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Namibia National Reinsurance Corporation Limited

Namibia Reinsurance Analysis **October 2012**

Security class	Rating scale	Rating	Rating watch	Expiry date
Claims paying ability	National	AA-$_{(NA)}$	Yes	10/2013
Claims paying ability	International	BB	Yes	

Financial data:

(US$'m Comparative)

	31/03/11	31/03/12
N$/US$ (avg)	7.40	7.54
N$/US$ (close)	6.89	7.75
Total assets	18.9	19.6
Total capital	14.5	15.4
Cash & equiv.	14.5	14.9
GWP	16.2	16.6
U/w result	1.0	1.5
NPAT	2.0	2.6
Op. cash flow	2.5	2.5
Market cap.	n.a.	
Market share	12%	

Related methodologies/research:

GCR's criteria for rating short term insurance and reinsurance companies, November 2011.

Namib National Reinsurance Corporation Limited ("Namib Re") rating reports, 2006-2011.

Rating history:

Initial rating (09/2006)
National scale: AA-$_{(NA)}$; R/O: Stable
International scale: BB; R/O: Stable

Initial rating (09/2011)
National scale: AA-$_{(NA)}$; R/O: Stable
International scale: BB; R/O: Positive

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Rating rationale

The ratings are based on the following key factors:

- The ratings are underpinned by the fact that Namib Re is wholly owned by the Namibian government. This notwithstanding, note is taken of the recent Disclaimer of Opinion issued by the company's auditors on the F12 AFS, relating to the lack of completeness and accuracy of certain aspects of Namib Re's accounting records. Management has advised that cash and cash equivalents as reported on balance sheet are correct (these have also been verified by GCR), and are in the process of implementing the necessary corrective measures in order to rectify the accounting concerns. In the interim, the ratings have been placed on Rating Watch, as GCR continues to monitor these developments.
- In light of the above, a marked improvement in Namib Re's risk control practices, systems and data quality would be favourably considered. The company also remains exposed to key man risk.
- On the back of sound capital accumulation, the reinsurer's international solvency margin has consistently registered above 100%, which is expected to be maintained going forward.
- Investment risk is considered low to moderate, as evidenced by the highly liquid investment portfolio, which underpins comfortable key liquidity metrics. A degree of counterparty risk is, however, evident in terms of cash placements.
- The reinsurer's solid underwriting track record over the review period is positively viewed, with financial flexibility enhanced by the well contained cost base.
- The compulsory cession mandate, which is expected to remain in place over the medium term, provides a captive market and strong medium term growth prospects. This notwithstanding, the company's limited domestic and regional market position is noted, hindered by its relatively small capital base.
- The majority of retrocession placements are with secure rated entities. The international scale rating is, however, constrained by the sovereign rating of Namibia (BBB-), given that the bulk of the reinsurer's assets are vested domestically.

What could trigger a rating action

Positive movement triggers: An upgrade of the rating is unlikely over the short to medium term.

Negative movement triggers: Failure to timeously address the concerns as highlighted by the company's auditors may have a negative impact on the ratings. Further, a change in the sovereign rating of Namibia could also have rating implications.

Operating environment

Economic overview

Namibia's fortunes are very closely linked to the South African economy, with the Namibian Dollar pegged to the South African Rand. Around 90% of Namibia's imports originate from South Africa, while many of its exports are destined for the South African market. Namibia is also part of the Common Monetary Area comprising Lesotho, Swaziland and South Africa.

Having declined by 0.4% in 2009, real GDP grew by 6.6% in 2010, supported by a recovery in the diamond and uranium sectors, and ongoing growth in non-mining. Economic activity weakened somewhat in 2011, following severe flooding in the north and a weaker than expected global economy, with GDP rising by 4.9%. The IMF has projected real GDP growth of 4% in 2012, mainly underpinned by growth in the natural resource sector (including investment to support diamond output), the recent licensing of the world's fourth largest uranium mine, and increased optimism surrounding the development of natural gas reserves. Downside risks to growth stem mainly from the current turmoil in Europe and its potential implications for the global economy and commodity markets.

The fiscal stance expanded significantly in 2011, with government launching a major three-year fiscal initiative dubbed the "Targeted Intervention Program for Employment and Economic Growth". Four sectors have been identified, namely: agriculture, tourism, transport and housing & sanitation. The official unemployment rate is estimated at 37% (51% including "discouraged workers" who have given up looking for employment). The monetary stance remains supportive of the peg to the Rand. The BoN lowered its policy rate (repo rate) to 6% in December 2010, representing a cumulative reduction of 450 basis points since December 2008. In an effort to support the subdued growth outlook, the policy rate was reduced by a further 50 basis points to 5.5% effective 23 August 2012. Inflation remains moderate and is expected to remain within single digits (forecast at 6.7% in 2012 from the level of 5.8% reported in 2011).

Industry overview

Namib Re is the only locally registered reinsurer in Namibia, from which it derives the bulk of its business (90% of GWP). Brief commentary on the Namibian insurance industry follows.

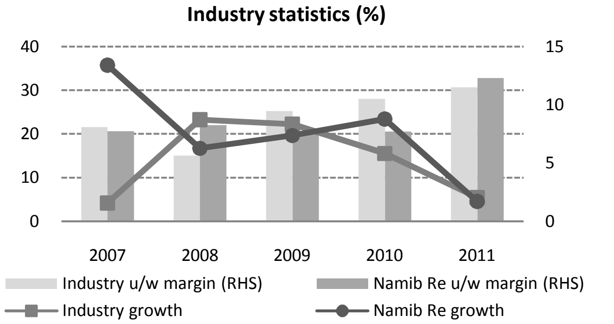
The Namibian insurance industry encompasses around 30 participants, of which 14 focus on non-life business. The three largest players are South African owned subsidiaries, who collectively account for over 80% of industry premiums. The risk management framework applied across this top tier is deemed sophisticated, in particular given that these South African subsidiaries benefit from sound practices adopted at group level. In light of the traditionally low uptake by individuals, the insurance market remains focused on the corporate and commercial segment. Brokers dominate premium distribution, in particular a handful of multinationals.

The minimum capital requirement has remained unchanged for several years, at N$4m for non-life insurers, and N$10m for reinsurance companies (US$1.2m), which is considered low. Consistent with developments internationally, the introduction of a risk based capital model is being deliberated by the regulatory authorities. The impact of risk based capital is likely to vary amongst insurers (the South African entities are expected to leverage off holding company skills), depending on, inter-alia, existing capital levels, the composition of their underlying books, and the make-up of their asset bases. However, its full implementation is expected to take a number of years and is likely to pose a significant challenge for most companies.

Table 1: Key industry data	
Regulatory authority:	**NAMFISA***
Min. capital req. (non-life insurance):	**N$4m**
Min. capital req. (reinsurer):	**N$10m**
# of registered non-life insurers in 2011:	**14**
# of registered life assurers in 2011:	**16**
Insurance penetration (% of GDP):	**±2%**
Non-life industry GWP 2011:	**N$2,138.6m**
GWP growth 2011 (non-life):	**5.4%**
5 year average:	**13.8%**
International solvency 2011 (non-life):	**69.2%**
5 year average:	**52.2%**
Retention ratio 2011 (non-life):	**54.5%**
5 year average:	**70.5%**
Earned loss ratio 2011 (non-life):	**61.9%**
5 year average:	**63.5%**
Delivery cost ratio 2011 (non-life):	**26.7%**
5 year average:	**27.2%**
U/w margin 2011 (non-life):	**11.5%**
5 year average:	**9.3%**
Largest risk classes 2011 (non-life; % of GWP):	**Motor (35%); pers. acc. (23%); misc. (20%); fire (18%)**

*Namibia Financial Institutions Supervisory Authority.

GWP for the short term segment amounted to N$2.1bn in 2011 (around US$263m), representing relatively subdued growth of 5.4% over 2010. This compares unfavourably to double digit growth rates evidenced historically (underpinned by ongoing uranium mining activity and an expanding construction sector), with 2011 largely constrained by the weaker economic environment. Interestingly, premium retention for the sector fell sharply, by 16 percentage points to 55%, which is understood to be attributable to some large mining risks placed entirely offshore (Note: insurers may approach the Regulator for dispensation regarding placement of Namibian risk not locally covered). As a result, industry NWP reported a sharp contraction in 2011, of 22% to N$1.2bn. While rates pressure continues to stem from high levels of competition, the average earned loss ratio has trended within a relatively narrow band of 60% and 67% over the past few years, and totalled 62% in 2011. Comparative delivery costs for Namibian short term insurers have also evidenced a high degree of stability, and compare favourably with other African counterparts (excluding South Africa), which tend to trend above 40% of net premiums earned. Overall, the short term insurance segment has reported sustained healthy profitability, as evidenced by an average underwriting margin of 9% over the past 5 years (2011: 11.5%).



Note: Namib Re has a March year-end.

Combined share capital for the 14 non-life insurers amounted to N$807m in 2011 (around US$104m), representing growth of 3% over the previous year. Against notably lower NWP of N$1.2bn (2010: N$1.5bn), owing to the sharp decline in retention, this translated to an industry international solvency margin of 69%, from 52% previously.

Competitive position

Table 2: Peer analysis 2011 (US$'m)	Namib Re	Kenya Re	Tan Re	Ghana Re	CICA Re
Domicile	Namibia	Kenya	Tanzania	Ghana	Togo
GWP	16.6	62.5	33.6	29.4	38.7
NPAT	2.6	7.3	3.0	1.0	2.9
Capital	15.4	116.3	17.8	61.6	42.3
Solvency (%)	121.5	186.5	58.2	234.0	136.5
Retention (%)	78.6	95.8	90.6	95.2	86.2
Earned loss (%)	56.9	51.4	51.9	40.5	52.1
Delivery cost (%)	31.5	52.6	35.0	71.4	44.6
U/w margin (%)	11.6	(4.0)	13.1	(11.9)	3.3
Cash cov. (month)	24.8	21.8	14.7	26.0	17.2

Note: Namib Re has a March year-end.

Recent developments

Namib Re's 2012 financial statements have been issued with a Disclaimer of Opinion by the company's auditors, Ernst & Young, due to insufficient audit evidence needed to provide a basis for an audit opinion. Two of the key issues identified in the auditor's report include:

- The translation method used on foreign currency transactions. In this regard, the spot rate was applied at settlement date instead of the requisite transaction date. Further, foreign receivables and payables (included in the reinsurance and insurance receivables and the payables balance) were not translated using the closing rate.
- Reinsurance and insurance transactions were only recorded in the period they were settled and not on an accrual basis. This, together with the limited data disclosures available with respect to the trade receivable and payable reconciliations, left the auditors unable to determine the extent to which these accounts may have been misstated.

Management have confirmed that the necessary corrective measures (including the appointment of additional technical personnel) are to be implemented effective immediately, which should rectify the accounting concerns over the short term. Management has also stated that cash and cash equivalents as reported on balance sheet have not been affected. These balances have been verified by GCR, and continue to remain at robust levels post balance sheet date F12.

Fundamentals and operations

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. At present, the company only underwrites non-life business, although plans are underway to expand into the life arena in 2013/14. The corporation is 100% owned by the Namibian government. Since inception, the company has benefited from mandatory cessions from two sources, which are expected to remain in force over the medium term. These include:

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

GCR deems Namib Re's current operational risk management processes, financial reporting and systems to be weak. Given the limited financial data made available to GCR, a detailed underwriting assessment by line of business is largely constrained to the reinsurer's gross performance. Going forward, management has confirmed that a new underwriting platform has been purchased, which will be fully integrated by May 2013. This is expected to improve financial reporting and overall risk management.

Management has confirmed that the bulk of business continues to stem from local compulsory cessions, which heightens operational risk (albeit the company has the right of refusal on acceptances). Despite Namib Re's regional diversification efforts, foreign derived business contributes a small component of the overall book, at 10% (F11: 11%). According to management, in order to lessen the company's exposure to mandatory business, additional attention will be directed at securing local and regional voluntary placements going forward. Strategically, east and central Africa will remain key target markets, with Zambia, Kenya and Malawi in particular having shown good growth to date. It is noted that all risks are underwritten from Namibia, with pricing determined by lead reinsurers, complemented by technical assistance from international reinsurance brokerages operating in these markets. In view of the limited number of insurers operating in the Namibian market (and dominance of the top-tier insurers), cedant concentration is significant, with the 3 largest companies representing a combined 67% of gross premiums in F12 (largest: 30%). Similarly, concentration amongst intermediaries remains high, with the top 5 brokers responsible for 62% of the gross book as at FYE12 (FYE11: 51%).

Table 3: Premium composition (%)	F10	F11	F12
Proportional	89.2	89.3	88.6
Non-proportional	2.7	2.3	2.6
Facultative	8.1	8.4	8.6
Total	**100.0**	**100.0**	**100.0**

In view of the mandatory cessions, Namib Re derives the bulk of its premiums through proportional treaties, at 89% of GWP in F12. Facultative acceptances are mainly derived from outside of Namibia and represent a further 9% of the gross book. Overall, GWP increased by a subdued 5% to N$125m in F12, contrasting the prior 3-year average annual growth rate of 20%. This, however, aligned with underlying market experience for the year. Buoyed by CAR contracts both locally and regionally, fire (includes engineering) advanced 12% to represent 33% of the gross portfolio in F12 (F11: 31%). Marine and medical also evidenced strong growth for F12, at 33% and 13% respectively, with the latter benefiting from growing corporate employment cover. In contrast, motor premiums remained stagnant (partly attributable to more selective acceptances adopted by cedants), translating into a lower gross contribution of 33%, from 36% in F11. Guarantee's gross contribution also fell for the year, to 5% from 6% previously. It is noted that premium volumes in this class are susceptible to construction activity. Combined motor and fire continued to dominate the gross book, at an unchanged 67% in F12. Risk retention was largely unchanged year-on-year, equating to 79% in F12 (F11: 77%).

Table 4: Premium by class (%)	GWP	
	F11	F12
Fire	31.1	33.4
Marine	1.0	1.3
Motor	35.5	33.3
Guarantee	5.9	4.5
Miscellaneous*	17.6	18.3
Personal lines	2.7	2.6
Medical	6.2	6.6
Total	**100.0**	**100.0**

*Includes liability, 3rd party liability and special riot.

On a gross basis, claims advanced 10% to N$74m in F12. This translated into a higher gross loss ratio of 59% (F11: 53%). Barring medical, all lines evidenced a higher relative loss experience during F12. This was particularly pronounced on guarantee, which saw its gross loss ratio more than double to 50% in F12. This was in relation to a few CAR claims, which resulted in business interruption losses. The rise in the fire gross loss ratio to 55% (F11: 48%) largely followed the abovementioned CAR incidents, and a mining loss in Zambia. Motor claims continued to be negatively impacted by a high frequency of incidents, as well as the cost of imported replacement parts. Fire and motor remained the largest contributors to the overall gross technical profit, at a combined N$15m (representing an unchanged 64% of the total). Further, medical reported sound gross technical profits in F12, from a marginal profit in F11.

Table 5: Performance by class	Gross claims paid (N$'m)		Gross loss ratio (%)		Gross technical result (N$'m)	
	F11	F12	F11	F12	F11	F12
Fire	17.8	23.1	47.9	55.1	9.1	7.7
Marine	0.2	0.5	19.9	33.8	0.6	0.7
Motor	25.1	26.5	59.3	67.5	6.9	7.0
Guarantee	1.4	2.8	19.5	50.3	3.1	0.8
Miscellaneous*	11.0	15.1	52.6	67.3	4.6	2.0
Personal lines	1.6	1.7	48.6	51.8	0.6	0.6
Medical	6.5	3.9	89.7	47.9	0.2	4.0
Total	**63.6**	**73.6**	**53.4**	**58.8**	**25.1**	**22.8**

* Includes liability, 3rd party liability and special riot.

Supported by retrocession recoveries and a release from the outstanding claims reserve, the earned loss ratio was reported at a lower 57% (F11: 61%). This is below the prior 4-year average of 60% and closely aligned to the industry, of 62% over the same period. Given this, and despite the rise in relative net commissions (26% of NPE vs. 25% in F11), the insurer's net technical margin improved to 17% in F12 from 14% in F11. With management expenses remaining well contained relative to NPE, at 6%, the underwriting margin climbed to a review period high of 12% in F12, well above the prior 4-year average of 8%. This was also closely aligned to the performance of the domestic non-life insurance industry.

Solvency and reserving

Driven by higher profits, shareholders interest increased by 20% to N$120m as at FYE12. Despite increased retention, the international solvency margin strengthened to 122% in F12 (F11: 108%), a review period high. This was above the budgeted level of 119% (which is net of dividends). Given the delay in finalising the audit process (discussed under recent developments), management has recently confirmed that no dividend will be declared for 2012. The average premium collection period remained well contained, at 31 days (F11: 34 days), with management confirming that no debtors were in excess of 180 days (as per prior years).

Current statutory solvency regulations require all insurers/reinsurers to hold a minimum margin of 15% (capital expressed as a percentage of NWP from the preceding financial year). Namib Re continued to comfortably exceed this requirement in F12. Management have confirmed that capital will continue to be managed in accordance with a minimum solvency target of at least 100% going forward.

According to management, provisions for outstanding claims are raised on a case-by-case basis (with IBNR calculated at 7.5% of NWP), whilst reserves for unearned premiums are established using the 1/8th method. As a percentage of NWP, unearned premium reserves equated to an unchanged 6%. The outstanding claims to NWP ratio totalled a lower 15% (F11: 18%), resulting from a release in reserves following the more favourable claims environment. At present, the adequacy of claims reserving is assessed by the company's auditors, although management has indicated that submissions to Aon Hewitt South Africa for additional verification will be undertaken for the F13 financial year. The company also expects its updated risk management policy (in the context of ERM) to be formally adopted at the forthcoming AGM.

Retrocession

Table 6: Retrocession 2012	Namibian business (N$)		Other territories (US$)	
	Retention	Limits	Retention	Limits
Healthcare				
Quota share	60/40	5.7m	n.a.	n.a.
Surplus (lines)				
Fire (6)	3m	18m	300,000	1.8m
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

Namib Re's retrocession programme comprises both proportional and non-proportional treaties, and runs between 1 January and 31 December. Structurally, the 2012 programme is unchanged. Salient features of the proportional programme are shown in table 6, with the only adjustments for 2012 relating to an increase in the fire surplus retention and limit for other territories (from US$200,000 and US$1.2m previously). A CAT XoL bouquet treaty (excluded from table 6) covers all the main lines (fire, eng, CAR, motor, accident and marine) and provides capacity up to N$25m on the 5th layer (2011: N$20m) for both local and non-domestic risks. The reinsurer's net retention on XoL is limited to N$1m per risk and event (2011: N$0.5m), representing 0.8% of FYE12 capital.

Table 7: Retrocession result (N$'m)	F08	F09	F10	F11	F12
Premium retroceded	10.9	17.7	20.1	27.2	26.8
Claims recovered	(5.5)	(7.5)	(9.6)	(16.9)	(16.1)
Commission received	(2.9)	(5.2)	(6.2)	(8.0)	(8.0)
Net transfer	**2.5**	**5.0**	**4.3**	**2.3**	**2.7**

Given slightly higher retention, cessions to retrocessionaires contracted by 2% to N$26.8m in F11. This notwithstanding, combined commission and claims recoveries equated to a lower 90% of premiums ceded (F11: 92%). This resulted in a higher N$2.7m net transfer (F11: N$2.3m), albeit continuing to represent a low 2% of FYE12 capital.

Counterparty risk

Namib Re utilises a panel of well recognised and secure rated retrocession counterparties. Specifically, the surplus and XoL treaties are led by Munich Re (35%), followed by Everest Re (31%), Africa Re (12%) and GIC India (12%). Africa Re is the lead on the FAC obligatory (65%) and healthcare quota share treaties (90%), followed by ZEP Re (10%).

Asset management

Table 8: Investment portfolio	F11		F12	
	N$'m	%	N$'m	%
Cash holdings	29.8	28.4	19.5	16.1
Fixed deposits	42.3	40.3	43.7	36.1
Government bonds	27.7	26.4	52.5	43.4
Cash & cash equivalents	**99.8**	**95.0**	**115.7**	**95.7**
Non-government bonds	5.2	5.0	5.2	4.3
Total investments	**105.0**	**100.0**	**120.9**	**100.0**

Reflective of Namib Re's conservative investment stance, cash and near cash related instruments continued to dominate the investment portfolio, at 96% (F11: 95%). This, together with the decrease in net claims for the year, saw claims cash coverage improve to 25 months in F12 (F11: 21 months), which is considered sound. Cash coverage of net technical liabilities was reported at a stronger 5.8x (FYE11: 4.6x), remaining above GCR's minimum comfort level. Non-government bonds amounting to N$5m pertain to Telecom bonds, which are also deemed highly liquid.

Nambib Re's new head office was completed in F12, with the total value of this property amounting to N$19m (F11: N$16m). Two tenants sharing one floor of the new head office were secured in 2011 (for a 3 year term), generating rental income of N$0.4m in F12. The average investment yield equated to a lower 7% in F12 (F11: 8%), mainly owing to lower prevailing interest rates during the year.

Asset conversion & currency/counterparty risk

All of the company's investment assets are domiciled in Namibia. This implies significant exposure to the sovereign risk of the country, which is rated BBB- (triple B minus), with a stable outlook.

Table 9: Cash and deposits by counterparty – F12	US$	N$	Total
N$'m equivalent	1.0	62.2	**63.2**
% of cash	1.6	98.4	**100.0**
3 largest concentrations (%)			
Post office			32.4
Bank Windhoek Ltd			28.0
First National Bank Ltd			26.1

With 86% of cash funds (excluding government bonds) held between three institutions (largest: 32%), counterparty concentration risk is deemed elevated. Cognisance is, however, taken of the limited number of banking institutions in the Namibian market, and the fact that the banks utilised by the reinsurer are secure rated or are a subsidiary of a secure rated parent.

In view of the limited foreign business portfolio, the majority of cash is denominated in Namibian Dollars, at 98% as at FYE12. Further, a high level of asset/liability matching is evidenced by the fact that around 90% of premiums are written in domestic currency against a similar level of claims payments.

Financial performance

A 5-year financial synopsis of the corporation is reflected at the back of this report and brief comment follows. As previously discussed, the company's 2012 financial statements have been issued with a Disclaimer of Opinion by the auditors.

Gross written premium increased by 5% (F11: 23%) to N$125m in F12, which was 7% ahead of budget. On a net basis, premiums exceeded budget by a similar 7% in F12, as risk retention was largely in line with forecasts, at 79%. Following a smaller transfer to the UPR, of N$0.2m (budget: N$1.8m), NPE rose by 3% to N$98m in F12, thus exceeding initial expectations.

Table 10: Income statement (N$'m)	F12 Actual	F12 Budget	% of budget
GWP	125.3	117.6	106.5
NWP	98.5	91.7	107.4
NPE	**98.3**	**89.9**	**109.3**
Claims	(55.9)	(56.9)	98.2
Commission	(25.2)	(22.9)	110.0
Managementexpenses	(5.7)	(8.3)	68.7
U/w result	**11.4**	**1.9**	**600.0**
Investment income	8.2	8.5	96.5
Ratio (%)			
GWP growth	4.5	(1.9)	
Retention	78.6	78.0	
Earned loss	56.9	63.2	
Commission	25.7	25.5	
Mgt. expense	5.8	9.2	
U/w margin	11.6	2.1	

Net claims incurred decreased by 4% to N$56m in F12, which translated into a review period low earned loss ratio of 57% (F11: 61%). This was below budget, as well as the prior 4-year average of 60%. Namib Re's cost base remained well contained at a stable N$6m in F12, and was also reported well below budget of N$8m (due to the adoption of a new managerial salary structure). This translated into a management expense ratio of 6%, which remained in line with the average of 7% reported over the past four years. On the back of rising acquisition rates, the net commission ratio edged upwards to 26% (F11: 25%). Overall, supported by the improved claims experience, Namib Re registered a larger N$11m underwriting profit in F12 (F11: N$7m), with the underwriting margin peaking at a review period high of 12% (budget: 2%).

Realised investment income was reported 5% higher at N$8m in F12, owing to the inclusion of rental income for the first time. Overall, the net after tax profit amounted to a larger N$20m in F12 (F11: N$15m). Historically, the company has been tax exempt, however, management expect that the company will pay tax for the first time in F13. As previously detailed, no dividend was declared for F12 (F11: N$1.3m).

Future prospects

Table 11: Income statement (N$'m)	1H F13 Actual	1H F13 Budget	Budget F13
GWP	74.5	72.1	139.0
NWP	58.8	56.2	108.4
NPE	**58.8**	**56.2**	**108.4**
Claims	(33.4)	(31.0)	(65.1)
Commission	(15.7)	(8.2)	(27.2)
Management expenses	(3.5)	(4.9)	(8.7)
U/w result	**6.2**	**12.1**	**7.4**
Ratios (%)			
Retention	78.9	77.9	78.0
Earned loss	56.8	55.2	60.0
Commission	26.7	14.6	25.2
Mgt. expense	6.0	8.7	8.0
U/w margin	10.5	21.5	6.8
International solvency	n.a.	n.a.	121.0

GWP is expected to grow by 11% to N$139m in F13. Risk retention is budgeted to remain fairly stable at 78%, driving a 10% increase in net written premiums. The earned loss ratio is anticipated to equate to 60% in F13 (F12: 57%), closely aligned to the previous 5-year average of 59%. This, together with a slight up-tick in relative management expenses is expected to see the underwriting margin revert to pre-F12 levels, at 7% in F13 (F12: 12%). No dividend has been forecast for F13, with international solvency projected at 121%.

Management accounts to September 2013 indicate GWP to be in line with the full year target on a pro-rata basis, with 54% garnered thus far. Net claims incurred were fairly well contained relative to NPE (at 57%), with the underwriting margin registering at 11% as at 1H F13.

Namibia National Reinsurance Corporation Limited

(Namibian $ in millions except as noted)

Year ended : 31 March		2008	2009	2010	2011	2012^
Income Statement						
Gross written premium (GWP)		**69.6**	**81.2**	**97.1**	**119.9**	**125.3**
Retrocession premiums		(10.9)	(17.7)	(20.1)	(27.2)	(26.8)
Net written premium (NWP)		**58.7**	**63.5**	**77.0**	**92.7**	**98.5**
(Increase) / Decrease in insurance funds		(1.0)	0.5	(3.1)	2.4	(0.2)
Net premiums earned		**57.7**	**64.0**	**73.8**	**95.0**	**98.3**
Claims incurred		(33.9)	(40.1)	(43.2)	(58.0)	(55.9)
Commission		(14.6)	(13.7)	(19.2)	(24.0)	(25.2)
Management expenses		(4.8)	(5.0)	(5.9)	(5.7)	(5.7)
Underwriting profit / (loss)		**4.5**	**5.3**	**5.5**	**7.3**	**11.4**
Investment income		6.8	8.6	7.8	7.8	8.2
Other income / (expenses)		0.0	0.0	0.0	0.0	0.2
Taxation		0.0	0.0	0.0	0.0	0.0
Net income after tax		**11.3**	**13.9**	**13.3**	**15.1**	**19.8**
Unrealised gains / (losses)		0.0	0.0	0.0	0.0	0.0
Retained income		**11.3**	**13.9**	**13.3**	**15.1**	**19.8**
Dividends paid in respect of the financial year		(2.0)	(0.7)	(1.3)	(1.3)	0.0
Cash Flow Statement						
Cash generated by operations		4.5	5.3	5.5	7.3	12.1
Cash flow from investment income		6.8	8.6	7.8	7.8	7.8
Working capital decrease / (increase)		5.1	(1.9)	6.0	3.3	(1.0)
Tax paid		0.0	0.0	0.0	0.0	0.0
Cash available from operating activities		**16.4**	**12.0**	**19.4**	**18.3**	**18.8**
Dividends paid		(2.0)	(0.7)	(1.3)	(1.3)	0.0
Cash flow from operating activities		**14.4**	**11.3**	**18.1**	**17.0**	**18.8**
Purchases of investments		(17.1)	(6.6)	(17.1)	(2.9)	(61.6)
Proceeds on disposal of investments		0.0	0.0	0.0	0.0	32.3
Other investing activities		17.2	(2.4)	13.6	(6.1)	26.3
Cash flow from investing activities		**0.0**	**(9.0)**	**(3.5)**	**(9.0)**	**(3.0)**
Cash flow from financing activities		**(0.0)**	**(0.0)**	**0.0**	**0.0**	**0.0**
Net cash inflow / (outflow)		**14.4**	**2.3**	**14.6**	**8.0**	**15.8**
Balance Sheet						
Shareholders interest		**60.8**	**74.0**	**86.0**	**99.9**	**119.7**
Net unearned premium reserves		5.2	4.6	7.8	5.4	5.7
Net o/s claims and IBNR provision		4.5	7.6	9.0	16.3	14.4
Other liabilities		10.7	9.2	12.8	10.6	16.3
Total capital & liabilities		**81.2**	**95.4**	**115.7**	**132.3**	**156.0**
Fixed assets		0.1	3.8	7.2	16.2	19.0
Investments		0.0	5.2	5.2	5.2	5.2
Cash and cash equivalents		74.9	77.2	91.8	99.8	115.7
Other current assets		6.2	9.1	11.5	10.9	16.0
Total assets		**81.2**	**95.4**	**115.7**	**132.3**	**156.0**
Key Ratios						
Solvency / Liquidity						
Shareholders funds / NWP	%	103.6	116.6	111.8	107.8	121.5
Adjusted international solvency margin*	%	n.a.	n.a.	111.8	107.8	121.5
Cash claims cover	months	26.5	23.1	25.5	20.7	24.8
Cash & equivalents : Technical liabilities	x	7.7	6.3	5.5	4.6	5.8
Average debtors	days	42.4	34.3	38.4	33.5	37.5
Outstanding claims / NWP	%	7.7	11.9	11.8	17.6	14.6
Insurance funds / NWP	%	8.8	7.3	10.1	5.9	5.8
Profitability						
ROaE (after unrealised gains / losses)	%	20.1	20.6	16.6	16.2	18.0
Investment yield (including unrealised gains / losses)	%	10.1	10.9	8.7	7.7	7.2
Efficiency / Growth						
GWP Growth	%	35.8	16.7	19.6	23.4	4.5
Premiums reinsured / GWP	%	15.6	21.8	20.7	22.7	21.4
Earned loss ratio	%	58.6	62.6	58.6	61.0	56.9
Commissions / Earned premiums	%	25.3	21.3	26.0	25.3	25.7
Management expenses / Earned premiums	%	8.3	7.8	8.0	6.0	5.8
Underwriting result / Earned premium	%	7.7	8.3	7.5	7.7	11.6
Trade ratio	%	92.3	91.7	92.5	92.3	88.4
Operating						
Effective tax rate	%	0.0	0.0	0.0	0.0	0.0
Dividend cover	x	5.6	19.2	10.6	12.1	n.a.

*Exludes debtors over 180 days in arrears.

^The F12 AFS has been issued with a Disclaimer of Opinion by the company's auditors.