPORATE GOVERNANCE REPORT

for the year ended 30 June 2017 (continued)

- ensure that the Company complies with all relevant laws, regulations and codes of business practice;
- consider non-financial aspects of the Company's business;
- · identify key risk areas; and
- · determine the Company's investment strategy.

The board records the basis upon which it concludes that the Company will continue as a going concern for the ensuing financial year.

#### Board Meetings

The board meets regularly at least quarterly and on any other occasion that circumstances dictate.

Committees of the board meet regularly at least on a semi-annual basis and, likewise, whenever else circumstances dictate. Directors and committee members alike are comprehensively briefed in advance of such meetings permitting them to consider and pass judgement on all relevant matters in a professional and responsible manner. Meetings follow a formal agenda ensuring all necessary matters are fully addressed.

The performance of executive directors is monitored and assessed by the Remuneration Committee.

The Company's General Manager of Finance is the appointed secretary and fulfils the necessary statutory duties.

#### **Board Committees**

#### The Audit Committee

Renasa's Audit Committee is mandated by a charter issued by the board. The committee comprises three independent non-executive directors. The purpose of the committee is to assist the board in overseeing and monitoring the activities of the Company and in adopting, implementing and documenting an

for the year ended 30 June 2017 (continued)

effective governance framework. The external auditors and head of internal audit have direct access to the committee. The executives may attend meetings by invitation. The committee, which has responsibility for the placement and dismissal of the Manager of Internal Audit, meets at least semi-annually:

- to approve the internal audit plan;
- to review the adequacy of internal control procedures;
- to review all documented operational processes;
- to liaise with the external auditors and internal auditors:
- to evaluate the independence and effectiveness of the external auditors;
- to obtain the necessary level of assurance from the external auditors that adequate accounting records and books of account are being maintained:
- to review the adequacy of financial statements and reports to shareholders;
   and
- to confirm that the going concern premise is appropriate.

# The Actuarial Risk and Compliance Committee

The Actuarial Risk and Compliance Committee is mandated by a charter issued by the board. The committee comprises three directors, two of which are non-executive. The purpose of the committee is to provide effective oversight of and to monitor the various risks to which the Company is exposed and, by so doing, to enhance the ability of the Company to achieve its strategic objectives. Committee meetings are held at least semi-annually and more often if required to:

- ensure that an independent risk management function has been established and is operating;
- to identify the concentration and accumulation of risks;
- to introduce measures to enhance the efficiency of the risk management system; and
- to identify material risks.

#### CORPORATE GOVERNANCE REPORT

for the year ended 30 June 2017 (continued)

#### The Social and Ethics Committee

The Social and Ethics Committee is established in terms of the Companies Act, 2008 and is mandated by the board. The committee comprises two executive directors and one non-executive director and may be attended by other members of the board by invitation. The purpose of the committee is to monitor:

- the Company's activities in respect of legal requirements and prevailing codes of best practice in the social and economic development of the Company and the environment;
- the health and safety of employees;
- the Company's consumer relationships; and
- the Company's employment relationships;

and to report to shareholders on these matters.

#### The Remuneration Committee

The Remuneration Committee is subject to the direction and control of the board. The committee comprises three non-executive directors. The purpose of the committee is to ensure that the Company's executive directors and senior management are fairly rewarded for their individual contribution to the Company's performance. The committee also addresses matters of policy relating to terms of employment thereby ensuring that the Company is able to suitably motivate and retain the executives required to manage the Company.

#### **Executive Committee**

The Executive Committee comprises the Chief Executive Officer and the Company's General Managers of Finance, Risk and Technology, Claims, Legal and Compliance and Business Development. Its purpose is to discharge the obligations of the board on a daily basis. The Executive Committee meets at least three times each week one of which meetings is focused on a specific division of the Company.

for the year ended 30 June 2017 (continued)

The committee is responsible for the following functions:

#### Finance, Reporting and Compliance

These functions include the technical reporting of underwriting results, financial, taxation, regulatory compliance and secretarial administration of the Company as well as responsibility for internal control;

### Treasury and Investment

These functions include the management of cash flows, the assessment of investment opportunities and the placing of funds available for investment in accordance with the mandates stipulated by the board and the Short-Term Insurance Act. 1998:

# Underwriting and Reinsurance

These functions include:

- management of the rating of all risks; and
- the placing and administration of reinsurance treaties and facultative reinsurance:

## Information Systems

This function entails the development and operation of the Company's information and management systems including the Company's IT infrastructure;

### Claims Management and Procurement

This function includes:

- management of claims settlements; and
- management of all procurement functions engaged in the settlement of claims;

### Legal and Compliance

This function includes:

- monitoring of the Company's compliance with all relevant statutes and codes:
- conclusion of all contracts entered into by the Company; and
- management of all contested claims and third party recoveries;

#### CORPORATE GOVERNANCE REPORT

for the year ended 30 June 2017 (continued)

#### Business Development

This function entails the marketing of the Company, the determination and securing of premium income targets and the management of all delegations of authority;

#### Human Resources

This function entails the determination and management of the Company's executive structure and the establishment and implementation of employment policies.

#### RISK MANAGEMENT AND INTERNAL CONTROL

The responsibility for the total risk management process rests with the board as does the obligation to assess the effectiveness of the process. The implementation, monitoring and integration of the process into the Company's daily activities are management's responsibility.

An effective process for the identification, evaluation and management of risk has been implemented by the Company. The process is ongoing and is consistently reviewed for its effectiveness in identifying unacceptable exposures and initiating actions to limit exposure to acceptable levels.

The Company's structure requires that operating divisions report to the General Manager Business Development in respect of all matters concerning Business Development, to the General Manager Risk and Technology in respect of all matters concerning Underwriting while matters concerning Claims Settlement fall to the responsibility of the General Manager Claims. Motor rating falls under the responsibility of the General Manager Risk and Technology as does the Risk Department. The Internal Audit resource, which conducts monthly assessments of exposure in addition to other regular functions, is managed by the General Manager Finance but has direct access to the Chief Executive Officer and the Audit Committee. All General Managers report directly to the Chief Executive Officer.

This reporting structure is integral to the Company's risk management procedures

for the year ended 30 June 2017 (continued)

and key to the identification of internal control lapses and risk exposures in due time through ongoing regular review by General Managers of the following:

- regular reports by functional business unit of key information including premium levels and loss ratios;
- the Company's risk exposures by class of business and location to ensure adequacy of reinsurance catastrophe cover;
- interest rate and foreign exchange exposure;
- the Company's data warehouse to ensure that no risks are on cover which
  exceed the mandates delegated to the relevant outsource partners so as
  to prevent outsource partners to whom policy issuing authority has been
  granted from inadvertently exceeding those authorities; and
- each division's performance based on detailed management accounts and comprehensive supporting technical accounts which record, by book of business, the underwriting performance of the relevant division.

These procedures have brought to light no significant internal control lapses.

The division of responsibility described above allows performance measurement, financial control and risk management associated with underlying operations to be assessed and exercised in an independent manner.

Due diligence investigations in respect of all book transfers to the Company are performed. All delegations of authority in respect of significant books of business are subject to term agreements. All other arrangements are subject to agency agreements. Authority limits are included in all delegations of authority to limit the Company's exposures to the appropriate levels. Shortcomings which are discovered during due diligence investigations are addressed by appropriate corrective action.

The risk assessment structures employed by the Company seek to apply uniform standards and efficient forms of communication so that reporting accuracy, early identification of shortcomings and containment of exposures can be achieved.

The Executive Committee reviews risk management and internal control outcomes on a

#### CORPORATE GOVERNANCE REPORT

for the year ended 30 June 2017 (continued)

frequent ongoing basis taking expedient action to limit exposures when appropriate.

The Company's risk assessment procedures address human resource risks, operational risks, compliance risks, business continuity risks, technology risks and market risks.

Weaknesses and failings are addressed at board meetings, at Audit Committee meetings and at Actuatrial Risk and Compliance Committee meetings.

#### INTERNAL AUDIT

Internal audit procedures are performed as part of the Company's reporting system described above. The focus of internal audit is on key exposures and the performance of the Company's distributors, i.e. intermediaries. Review procedures follow standard programs. The Company's Manager of Internal Audit reports to the General Manager Finance but has direct access to the Chief Executive Officer and the Audit Committee.

#### SUSTAINABILITY REPORTING

#### Social Responsibilities

Renasa's social responsibility commitment has two objectives:

- the promotion within Renasa of the "family" concept in terms of which the Company strives to ensure the general welfare of all employed at Renasa; and
- the promotion externally of selected and deserving projects in which the aim of empowering previously disadvantaged groups with knowledge transfer is the key objective.

In terms of Renasa's external social responsibility, attention is drawn to the Renasa Insurance Training and Education (R.I.T.E.) initiative described more fully on page 12 of this Annual Report in terms of which Renasa has sponsored the distribution of free education material designed to assist schools in underprivileged communities to raise the level of literacy. R.I.T.E. has to date distributed the Alphaland Literacy Programme to schools reaching

for the year ended 30 June 2017 (continued)

approximately 65 000 learners and almost 200 000 reading books to schools in underprivileged communities. Renasa's objective is to provide further teaching aids to the beneficiary schools over the forthcoming year.

#### Transformation Responsibilities

Renasa acknowledges the importance of its employees and their loyalty and effectiveness to the Company's ultimate success. Renasa also recognises the limitations which have prevented previously disadvantaged groups from realising their full potential. The appointment and promotion of suitably qualified members of these groups is, accordingly, a commitment of the Company.

Employee participation through improved communication and direct access by all employees to senior management, particularly in matters of common concern, is addressed in an active policy which also encourages self-development, the promotion of equal opportunity and the elimination of discrimination. Recommendations by Renasa's employees which are for the good of the Company and its stakeholders are encouraged. Renasa further strives to raise discrimination awareness and makes available, as required, The Employment Equity Act (Act 75 of 1997) and summaries thereof as well as its manual of employment policies, practices and procedures to ensure that there are no barriers to employment equity.

The relevant Employment Equity returns are completed and furnished to the Department of Labour. Every effort is made to ensure that Renasa's Employment Equity objectives are met.

The Company continues to encourage designated groups. As at 30 June 2017 68,4% (2016: 66.9%) of the total staff complement were from historically designated groups.

Self development and the promotion of equal opportunity are advanced by Renasa in formal training programmes.

#### CORPORATE GOVERNANCE REPORT

for the year ended 30 June 2017 (continued)

#### Code of Ethics

Renasa's philosophy of striving for and maintaining the highest standards dictates that all its employees must adhere to the highest ethical standards and behave in an honest way and with high integrity in all their dealings both within and without the Company.

#### ACCOUNTING AND AUDIT

External auditors are responsible for reporting on whether the financial statements are fairly presented and in conformity with International Financial Reporting Standards. The external auditors offer reasonable, but not absolute, assurance on the fair presentation of financial disclosure.

Consultation occurs between the external auditors and the Audit Committee regarding the efficiency of the audit process.

Responsibility for the adequacy of the accounting records, the effectiveness of risk management and the Company's internal control structures, the appropriateness of accounting policies and the consistency of estimates rests with the board. The preparation of the financial statements, adherence to applicable accounting standards and the presentation of information that fairly presents the state of affairs and the results of the Company are also the board's responsibility.

#### **RELATIONS WITH SHARE OWNERS**

The board acknowledges its responsibility to communicate a balanced and understandable assessment of the Company's position to its stakeholders covering both financial and non-financial information and addressing material matters of significant interest and concern.

#### IMPLEMENTATION OF GOVERNANCE CODES

The board, its committees, individual directors, officers and senior management of the Company acknowledge their responsibility to ensure that the principles set out in the King Code are observed.

# RESPONSIBILITY FOR AND DIRECTORS' APPROVAL OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

#### **RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS**

The directors of the Company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The financial statements presented on pages 60 to 94 have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and include amounts based on judgements and estimates made by management. The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Company will not be a going concern in the foreseeable future based on forecasts and available cash resources.

#### INTERNAL CONTROLS AND RISK MANAGEMENT

The directors are responsible for the systems of internal control. These are designed to provide reasonable, although not absolute, assurance as to the reliability of the annual financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

#### CORPORATE GOVERNANCE

The directors endorse the Code of Corporate Practices and Conduct as set out in the King III Report issued during September 2009. By supporting the code the directors recognise the need to conduct the affairs of the Company with integrity and accountability.

#### **BOARD OF DIRECTORS**

Names of the executive and non-executive directors are shown on pages 30 and 31 of this report. The board of directors meets at least on a quarterly basis to monitor the Company's performance as well as to set strategy and policy for the Company.

# RESPONSIBILITY FOR AND DIRECTORS' APPROVAL OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017 (continued)

#### **AUDIT COMMITTEE**

The primary function of the Audit Committee is to assist the board of directors in overseeing that the Company's management maintains adequate systems of internal control and the integrity of the Company's financial statements and processes to ensure compliance by the Company with all applicable legal and regulatory requirements and Company policy. In addition, the Audit Committee shall maintain an effective, open avenue of communication between the independent auditors, senior management and the board of directors

During the course of the year, the membership of the committee comprised solely independent non-executive directors. They are:

DG Eriksson B Neale (*Chairman*) MJ Tagg.

#### REMUNERATION COMMITTEE

The directors of the Company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The financial statements presented on pages 60 to 94 have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and include amounts based on judgements and estimates made by management.

The members of the Remuneration Committee are:

DG Eriksson (*Chairman*)
B Neale
MJ Tagg.

# **EMPLOYMENT EQUITY**

The Company has adopted a policy of employment equity based on the principles contained in current labour legislation.

# RESPONSIBILITY FOR AND DIRECTORS' APPROVAL OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017 (continued)

#### APPROVAL OF THE FINANCIAL STATEMENTS

The annual financial statements appearing on pages 60 to 94, were approved by the board of directors on 24 October 2017 and are signed on its behalf by:

DG Eriksson Chairman

JB Rosenberg
Chief Executive Officer

#### CERTIFICATION BY COMPANY SECRETARY

In terms of S88(e) of the Companies Act of South Africa, I certify that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies for the year ended 30 June 2017 all such returns as are required by the Companies Act.

- KUWW

CT McAllister Company Secretary

#### AUDIT COMMITTEE REPORT

for the year ended 30 June 2017

The committee is pleased to present our report for the financial year ended 30 June 2017 as recommended by the King III Report on Corporate Governance ("King III") and in line with the Companies Act ("the Act").

The committee's operation is guided by a formal detailed charter that is in line with the Act and is approved by the board as and when it is amended. The committee has discharged all of its responsibilities as contained in the charter.

### **OBJECTIVE AND SCOPE**

The overall objectives of the committee are:

• to assist the board in discharging its duties relating to the safeguarding of assets and the operation of adequate systems and controls;

FINANCIAL STATEMENTS

- the control of reporting processes and the preparation of accurate reporting of the financial statements in compliance with the applicable legal requirements and accounting standards;
- to provide a forum for discussing the business risk and control issues and developing recommendations for consideration by the board;
- to oversee the activities of internal and external audit; and
- to perform duties that are attributed to it by the Act and King III.

The committee performed the following activities:

- it received and reviewed reports from both internal and external auditors concerning the effectiveness of the internal control environment, systems and processes;
- it reviewed the reports of both internal and external auditors detailing their concerns arising out of their audits and requested appropriate responses from management resulting in their concerns being addressed;
- it made appropriate recommendations to the board of directors regarding the corrective actions to be taken as a consequence of the audit findings;
- it considered the independence and objectivity of the external auditors and ensured that the scope of their additional services provided was not such that they could be seen to have impaired their independence;

#### AUDIT COMMITTEE REPORT

for the year ended 30 June 2017 (continued)

- it reviewed and recommended for adoption by the board such financial information as is publicly disclosed in the annual report for the year ended 30 June 2017; and
- it considered the effectiveness of internal audit.

Where weaknesses in specific controls had been identified, management undertook to implement appropriate corrective actions to mitigate the weakness identified.

#### **MEMBERSHIP**

During the course of the year, the membership of the committee comprised solely independent non-executive directors. They are:

B Neale (Chairman) DG Eriksson MJ Tagg.

#### **EXTERNAL AUDIT**

The committee has satisfied itself through enquiry that the audit of Renasa Insurance Company Limited is independent as defined by the Act..

The committee, in consultation with executive management, agreed to an audit fee for the 2017 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit fees are disclosed in note 12 to the financial statements.

There is a formal procedure that governs the process whereby the external auditor is considered for the provision of non-audit services and each engagement letter for such work is reviewed by the committee in advance.

Meetings were held with the auditor where management was not present, and no matters of concern were raised.

The committee has reviewed the performance of the external auditors and nominated, for approval at the annual general meeting, Deloitte & Touche as the

#### AUDIT COMMITTEE REPORT

for the year ended 30 June 2017 (continued)

external auditor for the 2017 financial year, and Mrs Penny Binnie as the designated auditor. This will be her second year as auditor of the Company.

#### ANNUAL FINANCIAL STATEMENTS

The Audit Committee has evaluated the annual report for the year ended 30 June 2017 and considers that it complies, in all material aspects, with the requirements of the Act and International Financial Reporting Standards. The committee has therefore recommended the annual financial statements as set out on pages 60 to 94 for approval by the board. The board has subsequently approved the financial statements which will be open for discussion at the forthcoming annual general meeting.



Chairman of the Audit Committee 24 October 2017

#### **DIRECTORS' REPORT**

for the year ended 30 June 2017

The directors present their report, which forms part of the financial statements of the Company, for the year ended 30 June 2017.

### Principle activities and the review of business.

The principal activity of the Company is the underwriting of short-term insurance.

#### Financial results

The financial results of the Company are set out in the annual financial statements and accompanying notes. The Company recorded comprehensive income of R2 282 421 for the year under review (2016: R5 072 493). The Company is expected to report a profit for the forthcoming financial year and is considered to be a going concern.

#### Dividends

Dividends in the sum of R 425 000 were accrued or paid during the period (2016: R 396 678) made up as R425 000 (2016: R 396 678) in respect of preference share dividends. No ordinary dividends were declared or paid during the period (2016: Nil).

## Share capital

No share capital was issued (2016: 77 948). None of the directors held shares at year end.

# Events after reporting period

Subsequent to the year end there has been no material fact or circumstance that will have a material adverse effect on the Company's financial position.

#### Solvency

The solvency ratio as calculated in terms of the annual financial statements on the statutory basis at year end is 46.9% (2016: 45.4%).

#### **DIRECTORS' REPORT**

for the year ended 30 June 2017 (continued)

#### Directors

At the date of this report the directors of the Company are as follows:

Mr DG Eriksson (Independent Non-executive Chairperson)

Mr JB Rosenberg (Chief Executive Officer)

Mr NV Beyers (Executive)

Mr EB Martin (Executive)

Mr B Neale (Independent Non-executive)

Mr MJ Tagg (Independent Non-executive)

#### Company Secretary

The secretary of the company is CT McAllister.

Registered office: Postal address:
Renasa House PO Box 412072

170 Oxford Road Craighall Melrose 2024

2196

#### Auditors

Deloitte & Touche

### Holding Company

The Company is a subsidiary of Renasa Holdings Proprietary Limited, a company incorporated in the Republic of South Africa.

#### INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2017

#### TO THE SHAREHOLDERS OF RENASA INSURANCE COMPANY LIMITED.

We have audited the financial statements of Renasa Insurance Company Limited set out on pages 60 to 94, which comprise the statement of financial position as at 30 June 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

#### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS.

The Company's directors are responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

#### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

#### INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2017 (continued)

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

#### **OPINION**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Renasa Insurance Company Limited as at 30 June 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards. and the requirements of the Companies Act of South Africa

#### OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the financial statements for the year ended 30 June 2017, we have read the Directors' Report, the Audit Committee Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

DROTTE & Taxate

Deloitte & Touche Registered Auditors
Per: P Binnie Partner
31 October 2017

Deloitte Place, 20 Woodlands Drive, Woodmead.

National Executive: \*LL Bam Chief Executive Officer \*TMM Jordan Deputy Chief Executive Officer \*MJ Jarvis Chief Operating Officer \*GM Pinnock Audit \*N Singh Risk Advisory \*NB Kader Tax TP Pillay Consulting S Gwala BPaaS \*K Black Clients and Industries \*JK Mazzocco Talent & Transformation \*MJ Comber Reputation and Risk \*TJ Brown Chairman of the Board

A full list of partners and directors is available on request.

\*Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code. Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

at 30 June 2017

FINANCIAL STATEMENTS

	NOTES	30 JUNE 2017	30 JUNE 2016
		R'000	R'000
ASSETS			
Non current assets		12 971	12 799
Fixed assets	2	5 134	5 450
Intangible assets	3	I 787	I 299
Investment in subsidiary	4	6 050	6 050
Technical assets			
Reinsurers' share of technical provisions		153 401	144 339
- Unearned premiums		22 088	19 390
- Outstanding claims		131 314	124 949
Current assets		202 818	198 419
Accounts receivable		28 010	28 274
Premiums receivable		34 258	50 494
Amount owing from reinsurers	5	I 620	I 620
Investments at fair value	6	61	61
Deferred acquisition costs		4 483	3 890
Value added tax		-	-
Cash and cash equivalents		134 386	114 080
TOTAL ASSETS		369 191	355 557

# STATEMENT OF FINANCIAL POSITION

at 30 June 2017 (continued)

	NOTES	30 JUNE 2017	30 JUNE 2016
		R'000	R'000
EQUITY AND LIABILITIES			
Capital and reserves		57 350	55 068
Share capital	7	6	6
Share premium	8	56 544	56 544
Retained income / (Accumulated loss)		800	(1 482)
Non-current liabilities			
Preference shares	9	5 000	5 000
Equity and preference shares		62 350	60 068
Technical provisions		176 301	166 262
Gross outstanding claims		144 291	137 254
IBNR provision	10	7 382	7 233
Gross provision for unearned premiums		24 628	21 775
Current liabilities		130 540	129 227
Accounts payable		44 616	41 942
Amount owing to reinsurers		84 446	85 013
Current tax payable		1 181	I 979
Value added tax		297	293
TOTAL EQUITY AND LIABILITIES		369 191	355 557

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2017

	NOTES	30 JUNE 2017	30 JUNE 2016
		R'000	R'000
Gross premiums		1 255 126	I 189 676
Reinsurance premiums		(1 122 195)	(1 057 266)
Net premiums		132 931	132 410
Change in provision for unearned premiums net of reinsurance		(155)	1 041
Change in gross provision		(2 853)	6 948
Reinsurers' share		2 698	(5 907)
Net earned premium		132 776	133 451
Net commission		37 826	33 858
Commission incurred		(193 920)	(183 362)
Commission recovered		231 746	217 220
Claims incurred net of reinsurance		(101 366)	(101 796)
Claims paid		(100 545)	(102 547)
- gross amount		(1 051 530)	(938 282)
- reinsurers' share		950 985	835 735
Change in provision for claims		(821)	751
- gross amount		(7 186)	16 997
- reinsurers' share		6 365	(16 246)
Administration fee income		21 701	19 713
Net operating expenses		(94 310)	(84 058)
Underwriting profit/ (loss)		(3 373)	1 168
Interest paid		(35)	(13)
Interest income		7 168	6 441
Profit before taxation and finance cost on preference shares	12	3 760	7 596
Taxation	13	(1 053)	(2 127)
PROFIT BEFORE FINANCE COSTS ON PREFERENCE SHARES		2 707	5 469

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2017 (continued)

	NOTES	30 JUNE 2017	30 JUNE 2016
		R'000	R'000
PROFIT BEFORE FINANCE COSTS ON PREFERENCE SHARES		2 707	5 469
Finance cost on preference shares		(425)	(397)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2 282	5 072

for the year ended 30 June 2017

FINANCIAL STATEMENTS

	SHARE CAPITAL	SHARE PREMIUM	ACCUMULATED LOSS	TOTAL
	R'000	R'000	R'000	R'000
Balance at 1 July 2015	5	50 495	(6 554)	43 946
Total comprehensive income for the year	-	-	5 072	5 072
Shares issued during the year	I	6 049	-	6 050
Balance at 30 June 2016	6	56 544	(1 482)	55 068
Total comprehensive income for the year	-	-	2 282	2 282
Balance at 30 June 2017	6	56 544	800	57 350
Notes	7	8		

# STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

	30 JUNE 2017	30 JUNE 2016
	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Underwriting (loss) / profit	(3 373)	1 168
Depreciation	3 185	3 116
Amortisation of intangible assets	265	51
Adjustment to provision for unearned premium	155	(1 041)
Operating profit before working capital changes	232	3 294
Working capital changes	18 839	4 094
Increase / (Decrease) in outstanding claims and IBNR	821	(751)
(Increase) / Decrease in accounts receivable	(329)	I 240
Increase in accounts payable	2 678	3 775
(Decrease) / Increase in amounts due to reinsurers	(567)	3 378
(Increase) / Decrease in premiums receivable	16 236	(3 548)
Cash generated by operating activities	19 071	7 388
Interest paid	( 460)	(410)
Interest income	7 168	6 441
Taxation paid	(1 851)	(940)
NET CASH INFLOW FROM OPERATING ACTIVITIES	23 928	12 479

FINANCIAL STATEMENTS

for the year ended 30 June 2017 (continued)

	30 JUNE 2017	30 JUNE 2016
	R'000	R'000
CASH UTILISED IN INVESTING ACTIVITIES	(3 622)	(3 559)
Purchase of fixed assets	(3 622)	(3 559)
NET INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	20 306	8 920
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	114 080	105 160
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	134 386	114 080

#### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

#### I. ACCOUNTING POLICIES

### 1.1 Basis of preparation

The preparation of the annual financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

### 1.2 Statement of compliance

The annual financial statements are prepared in accordance with IFRS, its interpretations issued by the International Accounting Standards Board and the requirements of the Companies Act in South Africa.

#### 1.3 Classification of contracts

Contracts under which the Company accepts significant insurance risk from the policyholders, by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is, other than financial risk, transferred from the holder of the contract to the issuer. 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 rate, credit rating or credit index or other variable.

#### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017 (continued)

#### I ACCOUNTING POLICIES (continued)

#### 1.3 Classification of contracts (continued)

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

#### Reinsurance

FINANCIAL STATEMENTS

Contracts entered into with reinsurers by the Company, under which the Company is compensated for losses on one or more contracts, and which meet the classification requirements for insurance contracts, are classified as reinsurance contracts held.

The benefits to which the Company is entitled under the reinsurance contracts held are recognised as reinsurance assets and consist of short-term balances due from reinsurers that are dependent on the expected claims and benefits. Reinsurance liabilities are primarily premiums payable and are recognised as an expense when due. Reinsurance assets are assessed for impairment on an annual basis, reducing the carrying amount of the reinsurance asset to its recoverable amount through the Statement of Comprehensive Income.

### 1.4 Recognition and measurement of contracts

#### Premium

Gross premiums comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commissions payable to intermediaries and exclude Value Added Tax. Premiums written include adjustments to premiums written in prior accounting periods and are accounted for over the indemnity period commencing in the financial year during which the related risk incepts. Outward reinsurance premiums are

#### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017 (continued)

#### I ACCOUNTING POLICIES (continued)

#### 1.4 Recognition and measurement of contracts (continued)

recognised as an expense in accordance with the pattern of reinsurance service received.

#### Unearned premium provision

Unearned premiums represent the portion of the premiums written, less reinsurance, that relate to periods of risk extending beyond the financial year. Unearned premiums are calculated on the daily pro rata method.

#### Claims

Claims are accounted for in the financial year in which they are incurred. Provision is made for the estimated claims notified but not settled at the Statement of Financial Position date, and the estimated claims incurred but not reported until after that date, net of reinsurance, using estimates with reference to the best information available. The estimates include provision for expenses and inflation and other contingencies arising in settlement of the claims and take cognisance of anticipated recoveries under reinsurance arrangements. Anticipated reinsurance recoveries are disclosed separately as assets. Reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding.

The directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them. The methods used, and the estimates made, are reviewed regularly.

# Deferred acquisition costs

Deferred acquisition costs, which represent commissions and other related expenses, are deferred over the period in which the related premiums are earned.

#### Reinsurance

Amounts recoverable under reinsurance contracts are assessed for impairment at each Statement of Financial Position date. Such assets are

for the year ended 30 June 2017 (continued)

## I ACCOUNTING POLICIES (continued)

# 1.4 Recognition and measurement of contracts (continued)

deemed to be impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The Company ceded reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Company of its direct obligations to its policyholders. Premiums ceded and benefits reimbursed are presented in the Statement of Comprehensive Income and Statement of Financial Position on a gross basis.

#### 1.5 Fixed assets

The syndicated ownership unit is stated at cost. Other fixed assets are stated at cost less accumulated depreciation. Depreciation is applied on a straight line basis at rates that amortise the cost of the assets over their estimated useful lives. The write-off periods used are as follows:

Computer equipment	3 years
Computer software	3 years
Furniture, fittings and office equipment	5 years
Leasehold improvements	5 years
Machinery	15 years
Motor vehicles	5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017 (continued)

# I ACCOUNTING POLICIES (continued)

# 1.5 Fixed assets (continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/(losses)' in the Statement of Comprehensive Income.

#### 1.6 Retirement benefits

Contributions to a defined contribution retirement benefit plan are charged against income as incurred.

#### 1.7 Use of estimates

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the period. Actual results could differ from these estimates. Estimates have been used on the following items:

- outstanding claims reserve and incurred but not reported (IBNR) provision;
- provision for doubtful debt; and
- residual values, depreciation periods.

# 1.8 Contingencies and commitments

Transactions are classified as contingencies where the Company's obligations depend on uncertain future events.

## I ACCOUNTING POLICIES (continued)

# 1.9 Intangible assets

The intangible assets consist of long-term contracts with customers and aquisition-related intangible assets.

Intangible assets with finite useful lives (long-term contracts with customers) that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful life of the contracts with customers is 8 years. Intangible assets with indefinite useful lives (aquisition-related intangible assets) that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

# 1.10 IBNR provision

FINANCIAL STATEMENTS

Under the Solvency Assessment and Management Interim Measures (effective: I January 2012) the Company is required to raise an IBNR provision. The IBNR provision is in respect of claims arising from events that occurred before the close of the accounting period but which had not been reported to the Company by that date. These percentages can only be reduced with the prior permission of the Registrar of Short-Term

#### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017 (continued)

# I ACCOUNTING POLICIES (continued)

# 1.10 IBNR provision (continued)

Insurance. The IBNR provision is calculated for regulatory purposes by applying predetermined factors to net earned premiums per line of insurance for the past six underwriting years. The Company considers its provision to be adequate.

#### I.II Investment income

Investment income comprises of interest earned on cash and call deposits held. Interest income is accounted for on an accrual basis.

#### 1.12 Commissions

Commissions incurred in acquiring business are accounted for in the same financial year as the related premiums are recognised as income. To the extent that they are considered recoverable, commissions attributable to unearned premiums at year-end are deferred and carried forward to the following financial year:

#### 1.13 Financial instruments

#### Measurement

Financial instruments carried on the Statement of Financial Position include all assets and liabilities, but exclude commodities, property and equipment, assets and liabilities of insurance operations, deferred tax, tax payable, intangible assets, inventory and post-retirement liabilities. Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) 'held-to-maturity' investments, 'available-for-sale' (AFS), financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks

for the year ended 30 June 2017 (continued)

## ACCOUNTING POLICIES (continued)

# 1.13 Financial instruments (continued)

and rewards of ownership of the asset to another entity. The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

#### Loans and receivables

Loans and receivables are stated at cost less appropriate allowances for any estimated irrecoverable amount, which approximates fair value. Allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

# Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### Financial liabilities

FINANCIAL STATEMENTS

Financial liabilities issued by the Company are classified according to the substance of the contractual agreements entered into and the definitions of a financial liability.

# Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue cost.

#### Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable costs.

#### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017 (continued)

## I ACCOUNTING POLICIES (continued)

# 1.13 Financial instruments (continued)

#### Offset

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position where the Company has a legally enforceable right to set off the recognised amounts, and intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

## 1.14 Impairment of financial assets

A financial asset is impaired if the carrying amount is greater than the estimated recoverable amount. At each Statement of Financial Position date, the impairment of financial assets is assessed on the basis of the present value of expected recoveries, using the original effective rate to perform the discounting. After initially recognising an impairment loss, the Company reviews the assets for further impairment at subsequent financial reporting dates.

#### 1.15 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation.

# 1.16 Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand and deposits held on call with banks, all of which are available for use by the Company unless otherwise stated.

#### 1.17 Provision for claims

Provision for claims is made on a prudent basis for the estimated final cost of all claims that have not been settled at Statement of Financial Position date.

for the year ended 30 June 2017 (continued)

## I ACCOUNTING POLICIES (continued)

# 1.18 Standards and interpretations in issue not yet adopted

The directors do not anticipate the standards below to have a material impact on future financial statements.

- IAS 32 Offsetting Financial Assets and Financial Liabilities (January 2014)
- IFRS 10 Investment Entities (January 2014)
- IFRS 12 Investment Entities (January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (January 2016)
- IAS 27 Investment Entities (January 2014)
- IFRS 36 Recoverable Amount Disclosures for Non-Financial Assets (January 2014)
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (January 2014)
- IAS 32 Financial Instruments: Presentation (January 2014)
- IFRS 9 Financial Instruments (January 2015)
- IFRS 7 Financial Instruments: Disclosures (January 2016)
- IAS I Presentation of Financial Statements (January 2016)
- IAS 16 Property, Plant and Equipment (January 2016)
- IAS 38 Intangible Assets (January 2016).

#### 1.19 Taxation

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted or substantially enacted at the reporting date, and any adjustment for tax payable for previous years.

Deferred tax is provided using the Statement of Financial Position liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided

#### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017 (continued)

## I ACCOUNTING POLICIES (continued)

# 1.19 Taxation (continued)

is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date. Deferred tax is charged to the Statement of Comprehensive Income except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

# 1.20 Operating leases

Leases where substantially all of the risks and rewards of ownership are not transferred to the Company are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss within other operating expenses on a straight-line basis over the period of the lease.

# 1.21 Related-party transactions

All related-party transactions are at arm's length and are in the ordinary course of business.

# 1.22 Investment in subsidiary

Investment in the subsidiary is accounted for at cost less provision for impairments.

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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017 (continued)

## 2. FIXED ASSETS

	COMPUTER EQUIPMENT & SOFTWARE	FURNITURE, FITTINGS & OFFICE EQUIPMENT	MACHINERY	LEASEHOLD IMPROVE- MENTS	SYNDICATED OWNERSHIP UNIT	TOTAL
	R'000	R'000	R'000	R'000	R'000	R'000
30 JUNE 2017						
Opening net book value	4 806	280	133	113	118	5 450
Additions	2 600	123	-	146	-	2 869
Depreciation	(2 997)	(116)	(12)	(60)	-	(3 185)
Closing net book value	4 409	287	121	199	118	5 134
AT 30 JUNE 2017						
Cost	26 675	3 011	183	I 824	118	31 811
Accumulated depreciation	(22 265)	(2 725)	(63)	(1 624)	-	(26 677)
Net book value	4 410	286	120	200	118	5 134
30 JUNE 2016						
Opening net book value	4 547	360	145	151	118	5 321
Additions	3 166	59	-	20	-	3 245
Depreciation	(2 907)	(139)	(12)	(58)	-	(3 116)
Closing net book value	4 806	280	133	113	118	5 450
AT 30 JUNE 2016						
Cost	24 074	2 889	183	I 677	118	28 941
Accumulated depreciation	(19 268)	(2 609)	(50)	(1 564)	-	(23 491)
Net book value	4 806	280	133	113	118	5 450

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017 (continued)

## 3. INTANGIBLE ASSETS

	SELF-DEVELOPED COMPUTER SOFT- WARE	LONG-TERM CONTRACTS WITH CUSTOMERS	AQUISITION- RELATED INTANGIBLE ASSETS	TOTAL
	R'000	R'000	R'000	R'000
Balance at 30 June 2015	-	92	944	I 036
Additions	314	-	-	314
Amortisation	(26)	(25)	-	(51)
Balance at 30 June 2016	288	67	944	I 299
Additions	753	-	-	753
Amortisation	(240)	(25)	-	(265)
Balance at 30 June 2017	801	42	944	I 787

# 4. INVESTMENT IN SUBSIDIARIES

NAME OF SUBSIDIARY	PRINCIPLE ACTIVITY	PLACE OF INCORPORATION AND OPERATION	PROPORTION OF OWNERSHIP INTER AND VOTING POWER HELD	
			30 JUNE 2017	30 JUNE 2016
Concourse Properties Proprietary Limited	Investment in property	South Africa	100%	100%
Really Useful Investment No 181 Proprietary Limited*	Investment in shares	South Africa	0%	100%
			30 JUNE 2017	30 JUNE 2016
			R	R
Concourse Properties Proprietary Limited		6 050 000	6 050 000	
Really Useful Investment No 181 Proprietary Limited*			100	

The Company held 100% of the shares in Really Useful Investment No 181 Proprietary Limited which was established in the Republic of South Africa. Really Useful Investment No 181 Proprietary Limited holds a 47,3% equity stake in Cross Country Insurance Consultants (Pty) Ltd.

30 JUNE 2017	30 JUNE 2016
R'000	R'000

#### 5. AMOUNTS OWING FROM REINSURERS

Originated loans and receivables	2 155	2 155
Impairment provision at beginning of year	(535)	(535)
Net balance	I 620	I 620

#### 6. INVESTMENTS AT FAIR VALUE

Shares at beginning of year	61	61
Reclassification	-	-
Shares at end of year	61	61

A register of investments is available for inspection at the registered office of the Company. The unlisted shares are measured at fair value determined at "Level 2" in terms of the Fair Value Hierarchy. Level 2 inputs are inputs other than quoted prices in level 1 that are observable for that asset or liability.

#### 7. SHARE CAPITAL

FINANCIAL STATEMENTS

Authorised		
5 000 000 ordinary par value shares of 1 cent each	50	50
Issued Ordinary Shares		
Balance at the beginning of the period	6	5
Shares issued during the period at 1 cent each	-	I
Balance at end of the period	6	6

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017 (continued)

30 JUNE 2017	30 JUNE 2016
R'000	R'000

## 8. SHARE PREMIUM

ORDINARY SHARES		
Balance at the beginning of the period	56 544	50 495
Shares issued during the period	-	6 049
Share premium at the end of the period	56 544	56 544

# 9. NON-CURRENT LIABILITIES

PREFERENCE SHARES		
Authorised		
50 000 Class A cumulative redeemable preference shares at I cent each	I	1
Issued Preference Shares		
Opening balance	I	I
Shares issued during the period	-	-
Balance at end of the period	1	I
SHARE PREMIUM		
Preference shares		
Balance at the beginning of the period	4 999	4 999
Shares issued during the period	-	-
Share premium at the end of the period	4 999	4 999
Preference shares at the end of the period	5 000	5 000

The preference shares are cumulative preference shares redeemable at the option of the preference shareholder not earlier than 3 years after the first issue date. The shareholder has not redeemed preference shares in the current financial year ended 30 June 2017. Subject to the restrictions imposed by the Companies Act of South Africa, the unissued ordinary and preference shares are under the control of the directors, until the forthcoming annual general meeting.

(continued on page 82)

for the year ended 30 June 2017 (continued)

30 JUNE 2017	30 JUNE 2016
R'000	R'000

#### (From page 81)

At the reporting date dividends in the sum of R 425 000 (2016: R 396 678) had been accrued or paid in respect of preference shares. The preference shareholders have indicated that they will not redeem the shares in the forthcoming financial year and therefore the preference shares are reflected as a non-current liability. The preference shares are reflected at net of proceeds and are not discounted due to the uncertainty with respect to the future redemption date.

# 10. INCURRED BUT NOT REPORTED PROVISION ("IBNR")

At the beginning of the year	7 233	7 071
Change during the year	149	162
At the end of the year	7 382	7 233

Management considers the IBNR provision level to be adequate. The IBNR provision meets the minimum required level under the Solvency Assessment and Management Interim Measures (effective: 1 January 2012).

## II. SOLVENCY MARGIN

The Company is subject to insurance solvency regulations, and it has complied with all these regulations. The Company solvency margin is calculated as the ratio of total shareholders' funds to the net premium.

Total equity and preference shares (including preference share capital for regulatory purposes)	62 350	60 068
Net premium	132 931	132 410
Solvency margin	46,9%	45.4%

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017 (continued)

30 JUNE 2017	30 JUNE 2016
R'000	R'000

#### 12. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging the following items:

Auditor's remuneration	967	801
- Audit fees	967	801
Directors' Emoluments	10 122	9 301
- Executive & Non-Executive	10 122	9 301
Operating lease charges	4 465	4 062
- Buildings	4 045	3 643
- Equipment	420	419
Depreciation	3 185	3 116
- Computer equipment and software	2 997	2 907
- Furniture, fittings and office equipment	116	139
- Machinery	12	12
- Leasehold improvements	60	58
Amortisation of intangible assets	25	25
- Long-term contracts with customers	25	25
Staff costs	52 264	46 591
- Current year costs	52 264	46 591
Remuneration other than to employees	2 920	I 979
- Consultancy fees	1 509	I 080
- Legal fees	1 411	899

30 JUNE 2017	30 JUNE 2016
R'000	R'000

# 13. TAXATION

FINANCIAL STATEMENTS

SOUTH AFRICAN NORMAL TAXATION		
Current taxation charge	I 053	2 127
	I 053	2 127
DEFERRED TAXATION:		
Current year	-	-
	-	-
Taxation as per Statement of Comprehensive Income	1053	2 127
Tax rate recon:		
Effective rate	32%	30%
Disallowable expenditure	(4%)	(2%)
Standard rate	28%	28%

# 14. LEASE COMMITMENTS

Due within I year:	5 854	4 848
- Buildings	5 702	4 633
- Equipment	152	215
Due after I year:	6 870	5 656
- Buildings	6 046	5 441
- Equipment	824	215
TOTAL DUE	12 724	10 504

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017 (continued)

## 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to financial risks. These risks are managed as part of the normal operations of the Company and the effectiveness of risk management is overseen by the board of directors. The more important financial risks to which the Company is exposed are described below:

## Market risk

All Company investments are valued at market value and are therefore susceptible to market fluctuations. Investments are managed with the aim of maximising returns for shareholders while limiting the risk to acceptable levels. The Company is not exposed to significant market risk.

## Interest rate risk

The Company is exposed to interest rate risk, where changes in market interest rates cause fluctuations in the value of financial instruments. This in essence forms part of the market risk detailed above.

	30 JUNE 2017	30 JUNE 2016
	R'000	R'000
If the interest rate changes by 1%, the impact on interest earned would be an increase or decrease in profit.	I 242	I 096

for the year ended 30 June 2017 (continued)

# 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

# Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient assets or liquid resources to meet its liabilities. The Company's liabilities are backed by appropriate assets and it has sufficient liquid resources.

The amount included in the maturity table are gross, undiscounted cash flows.

	LECC TILANIA	BETWEEN 3	BETWEEN I	
	LESS THAN 3 MONTHS	MONTHS AND I YEAR	YEAR AND 5 YEARS	TOTAL
	R'000	R'000	R'000	R'000
AT 30 June 2017				
Financial liabilities	76 578	51 052	6 430	134 060
Claims IBNR	2 584	3 691	I 107	7 382
Net outstanding claims	4 543	6 489	I 946	12 978
TOTAL	83 705	61 232	9 483	154 420
AT 30 JUNE 2016				
Financial liabilities	75 375	50 250	6 330	131 955
Claims IBNR	2 532	3 617	I 085	7 234
Net outstanding claims	4 307	6 152	I 845	12 304
TOTAL	82 214	60 019	9 260	151 493

#### Credit risk

FINANCIAL STATEMENTS

The Company's financial assets do not represent a significant concentration of credit risk because the Company deals with a variety of major banks and its accounts receivable are spread among a number of major reinsurance companies, customers and related parties. Exposure to outside financial institutions concerning deposits and similar transactions are monitored against approved limits. Receivables that are considered past due or impaired have been provided for and are reflected net of impairment.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017 (continued)

# 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	30 JUNE 2017	30 JUNE 2016
	R'000	R'000
MAXIMUM EXPOSURE TO CREDIT RISK		
Premiums receivable	34 258	50 494
Accounts receivable	28 010	28 274
- Related party receivables	12 096	24 693
- Other receivables	15 914	3 581
Cash and cash equivalents	134 386	114 080
Reinsurers' share of outstanding claims	131 314	124 949
Amount owing from reinsurers	I 620	I 620
	329 588	319 417
CREDIT RISK ANALYSIS		
Receivables neither past due nor impaired	312 054	314 216
- Related party receivables	12 096	24 693
- Other receivables	11 938	-
- Premiums receivable	34 258	50 494
- Reinsurers' share of outstanding claims	131 314	124 949
- Cash and cash equivalents	134 386	114 080
Receivables past due but not impaired		
- Other receivables	3 976	3 581
Receivables past due and impaired	I 620	I 620
- Amount owing from reinsurers	2 155	2 155
- Impairment raised	(535)	(535)
TOTAL	329 588	319 417

for the year ended 30 June 2017 (continued)

## 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

# Capital risk

The Company manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to stakeholders. The capital structure of the Company consists of share capital and is invested in cash and cash equivalents.

#### 16. INSURANCE RISK MANAGEMENT

The primary insurance activity carried out by the Company assumes the risk of loss from persons or organisations that are directly subject to the risk. As such the Company is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Company uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models and sensitivity analyses. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principle risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

The underwriting strategy is reviewed quarterly, a claims assessment process is undertaken and market trends are evaluated. In addition management reviews certain information monthly which includes premium income and loss ratios by class.

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The reinsurers are rated by external rating agencies and the Company reviews its reinsurance arrangements periodically. The Company obtains board approval in setting the minimum security criteria for acceptable reinsurance and the monitoring of the purchase of reinsurance against those criteria.

#### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017 (continued)

## 16. INSURANCE RISK MANAGEMENT (continued)

The Company purchases adequate excess of loss reinsurance cover for protection against catastrophe losses.

Each notified claim is assessed on a separate, case by case basis with due regard to the claim's circumstance, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

Outstanding claims and the IBNR ("incurred but not reported") provisions are estimated using generally accepted insurance practice. Such methods extrapolate the development of paid and incurred claims, average cost per claim and ultimate claim numbers for each accident year based on observed development of earlier years and expected loss ratios. The Company believes that the estimate of total claims outstanding as at 30 June 2017 is adequate.

FINANCIAL STATEMENTS

# 16. INSURANCE RISK MANAGEMENT (continued)

AT 30 JUNE 2017					
	FIRE & ENGINEERING	MOTOR	GUARANTEE	MISCEL- LANEOUS	TOTAL
	R'000	R'000	R'000	R'000	R'000
CLAIMS INCURRED NET OF REINSURANCE					
Outstanding claims and IBNR Opening	5 757	8 855	50	4 876	19 538
Claims incurred	5 676	76 833	109	17 368	99 986
Claims paid	(5 961)	(75 429)	(99)	(17 674)	(99 163)
Outstanding claims and IBNR Closing	5 472	10 259	60	4 569	20 360
PREMIUMS					
Gross premiums	281 471	742 409	10 870	220 376	1 255 126
UPR movement	(1 656)	182	(414)	(965)	(2 853)
Gross earned premiums	279 815	742 591	10 456	219 411	I 252 273
Premiums ceded to reinsurers	(258 411)	(657 453)	(9 411)	(194 222)	(1 119 497)
Net earned premiums	21 404	85 138	I 045	25 189	132 776
DEFERRED ACQUISITION COSTS					
Opening balance	863	276	312	2 439	3 890
Movement	340	(19)	69	203	593
Closing balance	I 203	257	381	2 642	4 483

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017 (continued)

# 16. INSURANCE RISK MANAGEMENT (continued)

AT 30 JUNE 2016					
	FIRE & ENGINEERING	MOTOR	GUARANTEE	MISCEL- LANEOUS	TOTAL
	R'000	R'000	R'000	R'000	R'000
CLAIMS INCURRED NET OF REINSURANCE					
Outstanding claims and IBNR Opening	375	13 754	240	5 920	20 289
Claims incurred	22 516	62 401	(81)	13 921	98 757
Claims paid	(17 134)	(67 300)	(109)	(14 965)	(99 508)
Outstanding claims and IBNR Closing	5 757	8 855	50	4 876	19 538
PREMIUMS					
Gross premiums	259 302	719 781	9 992	200 601	1189 676
UPR movement	2 925	3 212	(1 822)	2 633	6 948
Gross earned premiums	262 227	722 993	8 170	203 234	1196 624
Premiums ceded to reinsurers	(240 401)	(635 401)	(7 425)	(179 946)	(1063 173)
Net earned premiums	21 826	87 592	745	23 288	133 451
DEFERRED ACQUISITION COSTS					
Opening balance	I 457	747	(5)	2 867	5 066
Movement	(594)	(471)	317	(428)	(1 176)
Closing balance	863	276	312	2 439	3 890

#### 17. RELATED PARTY TRANSACTIONS

FINANCIAL STATEMENTS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The transactions occur under terms and conditions that are no more favourable than those entered into with third parties in arms length transactions. Related party transactions for the period under review included, related party loans, with interest, rentals and sales to and from the related parties as disclosed below.

	30 JUNE 2017 R'000	30 JUNE 2016 R'000
RELATED PARTY BALANCES		
Amount owing to/(from) related parties	12 096	24 693
Renasa Holdings (Pty) Ltd. (ultimate holding company incorporated in South Africa)	10 238	11 361
Oxford Claims Investigations (Pty) Ltd. <sup>1</sup>	858	839
Insurance Samurai Brokers (Pty) Ltd. <sup>2</sup>	-	I 864
Concourse Properties (Pty) Ltd. <sup>1</sup>	( 396)	(61)
RITE (NPC) <sup>1</sup>	1 113	1 115
IBG Underwriting Managing Agency (Pty) Ltd. <sup>1</sup>	-	10
Cross Country Insurance Consultants (Pty) Ltd. <sup>3</sup>	-	3 352
Really Useful Investments No 181 (Pty) Ltd. <sup>1</sup>	-	2 300
Renasa Taxi Underwriters (Pty) Ltd. <sup>4</sup>	-	2 127
Meliorleaf (Pty) Ltd. <sup>2</sup>	-	I 604
Mizizi Financial Services (Pty) Ltd. <sup>2</sup>	-	100
IVP (Pty) Ltd.	283	82

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017 (continued)

# 17. RELATED PARTY TRANSACTIONS (continued)

- I.These loans are unsecured, bear no interest and have no fixed repayment terms.
- 2. These loans bear interest at prime, are unsecured, and have no fixed repayment terms.
- 3. This loan bears interest at prime, is secured by shares held, and has no fixed repayment terms.
- 4.The loan is secured as below, bears interest at prime and is repayable in equal monthly installments of R100,000 including interest.

The loan is secured by the following:

- An unlimited Deed of Suretyship
- A pledge and cession of shares held by | Marsden
- -The registration of a second Continuing Convering Surety Mortgage Bond registered in the name of J Marsden over the property described as: Portion of the farm "New Thorndale" No. 394, Registration division J.Q., The Province of Gauteng, Measuring 21, 4133 (twenty one, comma four one three three) Hectares, held by Deed of Transfer No. T55344/2008.

for the year ended 30 June 2017 (continued)

# 17. RELATED PARTY TRANSACTIONS (continued)

	30 JUNE 2017	30 JUNE 2016
	R'000	R'000
RELATED PARTY TRANSACTIONS		
Interest and rentals (received from) / paid to related parties	3 644	2 473
Insurance Samurai Brokers (Pty) Ltd.	-	(147)
Concourse Properties (Pty) Ltd.	3 867	3 652
Cross Country Insurance Consultants (Pty) Ltd.	-	(374)
Renasa Insurance Training and Education	223	212
Renasa Taxi Underwriters (Pty) Ltd.	-	(223)
Meliorleaf (Pty) Ltd.	-	(217)
Mizizi Financial Services (Pty) Ltd.	-	(6)

Remuneration of key management (directors and prescribed officers) is disclosed in note 12.

# 18. CONSOLIDATED FINANCIAL STATEMENTS

The Company is exempted from presenting consolidated financial statements as it is a subsidiary of Renasa Holdings Proprietary Limited which prepares consolidated financial statements in compliance with International Financial Reporting Standards. None of the Company's debt or equity instruments are traded in a public market.

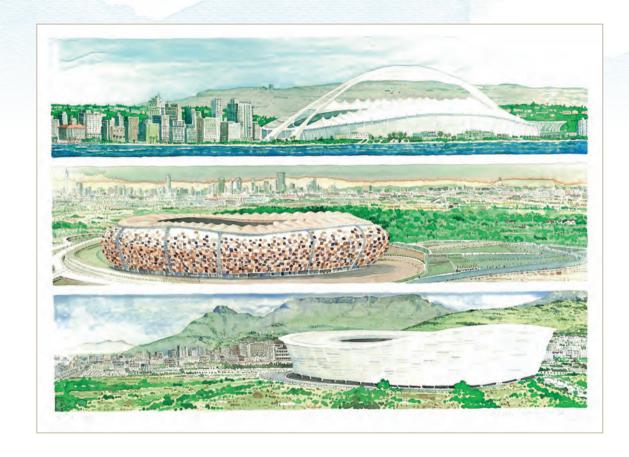
# 19. SUBSEQUENT EVENTS

No events have occurred subsequent to year end that would result in an adjusting or non-adjusting event being disclosed in the financial statements.

## 20. COMPARATIVES

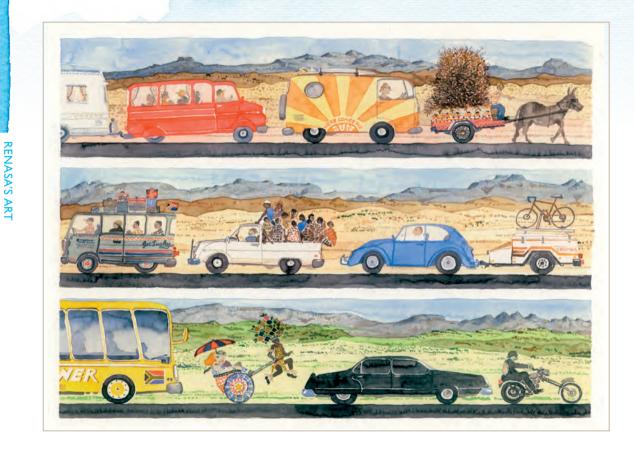
Where appropriate, comparatives were amended to provide enhanced disclosure - refer note 15 and note 17.

# RENASA'S ART



Three Stadiums 2010

# RENASA'S ART



South African Transport 2011

# RENASA'S CONTACT AND STATUTORY DETAILS

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RENASA HOUSE, 170 Oxford Road, Melrose, Johannesburg, 2196 P O Box 412072, Craighall, 2024, Johannesburg, South Africa Tel: + 27 (0)11 380 3080 • Fax: + 27 (0)11 380 3088 Renasa Insurance Company Limited Registration Number 1998/000916/06 is a registered financial service provider (license number 15491).

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#### SPECIALIST UNDERWRITERS

#### CROSS COUNTRY INSURANCE CONSULTANTS PROPRIETARY LIMITED specialist in insurance of 4x4 and other adventure lifestyle requirements

253 Smit Street, Fairlands 2170 • P. O. Box 731065, Fairland, Johannesburg, 2030 Tel + 27 (0)11 215 8800/12

lan Georgeson • Principal • E-mail: ian@ccic.co.za • www.ccic.co.za Registration Number: 2008/013847/07 • FSP License Number: 39547

#### FDM ENGINEERING UNDERWRITERS PROPRIETARY LIMITED specialist in engineering and contractors all risks

38 Turton Road Boksburg West 1459 • P. O. Box 10522 Fonteinriet 1464 Tel + 27 (0)11 823 6389/90

Fergus McNamara • Principal • E-mail: fergus @fdmengineering.co.za • www.fdmengineering.co.za

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## IBG UNDERWRITING MANAGERS PROPRIETARY LIMITED specialist in excess waiver for PI cover

Shop 18 Kayden Centre, Scottburgh, 4180. Tel +27 (0)39 976 1642 • Fax +27 (0)86 628 1458 • Cell +27 (0)84 799 3220 Ivan Down • Principal • F-mail: info@ibg-uma.co.za • www.ibg-uma.co.za Registration Number 2007/019619/07 • FSP License Number 36515

#### LINKSAVE PROPRIETARY LIMITED specialist in medical gap cover

Suite 4, 2nd floor Bonville Park, 56-58 Armstrong Avenue, La Lucia, 4149 Tel +27 (0)31 564 8920 • Fax +27 (0)31 564 8922 Andre Kerdachi • Principal • E-mail: info@linksave.co.za • www.linksave.co.za Registration Number 2013/227139/07 • FSP License Number 45594

## OWNSURANCE BROKERS PROPRIETARY LIMITED specialist in heavy commercial vehicle insurance

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Registration Number 2004/023261/07 • FSP License Number 21974

## PET UNDERWRITING MANAGING AGENCY PROPRIETARY LIMITED (P.UMA) specialist in competitive pet insurance products

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RENASA'S CONTACT DETAILS





# VASA'S CONTACT DETA

#### PHUMA COMMERCIAL COVER PROPRIETARY LIMITED

#### specialist in commercial trailer insurance

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# RENASA INSURANCE COMPANY LIMITED, PERFORMANCE GUARANTEES DIVISION specialist in performance, retention, advance payment and bid bonds or guarantees

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Razia Khan • Manager • E-maii: guarantees @renasa.co.za • www.renasa.co.za Registration Number: 1998/000916/06 • FSP License Number: 15491

# RENASA TAXI UNDERWRITERS PROPRIETARY LIMITED specialist in the insurance of minibus taxis

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# REINSURANCE BUSINESS PARTNERS TECHNICAL PARTNERS





# PRINCIPAL REINSURERS









RENASA'S BUSINESS PARTNERS





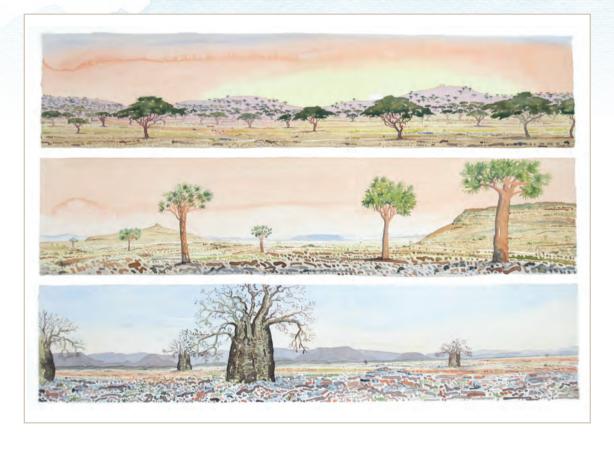
# AUDITORS, RATING AGENCY AND LEGAL COUNSEL







# RENASA'S ART





Three South African Trees 2012

Three South African Landmarks 2013

# RENASA'S ART





Three Iconic South African Buildings 2014

