# Integrated Report 2015

Our business transformation journey

sasria
covering the extraordinary

# Who are we?

Sasria, a state-owned company (SOC), is the only short-term insurer that provides cover to all the people and businesses that have assets in South Africa, as well as government entities, against special risks such as civil commotion, public disorder, strikes, riots and terrorism.

South Africa is one of the few countries in the world where anyone is able to buy extremely affordable insurance to protect their assets against these kinds of special, and potentially catastrophic, risks.

# Our business transformation journey

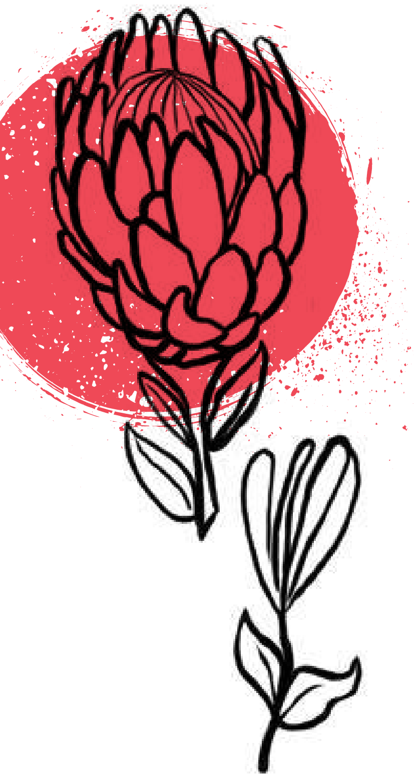
The theme of Sasria's 2015 Integrated Report is "Our business transformation journey". To illustrate this theme, we use the protea, our country's national flower, to symbolise the path of growth, development and transformation that Sasria is travelling, in order to make an even greater contribution to the economic sustainability and growth of South Africa.

The protea is one of the oldest flower families, dating back 300 million years, and takes its name from Proteus, a mythological being who was believed to be able to change his shape at will. The hardy protea persists under even the harshest of conditions, whether it is nutrient-poor soil, high winds or even fire, and can regrow fully from a tiny underground shoot after the plant has been destroyed by flames.

A protea grows from a small seed, and changes shape as it grows and develops until it finally becomes a fully formed flower.

Similarly Sasria, as a successful South African business and state-owned company, has been growing and transforming itself from its humble beginnings since its formation in 1979.

Today, Sasria is one of the top-performing state-owned entities in our country, and is a sterling example of how a business, in fulfilling its mandate well, can make a positive contribution to the economic stability, development and growth of the South African economy and so contribute to our country's National Development Plan (NDP), which aims to create a more just and prosperous future for all the people of South Africa.



We believe that our adherence to the highest standards of fiscal prudence and financial performance; our dedication to remaining proudly South African; and our commitment and efforts to help accelerate progress, deepen democracy and build a more inclusive society in South Africa, will ultimately result in the creation of economic wellbeing for all.

This is the ultimate focus of Sasria's business transformation journey, and we remain passionately committed to our Company's growth and business transformation goals, so that we can continue to contribute positively to the South African fiscus, and therefore to the NDP, in order to better serve South Africa and all her people.

Sasria contributes to the economic sustainability and growth of South Africa, by ensuring the economic continuity of all the people, entities or businesses that have assets in South Africa, through offering them insurance protection against special risks such as civil commotion, public disorder, strikes, riots and terrorism. By enabling them to restore their liquidity or business operations quickly and efficiently after being reimbursed for the loss of or damage to their assets because of these special risk events, we also ensure that jobs are not lost, that livelihoods are maintained, and that people's pride and dignity are restored. This helps to strengthen the social fabric and stability of the South African community.

In fulfilling our mandate effectively, we also instil investor confidence in South Africa, since local and foreign investors' assets are now insured against these special risks. This guarantee encourages economic growth and has a positive impact on our economy, which in turn leads to a wider and more strategic outcome – transforming South Africa to become a better place for all.

“It is up to all South Africans
to fix the future, starting today.”

**~ SA National Development Plan (NDP)**

# Key performance indicators 2015

| | |
|---|---|
| Outperformed the industry average in premium growth by | 1.4% |
| Gross written premium increased by 9.5% to | R1.52b |
| Underwriting results decreased by 9.1% to | R467.6m |
| Claims frequency increased by | 54% |
| Claims severity increased by | 25% |
| Combined ratio increased from 56.8% to | 65.6% |
| Solvency ratio increased from 1 325% to | 1 334% |
| Net profit before tax decreased by 11.6% to | R834.1m |
| Return on equity decreased from 15.7% to | 12.6% |
| Return on investments reduced to | R389.7m (7.1% return) |
| Assets under management | R5.8b |
| Management expense ratio decreased by 4.7% to | 21.9% |
| Dividend paid | R205.7m |
| Corporate social investment spend of | R21.7m |
| Invested in learning and development | R3.6m |
| Staff turnover of | 18% |

# Contents

# About our 2015 integrated report

We are a state-owned short-term insurance provider and – like any other business in South Africa – we have a fundamental role to play in the development and transformation of our country's economy and society. Our long-term commercial sustainability and capacity to make a positive difference to South Africa is dependent on the support and cooperation of all our stakeholders. This forms the basis for integrated thinking and integrated reporting for our Company.

This is the fourth integrated report presented by Sasria SOC Limited (Sasria). In this report, we review our performance for the financial year which ended 31 March 2015. This report is a primary communication tool for our shareholder, but it is also aimed at providing all our other stakeholders, including our employees, distribution channel and the South African public, with useful information about our Company. It explains who we are, what we do, why we do it and how we do it.

This year, we changed our reporting format and structure in order to better explain how we create value. The theme of this year's report is "Sasria's business transformation". As such, we reflect on how Sasria is transforming its own business operations to become more effective and efficient; on how we contribute to transformation in the insurance industry and the financial services sector; and on how we, in fulfilling our legislative mandate and business strategy well, are contributing to transforming South Africa to the benefit of all her people.

*This year, we changed our reporting format and structure in order to better explain how we create value.*

## Our scope, boundary and material issues

This report covers all social, economic and governance aspects that are material to the long-term sustainability of our Company.

Sasria believes a matter is material for the purpose of the integrated report if it is of such relevance and importance that it could substantively influence stakeholders' assessments of the organisation's ability to create value over the short, medium and long term; and whether the matter substantively affects, or has the potential to substantively affect, Sasria's strategy, its business model, or its use of capital.

***This report covers all social, economic and governance aspects that are material to the long-term sustainability of our Company.***

As part of its annual strategy review, Sasria discusses issues that can have a material impact on its ability to create value over the short, medium and long term. These matters are then analysed and, where necessary, mitigation strategies are put in place at a departmental level.

Sasria held a workshop with key members of management to:

- Highlight Sasria's key risks, stakeholders and stakeholders' expectations;
- Discuss and determine Sasria's material issues to be addressed in the integrated report;
- Discuss and decide on the key theme of the integrated report; and
- Discuss and decide on the draft content outline of the integrated report.

The output of this workshop was documented and presented to the Board of Directors for approval.

This report covers the scope and operations of Sasria's business units regarding material issues. It does not cover Sasria's non-mandated intermediaries (NMIs) as they operate their business activities independently of our Company. Sasria has reviewed its environmental impact and is of the view that it is immaterial to report on it in this integrated report.

The report is informed by the following legislation and standards:

- Constitution of the Republic of South Africa;
- Short-Term Insurance Act 53 of 1998;
- Public Finance Management Act 1 of 1999 (PFMA);
- King III Report on Governance for South Africa (King III);
- Financial Sector Charter (FSC);
- Department of Trade and Industry's (DTI) Code of Good Practice for Broad-Based Black Economic Empowerment (B-BBEE);
- Companies Act 71 of 2008, as amended;
- International Accounting Standards requirements; and
- Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC).

*An explanation of the terminology used in this report can be found in Annexure A* P176.

***We reflect on how, in fulfilling our legislative mandate well, we are contributing to transforming South Africa to the benefit of all her people.***

## Approval and assurance

The following guiding principles were used to develop the content and prepare its presentation: strategic focus and future orientation; connectivity of information; stakeholder responsiveness; materiality and conciseness; reliability; and comparability; and consistency. All information in this year's report was collected and prepared on the same basis as the previous report in terms of the measurement methods and the time frames used. The information covers all material issues relating to business strategy, risks and areas of critical importance to our stakeholders.

> ***This report covers all material issues relating to business strategy, risks and areas of critical importance to our stakeholders.***

The financial information provided in the separately indexed annual financial statements has been prepared in line with International Financial Reporting Standards and has been audited by our external auditors, PricewaterhouseCoopers. Financial information included elsewhere in the body of this report has been extracted from the figures included in the annual financial statements.

King III requires the Sasria Board to ensure the integrity of the integrated report. At Sasria, this responsibility is delegated to the Board Audit Committee, which will recommend approval to the Board. The Audit Committee approved that a combined assurance approach be followed for the year ended 31 March 2015. The Executive Committee and the Integrated Report Steering Committee provide an oversight role, by reviewing the integrated report for completeness and accuracy. Sasria's internal audit function performs agreed-upon procedures to review the content and information within the integrated report. The external auditors review the integrated report to confirm it is reasonable, but they do not issue an opinion thereon.

### Statement by the Board of Directors of Sasria SOC Limited

The Board acknowledges its responsibility to ensure the integrity of the annual integrated report and, in the Board's opinion, it addresses all material issues and presents fairly the Company's integrated performance (Refer to P107).

**Adam Samie**
Chairperson of the Board
6 August 2015

**Cedric Masondo**
Managing Director
6 August 2015

## Feedback welcome

We remain committed to strong corporate governance and leadership as well as transparency in our disclosures. Our journey is gaining momentum, with each year bringing new insights on how to improve our reporting to stakeholders. Sasria aims to continuously improve its integrated reporting process, to ensure we meet best practice reporting standards, the expectations of our stakeholders and increase visibility on how Sasria creates sustainable value for its stakeholders and the communities it serves.

The structure of the report has changed to provide the users of the report with more relevant information in an enhanced format. We have aimed to keep this report concise, with information that is relevant and reliable, and we welcome the views of our stakeholders on the integrated report's content and design.

Comments and questions can be directed to **contactus@sasria.co.za**.

To see our online integrated report and for more information about Sasria and the services we offer, please visit our website at **www.sasria.co.za**.

## Forward-looking statement

In this report, we make certain statements that are not historical facts, but which relate to analyses and other information based on forecasts of future results not yet determinable, relating, among others, to gross premium growth levels, underwriting margins and investment returns.

Forward-looking statements involve inherent risks and uncertainties and, if one or more of these risks materialise or should the underlying assumptions prove incorrect, actual results may be very different from those anticipated. Forward-looking statements apply only as of the date on which they are made and Sasria does not undertake any obligation to update or revise any of them, as it pertains to this report, whether as a result of new information, future events or otherwise.

### Section icons

Setting the scene

Our business

Our key relationships

Our people

Our strategic journey

Our performance

Our leadership and governance

Our finances

### Navigational icon

P000

Refer to page 000

# Making a positive contribution to transforming South Africa

## A word from our Minister of Finance

It is with great pleasure that I introduce Sasria's fourth integrated report, which outlines the Company's performance and achievements against its stated goals for the financial year ended 31 March 2015. The Sasria team has once again achieved financial results well above expectations, despite a difficult economic environment and the continued unstable labour environment in our country. They have also achieved five of their seven key performance indicators.

Sasria, as one of the top-performing state-owned entities in our country, is an excellent example of how a business, in fulfilling its mandate well, can make a positive contribution to the economic stability, development and growth of the South African economy and so contribute to our National Development Plan, which aims to create a more just and prosperous future for all the people in South Africa.

Wholly owned by the government, Sasria provides affordable insurance cover to protect all the people and businesses that have assets in South Africa, as well as other state-owned entities and our government,

> **“Sasria contributes positively to our country’s fiscus, and to the NDP, which aims to create a more prosperous future for all the people in South Africa.”**

against special risks that may lead to the loss of or damage to their assets caused by events related to or following special risk events, such as acts of civil commotion, public disorder, strikes, riots and terrorism, which all have the potential to lead to possible catastrophic financial losses.

Sasria therefore contributes to financial stability in our country by making affordable short-term insurance available to protect those who have assets in South Africa, and by paying the claims for the loss of or damage to the assets of those who choose to take up Sasria’s special risk insurance, against the potentially catastrophic perils referred to above.

As I mentioned in my 2015 Budget Speech, state-owned companies play a key role in promoting economic growth and social development, in part because their investment in the country accounts for quite a substantial percentage of South Africa’s gross capital formation. However, it is their rigorous financial management, accountability and transparency that should indicate that they take their stewardship of public resources seriously, so that they can serve the national interest by building a competitive economy and by not being an unnecessary drain on the fiscus, thereby contributing to South Africa’s development.

> ***Sasria’s activities and stellar financial performance also contribute to instilling investor confidence in South Africa.***

Sasria is a shining example in this regard. Its adherence to the highest standards of fiscal prudence and financial performance allows it to be totally self-funding and to generate additional funds for the National Treasury through its dividend to its shareholder. This enables Sasria to contribute positively to the South African fiscus, and therefore to the NDP. It contributes to our commitment and efforts to accelerate progress; deepen democracy and build a more inclusive society in South Africa, by creating economic wellbeing for all.

However, the real outcome of Sasria’s business activities stretches much wider than a mere economic impact. By paying the claims of those people who have suffered losses due to these special risk events, Sasria also has an impact on a human and social level. Sasria enables individuals and businesses to restore what they have lost due to special risk factors outside of their control, and, in doing so, helps to restore people’s pride, dignity, livelihoods and employment. This helps to strengthen the social fabric and stability of the South African community.

Sasria’s activities and stellar financial performance also contribute to instilling investor confidence, since local and foreign investors know that their assets can be insured against these special risks. Furthermore, investors can rest assured in the knowledge that Sasria’s financial stability and strength mean that their claims will be paid. This guarantee encourages economic growth and has a positive impact on our economy, which in turn leads to a wider and more strategic outcome – transforming South Africa to become a better place for all.

I extend my sincere thanks and appreciation to the executive management team and staff as well as the Sasria Board for their hard work and commitment towards ensuring that Sasria delivers successfully on its legislative and strategic mandate, for the benefit of all South Africans.

**Nhlanhla Nene**
Minister of Finance

# Introducing Sasria and our dual mandate



In support of Sasria's 2015 Integrated Report theme "Our business transformation journey", we provide an overview of our business – of who we are and what we stand for. We outline our dual mandate in detail, in order to set the scene for telling the story of how we, in fulfilling both our legislative and strategic mandates effectively, are helping to transform our country, to the benefit of all her people. We conclude this introduction to the 2015 Integrated Report by providing an overview of our operating context during the period under review.

## Who we are

We are a state-owned company and the only short-term insurer that provides cover to all the people and businesses that have assets in South Africa, as well as to government entities, against special risks such as civil commotion, public disorder, strikes, riots and terrorism.

South Africa is one of the few countries in the world where anyone is able to buy extremely affordable insurance to protect their assets against these kinds of special, and potentially catastrophic, risks.

Sasria has a dual mandate – a legislative mandate that directs our day-to-day business operations, and a broader strategic mandate, like any other business in South Africa, to make a positive contribution to transforming our industry and our country, in order to make our country a better place for all her people.

## What we stand for

We stand for doing business in a responsible, disciplined, professional and well-governed way, by living our values.

### Our vision

Our vision is "To protect the assets of all South Africans against special risks".

Special (or extraordinary) risks refer to those risks that are related to Sasria's unique mandate, which includes all those special or extraordinary risks which are not covered by the rest of the insurance industry.

Sasria offers protection to any individual or entity that has assets in South Africa, by providing affordable short-term insurance so that those assets that may be lost or damaged due to any special risk events can be replaced. The assets that we insure include any tangible possession such as property, cars and equipment.

We offer protection to anybody or any entity, including people, businesses or investors (local and international), who have assets in South Africa, as well as government entities, against these special risks. This includes all South African nationals, businesses and investors, as well as any person, business or investor who has assets in South Africa.

### Our mission

Our mission is "To drive a sustainable and vibrant business".

We aim to achieve Sasria's vision through our mission of driving a sustainable and vibrant business by:

- Balancing shareholder value creation with having a positive social impact;
- Providing excellent customer service;
- Being clear and consistent in our communication to our stakeholders;
- Developing the skills and capacity of our employees;
- Improving our current strategic partnerships and establishing new ones; and
- Providing innovative and relevant products.

### Our values

**Professionalism**

We treat our shareholder, employees, customers and stakeholders with respect and dedication while remaining accountable to them.

**Integrity**

We conduct ourselves in a manner that is fair, transparent and ethical, and that upholds high levels of equality and trust.

**Teamwork**

We are guided by the ideals of unity of purpose, cooperation and mutual respect in the performance of our tasks.

**Our values**

**Innovation**

We create opportunities for creativity and learning, and encourage the same among our employees.

**Customer-centricity**

We strive at all times to meet and exceed our customers' expectations.

## Our dual mandate

Sasria SOC Limited is a short-term insurance company wholly owned by the state and is represented by the Minister of Finance. We also report to the Financial Services Board, which is the non-banking financial services industry regulator of South Africa.

### Legislative mandate

Our legislative mandate is to insure all the people and businesses that have assets in South Africa, as well as government entities, against special risks that may lead to the loss of or damage to their assets caused by events related to or following civil commotion, public disorder, strikes, riots and terrorism, which all have the potential to lead to possible catastrophic financial losses. We are also mandated to research and investigate coverage for any special peril considered to be of national interest.

***We deliver on our strategic transformation mandate by delivering our legislative mandate.***

***Protection against special risk events***

We deliver on this mandate by making affordable short-term insurance products available to all the people and entities that have assets in South Africa to protect them against the loss of or damage to their assets caused by special risk events, and by paying the claims of those who are insured with Sasria, to reimburse them for the loss of or damage to their assets caused by these special risk events. In fulfilling our legislative mandate well, we positively contribute to the South African fiscus, and therefore to Government's National Development plan (NDP).

### Strategic transformation mandate

Our broader strategic mandate as a business is to contribute to South Africa's economic stability, growth, development and transformation – particularly in the financial and insurance sectors – and so contribute to our government's NDP. We deliver on this strategic mandate in a number of ways.

***Financially stable, well-governed and self-funded***

In the first place, we deliver on our strategic transformation mandate by delivering our legislative mandate in a highly effective and profitable manner. By being financially stable, well-governed and customer-centric, we ensure the needs of our end-customers are met through our product offerings. We have also accumulated substantial financial reserves over the years due to our unique mandate, efficient business model and low cost structure. Our financial stability and strength enables us to remain self-sufficient and self-funded, without having to rely on financial support from Government. We therefore contribute to the growth of our country's economy by being financially responsible

"Our broader strategic mandate as a business is to contribute to South Africa's economic stability, growth, development and transformation – particularly in the financial and insurance sectors – and so contribute to our government's NDP."

and disciplined as a state-owned company, so that we can contribute to the fiscus of South Africa. Our solid track record highlights our reliability as a company, one that ensures its own long-term sustainability.

### *Ensuring jobs are not lost*

Secondly, we contribute to financial stability in our country by reimbursing individuals or entities for the loss of or damage to their assets caused by events related to or following special risk events, thus allowing them to restore their liquidity or business operations quickly and efficiently after suffering losses or damage to their assets because of these events. This means we help to ensure that jobs are not lost, that livelihoods are maintained, and that people's pride and dignity are restored. This helps to strengthen the social fabric and stability of the South African community. The real outcome of our business activities therefore resonates on a human and societal level.

### *Instilling investor confidence*

In the third place, we contribute to the growth and development of the South African economy by instilling investor confidence, since local and foreign investors know that their assets can be insured against these special risks. Furthermore, by demonstrating our reliability and financial strength to act as a guarantee that all claims will be paid, we help to encourage businesses both locally and internationally to invest in our country, and so to create job opportunities. This guarantee encourages economic growth and has a positive impact on our economy, which in turn leads to a wider and more strategic outcome – transforming South Africa to become a better place for all.

***By demonstrating our reliability and financial strength we guarantee that all claims will be paid.***

### *Investing profits responsibly, developing infrastructure*

Fourthly, we contribute to the growth and transformation of the South African economy by investing our profits responsibly to ensure that we remain financially sustainable so that we are able to respond when South Africa needs us to pay the claims. We invest in infrastructure development in our country through asset managers; and we also invest a portion of our profits in projects targeted at expanding the infrastructure of schools.

We acknowledge that the challenges facing South Africa in terms of education are huge, and that the state cannot be expected to be solely responsible for dealing with these. It is for this reason that we see it as a part of our responsibility to invest in projects targeted at expanding the infrastructure of schools in underprivileged, underdeveloped and rural communities, in order to help those less fortunate.

***We contribute to the growth and transformation of the South African economy by investing our profits responsibly.***

### *Affordable short-term insurance*

In the fifth place, Sasria delivers on its strategic mandate to contribute to the growth and transformation of the South African economy and our government's NDP, by growing and transforming the insurance market and financial sector. We do this by doing research and developing affordable and relevant short-term insurance products; by making these increasingly available and accessible; and by educating the end-customer on the benefits that Sasria's affordable short-term insurance products hold for them, to increase their awareness and understanding, and to encourage them to choose to make use of these products, so that they are protected against these special risks.

> "We proudly contribute to our government's commitment and efforts to accelerate progress, deepen democracy and build a more inclusive society."

***Developing skills in the financial sector to ensure sustainability and transformation***

In the sixth place, we contribute to the growth and transformation of the South African insurance industry and financial sector by investing 4% (above average) after-tax profit in education and development, with a particular focus on specialist skill-sets required in the financial and insurance sectors. We do this as part of doing business as a responsible corporate citizen, and to ensure our own longer-term sustainability by making sure that the skills we would need in the future are cultivated today.

***Economic empowerment and transformation***

Last but not least, our commitment and contribution to economic empowerment and transformation is evidenced in a number of ways, ranging from our investments in projects targeted at expanding the infrastructure of schools in underdeveloped and rural communities; to our practice of investing with black economic empowerment (BEE) investment managers as well as our employment and procurement policies and practices. We reviewed our procurement procedure to source business from service providers rated Level 4 B-BBEE or higher, with preference to black-owned and black female-owned companies.

In this manner, we proudly contribute to our government's commitment and efforts to accelerate progress, deepen democracy and build a more inclusive society in South Africa, by creating economic wellbeing for all, for the benefit of all South Africans.

## Our operating context

### Three significant factors impacted operations

There were three main factors that had a significant influence on our operations during the period under review. These include the difficult economic environment, a rise in labour strikes as well as an increase in service delivery protests. These factors can all be attributed to the socio-economic challenges that South Africa faces.

> ***Our total number of claims in the year under review was 2 349 compared to 1 525 claims in the previous financial year.***

Some of the critical issues in our socio-economic environment include high levels of unemployment; persistent high levels of poverty leading to disenfranchisement; the continued unstable labour environment in our country; fraud and corruption; as well as skills shortages, particularly in the financial and insurance sectors. Economic factors include slow growth, loss of investor confidence, rising inflation and a weakening local currency.

***A sluggish economic landscape***

South Africa's economic growth has been weak; GDP at market prices for the first quarter of 2015 increased by only 2.1% compared with the first quarter of 2014. The low interest rate environment continued, with a 0.25% increase in the repo rate during the year. These tough economic conditions, coupled with a marked weakening of the rand, have provided a challenging economic environment.

***Increase of 54% in number of claims, mainly related to labour strikes***

We experienced an overall increase of 54% in the frequency (number of claims) in 2014/2015. Our total number of claims in the year under review was 2 349, compared to 1 525 claims in the previous financial year. The 2014/2015 number includes the 42 claims we paid that were related to xenophobic attacks, to the total value of just over R28.5 million.

*The biggest driver of the increase in the number and severity of our claims is union-led actions, followed by service delivery protests. We have seen only a modest change in students' riots, where the severity decreased by 5% and the frequency increased by 10%.*

Sasria saw a 25.5% increase in the severity (value) of claims incurred during the year under review, while just over R300 million was paid in claims, compared to R507 million in 2013/2014.

The biggest driver of the increase in the number and severity of our claims is union-led actions, followed by service delivery protests. We have seen only a modest change in students' riots, where the severity decreased by 5% and the frequency increased by 10%.

- **A rise in labour strikes**
  The severity (value) of claims related to labour strikes increased by 82% in the year under review. The frequency (number) increased by 63%, moving up from 919 incidents in the previous year, to 1 496 incidents in 2014/2015. This is the biggest driver of the rise in the number of claims. During 2014/2015, Sasria received strike-related claims with a total worth of R395.5 million, compared to R216.6 million in the previous year.

- **An increase in service delivery protests**
  The severity of claims related to service delivery protests increased by 33%, while the numbers increased by 45% (from 252 incidents to 365 incidents in 2014/2015). During 2014/2015, Sasria received service delivery protest-related claims with a total worth of R113.1 million, compared to just under R85 million in the previous year.

# How we do business enables us to create value for South Africans

Sasria is different from all the other short-term insurance companies in South Africa, not only in terms of our mandate, but also in terms of how we do business. Our unique business model and mandate enable us to minimise our operating expenses; to offer an extremely affordable product to protect the people of South Africa against special risks and to sustain our solid track record of performance.

## Our business model

Sasria's success for the past 36 years can be attributed, among other things, to its business model.

We have a unique business model, since we do not sell Sasria's products directly to the end-customer. We enter into agreements with other short-term insurance companies who, as non-mandated intermediaries (NMIs), then represent and sell Sasria's products to the end-customer, by attaching a coupon related to Sasria's cover to their own policies. This coupon outlines the Sasria cover that the customer enjoys and incorporates Sasria's terms and conditions.

Sasria therefore does not do direct business with its end-customers (Figure 1). Our NMIs handle the day-to-day administration of our business and collect premiums on our behalf, which means that Sasria's customer base is closely linked to the distribution channels of our NMIs. Sasria then pays the NMIs a fee for their services. The only direct contact that Sasria has with the end-customer is with the settlement of a claim. The customer submits his claim to the underlying insurance company, which first confirms that the claim should be considered by Sasria and then submits the claim to us. Once Sasria receives and verifies a claim, payment is made directly to the customer.

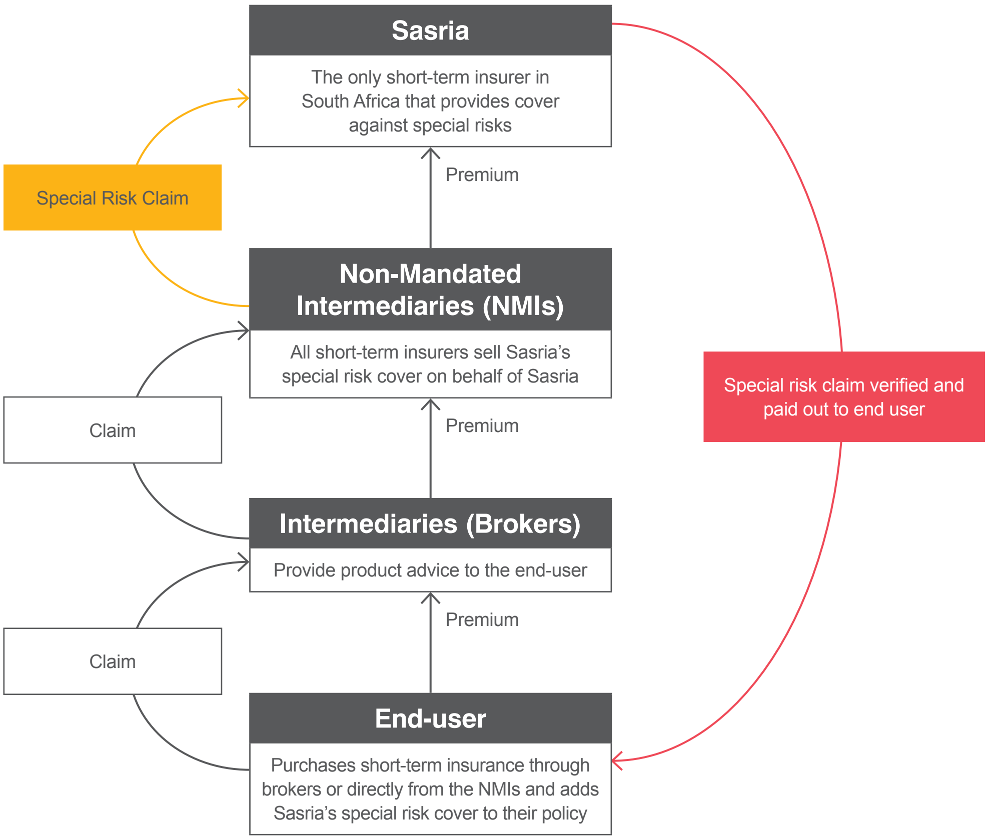



*Figure 1: Sasria's business model*

## Key benefits of Sasria's current business model

There are a number of benefits related to Sasria's current business model. This business model significantly reduces our total operating expenses. This low cost structure is the first key success element of our business model, since this contributes to our financial stability and the affordability of our products. The support of our network of NMIs is therefore crucial to the success of our business. As such, we value our relationship with these key players in our business environment.

The second key success element of our business model is related to our income-generation process.

While our products are extremely affordable, we are able to generate sustainable profits from the premiums that we charge the end-customer, mainly because we have a legislative mandate, as well as a monopoly on providing cover for the special risks (such as civil commotion, public disorder, strikes, riots and terrorism) that the rest of the short-term insurance industry did not have an appetite for. This market failure led to the establishment of Sasria 36 years ago.

Incorporating the principles of responsibility, prudence, discipline, good governance and customer-centricity into how we manage and conduct our business activities forms the third key success element of our business model.

## Our product

Sasria's core business is to provide short-term insurance cover for special risk events which are not covered by the rest of the insurance industry. When the rising trend in labour strikes, service delivery protests, and even student riots, is taken into account, cover for damaged or lost assets because of these types of events becomes even more crucial.

Sasria's cover, or product, is offered to different segments of the market. Any individual, business, corporate or government entity, including a municipality, hospital, clinic, school or university, can take out Sasria insurance to protect its tangible assets against special risk events.

> "When the rising trend in labour strikes, service delivery protests, and even student riots, is taken into account, cover for damaged or lost assets because of these types of special risk events becomes even more crucial."

## Our product range

Sasria's product, which offers R500 million primary cover at set rates, is offered in the following classes of insurance business: material damage (including money), motor vehicles, business interruption, construction and goods in transit.

### *Material damage*

In the case where a Sasria customer suffers material damage to any of his or her tangible assets as a result of a special risk event, Sasria will pay out the value of those assets. Tangible assets include property, the contents of property, equipment and money. Motor vehicles are covered separately.

### *Motor vehicles*

In the case where a Sasria customer suffers any damage or loss to his or her motor vehicle as a result of a special risk event, Sasria's product covers the cost related to the replacement or restoration of the vehicle or vehicles that have been damaged or destroyed. This cover is available for any type of vehicle, including cars, light delivery vehicles, commercial vehicles, heavy commercial vehicles, mobile plant, taxis, buses and trailers.

### *Business interruption*

In the case where a Sasria customer suffers an interruption of his or her business activities due to a special risk event, Sasria's product covers the loss of income during periods when the customer could not carry on business as usual.

### *Construction*

In the case where a Sasria customer suffers any damage or loss to his or her construction site or equipment as a result of a special risk event, Sasria's product covers the cost related to the replacement or restoration of the assets that have been damaged or destroyed. Our construction all risk cover is designed for all construction needs, ranging from an individual building a private property to mega construction projects.

***Goods in transit***

In the case where a Sasria customer suffers any damage or loss to his or her tangible assets while these are in transit from one place to another, and as a result of a special risk event, Sasria's product covers the cost related to the replacement or reimbursement of the assets that have been damaged or destroyed. The cover for transit risks applies within South Africa only.

***Sasria's cover, or product, is available to any individual, business, corporate or government entity, who wants insurance against special risks.***

## Extremely affordable

Our product is extremely affordable. For example, a customer who has Sasria cover on his or her motor vehicle pays a premium of only R2 a month, regardless of the car's value. Should the car then be damaged or destroyed in a special risk event such as a strike or a riot, Sasria pays out the retail value of the vehicle.Sasria's motor premiums are standard.

The premium for a private car is R2 per month or R20 per annum, whereas the premium for goods vehicles and taxis is R4.50 per month or R45 per annum. None of these premiums are dependent on the value of the vehicle or the geographical location within the Republic of South Africa.

## Catering for the needs of corporate customers

In addition to Sasria's provision of R500 million cover at set rates on all classes of business, we also cater for the specific needs of our corporate customers, who need additional cover since their asset exposure is much higher.

As such, Sasria provides an excess of loss cover (Sasria Wrap Product) of up to R1 billion, subject to a separate rating structure, to corporate customers who request it. This additional cover is referred to as the Sasria Wrap product.

**Smallest single claim paid in 2014/2015: R216 (vehicle damage)**

**Largest single claim paid in 2014/2015: R55.2 million (business interruption)**

## Some examples of types of claims received during 2014/2015

The types of claims we receive, and the items that are covered against any special risk event, vary.

The following case studies give a brief overview of the claims we receive and pay.

## Our operating principles

Our operating principles summarise the way in which we work and our fundamental assumptions in the way we go to market:

- We operate with a core staff complement;
- We operate via an agency network comprising short-term insurance companies (NMIs);
- We have sufficient reinsurance treaties and covers in place;
- We generate a cooperative and mutually beneficial environment with our NMIs;
- We strive to achieve investment returns of at least 2% above inflation;
- We identify the insurance needs of the public through research and development;
- We maintain a work environment that encourages employment equity and skills development; and
- We establish cooperative relationships with employees in order to work towards common goals of profitability and high performance.

## R28.5 million reported claims for damages caused by xenophobic attacks

Sasria received claims worth just over R28.5 million for claims related to xenophobic attacks.

Most of the claims for these special risk events relate to business, for items such as stock, fixtures and fittings, buildings and vehicles (Figure 2).

*Figure 2: Examples of the damage caused to businesses as a result of xenophobic attacks; where the business owners had Sasria cover and could be reimbursed for their losses*

## R14 million claims reported following a mining protest

A mining community was unhappy about the unemployment situation and alleged that the mine employed people from outside their community. In a bid to voice their unhappiness they took to the streets. A protest that was initially intended to be peaceful ended up with an estimated R12 million worth of business interruption (BI) claims and a R2 million material damage claim.

Most of the claims resulting from these mining protests relate to mining property, such as buildings, vehicles or plant equipment (Figure 3); property and plant equipment of contractors and subcontractors; and other business or personal property damaged randomly during the protests.

*Figure 3: Examples of damage caused during a mining protest, where the plant equipment was covered and replaced by Sasria*

## R2 million claims received to replace 20 cars damaged during a student riot

Students protest mainly at the beginning of a term for various reasons, ranging from exclusion, lack of accommodation at the institutions and fees. During 2014/2015, Sasria received a claim of just over R2 million for 20 cars belonging to a university which had been damaged in one event (Figure 4). Most of the claims during student protests relate to the university's vehicles, buildings and fixtures and fittings.

*Figure 4: Some of the 20 cars belonging to a university and damaged in one single student riot, all of which are in the process of being replaced because the university had Sasria cover*

## R500 000 paid for a vehicle burnt in a service delivery protest

During the year under review, Sasria received and paid a claim where a mayor's car, valued at just over R500 000, was burnt during a service delivery protest. This took place less than a month after the car was bought (Figure 5).

Most of the claims when service delivery protests take place relate to municipal property, such as buildings, contents and vehicles; mayors' and/or councillors' houses and contents and business or personal property damaged randomly during the protests.

*Figure 5: A motor vehicle burnt and property damaged during a service delivery protest. Sasria is in the process of reimbursing these owners for their losses, since they had Sasria cover.*

## Our value-creation story

We contribute to the growth of our country's economy by being financially responsible and disciplined as a business and as a SOC, so that we can contribute to the fiscus of South Africa. We have a solid track record which highlights our reliability as a company, one that is disciplined and well-governed in order to ensure its own long-term sustainability.

The outcome of our business model is that we are financially strong and stable, and that we have adequate capital to provide cover for major catastrophic losses.

This enables us to create sustainable value for our shareholder and all other stakeholders. We have accumulated substantial financial reserves over the years, and we use the profits that we make responsibly in order to make a positive difference in helping to develop and transform our country to become a better place for all.

***The real outcome of Sasria's business activities stretches much wider than a mere economic impact. By paying the claims of those people who have suffered losses due to the special risk events, our Company also has an impact on a human and social level.***

Since we are self-sufficient and self-funding as a business, we do not have to rely on financial support from our shareholder, the South African government. In addition to the taxes and dividends that we pay, we contribute to the growth and transformation of the South African economy by investing our profits responsibly to ensure that we remain financially sustainable so that we are able to respond when South Africa needs us to pay the claims related to special risk events.

Being a responsible, prudent, disciplined, well-governed and customer-centric corporate citizen is critical for our long-term sustainability and the transformation and development of South Africa. In the first place, it is because we need to practically demonstrate our reliability, financial strength and responsible, well-governed business practices, so that our end-customers can know and trust that all their claims will be paid. This also serves to encourage local and international businesses to invest in our country, and so to create job opportunities.

Our focus on customer-centricity means that we ensure that the needs of our end-customers are met through our product offerings. We aim to extend this going forward, in order to better address the needs and requirements of the huge uninsured market in South Africa, and so also offer them protection to replace their assets – meagre as these may be – that have been lost or damaged due to special risk events. By significantly extending this form of financial protection we will help to provide a safety net to the most humble and most vulnerable people in South Africa who are currently not sufficiently catered for by the insurance industry in South Africa.

We believe that helping more South Africans, particularly the poor who currently lack access to basic financial services, to become part of the formal financial networks will enable our country to take a critical step towards eradicating abject poverty. The merits of financial inclusion are strongly rooted in empowerment, since there is a direct link between access to financial services such as credit, savings and insurance, and wealth creation. We want to play our part in empowering individuals, families and small business owners to cultivate these economic opportunities by promoting and supporting financial inclusion, because it can be a powerful agent for strong and inclusive growth that will

***Our financial stability enables us to create sustainable value for our shareholder and all other stakeholders.***

enable the upliftment of South African society. Sasria's contribution lies in making our product more accessible to our end-customers, and in educating them on the benefits and affordability of our product.

## R21.7 million investment in CSI enhances our value creation

We regard our corporate social investment (CSI) and activities as an integral part of Sasria's value-creation process, and as a key instrument in helping our Company, the financial and insurance industries and our country to grow, develop and transform (Refer to P23, P51 and P53). Sasria's key focus areas for our CSI investments include helping to improve education and training; building capabilities and developing skills, in order to help create jobs; and improving infrastructure at underprivileged schools, in order to help transform urban and rural spaces.

Sasria's CSI allocation for the 2014/2015 financial year was increased to 4% of the after-tax profit, which translated to R21.7 million. The bulk (90%) of this total allocation was spent on education initiatives, aimed at improving education and training at secondary and tertiary levels. The rest was spent on initiatives aimed at building capabilities and developing skills, particularly in the financial and insurance industries, in order to help develop capacity, create jobs and increase participation in the economy.

### Improving education and training at secondary school level

Sasria continued with its Adopt-a-School project during the year under review, and assisted Lodirile Secondary School with extra tuition and preparations for their matric examinations, which resulted in a 98% pass rate. At their year-end, we also provided this school with 25 new laptops and 130 tablets.

Sasria also continued to support two schools in KZN, namely Menzi High School and Nwabi High School, with extra tuition and examination preparation. Menzi has consistently achieved a 100% matric pass rate for the past three years, while Nwabi showed a small decline in 2014, with a pass rate of 69% compared to the 75% pass rate in 2013.

In order to ensure that we have a meaningful impact, we have committed R500 000 for teacher and leadership development at Menzi High School in the next financial year, to ensure that there is continuity and to enable them to sustain their current successes. We have also committed to assisting the Mpumalanga Department of Education with extra tuition and leadership development in poor performing districts in 2015/2016.

> "Our CSI allocation for 2014/2015 was increased to 4% of the after-tax profit, which translated to R21.7 million."

### Improving education and training at tertiary level

During 2014/2015, we continued Sasria's support to the South African Actuaries Development Programme. To date, we have invested over R50 million in the development of actuaries. Since its inception in 2003, this programme has produced 180 graduates, 18 of whom have qualified as actuaries.

We also awarded 32 bursaries to the total value of R13 million to students studying for various qualifications, with the majority enrolled for degrees within finance in the 2014 academic year. This group of students consisted of 15 females (47%) and 17 males (53%). In total, 27 of these students have passed and moved on to the next level in their studies in 2015.

### Building capabilities, skills; creating jobs

Sasria contributes to addressing the shortage of skills in the industry through our graduate programme. Five graduates funded by us since 2009 were put through a graduate programme with partners in the industry; this programme was so successful that three of the five graduates were absorbed on permanent basis by the partners, one by us and another by an organisation outside the industry.

> ***We create value by linking our inputs, business activities, outputs, ultimate outcomes and associated risks, to the capitals that we employ.***

### Infrastructure development of schools; transforming urban and rural spaces

During the year under review, we identified a school in Limpopo which required extensive renovation, through our employees' involvement in our CSI programme. We have invested R2 million to assist with the renovations at this school, and the project has already commenced. Sasria also renovated a therapy room used for counselling at a home for orphans in KZN. Furthermore, we have committed to renovating Menzi High School's library in the next financial year.

## How we create and distribute value

### Our value-creation process, linked to capitals employed and associated risks

In endeavouring to discuss Sasria's value-creation business process, we link our inputs, business activities, outputs, ultimate outcomes and associated risks, to the capitals that we employ in our value-creation process (Table 1). Sasria only considers four of the six capitals suggested by the International Integrated Reporting Council (IIRC) as having a substantial influence on our business processed. These include the financial, human, intellectual and the social and relationship capitals.

Since we are a financial services company, we do not regard environmental capital as having a substantial impact on our business and value-creation process. We also collapsed manufactured capital, defined as the tangible infrastructure or physical objects available to us for use in supporting our business activities, into our definition of intellectual capital.

Sasria defines the capitals that we employ in our value-creation process as follows:

#### *Financial capital*

We regard this as the pool of funds available to Sasria for use in supporting our business activities and investments. We are self-funded, which means we generate our own financial capital, which includes retained profits. We use our financial capital to fund our business activities, pay dividends to our shareholder, and make investments.

#### *Human capital*

We regard this as our people's competencies and capabilities, and their motivation to innovate, so that they can utilise their skills, knowledge and experience to improve our product, processes and customer-centric service delivery. Therefore the selection, management and development of our people are aligned to the value we place on human capital. We endeavour at all times to enable our people to implement and support Sasria's strategy and values. We aim to foster a culture of good leadership, management and team spirit. The diversity found in our teams is the strength we utilise to the benefit of the business and personal development of our teams. We pride ourselves in providing a workplace that has adopted high standards in occupational health and safety, training and education, diversity and equal opportunity, in order to ensure a high morale and engagement amongst all our people.

#### *Intellectual capital*

We regard this as Sasria's intangible infrastructure that we use to conduct our business and to create value. This spans our organisational, knowledge-based intangibles, such as intellectual property, software, rights and licences, as well as our tacit knowledge, systems, procedures and protocols. This capital also includes intangibles associated with the Sasria brand and reputation that we have developed. Since we are a services company, we include the manufactured capital here, with an understanding that this refers to the tangible infrastructure or physical objects that are available to us for use in supporting our business activities.

### *Social and relationship capital*

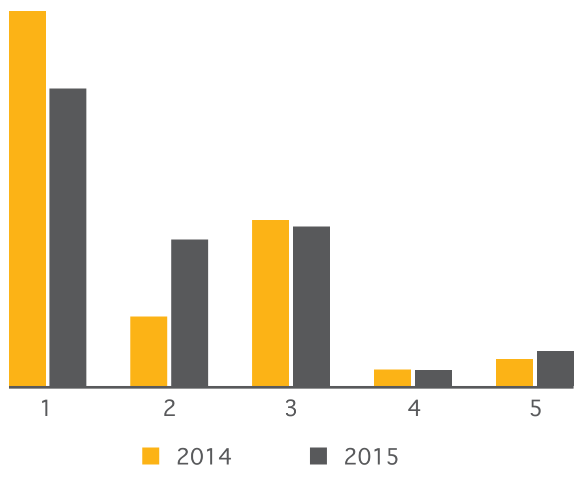
We regard this capital as being related to the collaborative relationships that we have with our stakeholders, such as our shareholder, employees, customers, intermediaries, regulators and suppliers, to enable us to deliver on our legislative mandate, as well as on our strategic transformation mandate. As a responsible corporate citizen, we aim to contribute to the development, transformation and growth of South Africa. As such, we base our relationship with our stakeholders on a firm foundation of mutual respect, shared norms and values, an openness to share relevant information, and a passion to enhance the individual and collective wellbeing of our stakeholders and the broader South African public. We value our stakeholders' willingness to engage with and support Sasria, and we strive to strengthen these relationships to enhance the trust that our stakeholders have in our Company.

## How we distribute value

We focus our discussion on the value that we distribute to our shareholder, through payment of our dividends; to the government and people of South Africa, through payment of our taxes; to our employees, through their continued employment, growth and development; and to the broader South African community; through our corporate social investment activities. We also use our profits to reinvest into our business, so that Sasria is able to continue delivering on its legislative mandate and thereby deliver value to our country and her people. As a result of our value-creation processes, we distributed an increased share of our profits in 2014/2015, particularly to our shareholder (22.4% compared to 10.6%) as well as our employees (5.4% compared to 4.1%).

Figure 6 provides an overview of the value that we distributed in terms of these key objectives during the year under review, compared to the value we distributed in the prior financial year.

**Value distributed**




1 Reinvested to fund business
- 57.4%
- 45.5%

2 Government: Shareholder
- 10.6%
- 22.4%

3 Government: Income Tax
- 25.4%
- 24.4%

4 Broader community
- 2.5%
- 2.4%

5 Employees
- 4.1%
- 5.3%

*Figure 6: Sasria's value distribution over last two financial years ended March 2014 and March 2015 respectively*

*Table 1: Capitals employed in Sasria's value-creation business processes*

| | Financial capital | Human capital |
|---|---|---|
| **Inputs** | • Retained earnings<br>• Profits from our investments<br><br>*(Note: Sasria is a self-funded SOC, and does not require financial assistance from Government as our shareholder)* | • Talented, knowledgeable and skilled employees<br>• Ethical and effective managerial/leadership team<br>• Attractive employee value proposition (EVP)<br>• Equal opportunity employment and fair employee practices, including remuneration and rewards<br>• Appropriate organisational structure and role distribution<br>• Effective recruitment, retention and recognition structures<br>• Clarity on Company strategy/individual performance targets<br>• Meaningful, conducive and safe work environment and employee wellness |
| **Business activities in 2014/2015** | • Managed Sasria's capital<br>• Allocated financial capital to support all business activities<br>• Sold Sasria's product via NMIs<br>• Collected premiums from NMIs<br>• Paid Sasria claims and suppliers<br>• Ensured effective financial and management accounting<br>• Managed financial risk<br>• Managed procurement<br>• Managed Sasria's investments<br>• Continued efforts to grow the huge uninsured market and help increase level of financial inclusivity in SA | • R3.6 million training and development spend (37% middle management)<br>• Developed Sasria's EVP<br>• Revised Company structure to ensure balance in work/focus on key functions<br>• Continued to follow BSC approach to manage individual performance<br>• Developed new remuneration and rewards policy: Total Rewards Framework<br>• Updated recruitment processes and reduced backlog<br>• Managed employment equity<br>• Introduced a graduate programme<br>• Continued to provide professional employee wellness support (Careways), and conducted several health, safety and wellness initiatives<br>• R236 000 spent on bursaries to enable 26 employees to assist family members to study<br>• Continued to partner with industry and educational bodies to help address the skills shortage in the industry |
| **Outputs** | • Received cash flow generated by our operations<br>• Paid dividends to Government as our shareholder<br>• Received return on our investments | • Employee productivity increased, with average contribution of R27.1 million per employee to GWP (up from R26.2 million in 2014)<br>• All vacant positions filled at year-end<br>• Improved employee wellness<br>• Contributed to improving education and training, and creation of jobs<br>• Exceeded all EE targets, except for one target related to employees with a disability<br>• Experienced a higher attrition rate (17%) |
| **Outcomes** | • Sasria is a financially stable company, able to provide cover as mandated<br>• Sasria contributes to the fiscus of South Africa, and is not a financial burden on Government<br>• Sasria can therefore contribute to the growth, development and transformation of South Africa; the economy and the financial/insurance industries; support Government's NDP | • Sasria has a workforce with the knowledge, skills and experience to maintain a profitable and sustainable business<br>• Sasria has a productive workforce who enable the Company to make good profit and remain financially stable, in order to keep contributing to the fiscus of South Africa<br>• Sasria has a committed workforce, motivated and inspired to work together to help us to continue to contribute to the growth, development and transformation of South Africa, and support Government's NDP |
| **Associated risks** | • Skills shortage in financial and insurance industries<br>• Loss of investor confidence in SA<br>• Socio-economic challenges in SA<br>• Loss of stakeholders' trust in and support of Sasria, which can lead to loss of social licence to operate; putting Sasria's long-term sustainability at risk | • Skills shortage in financial and insurance industries<br>• Failure to attract and retain skilled employees<br>• Loss of employee satisfaction with Sasria as an employer<br>• Loss of employees' trust in and support of Sasria |

| Intellectual capital | Social and relationship capital |
|---|---|
| • Tacit product knowledge and experience (retention)<br>• Research and development (legislative mandate)<br>• Product development and innovative solutions (i.e. Customer Web Portal or CWP)<br>• Adherence to Company values, code of ethics, governance and risk management structures (values-based behaviour)<br>• Sasria's product and service offering<br>• Sasria's culture (employee loyalty)<br>• Sasria's brand and reputation (stakeholders' awareness and level of trust) | • Knowledgeable and skilled relationship managers<br>• Constructive and ongoing engagements with key stakeholders linked to identified material issues<br>• Structured and agreed terms of engagement and operations with our NMIs and other intermediaries (including CWP)<br>• Partnering with and supporting industry and regulatory bodies and other stakeholders<br>• Monetary CSI investments<br>• Various communication and marketing channels and tools to communicate with our stakeholders |
| • Revised Company structure to place greater focus on human capital and governance functions (independent divisions)<br>• Increased focus on retention<br>• Researched new product and additional distribution channels to make Sasria cover more accessible to uninsured market<br>• Upgraded and enhanced CWP<br>• Continued focus on and oversight of fraud prevention and whistle-blower hotline through Ethics Committee<br>• Increased focus on risk management; updated all Sasria's risk policies, processes and procedures to be able to comply with the new Solvency Assessment and Management (SAM) Pillar II requirements, and to enable us to manage our risks proactively and effectively<br>• Identified our top risks and developed and implemented mitigation strategies<br>• Performed an Own Risk and Solvency Assessment (ORSA) report<br>• Conducted annual climate survey<br>• Conducted a brand audit | • Trained and developed relationship managers<br>• Identified material issues for all stakeholders, and developed and implemented various initiatives to respond to these<br>• Updated and enhanced CWP to make it easier for our NMIs to interact and do business with us<br>• Partnered with and supported industry partners, regulatory bodies and other key stakeholders, especially in terms of CSI investments, eradicating critical skills shortages in our industry and improving fair treatment of customers<br>• Invested R21.7 million in CSI programmes, 90% of which targeted at improving education, training and skills in the financial and insurance industries; and to support infrastructure development<br>• Implemented various stakeholder communication initiatives to improve brand visibility, raise brand and product awareness, and improve financial literacy |
| • An overall satisfactory compliance score in the Ethics Awareness Assessment by employees<br>• Adherence to King III principles<br>• Satisfactory level of legal compliance<br>• No material losses, near misses or fruitless and wasteful expenditure<br>• Compliant with new requirements of SAM Pillar II<br>• Healthy solvency position per current regulatory requirements<br>• Upward trend in annual climate (starting in 2011) continued<br>• Increased efficiency in our automated CWP platform used by NMIs (claims handling processes; administration) | • Increased brand and product awareness, especially regarding our NMIs<br>• Increased revenue<br>• Increased NMI and customer satisfaction due to improved CWP<br>• Contributed to improved education and training in financial and insurance fields, at secondary and tertiary levels, and to general financial literacy training<br>• Contributed to job creation through partnering with industry to support Sasria's graduate programme |
| • Sasria's improved efficiencies lead to improved customer satisfaction and increased revenue; which adds to the financial stability of our Company<br>• Sasria's proactive and integrated risk management approach protects our Company from loss of revenue and reputational damage, and reduces operational risk exposure<br>• Sasria has loyal employees who live our Company's values, and who will not harm our Company's reputation by acting fraudulently, unlawfully or unethically<br>• Sasria is – and is seen as – a responsible corporate citizen, which helps protect Sasria's social licence to operate | • Sasria's brand, and the relevance of our product to the financial and insurance industries, the economy and South Africa, is elevated<br>• Sasria's service offering and stakeholder support is improved, as is evident from the FIA award for exceptional service and support that we received in 2014<br>• Sasria's relationship with key stakeholders is improved, and they support and partner with Sasria to address the skills shortage and job creation challenge in our industry<br>• Sasria's CSI investments enable us to ensure our own long-term sustainability by helping to address today's socio-economic challenges<br>• Sasria continues to protect its social licence to operate by becoming a known and trusted brand, thereby enhancing the capacity of our government |
| • Loss of reputation due to unethical or fraudulent behaviour<br>• Loss of revenue due to ineffective risk management<br>• Loss of skilled/experienced employees due to unconducive work environment<br>• Loss of customer satisfaction and revenue due to inefficiencies<br>• Loss of stakeholders' trust in and support of Sasria, which can lead to loss of social licence to operate; putting Sasria's long-term sustainability at risk | • Loss of customer/stakeholder satisfaction<br>• Loss of revenue<br>• Loss of stakeholders' trust in and support of Sasria, which can lead to loss of social licence to operate; putting Sasria's long-term sustainability at risk |

## Our business structure

During the period under review, we changed Sasria's business structure (Table 2) to enhance our focus on sustainability matters and to improve our operational efficiencies.

We split the former Business Support division into two new divisions: Governance and Human Capital (HC). The Governance division, which is now managed by our Company Secretary, manages the legal, compliance and Company Secretariat functions.

This change enables us to intensify our focus and efforts to further improve our compliance and governance adherence levels, in our effort to be – and be seen as – a responsible corporate citizen.

Moving HC, previously positioned as a business support function, to a stand-alone division emphasises Sasria's commitment to create and maintain a conducive, meaningful work environment for our employees, and strengthens our ability to motivate and enable them to perform.

Other changes to our business structure include:

- Creating a separate Procurement department in the Finance division, to allow for greater control and better alignment with PFMA regulations;
- Moving the IT and facility management functions from the Finance division to the Business Operations and HC divisions respectively, to allow the Finance division to intensify its focus on its core business activities;
- Moving the Company Secretariat function from the Office of the Managing Director (MD) to the newly created Governance division;
- Splitting the Strategy Development and Project Management department into two. Strategy Development now forms part of the Finance division, whereas Project Management remains as part of Business Operations, which resides in the Office of the MD.
- Creating two new departments in the Business Operations division, which forms part of the Office of the MD, namely Process Management and Change Management. This will enable us to intensify our efforts to improve our key processes and procedures, and to accelerate and support our change and transformation initiatives.

*This change enables us to intensify our focus and efforts to further improve our compliance and governance adherence levels, in our effort to be – and be seen – as a responsible corporate citizen.*

*Table 2: Sasria's business structure for the year ended 31 March 2015*

| Insurance Operations | Stakeholder Management | Finance | Governance** | Control Functions | Human Capital** | Business Operations |
|---|---|---|---|---|---|---|
| Underwriting | Customer Relations Management | Finance | Legal | Internal Audit | Human Capital* | Project Management |
| Claims | Marketing and Communication | Investment | Company Secretariat* | Risk Management | Facilities* | Process Management** |
| Reinsurance | Corporate Social Investment | Procurement | Compliance* | Actuarial | | Change Management** |
| | | Strategy Development* | | Quality Assurance | | Information Technology* |

* Moved  ** New

# Helping Sasria make a difference in South Africa

As a responsible corporate citizen, Sasria aims to contribute to the development, transformation and growth of South Africa (Refer to P51). As such we strive to build collaborative relationships with our key stakeholders, such as our shareholder, employees, NMIs and other intermediaries, suppliers, end-customers and regulators (Figure 7).

These are the people who enable us to deliver on our business strategy, which in turn helps us to deliver on our strategic mandate and make a positive contribution to our country.



## Our stakeholder framework

Sasria's stakeholders are central to our business, from a revenue and effectiveness to a business sustainability point of view. Sasria's business model places them at the heart of our activities across the value chain, from product development and distribution, revenue optimisation, customer service and regulatory compliance, to the ultimate beneficiaries of Sasria's activities – the South African public.

## A relationship built on sound values

Our objective is to strengthen the relationship between Sasria and its stakeholders, and to enhance the trust that they have in our Company.

For this reason we base our relationship management approach on sound values and ethical conduct. Our stakeholder management framework is guided by Sasria's vision, mission and values, and incorporates principles which are underpinned by various legislations.

This ensures that our engagements with our stakeholders are based on a firm foundation of mutual respect, shared norms and values, an openness to share relevant information, and a passion to enhance the individual and collective wellbeing of our stakeholders and the broader South African public.

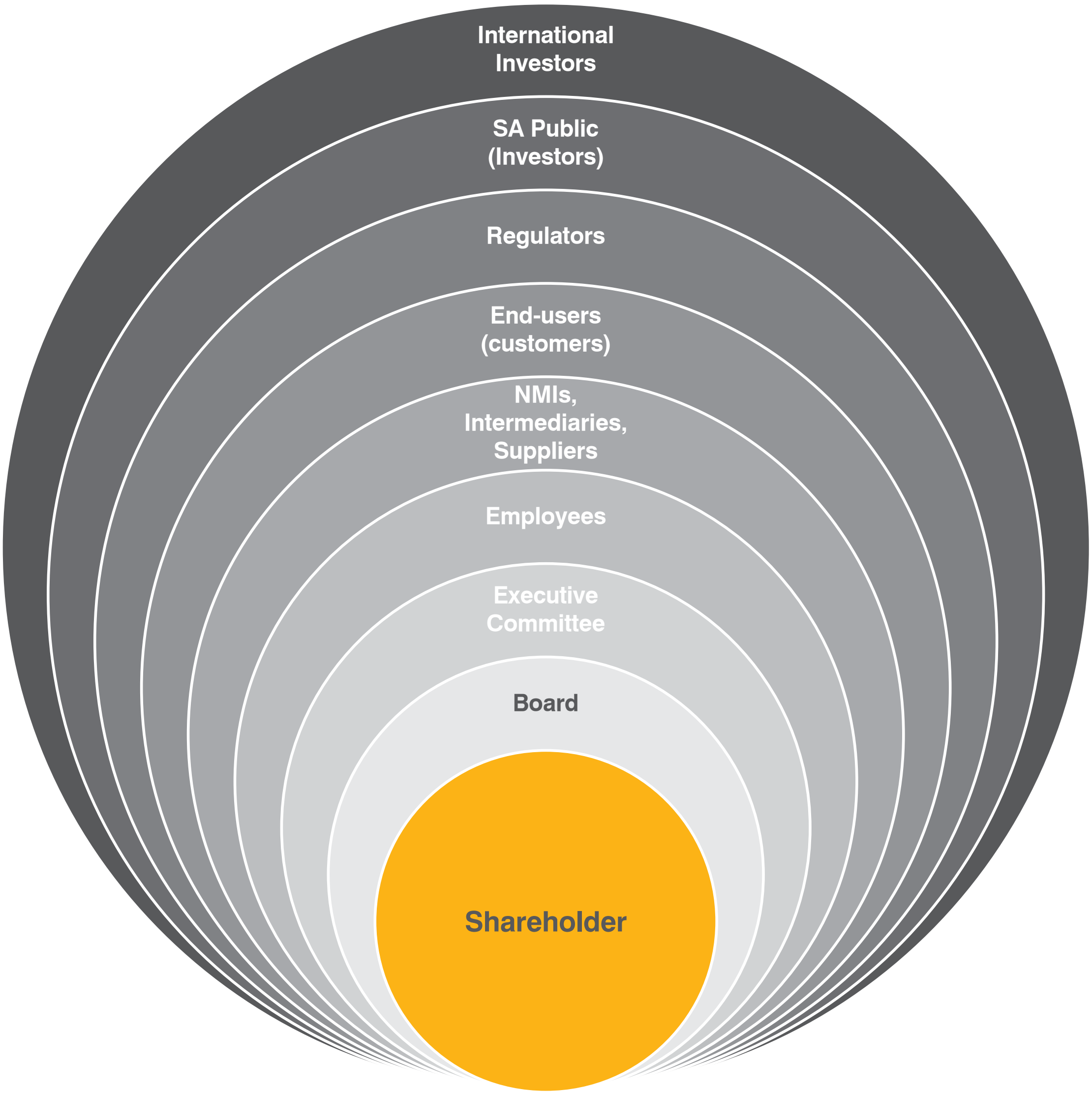



*Figure 7: Sasria's stakeholder framework*

"Our objective is to strengthen the relationship between Sasria and its stakeholders for the benefit of all the people of South Africa."

## Managing material issues related to our key relationships

We value our stakeholders' willingness to engage with and support Sasria, since it is they who enable us to achieve our strategic objectives and business performance. Therefore it is important for us to understand who our key stakeholders are, what their contribution and potential impact on our business is, and what they expect from Sasria. Identifying their key expectations helps us to understand what it is that we need to focus on to ensure ongoing, cooperative and mutually beneficial relationships.

Our approach to managing these key relationships includes the identification of material matters (Refer to P30). We believe a matter is material if it is of such relevance and importance that it could substantively influence our stakeholders' assessments of our Company's ability to create value over the short, medium and long term; and whether the matter substantively affects, or has the potential to substantively affect, our strategy, business model or use of capital.

We follow a structured process to identify any material matters that could have a negative impact on these key relationships. During the year under review, Sasria held a workshop with key members of management to highlight our Company's key risks, stakeholders and stakeholders' expectations; and to discuss and determine the material issues that may impact on Sasria's ability to create value over the short, medium and long term. The output of this workshop was documented and presented to the Board of Directors for approval.

We then analysed these material matters and, where necessary, put mitigation strategies in place at a departmental level to deal with the material issues (Table 3). This process enables us to manage our risks and opportunities in this regard, and to further develop our strategic priorities.

"We value our stakeholders' willingness to engage with and support Sasria, since it is they who enable us to achieve our strategic objectives and business performance."



*Table 3: Outlining Sasria's stakeholders, material issues identified and our response*

| Stakeholder | Contribution to our business | Identified stakeholder needs | Material issues identified | Sasria's response |
|---|---|---|---|---|
| National Treasury | Representing Government as Sasria's shareholder | Fulfil our mandate; governance; dividends; support of NDP; product development for lower LSMs and SMEs; drive political agenda | No material issues | No material issues |
| Board | Providing strategic direction and guidance and enabling Sasria's sustainable performance | Governance; results (growth and profits); achieve strategic targets and strategic intent; fulfil our mandate, risk profile and loss data; financial stability; money/business; open communication; support for local market | Establish best practice governance and risk management framework | Sasria's governance, risk and compliance management framework |
| Non-mandated intermediaries (NMIs) | Sasria distribution channel; manages Sasria's policy administration and premium collection; limited claims management | Strategic positioning; information sharing (trends); governance/ compliance; assurance – financial standing; support product development; service offering and efficient underwriting administration and claims handling processes | Brand and product awareness; improved customer-centricity | Enhanced the marketing strategy to respond to brand and product awareness; Established a culture of customer-centricity; streamlined the basic underwriting administration and claims handling processes |
| Intermediaries (brokers) | Market the Sasria product to the end-customer; provide advice to the end customer | Strategic positioning; information sharing (trends); governance/ compliance; assurance – financial standing; support product development; service offering and efficient underwriting administration and claims handling processes | Product awareness to end-customers, simplified underwriting procedure; technical (underwriting support) | Streamlined and enhanced the underwriting administration procedures; improved product awareness to end-customers |
| End-customers | Current individual, commercial and corporate customers; future end-customers to include uninsured market | Comprehensive product offering; excellent customer service; good governance; financial stability | Improved visibility; customer service; brand and product awareness | Enhanced the marketing strategy to respond to elevate brand to the end-customer; established a culture of customer-centricity |

| Stakeholder | Contribution to our business | Identified stakeholder needs | Material issues identified | Sasria's response |
|---|---|---|---|---|
| Employees | Helping us maintain our lean business model with their skill and dedication, which in turn enables us to keep costs down for our end-customers | Job security; rewards; career advancement; safe/conducive work environment; training and development; recognition and reward | Skills shortage in the insurance industry | Skills needs assessment; targeted learning interventions; coaching and mentoring; investment in technical training |
| FIA | Representative body of most intermediaries (brokers); effective underwriting and claims management | Affordable and wider cover for their customers; higher revenue (commission) | No material issues | No material issues |
| SAIA | Representative body of Sasria NMIs; assists with distribution of information to all its members; ensures information sharing across various aspects of insurance | Comply with their Code of Conduct, i.e. turnaround of settling claims | No material issues | No material issues |
| Reinsurance brokers | Providing advice on reinsurance structure and sourcing reinsurers both locally and internationally | More revenue; leverage on our business | No material issues | No material issues |
| Financial Services Board (FSB) | Regulator | Protect clients; governance; run the Company professionally | Lack of customer exposure data | Sasria to continue to engage with NMIs to obtain data and/or better quality data |
| South African public | Buy Sasria's products | Contribute to the growth, transformation and development of South Africa; fulfil our mandate; responsible corporate citizen; governance; contribute to SA economy | Huge uninsured market; not inclusive | New product being developed and additional distribution channels being researched; community campaigns/ financial literacy programmes to be developed for the new financial year |

## Sasria's response to material issues identified in 2014/2015

We continued to manage our interaction with all our key stakeholders during 2014/2015, focusing on our usual business activities and communication. However, we paid specific attention to those key stakeholder groups where material issues had been identified, in order to manage the potential risks and to further strengthen the relationships.

### Response to material issues identified for the Board

In response to the material issues identified for the Board, we established a best practice governance and risk management framework. Sasria has reviewed all governance and risk management requirements proposed under the FSB's Governance and Risk Management Framework for insurers (Board Notice 158 of 2014). We will continue to monitor and evaluate the adequacy and effectiveness of our Company's governance and risk management framework and all its internal control systems.

### Response to material issues identified for non-mandated intermediaries

In response to the two key material issues we identified for our NMIs, namely brand and product awareness as well as improved customer-centricity, we increased our emphasis on continued training and brand awareness interventions during 2014/2015. We also enhanced our Customer Web Portal (CWP) to make it easier for our NMIs to interact with and capture insured business with Sasria.

#### *Continued training and brand awareness interventions*

For the last five years, Sasria has made enormous efforts to build relationships with the industry through its industry forums and conferences. Furthermore, the Company has built a customer relationship management function in the Stakeholder Management division, whose function is to visit all the NMIs and large brokers in order to provide training on Sasria's products, create brand awareness and foster strategic relationships.

#### *Innovated and enhanced Sasria's CWP*

We also upgraded and enhanced Sasria's CWP, which provides an automated platform for our NMIs and other intermediaries to interact and communicate with Sasria in relation to their claims administration, premium management, group schemes registration, coupon administration and premium reconciliation. Currently 35 NMIs are making use of the CWP.

During the period under review we further streamlined the basic underwriting administration and the claims handling processes by including new enhancements and features when we upgraded the portal from SharePoint 2007 to SharePoint 2013.

A rates calculator was built onto the coupon-issuing module. The new rates calculator is an online system that not only calculates the premiums accurately in line with Sasria's regulations, but also introduces a fast approval workflow that allows our NMIs to review summary information prior to actually generating the premiums. The CWP also provides our NMIs with e-coupons relating to their policies. Since e-coupons cannot be created without the use of the rates calculator, the streamlined process also ensures that the premiums we receive are correct; the rates calculator therefore minimises Sasria's risk relating to premium calculation. We are also able to leverage cost savings by reducing the number of printed coupon packs, as this process is now completed electronically.

An automated Annexure 1 return computation and submission functionality was included, which reduces the administrative burden on the monthly premium compilation for our NMIs. Automated bordereaux submission ensures completeness and accuracy of premium information and benefits Sasria with NMI company audits.

*We continued to manage our interaction with all our key stakeholders during 2014/2015. However, we paid specific attention to key stakeholder groups where material issues had been identified.*

> “Sasria’s enhanced CWP enables our NMIs to automatically calculate premiums in line with Sasria’s regulations.”

Sasria’s enhanced CWP also included various automated features that replaced the earlier manual processes. One of these features is a claims dashboard, which is an addition to the claims search function, and which introduces the ability to create a claims watch list. NMIs are now able to track and view the status of their customers’ claims on the dashboard and to mark certain claims to update if there is any change to the claims status. Furthermore the new system leverages the improved SharePoint workflow capabilities of SharePoint 2013, which makes it easier for NMIs to request the backdating of e-coupons without having to contact us directly.

The enhanced CWP holds a number of benefits for NMIs and for Sasria, including the fact that it enables our NMIs to automatically calculate premiums in line with Sasria’s regulations, and that the improved integration capabilities and enhanced business connectivity services open new possibilities for integration. Sasria not only benefits from ensuring correct premium calculations, we can also offer an improved service offering to our NMIs and enhance customer service as a result of these automated business processes.

We have transformed the CWP from a mere storage system for header level coupon data into a transactional system that makes it easier for our NMIs to capture insured business with Sasria. This innovation has introduced an improved efficiency into the entire process, which has in turn led to improved customer satisfaction.

Sasria gratefully acknowledges the support and cooperation of AIG, who assisted us with the testing of CWP 2013. We provided a number of training and feedback sessions during the pilot testing period and implemented a few changes based on the feedback we received from AIG.

## Response to material issues identified for end-customers

Sasria’s end-customers include our current individual, commercial and corporate customers. Because of our business model, we do not have direct contact with our end-customers; this highlights our reliance on our NMIs to deliver on these key stakeholders’ expectations.

*Sasria’s end-customers include our current individual, commercial and corporate customers.*

In addition to the training that we provided to our NMIs during the year under review, we also focused on implementing initiatives to assist us in responding to the material issues identified for this stakeholder group. These were related to improving visibility, enhancing customer service and increasing awareness of Sasria’s brand and product.

### *Elevating Sasria's brand visibility*

The first key initiative centred on our marketing strategy to elevate the Sasria brand visibility, to enable our end-customers to gain a better understanding of who we are, what we stand for and how we operate. We also need them to know how well we are governed and managed, and how strong our financial position is, so that they can trust Sasria to deliver on its product offering. To this end, we intensified the focus of our marketing strategy for 2014/2015 on increasing our brand visibility to end-customers. We used various communication channels through the year, including radio, television and on-line platforms.

Since we want to expand our cover to include the large number of people who are currently uninsured, we intend to extend our communication efforts in the future to include community engagements, so that we can take the protection Sasria can offer closer to those end-customers who really need it.

***The first key initiative centred on our marketing strategy is to elevate the Sasria brand visibility.***

During the year under review we also conducted a Sasria brand audit. Our first objective with this audit was to assess the strength and weaknesses of our Sasria brand, in order to identify opportunities for improvement and new developments. We also wanted to analyse the Sasria brand position within the short-term insurance industry; to assess the brand awareness index in the industry, with commercial and corporate customers and our employees; to assess the product awareness and product satisfaction index within the industry, with our end-customers and our employees; and to assess the stakeholder or service satisfaction index within the industry, with our end-customers.

One of the key recommendations of this audit is the need to make the Sasria brand more emotive. We will implement the key recommendations in the next financial year.

"One of the key recommendations of this audit is the need to make the Sasria brand more emotive."

### *Creating a customer-centric culture*

The second key initiative centred on creating a customer-centric culture in Sasria. During 2014/2015 we placed more emphasis on our continued efforts to make treating our customers fairly an integral part of the way in which we do business. We assisted our employees to identify and interact better with customers, in line with the FSB's *Treating Customers Fairly* initiative.

We further strengthened our customer-centric culture, by linking our employees' individual performance contracts to Sasria's balanced scorecard (BSC) (Refer to P41). We measured our employees' individual performance on how well they live the value of customer-centricity, as part of our annual survey to measure the performance of every employee on all our values, and incorporated this into our performance management process.

***Contributing to customer education on financial and insurance matters***

As a member of the South African Insurance Association (SAIA), we also continued to contribute to SAIA's customer education initiatives. SAIA runs these initiatives on behalf of the industry, and all its members contribute to the SAIA customer education fund. Initiatives launched during 2014/2015 included a Teacher Development (Schools) project, focused on "Managing My Finances" and an Edutainment comedy series.
The project comprised developing new educational content for Grades 10, 11 and 12, as well as maths literacy training, aimed at enhancing finance literacy teaching in schools. The comedy series addressed educating the lower LSMs on insurance matters, and this series will be aired on eTV.

***As a member of the South African Insurance Association (SAIA), we also continued to contribute to SAIA's customer education initiatives.***

## Response to material issues identified for employees

Our employees are the business. It is their skill, dedication and commitment that enable us to achieve Sasria's strategic objectives. As such we pay specific attention to managing their needs and expectations. The skill shortage in the financial and insurance industry has a critical impact on our ability to source and retain talent.

For this reason Sasria focuses on creating a conducive and meaningful work environment, in order to have happy and committed employees, and to enable them to grow and develop, in order to further enhance their careers. More information on our employee initiatives is provided in the "Our people" section (Refer to P37 to P46).

## Response to material issues identified for the Financial Services Board (FSB)

We identified the lack of customer exposure data as a material issue for the FSB. We acknowledge that the quality of the current data is not where it should be, but also recognise that this is an industry-wide problem. As such, we have engaged with NMIs, and will continue to do so, to obtain data and/or better quality data.

## Response to material issues identified for the South African public

We also recognise that the huge uninsured market in South Africa is a material issue. In response we continued our efforts during 2014/2015 to research and develop a new product and additional distribution channels, in order to be able to reach this market and help increase the level of financial inclusivity in South Africa. We also plan on implementing community campaigns and financial literacy programmes in the new financial year.

## FIA award for *Exceptional support and service* in 2014

Sasria was honoured to receive an award from the Financial Intermediaries Association (FIA) in 2014 for Exceptional support and service (Figure 8). Motivating the award, FIA commended Sasria's progress and change in managing the relationship with our NMIs.

FIA recognises the fact that the Sasria product offering has expanded and is now an essential element in the portfolio of any customer, be it an individual or a corporate. As such, it applauded us for changing the relationship from one that used to be remote and distant, to one that is now characterised by openness and transparency. Intermediaries are now able to relate directly to the Sasria executive and staff, and this leads to mutual value-add to the product offering and processes.

***Sasria was honoured to receive an award from the Financial Intermediaries Association (FIA) in 2014 for* Exceptional support and service.**

According to FIA, Sasria's support to the intermediaries who distribute our product is of crucial importance. "We judge the other insurers on the quality of their product, service and relationship management. Since Sasria doesn't have a competitor, we at FIA were of the opinion that your performance was excellent in all three categories during 2014. As such, we decided to give Sasria a Special Award in recognition of your support to the industry and the important role you play in assisting communities and business in the event of special risk events. This is much appreciated by the Board of FIA."


*Figure 8: Thokozile Ntshiqa, Executive Manager: Stakeholder Management, receives the 2014 FIA award to Sasria for Exceptional support and service from Justus van Pletzen, FIA CEO*

# Working together as Sasria to make a difference

Sasria's business model, based on doing business through intermediaries, means that we can have a relatively lean workforce.

It also means that we need the input, talent, skills and commitment of every single employee to make the difference in the business that we want to make, by delivering effectively on Sasria's legislative mandate. Healthy employee relationships are therefore crucial.

As with all stakeholder relationships, Sasria's relationship with employees is based on our Company's values; and we encourage and enable our employees to live these values in their daily interaction.

"When a man has done what he considers to be his duty to his people and his country, he can rest in peace."

**~ Nelson Mandela**

*The Sasria team*

## Employing the best, and then equipping them to give their best

Since Sasria's performance and sustainable success depend on our people, we aim to employ the best, and then to equip them so that they can give their best. This includes building a strong Sasria employee value proposition (EVP); actively engaging with our employees; sourcing, managing and retaining talent, advocating real diversity and inclusion; offering a conducive and safe work environment; and employing fair employee practices.

### Building a strong Sasria employee value proposition (EVP)

We believe in creating a work environment where all our employees, regardless of their level of skills or their position, can find meaning in their work. At Sasria, we equate that meaning to the higher cause of making a difference to our country, for the benefit of all our people. Our aim is therefore to enable our current and future employees to see how each of them can, through doing their jobs well, help us to deliver our strategic mandate to make a contribution to the development, growth and transformation of South Africa.

"Working together to help build a better South Africa" – this is the theme of Sasria's employee value proposition (EVP) (Table 4), which we developed over the past year in order to intensify our efforts to retain and motivate our employees to perform and to attract the best talent. Our EVP encapsulates the unique work experience we offer as the employer in exchange for the performance and commitment of our employees.

While we are still in the early stages of this journey, we have made good progress in certain areas, but greater effort is still required to create a more strategic focus so that our current and future employees can be inspired by the thought of helping to make a difference to our country through their work.

*While we are still in the early stages of our transformation journey, we have made good progress.*

## Key Highlights

**R3.6 million**

**R3.6 million spent on training and development**

**R27.1 million**

**Employee productivity increased, with average contribution of R27.1 million gross written premium (GWP) per employee**

**R236 000**

**R236 000 spent on bursaries to enable 26 of our employees to assist family members to study**

*Table 4: Sasria's employee value proposition*

| Employee value proposition<br>"Working together to help build a better South Africa" | | |
|---|---|---|
| **Dimension** | **Employees' expectations** | **Sasria EVP brand positioning and offering** |
| **Affiliation/ meaningful work environment** | Values, meaningful work environment, culture, support, relationships, community work, quality of people (colleagues, leaders, direct reports), participation, communication | • Advocating real diversity, going beyond gender, race and religion; and also celebrating diversity in age, personalities, work styles and preferences and skill-sets<br>• Culture informed by our values<br>• Every person has a role to play and an opportunity to help build a better South Africa through doing their jobs well.<br>• We make a difference to employees, their families and our communities through education |
| **Remuneration** | Basic salary, non-guaranteed short-term incentive scheme, fair pay | • Fair remuneration |
| **Benefits** | Medical aid, provident fund, job security, recognition, flexible time/work arrangements | • Fair and competitive benefits<br>• Income security due to our strong financial performance |
| **Development and career opportunities** | Opportunity for advancement, title, personal growth, employment security, training, career paths | • Significant investment in the learning, development and growth of our people<br>• Stable business able to provide sustainable employment |
| **Work content** | Variety, challenge, structure, autonomy, feedback, impact, performance standards, work arrangements | • Meaningful work experience is rich and rewarding, which paves a way for both career advancement and self-fulfilment<br>• Performance-driven culture |

## Actively engaging with our employees

We have adopted the balanced scorecard (BSC) approach (Figure 9) as our philosophy and process to drive a performance culture. Our BSC focuses on four key perspectives flowing from our vision and strategy: financial stewardship; customer and stakeholder satisfaction; organisational capacity building; and internal business process efficiency, which collectively impact on our ability to deliver on Sasria's strategic objectives.

Every employee has an individual performance scorecard, linked to Sasria's strategic objectives and initiatives. Quarterly performance management discussions were held where line management shared progress against our performance targets with employees. Overall Company performance is linked to team and individual performance. Line managers then took responsibility to further discuss overall company performance with their teams, and to provide training, coaching and mentoring where required.

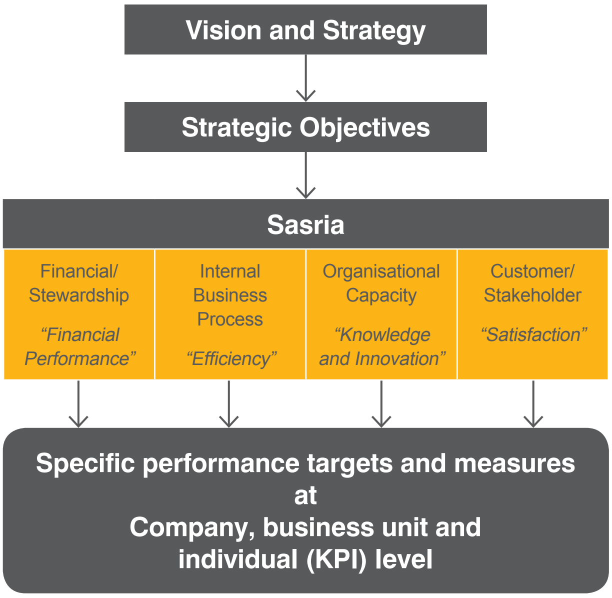



*Figure 9: Sasria's balanced scorecard approach*

During the year ended 31 March 2015, our productivity per employee increased from R26.2 million in 2014 to R27.1 million GWP per employee.

We measure employee productivity (Table 5) by taking the GWP achieved and dividing it by the number of employees, in order to determine the average contribution that every employee makes to Sasria's GWP.

*Table 5: Sasria's productivity measure for years ended 31 March 2015 and 2014*

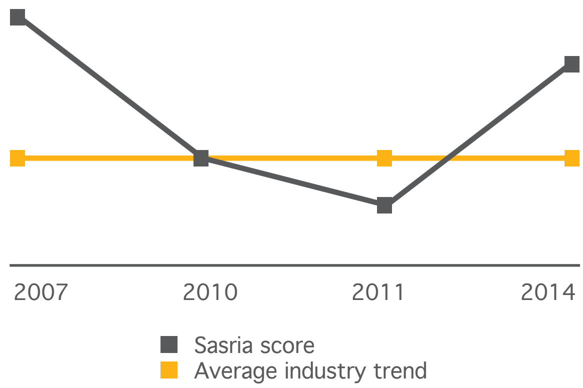
| Productivity measure | 31 March 2015 | 31 March 2014 |
|---|---|---|
| **Gross written premium (R'000)** | 1 522 866 | 1 390 338 |
| **Number of employees** | 56 | 53 |
| **Productivity measure – GWP per employee (R'000)** | 27 194 | 26 233 |

During the year under review we also implemented a communication plan to assist our employees to better understand the Treating Customer Fairly values and practices, so that they can implement the policy in their daily work activities.

We held induction sessions for new employees, although this is a process that we still need to formalise. According to our practice, we conducted exit interviews with every employee leaving our organisation, in order to use the feedback as an input towards improving our people management practices.

We also engage with our employees by asking them for feedback in our annual climate survey. We achieved an overall score of 3.5 out of a total of 5 points for the climate survey in the 2014/2015 financial year (Figure 10). Although we have not managed to achieve the goal we set for ourselves to achieve a 3.9 score in 2014/2015, the overall upward trend since 2011 is being maintained. Sasria's organisational climate is stable and focused on performance and continued learning.

**Year-on-year results**




| | Sasria score | Average industry trend |
|---|---|---|
| 2007 | 3.6 | 3.3 |
| 2010 | 3.3 | 3.3 |
| 2011 | 3.2 | 3.3 |
| 2014 | 3.5 | 3.3 |

*Figure 10: Trends in Sasria's climate survey from 2007 to 2014*

## Sourcing, managing and retaining talent

Effectively managing our talent pool is critical for us, especially considering how lean our Company structure is. However, the skills shortage in the financial and insurance sectors makes this a challenging endeavour at times.

### *Recruitment*

A 16% vacancy rate contributed to the challenge for us to attract key talent. We did not meet our recruitment targets for 2014/15, but towards the latter part of 2014/2015 we had a focused recruitment plan in place.

A total of eight vacancies had not been filled by June 2014, but by 31 March 2015 we had filled seven of the eight vacancies, with the last vacancy put on hold.

### *Training and development*

During the year under review we placed great focus on our training and development strategy.

We launched employee development initiatives and introduced Sasria's new leadership and management development programme, after we had conducted learning and development needs assessments to identify key specialist, leadership and managerial development competencies.

**% spent per race group**

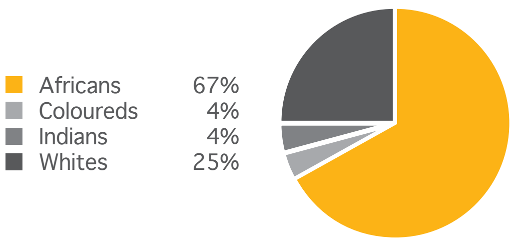



*Figure 11: Learning and development spend per race group*

We also introduced formal training, coaching and mentoring interventions to improve leadership and managerial capabilities.

Sasria spent just over R3.6 million on training and development during the 2014/2015 year, with the largest percentage spend on middle management and professionally qualified employees. A breakdown of our training and development spend is provided in Table 6 and Figure 11, showing the percentage spend per occupational level and race group respectively.

During the performance year, we also introduced a graduate programme, and we are currently developing four interns in the fields of actuarial science, finance, procurement and marketing. We also ensure that we provide them with solid work experience in their respective fields.

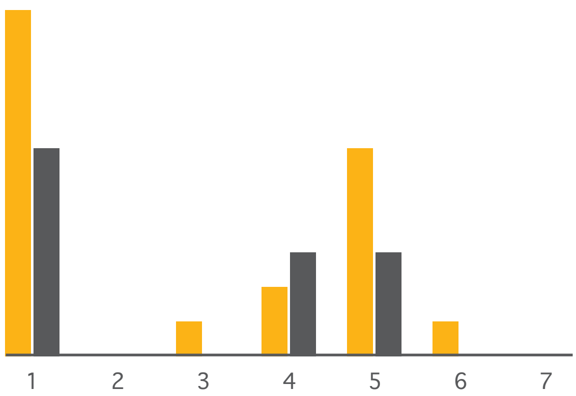
*Table 6: Breakdown of learning and development spend per occupational level*

| Occupational levels | Total amount spent per occupational level | % of total spend |
|---|---|---|
| Top management | R494 431 | 13% |
| Senior management | R938 473 | 25% |
| Middle management and professionally qualified | R1 382 948 | 37% |
| Skilled technically | R517 904 | 14% |
| Semi-skilled | R88 594 | 2% |
| Unskilled | R46 345 | 1% |
| Interns | R112 667 | 3% |
| Persons with disability | R110 731 | 3% |
| **Total** | **R3 692 093** | **100%** |

### *Retention of staff*

Sasria experienced a higher attrition rate (18%) during 2014/2015, slightly above the Sasria agreed target of 10%. We had a total of ten resignations, compared to six in 2013/2014 (Figure 12). Six of these resignations were from the professionally qualified and experienced group of employees, two on the skilled and technically qualified level, one on the semi-skilled level and one on senior management level. The skills shortage in the financial and insurance sectors is a key contributor to our attrition rate.

**Resignations 2014 / 2015**




■ Number of resignations 2014
■ Number of resignations 2015

1 Total
■ 10
■ 6

2 Unskilled and defined decision making
■ 0
■ 0

3 Semi-skilled and discretionary decision making
■ 1
■ 0

4 Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents
■ 2
■ 3

5 Professional qualified, experienced specialists and mid-management
■ 6
■ 3

6 Senior management
■ 1
■ 0

7 Top management
■ 0
■ 0

*Figure 12: Employee turnover in 2014/2015*

## Advocating real diversity and inclusion

At Sasria, we advocate diversity to its fullest extent, going beyond focusing only on gender, race and religion; and also celebrating diversity in age, personalities, work styles and preferences, and skill-sets. Sasria is an equal opportunity employer, and believes that no person should be hampered by any artificial barriers, prejudices or preferences. The only exception is when particular distinctions can be explicitly justified, such as compliance with our country's Employment Equity Act.

### *Diversity in age, personalities, work styles and preferences*

Today's economically active people are diverse in their approach to life and to work, and Sasria, like any other employer, needs to tackle the challenge of balancing the different needs and expectations resulting from the generation gap. A workforce that spans the range from the baby boomers (fifty-something) to Generation Y (twenty-something) demands that diversity management becomes a far more holistic endeavour, since its members have different approaches to work; different views on social issues and communication; different skills, knowledge and experience; and diverse personalities, all of which demand different management and leadership styles.

Looking ahead at future employees, who are now in their teens and are referred to as Generation Z, we need to know what their expectations are if we want to attract the best young talent from this group. This generation, which has grown up in a world filled with political and financial turmoil, is aware that an education is to be treasured, and is keen to make the world a better place. We believe that our EVP is well-positioned to address this expectation and enable us to attract the best young talent in future.

### *Diversity in gender and race*

Sasria complies with the Employment Equity Act of South Africa, and has equitable representation in terms of gender and race in all occupational categories and levels in the workforce (Figures 13 and 14). Our employment equity measures ensure that we meet all the required EE targets as shown in the workforce profile per EE targets (Table 7).

While Sasria is doing very well in terms of black representation, we need to focus on the recruitment of employees with disabilities. As to our diversity composition, we are still under-represented in terms of both Indian and Coloured employees at varying occupational levels, and will increase our recruitment focus in this regard.

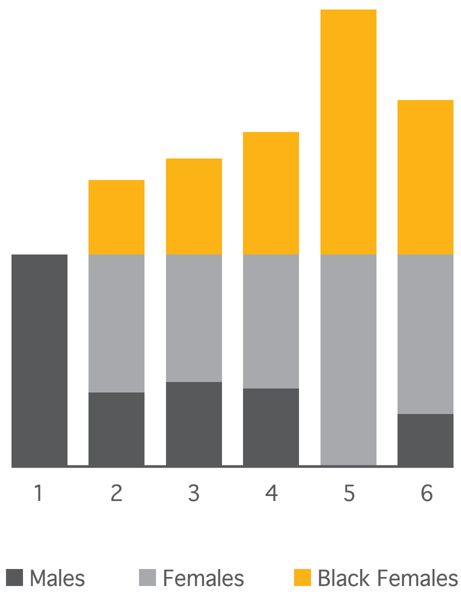
## Offering a conducive and safe work environment

Sasria partners with Careways, a wellness service provider, to assist us in creating a conducive work environment for our employees and to enhance effectiveness in the workplace. Careways has designed its Wellness Programme to assist our employees to cope in today's

*Table 7: Sasria's performance against the Employment Equity Scorecard*

| Employment equity scorecard | | | | |
|---|---|---|---|---|
| **Scorecard item** | **Weighting** | **Target** | **Achieved** | **Score** |
| Black disabled employees as a percentage of all employees | 0.5 | 3.0% | 1.79% | 0.30 |
| Black women disabled employees as a percentage of all employees | 0.5 | 1.5% | 1.79% | 0.50 |
| Black senior management as a percentage of all senior management | 3 | 60.0% | 66.67% | 3.00 |
| Black women senior management as a percentage of all senior management | 2 | 30.0% | 33.33% | 2.00 |
| Black middle management as a percentage of all middle management | 3 | 75.0% | 76.19% | 3.00 |
| Black women middle management as a percentage of all middle management | 2 | 37.5% | 47.62% | 2.00 |
| Black junior management as a percentage of all junior management | 2 | 80.0% | 94.74% | 2.00 |
| Black women junior management as a percentage of all junior management | 2 | 40.0% | 57.89% | 2.00 |

## Gender Representation




1 Top Management
- 100%
- 0%
- 0%

2 Senior Management
- 35%
- 100%
- 135%

3 Middle Management
- 40%
- 100%
- 145%

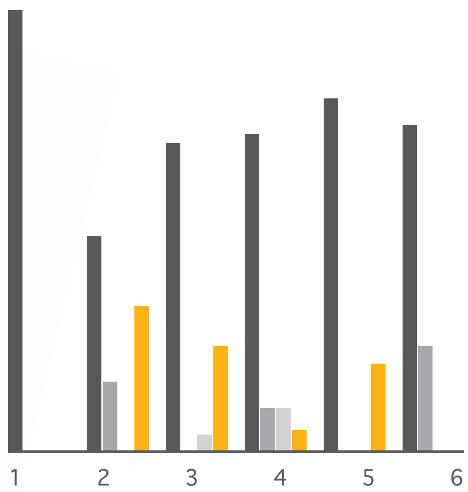
4 Skilled technically and academically qualified workers, junior management, supervisors, foremen and superintendents
- 37%
- 100%
- 158%

5 Semi-skilled and discretionary decision making
- 0%
- 100%
- 215%

6 Unskilled and discretionary decision making
- 25%
- 100%
- 173%

*Figure 13: Sasria's workforce profile in terms of gender*

## Race Representation




1 Top Management
- Africans 100%
- Coloureds 0%
- Indians 0%
- Whites 0%

2 Senior Management
- Africans 49%
- Coloureds 16%
- Indians 0%
- Whites 33%

3 Middle Management
- Africans 70%
- Coloureds 0%
- Indians 4%
- Whites 24%

4 Skilled technically and academically qualified workers, junior management, supervisors, foremen and superintendents
- Africans 72%
- Coloureds 10%
- Indians 10%
- Whites 5%

5 Semi-skilled and discretionary decision making
- Africans 80%
- Coloureds 0%
- Indians 0%
- Whites 20%

6 Unskilled and discretionary decision making
- Africans 74%
- Coloureds 24%
- Indians 0%
- Whites 0%

*Figure 14: Sasria's workforce profile in terms of occupational level*

challenging world, by providing qualified professionals who offer a confidential service towards any issues our employees may have on an emotional, physical, legal or financial level. Our focus is on encouraging the prevention, early identification and resolution of personal and productivity issues, with the assistance of qualified professionals.

During 2014/2015, we also conducted an internal general wellness information session for managers and employees; held the Men and Women Health Indaba, and organised an HIV/Aids awareness session on World Aids Day in 2014. The main focus of this session was on Aids in the workplace.

We also reviewed our organisational structure to ensure a balance in work design and distribution. In ensuring the health and safety of our employees we conduct routine health and safety awareness and induction sessions. Employees are encouraged to identify health and safety risks so that interventions can be developed to create and improve our work environment.

## Employing fair employee practices

Sasria prides itself on being a good employer, and as such we offer our employees fair remuneration and other benefits.

### *Fair remuneration and competitive benefits*

Our basic salaries are benchmarked annually to ensure market compatibility with Rem Channel, PWC and 21 Century within the financial sector and the general market. In addition to benefits related to Sasria's pension contribution (employer and employee); medical aid and medical vitality fringe benefits, we also offer our employees a number of other benefits, such as cover for permanent health insurance; accidental disability; disability protector; dread disease and a funeral benefit. Sasria provides comprehensive risk cover to our employees, especially with additional health cover and cover for disability (Refer to P101). Sasria's leave benefits are competitive and exceed legislative prescription.

We also offer our non-executive employees financial assistance in the form of bursaries, to empower them to help their family members to study. We offer R6 000 per child per annum for dependants on a pre-primary, primary and secondary school level (Pre-school to Grade 12), and R10 000 per child per annum on a tertiary education level. During the year under review, Sasria spent R236 000 on 26 such bursaries, making a difference in the lives of our employees and their families.

## Our history

Sasria was formed in 1979, when the South African government, in cooperation with the South African Insurance Association, established Sasria (then known as the South African Special Risk Insurance Association) as a separate institution to provide insurance cover for special political risks, such as political riots and terrorism, since there was no appetite in the market to provide insurance for these types of potentially catastrophic special risks. Sasria's mandate was extended in 1998 to also provide cover to include non-political perils, such as strikes and labour disturbances. Today, Sasria provides cover for all of these special risks, including civil commotion, public disorder, strikes, riots and terrorism. Since Sasria became a wholly state-owned company in 1998 it is now referred to as Sasria SOC Limited.

# New five-year strategy increases focus on transformation



## Sasria's strategic journey gained greater momentum in the year ended 31 March 2015, with the implementation of our new five-year strategy for the period 2014 to 2019.

Our strategic focus for this five-year period centres mainly on the consolidation of our Company's current position of leadership; on intensifying our efforts to ensure Sasria's sustainable performance; and on accelerating our business transformation journey to remain relevant in the South African market.

We believe that the direction we are taking will allow us to continue to fulfil our legislative mandate, and enable us to deliver more effectively on our strategic transformation mandate, in order to contribute to the growth, development and transformation of the South African economy.

***Sasria, as a state-owned company (SOC), plays a unique role in the insurance industry.***

Sasria, as a state-owned company (SOC), plays a unique role in the insurance industry. In addition to this, our solid performance record and strong financial position enable us to make a meaningful contribution to Government's NDP, which aims to eliminate poverty and reduce inequality by 2030 by growing an inclusive economy, building capabilities and enhancing the capacity of the state (Refer to P51).

## Our key strategic pillars and priorities

Sasria's new five-year strategy for the period 2014 to 2019 rests on eight key pillars or strategic focus areas (Figure 15).

These are:

1. Sustainable revenue growth;
2. Effective capital management;
3. Innovation in products and services;
4. Infrastructure and cost management;
5. Development of people, capacity and capability;
6. Compliance with the regulatory environment;
7. A renewed focus on customer-centricity; and
8. The development of a trusted and visible brand.

Against each of these pillars, which constitute the outcome-oriented goals of Sasria, we have identified one or more strategic objectives as priorities. These form the foundation basis of our five-year strategy:

1. **Sustainable revenue growth**
   - To consistently outperform the industry average in premium growth
   - To improve our current strategic partnerships and establish new ones
2. **Capital management**
   - To ensure compliance with statutory capital requirements and the calculation of an economic risk basis for capital value
   - To target an ROE greater than the government bond yield
3. **Innovation (products and services)**
   - To become a centre of innovation in special risk insurance
   - To develop a clear and pragmatic Africa strategy
   - To establish new business distribution channels
4. **Infrastructure and cost management**
   - To optimally enable business while satisfying regulatory requirements
5. **People, capacity and capability**
   - To attract, retain and develop skills that support our aspirations
   - To maintain a high-performing culture
6. **Regulatory environment**
   - To proactively manage compliance
7. **Customer-centricity**
   - To provide relevant and appropriate products
   - To provide superior service
8. **Brand development**
   - To create a trusted brand that resonates with all our customers

*Our key strategic pillars and priorities form the foundation basis of our new five-year strategy.*

Specific annual key performance indicators (KPIs) have been developed for each of these strategic goals and objectives until 2019 (Refer to P49 and P75).

We have developed seven KPIs that will reflect whether the business plan has been successfully implemented.

In developing Sasria's Corporate Plan and KPIs for 2015/2016, we have considered the following:

- Sasria's mandate, to ensure that we continue to deliver on our mandate;
- Sasria's customers, to ensure that our customers remain at the forefront of our planning and decision-making, as necessitated by the TCF approach, which is required by the FSB;
- Capital adequacy, to ensure that we should always be able to honour our liabilities, as required by the FSB's SAM initiative;
- Risk management, to ensure that we make ORSA the way we manage our business on a day-to-day basis;

- The Strategic Intent Statement from the Minister of Finance; to ensure that we meet our shareholder's expectations and
- Corporate citizenship, to ensure that Sasria continues to support Government's NDP (Refer to P51).


*Figure 15: Sasria's strategic objectives*

# "Sasria's new five-year strategy for the period 2014 to 2019 rests on eight key pillars or strategic focus areas."

## Alignment of our strategic objectives to Government's National Development Plan

Sasria has a dual mandate – a legislative mandate, which is to provide guaranteed insurance for special risks at a reasonable cost and irrespective of the political risk in South Africa, and a broader strategic mandate, like any other business in South Africa, to make a positive contribution to transformation in our industry and our country.

***Sasria proudly contributes to our government's commitment and efforts to accelerate progress.***



Sasria proudly contributes to our government's commitment and efforts to accelerate progress, and to deepen democracy and build a more inclusive society in South Africa, by creating economic wellbeing for all, for the benefit of all South Africans.

The following table (Table 8) indicates the alignment of Sasria's strategic objectives to Government's NDP priorities:

*Table 8: Alignment of Sasria's strategic objectives with Government's NDP*

| Government's NDP priorities | Sasria's strategic objective(s) | Description of our contribution to the NDP |
|---|---|---|
| • **Grow an inclusive economy**<br>• **Create jobs**<br>• **Transformation and unity**<br>• **Enhance the capacity of the state** | **Sustainable revenue growth:**<br>To consistently outperform the industry average in premium growth<br><br>**Capital management:**<br>To target an ROE greater than the government bond yield<br><br>**Regulatory environment:**<br>To proactively manage compliance | **Contributing to the fiscus of South Africa, by:**<br>• Creating income (dividends) for the shareholder, thereby contributing to government revenue for application in any of the NDP priorities; and<br>• Being financially responsible and disciplined as a state-owned company and by delivering our legislative mandate in a highly effective and profitable manner.<br><br>***Sasria is self-funded, requires no financial support or guarantees from Government, has sufficient capital to cover our risks and is well-managed.*** |
| • **Grow an inclusive economy**<br>• **Create jobs**<br>• **Enhance the capacity of the state** | **Sustainable revenue growth:**<br>To consistently outperform the industry average in premium growth<br><br>**Customer-centricity:**<br>To provide superior service | **Ensuring jobs are not lost, by:**<br>• Reimbursing businesses for the loss of income due to business interruptions or damage to assets caused by events related to special risk events; and<br>• Restoring their liquidity or business operations quickly and efficiently.<br><br>***This means we help to ensure that jobs are not lost, that livelihoods are maintained, and that people's pride and dignity are restored.*** |
| • **Grow an inclusive economy**<br>• **Create jobs**<br>• **Fight corruption**<br>• **Enhance the capacity of the state** | **Sustainable revenue growth:**<br>To consistently outperform the industry average in premium growth<br><br>**Regulatory environment:**<br>To proactively manage compliance<br><br>**Brand development:**<br>To create a trusted brand that resonates with all our customers | **Instilling investor confidence, by:**<br>• Demonstrating our reliability and financial strength to act as a guarantee that all claims will be paid to help encourage businesses both locally and internationally to invest in our country; and<br>• Becoming a known and trusted brand, so that local and foreign investors know that their assets can be insured against these special risks.<br><br>***Sasria's trusted guarantee encourages economic growth and has a positive impact on our economy and country.*** |
| • **Expand infrastructure**<br>• **Improve education**<br>• **Transformation and unity**<br>• **Transform urban and rural spaces** | **Sustainable revenue growth:**<br>To consistently outperform the industry average in premium growth<br><br>**Brand development:**<br>To create a trusted brand that resonates with all our customers | **Investing profits responsibly, developing infrastructure, by:**<br>• Encouraging and protecting infrastructure development by providing guaranteed special risk insurance (construction risk);<br>• Investing our profits responsibly to ensure that we remain financially sustainable and are able to respond when South Africa needs us to pay the claims;<br>• Investing in infrastructure development through asset managers;<br>• Investing a portion of our profits in projects targeted at expanding the infrastructure of schools in underprivileged, underdeveloped and rural communities; and<br>• Investing directly in SA infrastructure through the Futuregrowth Infrastructure Bond Fund.<br><br>***Sasria has invested R204.2 million (as at 31 March 2015) in the Futuregrowth Infrastructure Bond Fund.*** |

| Government's NDP priorities | Sasria's strategic objective(s) | Description of our contribution to the NDP |
|---|---|---|
| • Grow an inclusive economy<br>• Transformation and unity<br>• Eradicate poverty<br>• Build capabilities | **Sustainable revenue growth:**<br>To consistently outperform the industry average in premium growth<br><br>**Innovation (products and services):**<br>To become a centre of innovation in special risk insurance and establish new business distribution channels<br><br>**Brand development:**<br>To create a trusted brand that resonates with all our customers | **Affordable short-term insurance for the huge uninsured market, by:**<br>• Contributing to the growth and transformation of the insurance market and financial sector;<br>• Doing research and making affordable short-term insurance protection increasingly available and accessible to the huge uninsured market; and<br>• Educating the end-customer on the benefits of financial inclusion and Sasria's affordable short-term insurance.<br><br>***We are partnering with the industry to establish new business distribution channels so that our product becomes increasingly more accessible to the huge uninsured market.*** |
| • Grow an inclusive economy<br>• Transformation and unity<br>• Build capabilities<br>• Improved education and training | **Sustainable revenue growth:**<br>To consistently outperform the industry average in premium growth<br><br>**Brand development:**<br>To create a trusted brand that resonates with all our customers<br><br>**People, capacity and capability:**<br>To attract, retain and develop skills that support our aspirations | **Developing skills in financial sector to ensure sustainability and transformation, by:**<br>• Investing 4% (above average) after-tax profit in education and development, with a particular focus on specialist skill-sets required in the financial and insurance sectors;<br>• Investing in the financial services sector through the support of the SAADP;<br>• Training and developing Sasria's employees via our talent management strategy; and<br>• Taking in graduates and interns, and developing their skills.<br><br>***We do this as part of doing business as a responsible corporate citizen and to ensure our sustainability by making sure that the skills we will need in the future are cultivated today.*** |
| • Grow an inclusive economy<br>• Create jobs<br>• Transformation and unity<br>• Build capabilities | **Sustainable revenue growth:**<br>To consistently outperform the industry average in premium growth<br><br>**People, capacity and capability:**<br>To attract, retain and develop skills that support our aspirations<br><br>**Regulatory environment:**<br>To proactively manage compliance | **Contributing to economic empowerment and transformation, by:**<br>• Helping to expand the infrastructure of schools in under-developed and rural communities;<br>• Investing with BEE investment managers;<br>• Applying these principles in our procurement policies and practices; and<br>• Applying these principles in our employment policies and practices.<br><br>***Our commitment and contribution to economic empowerment and transformation is evident in a number of ways and an integral part of how we do business.*** |

## Our strategic planning and management process

Sasria follows a robust strategy planning and review process (Figure 16). The process, designed to align with the annual public sector timetable for planning, includes the following elements and stakeholders:

- We perform research and do environmental scanning;
- The Board develops its strategic direction. Our Board includes a non-executive director from National Treasury, representing our shareholder, as well as non-executive directors from the private sector insurance industry and executive directors;
- Our executive team develops a strategic plan, using the outputs of the Board's strategy planning session as input. All senior managers and departmental heads participate;
- Sasria's management teams review the strategic plan and use the outputs of Exco's strategy session as input for their operational planning. The management review and planning process has historically been integrated into the Exco strategy development process, but these elements have now been separated into their strategic and operational components to enhance focus;
- The strategic plan, with agreed key performance indicators (KPIs) linked to the strategic objectives, is implemented; and
- Operational performance against the strategic plan is constantly measured and remedial actions are instituted when needed. We review and report on our progress against the set targets on a quarterly basis.


*Figure 16: Sasria's strategy planning and review process*

# Sasria accelerates its business transformation journey

## Our Chairperson's report:

"Fulfilling our legislative mandate well enables us to better deliver on Sasria's strategic transformation mandate, and so contribute to the growth, development and transformation of South Africa."

*Adam Samie, Chairperson of the Board*

It is an honour for me to present our stakeholders with Sasria's fourth integrated report, with the theme "Our business transformation journey". This report focuses on our Company's performance during the year ended 31 March 2015, and provides a more holistic and integrated overview of our progress against Sasria's new five-year strategy for the period 2014 – 2019.

Our strategic focus for this five-year period centres on three objectives – consolidating our Company's current position of leadership; intensifying our efforts to ensure Sasria's sustainable performance; and accelerating our business transformation journey to remain relevant in the South African market. We believe that the direction we are taking will allow us to continue to fulfil our legislative mandate, and enable us to deliver more effectively on our strategic transformation mandate, in order to contribute to the growth, development and transformation of the South African economy.

Sasria's performance against the set targets for 2014/2015 was excellent, despite the economic challenges and a substantial increase (54%) in claims (Refer to P11).

These results demonstrate that we are on track to consolidate Sasria's position as a well-managed and profitable company. This report also highlights the good progress we have made – and continue to make – in terms of our efforts to improve our governance framework in order to remain a responsible corporate citizen and earn our stakeholders' trust.

***Sasria's performance against the set targets for 2014/2015 was excellent, despite the economic challenges.***

During the period under review, we debated and clearly defined our dual mandate. With the direct link made between the effective delivery of our legislative mandate and our ability to deliver on our strategic transformation mandate, we were able to outline Sasria's contribution to Government's NDP more succinctly (Refer to P51). Our transformation journey is only in its beginning stages, but we are committed to accelerate our efforts in this regard. As such we have identified six key areas to focus on. Allow me to briefly outline each of these.

"Our strategic focus for this five-year period centres on three objectives – consolidating our Company's current position of leadership; intensifying our efforts to ensure Sasria's sustainable performance; and accelerating our business transformation journey to remain relevant in the South African market."

## Placing our customers at the centre of what we do

Our main focus area for transformation here is on making sure that we continue to have and to build cooperative relationships with our customers, since Sasria's sustainable performance is dependent on them. Our customer transformation initiatives centre on developing a relevant product, improving our claims processes and turnaround times, becoming more accessible to our current customers and enhancing customer satisfaction.

Because of our business model, these objectives are integrally tied to the quality of the relationships we have with our stakeholders (Refer to P28). Our NMIs promote the value of Sasria's product and sell it on our behalf. We have a proven and successful long-term business track record with our NMIs, and we continue to rely on their cooperation and support. In a similar fashion, we are also dependent on our other stakeholders to be able to deliver effectively to our customers. This includes our employees, since it is their skill and dedication that help us maintain our lean business model, which in turn enables us to keep costs down for our end-customers, whether individual, commercial or corporate.

To maintain and grow trusted long-term relationships with our NMIs, employees and other stakeholders, our transformation initiatives in this regard will focus on investing in new ways to bring even more efficiency and transparency to our business and to add value to the industry. In particular, our focus is on using stringent governance measures to safeguard standards, increasing accountability and ensuring that customers are treated fairly. While we still have a way to go on this journey, we have made good progress in this regard and are on track to meet all the deadlines.

## Becoming more accessible, especially to the poorest of the poor

We are working very hard at finding more efficient ways to be more available and accessible to all our stakeholders (distribution channels, end-customers). As part of an ongoing initiative, Sasria is making good progress in managing its relationship with the NMIs who also serve as our distribution channel, as is evident from the special award for exceptional support and service that we received from the Financial Intermediaries Association in 2014 (Refer to P36).

However, we still have some work to do to become more accessible to our end-customers, particularly the uninsured market in our country. These are the most vulnerable people, who currently do not have any, or at least very limited, insurance protection.

Over the last few years, the highest number of victims of events such as strikes, service delivery protests, public disorder and xenophobic attacks, as well as the random acts of criminality that inevitably follow incidents like these, have been the poorest of the poor. These are the people who could ill afford to pay the price to replace the assets – meagre as these may be – that they have lost as a result of these events. Sasria, and indeed our entire industry, needs to do more to find ways to extend its reach to include those people in our society who are financially most vulnerable. Together with our NMIs, we continue our endeavours to make this happen.

*We are working hard at finding more efficient ways to be more available and accessible to all our stakeholders.*

## Building a trusted, well-known brand

A critical factor in enhancing our transformation efforts is related to the enhancement of the Sasria brand. We want to move from being a relatively unknown brand to becoming a familiar, well-known brand. This will enable us to increase awareness and understanding of what Sasria offers to all people and entities that have assets in South Africa, so that they will choose to make use of our affordable insurance cover against special risks. We are escalating our efforts to increase our visibility in the market and to become a trusted brand, since our long-term sustainability and capability to continue to perform is reliant on earning our stakeholders' trust and support.

"As a state-owned entity, we don't exist primarily to make profits, but to have a positive social impact."

## Developing skills and building capacity in the financial sector

Developing skills and building human capacity is central to any successful transformation endeavour. Internally, we continue to invest in the training and development of our employees, as well as in continued wellness initiatives.

Externally, we focus on developing skills and building capacity to contribute to transforming our industry and the financial services sector, in line with our government's NDP. One such example is our contribution to the South African Actuaries Development Programme. To date, we have invested over R50 million in the development of new actuaries. Since its inception, this programme has produced 180 graduates, 18 of whom have qualified as actuaries. This includes the 140 graduates and 13 actuaries in 2014. Sasria also awarded R13 million in the 2014 academic year to 32 students for their studies, mainly within finance faculties, and we have a successful graduate placement programme in place.

## Making economic empowerment and transformation core to all our activities

The key focus areas here are related to our commitment and contributions to SMME development; the development and implementation of a B-BBEE scorecard and charter (in line with the financial services charter); and our increased efforts towards insuring the uninsured.

During 2014/2015, we invested R21.7 million in underprivileged areas through our CSI initiatives. Our main focus here was on contributing to improving education and training, particularly in finance, in alignment with our government's NDP.

## Helping to grow an inclusive and transformed financial sector

In addition to our progressive skills development in helping to transform the financial services sector, we believe that one of the most critical factors to grow and transform the financial sector in South Africa with far-reaching impact, is to improve the level of financial inclusivity through being able to offer relevant and affordable insurance to those currently uninsured.

*Real transformation is not about black and white. It is about what we are doing to help change the conditions in South Africa, and so improve the circumstances of all South Africans.*

In the year under review we identified this as a material issue. We continue our efforts to research and develop relevant products, additional distribution channels and other mechanisms, in order to be able to more effectively reach this underserviced market. Our community campaigns and financial literacy programmes will receive closer attention in the new financial year as a consequence.

Through Sasria's substantial CSI investments in improving education and training, aimed specifically at the financial sector, we continued to contribute to the transformation of the financial sector during 2014/2015. We further added

> "Our company's financial stability enables us to deliver on our transformation mandate."

to the transformation of this sector through our accepted practice to outsource the bulk of Sasria's investments to independent external B-BBEE investment managers. During the year ended 31 March 2015, 70% of our investments (just over R3.4 billion) were placed with Level 2 B-BBEE asset managers, with 30% (just over R1.4 billion) with investment managers with a Level 3 B-BBEE rating (Refer to P68 and P69).

## Our transformation journey continues

Going forward, we will continue to consolidate our solid performance and strong financial position, as well as to enhance our focus on governance and sustainability concerns.

However, we are passionately committed to accelerate our business transformation journey, improve our ability to deliver more effectively on our strategic transformation mandate, and help our country to grow and become a better place for all.

In particular, we want to intensify our efforts to become part of the dynamic network of commercial entities that provides access to the most humble and most vulnerable people in South Africa who feel alienated by current practice within the insurance industry.

## My sincere appreciation

I congratulate the Sasria team on achieving an excellent set of results in this first year of our new five-year plan for 2014 – 2019. In most instances, the outcomes exceeded expectations. Thank you. It is a privilege to work with such a committed team of people.

Once again, I thank our stakeholders, NMIs and brokers, without whom we would not be able to maintain our lean business model.

It is my hope that we will continue to work well together, not just to do business as successfully as we have done in the past, but to find new ways in which to do it so that we can all contribute to the noble cause of helping to grow and transform our country, to the benefit of all her people.

I gratefully acknowledge and thank the Honourable Minister of Finance, Mr Nhlanhla Nene, for his guidance and support, and express my appreciation for the support of his team at National Treasury.

I thank all the members of the Sasria Board for their tireless efforts to guide Sasria to deliver on its dual mandate. I value your support and contribution to our discussions.

To the Executive Committee, under the guidance of Managing Director, Cedric Masondo, and the team at Sasria – I thank you all sincerely for your commitment and work ethic, as well as for your passion to make a difference to our country. It is your hard work which makes it possible for us to achieve these results.

**Adam Samie**
Chairperson of the Board
6 August 2015

# Sasria strengthens its performance track record

In this section, we look at Sasria's performance during the year ended 31 March 2015. Our Managing Director sets the scene for our Company's performance during the period under review, and our Financial Director adds more information regarding Sasria's financial performance.

We then provide a detailed account of our performance against the set targets for the year under review, and conclude this section with the targets we have set for the next year, ending 31 March 2016.

*Cedric Masondo, Managing Director*

# Consolidating Sasria's solid financial position and increasing transformation focus

## An interview with our Managing Director, Cedric Masondo

### Q: What role does Sasria play in the financial and insurance industry?

As a state-owned entity our Company plays a unique role in the industry. We are the only short-term insurer that provides cover, as we have been doing for the past 36 years, to protect the assets of individuals, businesses and government entities in South Africa against special risks such as civil commotion, public disorder, strikes, riots and terrorism. Some of these risks have the potential to cause damage or losses of a possible catastrophic nature. These special risks are not covered by the rest of the insurance industry.

However, we definitely believe that by fulfilling our legislative mandate well, we also make a positive contribution to the industry and to our country. We have endeavoured to sketch the manner in which we further our government's initiative to grow, develop and transform South Africa, for the benefit of all her people, in this year's integrated report (Refer to P51).

### Q: What was your main focus for Sasria in the 2014/2015 financial year?

This financial year saw the implementation of our Company's new five-year strategy, for the period 2014 to 2019. As such, my executive team and I placed a firm focus on meeting the first priority of Sasria's strategy, namely to consolidate our Company's current position of leadership.

When I look at our financial results, as well as the number of KPIs that we either exceeded or met, I am satisfied that we managed to further strengthen Sasria's sustainability and position in the market place (Refer to P71).

However, under the guidance of our Chairperson and the rest of the Board, we also made good progress this past year to accelerate our business transformation journey in order to remain relevant.

### Q: Why the increased focus on transformation?

We believe that when we fulfil our legislative mandate well, we are able to make a positive contribution to the industry and our country. I believe that is the role that any business in South Africa should play.

Every company that wants to be able to continue doing good business and achieve good profits in the long term needs to contribute to helping South Africa deal with the social and economic challenges we face today. This is the only sustainable way in which to ensure that we help create an environment where all of us – including the customers and employees we will need in the future – can flourish and grow.

In our efforts to improve the impact that Sasria has, we have started on a journey to transform and enhance our business operations. That is our first priority. We know that, by delivering on this and by ensuring that we go about our business in a responsible and disciplined manner, we will achieve the ultimate outcome of making a positive impact in our industry and in our country.

### Q: Let's talk about Sasria's performance for the year under review. What would you describe as the highlights?

I would definitely see our financial performance for this period as a highlight. We have achieved R834.1 million net profit before tax; we have a strong balance sheet; we have increased our solvency ratio by 9%, which means it now stands at 1 334%; and we have sufficient cash flows to meet our policyholders' obligations. This means that we continue to be in a position where we can pay the claims when South Africa needs us.

The second highlight for me would be that we outperformed the industry average in premium growth by 1.4%. Although Sasria is a state-owned company, my team and I regard the Company first and foremost as a business which needs to be well-managed and well-governed, just like any other business in the private sector, because we want to return great value to our shareholder. That is why we always look to compare Sasria with best practices in the insurance industry, both local and international, instead of benchmarking our performance against other SOCs. This approach benefited us greatly. In the financial year under review we paid a R205.7 million dividend to Government as our shareholder.

Other highlights for me include the fact that we have increased our gross written premium by 9.5% to R1.52 billion; that we have investment income of R389.7 million (7.1% return) and that we have R5.8 billion assets under management.

***We regard CSI initiatives as a crucial business tool in helping us to ensure our own long-term sustainability.***

I would also regard the fact that we have decreased our management expense ratio by 4.7% as a highlight, particularly since it proves our commitment to adhere to the cost containment measures that National Treasury put in place for all state-owned entities.

However, a personal key highlight is the fact that Sasria has spent just over R23 million to help improve education and training in South Africa, particularly in order to contribute to addressing the critical skills shortage in the financial and insurance sectors, and to increase financial literacy. In total, 90% of our corporate social investment spend of R21.7 million is allocated to education and training initiatives. We also invested R3.6 million in learning and development initiatives aimed at our employees.

"In our efforts to improve the impact that Sasria has, we go about our business in a responsible and disciplined manner."

## "We need to focus on transforming our business operations as well as to contribute to the transformation of the financial and insurance sectors, in order to deliver on our broader strategic transformation mandate, which is to help transform South Africa, to make it a better place for all."

We regard CSI initiatives as a crucial business tool in helping us to ensure our own long-term sustainability. By contributing to the eradication of the skills shortage in our industry, we are making sure that the employees that we will need tomorrow are being developed today.

### Q: And the lowlights?

Like any other business in South Africa, Sasria felt the impact of the difficult economic climate. While we exceeded our budgeted net profit before tax, we saw a decline of 11.6% in the year under review.

The challenges brought about by the volatile labour environment and the socio-economic climate also had an impact on our ability to meet one of our set KPIs, related to the reduction in the internal claim turnaround time.

We saw an overall increase of 54% in our claims frequency, as well as a 25% increase in the severity of our claims. The biggest driver of this increase in claims was labour strikes, followed by service delivery protests (Refer to P11).

This again brings me back to the point I made earlier – every business and every individual needs to help address the socio-economic challenges facing our country, if we want to be able to improve our own, and therefore also our country's, growth and financial stability.

I need to mention one other lowlight, which is our staff turnover during this period. We had a turnover of 18%, which is above the industry standard of 15%. In order to put greater focus on creating an excellent work environment for our employees, we moved the human capital (HC) function from the Business Support division, and created a stand-alone HC division. We appointed an Executive Manager for this position in December 2014, and are already seeing the benefits flowing from this.

### Q: Describe Sasria in five words.

Solid. Responsible. Disciplined. Professional. Proudly-South-African.

**Cedric Masondo**
Managing Director
6 August 2015

# Our Finance Director's report

## Basis of financial reporting

The financial statements for the year ended 31 March 2015 were prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee, effective as at 31 March 2015.

There were no significant changes to our accounting policies during the period and the financial statements therefore provide comprehensive information regarding the Company's assets, liabilities, income and expenditure. In addition, detailed background has been provided on the recognition and measurement of insurance contracts and insurance and financial risks.

## Financial overview

Sasria achieved net profit before tax of R834.1 million (2014: R944.0 million). These solid results were driven by positive net underwriting results of R467.6 million and net investment returns of R366.3 million.

Sasria's balance sheet remains strong, providing a concrete base from which to achieve our strategic objectives. Cash generated from operations increased to R721.5 million (2014: R557.5 million). Sasria achieved a return on equity of 12.6% (2014: 15.7%). Tables 9 and 10 present a summary of key figures and ratios.

*Table 9: Extracts from the statement of comprehensive income: comparison 2013-2015*

| Statement of comprehensive income | 2015 | | 2014 | | 2013 |
|---|---|---|---|---|---|
| | R'000 | % change | R'000 | % change | R'000 |
| Gross insurance premium written | 1 522 866 | 9.5 | 1 390 338 | 13.6 | 1 223 530 |
| Insurance premiums ceded to reinsurers | (140 994) | 11.4 | (126 573) | (65.1) | (362 476) |
| Investment income | 389 755 | (12.0) | 443 109 | 9.0 | 406 616 |
| Net insurance claims | (440 559) | 43.8 | (306 382) | (39.6) | (507 433) |
| Share of profit/(loss) of associate | – | (100.0) | 4 860 | (125.9) | (18 752) |
| Profit before tax | 834 140 | (11.6) | 944 039 | 95.7 | 482 432 |
| Key ratios (percentage) | | | | | |
| Administration and marketing expense ratio | 21.9 | (4.7) | 23.0 | (15.9) | 27.3 |
| Operating ratio | 40.6 | (26.8) | 55.5 | (43.4) | 98.0 |

*Table 10: Extracts from the statement of financial position: comparison 2013-2015*

| Statement of financial position | 2015 | | 2014 | | 2013 |
|---|---|---|---|---|---|
| | R'000 | % change | R'000 | % change | R'000 |
| Total assets | 6 058 898 | 10.6 | 5 478 731 | 7.4 | 5 101 365 |
| Total equity | 5 051 622 | 8.7 | 4 646 716 | 14.2 | 4 068 074 |
| Total liabilities | 1 007 276 | 21.1 | 832 015 | (19.5) | 1 033 291 |

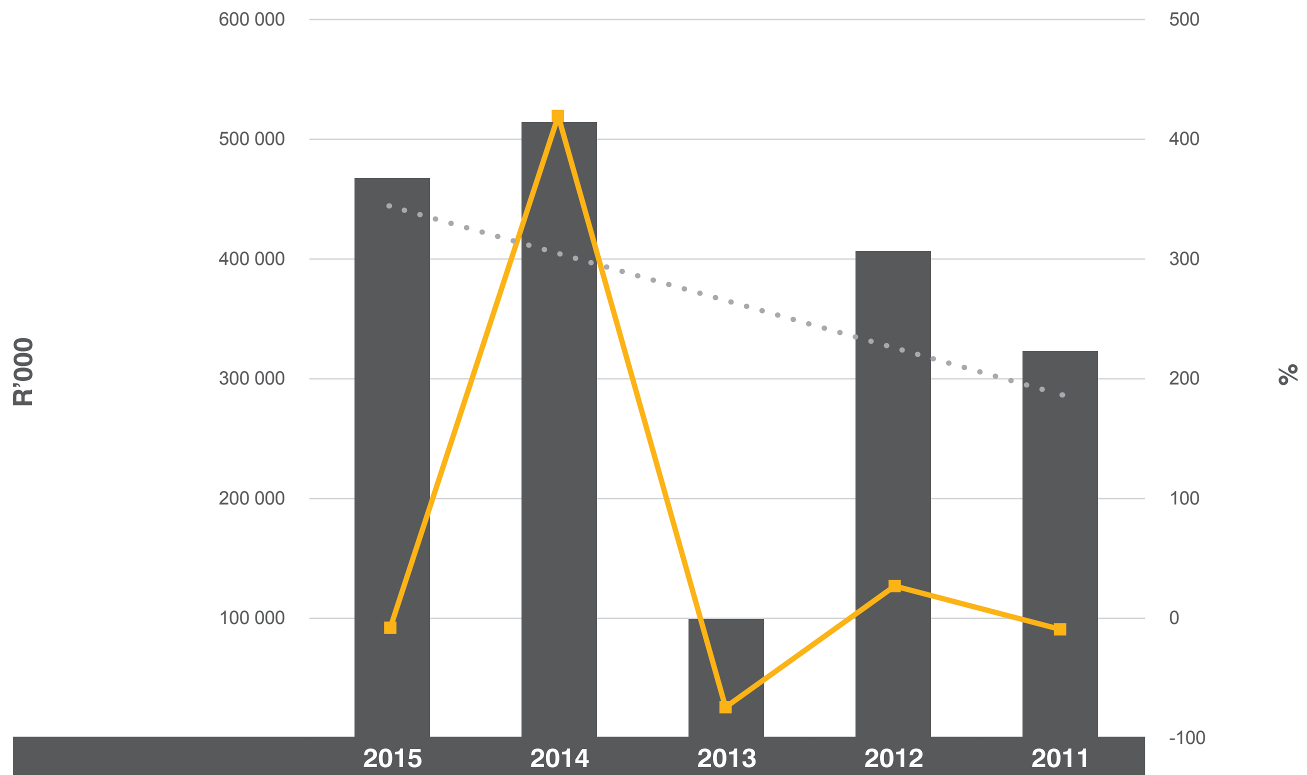
## Economic environment

South Africa's economic growth has been weak; GDP at market prices for the first quarter of 2015 increased by only 2.1% compared with the first quarter of 2014. The low interest rate environment continued, with a 0.25% increase in the repo rate during the year.

These tough economic conditions, coupled with a marked weakening of the rand, have provided a challenging economic environment.

## Underwriting performance

The underwriting results have declined marginally compared to the same period last year, as depicted in Figure 17. The slightly lower underwriting performance can be attributed to slower premium growth of 9.5% (2014: 13.6%) and a 66.8% increase incurred in gross claims. The underwriting performance for the past financial year is analysed below.




| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Underwriting Results | 467 632 | 514 476 | 99 064 | 406 449 | 323 143 |
| Y-o-Y Movement | -9.1% | 419.3% | -75.6% | 25.8% | -10.4% |

*Figure 17: Underwriting results (2011–2015)*

Table 11 details Sasria's insurance activities expressed as a percentage of net earned premium. In 2015, 32.4% of net premiums earned was applied to claims, which is an increase of 26.6% over 2014. This was due to an increase in the frequency and severity of claims. The net cost of acquisition increased notably due to an increase of 1% in commission paid to brokers and the effect of the change in Sasria's reinsurance strategy during 2014. Administration and marketing expenses were maintained at an acceptable level. The insurance activities are discussed in more detail below.

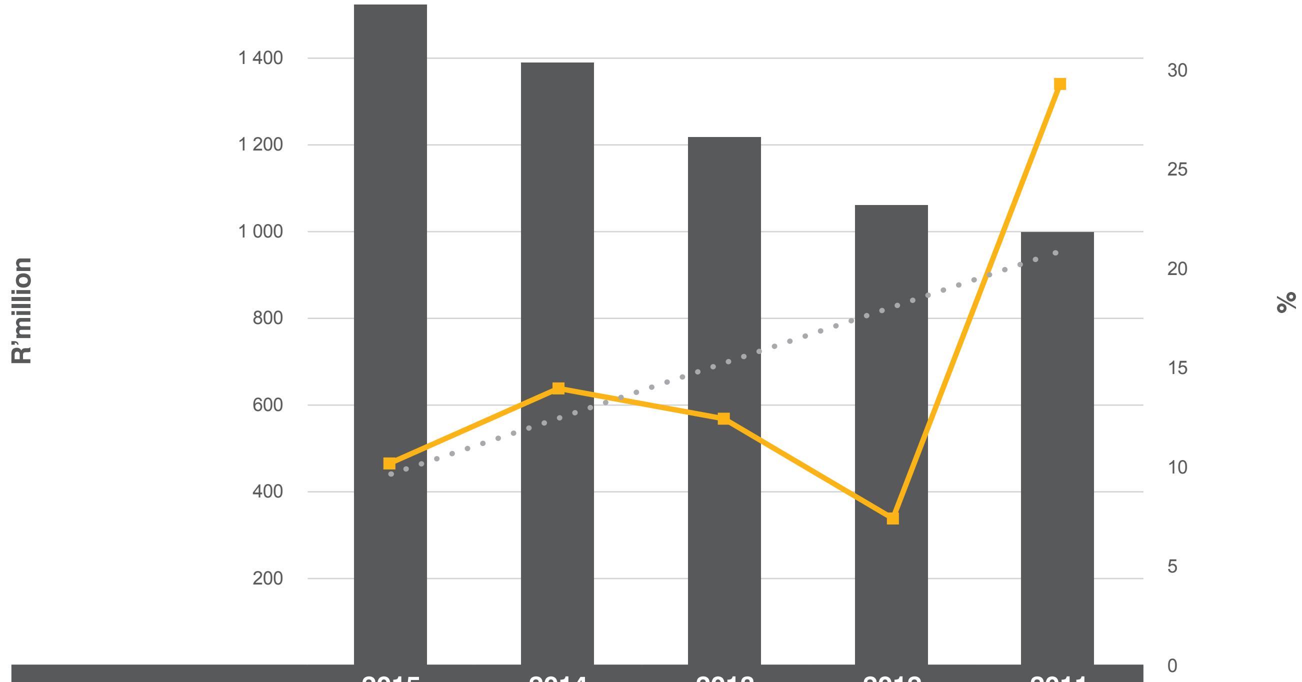
*Table 11: Summary of insurance activities as a percentage of net premiums earned (2011–2015)*

| **Insurance activities** | **2015 %** | **2014 %** | **2013 %** | **2012 %** | **2011 %** |
|---|---|---|---|---|---|
| **Insurance activities** | | | | | |
| Net claims paid and provided | 32.4 | 25.6 | 61.1 | 27.6 | 27.8 |
| Cost of acquisition | 33.2 | 31.2 | 27.0 | 18,1 | 18.5 |
| Net commission paid | 11.2 | 8.2 | (0.3) | (9,8) | (14.1) |
| Management expenses | 21.9 | 23.0 | 27.3 | 27,9 | 32.6 |
| Combined ratio | 65.6 | 56.8 | 88.1 | 45,7 | 46.3 |
| Underwriting result | 34.4 | 43.2 | 11.9 | 54,3 | 53.7 |
| Earned premium | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

## Gross written premium

Sasria successfully focused on growing its top line this year and is satisfied with the premium growth of 9.5% achieved during the year under review (Figure 18). The growth in GWP can be attributed to the successful implementation of the customer relationship management team's plan for the year, targeted marketing initiatives and active sales of the Sasria Wrap product.

Despite industry trends, Sasria enjoyed an annual average compound growth rate of 8.5% over the past five years. Although the actual rand value of premium income has grown over the past five years, there is a decreasing trend in percentage premium growth.




| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Actual | 1 522 866 | 1 390 338 | 1 223 530 | 1 087 133 | 1 010 915 |
| % Growth | 9.5% | 13.6% | 12.5% | 7.5% | 28.7% |

*Figure 18: Percentage increase in GWP*

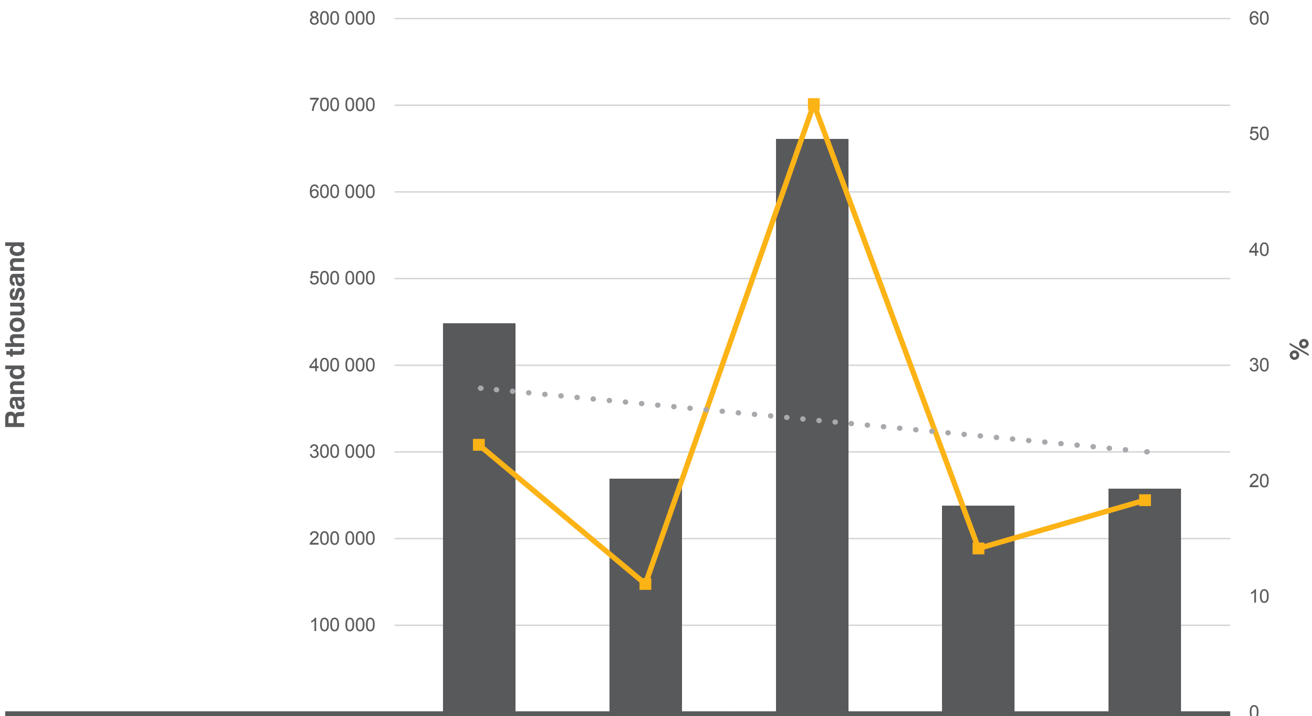
Table 12 provides a summary of Sasria's insurance activities spread over various classes of business. There was good growth in all classes of business, with the exception of the Guarantee class; the decline in this class can be attributed to the state of the economy. Sasria targeted and achieved significant growth in its Transit (41.4%) and Sasria Wrap (29.7%) products during the year under review.

*Table 12: Summary of classes of Sasria insurance activities*

| **Class of business** | **2015** | | **2014** | | **2013** |
|---|---|---|---|---|---|
| | **R'000** | **% change** | **R'000** | **% change** | **R'000** |
| Engineering | 64 294 | 12.5 | 57 140 | 22.5 | 46 643 |
| Property | 1 187 391 | 9.1 | 1 088 337 | 14.6 | 949 771 |
| Transportation | 17 761 | 41.4 | 12 562 | 16.2 | 10 813 |
| Guarantee | 1 255 | (52.8) | 2 662 | (25.8) | 3 586 |
| Miscellaneous | 5 712 | 14.0 | 5 012 | 0.2 | 5 004 |
| Motor | 246 452 | 9.7 | 224 625 | 8.1 | 207 713 |
| **Total** | **1 522 866** | **9.5** | **1 390 338** | **13.6** | **1 223 530** |

## Claims activity

The loss ratio as at 31 March 2015 was 28.6% (2014:18.8%), as shown in Figure 19. The gross loss ratio is displaying an increased trend. The number of claims received for the year ended 31 March 2015 increased by 54% compared with the same period last year (32%) (2015: 2 349 claims vs. 2014: 1 525 claims) and the claims severity increased by 25%. Approximately 81% of these claims emanate from strike and labour disturbances and 19% from non-political riots, which include service delivery protests, xenophobia and taxi violence.




| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Gross Insurance Claims | 436 222 | 261 524 | 644 160 | 231 402 | 250 183 |
| Gross Loss Ratio | 28.6% | 18.8% | 52.6% | 21.3% | 24.7% |

*Figure 19: Loss ratios for 2011–2015*

## Investment income

Investment income consists of interest and dividends together with realised and unrealised investment gains and losses. The relative contribution of each category to Sasria's overall investment income is outlined elsewhere in this report (Refer to note 19 on P165).

The actual return achieved for the year ended 31 March 2015 was 7.1% (2014: 9.1%), compared to a year-on-year inflation figure of 4.0%. Bonds, money market and cash investments performed in line with expectations. Listed equities performed in line with the market except for a few active positions that were held in resource companies (Refer to note 8 on P151).

The majority of Sasria's investments are in short-term instruments in order to accommodate operational needs related to the nature of its business (Refer to note 4 on P135). Sasria monitors its investments from an asset/liability matching perspective, which in turn ensures sufficient funds are available to meet our Company's insurance liabilities and that the shareholder's fund is not unduly exposed to investment risk.

The composition of Sasria's total investments remained largely unchanged, except for the sale of the remaining assets left in our associate company, the AloeCap BEE Private Equity Trust (Refer to note 7 on P151 and note 12 on P161).

The bulk of Sasria's investments are outsourced to independent external investment managers under pre-determined mandates as per Sasria's investment policy. Refer to Figures 20 and 21 for a summary overview of our funds invested in relation to the investment managers' B-BBEE ratings. In total, Sasria has R5.8 billion assets under management.

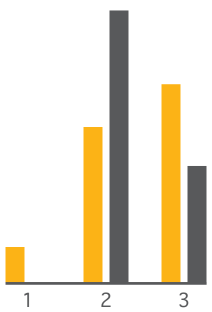
The overall performance against and adherence to mandates by investment managers is monitored and tracked by Sasria's Finance Director, an internal manager and an independent investment consultant who reports to the Investment Committee. The mandate guidelines, comprising a combination of various benchmarks such as CPI, SWIX and SteFi, include performance objectives, market risk limitations including duration, asset allocation, credit and exposure limitations, use of derivative instruments and compliance with the relevant FSB regulations.

Sasria is committed to responsible investing and is one of only five asset owner signatories to the Principles of Responsible Investing (PRI) in South Africa. During the period under review, Sasria again participated in the PRI reporting and assessment pilot process. Sasria's performance improved substantially and we achieved an exceptional rating when compared to our Company's peers. The PRI assessment report is designed to provide feedback to signatories to support ongoing learning and development. This year's assessment report and associated methodology was still in its pilot phase (year two), and is still subject to change through consultation with all the signatories.

Our investments are only outsourced to independent external investment managers who are signatories to the PRI. Sasria has an understanding of all our asset managers' responsible investing policies and practices and it remains a standing agenda item at annual operational due diligence meetings.

Sasria is continuously improving its policies and processes pertaining to responsible investing and has requested our asset consultant to perform an ESG (environmental, social and governance) benchmarking exercise for the year ended 31 March 2014, to determine a baseline for measuring our performance during the year ended 31 March 2015. The assessment is based on the scoring methodology applied by MSCI (intangible value

**% of funds invested**




2014
2015

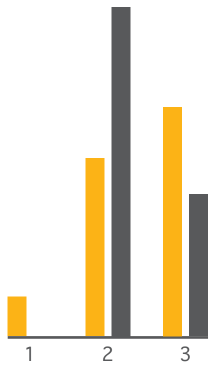
1 Level 1
9%
0%

2 Level 2
40%
70%

3 Level 3
51%
30%

*Figure 20: % of funds invested in relation to investment manager B-BBEE ratings*

**Rand value of funds invested**



2014 (R'000)
2015 (R'000)

1 Level 1
408 928
0

2 Level 2
1 847 676
3 418 998

3 Level 1
2 380 932
1 473 956

*Figure 21: Rand value of funds invested in relation to investment manager B-BBEE ratings*

assessment) – other scoring methodologies may produce different results – and 87% (2014: 97%) of the portfolio was covered by ESG ratings. The difference is due to changes in the asset managers' stock selections where, in 2015, 13% of the total portfolio comprised cash and small caps which are not rated. The results of this assessment are shown in Table 13. Sasria will continue to measure and monitor this with the aim of improving our rating.

*Table 13: Portfolio ESG level score (maximum 10)*

| | 31 March 2015 | 31 March 2014 |
|---|---|---|
| Environmental | 5.70 | 5.58 |
| Social | 4.34 | 4.46 |
| Governance | 6.40 | 6.84 |

*Overall ESG score on a scale of 1 – 10, with 1 being very poor and 10 being excellent.*

The changes in the weighted ESG scores shown in Table 19 have been relatively minor. The portfolio has seen a slight improvement in its environmental profile, with small deteriorations in its social and governance profile.

## Cash flow

Our Company's operating activities generated R721.5 million in cash for the year (2014: R557.5 billion), with the significant increase due to a decrease in the value of claims settled during the financial year and an increase in the net cash generated by investments.

## Regulatory solvency and capital requirements

### *Capital management*

Sasria's capital management philosophy is to maximise the return on our shareholder's capital within an appropriate risk management framework and to ensure that our policyholders' assets are protected against special and catastrophic risks.

Management will continue to monitor Sasria's solvency levels and required solvency range in light of industry changes and regulatory requirements.

Sasria is committed to efficient capital management and a decision was taken by the Board to maintain an appropriate level of capital with the balance of the required capacity being made up of reinsurance in line with the Company's risk appetite (Refer to P95).

The Company remains in a healthy solvency position as per the current regulatory requirements, with a solvency ratio of 1 334% (Refer to P98).

### *Dividend*

In this financial year, Sasria paid a dividend of R205.7 million (2014: R107.2 million) to our shareholder. Sasria's dividend payments are made within the context of the Company's capital management policy and are in line with its dividend policy.

### *Risk management*

Sasria is exposed to several financial and other risks, namely market risk, credit risk, insurance risk, liquidity risk, operational risk, legal risk and risks associated with the management of capital.

The potential impact and management of these risks are discussed in the risk management section and also in the annual financial statements included in this report (Refer to P99).

### *Outlook*

Global growth started 2015 off on an uncertain footing as a sharper than expected slowdown in growth in China, combined with a weather-induced slump in the US, weighed on global economic activity.

> *From an earnings perspective, Sasria remains focused on premium growth and its endeavours to grow premium income in excess of industry growth.*

In the case of South Africa the short-term outlook is for real GDP growth to pick up marginally in 2015. The continued recovery in the mining and manufacturing sectors after the strike-affected first half of 2014 should support growth to some extent. However, infrastructure bottlenecks (mainly electricity), subdued private sector fixed investment and muted growth in consumer and government consumption spending means that a meaningful acceleration is not on the cards in 2016.

Against this backdrop, the rand is projected to lose further ground against the US dollar over the forecast horizon. The impact of the slight upward adjustment to the oil price and the significantly weaker projected path for the rand exchange rate is most visible in the consumer inflation forecast.

Against the backdrop of higher oil prices and a weaker rand, as well as higher than anticipated electricity tariff increases and accelerating food inflation, CPI inflation is now forecast to average 5% and 6.4% in 2015 and 2016 respectively, compared to the previous forecast of 4.2% and 6%.

The outlook for the South African economy over the medium term is not very inspiring, despite some improvement predicted from 2017 onwards. Real economic growth is only projected to breach the 3% level by 2020, averaging only 2.6% for the six years from 2015 to 2020.

This follows primarily from the continued restraining impact of electricity supply, low business confidence and consequently private sector fixed investment and (deficit and debt) constrained government expenditure levels. Under these conditions employment growth is likely to be quite poor, implying pedestrian growth in consumer spending.

From an earnings perspective, Sasria remains focused on premium growth and its endeavours to grow premium income in excess of industry growth.

We also remain committed to manage our Company's expenses closely to ensure adherence to the cost containment measures put in place for all state-owned entities by National Treasury. The ongoing strikes and public protests are expected to have a negative impact on Sasria's overall financial performance.

**Karen Pepler**
Finance Director
6 August 2015

## Majority of strategic key performance indicators exceeded or met

The results of our performance against the annual Sasria strategic plan targets for the year ended 31 March 2015 were satisfactory (Table 14). We exceeded three and met two of the seven strategic key performance indicators. We provide an explanation for not meeting two of the seven strategic performance indicators.

*Table 14: Sasria's performance against its targets for the year ended 31 March 2015*

| Performance information for the year ended 31 March 2015 | | | | | |
|---|---|---|---|---|---|
| **Strategic objective** | **Key performance indicator** | **Performance target ('000)** | **Budget ('000)** | **Actual performance ('000)** | **Variances for the period and action plans** |
| **Sustainable revenue growth:** To consistently outperform the industry average in premium growth | Gross written premium (GWP) income growth[1] | Achieve GWP income of at least R1 483 422 income | Budgeted GWP income of R1 483 422 | **KPI exceeded**<br><br>GWP income: R1 522 866 | **2.7% ahead of budgeted GWP** |
| **Sustainable revenue growth:** To target an ROE greater than the government bond yield | Net underwriting profit growth | Achieve net underwriting profit of R249 498 | Budgeted net underwriting profit[2] of R249 498<br><br>Budgeted income:<br>• Annual GWP: R1 483 422<br><br>Budgeted expenses:<br>• Reinsurance premiums expense: R154 630<br>• Change in unearned premium provisions: R54 152<br>• Net claims expense: R587 946<br>• Commission earned from reinsurers: R12 000<br>• Expenses for the acquisition of insurance contracts: R178 011<br>• Expenses for marketing and administration: R271 185 | **KPI exceeded**<br><br>Net underwriting profit: R489 327<br><br>Actual income:<br>• GWP: R1 522 866<br><br>Actual expenses:<br>• Reinsurance premiums expense: R140 994<br>• Change in unearned premium provisions: R23 223<br>• Net claims expense: R440 559<br>• Commission earned from reinsurers: R24 049<br>• Expenses for the acquisition of insurance contracts: R176 730<br>• Expenses for marketing and administration: R276 082 | **96.1% ahead of budgeted net underwriting profit** |

| Performance information for the year ended 31 March 2015 | | | | | |
|---|---|---|---|---|---|
| **Strategic objective** | **Key performance indicator** | **Performance target ('000)** | **Budget ('000)** | **Actual performance ('000)** | **Variances for the period and action plans** |
| **Regulatory environment:** To pro-actively manage compliance | Development and implementation of the SAM[3] Phase III project plan[4] | 100% completion of the project plan | Budgeted SAM project expenses: R1.68 million | **KPI met**<br><br>Target completion: 100%<br>Actual completion: 100% | **No variance** |
| **Customer-centricity:** To provide superior customer service | Reduce the internal claim turnaround time | • 85% of all fast track[5] claims to be settled[6] within 30 days from the date of submission and<br><br>• 60% of large loss claims[7] finalised within 60 days | Included in salary budget | **KPI not achieved**<br><br>• 74% (Target: 85%) of fast track claims received settled within 30 days<br><br>• 65% (Target: 60%) of large loss claims received settled within 60 days | **One of the two set targets not achieved**<br><br>• 11% behind target<br><br>**Achieved**<br><br>We received a total of 2 349 claims for the period under review, compared to 1 525 claims received for the previous year. This influx of claims resulted in the first of these two targets not being achieved. A resignation in the claims department further exacerbated the situation.<br><br>We have already started the recruitment process and employed an additional claims controller. In addition to addressing the human resource element, we are constantly reviewing our claims processes. |

| Performance information for the year ended 31 March 2015 | | | | | |
|---|---|---|---|---|---|
| **Strategic objective** | **Key performance indicator** | **Performance target ('000)** | **Budget ('000)** | **Actual performance ('000)** | **Variances for the period and action plans** |
| **People, capacity and capability:** To attract, retain and develop skills that support our aspirations | To attract the skills required to execute Sasria's strategy | All new and vacant positions to be filled by 30 June 2014 | Included in salary budget | **KPI not achieved**<br>Target completion: 100%<br>Actual completion:<br>• As at June 2014, a total of eight vacancies had not been filled<br>• As at 31 March 2015, seven of the eight vacancies have been filled, while one vacancy is on hold | **Only 25 of the 33 vacancies were filled by June 2014**<br>However, all of these, except for the one position placed on hold, were filled by 31 March 2015.<br>The HC department has reviewed the recruitment process to identify bottlenecks, updated and implemented the improved process. The benefits of the amended process are evident in the improved turnaround time in the recruitment process, as well as the quality of new hires. After process improvements, 7/8 placements were made between June 2014 and March 2015. |
| **People, capacity and capability:** To attract, retain and develop skills that support our aspirations | To develop Sasria's skills base to reduce reliance on external consultants | Reduction in consulting fee spent by 20% by 31 March 2015 (Baseline: actual consulting spent for the year ended 31 March 2014) | Included in salary budget | **KPI exceeded**<br>Target reduction: 20%<br>Actual reduction: 56% | **Spending on consulting fees reduced by 56%** |

| Performance information for the year ended 31 March 2015 | | | | | |
|---|---|---|---|---|---|
| **Strategic objective** | **Key performance indicator** | **Performance target ('000)** | **Budget ('000)** | **Actual performance ('000)** | **Variances for the period and action plans** |
| **Brand develop-ment:** To create a trusted brand that resonates with all our customers | Conduct customer and market segmentation analysis | Customer and market segmentation analysis report completed by 31 August 2014 | Budgeted expenses: R150 000 | **KPI met** | **The project was completed on time and within budget. Results of the analysis report have been taken into account in our 2015–2016 planning** |

[1] Growth is based on the forecast for the year ending 31 March 2014 at the time of preparing the budget for the year ending 31 March 2015.

[2] Calculated as follows: Gross written premium less movement in unearned premium reserve, less reinsurance premiums, less claims and loss adjustment expenses, less expenses for the acquisition of insurance contracts, less managing and other expenses (excluding investment manager fees and corporate social investment), plus commission earned from reinsurers.

[3] The Solvency Assessment and Management (SAM) is the Financial Services Board's risk-based solvency regime for South African insurers to align the insurance industry with international standards. The SAM Project is Sasria's initiative to ensure compliance to the new FSB regime.

[4] The SAM Phase III project plan was expanded to include an ORSA project plan. Performance against the ORSA project plan: Target = 100%; Actual = 96% completed (one outstanding item – the Board training session was postponed to 2015 before the start of the second ORSA). The Internal Reporting (Pillar III) section was expanded into its own project plan: Target = 100%; Actual = 78% completed (two items related to the development of Cognos (financial reporting system) were deferred to 2016 –2017 due to the relative immaturity of the QRT reporting requirements. This has no effect on the deliverables of the SAM project).

[5] Fast track claims pertain to claims with an estimate below R250 000.

[6] Turnaround time is calculated from the time a claim is recorded on the Insurance Management System to when a release is issued and repairs are authorised. Should liability be declined (letter sent to the insured), the date of letter will be utilised for the turnaround time calculation.

[7] Claims with an estimate above R250 000.

## Setting our targets for 2016

The targets we have set for ourselves for the next financial year ending 31 March 2016 are challenging, yet realistic (Table 15). We have included three new strategic key performance indicators, to replace the three projects that have been completed in 2015. We have increased our set targets on three of the remaining performance indicators (against the 2015 targets), but kept the target for the last remaining indicator, related to the reduction of the internal claims turnaround time, the same as the target set for 2015.

This decision was based on a number of reasons. The first is related to the assumption that the increase in the frequency of claims that we experienced in the year ended 31 March 2015 is set to continue. Secondly, we recognise the fact that the nature of claims has become more complex and they thus take longer to settle. In the third place, we will not be increasing the number of employees in the Claims department, and therefore needed to take a more realistic approach to setting a turnaround time target to settle claims.

*Table 15: Our performance indicators for the year ending 31 March 2016*

| Strategic objective | KPI | Performance targets | Strategic risks | Mitigation strategies |
|---|---|---|---|---|
| **Sustainable revenue growth:** To consistently outperform the industry average in premium growth | Gross written premium (GWP) income growth | Achieving GWP income of at least R1 622 155 693 for the year ending 31 March 2016 | • Incomplete and inaccurate revenue<br>• Stakeholder relationship dependency<br>• Inability to retain customers and attract new customers<br>• Lack of product knowledge by Sasria's distribution channel | • Increase internal audit and regular training to distribution channel (agent companies and brokers)<br>• Provide training to external auditors<br>• Receive external audit reports from NMIs' registered auditors<br>• Monitor and manage changes in premiums by performing a premium analysis<br>• Implement a customer retention strategy to retain existing clients<br>• Establish a product awareness campaign to corporate and commercial customers in order to attract new customers<br>• Enhance our products on an ongoing basis<br>• Increase product training, technical visits and roadshows to Sasria's distribution channel to improve product knowledge |

| Strategic objective | KPI | Performance targets | Strategic risks | Mitigation strategies |
|---|---|---|---|---|
| **Sustainable revenue growth:** To target an ROE greater than the government bond yield | Maintain sustainable underwrit-ing profit | Achieving net underwriting profit[8] of R339 682 162 for the year ending 31 March 2016 | • Increase in insurance risk as result of prolonged strikes and service delivery protests<br>• Increase in claims severity due to catastrophic events<br>• Decrease in premium revenue (incomplete and inaccurate revenue)<br>• Inadequate capital available (failure to maintain adequate capital as required by the FSB)<br>• Failure to adequately reserve (failure to reserve adequately for outstanding claims)<br>• Non-compliance with Sasria claims regulations by distribution channel (NMIs and brokers) | • Ensure that the capital reserve remains in excess of FSB requirement<br>• Monitor the external environment on an ongoing basis<br>• Perform the annual probable maximum loss (PML) study<br>• Perform the annual scenario analysis<br>• Monitor and manage changes in premiums by performing a premium analysis<br>• Use loss adjusters/assessors' reports for the quantification of claim estimates<br>• Review claims estimates on a monthly basis, and update and obtain sign-off on reserves on a quarterly basis<br>• Monitor claims management at the NMIs and brokers (distribution channel) for non-compliance<br>• Provide stakeholder training and technical support |

[8] Calculated as follows: Gross written premium less movement in unearned premium reserve, less reinsurance premiums, less claims and loss adjustment expenses, less expenses for the acquisition of insurance contracts, less managing and other expenses (excluding investment manager fees and corporate social investment), plus commission earned from reinsurers.

[9] The claims turnaround targets on both the fast track and large claims were reduced from the targets set in the five-year Strategic Plan. The rationale is as follows:
1. The current increase in claims frequency is set to continue;
2. The nature of claims has become more complex and they thus take longer to settle; and
3. No additional resources will be employed in the Claims department.

[10] Fast track claims pertain to claims with an estimate below R250 000.

[11] Claims with an estimate above R250 000.

| Strategic objective | KPI | Performance targets | Strategic risks | Mitigation strategies |
|---|---|---|---|---|
| **Customer-centricity:** To provide superior customer service | Reduce the internal claim turnaround time | • 85%[9] of all fast track[10] claims to be settled within 30 days from the date of submission (by 31 March 2016)<br>• 60% of large loss claims[11] finalised within 60 days by 31 March 2016) | • Increase in insurance risk as result of prolonged strikes and service delivery protest<br>• Non-compliance of claims staff with claims manual and procedure<br>• Non-compliance with Sasria claims regulations by our distribution channel (NMIs and brokers) | • Monitor the external environment on an ongoing basis<br>• Ensure claim files are audited quarterly by an independent consultant<br>• Manage the insurance management system (IMS) system, which does not allow a claim to be authorised by a user when it is not within their mandate, and which enforces segregation of duties<br>• Monitor claims management at the NMIs and brokers (distribution channel) for non-compliance<br>• Increase product training, technical visits and roadshows to Sasria's distribution channel to improve product knowledge |
| **People, capacity and capability:** To attract, retain and develop skills that support our aspirations | Develop Sasria's skills base to reduce reliance on external consultants | Reduction of 20% in consulting fees spent by 31 March 2016 (Baseline: actual consulting spend for the year ended 31 March 2015) | • Failure to attract and retain specialised staff in the Company (inability to attract and retain specialised skills)<br>• Lack of proper development within the Company (staff do not have the skills to effectively fulfil their roles)<br>• Failure to maintain a positive working environment | • Use quality recruitment service providers to ensure that the best employees are recruited<br>• Revise and review current recruitment partners<br>• Monitor talent management through the talent management programme<br>• Implement the developed employee value proposition<br>• Ensure each employee has a development plan<br>• Provide internal and external training to employees<br>• Use consultants, where necessary, to assess employees and identify areas that need development<br>• Implement the leadership and management programme and ensure that employees are encouraged and trained to become leaders/ managers<br>• Perform culture surveys, analyse and discuss findings, and implement action plans<br>• Manage the employee wellness programme, using a professional provider, to ensure that services are available |

| Strategic objective | KPI | Performance targets | Strategic risks | Mitigation strategies |
|---|---|---|---|---|
| **Brand development:** To create a trusted brand that resonates with all our customers | Increased brand awareness | 60% brand awareness index within the industry by 31 March 2016 | • Stakeholder relationship dependency<br>• Poor or low brand awareness by all stakeholders<br>• Failure to attract quality service providers to perform proper surveys | • Implement corporate communication and marketing strategy<br>• Use and appoint quality and knowledgeable service providers |
| **Innovation (product and services):** To become a centre of innovation in special risk insurance | Research special risk insurance products | Research report issued for consideration to the Board by 31 March 2016 | • Only identifying limited opportunities<br>• Feasibility study is not well thought through with regard to all relevant constraints and assumptions | • Obtain a complete list of all companies and then further narrow the list based on the impact on Sasria<br>• Analyse available opportunities and prioritise<br>• Ensure that the procurement process is correct to identify the right service providers in the market<br>• Implement a good project plan |
| **Infrastructure and cost management:** To optimally enable business while satisfying regulatory requirements | Achieve B-BBEE Level 1 certification | Achieve a Level 1 certification against the B-BBEE Codes of Good Practice by 31 March 2016 | • Failure to recruit and retain black females<br>• Failure to use black-owned and black female-owned businesses as service providers | • Implement and monitor the recruitment plan<br>• Implement and monitor the B-BEEE project plan<br>• Implement a procurement scorecard to ensure that procurement procedures are followed in order to achieve Level 1 B-BBEE certification |

# Responsible and ethical leadership

In guiding Sasria to effectively fulfil our legislative mandate, our leaders focus on instilling a culture of responsible corporate citizenship based on the foundation of ethical leadership. The Board and executive management have recognised the need to integrate strategy, ethics and governance to ensure a sustainable and prosperous future for Sasria in the long term. In doing so, our leaders also ensure that we can continue to make a positive contribution to the transformation, development and growth of South Africa.

## Meet our Board members

Our Board members play a critical role in Sasria's success. The directors, under the leadership of our Chairperson, Adam Samie, effectively guide Sasria's strategic direction and enable our sustainable performance. They provide guidance on key business priorities and risks, as well as on other material issues that affect our business, and ensure that appropriate and effective risk management policies and processes are developed and managed. They also hold our Executive Committee accountable by monitoring its operational management progress and performance against the business strategy.

The majority of the Sasria Board is made up of independent non-executive directors. There are two executive directors and eight non-executive directors, seven of whom are independent. Our directors have diverse skills and business experience in the areas of insurance, risk management, actuarial, financial, human capital and strategic leadership. (See Annexure C for a detailed outline of their qualifications and experience as directors.)

## Chairperson


*Adam Samie*

Sasria's Chairperson, **Adam Samie**, holds a Master's degree in Business Administration from the University of Cape Town, and is a fellow of both the Chartered Insurance Institute and the Insurance Institute of South Africa. He is currently also serving as a director on a number of other boards, such as the boards of Lion of Africa Insurance, Timesquare Investments and the South African Insurance Association.

## Executive directors


*Cedric Masondo*

Sasria's Managing Director, **Cedric Masondo**, serves as an executive director. He holds a Bachelor of Commerce (Economics) degree from the University of Durban-Westville, and is a Fellow of the Insurance Institute of South Africa. Cedric is also currently serving as a trustee for AloeCap, and as the chairperson for the South African Actuaries Development Programme.


*Karen Pepler*

As Sasria's Finance Director, **Karen Pepler** serves as an executive member on the Sasria Board. Karen holds a Bachelor of Accounting Sciences (Honours) degree from the University of South Africa and is a chartered accountant (CA). She is currently also serving as a trustee for AloeCap, and as a director on the board of the South African Actuaries Development Programme.

## Non-executive directors


*Higgo du Toit*

**Higgo du Toit**, a non-executive director and representative from the shareholder, holds a Bachelor of Commerce (Honours) degree in Economics from the University of Pretoria. He also serves on the board of the Export Credit Insurance Corporation of South Africa.

## Independent non-executive directors

Baba Mkangisa

**Baba Mkangisa** serves as an independent non-executive director. She holds a Master of Education degree from Manchester University, and she also serves as a director on the boards of Village Main Reef, Kwik Fit, Continental Tyres SA and Vulisango Holdings.

Ranti Mothapo

**Ranti Mothapo** serves as an independent non-executive director. He holds an honours degree in Economic Science (Actuarial Science and Advanced Mathematics of Finance) from the University of the Witwatersrand and is a fellow of both the Faculty of Actuaries and the Actuarial Society of South Africa. He also serves on the boards of Land Bank Insurance, Moruba Consultants and Actuaries and the Matlotlo Group.

Maki Ndlovu

**Maki Ndlovu** serves as an independent non-executive director. She holds a Bachelor of Arts (Social Sciences) degree from the University of the North. Her other directorships include the boards of Simmer and Jack Mines, Zibula Exploration, Vulisango Holdings and Kagiso Solutions.

Herman Schoeman

**Herman Schoeman** serves as an independent non-executive director. He holds a Master of Business Administration degree from the University of Pretoria. He also serves on numerous other boards, both locally and internationally. This includes the MMI group, Euroguard Insurance and the South African Insurance Association.


Tando Mbatsha

**Tando Mbatsha** serves as an independent non-executive director. She holds a Master of Business Leadership degree from the University of South Africa. She is also a director of Indyebo Consulting.


Tshwarelo Moutlane

**Tshwarelo Moutlane** serves as an independent non-executive director. She holds a Bachelor of Information Systems and Honours in Accounting Science from the University of South Africa. She is a chartered accountant and also serves as a member of RF Projects CC.

"The Sasria leadership team's rigorous financial management, accountability and transparency indicate that they take their stewardship of public resources seriously, in order to contribute to South Africa's economy and not be an unnecessary drain on the fiscus."

**~ Nhlanhla Nene, Minister of Finance**

# Meet our executive team

*Back: Thokozile Ntshiqa, Suzanne Harrop-Allin, Keith Fick. Front: Rose Mathafena, Cedric Masondo, Karen Pepler, Mzi Mavuso* (See Annexure D on P184 for a detailed outline of their qualifications).

***Cedric Masondo***

## Cedric Masondo, Managing Director

Cedric has been Sasria's Managing Director since July 2011, when he was appointed after having served as Sasria's Executive Manager: Underwriting from July 2009 to June 2011. Prior to joining Sasria, he was responsible for all public enterprise business at Alexander Forbes Cre8 for a period of three years. Cedric has extensive experience in the insurance industry. He started his career in the insurance industry just over 20 years ago, when he joined Allianz Insurance as a trainee. Since then he has gained valuable experience, both locally and internationally, in a number of areas in the short-term insurance industry.

As a leader, Cedric exhibits a long-range perspective, strong inter-personal skills and an honest concern for how others think and feel. He loves new ideas and projects and has an astute ability to motivate everyone around him to 'see', and then reach, the end-goal. Cedric's key contributions to Sasria's strong performance and good business practices can be ascribed to his analytical and logical approach to finding solutions; his structured and methodical manner in effecting efficiencies; and his unceasing commitment to embed and maintain an ethical culture based on sound governance structures and processes. Above all, it is his passion to develop and empower people that really motivates and inspires his employees to perform.


Karen Pepler

## Karen Pepler CA (SA), Finance Director

Karen became Sasria's Finance Director in July 2011, after she had been seconded to Sasria in April 2010 as Acting Managing Executive. Prior to joining Sasria she had been with the Deloitte and Touche Special Services Group since 2005. She has consulting experience in various industries such as the insurance, mining, transport, pharmaceutical and the media industry. As the Finance Director at Sasria she is responsible for managing the organisation's finances and investments.

As a CA, Karen has all the skills and expertise required of a good finance director. She uses her strength in analytics to consistently help Sasria achieve sound financial performance. She is independent, resourceful and conscientious; has a broad range of interests and abilities; and is driven by a continuous need for improvement and growth on a personal and business level. However, what people really notice and commend about her as a leader, is that she is a real people person. When her colleagues describe her, they use words such as "truly warm"; "kind-hearted"; "approachable"; "caring"; and "always ready to help and support".


Keith Fick

## Keith Fick, Executive Manager: Insurance Operations

Keith was appointed as Executive Manager: Insurance Operations in July 2012. Prior to joining Sasria he was with Hannover RE as the Head of Non-Life Facultative business for almost three years. Having worked in the insurance industry for over 23 years, Keith brings a wealth of experience to Sasria. His division is responsible for the management of claims, underwriting and reinsurance.

Keith is passionate about analysing global trends and using insights gained to develop and tailor-make suitable reinsurance solutions for Sasria. His colleagues describe him as a straightforward, practical go-getter. They also thoroughly appreciate his lively, fun-loving nature and the great team spirit he brings to the executive team, an ability he also transfers to his own division. As a leader, they commend him for his ability to motivate and unify his team around a common goal; for putting a great deal of effort and energy into his people and his operations; and for being a decisive person, who makes values-based judgements.

"Being a prudent, disciplined, well-governed and responsible corporate citizen is critical for Sasria's long-term sustainability and the transformation and development of South Africa."

Mzi Mavuso

## Mzi Mavuso, Executive Manager: Governance and Company Secretariat

Mzi was promoted to the position of Executive Manager: Governance in December 2014, from his position as Senior Manager: Governance and Company Secretary, which he has held in our Company since June 2011. He continues to fulfil the role of Company Secretary in his new capacity. Before joining Sasria, he was the Company Secretary for the Eastern Cape Development Corporation (ECDC) for a period of four years. Mzi has the following departments within his division: Legal, Compliance and Company Secretariat. His qualifications and extensive experience in the areas of corporate governance, company secretarial, legal and compliance make him eminently suitable to take responsibility for Sasria's governance agenda.

As an admitted advocate, Mzi is passionate about embedding good governance in all areas of our business and ensuring our compliance to legislation and regulatory requirements, so that Sasria can be – and be seen to be – a responsible and credible business that is trusted by its stakeholders. His humility commands respect. His unrelenting focus on all things ethical is acknowledged and appreciated by his colleagues. They describe him as someone who has a strong innate sense of duty; who places immense emphasis on the values of honesty and integrity; who puts a human element into decision-making; and who is respectful of laws and rules in everything that he does.

Rose Mathafena

## Rose Mathafena, Executive Manager: Human Capital

Rose became the newest addition to our executive team when she was appointed as Executive Manager: Human Capital in December 2014. Prior to joining Sasria she was an HR Manager in a business unit at Aveng Manufacturing from 2007. Heading up the Human Capital division, her responsibilities include the following: ensuring continuous improvement in the processes, practices and systems within the division, in order to support our business activities; guiding the rest of the leadership team to provide our employees with opportunities to develop and advance; and helping the entire leadership team to create a strong culture that is entrenched in our core values.

Rose is passionate about nurturing people through development initiatives. As such, she is fully cognisant of her responsibility to support the business by ensuring that we have capacity; that people are engaged through meaningful work; and that everyone is afforded the opportunity to develop and grow, in order to unlock their full potential. What colleagues admire most about Rose is her strong sense of values, her loyalty and her energy to get things done. While they greatly value her organised approach and work ethic, they also commend her for being someone who is extremely perceptive and observant about people, and who approaches any people-problem with great sensitivity and compassion.

*Suzanne Harrop-Allin*

## Suzanne Harrop-Allin, Chief Risk Officer (CRO)

Suzanne was appointed as our CRO in October 2013. She is a qualified CA, and joined Sasria from PricewaterhouseCoopers where she held the position of Senior Manager in the Financial Services Insurance and Investment Management division for 10 years. There she gained valuable experience in the insurance industry. In her new position, she is tasked with the responsibility of helping Sasria to manage its risks. As such, her division is responsible for all the control functions that are critical to proactive and effective risk management. Her division comprises the following departments: Risk Management, Internal Audit, Quality Assurance, and Actuarial Services.

Her strengths are displayed in her logical, factual, analytical and process-driven approach. She operates on a clear set of standards, and is detail-oriented, ensuring that all areas are covered before a final decision is taken. Suzanne is passionate about facts and about doing things by the book. Her colleagues admire her ability to constantly keep in touch and scan the environment, in order to identify any issue that may pose a risk to Sasria or our ability to deliver on the Sasria strategy. Her practical and no-nonsense approach makes her easy to work with, and her strong technical skills make her a valuable member of our executive team.

*Thokozile Ntshiqa*

## Thokozile Ntshiqa, Executive Manager: Stakeholder Management

Thokozile joined Sasria as a Senior Claims Controller in 2003, and in April 2007 she was appointed as the Executive Manager of the Business Operations division. In 2009 she took responsibility for the Stakeholder Management division. She has been in the insurance industry for sixteen years, having started her career in 1999 at Mutual and Federal insurance and then working for various insurance companies before joining our team. The Stakeholder Management division's responsibilities include: generating income; developing and maintaining collaborative relationships with all stakeholders; keeping abreast of industry developments; developing the Sasria brand through marketing and corporate communication activities; and managing Sasria's initiatives related to corporate social investments.

As a transformational leader, Thokozile's key strengths lie in developing and implementing strategies that grow Sasria's business; identifying future opportunities for business development; repositioning our brand; and strategically managing our relationship with our stakeholders. As a leader, she is known as someone who is logical and rational, yet also creative, artistic and appreciative of the finer things in life. Her colleagues admire her exceptional networking and relationship-building skills, and her strong appreciation for aesthetics and creativity.

## How we are governed

### Focusing on sound governance principles

At Sasria we are very serious about applying sound governance structures and processes, which our Board considers to be fundamental to the effective delivery of our dual mandate, and to ensure our Company's long-term sustainability. All our governance structures and processes are based on our code of ethics and value-driven culture, and as a company we are committed to act with the highest standards of integrity in all our business activities. In recognition of the need to integrate strategy and governance to ensure a sustainable business, the Board has ensured that it oversees the establishment of an ethics function that ensures the implementation of ethical standards through compliance with ethics policies, which include the declaration of interests by our Board members, executive management and employees.

The ethics function oversees the ethics and fraud prevention awareness campaigns, as well as the protection of whistle-blowers through the fraud hotline. A fraud hotline report is tabled with the Social and Ethics Committee and the Audit Committee on a quarterly basis. There were no reported incidents during the reporting period. We provide continued training and awareness initiatives on ethics and fraud prevention to Sasria's employees.

Highlights of the ethics function during 2014/2015 include the achievement of an overall satisfactory compliance score in the ethics awareness assessment by employees; the annual disclosures of interest of directors and employees; the annual Governance Week in the second quarter, with the theme "Ethics, legal framework, contract management and litigation for claims matters"; training for key individuals and representatives in the fourth quarter; the review and development of policies related to ethics and satisfactory compliance with our ethics policies. These include policies on ethics management, conflict of interests' management, fraud prevention and whistle-blowing, and fit and proper requirements.

"At Sasria we are very serious about applying sound governance structures and processes, which our Board considers to be fundamental to the effective delivery of our dual mandate..."

### Corporate governance statement of the Board

The Sasria Board (Refer to Annexure C on P182) is committed to the principles of openness, transparency, integrity and accountability as advocated in the King III Code on Corporate Governance. This commitment to good governance is formalised in our Company's charters, policies and procedures.

We are comfortable that efforts have been made to ensure adherence to King III. During the year under review there were no areas of non-adherence.

The Board further acknowledges its responsibility for the integrity of the integrated report and is of the view that the report fairly reflects Sasria's integrated performance and addresses all material matters.

## Board composition

The Sasria Board, appointed by the shareholder, is the accounting authority of Sasria and executes all the roles and functions of an accounting authority set out in the Public Finance Management Act (1999) and in line with the Board charter. The Board is responsible for Sasria's strategic direction and adherence to sound ethical business practices and governance processes. The Board provides the strategic direction, while our Managing Director, who is assisted by the Executive Management Committee, is accountable to the Board for implementing the strategy.

There were no changes in the Board composition during the period under review (Annexure E). However, it should be noted that three Board members had been reappointed from 1 December 2014 to November 2017. They are: Adam Samie (Chairperson), Ranti Mothapo and Herman Schoeman.

In addition to a focus on relevant leadership experience, the Board composition takes matters of diversity and demographics into account. There are two executive directors and eight non-executive directors, seven of whom are independent. The executive element of the Board is balanced by the majority of an independent group of non-executive directors who are all able to influence decision-making. There is also a clear separation between the roles of the non-executive Chairperson of the Board and our Managing Director. This level of independence ensures a robust decision-making process by the Board in the interest of all Sasria's stakeholders.

"The Board's effectiveness is also enhanced by the delegation of certain responsibilities to Board committees to assist it in the achievement of Sasria's strategic and business objectives."

An independent evaluation of the Board and its committees was conducted during 2015. Based on this evaluation, certain minor recommendations were made that would enhance the efficiency and effectiveness of the Board. These recommendations were related to the effective delegation of authority to Board committees; the Board agenda; committee reports to the Board; and the development of the Board. We implemented all these recommendations, and will continue to focus on them during 2015/2016. A comprehensive programme is in place to train and orientate new directors and committee members on a continual basis.

## Board committees

The Board's effectiveness is also enhanced by the delegation of certain responsibilities to Board committees to assist it in the achievement of Sasria's strategic and business objectives.

While the Board delegates authority and some of its powers to these committees and the executive directors, it does so without diluting its own accountability.

Sasria's Board committees consist of a majority of independent non-executive directors who exercise their authority in accordance with approved committee charters. These charters, which are reviewed annually, define each committee's composition, role, responsibilities and authority, and are aligned with regulatory requirements and best governance practices.

There are five Board committees which assisted the Board during the period under review to drive Sasria's strategic intent and interventions to remain a good and responsible corporate citizen. These include the four statutory committees, namely the Audit Committee, Risk Committee, Remuneration Committee (Remco) and the Social and Ethics Committee, as well as the Investment Committee.

Through the Audit and Risk committees, the Board ensures that internal controls are effective and adequately reported on for auditing and regulatory purposes. In this regard the Board is adequately advised by these committees on the effectiveness of critical controls to mitigate Sasria's business risks.

***Through the Audit and Risk committees, the Board ensures that internal controls are effective and adequately reported on.***

The Remco has assisted the Board with the adoption of remuneration and other human capital policies aimed at attracting and retaining good talent. These are aligned with Sasria's strategy and drive our employees' performance. This committee has also assisted the Board by recommending the appointment of good calibre Board members to ensure that the Board has a balance of skills and experience as well as a balance in terms of race and gender.

During 2014/2015, the Board executed its role in ensuring that our Company is a good and responsible corporate citizen, by exercising its oversight on ethics and social impact matters. The Social and Ethics Committee made recommendations to the Board on the development and revision of policies related to ethics, fraud prevention and the protection of whistle-blowers.

The Board executed its governance responsibilities in assuring the successful management of Sasria's investments and other financial assets through the Investment Committee. This committee assisted the Board by ensuring that our Company has a sound investment policy that is efficiently and effectively implemented.

The membership of these committees, as well as an indication of attendance of committee meetings, is outlined in Annexure E.

Some of the key items that were tabled at Board and executive management level during the period under review are listed below. All these items are addressed in this integrated report:
- New five-year strategy (2015 – 2019), including the corporate plan and budget for 2015/16;
- Company performance against set targets for 2014/2015;
- Key Company policies;
- Board and committee evaluations;
- Key business risks;
- Shareholder reporting; and
- Transformation, including employment equity, environmental and transformation matters.

***Key policies developed and updated***

During 2014/2015, a number of key Company policies were either developed or updated. These policies include, but are not limited to, the following:
- Enterprise risk management policy;
- Remuneration policy;
- Fit and proper policy;
- Investment policy which includes the asset-liability management policy statement and liquidity risk policy statement;
- Insurance risk management policy (including insurance fraud risk policy statement);
- Reinsurance risk management policy (including the concentration risk policy statement);
- Operational risk management policy;
- Risk escalation policy;
- Risk appetite policy;
- Risk strategy policy;
- Insurance policy;
- Human capital policy;
- Corporate governance policy;
- Compliance policy;
- Conflict of interest management policy;
- Information technology policy;
- Dividend policy; and
- Own risk self-assessment (ORSA) policy.

*Our governance framework is based on the foundation of having a clear understanding of the roles between the Board, shareholder and management.*

### *Company Secretary*

Sasria's directors have access to the advice and guidance of an experienced company secretary. The Company Secretary is responsible for compiling the annual work schedule for the Board and each committee in cooperation with the Chairperson of the Board and Chairpersons of Board committees. The Company Secretary is also responsible for the induction of new directors to ensure that they understand their fiduciary duties and other responsibilities as directors, as well as for the continuous training and development of all the directors. From 2015/2016, two training sessions per annum will be scheduled for all the directors.

## Our governance framework

Our governance framework (Figure 22) is based on the foundation of having a clear understanding of the roles between the Board, shareholder and management. This is addressed and outlined in a number of ways. A memorandum of incorporation sets out certain powers of the shareholder and the Board. The Shareholder's Compact sets out key performance indicators and targets in support of Sasria's annual corporate plan, which forms the basis of our operations and which outlines Sasria's purpose, values, strategic objectives and budget for each financial year.

In addition to these key documents, our governance framework also includes good governance codes, such as King III and the Protocol on Corporate Governance in the Public Sector, as well as relevant legislation, such as the Companies Act, the Public Finance Management Act (PFMA), the Conversion of Sasria Act, the Short-term Insurance Act and the Financial Advisory and Intermediary Services Act.

Furthermore, our governance framework includes a materiality and significance framework, which sets out the requirements regarding matters needing approval in terms of the PFMA; a delegation of authority framework, which delegates power and authority from our Board to its appointed committees, our executive management and our employees, as well as all the relevant Sasria policies and procedures.

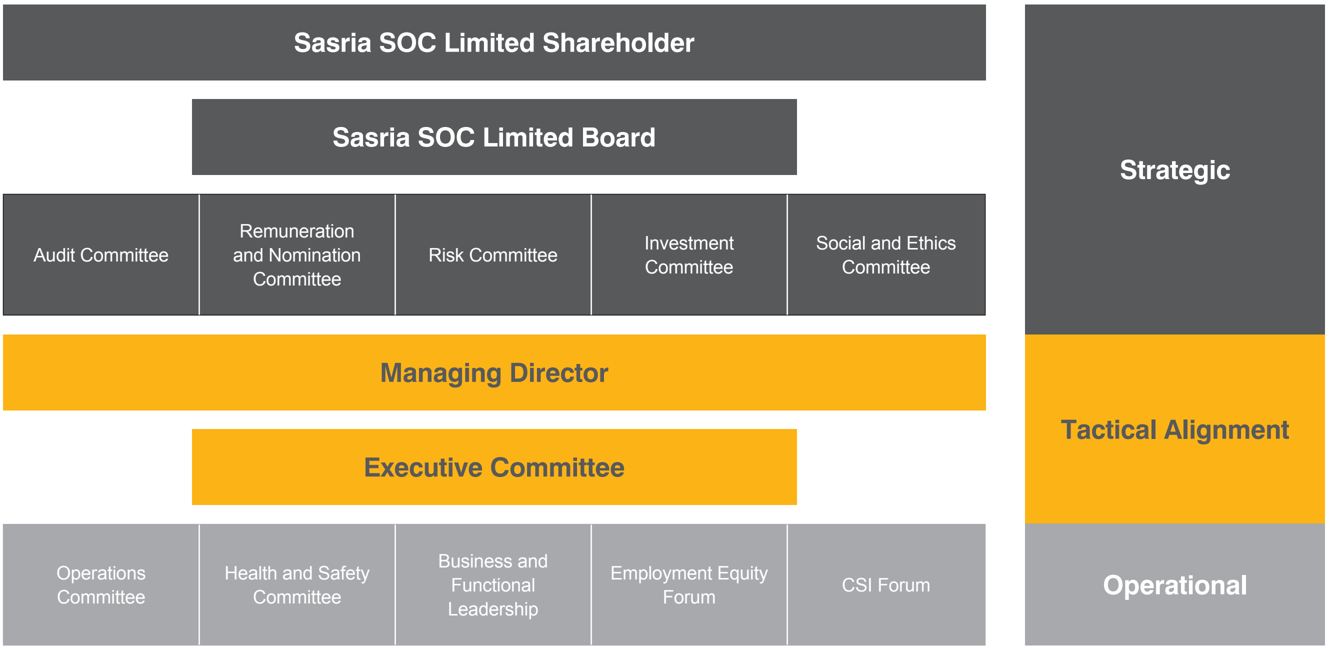



*Figure 22: Sasria's governance framework*

### *Applying King III principles*

During the period under review, the Board and its committees continued to monitor the implementation of our Company's governance principles. The Board is of the opinion that our Company applied the significant governance principles in King III during 2014/2015.

Sustainability reporting and disclosure is integrated with our Company's financial reporting, but further progress is required. Sustainability reporting and disclosure should be independently assured, but Sasria's systems and information are not mature and accurate enough to support independent assurance at this stage. Sasria indicated that it would obtain independent assurance on its 2014/2015 integrated report, but the benefit derived from independent assurance was not deemed to justify its cost.

> ***Sustainability reporting and disclosure is integrated with our Company's financial reporting, but further progress is required.***

The Audit Committee approved the implementation of a combined assurance approach for the year ended 31 March 2015. The Executive Committee and the Integrated Report Steering Committee provide an oversight role, by reviewing the integrated report for completeness and accuracy. Sasria's internal audit function performs agreed-upon procedures to review the content and information within the integrated report. The external auditors review the integrated report to confirm it is reasonable, but they do not issue an opinion on it.

Sasria is a low environmental-impact organisation, but still monitors its own environmental impact, including its electricity and paper usage. During 2014/2015, we reduced our Company's electricity consumption by 40% (from R646 000 in 2013/2014 to R261 000 in 2014/2015). We could not measure our water usage during 2013/2014, due to the presence of two co-tenants. Sasria spent R33 000 on water usage in 2014/2015.

### *Compliance with laws*

During the period under review, the Board and its committees continued to monitor the implementation of our Company's compliance policy and implementation of legal compliance processes. The Board is comfortable that we have achieved a satisfactory level of compliance throughout the year.

### *Promotion of access to information*

Sasria's Access to Information Manual is available on our website in four official languages (English, Sesotho, IsiZulu and Afrikaans). During the period under review the Company received no requests for information in terms of the Promotion of Access to Information Act, 2000.

### *Disclosure in terms of section 55(2) (b) of the Public Finance Management Act (PFMA)*

During the year under review there was:
- No material loss suffered through criminal conduct and any irregular and/or fruitless and/or wasteful expenditure that occurred during the financial year;
- No criminal or disciplinary steps taken as a consequence of such losses or expenditure;
- No loss recovered or written off; and
- No financial assistance received from the government nor were any commitments made by Government on Sasria's behalf.

### *Remuneration for non-executive directors*

Non-executive directors' fees are reviewed annually and benchmarked against industry standards to ensure that our remuneration policy and practices remain competitive. Remco reviews fees and makes recommendations to the Board for consideration. The Board then recommends these fees to the shareholder for approval at the annual general meeting.

## Managing risk in an integrated way

### Effective risk management crucial for long-term sustainability

We recognise that risk management is fundamental to Sasria's system of governance and the execution of our business strategy. Our risk philosophy is based on our Company's mandate, which stipulates that Sasria is unable to refuse or decline to provide cover to potential policyholders.

“We recognise that risk management is fundamental to Sasria’s system of governance and the execution of our business strategy.”

This unique attribute increases the importance of carefully considering the balance between underwriting and non-underwriting risks, as well as the extent to which underwriting risk is retained, managed or transferred to third parties. It is therefore important for us to understand, manage and monitor all risk exposures.

At Sasria we are committed to effective risk management, and the integration of the three elements of risk, namely threat, uncertainty and opportunity, since we recognise that this is crucial to our Company’s continued growth, success and long-term sustainability. We believe that a proactive and integrated risk management process is vital to sound corporate governance and a crucial enabler in realising opportunities.

Enterprise Risk Management (ERM) enables management to deal effectively with uncertainty and associated risk and opportunity, enhancing the capacity to build value for stakeholders and improve decision-making.

### *Combined assurance model drives integration*

We use a combined assurance model to drive integration across all the divisions and risk-related functions in Sasria, such as Finance, Insurance Operations, Stakeholder Management, Human Capital, Actuarial, Legal and Compliance. Alignment between risk management and other assurance providers, including the internal and external audit, compliance and quality assurance functions, is important to ensure that adequate assurance is provided over significant risks and any gaps identified are addressed. This process is referred to as “combined assurance”. The combined assurance model documents and summarises the assurance provided over significant risks, which are reported and reviewed by the Audit Committee on at least an annual basis.

### *Tracking emerging risks, increasing responsiveness*

We also continue to identify, track and report on emerging risks in order to remain proactive in our risk management approach. An emerging risk is identified as a macro-economic risk that can have a negative impact on achieving our short-term performance targets or long-term strategic objectives, but that does not pose a threat in the immediate future.

*We use a combined assurance model to drive integration across all the divisions and risk-related functions in Sasria.*

Some of the emerging risks that we have identified include a change in Sasria’s business model, due to a change in the regulatory landscape, the current downturn in the South African economy, the health of the insurance industry, power blackouts and social media.

### *Compliant with SAM Pillar II requirements*

We have made excellent progress in our efforts to further enhance the effectiveness of Sasria’s risk management function during the year under review. We updated all Sasria’s risk policies, processes and procedures to be able to comply with the new Solvency Assessment and Management Pillar II requirements, and to enable Sasria to manage its risks proactively and effectively. We will continue with the implementation of SAM until its effective date. This includes the implementation of the own risk and solvency assessment (ORSA) process, which will assist us in assessing the short- and long-term risks and to ensure that the capital requirements are met at all times.

## Our risk governance structure

The ultimate accountability for risk management in Sasria lies with our Board of Directors.

Our Risk Committee oversees all matters related to Sasria's strategic and material risks, and assists the Board in fulfilling its risk management responsibilities in managing risk and adherence to the relevant requirements of the Short-term Insurance Act. This committee also determines and recommends Sasria's risk appetite to the Board and reviews and monitors the risk profile against the risk appetite. The Audit Committee assists the Board with financial information, as well as with selecting and applying accounting principles and policies, and monitoring the internal control systems.

Our executive team oversees risk management at a divisional level, and the executives of each business division are held responsible and accountable for the management of the risks in their area. The responsibility and accountability for Sasria's ERM process resides with the Chief Risk Officer (CRO) (Figure 23). Our CRO is tasked to effectively facilitate risk management within Sasria; to improve the risk culture within our Company and to monitor that risks are within our risk appetite. Sasria's CRO has direct access to the Chairperson of the Risk Committee to discuss matters relating to risk management.

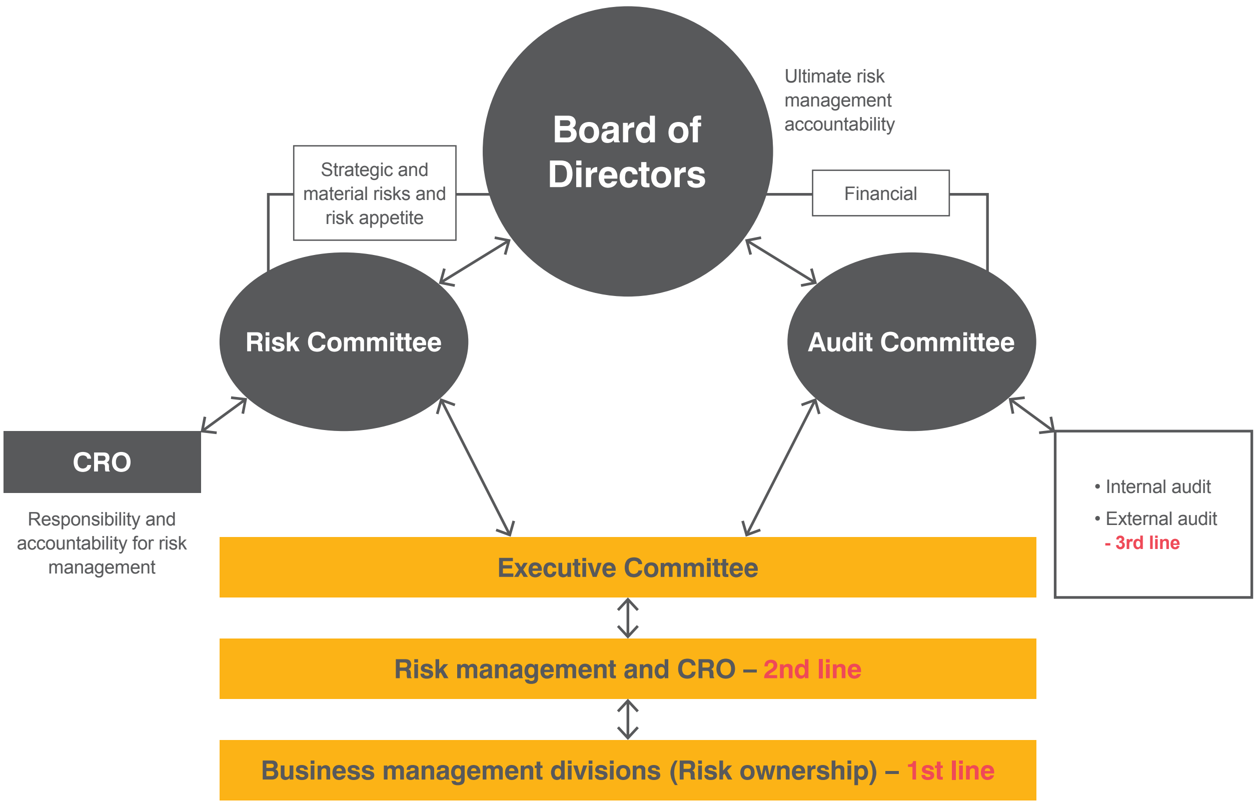



*Figure 23: Sasria's risk governance structure*

Alignment between the risk management, compliance and quality assurance monitoring functions, as well as the assurance functions performed by the internal audit team and our independent external auditors, is important.

## Our risk management value chain

We use Sasria's ERM process to deal effectively with uncertainty and its associated risks and opportunities, and to enhance our capacity to build value. We implement the relevant processes to ensure all aspects and categories of risks are covered, assessed and monitored, and to make sure that we manage those risks within Sasria's identified risk appetite and risk profile. Our ERM process includes key activities such as risk identification, risk assessment and management actions, and we use internal financial and other control measures to mitigate or reduce our risk exposure. The monitoring process tracks the current status of the risk profile, detects changes in the risk context and ensures that the controls are adequate in both design and operation.

### *Key risk indicators as early warning signals*

We aim to manage our risk profile in a proactive way. To support this, key risk indicators (KRIs) and triggers have been developed for our top risks, in order to more effectively monitor key trends in relation to each risk. Since KRIs act as early signals in the event that one of the scenarios or stress situations may materialise, we are able to be more responsive to Sasria's risks. The

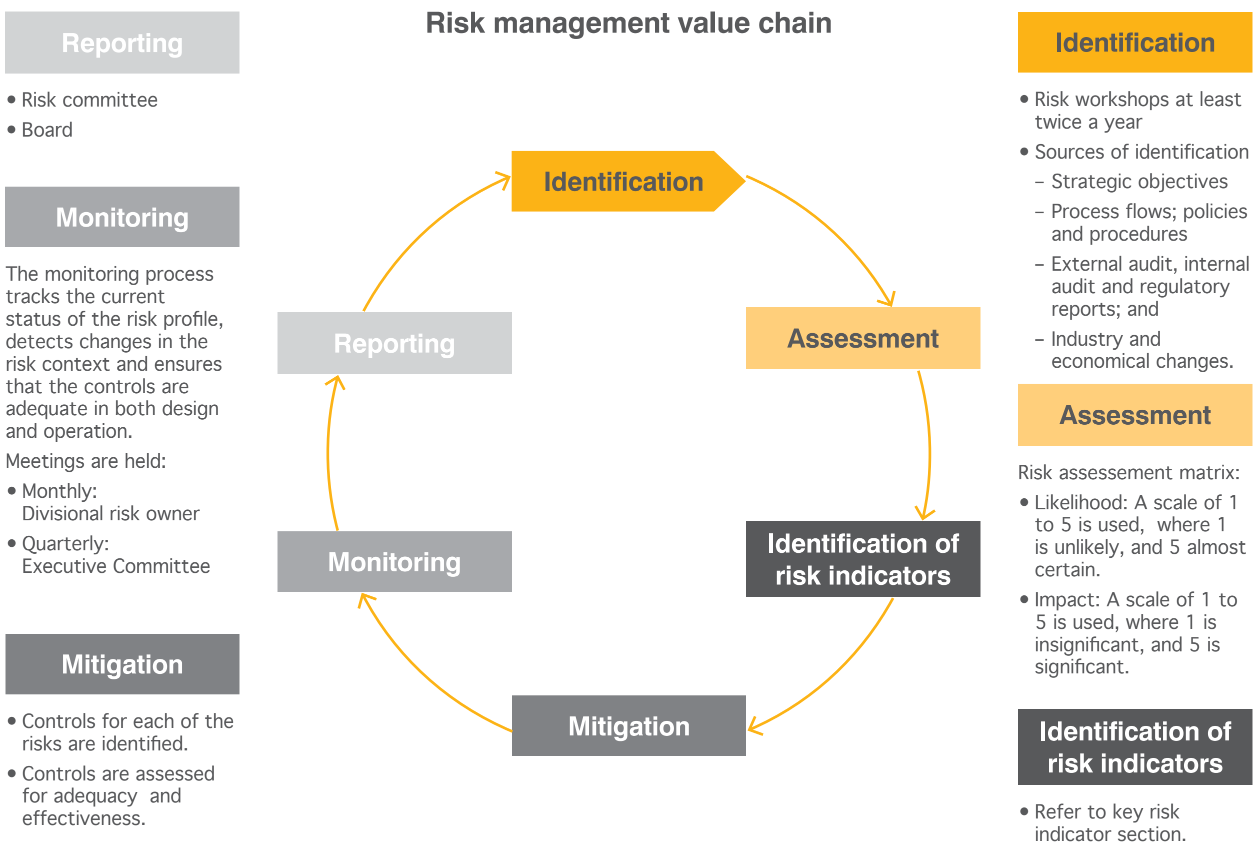



*Figure 24: Sasria's risk management value chain*

"Our risk appetite framework is embedded in key decision-making processes and supports the implementation of our strategy."

## Our risk appetite

Sasria defines risk appetite as the amount of risk that we are willing to accept in pursuit of shareholder value and the attainment of strategic objectives. Our risk appetite framework is embedded in key decision-making processes and supports the implementation of our strategy. We use this to maximise returns without exposing our Company to levels of risk above our appetite.

The risk appetite framework (Figure 25) assists in protecting our financial performance, improves management responsiveness and debate regarding the risk profile, assists executive management in improving the control and coordination of risk-taking across business units and identifies available risk capacity in pursuit of profitable opportunities.

Sasria's risk appetite balances the expectations and interests of a variety of stakeholders.

These include shareholders, policyholders, regulators, rating agencies, outsourcers and our employees. The risk appetite measures are developed using a quantitative method and are set by the Board and the Risk Committee.

| | |
|---|---|
| **Amount** | Risk appetite is the amount of risk, broadly speaking, Sasria wants to take in pursuit of value. |
| **Willingness** | It is an expression of the willingness /capacity of Sasria to tolerate high/low levels of exposure to risk and volatility in order to achieve its strategic objectives. |
| **Responsibility** | Risk appetite is set by the Sasria Board of Directors and should reflect the aspirations and expectations of various stakeholders through a mix of quantitative measures and qualitative statements. |

*Figure 25: Sasria's risk appetite framework*

We have set three key measures for Sasria's risk appetite, in terms of capital, earnings and operational risks (Figure 26):

| | |
|---|---|
| **Capital at risk** | Sasria will hold sufficient financial resources to meet fair and equitable policyholder expectations and pay claims as they fall due. Sasria will therefore ensure it operates within the boundaries of its available capital resources.<br>The minimum capital requirement will be the greater of the Economic Capital at Risk and the Statutory Solvency Capital requirement. |
| **Earnings at risk** | Sasria defines Earnings at Risk (EaR) as the difference between actual EBITDA and the budgeted EBITDA for the previous financial period. |
| **Operational risk** | Sasria operates a high standard regarding the management, prevention and mitigation of losses caused by operational risk events. It has a low tolerance for operational risk but recognises it represents a cost of doing business. |

*Figure 26: Key measures for Sasria's risk appetite*

## Operational risk

Sasria had no material losses, near misses or fruitless and wasteful expenditure during the period under review. We monitor losses and near misses on a continuous basis, and do impact assessments on reported losses and near misses. Because of our unique mandate Sasria does not set a benchmark for material losses against other short-term insurance companies. However, we set our own standard for Sasria, where our tolerance target is zero, our threshold is R2 million and our limit is R10 million. During the period under review there were no threshold breaches. This is an indication of Sasria's disciplined approach to risk management.

"The risk appetite measure tool has been established to ensure that our directors have appropriate risk management practices in place."

## Proactively managing our capital risk

Sasria's capital management philosophy is to maximise the return on the shareholder's capital within an appropriate risk management framework and to ensure that our policyholders' assets are protected against special and catastrophic risks. We monitor Sasria's solvency levels and required solvency range in light of industry changes and regulatory requirements on a continuous basis. We are committed to efficient capital management, and maintain an appropriate level of capital with the balance of the required capacity being made up of reinsurance. We manage Sasria's capital proactively through different methods or tools.

### *Operating within Sasria's risk appetite over the business planning horizon*

The first tool we use is the ORSA tool, which was adopted in response to the requirement set by the SAM programme for general insurers. ORSA is defined as "the entirety of the processes and procedures employed to identify, assess, monitor, manage and report the short- and long-term risks an insurance undertaking faces or may face and determine the own funds necessary to ensure that the undertaking's solvency needs are met at all times".

ORSA is one of the primary tools used to test whether our Company operates within the risk appetite over the business planning horizon. As part of the ORSA process, stress and scenario testing is carried out over the business planning horizon. Stress scenarios include economic stresses, demographic stresses, catastrophe stresses and stresses resulting from operational risk. The ORSA process requires us to identify the most significant risks facing Sasria; to quantify the capital requirements for these risks and finally to compare the capital requirements to the own funds available on its statement of financial position. This process allows management to identify appropriate management actions and embed these actions in the event of a specific event realising. We performed an ORSA report of the business over the planning horizon for the first time during November 2014, and presented the results to our Risk Committee and the Sasria Board.

### *Ensuring sufficient eligible financial resources so that Sasria can honour its commitments*

Sasria is committed to hold sufficient eligible financial resources at all times to ensure we can meet the relevant statutory solvency capital requirement (SCR), as well as our internal (economic) assessment of the capital required to deliver on our business plans, reasonable policyholder expectations and claim payments as they fall due.

*Sasria is committed to hold sufficient eligible financial resources at all times to ensure we can meet the relevant statutory solvency capital requirement.*

We have established risk appetite measures for the capital at risk as well as limit and threshold allocations to manage the key risks (non-life underwriting risk, credit risk and market risk) identified in our Company. The risk appetite measure tool has been established to ensure that our directors have appropriate risk management practices in place. Any breach in the risk appetite measures is communicated to the relevant committees and management action is taken. Risk management in Sasria is governed by our Board and overseen by the Risk Committee.

### *Continuing to be in a healthy solvency position as per current regulatory requirements*

When determining capital requirements, Sasria uses a risk appetite measure of capital at risk over a one-year time period. Our capital at risk measurement is based on the measure that is higher than the economic capital requirement (ECR) or the SCR. Sasria aims to hold adequate capital to remain solvent in the event of substantial deviations, such as a 1-in-200-year event.

The ECR is an internal measure which Sasria has developed, using a number of tools to calculate an internal, economic view of risk and capital requirements as well as capital projections. With this, we have aligned our Company to a more appropriate calculation of capital through the development of an economic capital model. The ECR model is used to support, inform and improve our decision-making, in order to determine Sasria's optimum capital structure, investment strategy and reinsurance programme.
The model simulates attritional, large and catastrophic losses separately, and we used it in performing Sasria's ORSA.

The SCR is a statutory measure, which is a formula-based figure calibrated by the FSB to ensure that all quantifiable risks are taken into account, including non-life underwriting, market, credit, operational and counterparty risks. Insurers are required to maintain minimum required capital at all times throughout the year. Sasria reports to the FSB on its SCR.

We have calculated our Company's solvency position as at 31 March 2015 based on the current regulatory capital requirements. Sasria remains in a healthy solvency position per the current regulatory requirements, as was the case in previous years (Table 16).

*Table 16: Sasria's solvency position 2013–2015*

| Regulatory solvency position | 2015 | 2014 | 2013 |
|---|---|---|---|
| Capital required as % of premium | 28 | 28 | 29 |
| Capital available as % of premium | 377 | 368 | 473 |
| **Available capital as % of required capital** | **1 334** | **1 325** | **1 656** |

## Our top risks and how we managed them in 2014/2015

We identified the top risks that posed a potential threat to the execution of Sasria's business strategy for the year under review. We also assessed these risks based on the impact or severity of the risk event should it materialise, as well as the likelihood of the risk occurring. We then developed mitigation strategies, and proactively managed our top risks on an ongoing basis.

Table 17 presents some of Sasria's top risks for the year which ended on 31 March 2015, which included the following:

*Table 17: Some of Sasria's top risks*

| Risk | How did we manage the risk in 2014/2015? |
|---|---|
| **Insurance/non-life underwriting risks** | |
| Increase in insurance risk as a result of prolonged strikes and service delivery protest | Our Claims department monitored the loss ratio, and performed a detailed review of each claim before accepting it to ensure that all claims are valid and that all information was obtained. |
| Incomplete and inaccurate Sasria revenue | We provided sales and product awareness presentations to the distribution channel. Premium management was done on a monthly basis to monitor premium growth, decline, reversals and refunds. The CRMs performed a monthly premium analysis on all premiums. This was done to assess movements in premiums and to identify trends. |
| **Market and credit risks** | |
| Erosion of capital due to deterioration of investment markets | We compiled investment mandates w.r.t. the investment policy (risk/allocation) to ensure that asset managers only invest in certain instruments. The investment mandates were monitored. Sasria's investment policy statement limits the use of high-risk instruments, thereby limiting the losses that can be suffered during a deteriorating market. Standard Bank is Sasria's single custodian and performs its investment administration services. Standard Bank records all trades, reconciles these to the asset managers' accounts on a monthly basis, and prepares a consolidated report which is then further reconciled. |
| Failure to recover claim payments from treaty reinsurers | We implemented a policy to ensure that only A-rated reinsurers would be considered to be part of our programme, and added a further downgrade clause. |

| Risk | How did we manage the risk in 2014/2015? |
|---|---|
| **Operational risks** | |
| Inability to attract and retain specialised skills in our Company | We moved Human Capital, previously positioned as a business support function, to a stand-alone division to enhance Sasria's commitment to create and maintain a conducive, meaningful work environment for our employees. The HC division reviewed the recruitment process to identify bottlenecks, and updated and implemented the improved process. The benefits of the amended process are evident in the improved turnaround time in the recruitment process, as well as the quality of new hires. |
| Failure to comply with regulatory requirements and governance codes | We reviewed all new and proposed legislation for impact on Sasria and discussed and allocated actions to be taken. All regulatory and governance requirements were captured in policies. Non-compliance with a Sasria policy constitutes misconduct as defined in our HC policies and can result in disciplinary action. We conducted training and awareness interventions on regulation requirements during our annual Governance Week. |

## Our remuneration and rewards policy

During the year under review, we revised Sasria's remuneration and rewards policy, and adopted a Total Rewards approach. Sasria's new remuneration and rewards framework has been aligned with the requirements of King III, to ensure that directors and executives are remunerated fairly and responsibly.

This revised policy is applicable to the Managing Director, Finance Director, executives and all employees.

We adopted a holistic approach to managing remuneration and rewards in Sasria in order to strengthen efforts to ensure that our Company can attract, retain and recognise talented employees, since it is they who enable our Company to achieve its strategic business objectives and ensure our sustainability in the long term.

## Making remuneration and reward an integral part of Sasria's employee value proposition

Our new Total Rewards framework (Figure 27) centres on a key principle, namely that a reward policy should not be restricted to remuneration and benefits only, but that it should form an integral part of our human capital strategy to provide a holistic and attractive EVP, which includes a meaningful and rewarding work environment.

Sasria's new Total Rewards strategy therefore extends beyond the traditional concepts of remuneration and benefits, such as salary, pension, medical aid, leave and other benefits. We believe that an attractive EVP includes turning Sasria's brand into a familiar and trusted brand to attract the best; strengthening a culture that is characterised by professionalism, integrity, teamwork and synergistic relationships to enable us to retain our employees; and creating a fair and supportive performance environment to enable our employees to do their best.

Furthermore, we strongly believe that a conducive work environment should offer each and every individual employee the opportunity to find a sense of meaning and a higher purpose in their work. This means that, in addition to clarifying their individual roles and performance contracts, we need to help them see how each of them, through their work, is making a positive contribution to South Africa.

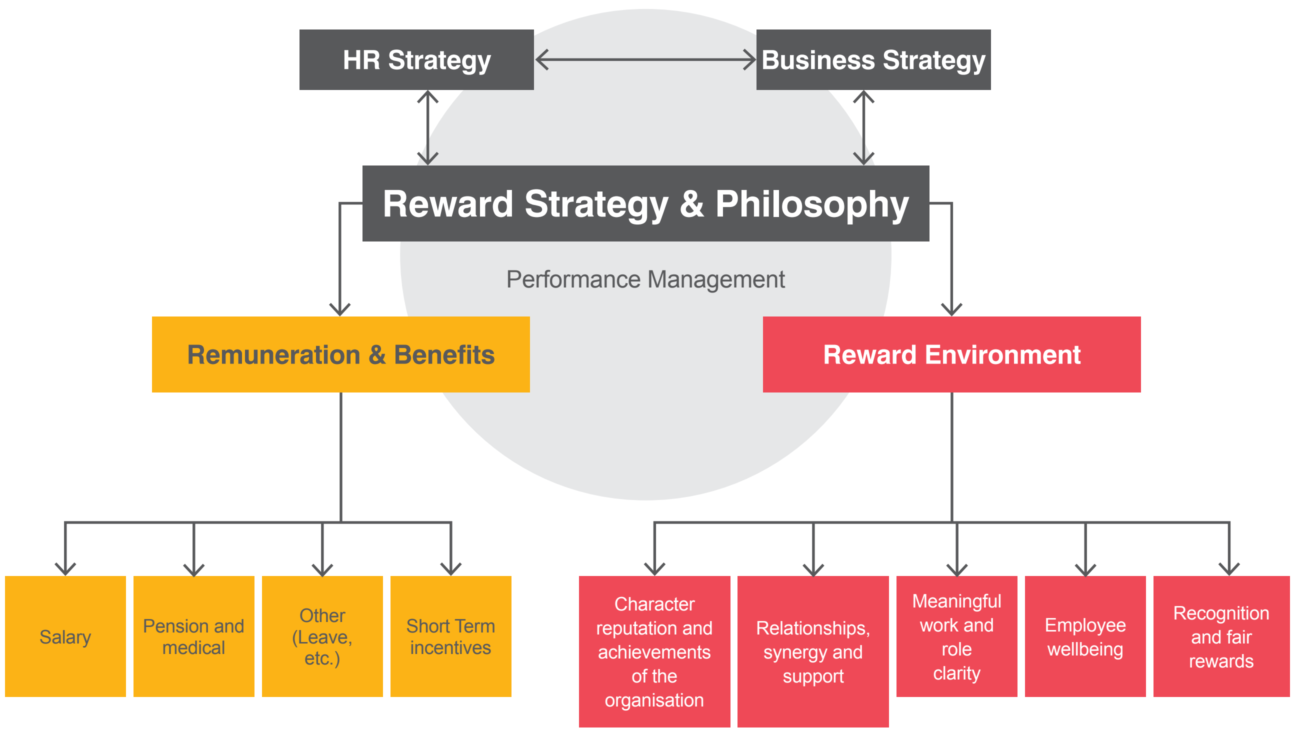



*Figure 27: Sasria's Total Rewards framework, adopted in the year ended 31 March 2015*

We also need to show that we care about them as individuals, and offer support and services to ensure their continued physical, emotional and financial wellbeing, and we need to recognise, reward and celebrate their achievements.

### Leadership own the Total Rewards process; HC guides and facilitates

In adopting our new rewards framework, we identified the critical success factors that would determine the effective application and implementation of effective reward practices going forward.

One such factor included the necessity for every line manager and leader in Sasria to accept and own their responsibility to drive Sasria's Total Rewards process in an integrated manner. The Human Capital division's role was clarified as one where this team of specialists provide guidance to the leadership, and facilitates the implementation of the Total Rewards management process.

***One such factor included the necessity for every line manager and leader in Sasria to accept and own their responsibility to drive Sasria's Total Rewards process in an integrated manner.***

### Built on a solid, principled foundation; ensuring integrated approach

Sasria's new Total Rewards framework is based on our Company's commitment to develop, implement and uphold total rewards strategies and practices across the entire Company, which are consistent with and aligned to our Company's vision, mission, values, and business objectives and which pursue the best interests of our Company, its shareholder, employees and all its other stakeholders.

> "A conducive work environment should offer each and every individual employee the opportunity to find a sense of meaning and a higher purpose in their work."

We also ensured that our new remuneration and rewards policy is firmly based on a number of key principles. These include making sure that our remuneration and rewards framework, structure, processes and tools should:

- Be market-related, fair, equitable and justifiable in line with King III;
- Promote sustainability and discourage short-term gains in terms of solvency assessment;
- Be driven by and show a commitment to rewarding performance, competence and capability aligned to our Company's values and the achievement of fair customer outcomes;
- Ensure consideration of risks taken in decision-making, taking Sasria's overall risk appetite into account; and
- Articulate a distinctive value proposition for current and prospective employees to ensure we can attract, retain, motivate and reward our current and future employees.

We have already developed Sasria's EVP, and Sasria's leaders will continue their efforts to ensure the effective implementation of Sasria's EVP and the other tools and mechanisms required to effectively realise Sasria's Total Rewards approach in the near future.

# Approval and assurance of our Annual Financial Statements

In this section, we provide the required approval and assurance reports regarding Sasria's Annual Financial Statements (AFS) for the year ended 31 March 2015, as well as the full set of AFS.

## Our Audit Committee report for the year ended 31 March 2015

### Audit Committee responsibility

The Audit Committee has complied with its responsibilities arising from section 51 of the PFMA and Treasury Regulation 27.1. In addition, the Audit Committee has adopted appropriate formal terms of reference as its Audit Committee charter, which have been approved by the Board of Directors. It has also regulated its affairs in compliance with this charter and discharged all its responsibilities contained therein.

## Effectiveness of internal control

The effectiveness of internal controls was reviewed principally through a process of management self-assessment, including formal confirmation per representation letters by executive management. Other relevant input to the review included reports from internal and external auditors, compliance and the enterprise risk management process. Where necessary, programmes for corrective action have been initiated. Nothing has come to the attention of the directors, or to the attention of the external or internal auditors, to indicate that any material breakdown in the functioning of the internal controls and systems (which includes the internal financial controls) occurred during the year under review.

## Quality of monthly and quarterly reports submitted in terms of the Act

The Audit Committee is satisfied with the content and quality of the reports prepared by Sasria management.

## Finance function

We believe that Karen Pepler, Sasria's Finance Director, possesses the appropriate expertise and experience to meet her responsibilities in that position.

We are satisfied with the expertise and adequacy of the resources within the finance function. Based on the processes and assurance obtained, we believe that the accounting practices are effective.

## Regulatory compliance

The Audit Committee complied with all applicable legal, regulatory and other responsibilities.

## External audit

The Audit Committee has considered PricewaterhouseCoopers Inc.'s independence and is satisfied that it was independent throughout the year.

To assess the effectiveness of the external auditor, the committee reviewed:

- The fulfilment of the agreed audit plan and variations from the plan; and
- The robustness of the external auditor in its handling of the key accounting and audit judgements.

Regarding the oversight of the external audit process, the committee reviewed:

- The areas of responsibility and scope of the audit;
- Issues that arose from the audit and their resolution;
- Key accounting and audit judgements; and
- Recommendations made by the external auditor and management's response.

## Evaluation of financial statements

The Audit Committee has reviewed and discussed the audited annual financial statements to be included in the annual report with the external auditor and the Finance Director.

The Audit Committee concurs with and accepts the opinion of the external auditor regarding the annual financial statements and is of the opinion that the audited annual financial statements should be accepted and read together with the report of the independent auditors.

On behalf of the Audit Committee:

**Herman Schoeman**
Audit Committee Chairperson
24 July 2015

# Independent auditor's report to Parliament

## Report on the financial statements of the Sasria SOC Ltd

### *Introduction*

We have audited the financial statements of Sasria SOC Ltd (Refer to P109 to P175), which comprise the statement of financial position as at 31 March 2015, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### *Accounting Authority's responsibility for the financial statements*

The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa and the Companies Act of South Africa, and for such internal control as the accounting authority determines 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 about 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.

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 Sasria SOC Ltd as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa and the Companies Act of South Africa.

### *Other*

We draw attention to the matter below. Our opinion is not modified in respect of this matter.

### *Report on other legal and regulatory requirements*

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, we have a responsibility to report findings on the reported performance information against predetermined objectives for the selected objectives presented in the annual report, non-compliance with legislation and internal control. We performed tests to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters.

### *Predetermined objectives*

We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2015:

- **Objective 1:** Sustainable revenue growth: To consistently outperform the industry average in premium growth;
- **Objective 2:** Sustainable revenue growth: To target an ROE greater than the government bond yield;
- **Objective 3:** Regulatory environment: To proactively manage compliance;
- **Objective 4:** Customer centricity: To provide superior customer service; and
- **Objective 6:** People, capacity and capability: To attract, retain and develop skills that support our aspirations.

We evaluated the reported performance information against the overall criteria of usefulness and reliability.

We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. We further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not identify any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

### *Additional matter*

Although we identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, we draw attention to the following matter:

### *Achievement of planned targets*

Refer to the annual performance report on pages P71 to P74 for information on the achievement of the planned targets for the year.

### *Compliance with legislation*

We performed procedures to obtain evidence that the public entity has complied with legislation regarding financial matters, financial management and other related matters. We did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

### *Internal control*

We considered internal control relevant to our audit of the financial statements, performance against predetermined objectives and compliance with legislation. We did not identify any significant deficiencies in internal control.

PricewaterhouseCoopers Inc.

**PricewaterhouseCoopers Inc.**
Director: Victor Muguto
Registered Auditor
Johannesburg
18 August 2015

# Our directors' report and Company Secretary certificate

## Directors' responsibility and approval of Annual Financial Statements

The directors are responsible for the preparation, integrity and fair presentation of the financial statements. The external auditors are responsible for independently reviewing and reporting on the financial statements.

The financial statements set out in this report have been prepared by management in accordance with the provisions of the Companies Act and the PFMA and comply with International Financial Reporting Standards. They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgements and estimates.

The going concern basis was adopted in preparing the annual 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. The Company's viability is supported by the annual financial statements.

The Company's internal controls and systems are designed to provide reasonable assurance on the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets. Such controls are based on established written policies and procedures that are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring that the Company's business practices are conducted in a manner that in all reasonable circumstances is above reproach.

The annual financial statements were audited by the independent auditor, PricewaterhouseCoopers Inc., which was given unrestricted access to all financial records and related data, including minutes of meetings of the shareholder, the Board of Directors and committees of the Board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate.

Nothing has come to the attention of the directors to indicate that there has been any material breakdown in the functioning of these controls, systems and procedures during the year under review. The directors are of the opinion that Sasria's risk management process is effective.

The unqualified audit report of PricewaterhouseCoopers Inc. is presented on pages 105 to 106. PricewaterhouseCoopers Inc. will continue in office in accordance with section 90 of the Companies Act, 2008.

The Company annual financial statements, set out on pages 109 to 175, were approved by the directors in accordance with their responsibilities and were signed on their behalf by:

**MA Samie**
Board Chairperson
6 August 2015

**CM Masondo**
Managing Director
6 August 2015

## Company Secretary certificate

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

**Mzi Mavuso**
Company Secretary
6 August 2015

# Statement of financial position

## As at 31 March 2015

| Figures in rand thousand | Note(s) | 2015 | 2014 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 5 | 10 404 | 10 648 |
| Intangible assets including intangible insurance asset | 6 | 43 794 | 40 371 |
| Investment in associate | 7 | – | 52 794 |
| Financial assets | | | |
| – at fair value through profit and loss | 8.1 | 4 346 601 | 3 904 577 |
| – loans and receivables | 8.2 | 130 851 | 76 634 |
| – derivative assets | 8.3 | 1 065 | 1 492 |
| Insurance receivables | 9 | 125 999 | 124 835 |
| Reinsurance contracts | 10 | 19 618 | 27 092 |
| Cash and cash equivalents | 11 | 1 344 566 | 1 240 288 |
| Non–current asset held for sale | 12 | 36 000 | – |
| **Total assets** | | **6 058 898** | **5 478 731** |
| **Equity** | | | |
| Share capital | 13 | – | – |
| Capital adequacy reserve | | 377 385 | 350 610 |
| Retained earnings | | 4 674 237 | 4 296 106 |
| **Total equity** | | **5 051 622** | **4 646 716** |
| **Liabilities** | | | |
| Deferred income | 16 | 5 146 | 4 159 |
| Deferred income tax | 17 | 47 223 | 48 705 |
| Employee benefit liability | 15 | 11 547 | 11 928 |
| Insurance contract liabilities | 10 | 839 586 | 677 004 |
| Derivative liabilities | 8.3 | 4 107 | 606 |
| Current income tax payable | | 22 138 | 7 922 |
| Payables | 14 | 77 529 | 81 691 |
| **Total liabilities** | | **1 007 276** | **832 015** |
| **Total equity and liabilities** | | **6 058 898** | **5 478 731** |

# Statement of comprehensive income

## For the year ended 31 March 2015

| Figures in rand thousand | Note(s) | 2015 | 2014 |
|---|---|---|---|
| Gross insurance premium written | 18 | 1 522 866 | 1 390 338 |
| Insurance premiums ceded to reinsurers | 18 | (140 994) | (126 573) |
| **Net insurance premium revenue** | | **1 381 872** | **1 263 765** |
| Change in gross unearned premium provision | 18 | (26 512) | (20 698) |
| Change in reinsurers' share of unearned premium provision | 18 | 3 289 | (48 337) |
| **Net insurance premiums earned** | **18** | **1 358 649** | **1 194 730** |
| Commission earned from reinsurers | | 24 049 | 22 632 |
| Investment income | 19 | 389 755 | 443 109 |
| Other income | | 129 | 37 |
| **Net income** | | **1 772 582** | **1 660 508** |
| Gross insurance claims and loss adjustment expenses | 20 | (436 222) | (261 524) |
| Claims and loss adjustment expenses recovered from reinsurers | 20 | (4 337) | (44 858) |
| **Net insurance claims** | | **(440 559)** | **(306 382)** |
| Expenses for the acquisition of insurance contracts | 21 | (176 730) | (120 987) |
| Expenses for administration and marketing | 22 | (321 153) | (293 959) |
| **Total expenses** | | **(497 883)** | **(414 946)** |
| **Profit before share of associate** | | **834 140** | **939 179** |
| Share of profit of associate | 7 | – | 4 860 |
| **Profit before tax** | | **834 140** | **944 039** |
| Income tax expense | 24 | (223 456) | (258 113) |
| **Profit for the year** | | **610 684** | **685 926** |
| **Total comprehensive income attributable to:** | | | |
| **Ordinary shareholder** | | **610 684** | **685 926** |

# Statement of changes in equity

**For the year ended 31 March 2015**

| Figures in rand thousand | Share capital | Capital adequacy reserve | Non-distributable regulatory reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|
| **Balance at 01 April 2013** | **–** | **245 142** | **245 142** | **3 822 933** | **4 068 075** |
| Changes in equity | | | | | |
| Comprehensive income for the year | – | – | – | 685 926 | 685 926 |
| Transfer to capital adequacy reserve | – | 105 468 | 105 468 | (105 468) | – |
| Dividends paid | – | – | – | (107 287) | (107 287) |
| Other | – | – | – | 2 | 2 |
| **Total changes** | **–** | **105 468** | **105 468** | **473 173** | **578 641** |
| **Balance at 01 April 2014** | **–** | **350 610** | **350 610** | **4 296 106** | **4 646 716** |
| Changes in equity | | | | | |
| Comprehensive income for the year | – | – | – | 610 684 | 610 684 |
| Transfer to capital adequacy reserve | – | 26 775 | 26 775 | (26 775) | – |
| Dividends paid | – | – | – | (205 778) | (205 778) |
| **Total changes** | **–** | **26 775** | **26 775** | **378 131** | **404 906** |
| **Balance at 31 March 2015** | **–** | **377 385** | **377 385** | **4 674 237** | **5 051 622** |
| | Note 13 | | | | |

# Statement of cash flows

**For the year ended 31 March 2015**

| Figures in rand thousand | Note(s) | 2015 | 2014 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 27 | 556 261 | 393 531 |
| Dividends received | | 32 225 | 28 882 |
| Interest received | | 277 835 | 247 086 |
| Realised gains on investments | | 65 926 | 94 030 |
| Income tax paid | 29 | (210 722) | (206 003) |
| **Net cash from operating activities** | | **721 525** | **557 526** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 5 | (2 922) | (9 785) |
| Proceeds on disposal of investment in associate | 7 | 15 189 | – |
| Purchases relating to intangible assets | 6 | (1 176) | (5 780) |
| Purchase of investments | | (422 560) | (446 350) |
| **Net cash used in investing activities** | | **(411 469)** | **(461 915)** |
| **Cash flows from financing activities** | | | |
| Dividends paid | | (205 778) | (107 287) |
| **Net increase/(decrease) in cash and cash equivalents** | | **104 278** | **(11 676)** |
| Cash and cash equivalents at beginning of the year | | 1 240 288 | 1 251 964 |
| **Cash and cash equivalents at end of the year** | 11 | **1 344 566** | **1 240 288** |

# Notes to the financial statements

**For the year ended 31 March 2015**

## 1. Introduction

Sasria SOC Ltd underwrites short-term insurance risks generally not covered by a traditional insurance company. These risks include loss of or damage to property, directly related to or caused by:

- Any act (whether on behalf of any organisation, body or person, or group of persons) calculated or directed to overthrow or influence any state or government, or any provincial, local or tribal authority with force, or by means of fear, terrorism or violence;
- Any act which is calculated or directed to bring about loss or damage in order to further any political aim, objective or cause, or to bring about any social or economic change, or in protest against any state or government, or any provincial, local or tribal authority, or for the purpose of inspiring fear in the public, or any section thereof; or
- Any riot, strike or public disorder, or any act or activity which is calculated or directed to bring about a riot, strike or public disorder.

These products are offered only to the domestic market.

Sasria is a state-owned company incorporated and domiciled in the Republic of South Africa.

### 1.1. Statement of compliance

The annual financial statements are prepared in accordance with the requirements of the Companies Act, the Public Finance Management Act (PFMA) and International Financial Reporting Standards (IFRS).

### 1.2. Basis of presentation

The financial statements have been prepared under the historical cost convention, on a going concern basis in compliance with IFRS, modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss, and the application of the equity method of accounting for investments in the associated company.

The Company's statement of financial position is not presented using a current/non-current classification. The following balances are generally considered to be current: cash and cash equivalents, loans and receivables, current income tax payable and payables.

The following balances are generally considered to be non-current: investment in associate, deferred income tax, property, plant and equipment and non-current assets held for sale.

The following balances are mixed in nature (including both current and non-current portions): intangible assets including intangible insurance asset, financial assets at fair value through profit and loss, derivative assets, insurance assets, reinsurance contracts, deferred income, employee benefit liability, insurance contract liabilities and derivate liabilities.

### 1.3. Use of estimates and judgements

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed (Refer to note 2.18 on P129 and note 10 on P155).

# Notes to the financial statements

**For the year ended 31 March 2015**

## 2. Accounting policies

**Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

### 2.1. New and amended standards adopted by the Company

**(a) Effective in the current financial year and have an impact on the Company**

The following standards, amendments to standards and interpretations have been adopted by the Company for the first time in the current financial year and have an impact on the Company:

**2.1.1. Amendment to IAS 32, 'Financial Instruments: Presentation' – effective date: 1 January 2014**

The IASB has issued amendments to the application guidance in IAS 32, 'Financial Instruments: Presentation' that clarify some of the requirements for offsetting financial assets and liabilities on the statement of financial position.

**2.1.2. Amendment to IAS 36, 'Impairment of Assets' – effective date: 1 January 2014**

These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

**2.1.3. Amendment to IAS 24, 'Related Party Disclosures' – effective date: 1 July 2014**

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity.

**2.1.4. Amendment to IFRS 13, 'Fair Value Measurement' – effective date: 1 July 2014**

The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 and IFRS 9.

**(b) Effective in the current financial year and do not have a material impact on the Company**

The following standards, amendments to standards and interpretations have been adopted by the Company for the first time in the current financial year and do not have a material impact on the Company:

**2.1.5. Amendment to IFRS 10, IFRS 12 and IAS 27 for investment entities – effective date: 1 January 2014**

The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries.

Instead they will measure them at fair value through profit and loss. The amendments give an exception to entities that meet an investment entity definition and which display particular characteristics.

Changes have also been made in IFRS 2 to introduce disclosures that an investment entity is required to make.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 2. Accounting policies (continued)

**2.1.6. Amendment to IAS 39 on novation of derivatives – effective 1 January 2014**

The IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specific criteria.

Similar relief will be included in IFRS 9, 'Financial Instruments'.

**2.1.7. Annual improvement – Amendment to IFRS 2, 'Share Based Payment' – transactions occurring after 1 July 2014**

The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

**2.1.8. Annual improvement – Amendment to IFRS 3, 'Business Combinations' – transactions occurring after 1 July 2014**

The amendment clarifies an obligation to pay contingent consideration which meets the definition of a financial instrument to be classified as a financial liability or as equity, on the basis of the definitions of IAS 32, 'Financial Instruments: Presentation'.

**2.1.9. Annual improvement – Amendment to IFRS 8, 'Operating Segments' – effective date 1 July 2014**

The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. A reconciliation of segment assets to the Company's assets is also required.

**2.1.10. Annual improvement – Amendment to IFRS 1, 'First Time Adoption of International Financial Reporting Standards' – effective date 1 July 2014**

The basis for conclusions is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption, a first time adopter can use either the old or new version, provided the same standard is applied to all periods presented.

**2.1.11. Annual improvement – Amendment to IAS 40, 'Investment Property' – effective date 1 July 2014**

The standard is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 assists preparers to distinguish between investment property and owner occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of the investment property is a business combination.

**2.1.12. Annual improvement – Amendment to IFRS 3, 'Business Combination' – effective date 1 July 2014**

The standard is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11.

**2.1.13. Amendment to IFRS 13, 'Fair Value Measurement' – effective date: 1 July 2014**

When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG 79 of IAS 39 were deleted as consequential amendments. This led to concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.

**2.1.14. IAS 16 and IAS 38, 'Property, Plant and Equipment' and 'Intangible Assets' – effective date: 1 July 2014**

Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 2. Accounting policies (continued)

### 2.2. New standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are available but neither effective nor early adopted yet. These will not be applied in preparing the financial statements for the year ended 31 March 2015. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

**2.2.1. IFRS 9, 'Financial Instruments (2009), (2010) and Amendments to IFRS 9 (2011)' – effective 1 January 2018**

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses the classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories – amortised cost and fair value.

Guidance has been included on financial liabilities and the derecognition of financial instruments. This has been moved from IAS 39 without any changes except for financial liabilities that are designated at fair value through profit and loss.

Management is still assessing the impact of this standard on the Company.

**2.2.2. IFRS 14, 'Regulatory Deferral Accounts' – effective 1 January 2016**

This is an interim standard on the accounting for certain balances that arise from rate-regulated activities. Rate regulation is a framework when the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body.

Management is still assessing the impact of this standard on the Company.

**2.2.3. Amendment to IAS 19, regarding defined benefit plan – effective 1 July 2014**

These amendments apply to contributions from employees and/or third parties to defined benefit plans. It is to simplify the accounting for contributions that are independent of the number of years of employee service.

Management is of the opinion that this new standard will not have a material impact on Sasria's annual financial statements.

**2.2.4. Amendment to IFRS 11, 'Joint Arrangements' on acquisition of an interest in a joint operation – effective 1 January 2016**

This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

Management is of the opinion that this standard will not have any impact on the Company.

**2.2.5. Amendment to IAS 16, 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' on depreciation and amortisation – effective 1 January 2016**

This amendment clarifies that the use of revenue based methods to calculate depreciation of an asset is not appropriate.

Management is of the opinion that this new standard will not have a material impact on Sasria's annual financial statements.

**2.2.6. IFRS 15, 'Revenue from Contracts with Customers' – effective 1 January 2017**

This is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue.

Management is still assessing the impact of this standard on the Company.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 2. Accounting policies (continued)

### 2.3. Consolidation

#### 2.3.1. Investment in associates

Associates are entities over which the Company has significant influence but not control over the financial and operational policies. Significant influence is determined based primarily on percentage voting rights (generally between 20% and 50%), together with other factors such as board participation and participation in the policy-making process. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in the associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit and loss where appropriate. Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment on an annual basis.

Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is immediately recognised in the statement of comprehensive income. The Company's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associate. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments were made to the accounting policies of associates to ensure consistency with the policies adopted by the Company. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the amount adjacent to share of profit/(loss) of associates in the statement of comprehensive income. If an investor loses significant influence over an associate, it derecognises that associate and recognises in profit or loss the difference between the sum of the proceeds received and any retained interest, and the carrying amount of the investment in the associate at the date significant influence is lost.

The Company accounts for its investment in associates using the equity method, at cost less provision for impairment.

### 2.4. Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits associated with the item will flow to the Company; and
- The cost of the item can be measured reliably.

Property, plant and equipment is initially recognised and measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, or replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. Items of property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 2. Accounting policies (continued)

### 2.4. Property, plant and equipment (continued)

Subsequent expenditure is capitalised when it is probable that it will give rise to future economic benefits.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Average useful life |
|---|---|
| Computer equipment | 3 years |
| Furniture and fittings | 10 years |
| Leasehold improvements | 5 years |
| Motor vehicles | 5 years |
| Office equipment | 5 years |

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The depreciation charge for each period is recognised in the statement of comprehensive income unless it is included in the carrying amount of another asset. The gain or loss arising from derecognition of an item of property, plant and equipment is included in the statement of comprehensive income when the item is derecognised. The gain or loss arising from derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The gain or loss on disposal is the difference between the net proceeds received and the carrying amount of the assets.

### 2.5. Intangible assets and intangible insurance assets

An intangible asset, including intangible insurance assets, is recognised when:

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- The cost of the asset can be measured reliably.

Intangible assets, including intangible insurance assets, are initially recognised at cost. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale;
- There is an intention to complete and use or sell it;
- There is an ability to use or sell it;
- It will generate probable future economic benefits;
- There are available technical, financial and other resources to complete the development and to use or sell the asset; and
- The expenditure attributable to the asset during its development can be measured reliably.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of directly attributable overheads. Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. To the extent that subsequent costs are incurred in the development phase, these are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. All other repairs and maintenance expenditure is charged to the statement of comprehensive income during the financial period in which it is incurred.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 2. Accounting policies (continued)

### 2.5. Intangible assets and intangible insurance assets (continued)

Intangible assets, including intangible insurance assets, are carried at cost less any accumulated amortisation and any impairment losses. The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Amortisation is provided to write down the intangible assets, other than intangible insurance assets, on a straight-line basis, to their residual values as follows:

| Item | Useful life |
|---|---|
| Computer software | 3 – 5 years |

### 2.6. Non-current assets held for sale

Non-current assets are classified as held for sale if the carrying amount will be recovered principally through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of this classification, the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value; and actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

Immediately prior to being classified as held for sale, the carrying amount of the non-current asset is measured in accordance with the applicable IFRS. After classification as held for sale, it is measured at the lower of the carrying amount or its fair value less cost to sell. An impairment loss is recognised in profit or loss for any initial and subsequent write-down of the asset to fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognised in profit or loss to the extent that it is not in excess of the cumulative impairment loss previously recognised.

Non-current assets that are classified as held for sale are not depreciated.

### 2.7. Financial assets

#### 2.7.1. Classification

The Company classifies its financial assets into the following categories: financial assets held at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

*2.7.1.1. Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated as at fair value through profit or loss at inception. A financial asset is classified as a trading instrument if acquired principally for the purpose of selling in the short-term if it forms part of the portfolio of financial assets in which there is evidence of profit taking, or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

Financial assets designated as at fair value through profit or loss at inception are the following:

Those that are held in funds to match investment contract liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 2. Accounting policies (continued)

### 2.7. Financial assets (continued)

Those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. The Company's investment strategy is to invest in equity and debt securities, and to evaluate them with reference to their fair values. Assets included in these portfolios are designated upon initial recognition as at fair value through profit or loss.

Recognition and measurement of financial asset purchases and disposals are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value. Transaction costs are recognised in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Unrealised movements arising from changes in the fair value of financial assets at fair value through profit or loss are included in the statement of comprehensive income in the period in which they arise. Dividend income and interest accrued from financial assets at fair value through profit or loss are recognised in the statement of comprehensive income as part of investment income when the Company's right to receive payments is established. Realised gains on financial assets at fair value through profit or loss are calculated as the difference between proceeds received and cost. Realised gains are recognised as part of net loss/gain on financial assets and liabilities at fair value through profit or loss.

The fair values of quoted investments are based on current stock exchange closing prices at the close of business on the reporting date. If the market for a financial asset is not active or if it is unquoted, the Company establishes fair value by using valuation techniques. These include discounted cash flow analysis, recent arm's length transactions, premium/discount to net asset value and price-earnings techniques. The Company's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data. Debt securities are measured at fair value based on the market rate of an equivalent non-convertible bond. Unit trusts are measured at fair value based on the quoted repurchase prices. Loans and receivables are subsequently measured at amortised cost using the effective-interest rate method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

The carrying values of trade receivables (less impairment provision) and payables are assumed to approximate their fair values.

*2.7.1.2. Offsetting*

Offsetting financial instruments – Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention and ability to settle on a net basis, or to realise and settle the asset and liability simultaneously.

*2.7.1.3. Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short-term or that it has designated as held at fair value through profit and loss.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 2. Accounting policies (continued)

### 2.7. Financial assets (continued)

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss. Trade and other receivables are classified as loans and receivables.

#### 2.7.2. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits held at call with banks. Cash equivalents comprise highly liquid investments that are convertible to cash with insignificant risk of changes in value and with original maturities of less than three months.

#### 2.7.3. Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss. Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise. Derivatives are classified as financial assets at fair value through profit or loss.

### 2.8. Impairment of financial assets

The carrying amounts of all the Company's assets, other than those classified as fair value through profit and loss, are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the carrying value is reduced to the estimated recoverable amount by means of a charge to the statement of comprehensive income.

#### 2.8.1. Receivables including insurance related receivables

Receivables including insurance related receivables are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that receivables including insurance related receivables are impaired includes observable data that comes to the attention of the Company about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the financial asset because of financial difficulties; and

# Notes to the financial statements

**For the year ended 31 March 2015**

## 2. Accounting policies (continued)

### 2.8. Impairment of financial assets (continued)

- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual assets in the group, including:
  - adverse changes in the payment status of issuers of debtors in the group; and
  - national or local economic conditions that correlate with defaults on the assets in the group.

The Company first assesses whether objective evidence of impairment exists individually for assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, it includes the asset in a group of assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised through profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed. The amount of the reversal is recognised through profit or loss. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed. The amount of the reversal is recognised through profit or loss.

#### 2.8.2. Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. In the case of non-financial assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The reversal is taken through profit or loss. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 2. Accounting policies (continued)

### 2.9. Insurance classification

The Company issues contracts which transfer insurance risk or financial risk or, in some cases, both. Insurance contracts are those contracts under which the Company (as insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects them. Such contracts may also transfer financial risk. Receipts and payments under insurance contracts are accounted for in the statement of comprehensive income in accordance with the requirements of IFRS 4. The insurance contracts that the Company underwrites are classified and described below:

#### 2.9.1. Short-term insurance

Short-term insurance provides benefits under short-term policies, which include special risk cover for engineering, fire, transportation, motor and guarantee or a contract comprising a combination of any of those policies. Short-term insurance contracts are further classified into the following categories:

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

### 2.10. Recognition and measurement of insurance contracts

#### 2.10.1. Gross written premiums

Gross written premiums exclude value added tax and 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 and are disclosed gross of commission payable to intermediaries. Gross premiums written include adjustments to premiums written in prior accounting periods. Premiums are earned from the date the risk attaches, over the indemnity period, based on the pattern of the risk underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the risk pattern of cover ceded.

#### 2.10.2. Provision for unearned premiums

The provision for unearned premiums represents the portion of the current year's premiums that relate to risk periods extending into the following year. As the majority of the underwriting risks are incurred uniformly over the term of the contract the unearned premium liability is calculated on the straight-line basis, using the 365th method, except for insurance classes where allowance is made for uneven exposure.

#### 2.10.3. Claims incurred

Claims incurred exclude value added tax and consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims and provision for claims incurred but not reported. Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

# Notes to the financial statements

**For the year ended 31 March 2015**

## 2. Accounting policies (continued)

### 2.10. Recognition and measurement of insurance contracts (continued)

#### 2.10.4. Provision for outstanding claims

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

Claims provisions are determined based upon previous claims experience, knowledge of events, the terms and conditions of the relevant policies and on the interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions. The Company employs individuals experienced in claims handling and rigorously applies standardised policies and procedures to claims assessment. The ultimate cost of reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Therefore, case estimates are reviewed regularly and updated when new information becomes available.

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

#### 2.10.5. Provision for claims incurred but not reported (IBNR)

Provision is also made for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to the Company at that date. This provision is calculated using actuarial modelling with at least five years' historical claims experience and where possible, the Company adopts multiple techniques to estimate the required level of provisions. This assists in developing a greater understanding of the trends inherent in the data being projected.

#### 2.10.6. The basic chain-ladder methodology, Bornhuetter-Fergussen and average cost per claim methods

The Company uses the basic chain-ladder, Bornhuetter-Fergussen and the average cost per claim methods to estimate the ultimate cost of claims. The basic technique involves analysing historical claims development factors, net of reinsurance, and selecting estimated development factors based on this historical pattern. The selected development factors are applied to cumulative internal claims data for each incident year that is not yet fully developed to produce an estimated ultimate claims cost for each incident year.

A stochastic process is applied to the choice of development factors for each incident year in accordance with standard statistical practices. Numerous simulations are performed to obtain a distribution of the ultimate claims cost.

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

# Notes to the financial statements

**For the year ended 31 March 2015**

## 2. Accounting policies (continued)

### 2.10. Recognition and measurement of insurance contracts (continued)

#### 2.10.7. IBNR reserve is held so as to be at least sufficient at the 75th percentile

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

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

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks and the cost of a claim will be determined by the actual loss suffered by the policyholder. There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim. The establishment of insurance liabilities is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims can vary substantially from the initial estimates. The Company seeks to provide appropriate levels of claims provisions taking the known facts and experience into account.

#### 2.10.8. Deferred acquisition costs (DAC)

The costs of acquiring new and renewal insurance business that are primarily related to the production of that business are deferred and recognised as an intangible asset when they can be identified and measured reliably and it is probable that they will be recovered. The costs are subsequently amortised to the income statement as the premium income is earned. Similarly, any reinsurance commissions received are deferred and recognised as income over the term of the reinsurance contract.

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Any DAC written off as a result of this test cannot subsequently be reinstated.

#### 2.10.9. Reinsurance contracts held

Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders. Amounts recoverable under reinsurance contracts are assessed for impairment at each balance sheet date. Such assets are deemed 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 there is a reliably measurable impact on the amounts that the Company will recover from a reinsurer. Impairment losses are recognised through the statement of comprehensive income.

Reinsurance contracts are only recognised as such when they give rise to significant transfer of insurance risk from the Company to the reinsurers. These reinsurance contracts meet the definition of an insurance contract as defined above. Contracts that do not meet these classification requirements are classified as financial assets. Claims that are recoverable under such contracts are recognised in the same year as the related claims. The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 2. Accounting policies (continued)

### 2.10. Recognition and measurement of insurance contracts (continued)

These assets consist of short-term balances due from reinsurers on settled claims, as well as estimates that are dependent on the outcome of claims experiences related to the reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when incurred. The reinsurer's share of unearned premiums represents the portion of the current year's reinsurance premiums that relates to risk periods covered by the related reinsurance contracts extending into the following year. The reinsurers' share of unearned premium is calculated using the 365th method.

#### 2.10.10. Reinsurance commission

Commissions paid to intermediaries are accounted for over the risk period of the policy to which they relate. The portion of the commission which is deferred to subsequent accounting periods is termed deferred acquisition cost. Reinsurance commission is deferred in line with the reinsurance premium expense. Profit commissions receivable should be taken into account when they are likely to be realised, and are measurable.

#### 2.10.11. Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, intermediaries and insurance policy holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of comprehensive income. The Company gathers objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated according to the same method used for these financial assets.

#### 2.10.12. Salvage reimbursements

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (i.e. salvage). The Company may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims. The allowance is the amount that can reasonably be recovered from the disposal of the property. Subrogation reimbursements are also considered as an allowance in determining the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

### 2.11. Taxation

The tax expense for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

#### 2.11.1. Current income tax

The current income tax charge is calculated on the basis of the South African tax laws enacted or substantively enacted at the statement of financial position date, and any tax payable in respect of prior years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 2. Accounting policies (continued)

### 2.11. Taxation (continued)

#### 2.11.2. Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred income tax is provided on temporary differences arising on investments in associates, except where the Company controls the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

### 2.12. Employee benefits

#### 2.12.1. Pension obligations

The Company provides for the retirement benefits of its employees through a defined contribution plan. The assets are held in separate trustee administered funds. The Company pays defined contributions into these funds and thereafter, the Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all the employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is assured.

#### 2.12.2. Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the balance sheet date are discounted to present value.

#### 2.12.3. Bonus plan

The Company recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholder after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 2. Accounting policies (continued)

### 2.12. Employee benefits (continued)

#### 2.12.4. Leave pay

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. Provision is made for the estimated liability of this leave as a result of services rendered by employees up to the statement of financial position date.

### 2.13. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation of uncertain timing or amount as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured as the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. When the effect of discounting is material, provisions are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions are not recognised for future operating losses. When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Claims benefits payable and the provision for claims that have occurred but have not yet been reported as at the balance sheet date are disclosed under insurance liabilities.

### 2.14. Revenue recognition

The accounting policy relating to the recognition of revenue from insurance contracts is disclosed (Refer to note 2.9 on P123), which describes the recognition and measurement of insurance contracts in detail.

#### 2.14.1. Interest income and expenditure

Interest income and expenditure for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, is recognised within investment income and finance costs in the income statement using the effective-interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original interest rate of the instrument, and continues unwinding the discount as interest income.

#### 2.14.2. Dividend income

Dividend income for equities is recognised when the right to receive payment is established, which is the last day of trade in respect of quoted shares and when declared in respect of unquoted shares. Dividends include shares received in terms of capitalisation issues, irrespective of whether there is an option to receive cash in lieu of the shares.

#### 2.14.3. Rental income

Rental income from investment properties is recognised in the income statement on a straight-line basis over the term of each lease.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 2. Accounting policies (continued)

### 2.15. Leases

#### 2.15.1. Operating leases – lessor

Operating lease income is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. When an operating lease is terminated, any payment required by the lessor by way of a penalty is recognised as an expense in the period in which termination takes place. Income for leases is disclosed under revenue in the statement of comprehensive income.

#### 2.15.2. Operating leases – lessee

The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

### 2.16. Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which they are approved by the Company's Board of Directors.

### 2.17. Trade and other payables

Trade and other payables are recognised when the Company has a present obligation arising from past events, settlement of which is expected to result in an outflow of economic benefits from the Company. Trade and other payables are initially recorded at fair value and subsequent to initial recognition they are carried at amortised cost.

### 2.18. Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates in the valuation of certain assets and liabilities. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. This is specifically true for the estimation of liabilities from insurance contracts, including the estimate of the liability for IBNR. The estimates and assumptions are based on historical experience and various factors that may be relevant at the time. Actual results may subsequently be different to the estimates. Estimates and judgements are annually evaluated and based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### 2.18.1. Ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. Several sources of uncertainty have to be considered in estimating the liability that the Company will ultimately be exposed to for such claims. The risk environment can change quickly and unexpectedly owing to a wide range of events or influences. The Company is constantly refining the tools with which it monitors and manages risks to place the Company in a position to assess risk situations appropriately, despite the greatly increased pace of global changes. The growing complexity and dynamism of the environment in which we operate means that there are natural limits, however. There cannot and never will be absolute security when it comes to identifying risks at an early stage, measuring them sufficiently, or correctly estimating their real hazard potential (Refer to note 3 on P130 and note 4 on P135). "Management of insurance risk" and "Management of financial risk", for further detail on the estimation of the claims liability.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 2. Accounting policies (continued)

### 2.18. Critical accounting estimates and judgements in applying accounting policies (continued)

#### 2.18.2. Valuation of unlisted investments

The unlisted equity investments, which are held indirectly through the associate (private equity trust), are valued by the private equity investment manager on a discounted cash flow valuation method. This valuation is independently reviewed by an accounting firm. The valuations are also reviewed by management for reasonableness. The use of discounted cash flow analyses involves the estimation of future cash flows based on the best estimates provided by the trust for each underlying investment and a discount rate which is market related at the balance sheet date.

Subsequent changes to these estimates would result in changes to fair values. Sasria accounts for its share of the fair value movements as described (Refer to note 2.7 on P119). Furthermore, the unlisted bond investments which are held through appointed asset managers are valued based on market observable data and expert judgement. The unlisted bonds are independently audited by the external auditors of these asset managers. The valuations are also reviewed by management for reasonableness. The market observable data would be the interest rate at which a listed liquid government bond will trade. To determine the spread at which the unlisted bond should be valued requires the use of an expert. These spreads are internally reviewed by the credit committees of the respective asset managers. Subsequent changes to these valuations would result in changes to fair values. Sasria accounts for its share of the fair value movements as described (Refer to note 2.7 on P119).

### 2.19. Capital adequacy requirement reserve

The Company calculates its solvency capital requirement (SCR) in accordance with Board Notice 169 of the Financial Services Board. The SCR is based on the risk profile of the Company's underwriting activities and asset mix. Minimum allowable asset, equal to the calculated SCR value, needs to be maintained throughout the period.

## 3. Management of insurance risk

Insurance risk is the risk that claims and related expense experience is worse than anticipated in the pricing and reserving of the underlying products. For Sasria the drivers of insurance risk include changes in the political, social and labour climate of South Africa, as well as economic changes such as higher than expected inflation.

The Company manages insurance risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

### Exposure to insurance risk

The Company underwrites risks that natural persons, corporate or other entities wish to transfer to an insurer. While the Company provides cover relating to conventional fire, motor and engineering, the specific risks covered are restricted to material damage arising from riots, strikes, labour disturbances and terrorism.

As such the Company is exposed to uncertainty surrounding the timing and severity of claims under insurance contracts which would be impacted by circumstances such as political unrest, downturn in the state of the economy and organised labour issues. These insurance events are, by their nature, random and given the type of risks that the Company underwrites, the actual number and size of events during any one year may vary from those estimated. The actual amounts in any one year may be greater than what has been provided for.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 3. Management of insurance risk (continued)

### Exposure to insurance risk (continued)

In accordance with Sasria's business model, most of the administration is outsourced to Sasria's non-mandated intermediaries. This includes the issue of Sasria coupons, as well as the collection of Sasria premiums. The Sasria non-mandated intermediaries allow the Sasria coupons to attach to their policies. A Sasria non-mandated intermediary is typically a registered conventional short-term insurer or short-term insurer underwriter who has entered into an agreement with the Company. The non-mandated intermediary agreement clearly sets out the manner in which the non-mandated intermediary company should administer the Sasria business. The non-mandated intermediary companies are also provided with a comprehensive set of guidelines detailing the processes and procedures relating to the issue of Sasria's coupons, the collection of premiums and reporting of claims on its behalf, and the method of payment of the premiums to Sasria.

The Company underwrites primarily short-tail risks, which means that in the majority of cases claims are typically settled within one year of the occurrence of the event/s giving rise to the claims. Risks that are long tail in nature represent an insignificant portion of the Company's insurance portfolio.

The product features of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts underwritten by the Company are set out below:

**Engineering** – provides indemnity for loss of or damage sustained to machinery and equipment or damage to buildings or structures during the course of construction.

**Fire** – provides indemnity for loss of or damage to immovable property. This includes commercial and residential properties.

**Transportation** – provides indemnity for loss of or damage to goods-in-transit, marine cargo and marine hull, which includes ships and small craft as well as the marine or inland transit of cargo.

**Motor** – provides indemnity for loss of or damage to all types of motor vehicles.

**Guarantee** – provides indemnity to banks for default by their clients due to the occurrence of a Sasria peril and is sold by the Home Loan Guarantee Company.

### Limiting exposure to insurance risk

Due to the business model followed by Sasria, there is no direct underwriting performed on the coupons up to R500 million; Sasria directly underwrites all the coupons in excess of R500 million but not exceeding R1.5 billion. Sasria offers cover on a non-refusable basis. The premium rates that the non-mandated intermediary companies use are set by Sasria in its underwriting guidelines. These premiums are a percentage of the value insured. The underwriting risk is mitigated by the fact that the Sasria cover, being a coupon policy, attaches to a conventional insurer's underlying policy. If no cover is provided by the non-mandated intermediary company, then no Sasria cover attaches.

The Company's exposure is limited by the application of limits of cover as opposed to full value cover. The insured have an option of taking up the Sasria cover at the holding company level or at subsidiary level. Adequate reinsurance has been arranged to mitigate the increased exposure.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 3. Management of insurance risk (continued)

### Underwriting strategy and limits and policies for mitigating insurance risk

The legislated monopoly enjoyed by Sasria as well as the underwriting philosophy of the Company results in the Company underwriting a large number of diverse risks resulting in a balanced portfolio spread across personal and commercial policyholders.

By using gross written premiums in each class as an indicator, the table below illustrates the Company's distribution of risks underwritten:

| Category of risk policy | 2015 % | 2014 % |
|---|---|---|
| Engineering | 4.31 | 4.08 |
| Property | 77.91 | 78.20 |
| Transportation | 1.17 | 0.91 |
| Motor | 16.16 | 16.26 |
| Guarantee | 0.08 | 0.19 |
| Miscellaneous | 0.37 | 0.36 |
| **Total for all categories** | **100.00** | **100.00** |

### Concentration of insurance risks

The Company has a diversified insurance portfolio of risks across South Africa's geography, and across all types of industrial and commercial enterprises as well as personal lines. However, as a result of Sasria's predominant presence in this particular market and the types of risks covered, any single event could result in a large number of claims. In addition, a number of widespread related events could be the result of a single cause leading to an accumulation of claims. Sasria's maximum loss resulting from one event, or a series of losses emanating from one event, is limited to R1.5 billion and this is split into coupons of up to R500 million.

By using gross written premiums as an indicator, the Company's insurance portfolio could also be divided between personal and commercial (all insureds other than natural persons) policies as follows:

| Split by type of policyholder | 2015 % | 2014 % |
|---|---|---|
| Personal policies | 25.33 | 26.04 |
| Commercial policies | 74.67 | 73.96 |
| **Total personal and commercial policies** | **100.00** | **100.00** |

# Notes to the financial statements

**For the year ended 31 March 2015**

## 3. Management of insurance risk (continued)

### Concentration of insurance risks (continued)

The Company ensures that non-mandated intermediary companies adhere to the set underwriting guidelines through bi-annual audits conducted at each non-mandated intermediary company. In addition, the Company's own Internal Audit department conducts reviews of the Sasria process carried out on the Company's behalf by non-mandated intermediary companies, their underwriting managers and brokers. Follow-up reviews are performed by the Quality Assurance department to ensure that findings are resolved and closed within a reasonable time and no additional risks are encountered.

Any changes to the guidelines are communicated to all non-mandated intermediary companies and their underwriting managers by way of written circulars. The ability to adjust rates, for either monthly or annual business (depending on the contract term), allows the Company to mitigate the risk of underwriting losses. These adjustments would be from renewal date on annual policies and over a period of a few months on monthly policies. The Company monitors the incidence of claims per insured, class and sector and, if necessary, has the ability to impose deductibles where required.

Pricing is based on historical claims, frequency and severity and includes catastrophe modelling. The methodology used estimates the anticipated cost per policy. Claims remain the Company's most significant cost. Further adjustments are made in the pricing estimate for expenses, commission, cost of capital and profit allowance, investment income and expenses and reinsurance allowance.

Catastrophe risk is managed and mitigated through the use of reinsurance.

The split between annual and monthly premiums written is as follows:

| Split by type of policy | 2015 % | 2014 % |
|---|---|---|
| Annual policies | 48.97 | 50.26 |
| Monthly policies | 51.03 | 49.74 |
| **Total annual and monthly policies** | **100.00** | **100.00** |

The incidence of fraud is reduced by robust claims handling processes and regular review of these processes. The Company's Internal Audit department conducts annual reviews of the in-house Claims department to ensure adherence to the Company's internal control procedures. On a monthly basis the underwriting results per class of business are monitored against pre-determined budgets. The premium income and reversals are also monitored for each non-mandated intermediary on a monthly basis and compared to the previous period. Any major fluctuations are investigated.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 3. Management of insurance risk (continued)

### Reinsurance strategy

Sasria's reinsurance strategy is driven by the desire to use capital efficiently, protect the statement of financial position and hence ensure a sustainable business. The strategy is to retain as much premium as possible subject to a solvency ratio target.

Reinsurance is placed on the local and international reinsurance markets. Reinsurance arrangements in place include proportional and non-proportional reinsurance which include catastrophe cover. The reinsurance programme is aimed at reducing the volatility of the Company's underwriting results and protecting its capital. The Company purchases catastrophe reinsurance to protect itself from losses arising from major catastrophes. The level of catastrophe reinsurance purchased is based on the Company's maximum probable loss and capital adequacy exercise, which is performed annually. Sasria evaluates and monitors the type and amount of reinsurance to be purchased within the Company's risk appetite framework and measures.

### Claims management

All individual claims with an estimate exceeding R1.0 million are individually reviewed by executive management. The Claims department monitors most of the media on a daily basis to consider all events likely to result in claims against the Company. The outstanding claims provision is monitored on a monthly basis by management. No provision for an outstanding claim estimate is reversed until the Company is reasonably assured that no litigation will occur. The outstanding claims provision is annually tested for adequacy as part of the liability adequacy test (Refer to note 2.9 on P123). The process regarding the claims development, including sensitivities, is discussed (Refer to note 10 on P155).

# Notes to the financial statements

**For the year ended 31 March 2015**

## 4. Management of financial risk

The Company is exposed to financial risk through its financial assets, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets will not be sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are market risk, credit risk and liquidity risk. These risks arise from investments whose values fluctuate with interest rates and in equities, all of which are exposed to general and specific market price movements.

For the discussions below, the following financial instruments and insurance balances are disclosed in classes based on their similar characteristics:

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| **Financial and insurance assets** | | |
| Listed and quoted equity securities | 1 162 314 | 1 069 015 |
| Unlisted and unquoted equity securities | 6 300 | 6 300 |
| **Total equity securities** | **1 168 614** | **1 075 315** |
| Linked insurance policies | 205 239 | 181 441 |
| Money market fund (>3 months) | 1 065 242 | 997 140 |
| Government and semi-government bonds | 346 312 | 377 190 |
| Other bills and bonds (fixed rate) | 1 561 194 | 1 273 491 |
| **Total debt and money market securities** | **3 177 987** | **2 829 262** |
| **Total financial assets at fair value through profit and loss** | **4 346 601** | **3 904 577** |
| Insurance receivables | 125 999 | 124 835 |
| Loans and receivables | 130 851 | 76 634 |
| **Total loans and receivables including insurance receivables** | **256 850** | **201 469** |
| Reinsurance assets | 19 618 | 27 092 |
| Cash and cash equivalents | 1 344 566 | 1 240 288 |
| **Total financial and insurance assets** | **1 364 184** | **1 267 380** |
| **Financial and insurance liabilities** | | |
| Deferred income | 5 146 | 4 159 |
| Insurance contracts | 839 586 | 677 004 |
| Payables | 77 529 | 81 691 |
| Employee benefit liability | 11 547 | 11 928 |
| **Total financial and insurance liabilities** | **933 808** | **774 782** |

# Notes to the financial statements

**For the year ended 31 March 2015**

## 4. Management of financial risk (continued)

### Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices and foreign currency exchange rates.

Market risk arises due to fluctuations in both the value of financial liabilities and the value of investments held. The management of the Company is tasked with the responsibility of managing key market risks to which the Company is exposed. Sasria's investment philosophy is centred on an asset-liability matched investment approach which ensures that the underlying assets into which the funds are invested are matched to meet the duration and rand value of the liabilities at a given point in time. When a suitable asset-liability matched position is achieved, Sasria will optimise returns on the non-liability matching assets within the risk appetite limits. The investments' market positions are monitored daily by the external investment managers and reviewed monthly by the Financial Director and quarterly by the Investment Committee. For each of the major components of market risk, described in more detail below, the Company's Board has put in place policies and procedures to set out how each risk should be managed and monitored, and the approach to setting an appropriate risk appetite.

### Interest rate risk

The Company does not have any borrowings. The Company is exposed to interest rate risk on its investments due to the fixed rate instruments such as other bills and bonds, which exposes the Company to the fair value risk, and other interest bearing securities such as cash on fixed deposits, call accounts and other money market instruments, which exposes the Company to interest rate risk. The risk is furthermore limited by regular trading of the portfolio, providing diversification in terms of yield profiles and an asset and liability matching strategy.

A hypothetical 1% decline or increase in the interest rate relating to cash and interest bearing securities would result in an increase in interest earned of R42.9 million (2014: R39.3 million) or a decrease in profit before tax of R42.9 million (2014: R39.3 million) respectively.

A 1% increase in interest rates would expose the Company to the risk of losing value in other bills and bonds by R35.1 million (2014: R28.5 million) while a corresponding decrease would expose the Company to the risk of gaining value by R35.1 million (2014: R28.5 million). A 1% increase in interest rates would expose the Company to the risk of losing value in the infrastructure development bond fund by R14.6 million (2014: R10.1 million) while the corresponding decrease would expose the Company to the risk of gaining value by R14.6 million (2014: R10.1 million).

The loans and receivables and trade and payables are not sensitive to interest rate fluctuations as they are expected to be settled within nil to three months when they fall due. Exposure to interest rate risk is monitored and managed by management.

### Equity price risk

The Company's objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively monitored and managed by management.

Investments in listed equities, which are carried on the balance sheet at fair value, have exposure to price risk, being a potential loss of market value resulting from adverse change in prices. Investments in marketable securities are valued at fair value and are therefore susceptible to market fluctuations. All of the Company's investments are managed through outsourced reputable investment managers. Each of these managers is given a mandate to ensure that market risk is mitigated through diversification and investing in reputable companies and institutions.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 4. Management of financial risk (continued)

### Equity price risk (continued)

Investment decisions are made by the Board's Investment Committee, which has ultimate responsibility for determining the investment portfolio's risk profile and the related investment decisions.

At 31 March 2015, the Company had quoted ordinary share investments which have been disclosed at their fair values. A hypothetical 10% decline or increase in quoted investments would result in a decrease/increase in profit before tax by R116.2 million (2014: R106.9 million). A hypothetical 10% was used during the current financial year due to the expected movements in the equity market. The full impact of decrease or increase in instruments' individual prices would affect the Company's profit or loss since these investments are in the Company's capital portfolio. The table below clearly illustrates the impact of the assumptions used above.

| Figures in rand million | 2015 | 2014 |
|---|---|---|
| **Quoted investments** | | |
| Effect on profit before tax at 10% (fluctuation) | 116.2 | 106.9 |
| Effect on profit before tax at 15% (fluctuation) | 174.3 | 160.4 |

### Foreign currency risk

The Company is not significantly exposed to any foreign currency risk on its financial instruments or insurance contracts as it does not have any transactions that are denominated in a currency other than the rand.

### Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The key areas which give rise to credit risk exposure for the Company are:

- Reinsurers' share of insurance liabilities that have not yet been paid;
- Reinsurers' share of claims already paid;
- Amounts due from insurance contract holders;
- Premiums and other amounts due from non-mandated intermediary companies; and
- Amounts invested with investment counterparties.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single agent company or reinsurer. The Company only conducts its business with reputable reinsurers rated above a certain level as shown in the ratings table below. The credit risk exposure to agent companies is managed by only conducting business with approved agents. Some of the credit risk is also mitigated through diversification geographically and across industry segments. Such risks are subject to an annual review and ongoing monitoring.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on a monthly basis, along with their external ratings as indicated below.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 4. Management of financial risk (continued)

### Credit risk on reinsurance contracts

Reinsurance risk arises due to uncertainty regarding the timing and amount of future cash flows from reinsurance contracts. This could be due to the financial standing of the reinsurer, or due to changes in the appropriateness of cover in the future.

The Company enters into reinsurance agreements to spread the insurance risk and minimise the effect of underwriting losses. The reinsurers agree to reimburse the Company when a claim is paid under a risk that is reinsured. The Company, however, remains liable to its policyholders regardless of whether the reinsurers honour their obligations in terms of the reinsurance agreements.

The credit risk that originates from the reinsurance transactions is managed as follows:

Independent credit ratings of all existing and prospective reinsurers are monitored prior to entering into reinsurance transactions. The credit ratings of all existing reinsurers are also monitored on an ongoing basis throughout the year and remedial action taken if required. In addition, reinsurance contracts make allowance to replace reinsurers in the case of a downgrade of the reinsurers rating, below A-. The table below shows the credit ratings of the Company's five largest reinsurers on the reinsurance programme. The rating reflected below is per Fitch's national scale credit rating.

| As at 31 March 2015<br>Reinsurer | % of total cover provided | Fitch rating* |
|---|---|---|
| Hannover Reinsurance Africa Limited, South Africa | 25.69 | AA |
| Swiss Reinsurance Company, Switzerland | 19.18 | AA- |
| Lloyd's Underwriters | 14.32 | AA- |
| SCOR Africa Limited, South Africa | 13.50 | A+ |
| Lancashire Insurance Company Limited, UK | 9.96 | A+ |

| As at 31 March 2014<br>Reinsurer | % of total cover provided | Fitch rating* |
|---|---|---|
| Hannover Reinsurance Africa Limited, South Africa | 23.58 | A |
| Lloyd's Underwriters | 18.53 | A |
| Lancashire Insurance Company Limited, UK | 16.70 | A |
| Swiss Reinsurance Company, Switzerland | 14.15 | AA |
| SCOR Africa Limited, South Africa | 9.43 | A |

* The Company does not have any foreign currency risk exposure as the reinsurance contracts are denominated in rand.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 4. Management of financial risk (continued)

### Credit risk of financial assets

The Company does not have collateral, credit enhancements or renegotiated financial assets. There is exposure to instruments that have been affected by African Bank Investments Limited's (ABIL) failure and therefore adjustments have been made in the valuation of the affected financial instruments. ABIL was placed under curatorship by the South African Reserve Bank (SARB) on 10 August 2014. Sasria held equity, senior debt instruments as well as subordinated debt instruments in ABIL as at 10 August 2014. Senior debt holders received a 10% haircut on the value of these instruments and subordinated debt holders received no recovery on them. Sasria's exposure to ABIL as at 31 March 2015 is R95.2 million. Losses reported during the financial year ended 31 March 2015 is R24.9 million.

| **As at 31 March 2015** Figures in rand thousand | AAA | AA | A | BBB | BB | CCC | Not rated | Total |
|---|---|---|---|---|---|---|---|---|
| Government bonds | 271 021 | 75 291 | – | – | – | – | – | 346 312 |
| Other bills and bonds | 166 277 | 347 315 | 782 750 | 175 859 | 24 837 | 31 934 | 32 222 | 1 561 194 |
| Money market fund | – | 70 749 | 829 050 | 64 534 | – | 18 000 | 82 909 | 1 065 242 |
| Unquoted linked insurance policies | – | – | 204 287 | – | – | – | 952 | 205 239 |
| Insurance receivables | – | – | – | – | – | – | 125 999 | 125 999 |
| Loans and receivables | – | – | – | – | – | 45 302 | 85 549 | 130 851 |
| Reinsurance contracts | – | 11 618 | 8 000 | – | – | – | – | 19 618 |
| Cash and cash equivalents | 607 911 | 408 231 | 315 851 | – | – | – | 12 573 | 1 344 566 |
| **Total** | **1 045 209** | **913 204** | **2 139 938** | **240 393** | **24 837** | **95 236** | **340 204** | **4 799 021** |

# Notes to the financial statements

**For the year ended 31 March 2015**

## 4. Management of financial risk (continued)

### Credit risk of financial assets (continued)

| As at 31 March 2014 Figures in rand thousand | AAA | AA | A | BBB | Not rated | Total |
|---|---|---|---|---|---|---|
| Government bonds | 283 255 | 66 055 | 27 880 | – | – | 377 190 |
| Other bills and bonds | 157 774 | 622 291 | 375 301 | 118 125 | – | 1 273 491 |
| Money market fund | – | 797 000 | 200 140 | – | – | 997 140 |
| Unquoted linked insurance policies | – | 181 441 | – | – | – | 181 441 |
| Insurance receivables | – | – | – | – | 124 835 | 124 835 |
| Loans and receivables | – | – | – | – | 76 634 | 76 634 |
| Reinsurance contracts | – | – | 27 092 | – | – | 27 092 |
| Cash and cash equivalents | 430 228 | 700 641 | 74 377 | 35 041 | – | 1 240 288 |
| **Total** | **871 257** | **2 367 428** | **704 790** | **153 166** | **201 469** | **4 298 110** |

The assets analysed above are based on external credit ratings obtained from various reputable external rating agencies. The ratings used above are based on the Fitch corporate rating.

The rating scales are based on long-term investment horizons under the following broad investment grade definitions:

- AAA – Highest quality with minimal credit risk
- AA – Very good quality and is subject to very low credit risk
- A – Good quality with a low credit risk although certain conditions can affect the asset more adversely than those rated AAA and AA
- BBB – Medium quality with moderate credit risk
- Not rated – Amounts falling within the not rated category are managed by the Finance department on a daily basis to ensure recoverability of amounts.

The Company has an Investment Committee that reviews the credit risk on all the financial instruments and measures are put in place to minimise the credit risk. In terms of the contracts with the investment management companies, no investments are to be made rated below BBB. The risk on our investments is further minimised through limiting the dependency of the Company on any one investment manager and through requiring depth and breadth of resources and financial stability in respect of any investment manager appointed by the Company.

The Company monitors its exposure to its counterparties for regulatory reporting and policy adherence purposes. The credit risks are further monitored to ensure that there are no risk appetite breaches. Reporting is provided to the Executive Committee and the Risk Committee on a quarterly basis.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 4. Management of financial risk (continued)

### Liquidity risk

The Company is exposed to daily calls on its available cash resources mainly from claims arising from short-term insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The majority of the Company's investments are maintained in short-term liquid investments that can be converted into cash at short notice with insignificant risk of changes in value and would be available to match liabilities which are short-term in nature.

For the purposes of the maturity analysis below, financial instruments are presented on an undiscounted, contractual and worst case basis while insurance assets and liabilities are presented based on expected cash flows.

The following maturity analysis provides details on the expected settlement of the financial liabilities recognised at reporting date:

| **As at 31 March 2015**<br>Figures in rand thousand | **Within 0 to 3 months** | **3 months to 1 year** | **1 to 2 years** | **Other** | **Total** |
|---|---|---|---|---|---|
| Deferred income* | 2 862 | 2 284 | – | – | 5 146 |
| Insurance contract liabilities* | 288 233 | 427 502 | 120 662 | 3 189 | 839 586 |
| Trade and other payables | 77 529 | – | – | – | 77 529 |
| Employee benefit liability | – | 11 547 | – | – | 11 547 |
| **Total** | **368 624** | **441 333** | **120 662** | **3 189** | **933 808** |

| **As at 31 March 2014**<br>Figures in rand thousand | **Within 0 to 3 months** | **3 months to 1 year** | **1 to 2 years** | **Other** | **Total** |
|---|---|---|---|---|---|
| Deferred income* | 2 281 | 1 878 | – | – | 4 159 |
| Insurance contract liabilities* | 205 610 | 344 702 | 117 923 | 8 769 | 677 004 |
| Trade and other payables | 81 691 | – | – | – | 81 691 |
| Employee benefit liability | – | 11 928 | – | – | 11 928 |
| **Total** | **289 582** | **358 508** | **117 923** | **8 769** | **774 782** |

* The unearned premiums and the deferred income are being realised on a straight-line basis over the period of one year.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 4. Management of financial risk (continued)

### Liquidity risk (continued)

The following maturity analysis provides details on the expected maturities of the financial assets held at reporting date:

| **As at 31 March 2015**<br>Figures in rand thousand | **Within 0 to 3 months** | **3 months to 1 year** | **1 to 3 years** | **More than 3 years** | **Total** |
|---|---|---|---|---|---|
| Investments in associates | – | – | – | – | – |
| Financial assets at fair value through profit and loss | 1 468 246 | 972 350 | 938 211 | 967 794 | 4 346 601 |
| Loans and receivables | 85 549 | – | 45 302 | – | 130 851 |
| Insurance receivables | 125 999 | – | – | – | 125 999 |
| Reinsurance contract assets | 8 330 | 9 804 | 1 473 | 11 | 19 618 |
| Cash and cash equivalents | 1 344 566 | – | – | – | 1 344 566 |
| **Total** | **3 032 690** | **982 154** | **984 986** | **967 805** | **5 967 635** |

| **As at 31 March 2014**<br>Figures in rand thousand | **Within 0 to 3 months** | **3 months to 1 year** | **1 to 3 years** | **More than 3 years** | **Total** |
|---|---|---|---|---|---|
| Investments in associates | 52 794 | – | – | – | 52 794 |
| Financial assets at fair value through profit and loss | 1 290 762 | 867 455 | 852 666 | 893 694 | 3 904 577 |
| Loans and receivables | 76 634 | – | – | – | 76 634 |
| Insurance receivables | 124 835 | – | – | – | 124 835 |
| Reinsurance assets | 11 448 | 13 460 | 2 022 | 162 | 27 092 |
| Cash and cash equivalents | 1 240 288 | – | – | – | 1 240 288 |
| **Total** | **2 796 761** | **880 915** | **854 688** | **893 856** | **5 426 220** |

The above ratings are based on the actual original contract maturity; however we have moved African Bank Investments Limited exposure from the 0 to 3 months category to the one to three years category due to the uncertainty about the timing of the expected payment.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 4. Management of financial risk (continued)

### Operational risk

Operational risk arises as a result of inadequate or failed internal processes, people and systems, or from external events. These risks are mitigated through a comprehensive system of internal controls, comprising policies and standards, procedures, systems and information to assist in achieving established objectives and goals.

Sasria manages operational risk using a range of techniques and tools to identify, monitor and mitigate its operational risk in accordance with the risk appetite. These tools include risk and control self-assessments and questionnaires, key risk indicators, scenario analyses and loss data collection/notification. In addition, Sasria has developed a number of contingency plans including Incident/loss notification and a business continuity management plan.

### Capital management

Sasria's capital management philosophy is to maximise the return on the shareholder's capital within an appropriate risk management framework and ensure that our policyholders' assets are protected against special and catastrophic risks. Management will continue to monitor Sasria's solvency levels and required solvency range in light of industry changes and regulatory requirements. Sasria is committed to efficient capital management and a decision was taken by the Board to maintain an appropriate level of capital with the balance of the required capacity being made up of reinsurance in line with the Company's risk appetite.

Sasria manages its capital through different methods or tools which include the following:

**a) Own Risk and Solvency Assessment (ORSA)**

Solvency Assessment and Management (SAM) introduces a requirement for general insurers to conduct an ORSA. ORSA is "the entirety of the processes and procedures employed to: identify, assess, monitor, manage and report the short- and long-term risks an insurance undertaking faces or may face and determine the own funds necessary to ensure that the undertaking's solvency needs are met at all times".

ORSA is one of the primary tools used to test whether the Company operates within or outside of the risk appetite over the business planning horizon. Part of the ORSA includes carrying out stress and scenario testing over the business planning horizon. The ORSA process requires Sasria to identify the most significant risks facing the organisation, quantify the capital requirements for these risks and finally compare the capital requirement to the own funds available on its statement of financial position. The ORSA process allows management to identify appropriate management actions and embed these actions in the event of a specific event realising.

Sasria performed an ORSA report of the business over the planning horizon for the first time during November 2014 and presented the results to its executive management, Risk Committee and the Board. Stress scenarios include economic stresses, demographic stresses and stresses resulting from operational risk.

**b) Capital at risk**

Sasria will at all times hold sufficient eligible financial resources to ensure it meets the relevant statutory solvency capital requirement (SCR), as well as its internal (economic) assessment of the capital required (ECR) to deliver on its business plans, reasonable policyholder expectations and claim payments as they fall due.

The Company has established risk appetite measures for the capital at risk as well as limit and threshold allocations to manage the key risk (non-life underwriting risk, credit risk and market risk) identified within the organisation. The establishment of the risk appetite measure is to ensure that the directors have appropriate risk management practices in place. The management of risk within the organisation is governed by the Board and overseen by the Risk Committee.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 4. Management of financial risk (continued)

### Capital management (continued)

When determining capital requirements, the Company uses a risk appetite measure of capital at risk over a one-year time period. The Company's capital at risk measurement is based on the higher of the SCR or the ECR. The Company aims to hold adequate capital to remain solvent in the event of substantial deviations, such as a 1-in-200-year event.

**Internal used – economic capital requirement**

The Company has developed tools for the purpose of calculating an internal economic view of risk and capital requirements as well as capital projections. The Company has therefore aligned itself to a more appropriate calculation of capital through the development of an economic capital model.

The economic capital model is used to support, inform and improve the Company's decision-making. It is used to determine the optimum capital structure, the investment strategy and its reinsurance programme.

**Solvency capital requirement (SCR)**

Solvency capital requirement is a formula-based figure calibrated by the Financial Services Board to ensure that all quantifiable risks are taken into account, including non-life underwriting, market, credit, operational and counterparty risks. Insurers are required to maintain minimum required capital at all times throughout the year.

The Company only reports to the FSB on the solvency capital requirement and not the economic capital requirements.

Sasria has calculated its solvency position as at 31 March 2015 on the current regulatory capital requirements and the results are shown in the table below:

| Regulatory solvency position | 2015 | 2014 | 2013 |
|---|---|---|---|
| Capital required as % of premium | 28 | 28 | 29 |
| Capital available as % of premium | 371 | 368 | 473 |
| **Available capital as % of required capital** | **1 334** | **1 325** | **1 656** |

The Company remains in a healthy solvency position as per the current regulatory requirements.

The Company capital required as a percentage of premium in terms of the latest quarterly comprehensive parallel run (CPR) is illustrated below:

| SAM proposed solvency position per the March 2015 quarterly CPR | 2015 |
|---|---|
| Capital required as % of premium | 119 |
| Capital available as % of premium | 371 |
| **Available capital as % of required capital** | **311** |

# Notes to the financial statements

**For the year ended 31 March 2015**

## 4. Management of financial risk (continued)

### Capital management (continued)

*Sensitivities*

- A reduction of equity values by 50% will reduce the solvency capital ratio by 18%.
- A deterioration of claims reserves by 50% will reduce the solvency capital ratio by 13%.

**Fair value hierarchy**

This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value at 31 March 2015.

| **31 March 2015**<br>Figures in rand thousand | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Financial assets and liabilities designated at fair value through profit and loss:** | | | | |
| Equity securities – listed | 1 162 251 | 63 | – | 1 162 314 |
| Equity securities – unlisted | – | – | 6 300 | 6 300 |
| Debt securities | 423 067 | 1 484 439 | – | 1 907 506 |
| Money market fund | – | 1 065 242 | – | 1 065 242 |
| Unquoted linked insurance policies | – | 205 239 | – | 205 239 |
| Derivative assets | – | 1 065 | – | 1 065 |
| Derivative liabilities | – | (4 107) | – | (4 107) |
| **Total financial assets and liabilities designated at fair value through profit and loss** | **1 585 318** | **2 751 941** | **6 300** | **4 343 559** |

# Notes to the financial statements

**For the year ended 31 March 2015**

## 4. Management of financial risk (continued)

### Capital management (continued)

| **31 March 2014**<br>Figures in rand thousand | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Financial assets and liabilities designated at fair value through profit and loss:** | | | | |
| Equity securities – listed | 1 069 015 | – | – | 1 069 015 |
| Equity securities – unlisted | – | – | 6 300 | 6 300 |
| Debt securities | 285 186 | 1 365 495 | – | 1 650 681 |
| Money market fund | – | 997 140 | – | 997 140 |
| Unquoted linked insurance policies | – | 181 441 | – | 181 441 |
| Derivative assets | – | 1 492 | – | 1 492 |
| Derivative liabilities | – | (606) | – | (606) |
| **Total financial assets designated at fair value through profit and loss** | **1 354 201** | **2 544 962** | **6 300** | **3 905 463** |

**Level 1** – The fair value of financial instruments traded in an active market is based on quoted market prices at balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions at an arm's length basis.

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include active listed equities. The money market fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include investment-grade corporate bonds, money market instruments and over-the-counter derivatives. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include private equity and corporate debt securities. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value. The Level 3 equity amount consists of a single private equity position. The main inputs into the Fund's valuation model for these investments include earnings multiples (based on the historical earnings of the issuer over the past decade) and discounted cash flows. The Company also considers original transaction price, recent transactions in the same or similar instruments and completed third party transactions in comparable instruments. It adjusts the model as deemed necessary. The Company also considers other liquidity, credit and market risk factors. It adjusts the model as deemed necessary. Discounted cash flows are calculated using the average rate of inflation during the financial year.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 4. Management of financial risk (continued)

### Capital management (continued)

The following table presents the movements in Level 3 instruments for the year ended 31 March 2014 and 2015 by class of financial instrument.

| **Asset**<br>Figures in rand thousand | **Equity instruments** | **Total** |
|---|---|---|
| Opening balance | 6 300 | 6 300 |
| Additional investment made | – | – |
| Gains and losses recognised in income | – | |
| Dividends received | – | – |
| **Closing balance** | **6 300** | **6 300** |
| **Total gains and losses for the year included in the statement of comprehensive income for assets held at the end of the year** | **–** | **–** |

The following table shows the sensitivity of Level 3 measurements to reasonably possible favourable and unfavourable changes in the assumptions used to determine the fair value of the financial assets.

| Figures in rand million | **2015** | **2014** |
|---|---|---|
| **Level 3 investments** | | |
| Effect on profit before tax at 10% (fluctuation) | 6.3 | 6.3 |
| Effect on profit before tax at 15% (fluctuation) | 9.4 | 9.4 |

The Level 3 investments are valued by determining Sasria's portion of the underlying investment that is held through unlisted equity instruments. The investments are fair valued using the discounted cash flow technique (Refer to note 2.18 on P129) "Critical accounting estimates and judgements", for detail.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 5. Property, plant and equipment

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| Figures in rand thousand | Cost/ valuation | Accumulated depreciation | Carrying value | Cost/ valuation | Accumulated depreciation | Carrying value |
| Computer equipment | 6 003 | (4 413) | 1 590 | 5 217 | (3 511) | 1 706 |
| Furniture and fittings | 3 122 | (1 128) | 1 994 | 2 869 | (839) | 2 030 |
| Motor vehicles | 594 | (298) | 296 | 594 | (179) | 415 |
| Office equipment | 1 846 | (1 671) | 175 | 1 841 | (1 518) | 323 |
| Leasehold improvements | 9 317 | (2 968) | 6 349 | 7 489 | (1 315) | 6 174 |
| **Total** | **20 882** | **(10 478)** | **10 404** | **18 010** | **(7 362)** | **10 648** |

**Reconciliation of property, plant and equipment – 2015**

| Figures in rand thousand | Opening net book amount | Additions | Disposals | Depreciation charge | Total |
|---|---|---|---|---|---|
| Computer equipment | 1 706 | 836 | (7) | (945) | 1 590 |
| Furniture and fittings | 2 030 | 253 | – | (289) | 1 994 |
| Motor vehicles | 415 | – | – | (119) | 296 |
| Office equipment | 323 | 5 | – | (153) | 175 |
| Leasehold improvements | 6 174 | 1 828 | – | (1 653) | 6 349 |
| **Total** | **10 648** | **2 922** | **(7)** | **(3 159)** | **10 404** |

**Reconciliation of property, plant and equipment – 2014**

| Figures in rand thousand | Opening net book amount | Additions | Disposals | Depreciation charge | Total |
|---|---|---|---|---|---|
| Computer equipment | 637 | 1 693 | – | (624) | 1 706 |
| Furniture and fittings | 1 955 | 1 159 | (761) | (323) | 2 030 |
| Motor vehicles | 107 | 388 | – | (80) | 415 |
| Office equipment | 484 | 177 | (25) | (313) | 323 |
| Leasehold improvements | 1 121 | 6 368 | – | (1 315) | 6 174 |
| **Total** | **4 304** | **9 785** | **(786)** | **(2 655)** | **10 648** |

Depreciation expense of R3.15 million (2014: R2.65 million) has been included in other operating expenses.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 6. Intangible assets including intangible insurance asset

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| Figures in rand thousand | Cost/ valuation | Accumulated amortisation | Carrying value | Cost/ valuation | Accumulated amortisation | Carrying value |
| Deferred acquisition cost | 39 065 | (1 397) | 37 668 | 33 711 | (1 396) | 32 315 |
| Software | 23 300 | (17 174) | 6 126 | 22 123 | (14 067) | 8 056 |
| **Total** | **62 365** | **(18 571)** | **43 794** | **55 834** | **(15 463)** | **40 371** |

**Reconciliation of intangible assets including intangible insurance asset – 2015**

| Figures in rand thousand | Opening net book amount | Additions | Amortisation charge | Total |
|---|---|---|---|---|
| Deferred acquisition cost | 32 315 | 5 353 | – | 37 668 |
| Software | 8 056 | 1 176 | (3 106) | 6 126 |
| **Total** | **40 371** | **6 529** | **(3 106)** | **43 794** |

**Reconciliation of intangible assets including intangible insurance asset – 2014**

| Figures in rand thousand | Opening net book amount | Additions | Amortisation charge | Total |
|---|---|---|---|---|
| Deferred acquisition cost | 30 412 | 1 903 | – | 32 315 |
| Software | 3 760 | 5 780 | (1 484) | 8 056 |
| **Total** | **34 172** | **7 683** | **(1 484)** | **40 371** |

# Notes to the financial statements

**For the year ended 31 March 2015**

## 7. Investment in associate

| Figures in rand thousand | Carrying amount 2015 | Carrying amount 2014 |
|---|---|---|
| Cost of investment in AloeCap at beginning of the year (private equity investment trust) | 81 639 | 81 639 |
| 40% share of cumulative equity accounted earnings at the beginning of the year | (28 845) | (33 540) |
| Carrying amount of investments in AloeCap at beginning of the year | 52 794 | 48 099 |
| Dividends received | – | (500) |
| Additional investment made | – | 335 |
| Recoupment of fees | 126 | – |
| Sale of share of investment in associate | (15 189) | – |
| Gain from equity accounted investments | – | 4 860 |
| Transferred to non-current asset held for sale | (37 731) | – |
| **Cumulative carrying value at end of the year** | **–** | **52 794** |
| **Fair value per directors** | **–** | **52 794** |

Summarised financial information of the associate, which is unlisted, was as follows:

| Figures in rand thousand | Carrying amount 2015 | Carrying amount 2014 |
|---|---|---|
| Total assets | | |
| – Non-current assets | – | 134 000 |
| – Current assets | – | – |
| Total liabilities | | |
| – Current liabilities | – | 2 014 |
| Trust capital | – | 131 986 |
| Unrealised profit for the period | – | 11 738 |
| % interest held | – | 40% |
| **Statement of financial position** | | |
| Investment at fair value through profit or loss | – | 52 794 |
| **Statement of comprehensive income** | | |
| Share of profit of associate | – | 4 860 |
| Dividends received | – | 500 |

# Notes to the financial statements

**For the year ended 31 March 2015**

## 7. Investment in associate (continued)

The investment in an associate represented a 40% interest in 2014 in AloeCap BEE Private Equity Trust, a private equity investment trust. The investment was accounted for by equity accounting for Sasria's 40% portion of the trust, which held private equity unlisted investments, which were managed on a fair value basis. These investments are fair valued using discounted cash flow techniques.

The trust holds no other investments other than the private equity investments and cash. The effect of equity accounting for the fair valued investments is the same as if the investments had been directly accounted for at fair value through profit and loss.

During 2015, the investment in associate was transferred to non-current assets held for sale (Refer to note 12 on P161).

## 8. Financial assets

| Figures in rand thousand | Note(s) | 2015 | 2014 |
|---|---|---|---|
| The Company's financial assets are summarised by measurement category in the table below: | | | |
| Fair value through profit or loss | 8.1 | 4 346 601 | 3 904 577 |
| Loans and receivables | 8.2 | 130 851 | 76 634 |
| Derivative assets | 8.3 | 1 065 | 1 492 |
| **Total financial assets** | | **4 478 517** | **3 982 703** |

# Notes to the financial statements

**For the year ended 31 March 2015**

## 8. Financial assets (continued)

### 8.1. Fair value through profit and loss

The assets classified as held at fair value through profit or loss are detailed in the tables below:

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| **At fair value through profit or loss – designated** | | |
| **Equity securities** | | |
| Listed and quoted | 1 162 314 | 1 069 015 |
| Unlisted and unquoted | 6 300 | 6 300 |
| | **1 168 614** | **1 075 315** |
| **Unit trust – linked insurance policy** | | |
| Listed and quoted | 952 | – |
| Unlisted and unquoted | | |
| – Infrastructure development bond fund | 204 287 | 181 441 |
| | **205 239** | **181 441** |
| **Money market fund** | | |
| Money market fund | **1 065 242** | **997 140** |
| **Other bills and bonds** | | |
| Debt securities – fixed interest rate: | | |
| Other bills and bonds | 1 561 194 | 1 273 491 |
| Government and semi-government bonds | 346 312 | 377 190 |
| | **1 907 506** | **1 650 681** |
| **Total financial assets at fair value through profit or loss** | **4 346 601** | **3 904 577** |

All the above assets have been designated by the Company as held at fair value through profit or loss.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 8. Financial assets (continued)

### 8.1. Fair value through profit and loss (continued)

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| **Movement in financial assets at fair value through profit and loss** | | |
| Balance at beginning of the year | 3 904 577 | 3 385 836 |
| Transfer from cash and cash equivalents | 115 172 | 118 283 |
| Interest received | 236 577 | 222 879 |
| Dividends received | 32 225 | 28 382 |
| Realised net fair value gains | 65 926 | 94 030 |
| Unrealised net fair value gains | 15 500 | 73 611 |
| Investment administration expense | (23 376) | (18 444) |
| | **4 346 601** | **3 904 577** |

### 8.2. Loans and receivables

| | 2015 | 2014 |
|---|---|---|
| **Total loans and receivables** | **130 851** | **76 634** |

The above balances are receivable within twelve months. Fair values therefore largely approximate carrying values. Interest accrued of R38.9 million (2014: R32.4 million) is included.

### 8.3. Derivative assets/(liabilities)

| | 2015 | 2014 |
|---|---|---|
| Financial assets – at fair value through profit and loss | | |
| – Exchange traded future agreements | 721 | 1 137 |
| – Exchange traded option contracts | 344 | 355 |
| **Total derivative assets** | **1 065** | **1 492** |
| **Derivative liabilities** | | |
| Financial liabilities – at fair value through profit and loss | | |
| – Exchange traded future agreements | (1 408) | – |
| – Exchange traded option contracts | (2 699) | (606) |
| **Total derivative liabilities** | **(4 107)** | **(606)** |

# Notes to the financial statements

**For the year ended 31 March 2015**

## 8. Financial assets (continued)

### 8.3. Derivative assets/(liabilities) (continued)

**Exchange traded future agreements**

The exchange traded future agreements represent the fair value of interest futures with a notional principal of R27.8 million (2014: R26 million). The interest rate futures have the effect of reducing interest rate risk in the portfolio. The futures mature on 15 September 2017, 21 December 2026, 31 March 2036, 28 February 2041 and 28 February 2041 respectively. The exchange traded future agreements had a derivative asset at a fair value of R721 and a derivative liability at a fair value of R1 408 at 31 March 2015.

**Exchange traded option contracts – Zero cost fence**

Sasria entered into derivative fence structures on Anglo, Steinhoff and Naspers with total effective exposure of 21.59% on the portfolio. The strategy entered into provides downside protection for a share falling by more than 10%. The pay-out will only be for up to 25% fall in price and share returns above 15% are forfeited. The derivatives all expire in June 2015. At 31 March 2015 the structures had a fair value of R344.

## 9. Insurance receivables

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| Profit commission | 12 170 | 17 291 |
| Outstanding premiums | 113 829 | 107 544 |
| **Total insurance receivables** | **125 999** | **124 835** |

| | At 31 March 2015 | | At 31 March 2014 | |
|---|---|---|---|---|
| | Gross | Impairment | Gross | Impairment |
| The trade receivables due from agents at reporting date was: | | | | |
| Not past due | 106 262 | – | 97 518 | – |
| Past due | 7 567 | – | 10 026 | – |
| | **113 829** | **–** | **107 544** | **-** |

The above balances are receivable within 12 months. Fair value therefore approximates carrying value. The outstanding premiums have been received after year-end therefore the Company does not deem it necessary to provide for impairment.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 10. Insurance liabilities and reinsurance assets

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| **Gross** | | |
| Outstanding claims and loss adjusting expenses | 438 216 | 266 220 |
| Claims incurred but not reported | 91 915 | 127 841 |
| Outstanding claims, including claims incurred but not reported | 530 131 | 394 061 |
| Unearned premiums | 309 455 | 282 943 |
| **Total insurance liabilities, gross** | **839 586** | **677 004** |

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| **Recoverable from reinsurers** | | |
| Outstanding claims and loss adjusting expenses | 2 407 | 9 300 |
| Claims incurred but not reported | 58 | 3 928 |
| Outstanding claims, including claims incurred but not reported | 2 465 | 13 228 |
| Unearned premiums | 17 153 | 13 864 |
| **Total reinsurers' share of insurance liabilities** | **19 618** | **27 092** |
| **Net insurance liabilities** | | |
| Outstanding claims and loss adjusting expenses | 435 809 | 256 920 |
| Claims incurred but not reported | 91 857 | 123 913 |
| Outstanding claims, including claims incurred but not reported | 527 666 | 380 833 |
| Unearned premiums | 292 302 | 269 079 |
| **Total insurance liabilities (net)** | **819 968** | **649 912** |

The 'outstanding claims and loss adjustment expenses' and the 'claims incurred but not yet reported' above are net of expected recoveries from salvage and subrogation. The amount for salvage and subrogation at 31 March 2015 is R1.24 million and at 31 March 2014 is R2.91 million. These are not material.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 10. Insurance liabilities and reinsurance assets (continued)

**Movements in insurance liabilities and reinsurance assets**

The movements for the year are summarised below:

**a) Outstanding claims, including claims incurred but not reported**

| Figures in rand thousand | Gross | Reinsurance | Net |
|---|---|---|---|
| **At 31 March 2014** | | | |
| Balance at beginning of the year | 639 226 | 132 149 | 507 077 |
| Less: Claims paid relating to the prior years | (367 424) | (74 064) | (293 360) |
| Claims paid, relating to the current year | (139 265) | – | (139 265) |
| Claims incurred during the year | 296 323 | (12 298) | 308 621 |
| Claims incurred but not reported | (34 799) | (32 904) | (1 895) |
| Change in prior year estimate | – | 345 | (345) |
| **Balance at end of the year** | **394 061** | **13 228** | **380 833** |

| Figures in rand thousand | Gross | Reinsurance | Net |
|---|---|---|---|
| **At 31 March 2015** | | | |
| Balance at beginning of the year | 394 061 | 13 228 | 380 833 |
| Less: Claims paid relating to the prior years | (138 005) | (6 426) | (131 579) |
| Claims paid, relating to current year | (162 146) | – | (162 146) |
| Claims incurred during the year | 467 860 | – | 467 860 |
| Claims incurred but not reported | (35 924) | (3 870) | (32 054) |
| Change in ULAE provision* | 3 124 | | 3 124 |
| Change in prior year estimate | 1 163 | (467) | 1 630 |
| **Balance at end of the year** | **530 133** | **2 465** | **527 668** |

* Unallocated loss adjusting expenses

# Notes to the financial statements

**For the year ended 31 March 2015**

## 10. Insurance liabilities and reinsurance assets (continued)

**b) Provision for unearned premiums**

| Figures in rand thousand | Gross | Reinsurance | Net |
|---|---|---|---|
| **At 31 March 2014** | | | |
| Balance at beginning of the year | 262 244 | 62 201 | 200 043 |
| Premiums written during the year | 1 390 338 | 126 573 | 1 263 765 |
| Less: Premiums earned during the year | (1 369 639) | (174 910) | (1 194 729) |
| **Balance at end of the year** | **282 943** | **13 864** | **269 079** |
| **At 31 March 2015** | | | |
| Balance at beginning of the year | 282 943 | 13 864 | 269 079 |
| Premiums written during the year | 1 522 866 | 140 994 | 1 381 872 |
| Less: Premiums earned during the year | (1 496 354) | (137 705) | (1 358 649) |
| **Balance at end of the year** | **309 455** | **17 153** | **292 302** |

These provisions represent the liability for short-term insurance contracts for which the Company's obligations are not expired at year-end.

Short-term insurance contracts – assumptions, change in assumptions and sensitivity

**(c) Process used to decide on assumptions**

Underwriting insurance risks incorporate unpredictability and the Company recognises that it is impossible to predict future claims payable under existing insurance contracts with absolute certainty. To this end, the Company has, over time, developed a methodology that is aimed at establishing insurance provisions that have a reasonable likelihood of being adequate to settle all its insurance obligations.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 10. Insurance liabilities and reinsurance assets (continued)

### 10.1. Claim provisions

The Company's outstanding claims provisions include notified claims, incurred but not yet reported (IBNR) claims as well as unallocated loss adjustment expenses (ULAE).

The claims provisions:

- Reflect the 'best estimate' of likely future claims experience;
- Include an allowance for 'pure IBNR' (late reported claims) and 'IBNER' (development of known claims);
- Implicitly allow for claims inflation; and
- Include allowance for direct claims handling expenses (e.g. loss adjustor fees).

In addition to the best estimate, a risk margin is included to bring the claims provision up to the 75% probability of sufficiency level. In other words, a reserve is held against the worst outcome expected in any one year over a four year period.

**Notified claims**

Each notified claim is assessed on a separate, case-by-case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar claims. The Company employs staff experienced in claims handling and rigorously applies standardised policies and procedures around claims assessment. The provision for each notified claim includes an estimate of the associated claims handling costs but excludes value added tax.

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

**IBNR**

Assumptions for each line of business are determined based on historic data. The expected claims liabilities are estimated for specific lines of business.

For motor, property and engineering classes, there was sufficient data to enable the valuation of the claims provisions using actuarial methods, gross and net of reinsurance claims data.

For other classes (guarantee, miscellaneous and transportation), the IBNR reserve was calculated using the current regulatory prescribed method as set out by the Financial Services Board in Board Notice 169 of 2011.

The provision for the notified claims and IBNR is initially estimated at a gross level. A separate calculation is then carried out to determine the estimated reinsurance recoveries. The calculation of the reinsurance recoveries considers the type of the risk underwritten, which year the gross claim occurred and therefore under which reinsurance programme the recovery will be made, the size of the claim and whether or not the claim was an isolated incident or forms part of a catastrophe reinsurance claim. A liability adequacy test was performed where the net insurance premiums were compared to the claims incurred and no additional reserves are required.

### 10.2. Assumptions

The assumptions that have the greatest effect on the measurement of insurance contract provisions are:

- The selected development factors for the basic chain-ladder and Bornhuetter-Fergussen methods;
- Loss ratios used in the Bornhuetter-Fergussen method;
- Large loss frequency and severity; and
- Risk margin assumptions.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 10. Insurance liabilities and reinsurance assets (continued)

### 10.3. Changes in assumptions and sensitivity analysis

Large losses were analysed separate from attritional losses during the current year. Sasria's experience shows that large losses develop at a different rate to attritional claims.

The reasonableness of the estimation process is tested by management and reviewed on an annual basis. The source data used in the estimation process is the past claims experience. The Company believes that the liability for claims carried at period-end is adequate.

As part of the process of estimating the provision for outstanding claims, the Company prepares a sensitivity analysis. The analysis provides an indication of the adequacy of the Company's claims estimation process. During the current financial period an analysis was done to determine the sensitivity of profit assuming an additional 25% in outstanding claims including IBNR. The gross impact on profit before tax would be a reduction of R132.5 million (2014: R98.5 million). The net impact after reinsurance on profit before tax would be R131.9 million (2014: R95.2 million).

Due to there being no specific claims trends, an assumption of 25% was used.

Another analysis was done to determine the impact of inflation and the slowdown in property prices. Assuming inflation of 4.9% (2014: 6%) on insured values, the increased cost of claims would be to impact the profit before tax with a reduction of R14.7 million (2014: R30.4 million).

In addition, the sensitivity of IBNR was calculated based on the loss ratios for the motor and property classes.

The sensitivity was based on the following:

- The loss ratios are 10% higher than those chosen in the base, i.e. multiplied by 1.1 (Sensitivity 1); and
- The loss ratios are 10% lower than those chosen in the base, i.e. multiplied by 0.9 (Sensitivity 2).

The following table shows the sensitivity by class of business, gross of reinsurance.

**Sensitivity analysis – gross**

| Gross | Base (re-commended) | Sensitivity 1 (LR – 10% higher) | | | Sensitivity 2 (LR – 10% lower) | | |
|---|---|---|---|---|---|---|---|
| Class of business | IBNR | IBNR | Change | % Change | IBNR | Change | % Change |
| Engineering | 8 717 | 10 018 | 1 301 | 14.9% | 7 415 | (1 301) | (14.9) |
| Motor | 14 235 | 15 167 | 932 | 6.5% | 13 302 | (932) | (6.5) |
| Property | 66 561 | 71 996 | 5 435 | 8.2% | 61 125 | (5 435) | (8.2) |

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the Company's estimate of the movement of claims outstanding for each loss year has changed at successive year-ends. The bottom half of the table reflects the net movement in outstanding claims.

A breakdown of the utilisation of the respective IBNR provisions is provided. The IBNR is based on the best estimate assumption by using the claims and assuming that the past experiences reflect the future. The net IBNR has decreased from R127.8 million in 2014 to R91.9 million in 2015.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 10. Insurance liabilities and reinsurance assets (continued)

### 10.3. Changes in assumptions and sensitivity analysis (continued)

**IBNR – gross claims**

| **Reporting year**<br>Figures in rand thousand | **31 March 2010** | **31 March 2011** | **31 March 2012** | **31 March 2013** | **31 March 2014** |
|---|---|---|---|---|---|
| **31 March 2015** | | | | | |
| Claims reported after year-end: | 37 230 | 39 829 | 102 408 | 104 876 | 74 322 |
| IBNR provision | 23 873 | 62 290 | 87 437 | 162 640 | 127 841 |
| **Utilisation of IBNR** | **155.95%** | **63.94%** | **117.12%** | **64.48%** | **58.14%** |

**IBNR – net claims**

| **Reporting year**<br>Figures in rand thousand | **31 March 2010** | **31 March 2011** | **31 March 2012** | **31 March 2013** | **31 March 2014** |
|---|---|---|---|---|---|
| **31 March 2014** | | | | | |
| Claims reported after year-end: | 26 061 | 27 881 | 81 782 | 83 862 | 72 445 |
| IBNR provision | 13 772 | 35 387 | 69 064 | 125 808 | 123 913 |
| **Utilisation of IBNR** | **189.23%** | **78.79%** | **118.41%** | **66.66%** | **58.46%** |

Although the IBNR provisions were prepared using methods and assumptions that were reasonable at the time, the experience could vary considerably from these provisions. Deviations from the IBNR provision given in this report are normal and are to be expected.

The uncertainty is increased in this instance as the business written and risks taken on by Sasria are inherently volatile in nature. In particular Sasria is susceptible to low frequency, high severity events. The volatility is difficult to estimate and increases the uncertainty in the estimates.

The 'outstanding claims and loss adjustment expenses' and the 'claims incurred but not yet reported' above are net of expected recoveries from salvage and subrogation. The amount for salvage and subrogation at 31 March 2015 is R2.91 million and 31 March 2014 is R1.24 million. These numbers are immaterial.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 11. Cash and cash equivalents

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| Cash and cash equivalents comprise: | | |
| Fixed deposits | – | 17 984 |
| Call account | 814 611 | 631 954 |
| Money market instruments with maturities of less than 3 months | 443 168 | 512 606 |
| Short-term deposits and cash on call | 1 257 779 | 1 162 544 |
| Bank and cash balances | 86 787 | 77 744 |
| **Total cash and cash equivalents** | **1 344 566** | **1 240 288** |

The effective interest rate on short-term bank deposits with maturities of less than three months ranges between 5.95% and 7.55% (2014: 5.22% and 5.75%). The effective interest rate on the call account at the balance sheet date averaged between 5.50% and 5.25% (2014: 5.25% and 4.75%) and on the reserve bank account averaged between 5.76% and 5.64% (2014: 5.55% and 5.07%).

## 12. Non-current assets held for sale

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| Assets that are classified as held for sale: | | |
| Investment in AloeCap BEE Private Equity Trust transferred from associate | 37 731 | |
| Impairment of investment in AloeCap BEE Private Equity Trust | (1 731) | – |
| | 36 000 | - |

Non-current assets held for sale included the following:

### Investment in AloeCap

The Company intends to realise its investments made through the AloeCap BEE Private Equity Trust in order to give effect to the trust deed, which stipulates that the Trust will terminate by effluxion of time. A sufficient amount of time has passed since inception of the Trust, giving effect to the termination condition. The Trust has received an offer to purchase the remaining two investments in the Trust for R90 million and the Trustees have accepted the offer. The Company is a 40% participant in the Trust and its share is valued at R36 million. The sale is expected to be completed in the next six months.

The value of our holding in the associate was R37.7 million prior to transfer to non-current assets held for sale. Given that the net realisable amount is only R36 million, an impairment of R1.7 million was recognised through the statement of comprehensive income (Refer to note 19 on P165). Sasria's Investment Committee approved the sale during the 2015 financial year.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 13. Share capital

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| **Authorised** | | |
| 1 ordinary share of 100 cents | – | – |
| **Issued** | | |
| 1 ordinary share of 100 cents | – | - |

The issued share capital consists of one ordinary share with a par value of 100 cents, and is unchanged from previous financial year. The share is fully paid for.

## 14. Payables

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| Trade payables and accrued expenses | 50 994 | 60 146 |
| Value added tax | 7 941 | 21 544 |
| Amounts due to reinsurers | 18 594 | – |
| **Total** | **77 529** | **81 691** |

All trade and other payables are current liabilities. Fair values therefore largely approximate carrying values.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 15. Employee benefit liability

**Reconciliation of employee benefit liability – 2015**

| Figures in rand thousand | Opening balance | Additions | Utilised during the year | Reversed during the year | Total |
|---|---|---|---|---|---|
| Leave pay | 1 681 | 2 714 | (2 825) | – | 1 570 |
| Bonus | 10 247 | 10 197 | (10 467) | – | 9 977 |
| **Total employee benefit liability** | **11 928** | **12 911** | **(13 292)** | **–** | **11 547** |

**Reconciliation of employee benefit liability – 2014**

| Figures in rand thousand | Opening balance | Additions | Utilised during the year | Reversed during the year | Total |
|---|---|---|---|---|---|
| Leave pay | 1 053 | 2 522 | (1 894) | – | 1 681 |
| Bonus | – | 10 247 | – | – | 10 247 |
| **Total employee benefit liability** | **1 053** | **12 769** | **(1 894)** | **–** | **11 928** |

The leave pay provision relates to vested leave pay which employees may become entitled to when they leave the employment of the Company or utilise as accrued leave.

The bonus provision consists of a performance bonus accrual based on the achievement, prior to year-end, of predetermined financial and qualitative targets.

## 16. Deferred income

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| Balance at beginning of the year | 4 159 | 13 127 |
| Movement in income statement | 987 | (8 968) |
| **Total deferred income** | **5 146** | **4 159** |

# Notes to the financial statements

**For the year ended 31 March 2015**

## 17. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The gross movement on the deferred income tax account is as follows:

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| At beginning of the year | (48 705) | (6 232) |
| Income statement charge | 1 482 | (42 473) |
| | **(47 223)** | **(48 705)** |

| Figures in rand thousand | Balance 1 April 2013 | (Charged)/ credited to the income statement | Balance 31 March 2014 | (Charged)/ credited to the income statement | Balance 31 March 2015 |
|---|---|---|---|---|---|
| Provisions | 2 693 | 7 030 | 9 723 | 526 | 10 249 |
| DAC and other intangible assets | 7 153 | (24 939) | (17 786) | (2 151) | (19 937) |
| Unrealised appreciation of investments | (16 078) | (24 564) | (40 642) | 3 107 | (37 535) |
| **Total** | **(6 232)** | **(42 473)** | **(48 705)** | **1 482** | **(47 223)** |

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| Deferred income tax assets | 13 772 | 12 358 |
| Deferred income tax liabilities | (60 995) | (61 063) |
| **Net deferred tax balance** | **(47 223)** | **(48 705)** |

# Notes to the financial statements

**For the year ended 31 March 2015**

## 18. Net insurance premium revenue

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| **Insurance contracts** | | |
| Premium written | 1 522 866 | 1 390 338 |
| Change in unearned premium provision | (26 512) | (20 698) |
| Premium revenue arising from insurance contracts | 1 496 354 | 1 369 640 |
| **Reinsurance contract** | | |
| Premium ceded | (140 994) | (126 573) |
| Change in unearned premium provision | 3 289 | (48 337) |
| Premium revenue ceded to reinsurers | (137 705) | (174 910) |
| **Net insurance premium revenue** | **1 358 649** | **1 194 730** |

Excess of loss reinsurance cover was purchased for 2015 at a cost of R91 384 (2014: R88 324). There were no events in either 2015 or 2014 that prompted losses of sufficient size to trigger a recovery from these contracts.

## 19. Investment income

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| **Investment income on cash and cash equivalents:** | | |
| Interest income | 277 835 | 247 086 |
| **Investment income on financial assets held at fair value through income:** | | |
| Dividend income | 32 225 | 28 382 |
| Unrealised net fair value gains | 15 500 | 73 611 |
| Realised net fair value gains | 65 926 | 94 030 |
| Impairment of non-current assets held for sale | (1 731) | – |
| | **111 920** | **196 023** |
| **Total investment income** | **389 755** | **443 109** |

# Notes to the financial statements

**For the year ended 31 March 2015**

## 20. Insurance claims and loss adjustment expenses

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| **Gross** | | |
| Claims paid | 300 151 | 506 689 |
| Movement in outstanding claims and IBNR | 136 071 | (245 165) |
| | **436 222** | **261 524** |
| **Reinsurers' share** | | |
| Claims paid | (6 426) | (74 064) |
| Movement in outstanding claims and IBNR | 10 763 | 118 922 |
| | **4 337** | **44 858** |

## 21. Expenses for the acquisition of insurance contracts

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| Gross commission paid | 181 097 | 150 806 |
| Movement in net deferred acquisition cost | (4 367) | (29 819) |
| **Total expenses for the acquisition of insurance contracts** | **176 730** | **120 987** |

# Notes to the financial statements

**For the year ended 31 March 2015**

## 22. Expenses for administration and marketing

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| Expenses for administration and marketing includes: | | |
| Advertising expenses | 5 646 | 5 575 |
| Auditor remuneration – statutory audit | 1 215 | 1 429 |
| Auditor remuneration – consulting | 897 | 377 |
| Total auditor remuneration | 2 112 | 1 806 |
| Depreciation – property, plant and equipment | 3 159 | 1 838 |
| Investment administration expenses | 23 376 | 18 444 |
| Employee benefit expense | 48 709 | 41 616 |
| Social responsibility allocation | 21 695 | 25 232 |
| (Profit)/loss on sale of property, plant and equipment | (26) | 784 |
| Consulting and professional fees | 3 084 | 7 494 |
| Policy administration fees | 187 234 | 173 792 |
| Operating lease expense | 4 789 | 4 424 |
| Amortisation – intangible assets | 3 106 | 1 484 |

## 23. Employee benefit expense

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| Wages and salaries | 31 271 | 24 250 |
| Bonuses – actual payment | – | 10 246 |
| Bonuses – provision raised | 10 198 | – |
| Medical aid | 1 725 | 1 634 |
| Leave pay provision charge | (111) | 628 |
| Post-employment benefits – Pension – Defined contribution plan | 5 626 | 4 858 |
| | **48 709** | **41 616** |
| Number of employees | 56 | 53 |

# Notes to the financial statements

**For the year ended 31 March 2015**

## 24. Income tax expense

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| **Major components of the tax expense** | | |
| **Current** | | |
| Current year normal tax | 224 694 | 215 323 |
| Prior year adjustment | 244 | 317 |
| | **224 938** | **215 640** |
| **Deferred** | | |
| Deferred income tax | (1 482) | 42 473 |
| | **223 456** | **258 113** |
| **Reconciliation of the taxation** | | |
| Profit before tax | 834 140 | 944 039 |
| Tax at the applicable tax rate of 28% (2014: 28%) | 233 559 | 264 331 |
| **Effects of: Income not subject to tax:** | | |
| Other income exempt for tax purposes | (15 914) | (13 012) |
| Other expenses not allowable for tax purposes | 5 273 | 6 869 |
| Capital gains tax | – | – |
| Prior year adjustment – income tax | 244 | 317 |
| Prior period over provision – deferred tax | 294 | (392) |
| **Tax charge for the period** | **223 456** | **258 113** |
| Effective rate | 26.79% | 27.34% |

# Notes to the financial statements

**For the year ended 31 March 2015**

## 25. Related party transactions and balances

### Relationships

The Company is 100% owned by its shareholder, the Government of the Republic of South Africa, represented by the National Treasury.

Sasria is a schedule 3B public entity in terms of the Public Finance Management Act, 1999, as amended. The related party disclosure is in terms of the requirements of IAS 24, 'Related Party Disclosures'.

The related parties of Sasria consist mainly of government departments, state owned enterprises, and other public entities in the national sphere of government and key management personnel of Sasria or its shareholder and close family members of these related parties. The list of public entities in the national sphere of government was provided by National Treasury on its website www.treasury.gov.za. It also provided the names of subsidiaries of public entities.

The comparative information has been based on the list of public entities and their subsidiaries effective at 31 March 2015.

Sasria SOC Limited owned 40% of the AloeCap Private Equity BEE Trust; this is only relevant for 2014, as it has been classified as held for sale at 31 March 2015.

The following transactions were carried out with related parties:

### Sales of goods and services

Sasria does not make any direct sales to related parties. All sales are made indirectly through the non-mandated intermediaries and passed on to Sasria in total through a bordereau without disclosing the identities of the individual insureds. Sasria would only interact with individual insureds in the event of a claim being presented through the non-mandated intermediaries.

Goods and services are sold to related parties on an arm's length basis at market related prices.

### Dividend payment

A dividend of R205.8 million (2014: R107.3 million) was declared and paid to the shareholder during the year.

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| **Purchase of goods and services** | | |
| Shareholder, including government departments | 822 | 800 |

Goods and services are bought from related parties on an arm's length basis at market related prices.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 25. Related party transactions and balances (continued)

### Key management compensation

Key management is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| **Year-end balances arising from transactions** | | |
| **Assets included in the statement of financial position** | | |
| Bonds issued by government and semi government | 462 700 | 385 622 |
| Money market instruments issued by government and semi government | 24 800 | 99 241 |
| Cash held at government and semi government | 649 900 | 376 294 |
| **Closing balance** | **1 137 400** | **861 157** |

# Notes to the financial statements

**For the year ended 31 March 2015**

## 26. Directors and executive management emoluments

### Non-executive

| 2015<br>Figures in rand thousand | Salary/fees | Bonus and retention | Contributions | Car allowance | Total |
|---|---|---|---|---|---|
| MA Samie | 603 | – | – | – | 603 |
| CH du Toit* | 213 | – | – | – | 213 |
| BJ Mkangisa | 261 | – | – | – | 261 |
| SH Schoeman | 320 | – | – | – | 320 |
| R Mothapo | 287 | – | – | – | 287 |
| MO Ndlovu | 251 | – | – | – | 251 |
| T Mbatsha | 253 | – | – | – | 253 |
| MT Moutlane | 253 | – | – | – | 253 |
| | **2 441** | **–** | **–** | **–** | **2 441** |

| 2014<br>Figures in rand thousand | Salary/fees | Bonus and retention | Contributions | Car allowance | Total |
|---|---|---|---|---|---|
| MA Samie | 568 | – | – | – | 568 |
| CH du Toit* | 220 | – | – | – | 220 |
| BJ Mkangisa | 238 | – | – | – | 238 |
| SH Schoeman | 325 | – | – | – | 325 |
| R Mothapo | 327 | – | – | – | 327 |
| AL Mhlanga | – | – | – | – | – |
| MO Ndlovu | 252 | – | – | – | 252 |
| T Mbatsha | 17 | – | – | – | 17 |
| MT Moutlane | 17 | – | – | – | 17 |
| | **1 964** | **–** | **–** | **–** | **1 964** |

* Fees paid to National Treasury.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 26. Directors and executive management emoluments (continued)

### Executive

| 2015<br>Figures in rand thousand | Salary/fees | Bonus and retention | Contributions | Car allowance | Total |
|---|---|---|---|---|---|
| CM Masondo | 1 753 | 1 010 | 148 | 76 | 2 987 |
| K Pepler | 1 484 | 857 | 119 | – | 2 460 |
| | **3 237** | **1 867** | **267** | **76** | **5 447** |

| 2014<br>Figures in rand thousand | Salary/fees | Bonus and retention | Contributions | Car allowance | Total |
|---|---|---|---|---|---|
| CM Masondo | 1 543 | – | 127 | 76 | 1 746 |
| K Pepler | 1 372 | – | 109 | – | 1 481 |
| | **2 914** | **–** | **237** | **76** | **3 227** |

# Notes to the financial statements

**For the year ended 31 March 2015**

## 26. Directors and executive management emoluments (continued)

### Executive Managers

| 2015<br>Figures in rand thousand | Salary/fees | Bonus and retention | Contributions | Car allowance | Total |
|---|---|---|---|---|---|
| TC Ntshiqa | 1 058 | 682 | 156 | 66 | 1 962 |
| NG Mazibuko | 814 | 652 | 96 | 24 | 1 586 |
| KTW Fick | 1 039 | 686 | 206 | 66 | 1 997 |
| S Harrop-Allin | 1 136 | 315 | 94 | 21 | 1 566 |
| M Mavuso | 913 | 465 | 191 | – | 1 569 |
| R Mathafena | 321 | – | 34 | – | 355 |
| | **5 281** | **2 800** | **777** | **177** | **9 035** |

| 2014<br>Figures in rand thousand | Salary/fees | Bonus and retention | Contributions | Car allowance | Total |
|---|---|---|---|---|---|
| TC Ntshiqa | 1 010 | – | 140 | 66 | 1 216 |
| NG Mazibuko | 1 026 | – | 136 | 36 | 1 199 |
| KTW Fick | 992 | – | 190 | 66 | 1 248 |
| S Harrop-Allin | 448 | – | 34 | 9 | 491 |
| | **3 476** | **–** | **501** | **177** | **4 153** |

# Notes to the financial statements

**For the year ended 31 March 2015**

## 27. Cash generated from operations

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| Profit before tax | 834 139 | 944 039 |
| **Adjustments for:** | | |
| Investment income | (391 486) | (443 109) |
| Share of profit of associate | – | (4 860) |
| Non-current asset held for sale | 1 605 | – |
| Depreciation | 3 159 | 2 655 |
| Amortisation of intangible assets | 3 106 | 1 484 |
| (Profit)/loss on sale of assets | (26) | 784 |
| Movements in provisions | (381) | 10 874 |
| Operating profit before working capital changes | 450 116 | 511 867 |
| Reinsurance assets | 7 474 | 167 259 |
| Deferred acquisition costs | (5 353) | (1 903) |
| Insurance receivables | (1 164) | (20 776) |
| Loans and receivables | (54 217) | 232 |
| Insurance liabilities | 162 582 | (224 466) |
| Deferred reinsurance acquisition revenue | 987 | (8 968) |
| Payables | (4 164) | (29 714) |
| **Total cash generated from operations** | **556 261** | **393 531** |

The Company classifies the cash flows for the purchase and disposal of financial assets in its operating cash flows, as the purchases are funded from the cash flows associated with the origination of insurance contracts, net of the cash flows for payments of insurance benefits and claims.

# Notes to the financial statements

**For the year ended 31 March 2015**

## 28. Capital commitments

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| **Operating leases – as lessee (expense)** | | |
| **Minimum lease payments due** | | |
| – within one year | 4 851 | 3 803 |
| – one year to five years | 11 052 | 14 469 |
| – later than five years | – | – |
| | **15 903** | **18 272** |

Operating lease payments represent rentals payable by the Company for its office properties. Leases are negotiated for an average term of five years and rentals are fixed also for an average of five years. No contingent rent is payable.

## 29. Income tax paid

| Figures in rand thousand | 2015 | 2014 |
|---|---|---|
| Balance at beginning of the year | (7 922) | 1 715 |
| Current tax for the year recognised in profit or loss | (224 938) | (215 640) |
| Balance at end of the year | 22 138 | 7 922 |
| **Total income tax paid** | **(210 722)** | **(206 003)** |

## 30. Contingencies

The Company, like all other insurers, is subject to litigation in the normal course of business. The Company does not believe that such litigation will have a material effect on its profit or loss and the financial condition at year-end. However, it is difficult to assess the ultimate outcome of such litigation.

## 31. Events after the statement of financial position date

No issues have arisen after the date of statement of financial position that are significant and need reporting in the annual financial statements.

## Annexure A: Terminology

*Table 18: Our terminology*

| Term | Description |
| --- | --- |
| **Acquisition cost** | Costs primarily related to the acquisition of new or renewal of insurance contracts, e.g. commissions and management expenses. Acquisition costs are often expressed as a percentage of earned premiums and referred to as the acquisition cost ratio. |
| **Binder** | An authority issued by an insurer to another party to enter into, vary or renew a short-term policy on behalf of that insurer; to determine the wording of a short-term policy; to determine premiums under a short-term policy; to determine the value of policy benefits under a short-term policy; or to settle claims under a short-term policy. |
| **Bordereaux** | The term 'bordereau' (plural – bordereaux) is generally used to designate detailed listings of risks insured or premiums and losses. Bordereaux are prepared by insurance brokers or insurers for submission to interested parties, including other brokers, insurers and reinsurers. |
| **Combined ratio** | The combined ratio is a measure of performance used by underwriters/insurance companies. A combined ratio of less than 100% indicates underwriting profitability, while anything over 100% indicates an underwriting loss. To calculate the combined ratio, the loss ratio (claims ratio) is added to the expense ratio. |
| **Coupon** | A coupon is a Sasria document which is attached to the NMI's insurance policy. This coupon outlines the Sasria cover that the customer enjoys and incorporates Sasria's terms and conditions. |
| **Claim** | A demand on the insurer for indemnification for a loss incurred from an insured peril. |
| **Claims incurred** | Claims cost for an accounting period made up of:<br>• Claims paid for the period, including claims handling expenses;<br>• Less outstanding claims at the end of the preceding accounting period, including IBNR;<br>• Plus outstanding claims at the end of the current accounting period, including IBNR. |
| **Claims incurred but not reported (IBNR)** | Claims resulting from events that have taken place, for which the insurer has not yet received notices or reports of loss. An estimate is made of the amount of these claims based on previous experience. |
| **Claims ratio** | The ratio which expresses the relationship between claims and premiums.<br>• The net claims ratio expresses claims net of recoveries from reinsurers as a percentage of premiums net of premiums ceded to reinsurance.<br>• The gross claims ratio reflects the position before reinsurance is taken into account. This is also referred to as the loss ratio. |
| **Deferred acquisition costs (DAC)** | Acquisition costs relating to unearned premiums, disclosed as a separate asset on an insurer's balance sheet. |

| Term | Description |
| --- | --- |
| **Earned premium** | The proportions of premium attributable to the period of risk that relate to the current accounting period. It represents written premium adjusted by the unearned premium provision at the beginning and end of the accounting period. |
| **Expense ratio** | The percentage of premium used to pay all the costs of acquiring, writing, and servicing insurance and reinsurance. |
| **FSB** | The Financial Services Board – the regulator of insurance companies in South Africa. |
| **FSC** | Financial Sector Charter. |
| **Gross written premium (GWP)** | The premium that an insurer is contractually entitled to receive from the insured party in relation to contracts of insurance or from other insurers in relation to inwards reinsurance contracts. These are premiums on contracts entered into during the accounting period or adjustments to from prior years. Also defined as premiums written and received but before deduction of reinsurance ceded. |
| **Intermediary** | A person who negotiates contracts of insurance or reinsurance with the insurer or reinsurer on behalf of the insured or reinsured. |
| **Net written premium** | Gross premium written or received on all business less return premium and premium ceded to reinsurers. |
| **Reinsurance premium** | The premium paid by the ceding company to the reinsurer in consideration for the liability assumed by the reinsurer. |
| **Salvage** | The amount received by an insurer from the sale of (usually damaged) property on which the insurer has paid a total loss to the insured. |

| Term | Description |
|---|---|
| **Short-term insurance** | Defined in the Short-Term Insurance Act 53 of 1998 as providing benefits under short-term policies, which means engineering policies, guarantee policies, liability policies, miscellaneous policies, motor policies, accident and health policies, property policies or transportation policies or a contract comprising a combination of any of those policies. |
| **Solvency Assessment and Management (SAM)** | The project launched by the FSB to develop a new solvency regime for the South African long-term and short-term insurance industries, in order to align these industries with international standards; specifically the Solvency II initiative under way in Europe. |
| **Solvency margin** | A measurement of the financial strength of a short-term insurer. It represents the shareholders' funds, expressed as a percentage of net written premium income. This method of measurement is generally accepted internationally. |
| **Underwriting** | The process of examining, accepting or rejecting insurance risks, and classifying or segmenting those selected, in order to charge the proper premium for each. |
| **Underwriting cycle** | The regular pattern of higher profits and increased premium and reduced profits/losses, and decreased premium experienced in short-term insurance. The cycle starts when insurers' underwriting standards become more stringent and premiums increase. This happens once underwriting losses reach unacceptable levels. |
| **Underwriting result** | The underwriting profit or loss calculated by deducting claims incurred, net of commission and management expenses, from premium earned. |
| **Unearned premium provision** | The portion of premium attributable to the periods of risk that relate to subsequent accounting periods and which are carried forward to such subsequent accounting periods. |

## Annexure B: Our five-year financial review

| | 2015<br>R'000 | 2014<br>R'000 | 2013<br>R'000 | 2012<br>R'000 | 2011<br>R'000 |
|---|---|---|---|---|---|
| **Financial performance** | | | | | |
| Gross written insurance premium | 1 522 866 | 1 390 338 | 1 223 530 | 1 087 133 | 1 010 915 |
| Insurance premium ceded to reinsurers | (140 994) | (126 573) | (362 476) | (309 881) | (407 646) |
| Net written insurance premium | 1 381 872 | 1 263 765 | 861 054 | 777 251 | 603 268 |
| Change in unearned premium | (23 223) | (69 035) | (30 527) | (28 615) | (1 859) |
| Net insurance premium earned | 1 358 649 | 1 194 730 | 830 527 | 748 636 | 601 409 |
| Net insurance claims | (440 559) | (306 382) | (507 433) | (206 854) | (167 151) |
| Net commission earned/(paid) | (152 683) | (98 354) | 2 694 | 73 240 | 85 040 |
| Expenses for administration and marketing (excluding investment management fees) | (297 777) | (275 516) | (226 725) | (208 573) | (196 155) |
| Net underwriting results | 467 631 | 514 476 | 99 063 | 406 449 | 323 142 |
| Investment income | 389 755 | 443 109 | 406 616 | 299 277 | 296 788 |
| Investment management fees | (23 376) | (18 444) | (16 889) | (19 133) | (17 190) |
| Other income | 129 | 37 | 12 394 | 90 | 4 262 |
| Share of profit/(loss) of associate | - | 4 860 | (18 752) | (6 872) | 9 200 |
| Income tax | (223 456) | (258 113) | (124 807) | (156 814) | (194 018) |
| Profit/(loss) for the year | 610 684 | 685 926 | 357 625 | 522 998 | 422 185 |
| Dividends paid | (205 778) | (107 287) | (156 900) | (126 656) | (153 299) |
| **Financial position** | | | | | |
| Property, plant and equipment | 10 404 | 10 648 | 4 304 | 4 238 | 37 808 |
| Intangible assets | 43 794 | 40 371 | 34 172 | 25 440 | 41 352 |
| Investment in associate | - | 52 794 | 48 099 | 68 670 | 122 520 |
| Financial assets | | | | | |
| – at fair value through profit and loss | 4 346 601 | 3 904 577 | 3 385 835 | 2 993 897 | 2 540 513 |
| – loans and receivables | 130 851 | 76 634 | 76 866 | 171 458 | 182 614 |
| – derivative assets | 1 065 | 1 492 | - | - | - |
| Insurance receivables | 125 999 | 124 835 | 104 060 | 120 710 | 121 809 |
| Reinsurance contracts | 19 618 | 27 092 | 194 351 | 103 768 | 132 261 |
| Current tax receivable | - | - | 1 715 | 9 869 | - |
| Cash and cash equivalents | 1 344 566 | 1 240 288 | 1 251 964 | 957 533 | 936 507 |
| Non-current asset held for sale | 36 000 | - | - | 31 802 | - |
| Total assets | 6 058 898 | 5 478 731 | 5 101 365 | 4 487 385 | 4 115 383 |

| | 2015<br>R'000 | 2014<br>R'000 | 2013<br>R'000 | 2012<br>R'000 | 2011<br>R'000 |
|---|---|---|---|---|---|
| Non-distributable regulatory reserves | 377 385 | 350 610 | 245 142 | 221 132 | 73 019 |
| Retained earnings | 4 674 237 | 4 296 106 | 3 822 935 | 3 646 218 | 3 397 989 |
| Deferred income | 5 146 | 4 159 | 13 127 | 10 320 | 27 537 |
| Deferred income tax | 47 223 | 48 705 | 6 232 | 47 203 | 49 176 |
| Employee benefit liability | 11 547 | 11 928 | 1 053 | 9 001 | 6 730 |
| Insurance contracts | 839 586 | 677 004 | 901 470 | 468 531 | 401 420 |
| Derivative liabilities | 4 107 | 606 | - | - | - |
| Current tax liability | 22 138 | 7 922 | - | - | 22 477 |
| Trade and other payables | 77 529 | 81 691 | 111 405 | 84 979 | 137 036 |
| Total equity and liabilities | 6 058 898 | 5 478 731 | 5 101 365 | 4 487 385 | 4 115 383 |
| | | | | | |
| **Cash flow statement** | | | | | |
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | 556 261 | 393 531 | 553 962 | 449 948 | 332 487 |
| Dividends received | 32 225 | 28 882 | 25 605 | 25 129 | 29 471 |
| Interest received | 277 835 | 247 086 | 228 566 | 205 005 | 203 920 |
| Realised gains on investments | 65 926 | 94 030 | 404 936 | 35 831 | - |
| Income tax paid | (210 722) | (206 003) | (157 624) | (191 133) | (172 112) |
| Net cash from operating activities | 721 525 | 557 526 | 1 055 445 | 524 780 | 393 766 |
| | | | | | |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | (2 922) | (9 785) | (1 566) | (1 481) | (2 395) |
| Proceeds on disposal of investment in associate | 15 189 | - | - | - | - |
| Proceeds on disposal of property, plant and equipment | - | - | 42 152 | 45 | 104 |
| Purchases relating to intangible assets | (1 176) | (5 780) | (2 089) | (2 566) | (59) |
| Purchase of investments | (422 560) | (446 350) | (642 611) | (420 075) | (304 366) |
| Net cash flows on sale of investment in associate | - | - | - | 46 978 | - |
| Net cash used in investing activities | (411 469) | (461 915) | (604 114) | (377 099) | (306 716) |
| | | | | | |
| **Cash flows from financing activities** | | | | | |
| Dividend paid | (205 778) | (107 287) | (156 900) | (126 656) | (153 299) |
| Net cash used in financing activities | (205 778) | (107 287) | (156 900) | (126 656) | (153 299) |
| | | | | | |
| Net (decrease)/increase in cash and cash equivalents | 104 278 | (11 676) | 294 431 | 21 025 | (66 249) |
| Cash and cash equivalents at beginning of year | 1 240 288 | 1 251 964 | 957 533 | 936 507 | 1 002 756 |
| Cash and cash equivalents at end of year | 1 344 566 | 1 240 288 | 1 251 964 | 957 533 | 936 507 |

| Key ratios | 2015 % | 2014 % | 2013 % | 2012 % | 2011 % |
|---|---|---|---|---|---|
| Insurance activities | | | | | |
| Net claims paid and provided * | 32,4 | 25,6 | 61,1 | 27,6 | 27,8 |
| Cost of acquisition * | 33,2 | 31,2 | 27,0 | 18,1 | 18,5 |
| Net commission paid/(earned) * | 11,2 | 8,2 | (0,3) | (9,8) | (14,1) |
| Management expenses * | 21,9 | 23,0 | 27,3 | 27,9 | 32,6 |
| Combined ratio * | 65,6 | 56,8 | 88,1 | 45,7 | 46,3 |
| Underwriting result * | 34,4 | 43,2 | 11,9 | 54,3 | 53,7 |
| Earned premium * | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 |

* Activities expressed as a % of net earned premium

| | 2015 R'000 | 2014 R'000 | 2013 R'000 | 2012 R'000 | 2011 R'000 |
|---|---|---|---|---|---|
| **Investment activities** | | | | | |
| Interest income | 277 835 | 247 086 | 228 566 | 205 005 | 200 345 |
| Dividend income | 32 225 | 28 382 | 23 786 | 25 129 | 29 471 |
| Realised gains/(losses) | 65 926 | 94 030 | 404 936 | 35 831 | 46 410 |
| Unrealised gains/(losses) | 15 500 | 73 611 | (250 673) | 33 312 | 20 496 |
| Impairment of non-current assets held for sale | (1 731) | - | - | - | - |
| Investment income | 389 755 | 443 109 | 406 616 | 299 277 | 296 722 |

| Key ratios | 2015 % | 2014 % | 2013 % | 2012 % | 2011 % |
|---|---|---|---|---|---|
| **Return and productivity** | | | | | |
| ROaE** (including unrealised gains / (losses) (Net income / shareholder equity) | 12,7 | 15,7 | 9,0 | 14,3 | 12,7 |
| Gross premium per employee | 27 194 | 26 232 | 23 085 | 25 884 | 24 069 |

** Return on average equity

| | | | | | |
|---|---|---|---|---|---|
| **Regulatory solvency position** | | | | | |
| Capital required as %of premium | 28 | 28 | 29 | 28 | 15 |
| Capital available as % of premium | 371 | 368 | 473 | 500 | 560 |
| Available as % of required | 1 334 | 1 325 | 1 656 | 1 757 | 3 732 |
| **Other statistics** | | | | | |
| Number of employees | 56 | 53 | 42 | 42 | 41 |
| Corporate social investment allocation | 21 695 | 25 232 | 9 771 | 9 761 | 9 996 |

## Annexure C: Profile of Board of Directors for year ended 31 March 2015

| Director | Status on Board | Qualifications | Other directorships |
|---|---|---|---|
| **MA Samie (63)** | **Independent Non-executive Director: Chairperson** | Bachelor of Commerce, University of South Africa (1986)<br>AIRMSA, University of Cape Town (2004)<br>Management Development Programme, University of Cape Town (1991)<br>Master of Business Administration, University of Cape Town (1992)<br>Fellow of the Chartered Insurance Institute (1978)<br>Fellow of the Insurance Institute of South Africa (1982) | • Lion of Africa Insurance Company Limited<br>• South African Insurance Association<br>• Timesquare Investments Pty Ltd |
| **CM Masondo (47)** | **Executive Director: Managing Director** | Bachelor of Commerce (Economics), University of Durban-Westville (1991)<br>Fellow of the Insurance Institute of South Africa (1998) | • Trustee: AloeCap Trust<br>• Chairperson: South African Actuaries Development Programme |
| **CH du Toit (64)** | **Non-executive Director** | Bachelor of Commerce (Economics), University of Pretoria (1973)<br>Bachelor of Commerce (Honours) (Economics), University of Pretoria (1975) | • Export Credit Insurance Corporation of South Africa |
| **BJ Mkangisa (56)** | **Independent Non-executive Director** | Diploma in General Nursing, Mount Coke Hospital (1980)<br>Diploma in Midwifery, Frere College of Nursing (1982)<br>Advanced Diploma in Health Education, Leeds Polytechnic (1986)<br>Master of Education for Primary Health Care, Manchester University (1989)<br>Diploma in Human Resource Management, University of South Africa (1996) | • Village Main Reef<br>• Kwik Fit<br>• Continental Tyres SA<br>• Vulisango Holdings |
| **R Mothapo (33)** | **Independent Non-executive Director** | Bachelor of Economic Science (Actuarial Science and Mathematical Statistics), University of the Witwatersrand (2001)<br>Bachelor of Science (Honours) (Actuarial Science and Advanced Mathematics of Finance) (2002)<br>Fellow of the Faculty of Actuaries (2004)<br>Fellow of the Actuarial Society of South Africa (2004) | • Land Bank Insurance Company<br>• Moruba Consultants and Actuaries<br>• Matlotlo Group (Pty) Ltd |
| **MO Ndlovu (63)** | **Independent Non-executive Director** | Bachelor of Arts Social Sciences, University of the North (1977)<br>Management Programme, Lincoln University (1992)<br>Study of Leadership, Authority and Organisation, Tavistock Institute of Human Relations (1987) | • Simmer and Jack Mines Ltd<br>• Zibula Exploration<br>• Vulisango Holdings<br>• Regatta Trade<br>• Galvan CC<br>• Kagiso Solutions (Pty) Ltd<br>• Rite Future Careers CC |

| Director | Status on Board | Qualifications | Other directorships |
|---|---|---|---|
| **K Pepler (36)** | **Executive Director: Finance Director** | Bachelor of Commerce (Accounting), University of Johannesburg (2002)<br>Bachelor of Accounting Sciences (Honours), University of South Africa (2005)<br>Chartered Accountant (SA), SAICA (2010) | • Trustee: AloeCap Trust<br>• Director: South African Actuaries Development Programme |
| **SH Schoeman (51)** | **Independent Non-executive Director** | Bachelor of Commerce, University of Pretoria (1983)<br>Higher Education Diploma, University of Pretoria (1984)<br>Master of Business Administration, University of Pretoria (1989) | • Guardrisk Allied Products and Services (Pty) Ltd<br>• Alexander Forbes Risk and Insurance Services (Pty) Ltd<br>• Alexander Forbes Insurance Company Limited<br>• Guardrisk Holdings Limited<br>• Guardrisk Insurance Company Holdings<br>• Guardrisk Life Limited<br>• Guardrisk Insurance Management Limited (Mauritius)<br>• Guardrisk International Limited (PCC) (Mauritius)<br>• Alexander Forbes Insurance Company Namibia Ltd<br>• Euroguard Insurance Company PCC Limited<br>• South African Insurance Association |
| **T Mbatsha (42)** | **Independent Non-executive Director** | Bachelor of Commerce, University of Fort Hare (1995)<br>Master of Business Leadership, University of South Africa (2010) | • Indyebo Consulting |
| **MT Moutlane (40)** | **Independent Non-executive Director** | Bachelor of Commerce (Information Systems), University of South Africa (1996)<br>Bachelor of Computer Sciences (Honours) (Accounting Science), University of South Africa (1999)<br>Chartered Accountant (SA), SAICA (2003) | • RF Projects CC |

## Annexure D: Profile of executive team for year ended 31 March 2015

| Name | Title | Qualifications |
|---|---|---|
| **CM Masondo (47)** | **Executive Director: Managing Director** | • Bachelor of Commerce (Economics), University of Durban-Westville (1991)<br>• Fellow of the Insurance Institute of South Africa (1998) |
| **K Pepler (36)** | **Executive Director: Finance Director** | • Bachelor of Commerce (Accounting), University of Johannesburg (2002)<br>• Bachelor of Accounting Sciences (Honours), University of South Africa (2005)<br>• Chartered Accountant (SA), SAICA (2010) |
| **TC Ntshiqa (37)** | **Executive Manager: Stakeholder Management** | • BJuris, University of South Africa (1998)<br>• Management Development Programme, Gordon Institute of Business Science (2006)<br>• Higher Certificate in Insurance, University of South Africa (2007)<br>• Master of Business Leadership, University of South Africa (2014) |
| **NG Mazibuko (42)** | **Executive Manager: Business Support** | • B.Juris, Nelson Mandela Metropolitan University (1997)<br>• Bachelor of Laws (LLB), Nelson Mandela Metropolitan University (1999)<br>• Senior Management Development Programme, University of Stellenbosch (2008) |
| **KTW Fick (42)** | **Executive Manager: Insurance Operations** | • Higher Certificate in Insurance, University of South Africa (2006)<br>• Management Development Programme, Graduate Institute for Management and Technology (2005)<br>• Intermediate Certificate in Business Studies, Insurance Institute of South Africa (2004)<br>• Associate of the Insurance Institute of South Africa (2009)<br>• Programme for Management Development, Gordon Institute of Business Science (2014) |
| **S Harrop-Allin (36)** | **Chief Risk Officer** | • Bachelor of Commerce (Accounting), University of Pretoria (2000)<br>• Bachelor of Commerce (Honours) (Accounting), University of Johannesburg (2002)<br>• Chartered Accountant (SA), SAICA (2005) |
| **M Mavuso (43)** | **Executive Manager: Governance and Secretariat** | • Bachelor Procurationis, University of Fort Hare (1993)<br>• Bachelor of Laws (LLB), University of Fort Hare (1995)<br>• General Management Programme, Gordon Institute of Business Science (2013) |
| **R Mathafena (36)** | **Executive Manager: Human Capital** | • Bachelor of Technology (Management), University of South Africa (2001)<br>• Bachelor of Commerce (Honours) (Human Resource Development), Rand Afrikaans University (2003)<br>• Master of Technology ((Human Resource Development), University of South Africa (2007) |

## Annexure E: Composition and attendance of the Board and Board committees for 2014/2015

### Composition of the Board 2014/2015

| Board members/ Non-executive directors | Year appointed | Executive director | Independent non-executive | Race White (W) Black (B) | Gender Male (M) Female (F) |
|---|---|---|---|---|---|
| **MA Samie (Chairperson)** | 2014 | | * | B | M |
| **R Mothapo (Deputy Chairperson)** | 2014 | | * | B | M |
| **SH Schoeman** | 2014 | | * | W | M |
| **CH du Toit** | 2012 | | | W | M |
| **MO Ndlovu** | 2012 | | * | B | F |
| **BJ Nkangisa** | 2012 | | * | B | F |
| **T Mbatsha** | 2014 | | * | B | F |
| **MT Moutlane** | 2014 | | * | B | F |
| **CM Masondo** | 2014 | * | | B | M |
| **K Pepler** | 2014 | * | | W | F |

### Board attendance 2014/2015

| Board member | 29 May 2014 | 06 August 2014 | 26 November 2014 | 04 March 2015 |
|---|---|---|---|---|
| **MA Samie** | Present | Present | Present | Present |
| **R Mothapo** | Present | Present | Present | Present |
| **SH Schoeman** | Present | Present | Present | Present |
| **CH du Toit** | Present | Present | Present | Present |

| Board member | 29 May 2014 | 06 August 2014 | 26 November 2014 | 04 March 2015 |
|---|---|---|---|---|
| MO Ndlovu | Apology | Present | Present | Present |
| BJ Mkangisa | Present | Present | Present | Present |
| T Mbatsha | Present | Present | Present | Present |
| MT Moutlane | Present | Present | Present | Present |
| CM Masondo | Present | Present | Present | Present |
| K Pepler | Present | Present | Present | Present |

## Investment Committee

| Member | 20 May 2014 | 22 August 2014 | 13 November 2014 | 11 February 2015 |
|---|---|---|---|---|
| R Mothapo (Chairperson) | Present | Present | Present | Present |
| MA Samie | Present | Present | Present | Present |
| T Mbatsha | Present | Present | Apology | Present |

## Audit Committee

| Member | 20 May 2014 | 24 July 2014 | 13 November 2014 | 17 February 2015 |
|---|---|---|---|---|
| SH Schoeman (Chairperson) | Present | Apology | Present | Present |
| T Mbatsha | Present | Present | Present | Present |
| MT Moutlane | Present | Present | Present | Present |
| CH du Toit | Apology | Present | Apology | Apology |

## Risk Committee

| Member | 20 May 2014 | 24 July 2014 | 13 November 2014 | 17 February 2015 |
|---|---|---|---|---|
| SH Schoeman (Chairperson) | Present | Apology | Present | Present |
| R Mothapo | Present | Present | Present | Present |
| MT Moutlane | Present | Present | Present | Present |
| MA Samie | Present | Present | Present | Present |

## Remuneration and Nomination Committee

| Member | 25 July 2014 | 14 November 2014 | 20 February 2015 |
|---|---|---|---|
| MO Ndlovu (Chairperson) | Present | Present | Present |
| BJ Nkangisa | Present | Present | Present |
| MA Samie | Present | Present | Present |

## Social and Ethics Committee

| Member | 25 July 2014 | 14 November 2014 | 20 February 2015 |
|---|---|---|---|
| BJ Nkangisa (Chairperson) | Present | Present | Present |
| MO Ndlovu | Present | Present | Present |
| CH du Toit | Present | Apology | Apology |

## Annexure F: Our Company information

| | |
|---|---|
| Company registration number: | 1979/000287/06 |
| Authorised Financial Services Provider: | FSP No. 39117 |
| Company Secretary: | Mzi Mavuso<br>+27 (0)87 358 7619 (Direct) |
| Legal and Compliance Officer: | Mzi Mavuso<br>+27 (0)87 358 7619 (Direct) |
| Bankers: | Nedbank Limited<br>81 Main Street, Johannesburg, 2001 |
| External auditors: | PricewaterhouseCoopers Inc.<br>2 Eglin Road, Sunninghill, 2157 |
| **Administration:** | |
| Registered office: | 36 Fricker Road, Illovo, 2196 |
| Postal address: | PO Box 653367, Benmore, 2010 |
| Contact numbers: | +27 (0)11 214 0800 (Telephone)<br>+27 (0)11 447 8630 (Fax) |
| Website: | www.sasria.co.za |
| Email address: | contactus@sasria.co.za |




Kind


# Going forward

In this 2015 Integrated Report, we shared the progress we have made in the first year of implementing Sasria's new five year strategy for the period 2014 to 2019.

In 2016 and beyond, our strategic focus will remain firmly centred on consolidating our Company's current position of leadership; on intensifying our efforts to ensure Sasria's sustainable performance; and on accelerating our business transformation journey to remain relevant in the South African market (Refer to P75).

The unique role that Sasria, as a top-performing state-owned company (SOC), plays in the insurance industry enables us to make a meaningful contribution to Government's NDP, which aims to eliminate poverty and reduce inequality by 2030 by growing an inclusive economy, building capabilities and enhancing the capacity of the state (Refer to P51).

We are confident that the direction we are taking going forward will allow us to continue to fulfil our legislative mandate responsibly and so strengthen our solid performance record and strong financial position. It is also our firm belief that the business transformation journey that we have embarked on in 2015, and that we will accelerate going forward, will enable us to deliver more effectively on our strategic transformation mandate.

Going forward, we will steadfastly increase our focus on delivering on our strategic mandate. Essentially, this is because every Sasria team member is passionately committed to continue to contribute to the growth, development and transformation of the South African economy, to the benefit of all her people.

"Every business and every individual needs to help address the socio-economic challenges of our country, if we want to be able to improve our own Company's, and therefore our country's, financial stability, transformation and growth."

**~ Cedric Masondo, Managing Director, Sasria**

covering the extraordinary

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Tel: +27 11 214 0800
Fax: +27 11 447 8630
Email: contactus@sasria.co.za

**Website: www.sasria.co.za**