

## SWAZILAND ROYAL INSURANCE CORPORATION

### *Financial Highlights for the Year Ended 31 December 2010*

#### *Short-Term Insurance Business Movements*

Gross Written Premium (GWP)	↓	1.11%
Investment Income short-term funds	↓	21.02%
Net Earned Premium (NEP)	↑	4.91%
Underwriting Profit	↑	146.12%

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>E000</b>	<b>E000</b>	<b>E000</b>	<b>E000</b>	<b>E000</b>
Gross Written Premium	324 766	328 419	293 241	283 434	260 504
Net Earned Premium	226 589	215 991	202 964	187 214	167 842
Claims net of reinsurance	99 698	128 222	121 828	104 001	105 455
<b>Underwriting profit</b>	<b>71 937</b>	<b>29 227</b>	<b>31 288</b>	<b>37 572</b>	<b>25 462</b>
Investment income (loss)	47 177	59 738	(12 206)	38 313	50 390
Expenses of management	40 274	41 199	37 342	30 735	27 292
<b>Profit before taxation</b>	<b>119 113</b>	<b>88 986</b>	<b>19 082</b>	<b>75 886</b>	<b>75 852</b>
Taxation	(35 848)	(26 845)	(5 978)	(32 250)	(10 971)
<b>Net income after taxation</b>	<b><u>83 265</u></b>	<b><u>62 141</u></b>	<b><u>13 104</u></b>	<b><u>43 636</u></b>	<b><u>64 880</u></b>
Dividend short-term business	41 500	31 100	20 000	23 000	18 000

#### *Long-Term Assurance Business Movements (Life and Pension)*

Risk Products Premium (GWP)	↓	0.03%
Investment Products Premium (GWP)	↓	1.12%
Net Earned Premium- Investment & Risk	↓	0.23%
Investment Income long-term funds	↑	23.63%

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>E000</b>	<b>E000</b>	<b>E000</b>	<b>E000</b>	<b>E000</b>
Gross premium- Risk Products	89 673	89 702	78 531	73 639	66 901
Gross premium-Investment Products	19 540	19 761	11 189	10 985	9 230
Net earned (Risk & Investment)	109 212	109 463	83 511	79 435	68 800
<b>Investment income</b>	<b>114 478</b>	<b>92 600</b>	<b>7 548</b>	<b>91 441</b>	<b>84 161</b>
Expenses of management	20 313	20 625	21 400	20 273	17 979
<b>Surplus (loss) for the year</b>	<b><u>37 865</u></b>	<b><u>33 007</u></b>	<b><u>(12 390)</u></b>	<b><u>68 229</u></b>	<b><u>21 889</u></b>
Dividend long-term business	18 500	18 900	Nil	27 000	12 000
<b>Total dividend declaration</b>	<b>60 000</b>	<b>50 000</b>	<b>20 000</b>	<b>50 000</b>	<b>30 000</b>
<b>Total assets</b>	<b>1 363 225</b>	<b>1 203 769</b>	<b>1 014 818</b>	<b>1 058 618</b>	<b>896 619</b>

## **THE CHAIRMAN'S REPORT 2010**

### ***Introduction and overview of 2010***

The Swaziland Royal Insurance Corporation's main business activity is the provision of short-term insurance, life assurance to individuals and pension administration in Swaziland. In the new open market dispensation, the Corporation aims to strengthen its position as a preferred insurer in Swaziland.

The Corporation achieved good profit and enhanced underwriting results in 2010 in the face of worsening market conditions. The target premium of E335 million in the short-term (non-life insurance) business was however not achieved owing to the difficult economic conditions of the country. A number of infrastructure projects which were on our books were stalled and others had to be downscaled. We are optimistic that the situation shall improve in fort coming years.

With additional players in the insurance market, overall pressure on business ensued. It was however, an opportunity for Swaziland Royal Insurance Corporation to excise unprofitable accounts from our business which we could not do during the years of monopoly hence the good results in short-term on the face of receding revenue.

### ***Operating results***

During the year to 31 December 2010 Swaziland Royal Insurance Corporation showed a very strong improvement, in profitability (results) compared to prior year particularly on our short-term business unit: an underwriting profit of E71, 9 million (2009: E29, 2 million) on its non-life (short-term) insurance business and a surplus of E37, 8 million (2009: E33 million) from its life insurance business.

These results were driven by:

- Improvement in claims costs. Claims incurred decreased by 22, 2 percent (E28, 5 million) from E128, 2 million in the previous year to E99, 7 million.
- Improvement in cost containment, Total management expenses (both non-life and life) decreased by 2 percent (E1, 2 million) from E61, 8 million in the previous year to E60, 6 million.
- Good investment income; total investment income (both non-life and life) increased by 5, 3 percent (E7, 8 million from E146, 7 million in the previous year to E154, 5 million).

### ***Solvency levels and capital adequacy***

The Corporation non-life (short-term) insurance business remains well capitalized with strong solvency levels. As at 31 December 2010 the non-life solvency levels stood at E310, 6 million compared to best industry standard of E90, 6 million (40 percent of net written premium).

The life insurance business is also well capitalized with excess assets over liabilities of E147, 2 million (2009: E128, 3million). As at 31 December 2010 the SRIC's Capital Adequacy Requirement (CAR) was E55, 0 million (2009: E45, 2million).

In line with industry's best practice, the Corporation has a policy of maintaining Capital Adequacy Requirement CAR of at least twice the Ordinary Capital Adequacy Requirement (OCAR) be retained within the Corporation i.e. free assets of at least E110, 0 million and to pay up to a maximum of 50 percent as dividend of the surplus assets over and above twice OCAR. For the year under review E18, 5 million (2009: E19 million) was paid as dividend from the life insurance business.

### ***Dividend Declaration***

The Board's policy on dividends is to achieve sustainable returns for shareholders over time. The directors have approved a dividend of E60 million for 2010 (E41, 5 million non-life (short-term) and E18, 5 million life (long-term)business). (2009: E31, 1 million from non-life business and E18, 9 million from life business) for payment on 11 July 2011 to holders of Ordinary Shares on the register at close of business on 31 May 2011.

### ***Valuation of the Life Fund***

The Actuarial valuation of the life (long-term) insurance business as at 31 December 2010 shows that the value of assets exceeds the value of liabilities by E147, 2 million (2009: E128, 3 million). The primary reasons for this increase are:

- Strong investment returns during 2010.
- Good profits on group risk business.
- Once off release on pensions in payment of E8, 7 million being a share of shareholders profit in the pension in payment.
- Improved profits on Individual business, with a key driver being lower expenses than expected.

Bonus rates declared for policy holders were increased in line with the investment returns achieved over the year. The bonus rates declared for 2010 were as follows.

- Pension Funds (Deposit Administration contract) 12 percent (2009: 9 percent)
- Lilunga and Insika Savings policies 14 percent (2009: 9 percent)

### ***Embedded Value***

The Embedded Value of an insurance Company is a commonly used calculation to estimate the economic value for monitoring or sale. It is comprised of two major components:

- The Net Asset Value of the Corporation
- The Value of the In Force Business

The Net Asset Value of the Corporation is derived from the financial statements.

**The Value of In Force Business (VIF)** of the Corporation represents the present value of the future profits arising from existing in-force insurance business of the Corporation. The present value of future profit is stated net of tax and the cost of holding the minimum prescribed capital adequacy requirements (CAR). The VIF excludes any goodwill that may be attributable to the Corporation as a result of the value of future new business or the expectation of the achievement of additional operational efficiencies in future years.

The total embedded value of SRIC's Life business as at 31 December 2010 was E225, 1 million, compared to E196, 5 million in the previous year. This calculation was conducted broadly in accordance with the general guidance contained in PGN107 issued by the Actuarial Society of South Africa (a standard which does not yet obtain in Swaziland).

### ***Strategic priorities***

The Corporation is committed to providing world class service to its customers and building on its history of being of service to the Swazi Nation for over 37 years. In that regard the Corporation continue to focus on the following areas of its strategy.

- Customer service
- Effective underwriting considerations
- Good risk management
- Optimal capital utilization
- Cost containment and efficiencies

This approach has served the Corporation well and it remains committed to it into the future more so in this era of competition. The aim is to deliver solid and consistent performance for shareholders, policyholders and to secure jobs for our staff.

### ***Corporate Governance***

Collectively, the Corporations' Directors have a wide range of business-related expertise, as well as significant experience in insurance, financial and commercial related activities. Directors are appointed on the basis of skill, acumen, experience and actual level of contribution on the activities of the Corporation.

Sound governance principles remain one of the top priorities of the Corporation's Board and Management. All directors are non-executives. The Board has set-up sub-committees comprising Board Members to which Management reports. The Board and the sub-committees meet at least once every quarter or more regularly as the business of the Corporation may demand. The sub-committees are: the Audit Committee, Investment Committee, Executive Committee and the Remuneration Committee. Various external experts are also engaged to provide additional independent expertise to the Board. These experts include auditors; both external and internal, actuaries, risk managers, reinsurance consultants and investment managers.

### ***Corporate Code of Conduct***

The Corporation is committed to:

- Trading with customers and intermediaries who subscribe to good ethical business practices.
- The highest standards of integrity in all its dealings with its stakeholders and society at large.
- Carrying-on business through fair commercial competitive practices.
- Being responsive towards environmental and social sustainability programmes.
- Social responsibility programmes.

### ***A Word of Appreciation to SRIC's Intermediaries***

We continue to benefit from the expertise and intermediary services of our Brokers and Agents. About 85% of our business is transacted via Brokers. We thank them for their support.

### ***A Word of appreciation to the Insuring Public***

A special word of appreciation goes to all our valued clients for their trust, partnership and patronage.

### ***Transparent selling of SRIC's products***

The Corporation markets and sells a wide range of products and services. These products include:

- Life assurance, (both group and individual) pension and investment savings.
- Fire and Engineering.
- Marine.
- Motor and House Owners and House Holders.

Our philosophy is to sell and market these products in an honest and transparent way, which will build trust with our customers, and thereby promote customer loyalty. Where a customer can demonstrate that the product he bought was not what he intended, we invoke remedial processes to assuage the complaint.

### ***The Board***

On behalf of my Board colleagues, I would like to express our sincere appreciation for the continued dedication of the Corporation's employees during 2010.

I wish to assure members of the insuring public that I, and my fellow Board members and management will focus our attention in ensuring that the Corporation delivers a world class service to our customers at competitive prices and provide value to our shareholders.

The Directors and Management are confident that the Nation's Insurer (SRIC) has a good strategic plan and has adequate resources to deliver good results on both long-term and short-term sections of the insurance industry in the foreseeable future.

Mr. Kenneth Mbuli  
Chairman

17 May 2011