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Namibia National Reinsurance Corporation Limited

Namibia Reinsurance Analysis **September 2010**

Security class	Rating scale	Currency	Rating	Rating watch	Expiry date
Claims paying ability	National	N$	AA-		
Claims paying ability	Regional	Rand	A-	No	09/2011
Claims paying ability	International	US$	BB		

Financial data:
(US$'m Comparative)

	31/03/09	31/03/10
N$/US$ (avg)	8.98	8.06
N$/US$ (close)	9.85	7.74
Total assets	9.7	14.5
Total capital	7.5	11.1
Cash & equiv.	7.3	8.3
GWP	9.0	12.0
U/w result	0.6	0.7
NPAT	1.5	1.7
Op. cash flow	1.3	2.2
Market cap.	n.a.	
Market share	n.a.	

Fundamentals:

Namibia National Reinsurance Corporation Limited (Namib Re) commenced operations in 2001, following the enactment of the Namibia National Reinsurance Corporation Act (of 1998). The main purpose of the Act was to stem the outflow of funds through offshore reinsurance placements. As at FYE10, 89% of the company's business was generated locally, with some success achieved in garnering business in other African countries.

GCR contacts:

Marc Chadwick
+27 11 784 -1771
marcchad@globalratings.net

Melanie Brown
+27 11 784 -1771
brown@globalratings.net

Website: www.globalratings.net

Rating rationale

The rating is based on the following key factors:

- The rating takes cognisance of the fact that Namib Re is 100% owned by the Namibian Government and is the only registered reinsurance company in Namibia. This position is enhanced by local reinsurance requirements as stipulated in both the Namib Re Act and the Short Term Insurance Act.
- The reinsurer has established a track record of consistent underwriting profitability throughout the review period, underpinned by low and predictable loss ratios, which have fluctuated within a narrow band.
- Financial flexibility is enhanced by Namib Re's very low cost base, which has also been recorded at relatively consistent levels.
- The international solvency margin has been maintained above 100% over the review period, solidified by steady levels of internally generated capital (5-year average ROaE: 19%).
- Capital support is further enhanced by the reinsurer's prudent investment stance (which has also bolstered liquidity measures), as well as the moderate levels of risk retained for the reinsurer's net account.
- Despite the positive impact of expansionary initiatives on revenue production, a higher level of underwriting risk is associated with this wider scope of operational coverage. In this regard, Namib Re remains a price taker.
- A further constraining factor is the reinsurer's limited capacity relative to its regional peers.

Solvency & liquidity

Namib Re recorded NPAT of N$13.3m in F10, as well as a dividend of N$1.3m, resulting in a 16% rise in shareholders funds, to N$86.1m. This notwithstanding, capital accumulation was outpaced by net premium growth of 21% (F09: 8%), resulting in a five percentage point decline in the international solvency margin, to 112%. Management has targeted a minimum international solvency level of 60%, although actual metrics are not expected to converge on this figure in the medium term. The solvency margin for F11 is budgeted to equate to 120%, which is largely in line with historical levels. Cash reduced to N$64.2m (F09: N$72m), with claims coverage contracting to 18 months in F10 (F09: 22 months), albeit still adequate.

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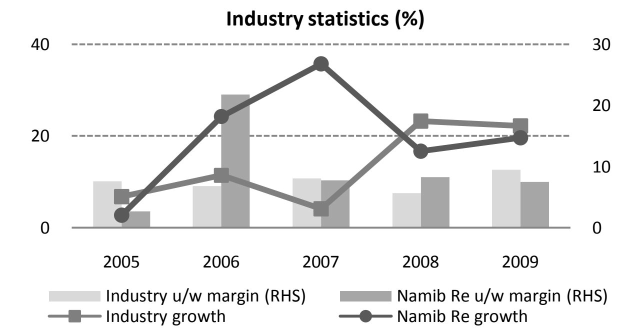
Operating environment

Economic overview

The Namibian economy contracted by 1% in 2009 (2008: 3.3% positive growth), having achieved a 6.1% average GDP growth rate in the previous 5 years. The contraction came primarily on the back of reduced activity in export-orientated sub-sectors such as minerals and tourism, both of which were impacted by the global financial crisis. The mining industry, (diamonds and copper in particular) was strained by the effects of the crisis, with the primary sector contracting by approximately 26% for the year. GDP growth for 2011 is projected to amount to 4.2%, underpinned by a recovery in mining activities, as well as continued strength in the construction sector.

Due to subdued global demand for key commodities and the subsequent softening on inflationary forces, Namibia's CPI reduced from 10.3% in 2008, to 8.8% in 2009, with the food and transport components of the basket being positively impacted. The decline in inflation, coupled with a slowing of credit extension to the private sector, prompted a cutting of the Bank of Namibia's key policy rate, the Repo rate, to 7% at year-end 2009 (2008: 10%). Total government expenditure rose by 13% for the year, ahead of expectations, resulting in a budget deficit of 2% of GDP in 2009, from a 4% surplus in the previous year. The government's cost overrun is expected to persist in the short to medium term. The Namibian Dollar is pegged to the South African Rand. The latter strengthened on the back of a rebound in commodity prices such as gold, diamond, platinum and other metals, as well as South Africa's high interest rate, which increased demand for carry trade. Accordingly, the Namibian Dollar appreciated against key currencies over the year.

Industry overview



Note: Namib Re has a March year-end.

Based on the 2009 report published by the Namibian Financial Institutions Supervisory Authority, inclusive of Namib Re, the Namibian insurance industry comprises 14 insurance companies. The three largest players are South African owned subsidiaries, accounting for over three quarters of industry premiums. Total industry GWP amounted to N$1.8bn (US$218m) in 2009. Premium growth equated to 22% in 2009 (2008: 23%), against a 5-year compound annual growth rate ("CAGR") of 15%. Premium growth was buoyed by an increase in volumes in 2009, which came on the back of increased uranium mining activity, as well as strong growth evidenced in the construction sector (corporate, hotel and residential buildings). This notwithstanding, rate pressure continued to stem from high levels of competition (exacerbated by the entrance of two new players in 2009), while the drop in inflation constrained growth in amounts insured. Brokers dominate premium distribution, with intermediary competitiveness expected to intensify in the medium term, following the entrance of Alexander Forbes in July 2009. Despite a higher loss ratio in 2009 relative to historical levels, industry underwriting profitability was bolstered by a contained cost structure, with the underwriting margin rising to 10% (2008: 6%). This notwithstanding, relatively low levels of local capacity will continue to be a challenge to the industry in the medium term, while compressed inflation and interest rates may also negatively impact premium levels.

The following table compares key statistics of Namib Re with some regional reinsurers. Namib Re's revenue growth was on par with the peer group average for the year, buoyed by expansion into regional markets. The reinsurer's earned loss ratio of 59% measured slightly above the peer group average of 55%. However, this was more than offset by the reinsurer's efficient cost structure, allowing for a competitive underwriting margin relative to the peer group. International solvency registered at a relatively high level compared to the peer group average, bolstered by the company's bottom line surpluses generated throughout the review period. Credit protection measures are enhanced by Namib Re's comfortable liquidity position, which measured 18 months in F10.

Table 1: Peers F09 (US$m)	**Namib Re***	**EA Re**	**Tan Re**	**Zep Re**	**Peer avg.****
GWP	10.8	13.3	27.3	55.7	-
NWP	8.6	9.8	23.4	44.3	-
U/w	0.6	0.1	2.5	2.5	-
NPAT	1.5	1.5	2.3	5.4	-
Capital	8.7	13.5	9.0	36.9	-
Assets	11.4	26.0	23.6	74.4	-
Key ratios (%)					
GWP growth	19.6	8.1	24.4	21.2	20.0
Earned loss ratio	58.6	55.8	48.8	57.4	55.0
Comm ratio	26.5	30.1	26.7	26.5	27.0
Mgt exp ratio	7.5	12.9	13.1	9.8	10.8
Delivery cost ratio	34.0	43.1	39.7	36.4	37.8
U/w margin	7.5	1.1	11.5	6.2	7.1
Int. solvency	111.8	138.2	38.9	83.3	79.1
Cash cover (mths)	17.8	32.4	9.9	21.9	19.6

*As at 31 March 2010.
**Includes Namib Re.

Risk diversification

Namibian business constitutes the mainstay of Namib Re's revenue generation. Business sourced from the local market accounted for 89% of gross premiums in F10, although some progress in geographic diversification has been made since F09 (93% local business). In terms of domestic growth, gross premium advancement is primarily a function of the size of the net book of foreign controlled insurers, as well as rate increases. Business is sourced from the Namibian market through two distinct modes, namely mandatory cessions from insurers with stand alone Namibian reinsurance treaties, and insurers with group reinsurance treaties:

- Local reinsurance treaties - Namib Re receives 20% of the treaties. It retains the pre-emptive right towards all facultative business.
- Group reinsurance treaties – 7.5% of their net account (strictly Namibian business written) and pre-emptive rights toward all facultative business.

Business sourced from the three largest participants in the market accounted for almost two thirds of Namib Re's total book, demonstrating the concentrated nature of the Namibian short term insurance market. This notwithstanding, the risk to volumes emanating from this concentration is largely offset by mandatory cessions, which are expected to remain in force in the medium term. Notwithstanding the mandatory nature of business sourced from the Namibian market, Namib Re's underwriting policy is guided by its own capacity. Broker concentration is also evidenced by the fact that the reinsurer's five largest intermediaries accounted for 90% of gross premiums in F09, with the largest broker representing almost a third of GWP. Proportional premiums constitute the mainstay of Namib Re's business, with the balance derived from facultative agreements and non-proportional treaties.

Table 2: Premium composition (%)	F09	F10
Proportional	90.6	89.2
Non-proportional	2.6	2.7
Facultative	6.8	8.1
Total	**100.0**	**100.0**

Namib Re has embarked on a regional expansionary programme over the past two years. East and Central African markets have formed the focus of the reinsurer's expansion, particularly Zambia, Kenya, Malawi and Zimbabwe. Additional markets wherein Namib Re currently operates are Swaziland, Angola, Mozambique, Ethiopia and Tanzania. Foreign sourced business nearly doubled in F10, to N$10.9m, or 11% of GWP, from N$5.8m (7% of GWP) in the previous year. Namib Re takes a follow position on the business it writes, relying on the technical underwriting capabilities of the lead reinsurers on the various contracts. Scientific pricing techniques are supported by international reinsurance brokers that have extensive experience with respect to the assessment of risk in the respective countries. Positively, this has allowed the reinsurer to maintain a low management expense ratio over the review period, which has in turn supported the level of underwriting profitability recorded. This notwithstanding, the reinsurer is currently developing capacity to price risk in the medium term.

Namib Re registered top line growth of 20% in F10 (F09: 17%), slightly behind of the review period CAGR of 24%. The fire growth registered in F10 is partly due to a reclassification of a portion of personal lines business. Genuine growth was evidenced by the class, however, on the back of property development, particularly commercial property. Mining property risks have also provided impetus for growth in recent years, drawing on the increased uranium mining activity on a national scale. Accordingly, property accounted for a higher 23% of GWP in F10 (F09: 19%).

Table 3: Premium by class (%)	GWP		NWP*	
	F09	F10	F09	F10
Fire	18.5	23.1	18.2	23.7
Marine	2.3	1.5	2.3	1.4
Motor	44.6	41.7	45.8	41.5
Guarantee	5.0	8.5	5.0	9.1
Miscellaneous**	20.3	17.9	19.7	17.3
Personal lines***	5.8	0.9	4.8	(0.3)
Medical	3.6	6.3	4.2	7.2
Total	**100.0**	**100.0**	**100.0**	**100.0**

*Excludes non-proportional cessions.
** Includes liability, 3rd party liability.
*** Includes life and medical business.

Both guarantee and medical business more than doubled in F10, and accounted for a higher 9% and 6% of the gross book respectively. Motor and miscellaneous lines both registered positive growth for the year, albeit below the overall average. As such, the two classes accounted for a lower 42% and 18% of GWP respectively (F09: 45% and 20%). Retention levels in F10 were retained at similar levels across the classes, resulting in the risk premium spread reflecting a similar pattern of movement to the gross premium mix. With respect to business written in Namibia, the reinsurer is comfortable with current levels of risk being absorbed directly, while premiums written outside the country are reinsured as the company develops experience in these markets.

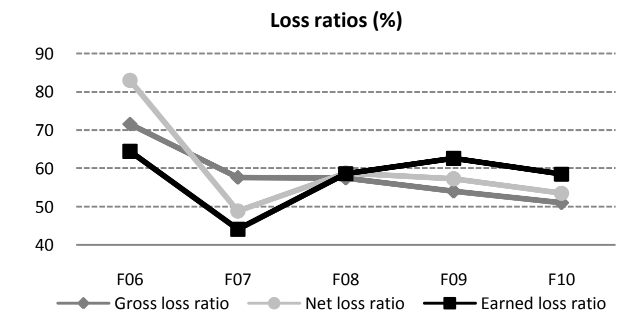
Table 4: Gross losses F10	GWP (N$m)	Gross loss ratio (%)
Namibian Dollar	86.2	54.1
US Dollar	6.0	29.2
Zambian Kwacha	1.9	29.0
Malawian Kwacha	1.7	16.9
SA Rands	0.7	0.0
Kenyan Shillings	0.4	19.4
Euro	0.1	0.0
Total	**97.1**	**51.0**

Note: Negligible amounts of business are also derived in Ethiopian Birr, Tanzanian Shillings, and Swazi Emgaleni.

On a consolidated basis, gross claims rose by 13% to N$49.5m in F10. On a relative basis, the gross loss ratio lowered from 54% in F09, to 51% in F10, due in large to an improved gross motor performance for the year. Notwithstanding a weakening in the technical performance of personal lines business, emanating from foreign treaties (particularly Malawi), the gross technical result increased to N$25.4m in F10 (F09: N$17.7m).

Table 5: Performance by class	Gross claims paid (N$m)		Gross loss ratio (%)		Gross technical result (N$m)	
	F09	F10	F09	F10	F09	F10
Fire	4.9	8.2	33.0	36.3	5.5	7.5
Marine	1.2	0.2	53.5	16.4	0.4	0.8
Motor	23.2	24.8	65.1	60.5	4.5	9.3
Guarantee	1.0	1.1	23.2	13.5	1.5	4.4
Miscellaneous	9.0	10.1	54.7	58.0	3.8	3.4
Personal lines	2.4	1.5	46.5	166.3	1.1	(1.5)
Medical	2.2	3.6	68.4	59.7	0.6	1.6
Total	**43.9**	**49.5**	**54.0**	**51.0**	**17.5**	**25.4**

On a net incurred basis, claims rose to N$43.2m in F10 (F09: N$40.1m), translating into an earned loss ratio of 59% (F09: 63%). However, this was offset by the rise in the net commission expense ratio for the year, to 27% (F09: 21%), which followed the upward revision of commission rates by certain domestic cedents (which impacted all reinsurers in the operating in the country), as well as the higher commission rates evidenced in the non-Namibian market. As such, the technical margin contracted by a percentage point, to 15% (review period average: 18%). The management expense ratio held steady at 8% for the year, as did the underwriting margin at 8% (review period average: 9%).



Solvency and reserving

Namib Re's international solvency over the review period has remained at relatively healthy levels, with growth in the risk premium base accompanied by capital generation. In F10, impacted by slightly lower investment income, as well as a dividend payment of N$1.3m for the year, retained income was recorded at N$12m (F09: N$13.2m). This resulted in a 16% rise in shareholders funds for the year, to N$86.1m, and translated into a ROaE of 17% (F09: 21%). This notwithstanding, capital accumulation was outpaced by net premium growth for the year (21%, vs. 8% in F09), resulting in a 5 percentage point decline in international solvency, to 112%. This measured slightly below the review period average of 116%, albeit remaining at a comfortable level. Management has targeted a minimum international solvency comfort level of 60%, although actual metrics are not expected to converge on this figure in the medium term. The solvency margin for F11 is budgeted to equate to 120%, which is largely in line with historical levels.

International solvency exceeds the minimum solvency margin of 15% stipulated by the regulator. The regulator is currently looking at introducing Solvency II into the Namibian short term insurance framework, although no concrete plans have been presented thus far.

The net outstanding claims technical provision recorded a N$1.4m absorption in F10, equating to a stable 12% of NWP for the year. Outstanding claims provisioning is determined based on amounts calculated by cedents, while IBNR is calculated at 7.5% of NWP. UPR reserving in conducted on a 1/365th basis. The net UPR increased by N$3.2m in F09, to N$7.8m, and equated to 10% as a proportion of NWP. Accordingly, technical provisions rose relatively in line with NWP for the year, and represented a higher 22% of the risk base (F09: 19%). In line with the contraction in international solvency, the financial base lowered to cover the risk base 1.3x in F10 (F09: 1.4x).

While no formal dividend policy is in place, management has stated that capital accumulation is a key determinant. Furthermore, the reinsurer is required by Namibia National Reinsurance Corporation Act of 1998 to transfer 50% of annual net profits to reserves if the general reserve fund is less than the authorised share capital of the reinsurer, or 25% if the fund exceeds share capital. No formal guarantee has been put in place by the shareholder.

Capital management is enhanced by Namib Re's limitation of non-proportional business, which accounted for just 3% of GWP in F10. The reinsurer's focus is on growing its balance sheet and will not expose capital to potentially large non-proportional losses in the medium term, or until such time as capital is viewed as sufficient for such business.

Retrocession

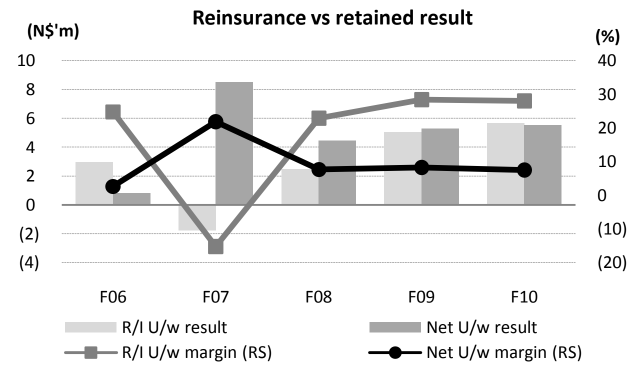
Table 6: Retrocession	Namibian business (N$)		Other territories (US$)	
	Retention	Limits	Retention	Limits
Healthcare				
Quota share	60/40	5.7m	n.a.	n.a.
Aggregate stop loss	See below*		n.a.	n.a.
Surplus (lines)				
Fire (9)	3m	18m	200,000	1.2m
Motor (6)	500,000	3m	25,000	150,000
Misc. acc. (6)	1m	6m	50,000	300,000
Marine, hull & cargo (3)	1m	3m	50,000	150,000
FAC obligatory	250,000	5m	10,000	200,000

*To pay 120% of NPE subject to a maximum indemnity of N$2.5m; in excess of 130% of NPE subject to a minimum of N$1.3m.

The above table details Namib Re's retrocession programme, which runs between 1 January 2010 and 31 December 2010. The reinsurer's largest net retention has been brought down to N$500,000 (less than 1% of FYE09 shareholders interest) through an excess of loss bouquet of treaties, structured into five layers providing capacity up to N$20m. The XoL treaty covers losses on a per risk and event basis, protecting Namib Re in the event of a catastrophe.

Table 7: Retrocession result (N$m)	F06	F07	F08	F09	F10
Premium retroceded	11.8	11.7	10.9	17.7	20.1
Claims recovered	(5.1)	(10.2)	(5.5)	(7.5)	(8.3)
Commission received	(3.8)	(3.3)	(2.9)	(5.2)	(6.2)
Net transfer (incurred)	**2.9**	**(1.8)**	**2.5**	**5.0**	**5.6**

Following the jump in premium cessions in F09, reinsured premiums rose by a more moderate 14% in F10, to N$20.1m, with retention increasing slightly to 79%. Total recoveries (claims and commission) of N$14.5m equated to a stable 72% of cessions in F10. The transfer to retrocessionaires increased to N$5.6m for the year (F09: N$5m), which equated 6% of year-end capital. Ceded profit as a proportion of premium cession amounted to 28% in F10 (review period average: 20%).



Counterparty risk

The four largest counterparties participating on Namib Re's retrocession programme are internationally rated Munich Re (A-), Everest Re (AA-), Africa Re (BBB+) and GIC (A-). The overall diversity of all the counterparties participating provides a degree of comfort.

Asset management

Total assets increased by a higher 18% in F10, to N$112.6m, including an increase in fixed assets (N$7.2m, vs. N$3.8m in F09). The increase came on the back of the procurement of land on which the reinsurer's headquarters will be built, at a cost of N$14m. Namib Re expects to benefit from rental income and capital gains relating to this property.

Namib Re's investment portfolio rose by 15% in F10, to N$95.1m, having risen by a CAGR of 15% over the review period. Namib Re's investment mix reflects the reinsurer's conservative stance, and focus on capital protection, with all funds placed in low risk liquid investments. In terms of its cash management strategy, the reinsurer aims to balance claims liquidity requirements with higher yields available on non-cash instruments. Accordingly, government bonds rose to N$30.9m in F10 (F09: N$10.5m), and accounted for a higher 33% of the investment portfolio (F09: 13%). Namib Re's strategy of investing in government-secured instruments is restricted by the limited issuance thereof.

Table 8: Investment portfolio	F09		F10	
	N$m	%	N$m	%
Cash & cash equivalents	72.0	87.3	64.2	67.5
Government bonds	10.5	12.7	30.9	32.5
Total investments	**82.5**	**100.0**	**95.1**	**100.0**

Operational cash flow generation remained healthy in F10, with cash flow from operations reaching a review period high of N$16.2m (F09: N$11.3m). This was supported by a working capital release of N$4.1m (F09: N$1.9m absorption). However, owing to the reinsurer's large uptake of government bonds for the year, as well as expansionary capex spend (new offices), cash reduced to N$64.2m (F09: N$72m), and represented 68% of total investments (F09: 87%). Claims cash coverage reduced to 18 months in F10 (F09: 22 months), below the 23 months averaged over the previous 4 years. Cash is placed with Bank Windhoek (rated AA, A1+ by GCR) and First National Bank.

Asset conversion & currency risk

Namib Re's investment assets are entirely domiciled in Namibia, and mainly held in Namibian Dollars (N$855,160 was US Dollar denominated at FYE09, placed with Bank Windhoek). This implies a level of sovereign risk (Namibia is rated BBB- internationally). Given the recent rise in foreign business, exchange rate risk has also increased. In this regard, management is looking into utilising hedging mechanisms in order to mitigate such risk, although such risk management strategies are not yet in place. Delays in premium payments give rise to further exchange rate risk, exacerbated by issues such as certain countries not having sufficient foreign reserves to meet foreign denominated liabilities.

Financial performance

A 5-year financial synopsis is reflected at the end of this report, and brief comment follows. Strengthened by greater than expected volumes of international business, as well as enhanced local demand, gross premium growth of 20% in F09 was well above growth forecasts (10%). The improvement in the claims ratio, as well as contained operating expenses and scale efficiencies (afforded by higher than expected volumes), translated into a considerably stronger underwriting performance than expected. Despite this, the rise in the risk base resulted in solvency being largely in line with expectations.

Gross premiums rose by 20% in F09, to N$97.1m, driven by growth in property, motor and guarantee. Stable retention levels saw net premium grow at the same rate. However, a relatively large UPR absorption resulted in earned premium growth moderating somewhat, to 15%.

Table 9: Income statement (N$m)	F10 Actual	F10 Budget	% of budget
GWP	97.1	88.9	109.2
NWP	77.0	69.4	110.9
EPI	**73.8**	**68.0**	**108.6**
Claims	(43.2)	(43.0)	100.6
Commission	(19.5)	(17.3)	113.0
Management expenses	(5.5)	(6.2)	89.4
U/w result	**5.5**	**1.5**	**367.3**
Ratio (%)			
GWP growth	19.6	9.5	-
Loss ratio	58.6	63.2	-
Commission ratio	26.5	25.4	-
Mgt. expense ratio	7.5	9.1	-
U/w margin	7.5	2.2	-
Trade ratio	92.5	97.8	-
International solvency	111.8	109.5	-

On the back of further property losses, gross claims rose by 13% to N$49.5m in F10. Overall, loss ratios have fluctuated within a relatively narrow band over the last three years, on both a gross and an earned basis.

Table 10: Claims incurred (N$m)	F08	F09	F10
Net claims paid	***34.1***	***37.0***	***41.8***
Gross	40.0	43.9	49.5
Reinsurance	(5.9)	(6.8)	(7.8)
Net change in provision for o/c	***(0.2)***	***3.1***	***1.4***
Gross	(0.6)	3.7	2.0
Reinsurance	0.5	(0.6)	(0.6)
Claims incurred	**33.9**	**40.1**	**43.2**
Loss ratios (%)			
Gross ratio	57.4	54.0	51.0
Net ratio	58.0	58.3	54.2
Earned ratio	58.6	62.6	58.6

Namib Re takes a follow position on all contracts, and, accordingly, the reinsurer has a relatively small staffing contingent. As such, management expenses have risen by a CAGR of 18% over the review period, below top line growth. In F09, operating expenses increased by 11%, to N$5.5m, with the management expense ratio remaining relatively stable at 8% for the year, in line with the review period average.

Commission incurred rose by 36% to N$25.7m, with commission payments as a proportion of GWP amounting to a higher 27% (F09: 23%). This was due to a general increase in acquisition costs and related profit commission. Along with a comparatively lower 20% rise in commission receipts, to N$6.2m, net commission rose by a high 43%, to N$19.5m. This equated to a review period high net commission ratio of 27% (F09: 21%), versus an average of 23% recorded over the previous four years. This precipitated a 5 percentage point rise in the delivery cost ratio, to 34%, although this tracked the review period average of 33%. The rise in net commissions offset the improvement in the claims ratio for the year, with the underwriting result amounting to N$5.5m (F09: N$5.3m). The underwriting margin equated to 7.5% for the year, from 8.3% previously.

Owing to lower prevailing interest rates during the year, investment income lowered by 9% to N$7.8m. This, in turn, lowered NPAT to N$13.3m in F10 (F09: N$13.9m), with the ROaE declining to 17% (F09: 21%). The higher dividend payment of N$1.3m in F10 (F09: N$0.7m) reduced dividend cover for the year, albeit remaining at a high 10.6x (F09: 19.2x)

Future prospects

GWP has been budgeted to rise by a moderate 5% in F11, versus a 19% CAGR achieved over the review period. It is noted, however, that Namib Re's budgets are conservative relative to actual performance. Anticipated growth is expected to continue to emanate from regional expansionary activities, as well as organic growth in economic insurable activities in the domestic market, with a conservative stance continuing to underpin operations in these areas. South Africa is not currently a market the reinsurer is planning to enter. However, prospects are considered on a case by case basis.

Table 11: Income statement (N$m)	Budget F11	Budget F12
GWP	102.3	117.6
NWP	79.8	91.7
EPI	**78.2**	**89.9**
Claims	(49.5)	(56.9)
Commission	(19.9)	(22.9)
Management expenses	(6.9)	(8.3)
U/w result	**1.9**	**1.9**
Investment income	7.3	8.5
Retained income	**9.2**	**10.3**
Ratios (%)		
GWP growth	5.3	15.0
Loss ratio	63.2	63.2
Commission ratio	25.5	25.5
Mgt. expense ratio	8.8	9.2
U/w margin	2.4	2.1
Trade ratio	97.6	97.9
International solvency	119.4	115.1

Underwriting profitability is projected to moderate in F11 and F12 relative to previous years. This is largely due to the expected higher loss ratio for both periods, of 63%, which is above the 58% averaged over the review period. The management expense ratio has also been budgeted to increase, on the back of increased operational needs of the enlarged scope of the business, as well as higher administrative costs related to the running of the insurer's own premises. The international solvency margin is projected to remain in line with historical levels, supported by internal capital generation and controlled risk premium growth.

Namibia National Reinsurance Corporation Limited

(Namibian $ in millions except as noted)

Year ended : 31 March		2006	2007	2008	2009	2010
Income Statement						
Gross written premium (GWP)		**41.3**	**51.3**	**69.6**	**81.2**	**97.1**
Retrocession premiums		(11.8)	(11.7)	(10.9)	(17.7)	(20.1)
Net written premium (NWP)		**29.4**	**39.5**	**58.7**	**63.5**	**77.0**
(Increase) / Decrease in insurance funds		0.9	(0.5)	(1.0)	0.5	(3.1)
Net premiums earned		**30.3**	**39.1**	**57.7**	**64.0**	**73.8**
Claims incurred		(19.5)	(17.2)	(33.9)	(40.1)	(43.2)
Commission		(7.2)	(9.2)	(14.6)	(13.7)	(19.5)
Management expenses		(2.8)	(4.2)	(4.8)	(5.0)	(5.5)
Underwriting profit / (loss)		**0.8**	**8.5**	**4.5**	**5.3**	**5.5**
Investment income		4.9	6.7	6.8	8.6	7.8
Other income / (expenses)		0.0	0.0	0.0	0.0	0.0
Taxation		0.0	0.0	0.0	0.0	0.0
Net income after tax		**5.7**	**15.2**	**11.3**	**13.9**	**13.3**
Unrealised gains / (losses)		n.a	n.a	n.a	n.a	n.a
Cash Flow Statement						
Cash generated by operations		0.8	8.6	4.5	5.3	5.5
Cash flow from investment income		4.9	6.7	6.8	8.6	7.8
Working capital decrease / (increase)		5.5	(7.5)	5.1	(1.9)	4.1
Tax paid		0.0	0.0	0.0	0.0	0.0
Cash available from operating activities		**11.3**	**7.8**	**16.4**	**12.0**	**17.4**
Dividends paid		(1.2)	(1.2)	(2.0)	(0.7)	(1.3)
Cash flow from operating activities		**10.1**	**6.7**	**14.4**	**11.3**	**16.2**
Purchases of investments		(2.7)	(6.4)	(17.1)	(6.6)	(16.8)
Proceeds on disposal of investments		0.0	0.0	0.0	0.0	0.0
Other investing activities		0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities		**(2.7)**	**(6.4)**	**(17.1)**	**(6.6)**	**(16.8)**
Cash flow from financing activities		**(0.0)**	**(0.0)**	**(0.0)**	**(0.0)**	**0.0**
Net cash inflow / (outflow)		**7.4**	**0.3**	**(2.7)**	**4.7**	**(0.6)**
Balance Sheet						
Shareholders interest		**37.5**	**51.6**	**60.8**	**74.0**	**86.1**
Net unearned premium reserves		3.8	4.2	5.2	4.6	7.8
Net o/s claims and IBNR provision		6.1	4.7	4.5	7.6	9.0
Other liabilities		9.3	10.2	10.7	9.2	9.7
Total capital & liabilities		**56.6**	**70.7**	**81.2**	**95.4**	**112.6**
Fixed assets		0.1	0.1	0.1	3.8	7.2
Investments		33.9	9.3	5.3	10.5	30.9
Cash and short term deposits		20.0	51.2	69.5	72.0	64.2
Other current assets		2.7	10.0	6.2	9.1	10.3
Total assets		**56.6**	**70.7**	**81.2**	**95.4**	**112.6**
Key Ratios						
Solvency / Liquidity						
Shareholders funds / NWP	%	127.4	130.4	103.6	116.6	111.8
Cash claims cover	months	12.3	35.6	24.6	21.6	17.8
Average debtors	days	42.9	45.4	42.4	34.3	36.1
Outstanding claims / NWP	%	20.7	11.9	7.7	11.9	11.8
Insurance funds / NWP	%	12.7	10.7	8.8	7.3	10.1
Profitability						
ROaE (after unrealised gains / losses)	%	16.2	34.2	20.1	20.6	16.6
Investment yield (including unrealised gains / losses)	%	10.1	11.7	10.1	10.9	8.8
Efficiency / Growth						
GWP Growth	%	2.7	24.3	35.8	16.7	19.6
Premiums reinsured / GWP	%	28.7	22.9	15.6	21.8	20.7
Earned loss ratio	%	64.4	44.1	58.6	62.6	58.6
Commissions / Earned premiums	%	23.7	23.5	25.3	21.3	26.5
Management expenses / Earned premiums	%	9.2	10.7	8.3	7.8	7.5
Underwriting result / Earned premium	%	2.7	21.8	7.7	8.3	7.5
Trade ratio	%	97.3	78.2	92.3	91.7	92.5
Operating						
Effective tax rate	%	0.0	0.0	0.0	0.0	0.0
Dividend cover	X	5.0	13.2	5.6	19.2	10.6