# **Introductory Presentation**

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# Who is the Prudential Authority (PA)

- Established on 1 April 2018
- Established in terms of the Financial Sector Regulation Act of 2017 (FSR Act)
- Took over the prudential supervision of insurance companies from the then Financial Services Board (FSB), now the Financial Sector Conduct Authority(FSCA)
- The take over of the supervision responsibilities from the then FSB was as a result of the adoption of the Twin Peaks model of regulation
- The PA is a juristic person operating within the administration of the SARB



## Establishment and mandate

### Where the journey started





## Establishment and mandate

### Mandate of the PA

Banks
Insurers
Cooperative financial institutions
Financial Conglomerates
Certain market infrastructures



# Objectives Of the PA





# Structure of the PA and PA Committee



## Structure of the PA and PA Committee

### PA Committee

#### Mr. Lesetja Kganyago

SARB Governor and Chairperson of the Prudential Committee

#### Ms F Tshazibana

SARB Deputy Governor:
Markets and
International Economic
Relations

#### **Dr R Cassim**

SARB Deputy Governor: Financial Stability and Currency

#### **Mr Kuben Naidoo**

CEO of the Prudential Authority and SARB Deputy Governor



### Structure of the PA and PA Committee

Current senior management structure and the four departments





# Registered insurance entities in SA

Two insurers, Life and Non-life were placed under provisional liquidation

	Dec 2018	Jun 2019
Total	169	170
Life primary insurers	65	66
Life cell captives	6	6
Life microinsurer	0	1
Non-life primary insurers	70	68
Non-life cell captives	8	10
Non-life captives	9	8
Professional reinsurers	9	9
Composite reinsurers	5	5
Life reinsurers	2	2
Non-life reinsurers	2	2
Other	2	2

**Prudential Authority** 

#### Life insurance: Primary insurers Jun 2019 \*Dec 2018 6 Monthly Dec 2018 Jun 2019 Balance sheet Performance indicators R'mil R'mil % growth Total assets 2,893,436 3.147.063 Claims ratio 81.6 96.8 Of which Commission ratio 3.5 3.8 Total Investments 2,781,454 2,929,260 5.3 Management expenses ratio 10.6 9.7 Government bonds 202.087 214 808 6.3 Individual lapse rato<sup>2</sup> 61.3 74.9 242 916 240 017 Individual contractual termination<sup>2</sup> Comprate bonds -1.2 45 5 1 Individual expiry 488 493 505.510 3.5 15 3.0 1.482.399 4 575 878 6.4 Surrenders = 4 6.2 Investment funds Structured notes 40.860 46 940 14.9 Surrenders (In-force policies) 0.5 0.4 Collateralised securities 16,427 0.5 Individual lapse ratio (in-force policies) 16.345 5.3 5.4 Cash and deposits 198,277 215,160 8.5 Mortgages and loans 72.689 75.881 44 Solvency and capital 37.389 37,640 0.7 SCR cover ratio (Median) 19 1.9 6,892 -41.3 MCR cover ratio (Median) 4.3 4.2 Total reinsurance recoverables/ (payable) 11.737 5,462 23.2 4,435 7,426 7,913 SCR risk components Owner occupied property 6.5 Other assets 188,383 197,526 4.9 160% 140% Total liabilities 2,630,846 2,776,646 6.5 0.2% Of which: 120% 23.3% Gross technical provisions 2,474,942 2,612,653 5.6 75.0% 100% Basic own funds 362,591 370.508 2.2 80% Eligible own funds to meet SCR 345,523 350,247 321,749 60% Eligible own funds to meet MCR 325.708 12 100.0% 40% Profitability 63.79 134 362 20% Gross premium 132.750 -1.2 Reinsurance 3,961 3.995 0.9 Long Amendment compacting of conferenced bounds SCA Milestrant and show for Netpremiums 130,401 128,754 -1.3 00 124 606 Net claims paid 105.425 17.1 Investment Income/ (loss) -76.999 43,122 156.0 Management expenses 13859 12 526 -9.6 4 857 Commission paid/ (received) 4 565 64 3.061 693 -77.4 Other expenses Net profit before tax and dividends 13,878 12,116 -12.7 Expressed as a percentage of net written premium during the period. Number of policies at the end of period 48,611,048 49,477,116 1.8 Expressed as a percentage of the number of new policies issued during the period. Number of schemes at the end of period 60,185 80,884 34.4 \*December 2016 figures were restated as a result of a reclassification of some insurers.



Balance sheet	*Dec 2018 R'mil	Jun 2019 R'mil	6 Monthly % growth	Performance indicators	Dec 2018	Jun 201
otal assets	7,268	7,275	0.3	Claims ratio <sup>1</sup>	93.6	81.
of which:				Management expenses ratio <sup>1</sup>	9.0	22.
otal Investments	5,222	5,282	1.2			
otal reinsurance recoverables/ (payable)2	-41	99	339.2	Solvency and capital		
current assets	1,934	1,713	-11.4	SCR cover ratio (Median)	1.5	13
			0.774.71	MCR cover ratio (Median)	5.3	5.
otal liabilities	3,900	3,919	0.6	AN AND SHAPE BASSACH UNIVERSITY OF THE STATE		
of which				SCR risk components		
iross technical provisions	995	1,598	60.5	160%		
ccounts payable	1,536	1,543	0.5			
teinsurance deposits	4	3	-18.3	140% - 11,4%	25.1%	
Basic own funds	3,366	3,366	0.0	120%	-18.8%	
ligible own funds to meet SCR	3,355	3,356	0.0	100% -		
ligible own funds to meet MCR.	3,355	3,356	0.0	80% - 101.1%		
Profitability				60%		
iross premium	1,578	1,416	-10.2	NAME OF THE PARTY		100.0%
leinsurance	787	708	-10.0	40%		
let premiums	791	708	-10.5	20% 31.4%		
let claims paid	740	574	-22.5	31.4%		
ivestment income	113	137	22.1	Marked took  Line orthogonality look  Open discount took	- ·	SCR
lanagement expenses	71	156	119.1	Marked took	Charlestration	g.
other expenses	80	-35	-143.6	Open Chapter	Olive	
let profit before tax and dividends	204	93	-54.4	Marker feet  Line orderentary feet  Copie attended feet  Line orderentary feet		

**Prudential Authority** 

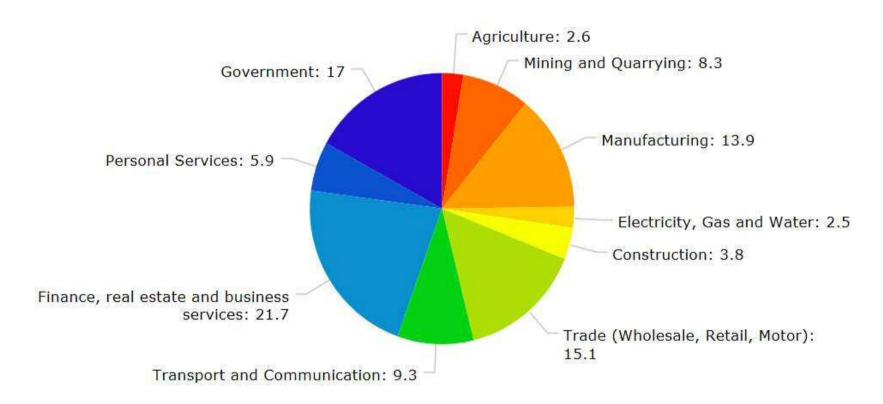
Balance sheet	*Dec 2018 R'mil	Jun 2019 R'mil	6 Monthly % growth	Performance indicators	Dec 2018	Jun 2019
Total assets	149,882	162,688	1.9	Claims ratio <sup>1</sup>	61.2	63.5
Of which:				Management expenses ratio <sup>1</sup>	28.8	29.4
Total Investments	101,218	105,389	4.1	Commission rato <sup>1</sup>	6.8	5.1
Government bonds	21,936	20,112	-8.3	Combined ratio <sup>2</sup>	96.8	98.1
Corporate bonds	23,610	25,486	7.9	Underwriting profit/(loss) ratio <sup>3</sup>	5.2	3.0
Equity	15,682	15,544	5.5	Underwriting and investment income ratio <sup>3</sup>	7.5	14.3
Investment funds	11,295	12,302	8.9			
Structured notes	413	489	18.6	Solvency and capital		
Collateralised securities	841	916	8.8	SCR cover ratio (Median)	1.8	1.7
Cash and deposits	25,461	27,238	7.0	MCR cover ratio (Median)	3.9	3.7
Mortgages and loans	1,945	2,139	10.0	COLUMN DE LA COLUM		
Property	35	162	359.7	SCR risk components		
Total reinsurance recoverables/ (payable)	18,420	17,823	-3.2	140%		
Derivatives	41	17	-58.2			
Owner occupied property	222	1,324	495.6	120%	0.1%	
Other assets	29,980	28,147	-6.1	-15.2% 7.7%	-16.3%	
Total liabilities	86,097	87,036	2.3	100% -		
Gross technical provisions	61.257	62,308	1.7	80% 70.7%		
Accounts payable	6.673	6.893	3.3			
Payables (trade, not insurance)	5,700	7,543	32.3	60%		100:0%
Basic own funds	64.786	65.665	1.4	40%		
Eligible own funds to meet SCR	63.433	64,487	1.7			
Eligible own funds to meet MCR	59,775	61,188	2.4	20% 43.4%		
Profitability				D%.	200	
Gross written premium	29,407	29,783	1.3	Market Real	China againmica.	SCR
Reinsurance	9,668	8,969	-7.2	Miles a contraction of contraction provided to the contraction of the	Distance	
Netpremiums	19,739	20,814	5.4	Moderate Residence of Parties and Parties		
Net earned premium	19,233	20,328	5.7	wastered .		
Investment Income	366	2,284	524.6	LONG MEDICAL		
Net claims paid	12,083	13,225	9.5			
Management expenses	5,684	6,122	7.7			
Commission paid/ (received)	1,337	1,061	-20.6			
Underwriting profit(loss)	1,008	616	-38.9	Expressed as a percentage of net written premium during the period.		
Underwriting and Investment Income	1,373	2,899	111.1	<sup>3</sup> Claims + commission + expenses as a percentage of net written premiu	m.	
Net profit before tax and dividends	943	2,913	208.9	Expressed as a percentage of net earned premium during the period. *December 2016 figures were restated as a result of a reclassification of		



Commission ratio   37.1   40.1	f which:	7,279	R'mil	% growth	Performa			unantilization de A
Total investments   3,895   3,691   -52   Management expenses ratio   10.6   10.1			6,978	-4.1	Claims ratio1		1.8	40.0
Company   Cota   February   Company   Cota   February   Company   Cota   February   Cota   Cota   February   Cota   Cot	otal investments				Commission	ratio <sup>3</sup>	37.1	40.1
Total liabilities 6,731 6,424 -6.4 Underwriting profititioss) ratio 3 4 115.9 -3.9 Underwriting and investment income ratio 131.5 27.2 Underwriting and investment income ratio 131.5 27.2 Solvency and capital scounts payable 487 330 -32.2 SCR cover ratio (Median) 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6		3,895	3,691	-5.2	Management	expenses ratio <sup>1</sup>	10.6	10.1
Total liabilities	otal reinsurance recoverables/ (payable)	2,456	2,102	-14.4	Combined rat	lo <sup>2</sup>	49.6	90.2
Solvency and capital screwing funds   3,357   3,251   -3.2   3250   -3.2   3250   -3.2   3250   -3.2   3250   -3.2   3250   -3.2   3250   -3.2   3250   -3.2   3250   -3.2   3250   -3.2   3250   -3.2   3250   -3.2   3250   -3.2   3250   -3.2   3250   -3.2   3250   -3.2					Underwriting p	profit(loss) rato <sup>3 4</sup>	115.9	-3.9
Solvency and capital scounts payable 487 330 -32.2 Solvency and capital scounts payable 487 330 -32.2 Solvency and capital screen ratio (Median) 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6	otal liabilities	6,731	5,424	-6.4	Underwitting a	and investment income ratio	131.5	27.2
SCR cover ratio (Median)   1.6   1	f which :							
1,729   1,764   2.0   MCR cover ratio (Median)   4.5   4.6	ross technical provisions	3,357	3,251	-3.2	Solvency	and capital		
Basic own funds  1,648  1,654  0.4  1,548  1,554  0.4  Eligible own funds to meet SCR  1,548  1,555  1,537  0.8  Profitability  Profitability	counts payable	487	330	-32.2	SCR cover rat	o (Median)	1.6	1.6
Eligible own funds to meet SCR 1,548 1,554 0.8 1,537 0.8 120%  Profitability Profitabi	einsurance deposits	1,729	1,764	2.0	MCR cover rat	io (Median)	4.5	4.6
Profitability Incompany 1,549 2,018 30.3 Incompany 1,549 2,018 30.3 Incompany 1,549 2,018 30.3 Incompany 1,549 2,018 30.3 Incompany 1,332 34.9 Incompany 1,3	asic own funds	1,648	1,654	0.4	SCR risk co	omponents		
Profitability  Profitability  Instance  Instan	ligible own funds to meet SCR	1,548	1,554	0.4	140%			
Profitability Inoss premium 1,549 2,018 30.3 Idelnsurance 987 1,332 34.9 Idelnsurance 986 22.1 Idelte premiums 562 686 22.1 Idelte amed premiums 353 340 -3.7 60% Investment income 55 106 91.8 Idelte claims paid 10 275 2584.0 Identify 100.0% Identify 100.	ligible own funds to meet MCR	1,525	1,537	0.8	October 1			
1,549					120%		-	
1,549   2,018   30.3	Profitability					19.2%	-15.9% 12.7% -14.5%	
let premiums 562 686 22.1 set earned premiums 353 340 -3.7 60% 74.2% 100.0% 100	ross premium	1,549	2,018	30.3	100%			
Set earned premiums   353   340   -3.7   60%   74.2%   100.0%	einsurance	987	1,332	34.9	80%			
tereamed premiums 353 340 53.7 100.0%	et premiums	562	686	22.1				
Investment income 55 106 51.8 40% let claims paid 10 275 2584.0 40% lanagement expenses 60 69 16.2 20% longitudes paid (received) 209 275 31.8 24.3%	et earned premiums	353	340	-3.7	60%	74.2%		T. Charles Charles
let claims paid 10 275 2584.0 (anagement expenses 60 69 16.2 20% (ommission paid/ (received) 209 275 31.8 (24.3%)	vestment income	55	106	91.8				100.0%
commission paid/ (received) 209 275 31.8 24.3%	et claims paid	10	275	2584.0	40%			
ommission paid/ (received) 209 275 31.8 24.3%	anagement expenses	60	69	16.2	20%	_		
ther expenses 3 -0 -113.8 0%	ommission paid/ (received)	209	275	31.8				
Inderwriting profit/(loss) <sup>3</sup> 409 -13 -103.3 Inderwriting and investment income 465 93 -80.1 Inderwriting and investment income 461 93 -79.8  Haften Rich Rich Rich Rich Rich Rich Rich Rich	ther expenses	3	-0	-113.8	0%			
Inderwriting and investment income 465 93 -80.1 Main Copyright Cop	nderwriting profit/(loss) <sup>3</sup>	409	-13	-103.3	ALM FRED	Ward Friend	and language of the party of th	300
let profit before tax and dividends 461 93 -79.8	nderwriting and investment income	465	93	-80.1	*100.	treducted Copies story	Way. Day.	
And the second s	et profit before tax and dividends	461	93	-79.8	WELLS.	- Sales		
A DOM MATERIAL					400	A STATE AND A STATE OF THE PARTY OF THE PART		

Balance sheet		*Dec 2018 R'mil	Jun 2019 R'mil	6 Monthly % growth	Performance indicator	s	Dec 2018 Life (%)	Dec 2018 Non-life (%)	Jun 2019 Life (%)	Jun 2019 Non-life (%
Total assets		33,835	35,614	6.3	Claims ratio <sup>1</sup>		69.6	40.3	75.0	-35.9
Total Investments		19,512	21,263	9.0	Management Expenses ratio		6.2	1.6	5.2	2.0
Total reinsurance recoverables		8,046	7,693	-4.4	Commission ratio		2.4	12.4	6.7	18.
Current assets		5,782	6,241	7.9	Combined rato <sup>2</sup>			54.3		-15.
					Underwriting profit (loss) ratio			30.3		115.
Total liabilities		23,549	24,089	2.3	Underwriting and investment inc	ome rato <sup>2</sup>		41.5		119.9
Of which :										
Gross technical provisions (Life)		4,729	4,830	2.1	Solvency and capital					
Gross technical provisions (Non-Life)		10,454	10,227	-2.2	SCR cover rato (Median)		1.5	1.5	1.3	1.3
Reinsurance accounts payable		3,142	4,177	32.9	MCR cover ratio (Median)		4.0	4.0	3.2	3.2
Reinsurance deposits		2,863	2,147	-25.0						
					SCR risk components					
Basic own funds		10,288	11,526	12.1						
Eligible own funds to meet SCR		10,266	11,525	12.3	160%					
Eligible own funds to meet MCR		10,150	11,463	12.9	140%	14.3%				
						and the second	-25.9%			
					120%					
Profitability	Dec 2018 Life	Dec 2018 Non-life	Jun 2019 Life	Jun 2019 Non-life	100%			-21.1%		
Gross premium	2.551	3.645	2.960	2,751	80%	•				
Reinsurance	122	2.890	133	2,213						
Net premiums	2,429	755	2.827	538	60%					
Net earned premiums		515		1,075	40%			1	00.0%	
nvestment income	344	58	360	45	40.76					
Net claims paid	1.691	304	2,120	-193	20% 42.2%					
Management expenses	150	12	146	11						
Commission paid/ (received)	57	93	189	97	096		-0		OR.	
Other expenses	358	62	227	48	Market State	and the same	CONTRACTOR OF THE PARTY OF THE	distant to		
Underwriting profit/lioss)	2 500 50	156		1,244	Marked tox	PARTY STATE OF STATE	Age. Cyte			
Underwriting and investment income		214		1,289	HONE	A CHONNE				
Net profit before tax and dividends	850	147	874	1,243		OKOKOG				

# Contribution per industry to SA's GDP





## Hot topics introduced by the FSR Act in SA

The Introduction of the FSR Act introduced transformation of the financial sector and financial inclusion as some of the hot topics

Meaningful 'transformation' of the financial sector should not merely be a question of ownership of financial firms, but to <u>how the sector supports real economic activity</u>

What services are provided to consumers?

Who owns the firms that manage the assets?

How are the assets in the system put to use?

Who decides how those assets are invested?



# Thank You



