

2015  
**Annual  
Report**



**SRIC**

*Ensuring your tomorrow, today.*



People at some point in their lives, find themselves in a situation where they have to make important decisions about securing their treasured possessions.

**We at SRIC make people's decision making processes easier by providing comprehensive insurance products for all their needs.**

2015

# Annual Report



## CONTENTS

# Financial Highlights

## Non-life insurance Business Movements

Gross Written Premium (GWP)

9.74%



Investment Income short-term funds

8.00%



Net Earned Premium (NEP)

10.59%



Underwriting Profit

23.74%



## FINANCIAL HIGHLIGHTS

	2015	2014	2013	2012	2011
	E000	E000	E000	E000	E000
Gross Written Premium	432 833	394 410	369 180	322 065	320 241
Net Earned Premium	295 337	267 045	236 179	226 102	222 163
Claims net of reinsurance	86 608	83 697	67 103	90 776	91 753
<b>Underwriting profit</b>	<b>137 522</b>	<b>111 132</b>	<b>93 246</b>	<b>67 752</b>	<b>68 470</b>
Investment income	24 702	26 851	31 254	48 565	27 426
Expenses of management	56 703	53 449	52 862	46 945	42 065
<b>Profit before taxation</b>	<b>161 273</b>	<b>137 983</b>	<b>124 500</b>	<b>116 317</b>	<b>95 896</b>
Taxation	(45 029)	(37 066)	(30 038)	(35 036)	(28 919)
<b>Net income after taxation</b>	<b><u>116 243</u></b>	<b><u>100 917</u></b>	<b><u>94 462</u></b>	<b><u>81 281</u></b>	<b><u>66 977</u></b>
Dividend non-life business	96 000	87 000	140 000	90 000	149 000

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

	2015	2014	2013	2012	2011
	E000	E000	E000	E000	E000
Gross premium- Risk Products	169 497	166 514	139 546	122 228	131 638
Gross premium-Investment Products	72 880	34 319	27 699	19 235	22 173
Net earned (Risk & Investment)	242 377	200 833	167 245	141 463	153 811
<b>Investment income</b>	<b>77 167</b>	<b>108 678</b>	<b>109 960</b>	<b>159 005</b>	<b>81 426</b>
Expenses of management	35 426	32 062	28 730	24 848	21 589
<b>Profit for the year before tax</b>	<b>61 441</b>	<b>34 992</b>	<b>71 384</b>	<b>73 111</b>	<b>32 252</b>
<b>Taxation</b>	<b>(16 326)</b>	<b>(8 025)</b>	<b>(25 896)</b>	<b>Nil</b>	<b>Nil</b>
<b>Net income after taxation</b>	<b><u>45 115</u></b>	<b><u>29 967</u></b>	<b><u>45 488</u></b>	<b><u>73 111</u></b>	<b><u>32 252</u></b>
Dividend long-term business	16 000	28 000	23 000	40 000	11 000
Total dividend declaration	<b>112 000</b>	<b>115 000</b>	<b>163 000</b>	<b>130 000</b>	<b>160 000</b>
Total assets	<b>1 946 146</b>	<b>1 821 653</b>	<b>1 770 997</b>	<b>1 616 166</b>	<b>1 482 354</b>

## BOARD MEMBERS



### THE BOARD

- 1. MR MBULI K.  
Chairman
- 2. MR KEMP C.  
Member



### THE BOARD

- 3. Ms MABILA F.  
Member
- 4. MR ADAMS D.  
Member

## BOARD MEMBERS



### THE BOARD

5. MR WAUGH G.  
Member

6. MR SIPHUGU  
Member



### THE BOARD

7. MR SIPHUGU C.  
Member

### EXECUTIVE



1

**MR Z.P. NGCOBO**  
General Manager



2

**MR M.A. DLAMINI**  
Ass. General Manager  
(Short-Term)



3

**MR M.B. DLAMINI**  
Act. Ass. General Manager  
(Finance & Long-term)

## MANAGEMENT



1

**MR M.F. SIMELANE**  
Claims Manager



2

**MRS C.M. MUIR**  
Human Resources &  
Administration Manager



3

**MR S.A. MOTSA**  
Underwriting Manager



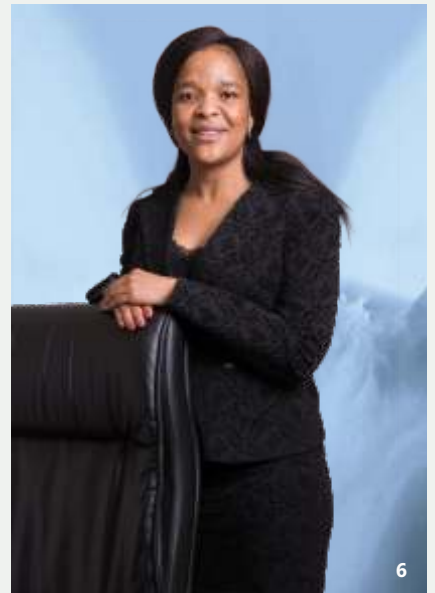
4

**MRS N.L. ZWANE**  
Assistant Company Secretary /  
Legal Executive Compliance



5

**MR M.C. ZWANE**  
Marketing Manager



6

**MRS Q.M. MAZIYA**  
Group Life & Pension Manager

## MANAGEMENT



**MRS W.D. NSIBANDZE**  
Individual Life Manager



**MR T.S. DLAMINI**  
Legal Executive/ Litigation



**MR K.S. DLAMINI**  
IT Manager



**MRS B.G. NDLANGAMANDLA**  
Branch Manager



**MR W.T. MATHONSI**  
Risk Manager

Act. ASSISTANT GENERAL MANAGER  
[ Finance & Long-Term ]

# Overview

## Introduction and overview of 2015

Swaziland Royal Insurance Corporation (the Corporation) derives revenue from the provision of short-term insurance, life assurance to individuals and pension administration.

For the year 2015, the Corporation reported consistent performance overall, notwithstanding the lethargic performance of the national economy. The Corporation adopted a strategy to focus on classes of business which are attaining risk-adequate premium. This in the long run has paid off. Since 2004 the Corporation has achieved an unbroken record of profitability through often turbulent market conditions.

The Corporation's delivery of service focuses on the client; and an assurance that all legitimate claims shall be paid promptly. A Customer Service Charter was introduced which will enhance management capability of understanding the customer needs and assist us better serve the client. The Corporation intends to increase its range of services with the aim of responding to the changing needs of our clients.

## Operating results

### Non-Life (short-term) business

During the year to 31 December 2015, the Corporation showed an increase in operating profits before tax compared to the year to 31 December 2014. Profit before tax was E161 million compared to E138 million in the previous year (16,6% increase). This increase in operating profit before tax was mainly driven by good underwriting results due to the improvement in cost containment and increase in premium written.

The non-life (short-term) business continued to deliver profitable results in the face of worsening market conditions and achieved an underwriting profit of E137,5 million (2014:E111,1 million). These results were in the main influenced by the following drivers:

- A 9,74% increase in Gross Written Premiums from E394,4 million in the previous year to E432,8 million in the year under review.
- A marginal increase of 3,5% in the claims costs. Claims incurred increased from E83,7 million in the previous year to E86,6 million in 2015.

### Life (long-term) business

The life insurance business published operating profit for the year under review stood at E61,4 million compared to E35,0 million in the previous year before payment of dividend. The increase in operating profit was driven by the decrease in new business strain due to lower initial expenses as well as new business profit emerging from the annuity business.

Although the Retirement Funds Act 2005 requires that a statutory actuarial valuation be performed on retirement funds, no methodology is prescribed. The statutory valuation basis has therefore been set so that it is equivalent to the published reporting basis.

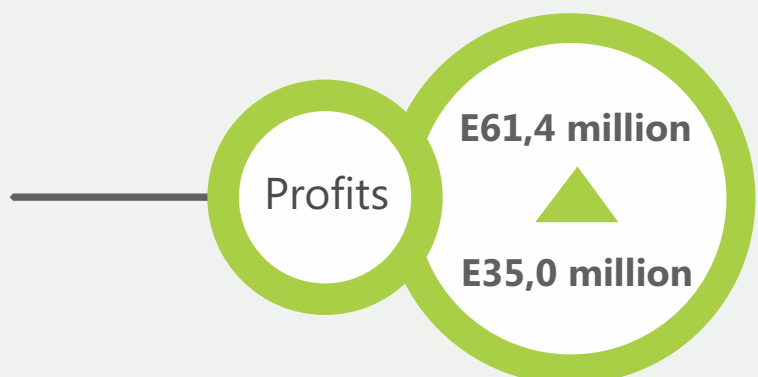
The excess of the value of assets over liabilities on the published basis for the year under review stood at E17,1 million compared to E4,0 million in the previous year. This change in the excess assets can be analyzed as follows:

	31 Dec -15 E'm	31 Dec -14 E'm
Excess assets as at end of reporting period	259,6	242,5
Excess assets as at beginning of reporting period	242,5	238,6
<b>Change in Excess Assets over reporting period</b>	<b>17,1</b>	<b>4,0</b>

The change in excess assets is analyzed as follows

Changes in valuation method assumption	6,8	(17,1)
Other operating profit	38,3	44,1
Dividend paid	(28,0)	(23,0)
<b>Change in Excess Assets over the reporting period</b>	<b>17,1</b>	<b>4,0</b>

### Life (long-term) business



# Overview

## Solvency levels and capital adequacy

The Corporation non-life (short-term) insurance business remains well capitalized with strong solvency levels. As at 31 December 2015 the non-life solvency stood at E269,3million (2014:E201,6 million) compared to the minimum industry standard of E151,1 million (50 % of net written premium).

The life insurance business is also well capitalized with excess assets over liabilities of E259,6 million (2014:E242,5 million). As at 31 December 2015 the SRIC's Capital Adequacy Requirement (CAR) was E112,9 million (2014:E93,4 million).

In line with industry's best practice, the Corporation has a policy of maintaining CAR of at least twice the Ordinary Capital Adequacy Requirement (OCAR) i.e. free assets of at least E225,8 million (2014:E186,8 million) and to pay up to a maximum of 50 % as dividend of the surplus assets over and above twice OCAR. For the year under review E16,0 million (2014:E28,0 million) was paid as dividend from the life insurance business.

## Dividend Declaration

I am pleased that the Corporation's capital position has enabled the Board to recommend a dividend of E112 million for the year ended 31 December 2015, (2014:E115 million) for payment on 6 July 2016 to holders of Ordinary Shares on the register at close of business on 22 June 2016. The total dividend of E112 million is made up of:

- Normal dividend of E96 million non-life (short-term), (2014:E87 million) and E16 million from life business (long-term), (2014: E28 million).

## Valuation of the Life Fund

The Actuarial valuation of the life (long-term) insurance business as at 31 December 2015 shows that the value of assets exceeds the value of liabilities by E259,6 million(2014:E242,5 million). The excess of assets over liabilities gives a realistic and prudent picture of the accumulated profits of the Corporation's life operations from inception to the valuation date including the effect of capital injections and transfers to shareholders.

### Summary of assets and liabilities: Statutory Basis

	<b>31 Dec -15</b>	<b>31 Dec -14</b>
	<b>E'm</b>	<b>E'm</b>
Total value of assets, net of reinsurance	1 452,0	1 316,0
Total value of liabilities as per balance sheet	1 192,4	1 073,5
Value of policy liabilities as per balance sheet, net of reinsurance	1 107,7	1 033,6
Current and other liabilities as per balance sheet	84,7	39,9
<b>Excess Assets</b>	<b>259,6</b>	<b>242,5</b>
Capital Adequacy Requirement (CAR)	112,9	93,4
Ratio of Excess Assets to CAR	2,3	2,6

The Published liabilities are split between Investment business and Insurance business, as per IFRS4 guidelines, in the case of Swaziland Royal Insurance Corporation, the only Investment business is the Employee Benefit Deposit Administration business. The split is as follows:

	<b>31 Dec -15</b>	<b>31 Dec -14</b>
	<b>E'm</b>	<b>E'm</b>
Gross Actuarial Liabilities - Investment Business	283,5	228,6
Gross Actuarial Liabilities - Insurance Business	826,4	807,6
<b>Total Gross Actuarial Liabilities</b>	<b>1 109,9</b>	<b>1 036,2</b>
Less Reinsurance	-2,3	-2,6
Total Net Actuarial Liabilities	1 107,7	1 033,6
Current Liabilities	84,7	39,9
<b>Total Liabilities</b>	<b>1 192,4</b>	<b>1 073,5</b>

# Overview

## Bonus Declaration to Policyholders and Pension Schemes

Bonus recommendation is a significant part of the responsibility of the actuary and the Board approves such bonus. The factors which need to be taken into account include:

- Bonus supported by current year surplus.
- Policyholder expectations of current and future bonus.
- Company policy regarding stabilization of bonus rates; and
- Solvency position.
- Pension schemes should receive a return that is a fair reflection of the investment return achieved on their funds.
- Charges should be made to the fund to allow for investment management, any subsidization of administration costs and any cost of investment guarantees.
- It is desirable to build up a non-vested account and a bonus stabilization reserve to control the cost of guarantees.
- Comparison is also made with other providers of Deposit Administration (DA) contracts to ensure that rates declared are competitive.

Bonus rates declared for policy holders were in line with the investment returns achieved over the year which were characterized by continued volatility of the markets. The bonus rates declared for 2015 were as follows.

- Pension Funds (Deposit Administration contract) 8 % (2014: 10%).
- Lilunga and Insika Savings policies 10,0 % (2014: 10,0 %)

## Embedded Value

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

- The Net Asset Value of the Company
- 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 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 2015 was E296 million, compared to E300 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 in Swaziland).

### **Risk Management (external)**

The Corporation's overriding business objective is to provide insurance services to the business community, the general public, as well as create value for Shareholders. The executive team closely monitors macro economic developments in Swaziland to assess the inherent market and industry risks that may impact the business. The Corporation therefore derives its approach to risk management and control from a non-banking financial service provider and shareholder perspective. The adopted approach to managing risk is on an enterprise-wide risk basis. A review of the top ten risks is carried out periodically.

Two dedicated departments, Risk Management and Quality Control, and Compliance are in place, with clearly defined responsibilities for risk management and compliance. The Risk Management and Quality Control and Compliance Departments report on all risks and compliance matters respectively at each quarterly meeting of the Audit Committee and Board respectively.

### **Corporate Governance**

Collectively, the Corporation's 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 corporate 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 committees comprising Board Members to which Management reports. The Board and the committees meet at least once every quarter or more regularly as the business of the Corporation may demand. The 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 auditor: both external and internal, actuaries, risk managers, reinsurance consultants and investment managers.

# Overview

## 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 social sustainability programmes.

## Transparent selling of SRIC's products

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

- Life assurance, pension and investment savings.
- Fire and Engineering insurance
- Marine insurance
- Motor, House Owners and House Holders insurance

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. Our more than adequate capitalization ensures that policy holders will have peace of mind that the Corporation will be able to meet their claim in the event of a loss. The promise for prompt settlement of claims is the promise we have been able to meet over the years irrespective of the size and value of claims. Where a customer can demonstrate that the product he bought was not what he intended, we invoke remedial processes to assuage the complaint.

## 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.

## 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. We look forward to this continued relationship in the future

## The Board

I am privileged to have been part of Swaziland Royal Insurance Corporation Board and its Chairman in the last five years and also at a time when the landscape in the insurance industry in Swaziland has changed. Consumers now have a wider choice of insurance service providers.

I wish to assure members of the insuring public and confirm that I, and my fellow Board Members and Management have been focusing our attention in ensuring that the Corporation delivers a world class service to our customers at competitive prices and provide value to our shareholders and we shall continue to do so in the future. The Corporation's future direction is captured in the Strategic Plan document concluded towards the end of 2015. Its main focus is to grow the business further despite challenges posed by low economic growth and increasing interest rates. The Corporation will continue to play its role in the promotion of a robust, sound and stable insurance industry.

### New Appointments and Retirements

#### Retirements

Mr. Sidney Place representing INBA Holdings (Pty) Limited and Public Service Pension Fund : July 2015

#### Appointments

Mr. Chris Kemp representing Swaziland Government Alternate to Mr. Magwagwa Mdluli : January 2015

Mr. Pascal Siphugu representing Mutual & Federal Insurance Company : June 2015

I would like to congratulate all the Board Members on their appointments to the Board of Swaziland Royal Insurance Corporation particularly during a period of a competitive insurance environment, fragile global economy and highly volatile global financial markets.

The Directors and Management are confident that SRIC has a strategy and adequate resources to deliver profitable results on both life and non-life sections of the insurance industry in the foreseeable future.

#### Tribute

We pay special tribute to the retired Board Member, Mr. Sidney Place for his enormous contribution during his tenure, having served for two years as a Board Member.



**Mr. Kenneth Mbuli**

Chairman

30 May 2016



We are committed to ensuring that we deliver world class service to our clients.



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## General Information

### The Board of Directors consisted of the following members during the year:

Mr K Mbuli	Chairman
Mr M E Dlamini	Member
Mr C P Kemp	Alternate to Mr M Mdluli - Appointed January 2015,
Mr J Ngulube	Member – Resigned 31 December 2015,
Mr M Mdluli	Member
Mr D Adams	Member
Mr G Waugh	Member
Mr S Place	Member – Resigned 7 July 2015
Ms F Mabila	Member
Mr P Bezuidenhout	Member
Mr P Siphugu	Member-Appointed June 2015

### EXECUTIVE MANAGEMENT:

**Mr Z Ngcobo** - General Manager

**Mr M B Dlamini** - Assistant General Manager Life Division and Finance Department (Appointed January 2016) Mr M Simelane - Assistant General Manager – Non life (Appointed January 2016)

**Mr M A Dlamini** - Assistant General Manager – Corporate Services (Appointed January 2016)

### REGISTERED OFFICE:

#### Postal

Swaziland Royal Insurance Corporation  
P O Box 917,  
Mbabane  
H100

#### Physical

Insika House  
Somhlolo Road  
Mbabane  
Swaziland

### ACTUARIES:

Deloitte & Touche  
Actuarial & Insurance Solutions  
Private Bag X6  
Gallo Manor, 2052  
Gauteng  
South Africa

Deloitte & Touche  
Deloitte Place  
The Woodland  
Building 33, 2nd floor  
20 Woodlands Drive  
Woodmead, Gauteng  
South Africa

### AUDITORS:

PricewaterhouseCoopers  
P O Box 2513  
Mbabane  
H100

RHUS Office Park  
Kal Grant Street  
Mbabane  
Swaziland

## General Information

**BANKERS:**

First National Bank Swaziland Limited  
Nedbank Swaziland Limited  
Standard Bank Swaziland Limited  
Swaziland Building Society  
Swaziland Development and Savings Bank

**INVESTMENT MANAGERS:**

African Alliance Swaziland Management Company Limited  
Momentum Asset Management Limited  
STANLIB Asset Management Limited  
ABSA Asset Management Limited

## Statement of responsibility by the Board of Directors

The Directors are responsible for the preparation, integrity and fair presentation of the financial statements of Swaziland Royal Insurance Corporation. The financial statements presented on pages 11 to 93 have been prepared in accordance with King's Order-in-Council No.32/1973, the International Financial Reporting Standards and in the manner required by the Insurance Act of 2005 and include amounts based on judgements and estimates made by management.

The Directors are also responsible for the Corporation's system of internal financial control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and system has occurred during the year under review.

The going concern basis has been adopted in preparing the financial statements. The Directors have no reason to believe that the Corporation will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the Corporation.

The financial statements have been audited by the independent auditors, PricewaterhouseCoopers, which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the board. The Directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The audit report of PricewaterhouseCoopers is presented on page 3. The financial statements were approved by Board of Directors and are signed on its behalf by:

  
CHAIRMAN

  
DIRECTOR

\_\_\_\_\_  
DATE

\_\_\_\_\_  
DATE

# Independent Auditor's Report To The Shareholders Of Swaziland Royal Insurance Corporation



We have audited the annual financial statements of Swaziland Royal Insurance Corporation, which comprise the the aggregated statement of financial position as at 31 December 2015, aggregated statement of comprehensive income and changes in equity, the aggregated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 11 to 93.

## **Directors' Responsibility for the Financial Statements**

The Corporation's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with King's Order-in-Council No.32/1973, International Financial Reporting Standards, and in the manner required by the Insurance Act of 2005. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **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. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 the Directors, 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 aggregated financial position of the Corporation as of 31 December 2015 and its aggregated financial performance and aggregated statement of cash flows for the year then ended in accordance with King's Order-in-Council No.32/1973 and International Financial Reporting Standards, and in the manner required by the Insurance Act of 2005.

# Independent Auditor's Report To The Shareholders Of Swaziland Royal Insurance Corporation

## Supplementary information

The non life and life statements of comprehensive income set out on annexure 1 and 2 respectively do not form part of the financial statements and are presented as additional information. We have not audited these statements and accordingly we do not express an opinion on them.

PricewaterhouseCoopers Partner: Mvuselelo Fakudze  
Chartered Accountant (Swaziland) Mbabane

Date

Partner in charge  
T Mason  
Resident partner  
M Fakudze

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[www.pwc.com](http://www.pwc.com)



## Report Of The Statutory Actuary- Life Business

### Certification of Financial Position

I hereby certify that:

- The valuation on the statutory basis of the Swaziland Royal Insurance Corporation as at 31 December 2015, the results of which are summarised below, has been conducted in accordance with, and this Statutory Actuary's report has been produced in accordance with, the Actuarial Society of South Africa Standards of Actuarial Practice 104;
- Assets exceeded liabilities plus the Capital Adequacy Requirements at the valuation date;
- In my opinion the company is financially sound at the valuation date as prescribed by the Insurance Act of 2005.

### Statement of Assets, Liabilities, Excess Assets and Capital Requirements

	31 Dec 2015 E'm	31 Dec 2014 E'm
Total value of assets, net of reinsurance	<b>1 452.0</b>	1 316.0
Total value of liabilities as per statement of financial position	<b>(1 192.4)</b>	(1 073.5)
Value of policy liabilities as per statement of financial position	<b>(1 107.7)</b>	(1 033.6)
Current and other liabilities as per statement of financial position	<b>(84.7)</b>	(39.9)
Excess Assets	<b>259.6</b>	242.5
Capital Adequacy Requirements (CAR)	<b>112.9</b>	93.4
Ratio of Excess Assets to CAR	<b>2.3</b>	2.6

Although the Insurance Act of 2005 requires that a statutory actuarial valuation be performed, no methodology is prescribed. The statutory valuation basis has therefore been set so that it is equivalent to the published reporting basis, except that the reinsurance asset in the published results is set off from policy liabilities for statutory reporting purposes.

### Analysis of Change in Excess Assets on Published Reporting Basis

The excess of the value of assets over the value of liabilities has changed as follows over the reporting period:

	31 Dec 2015 E'm	31 Dec 2014 E'm
Excess Assets as at end of the year	<b>259.6</b>	242.5
Excess Assets as at beginning of the year	<b>(242.5)</b>	(238.5)
Change in Excess Assets over the year	<b>17.1</b>	4.0

## Report Of The Statutory Actuary–Life Business

### Changes in Published Reporting Valuation Methods or Assumptions

The changes in methods and assumptions had these impacts on the policyholder liabilities:

Expense basis change decrease of E13.0m

Economic basis change increase of E4.9m

Investment management expense change on annuity business increase of E1.2m

### Published Reporting Valuation Methods and Assumptions Insurance contracts

Insurance contracts have been valued according to the Financial Soundness Valuation principles set out in Standard of Actuarial Practice (SAP) 104 of the Actuarial Society of South Africa. Liabilities are valued as the present value of future cash flows discounted at the rate of return assumed on the assets backing the policyholder funds. There is a small portfolio of non-profit annuities for which cash flows are discounted using the South African risk-free yield curve.

Future cash flows are projected on a best estimate basis with an allowance for compulsory margins as prescribed by SAP104. Future voluntary premium increases are profitable and are therefore ignored in line with SAP104. Further discretionary margins have been added in respect of expenses and mortality.

No allowance is made for the deferral of acquisition costs and these are expensed when incurred.

Demographic assumptions including mortality and persistency rates are set by the company's statutory actuary. There are insufficient numbers of policies to do detailed experience investigations but actual experience is compared to that projected by the valuation on an annual basis to ensure that assumptions are reasonable. The future development of AIDS mortality is projected in line with the ASSA 2003 AIDS model.

Economic assumptions are derived with reference to the yield at the valuation date on the BEASSA yield curve. The investment return assumptions are as follows:

Fixed interest 10.4% Equities 12.4% Property 11.4% Cash 8.4%

Expense inflation is also based on the fixed interest yield and is assumed to be 8.4%.

Future expenses are projected on a per-policy basis where the per-policy expense is derived from actual renewal expenses incurred during the last financial period. Renewal expenses are determined by removing acquisition costs from the total expenses.

Policyholder reasonable expectations are allowed for by projecting future bonuses in line with future investment returns. Bonus stabilisation reserves, which are currently all positive, have been set up for smoothed bonus products and conventional with profits products.

### Investment contracts

Swaziland Royal Insurance Corporation has classified its Smoothed Bonus Deposit Administration business as investment contracts with discretionary participation features. All other policies are classified as insurance contracts. There are therefore no policies which are classified as investment contracts without discretionary participation features.

## Report Of The Statutory Actuary- Life Business

Investment contracts with discretionary participation features have been valued in terms of IFRS 4. The liability in respect of the smoothed bonus deposit administration business is valued as the historical contributions received less charges rolled up at actual historical declared bonus rates (vesting and non-vesting). A bonus stabilisation reserve is maintained in respect of any historical investment returns earned by the assets backing the liabilities which have not yet been distributed to policyholders in the form of bonus declarations.

### Published Reporting Asset Valuation Methods and Assumptions

Assets have been valued according to the principles of IFRS, typically at fair value / amortised cost. Please refer to the Summary of Accounting Policies section of the financial statements.

### Split of Published Liabilities between Investment and Insurance

	31 Dec 2015 E'm	31 Dec 2014 E'm
Gross Actuarial Liabilities – Investment Business	283.5	228.6
Gross Actuarial Liabilities – Insurance Business	<u>826.4</u>	<u>807.6</u>
Total Gross Actuarial Liabilities	1 109.9	1 036.2
Less: Reinsurance	(2.3)	(2.6)
Current Liabilities	<u>84.7</u>	<u>39.9</u>
Total Liabilities	<u>1 192.3</u>	<u>1 073.5</u>

All reinsurance is on Insurance business.

### Statutory Capital Adequacy Requirements

Since Swaziland law does not prescribe a minimum free capital level, South African best practice has been applied.

The statutory capital adequacy requirements have been calculated in accordance with section 6 of SAP104. For the purpose of grossing up the intermediate ordinary capital adequacy requirements (IOCAR) to determine the ordinary capital adequacy requirements (OCAR), an assumed cash holding has been used. The management action assumed to reduce the OCAR requirement is removal of part of the non-vested bonuses, the reduction of terminal bonuses from 7% per annum in force to 6%; as well as allowing the bonus stabilisation reserve to go down to minus 5% of fund.

The ordinary capital adequacy requirement (OCAR) exceeded the termination capital adequacy requirement (TCAR), and thus the capital adequacy requirements have been based on the OCAR.

### Mark Harrison

Statutory Actuary  
22 March 2016

## Embedded Value Report - Life Business

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

- The Net Asset Value of the Corporation
- The Value of 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 the existing in-force insurance business. The present value of future profits will be net of tax and of the cost of holding the minimum prescribed capital adequacy requirements (CAR). The VIF excludes any goodwill that may be attributed 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.

In the VIF calculation an allowance has been made for expected future tax on investment income on shareholder funds as well as tax on operating profit, based on a tax rate of 27.5% as per our interpretation of the current amendments to the Income tax act in Swaziland.

The Embedded Value of the Corporation as at 31 December 2015 was calculated as follows:

	31 December 2015	31 December 2014
	E'000	E'000
Net Asset Value	<b>259 637</b>	242 522
Value of In-Force Insurance Business	<b>36 156</b>	57 353
Present Value of Future Profits on In-Force Insurance Business	<b>102 838</b>	107 258
Less: Opportunity Cost of Capital Adequacy Requirements	<b>(66 682)</b>	(49 905)
<b>Total Embedded Value</b>	<b>295 793</b>	299 875

The calculation has been conducted broadly in accordance with the general guidance contained in APN107 issued by the Actuarial Society of South Africa. However, because of the shortcomings included in the full actuarial valuation report, the results cannot be presented as being APN107 compliant and are not suitable for publication. These results are subject to the limitations set out in the report.

Given the purpose of this calculation we have not illustrated the sensitivity of the value of in-force business to the underlying assumptions, other than to the risk discount rate.

### Projection Assumptions and Methodology

This section of the report sets out the main assumptions and methodology used to calculate the VIF in addition to the best-estimate assumptions used in the valuation at 31 December 2015.

The risk discount rate is used to discount future projected profits on the best estimate assumptions in order to arrive at the value of in-force business. The risk discount rate is typically set at a margin above the assumed future return on equity investments. The size of this margin (or risk premium) will vary by entity but generally reflects the perceived

## Embedded Value Report - Life Business

risk underlying the achievement of these future profits. For purposes of this report a risk discount rate of 16.4% has been used (i.e. 4% above the assumed equity return in the valuation). The assumption used as at 31 December 2014 was 14.5%.

The VIF includes the expected value of future premium increases resulting from premium escalation arrangements on recurring premium in-force insurance business which should incorporate an expected premium escalation take-up rate. This is consistent with the approach adopted at the previous year end.

In calculating the VIF it was necessary to use a number of approximations as we were unable to obtain sufficient information from the Corporation. These assumptions will need to be tested and revised once the information does become available and this may have a significant impact on the value calculated. We have described the areas of concern in detail in the full actuarial valuation report. The issues include:

- the treatment of policy extensions occurring on maturity
- future policy loans
- future surrender penalties

One times CAR was used as the required capital, but the Corporation generally wishes to keep two times CAR as capital.

### Net Asset Value (NAV) and Value of In Force Business (VIF)

The NAV is derived from the financial statements of the Corporation. These disclose a NAV of E286.3m.

The VIF is calculated as the present value of the projected stream of future after-tax profits of the insurance business in-force at the calculation date.

The Embedded Value at the risk discount rate of 16.4% as at 31 December 2015 (and at 14.5% for 2014) was calculated as follows:

	31 December 2015	31 December
	E'000	E'000
Net Asset Value	259 637	242 522
Present value of future profits on in-force insurance	102 838	107 258
Less: Opportunity cost of capital adequacy requirements	(66 682)	(49 905)
Embedded Value	<b>295 793</b>	299 875

## Embedded Value Report - Life Business

### Net Asset Value (NAV) and Value of In Force Business (VIF) (continued)

The Present Value of Future Profits (PVFP) on in-force insurance business before the cost of capital is attributed to the various business lines as follows:

	Note	31 December 2015 E'000	31 December 2014 E'000
Individual Life		<b>55 728</b>	61 332
With Profit Whole of Life Endowment Assurance (incl Child Products)		<b>10</b>	21
Lilunga	(a)	<b>1 064</b>	1 324
Mortgage Protection		<b>51 635</b>	57 029
Level and Decreasing Term Assurance		<b>27</b>	23
Rest in Peace		<b>12</b>	18
Retirement Annuities		<b>197</b>	232
Insika	(b)	<b>8</b>	12
Annuities in Payment		<b>-</b>	-
Group Business	(c)	<b>2 775</b>	2 673
Group Funeral		<b>43 417</b>	42 899
Group Life		<b>22 255</b>	19 985
Group Level Term Assurance		<b>16 580</b>	17 269
Present Value of Shareholder Charge on Bonus Stabilization Reserve		<b>4 582</b>	5 645
		<b>1 623</b>	3 027

#### (a) Lilunga business

This is the largest In Force block of policies for the Corporation. They are endowments run on a smoothed bonus basis. A more recent version of the product (the 'Lien' product) has a reduced initial sum insured, rising to the same previous level, as quid pro quo for not undergoing a HIV test.

#### (b) Insika

This is a product which was launched by SRIC in 2007 and consists of a basic cover element and a voluntary savings rider. The actuaries currently do not model the reserves of this policy and hold a prudent reserve of the unit fund value for the savings portion and zero for the risk portion. In light of the treatment of the reserves the actuaries decided to also show no VIF for this product until they have a final audited model.

#### (c) Group business

Group business contributes materially to the total value of PVFP. These products are various forms of group life cover and individual credit life covers administered on a grouped basis. The VIF from group life business has increased from last year due to a slight increase in premiums compared to last year.

## Embedded Value Report - Life Business

### (d) Other Policy types

SRIC also has a considerable amount of conventional policies on the books. The main categories are with profits endowments and family style funeral products (the Rest In Peace range). The actuaries have calculated an embedded value for the annuities in payment. More work would need to be performed on the calculation of annuity embedded value to reflect the actual investments held by Stanlib and the level of yield pickup over risk free rates.

### Embedded Value Earnings

The Embedded Value earnings over the year 2015 were E23.9m, when compared to E29.9m in 2014, as shown below:

	31 December 2015	31 December
	E'000	E'000
Embedded Value at the end of the financial period	295 793	299 875
Plus: Dividends paid in the period	28 000	23 000
Less: Embedded Value at beginning of financial period	(299 875)	(292 972)
Embedded Value	23 918	29 903

The primary reasons for the decrease are attributable to interest rate movements and a reduction in the overall file size of the individual life book.

### Sensitivity of the Value of In Force Business

The risk discount rate appropriate to an investor depends on the investor's own requirements, tax position and perception of the risks associated with the realisation of the projected future profits of Swaziland Royal Insurance Corporation. It is therefore useful to provide investors with information regarding the sensitivity of the results to changes in the risk discount rate.

The sensitivity of the value VIF to changes in the risk discount rate (RDR), is set out below:

	31 Dec 2015 central RDR	31 Dec 2015 RDR = 13.5%	31 Dec 2015 RDR = 15.5%
	E'000	E'000	E'000
Net Asset Value	259 637	259 637	259 637
Present value of future profits on in-force insurance business	102 838	107 744	98 339
less: Opportunity cost of capital adequacy requirements	(66 682)	(63 101)	(69 906)
Embedded Value:	295 793	304 280	288 070

## Embedded Value Report - Life Business

Given the specific purpose for which the results set out in this report are intended, no additional calculations have been performed to illustrate the sensitivity of the VIF to changes in the underlying best-estimate assumptions.

### **Conclusion**

Based on our investigations, the financial statements, our calculation of our liabilities, I am satisfied that Swaziland Royal Insurance Corporation is in a financially sound position as at 31 December 2015.

### **Mark Harrison**

Statutory Actuary  
22 March 2016

### **Norman Kelly**

Actuary  
22 March 2016



We are committed to ensuring that we deliver world class service to our clients.

## Aggregated Statement Of Comprehensive Income

	Notes	2015 E	2014 E
Insurance premium revenue	9	603 065 125	564 220 645
Insurance premium ceded to reinsurers	9	(138 231 631)	(130 660 969)
<b>Net insurance premium revenue</b>	9	<b>464 833 494</b>	433 559 676
Fee income from policyholders			
- Insurance contracts	6	6 177 656	5 232 558
- Investments contracts	6	11 352 462	10 855 990
Commission income	20	41 928 668	35 540 816
Investment income	3	88 626 280	77 302 994
Net realised fair value gains on financial assets	4.1	54 824 032	86 194 013
Fair value loss on investment property	4.2	-	(10 262 473)
Net unrealised fair value losses on financial assets	5	(71 305 200)	(58 119 748)
Interest income from policyholder loans		7 203 754	6 596 660
Other operating income		40 654	932 664
<b>Net income</b>		<b>603 681 800</b>	587 833 150
Insurance contracts benefits – life	10	(131 122 379)	(178 640 905)
Insurance contracts claims and loss adjustment expenses – non life	10	(83 682 375)	(73 465 716)
Insurance claims and loss adjustment expenses recovered from reinsurers – non life	10	(2 925 812)	(10 231 677)
<b>Net insurance benefits and claims</b>		<b>(217 730 566)</b>	(262 338 298)
Expenses for the acquisition of insurance and investment contracts	20	(65 419 860)	(61 616 104)
Operating expenses	2.1	(92 128 325)	(85 510 389)
Asset management expenses	2.2	(5 690 315)	(5 392 935)
<b>Expenses</b>		<b>(163 238 500)</b>	(152 519 428)
<b>Profit before income tax</b>		<b>222 712 734</b>	172 975 424
Income tax expense	7	(61 355 051)	(45 091 717)
<b>Profit for the year</b>		<b>161 357 683</b>	127 883 707
<b>Other comprehensive income</b>			
Gains on revaluations of land and buildings	11, 22	-	14 049 027
<b>Total comprehensive income for the year</b>		<b>161 357 683</b>	141 932 734

## Aggregated Statement Of Financial Position

	Notes	2015 E	2014 E
<b>ASSETS</b>			
Intangible assets	12	2 931 508	3 724 776
Property, plant and equipment	11	41 903 448	41 633 860
Investment property	13	55 000 000	55 000 000
Deferred income tax asset	16	1 076 564	783 883
Financial assets – Held to maturity	14	-	26 347 169
Financial assets - At fair value through profit or loss	14	1 354 613 920	1 238 904 627
Deferred acquisition costs	19	8 448 106	8 466 827
Current income tax asset	26	-	4 472 520
Reinsurance assets	18,30.1	57 550 798	70 699 201
Loans and receivables including insurance receivables	15	116 554 366	123 183 832
Cash and cash equivalents	17	308 066 974	248 436 492
<b>Total assets</b>		<b>1 946 145 684</b>	<b>1 821 653 187</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Corporation's equity holders</b>			
Share capital	21	4 000 000	4 000 000
Revaluation reserves	22	32 829 347	32 829 347
Retained earnings	23	492 131 964	445 774 281
<b>Total equity</b>		<b>528 961 311</b>	<b>482 603 628</b>
<b>LIABILITIES</b>			
Policyholders' liabilities		1 353 366 363	1 279 683 506
Insurance liabilities – Insurance contracts	30.1	1 069 894 307	1 051 040 084
Insurance liabilities – Investment contracts	31	283 472 056	228 643 422
Reinsurance liabilities	24	9 206 523	17 682 207
Insurance and other payables	25	27 936 625	33 855 736
Provisions for other liabilities and charges	27	8 540 833	7 828 110
Current income tax liability	26	18 134 029	-
<b>Total liabilities</b>		<b>1 417 184 373</b>	<b>1 339 049 559</b>
<b>Total equity and liabilities</b>		<b>1 946 145 684</b>	<b>1 821 653 187</b>

## Aggregated Statement Of Changes In Equity

Attributable to equity holders of the Corporation

	Notes	Share Capital	Retained earnings	Revaluation Reserve	Total
		E	E	E	E
<b>Year ended 31 December 2015</b>					
At the beginning of the year		4 000 000	445 774 281	32 829 347	482 603 628
<b>Comprehensive income</b>					
Profit for the year		-	161 357 683	-	161 357 683
Total comprehensive income for the year		4 000 000	607 131 964	32 829 347	643 961 311
Dividends paid	37	-	(115 000 000)	-	(115 000 000)
<b>At the end of the year</b>		<b>4 000 000</b>	<b>492 131 964</b>	<b>32 829 347</b>	<b>528 961 311</b>
<b>Year ended 31 December 2014</b>					
At the beginning of the year		4 000 000	480 890 574	18 780 320	503 670 894
<b>Comprehensive income</b>					
Profit for the year		-	127 883 707	-	127 883 707
<b>Other comprehensive income</b>					
Gains on revaluations of land and buildings	11, 22	-	-	14 049 027	14 049 027
Total comprehensive income for the year		4 000 000	608 774 281	32 829 347	645 603 628
Dividends paid	37	-	(163 000 000)	-	(163 000 000)
<b>At the end of the year</b>		<b>4 000 000</b>	<b>445 774 281</b>	<b>32 829 347</b>	<b>482 603 628</b>

## Summary Of Significant Accounting Policies

	Notes	2015 E	2014 E
<b>Cash flow from operating activities</b>			
Insurance premium received	29.1	624 146 320	561 478 651
Investment contract income from pension and retirement schemes – net of administration fees	32.1	72 880 154	34 319 104
Reinsurance premiums paid	24.1	(149 871 109)	(118 942 446)
Insurance claims paid	30.1.1(a)	(210 363 480)	(198 021 259)
Reinsurance claim recoveries received	30.1.1(a)	17 745 154	26 960 430
Investment contracts benefit expenses	32.1	(33 721 762)	(29 244 241)
Payments to intermediaries to acquire insurance contracts	29.2	(69 818 439)	(59 272 893)
Commission income	20	41 928 668	35 540 816
Fees received from policyholders	6	17 530 118	16 088 548
Cash paid to employees and other suppliers for services and goods rendered	29.3	(88 040 605)	(86 183 930)
Cash received to finance premiums and other receivables	29.5	(4 397 547)	(2 711 152)
Interest received on policy loans		7 203 754	6 596 660
Property management expenses	2.2	(471 920)	(459 408)
Other operating income		40 654	932 669
Cash flows generated from operations		224 789 956	187 081 549
Income tax paid	26	(39 041 183)	(73 772 063)
Net cash flows generated from operating activities		185 748 773	113 309 486
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	11	(2 038 286)	(1 130 715)
Purchase of intangible assets	12	(2 314 841)	(4 131 222)
Net movement on financial assets	29.4	(95 391 444)	52 306 138
Investment income	3	88 626 280	77 302 994
Net cash flows (utilised)/generated from investing activities		(11 118 291)	124 347 195
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders	23	(115 000 000)	(163 000 000)
Net cash flows used in financing activities		(115 000 000)	(163 000 000)
<b>Net increase in cash and cash equivalents</b>		<b>59 630 482</b>	<b>74 656 681</b>
Cash and cash equivalents at the beginning of the year		248 436 492	173 779 811
<b>Cash and cash equivalents at the end of the year</b>	17	<b>308 066 974</b>	<b>248 436 492</b>

## Summary Of Significant Accounting Policies

### 1 General Information

Swaziland Royal Insurance Corporation (SRIC) underwrites life and non life insurance risks, such as those associated with death, disability, health, property and liability.

Swaziland Royal Insurance Corporation is a limited liability corporation established in 1973 by a King's Order-in-Council in terms of founding legislation No. 32/1973. The Corporation is domiciled in Swaziland and its financial statements are expressed in Emalangeni (E). The address of its registered office is Insika House, Somhlolo Road, Mbabane, Swaziland.

#### Aggregated Financial Statements

The aggregated financial statements include the assets and liabilities of the non life and the life insurance businesses. The financial statements have been authorised for issue by the Board of Directors.

### 2 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, unless otherwise stated.

#### 2.1 Basis of presentation

These aggregated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment property, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The financial statements have been prepared on a historical cost basis, except for the following: Carried at fair value:

- § Financial instruments held for trading or designated at fair value through profit or loss;
- § Investment properties and owner-occupied properties;
- § Policyholder investment contract liabilities.

Carried at a different measurement basis:

- § Policyholder insurance contract liabilities, and related reinsurance assets that are measured in terms of the Financial Soundness Valuation (FSV) basis as set out in note 2.26 to accounting policies.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation'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 have been disclosed in the financial statements.

The accounting policies have been consistently applied to all years presented and all amounts are shown in Emalangeni unless otherwise stated.

## Summary Of Significant Accounting Policies

### 2 Summary of significant accounting policies (continued)

#### 2.1 Basis of presentation (continued)

##### 2.1.1 Changes in accounting policy and disclosures

- (a) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2015 and not early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Corporation is assessing IFRS 9's full impact.

IAS 1, 'Presentation of financial statements' disclosure initiative' various narrow-scope amendments were made to IAS 1 relating to the presentation in the annual financial statements. This included clarifications of the application of materiality and aggregation, guidance on the minimum line items to be presented on the statement of financial position, income statement and statement of other comprehensive income and the structure and order of the notes to the financial statements. The amendment is effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

IAS 12, 'Income taxes' - The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. The amendment is effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

## Summary Of Significant Accounting Policies

IAS 7, 'Cash flow statements' The requirements of IAS 7 are amended to introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities. The amendment is effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

- (b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2015 and not early adopted (continued)

IFRS 16, 'Leases' deals with lessees who are now required to recognise assets and liabilities arising from all leases (with limited exceptions). Lessor accounting has not substantially changed in the new standard. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The IASB decided not to require a lessee to recognise assets and liabilities for non life leases (less than 12 months), and leases for which the underlying asset is of low value. A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities. The amendment is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

### 2.2 Property, plant and equipment

Property, plant and equipment are held by the Corporation for the use in the supply of services or its own administration purposes. All property, plant and equipment, other than land and buildings are stated at historical cost less accumulated depreciation and impairment losses. Land and building (Except for investment property – see note 13) include offices and are shown at fair value, based on annual valuation by external independent professional valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of buildings are credited to revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value and other reserves; all other decreases are charged to the statement of comprehensive income.

## Summary Of Significant Accounting Policies

Depreciation is calculated on the straight-line method to write off the cost or revalued amount of each asset to their residual values over their estimated useful lives as follows:

Buildings	50 years
Motor vehicles	5 years
Office equipment	5 years
Office furniture and fittings	10 years
Office computers	3 years

Land is not depreciated. There has been no change to useful lives from those applied in the previous financial year.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit. When revalued assets are sold, the amounts included in the revaluation reserves are transferred to retained earnings.

### 2.2 Property, plant and equipment (continued)

Repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Corporation. Major renovations are depreciated over the remaining useful life of the related asset.

### 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the directors and management. The directors and management, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the board of directors who makes strategic decisions. The principal segments of the Corporation have been identified on a primary segment by business unit, being commercial and personal lines for the non life insurance business and insurance risk contracts and investment contracts for the life business. The basis is representative of the internal structure for management purposes. Segment results include revenue and expenses directly attributable to a segment and the relevant portion of the Corporation revenue and expenses that can be allocated on a reasonable basis, whether from external transactions or from transactions with other segments.

### 2.4 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation, or for both. Investment properties are measured initially at cost, including transaction costs. After initial recognition investment properties are measured at fair value.

## Summary Of Significant Accounting Policies

External, qualified independent professional valuers perform valuations periodically. An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio. In the event of a material change in market conditions between the valuation date and statement of financial position date an internal valuation is performed and adjustments made to reflect any material changes in value.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Any gain or loss arising from a change in fair value is recognised in the statement of comprehensive income. Rental income from investment property is accounted for as described in accounting policy 2.12.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately in the statement of comprehensive income.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. When the Corporation begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on fair value model, and is not reclassified as property, plant and equipment during the redevelopment.

### 2.5 Intangible assets

#### Computer software development costs

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Corporation are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;- management intends to complete the software product and use or sell it;- there is an ability to use or sell the software product;- it can be demonstrated how the software product will generate probable future economic benefits;- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised over their estimated useful lives which do not exceed 3 years, and have no residual values.

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### 2.6 Impairment

The carrying amounts of the Corporation assets are reviewed on an annual basis to determine whether there is any indication of impairment, other than of a temporary nature. If any such indication exists, the assets' recoverable amounts are estimated.

#### Financial assets carried at amortised costs

The Corporation assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is 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 (or events) 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 a financial asset or group of assets is impaired includes observable data that comes to the attention of the Corporation about the following events:

- (i) significant financial difficulty of the issuer or debtor;
- (ii) a breach of contract, such as a default or delinquency in payments;
- (iii) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- (iv) the disappearance of an active market for that financial asset because of financial difficulties; or
- (v) observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Corporation, including:
  - Adverse changes in the payment status of issuers or debtors in the Corporation; or
  - National or local economic conditions that correlate with defaults on the assets in the Corporation.

The Corporation first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial 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 or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount 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 and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Corporation 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 (i.e. on the basis of the Corporation's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future

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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 in the statement of comprehensive income.

### 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 be recoverable. An impairment loss is recognised in the statement of comprehensive income immediately when incurred 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

### 2.7 Financial assets

The Corporation classifies its financial assets at initial recognition into categories, namely held at fair value through profit or loss, held-to-maturity investments and loans and receivables. The classification depends on the purpose when the asset was acquired and, with the exception of those held at fair value through profit or loss, is reassessed on an annual basis.

#### Initial measurement

Purchases and sales of financial assets are recognised on trade date, which is the date on which the Corporation assumes or transfers substantially all risks and rewards of ownership. Financial assets are initially recognised as follows:

Fair value through profit or loss – at fair value on trade date.

Held-to-maturity and loans and receivables – at fair value on trade date plus transaction costs that are directly attributable to their acquisition.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or on trade date when they have been transferred and the Corporation has also transferred substantially all risks and rewards of ownership.

#### Subsequent measurement

Financial assets classified at fair value through profit or loss

Financial assets are designated as fair value through profit or loss if they are:

- (i) used to match investment contract liabilities held at fair value and/or insurance contract liabilities, and this

## Summary Of Significant Accounting Policies

designation eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring assets or liabilities or recognising gains or losses on a different basis; or

(ii) managed and performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Corporation's Investment Committee. The Corporation investment strategy is to invest in equity and debt securities and to evaluate them with reference to their fair value. Assets that are part of these portfolios are designed upon initial recognition at fair value through profit or loss.

These assets are subsequently measured at fair value and the fair value adjustments are recognised in the statement of comprehensive income within investment gains and losses.

The fair value of financial assets with standard terms and conditions and traded on active liquid markets is based on regulated exchange quoted ruling bid prices at the close of business on the last trading day on or before the statement of financial position date. If a quoted bid price is not available for a dated instrument the fair value is estimated using pricing models or discounted cash flow techniques.

Fair values for unquoted instruments are included in investment gains and losses and are determined as follows:

### **Fixed and linked variable rate preference shares, bonds and fixed deposits**

A market yield is determined by using appropriate yields of existing listed preference shares, bonds or fixed deposits that best fit the profile of the instrument being measured. A credit spread is adjusted to the yield based on the issuer's credit rating benchmarked to recent transactions of similar credit entities. A discounted cash flow model is then applied using the determined yield, in order to calculate the market value.

### **Inflation linked bonds**

The market value is determined by present valuing future cash flow at the agreed real rate as per the contract. The present values are then adjusted for the current CPI index ratio.

### **Credit-linked notes**

Cash flows from credit-linked notes are discounted at a rate interpolated from the Bond Exchange of South Africa (BESA) zero curve plus a credit spread that applies to the issuer of the instrument, factoring in the probability of default.

### **Unlisted equities**

Valuations are determined by either utilising recognised independent qualified valuers or by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's length market transactions in respect of the equity instrument.

### **Negotiable certificates of deposit**

These instruments are valued using the appropriate rate from the quoted money market yield curve, based on the term to maturity of the instrument. A discounted cash flow model is then applied, using the determined yield, in order to calculate the market value.

## Summary Of Significant Accounting Policies

### **Loans and receivables**

Loans and receivables are determined as follows:

### **Insurance receivables**

Insurance receivables consist of premiums owed by brokers and policyholders and commission owed by re-insurers.

### **Loans and receivables excluding insurance receivables**

Loans and receivables excluding insurance receivables consist of premium receivables, staff loans and other receivables.

Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost. An estimate is made for impairment of loans and receivables based on a review of all outstanding amounts at year end.

## **2.8 Financial liabilities**

Financial liabilities comprise of policyholders' liabilities under investment contracts.

Financial liabilities are initially recognised at fair value, net of transaction costs that are directly attributable to the raising of the funds.

The measurement of policyholder liabilities under investment contracts is described in note 2.23 in the accounting policies.

Third party liabilities are effectively demand deposits and are consequently measured at fair value which is the quoted unit values as derived by the fund administrator with reference to the rules of each particular fund. The instruments in this category are designated as financial liabilities at fair value through profit or loss upon initial recognition. Fair value gains or losses are recognised in the statement of comprehensive income.

## **2.9 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other non life highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the statement of financial position.

## **2.10 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## **2.11 Provisions**

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past

## Summary Of Significant Accounting Policies

events, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Corporation expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Corporation recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

### 2.12 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for services in the ordinary course of the Corporation's activities. Revenue is recognised as follows;

#### Premium income

Premiums on insurance contracts are recognised when due in terms of the contract. Premiums receivable in respect of corporate schemes are recognised when there is reasonable assurance of collection in terms of the policy contract. Premium income on insurance contracts is shown gross of reinsurance where applicable. Premiums are shown before deduction of commission.

Premium income received in advance (Unearned Premiums Reserve) is included in insurance liabilities – Insurance contracts (Note 30.1)

#### Fees

Revenue arising from asset management and other related services offered by the Corporation are recorded in the accounting period in which the services have been offered.

Fees consist mainly of investment and insurance contracts management fees with the issue and management of such contracts where the Corporation actively manages the consideration received from its customers to fund the return that is based on the investment profile that the customer selected on origination of the instrument. In all cases, these services comprise of an indeterminable number of acts over the life of the individual contracts.

The Corporation uses the following different approaches;

- Regular fees are charged to the customer periodically (monthly) either directly or by making a deduction from invested funds; and
- Front-end fees are charged to the client at inception. This approach is used particularly for single premium contracts. The consideration received is deferred as a liability and recognised over the life of the contract on a straight- line basis.

#### Rental income

Rental income from investment properties is recognised in the statement of comprehensive income on a straight line basis over the term of each lease.

#### Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Corporation reduces the carrying amount to its recoverable amount, being the estimated future cash

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flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

### **Dividend income**

Dividend income is recognised when the right to receive payment is established.

### **2.13 Dividend distribution**

Dividend distribution to the Corporation's shareholders is recognised as a liability in the Corporation's financial statements in the period in which the dividends are approved by the Corporation's shareholders.

### **2.14 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

#### **The Corporation as lessor**

Receipts of operating leases from properties held as investment properties are accounted for as income on the straight-line basis over the period of the lease. When an operating lease is terminated, any payment required by the lessee by way of penalty is recognised as income in the period in which termination takes place.

#### **The Corporation as lessee**

Lease payments arising from operating leases are recognised in the statement of comprehensive income on a straight-line basis over the lease term.

### **2.15 Employee benefits**

#### **(a) Short-term employee benefits**

The cost of all employee benefits is recognised during the period in which the employee renders the related service.

The provision for employee entitlements to salaries represent the amount that the Corporation has a present obligation to pay, as a result of employees' services provided up to the statement of financial position date. The provision has been calculated at undiscounted amounts based on current salary rates.

#### **(b) Termination benefits**

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Corporation recognises termination benefits when it is demonstrably committed either to terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

#### **(c) Performance bonus plan**

The Corporation recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Corporation's shareholders after certain adjustments. The Corporation recognises a

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provision where it is contractually obliged to or where there is a past practice that has created a constructive obligation.

A liability for employee benefits in the form of profit sharing and bonus plans is recognised in provisions for other liabilities and charges when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements; or
- past practice has created a valid expectation by employees that they will receive a bonus/profit sharing and the amount can be determined before the time of issuing the financial statements.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

### (a) Pension fund obligation

The Corporation has a pension scheme in accordance with the local conditions and practices. The scheme is a defined contribution plan.

The Corporation pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Corporation has no further payment obligations once the contributions have been paid. 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 available.

### 2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. 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 in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in Swaziland.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the aggregated financial statements. However, the 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 either accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially 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 profit will be available against which the temporary differences can be utilised.

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### 2.16 Insurance debtors

Trade receivables which generally have 60-day terms are recognised and carried at brokers note value less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

### 2.17 Offsetting financial instruments

Assets and liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 2.18 Solvency

The Insurance Act, 2005 does not specify any solvency requirements. However, based on industry norms, the directors believe that the Corporation has enough resources to comply with the requirements if set in line with industry practice in the region. The Corporation has a policy for its non life insurance business to maintain a solvency of 50% in terms of the international calculation method.

### 2.19 Contingencies and commitments

Transactions are classified as contingencies where the Corporation's obligation depends on uncertain future events or if a present obligation arises from past events but the amount of the obligation cannot be measured with sufficient reliability. Items are classified as commitments where the Corporation commits itself to future transactions with external parties.

### 2.20 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use. This classification is only met if the sale is highly probable and the assets are available for immediate sale. In light of the Corporation's primary business being the provision of insurance and investment products, non-current assets held as investments are not classified as held for sale as the ongoing investment management implies regular purchases and sales in the ordinary course of business.

Immediately before classification as held for sale, the measurement (carrying amount) of assets and liabilities in relation to a disposal group is recognised based upon the appropriate IFRS standards. On initial recognition as held for sale, the non-current assets and liabilities are recognised at the lower of carrying amount and fair value less costs to sell.

Any impairment losses on initial classification as held for sale are recognised in the statement of comprehensive income. The non-current assets held for sale will be reclassified immediately when there is a change in intention to sell. Subsequent measurement of the asset or disposal group at that date will be the lower of:

- (i) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale and;
- (ii) its recoverable amount at the date of the subsequent decision not to sell.

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### 2.21 Outstanding claims, agents and other creditors

Liabilities for outstanding claims, agents and other amounts payable are carried at cost which is a fair value of the consideration to be paid in the future for claims made and services rendered.

### 2.22 Policyholder insurance and investment contracts

Standard of Actuarial Practice (SAPs) issued by the Actuarial Society of South Africa (ASSA). In terms of IFRS 4, defined insurance liabilities are measured under existing local practice. The Corporation has, prior to the adoption of IFRS 4, adopted the SAPs to determine the liability in respect of insurance contracts issued in Swaziland. The following SAPs are of relevance to the determination of policyholder liabilities:

### 2.23 Policyholder insurance and investment contracts (continued)

Standard of Actuarial Practice (SAPs) issued by the Actuarial Society of South Africa (ASSA) (continued)

SAP 102:	Life Offices – HIV/Aids
SAP 103:	Report by the Statutory Actuary in the annual financial statements of South African Life Insurers
SAP 104:	Life Offices – Valuation of Life Insurers
SAP 105:	Recommended AIDS extra mortality bases
SAP 106:	Actuaries and Life Insurance in South Africa
SAP 110:	Reserving for minimum investment return guarantees

The SAPs are available on the ASSA website ([www.actuarialsociety.org.za](http://www.actuarialsociety.org.za)).

Where applicable, the SAPs are referred to in the accounting policies and notes to the annual financial statements.

### 2.24 Insurance and investment contract - classification

The Corporation issues contracts that transfer insurance risk or financial risk or, in some cases, both. An insurance contract is a contract under which the Corporation (insurer) accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Such contracts may also transfer financial risk. The Corporation defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Contracts under which the transfer of insurance risk from the policyholder to the Corporation is not significant would be classified as investment contracts.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instruments price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Contracts with discretionary participation features are those where the policyholder has a right to receive additional benefits that are likely to be a significant part of the total contractual benefits and whose amount or timing is

## Summary Of Significant Accounting Policies

contractually at the discretion of the issuer and that are contractually based on the performance of a specified pool of contracts or assets or the profit or loss of the issuer.

The accounting policies applied for the measurement of insurance contracts and investment contracts with discretionary participation features are governed by IFRS 4 Insurance contracts while investment contracts without discretionary participation features fall within the scope of IAS 39 Financial instruments: Recognition and measurement.

The Corporation has classified its Smoothed Bonus Deposit Administration business as investment contracts with discretionary participation features. All other policies are classified as insurance contracts. There are therefore no policies which are classified as investment contracts without discretionary participation features.

### **Discretionary participation features (DPF)**

A number of insurance and investment contracts contain a discretionary participation feature (DPF). This feature entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- (i) that are likely to be a significant portion of the total contractual benefits;
- (ii) whose amount or timing is contractually at the discretion of the Corporation; and
- (iii) that are contractually based on:  
the performance of a specified pool of contracts or a specified type of contract; and/or  
realised and/or unrealised investment returns on a specified pool of assets held by the Corporation.

The terms and conditions or practice of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the Corporation may exercise its discretion as to the quantum and timing of their payment to policyholders. A proportion, as set out in the policy conditions, of the eligible surplus must be attributed to the policyholders as a Corporation (which can include future policyholders), while the amount and timing of the distribution to individual policyholders is at the discretion of the Corporation, subject to the advice of the statutory actuary. The terms reversionary bonus and smoothed bonus refer to the specific forms of DPF contracts underwritten by the Corporation.

All components in respect of DPFs are included in the policyholder liabilities.

### **2.25 Insurance contracts and investment contracts with DPF**

#### **Recognition and measurement**

Insurance contracts and investment contracts with DPF are classified into three main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

#### **(i) Non Life insurance contracts**

Non life insurance provides benefits under non life policies, which include engineering, guarantee, liability, miscellaneous, motor, property, and transportation, or a contract comprising a combination of any of these policies. Non life insurance contracts are further classified into the following categories:

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Personal insurance, consisting of insurance to individuals and their personal property.

Commercial insurance, providing cover on the assets and liabilities of the business enterprises. Terms and conditions of insurance contracts are included under section 4.2.1 of the accounting policies.

For all non life insurance contracts, premiums are recognized as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to the Corporation. The Corporation 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 Corporation and statistical analyses for the claims incurred but not reported.

Provision is made in the policyholder's liabilities under insurance contracts for the estimated cost at the end of the year of claims incurred but not enough reported (IBNER) at that date. IBNER provisions are calculated using the stochastic chain ladder method which approximates to 7.8% (2014: 7.8%) of net written premium which have been used. These liabilities are not discounted due to the non life nature of outstanding claims. Outstanding claims and benefit payments are stated gross of reinsurance.

### (ii) Life policy liabilities: Insurance contracts

The Corporation's in force insurance contracts can be separated into the following categories.

#### Risk Based Policies

- Endowment Assurance
- Funeral Cover
- Term Assurance
- Credit Life Assurance
- Capital Disability Assurance
- Lilunga Asset Builder
- Insika comprehensive life policy
- Disability Income Assurance

#### Unit linked policies

- Lilunga Graduate Plan
- Lilunga Pension Provider
- Lilunga Pure Endowment
- Lilunga Lump Sum Investment
- Lilunga Endowment 5 year lien
- Insika Savings Rider

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### (ii) Life policy liabilities: Insurance contracts (continued)

In general, the Financial Soundness Valuation (FSV) method used in the past and described in SAP 104 of the Actuarial Society of South Africa meets the requirements of IFRS 4 and has therefore continued to be used to value the bulk of the Corporation's contracts. The FSV methodology requires that insurance policies be valued as:

- the discounted value of expected future cash flows
- calculated using best estimate assumptions
- with an addition for compulsory margins prescribed by SAP 104
- and additional discretionary margins, if required, to reflect specific areas of risk or to ensure appropriate recognition of profit.

The impact of future voluntary premium increases is ignored because they would result in a reduction to the liability.

For some of the smaller product classes, approximate methodologies have been applied. The methodology for valuing such contracts is as follows:

- In the case of single premium Level Term Assurance a reserve of 95% of the unearned portion of the single premium was set up.
- In the case of Disability Benefits with premiums payable annually or more frequently a reserve of 80% of one year's office annual premium was set up.
- In the case of Double Accident Benefits with premiums payable annually or more frequently a reserve of 80% of one year's office annual premium was set up.
- In the case of Corporation Life Assurance a reserve was set up of 95% of the unexpired proportion of the premium net of reinsurances.
- In the case of Corporation Funeral Assurances with premiums payable annually or more frequently a reserve was set up of 85% of the unexpired proportion of the premium.
- A reserve for claims incurred but not reported (IBNR) has been established in respect of the Corporation life, Corporation funeral and the level term assurance business. This reserve is 3 months' worth of premium income.

The Bonus Stabilisation Reserve (BSR) represents the excess of historical investment returns over bonuses declared allowing for the supportability of the bonus rates by the investment returns in future. This is a surplus that is available for distribution as bonus to the policyholders in the future and can be used to help maintain future bonus levels should investment returns in future years deteriorate to a level below the desired bonus rate.

### (iii) Investment contracts with discretionary participation features (DPF)

Investment contracts are those contracts that transfer financial risk with no insurance risk. Financial risk is the risk of a possible future change in one or more specific interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variables.

The assets backing these liabilities are segregated from the Corporations' other assets to ensure that the assets are used exclusively to provide benefits for the relevant policyholders.

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### (iii) Investment contracts with discretionary participation features (DPF) (continued)

Bonuses are declared on this business taking a number of factors into account, including the previous bonus rates declared, policyholders' reasonable expectations, expenses, actual investment returns on the underlying assets, expectations of future investment returns and the extent to which the value of assets exceeds the value of benefits allowing for both the guaranteed benefits and projected future bonuses at the most recent declared rates, amongst other factors. Once declared, a portion of the bonus forms part of the guaranteed benefit.

The Corporation has classified its smoothed bonus deposit administration business as investment contracts with discretionary participation features. All other policies are classified as insurance contracts. There are therefore no policies, which are classified as investment contracts without discretionary participating features.

Investment contracts with discretionary participation features have been valued in terms of the Financial Soundness Valuation (FSV) basis, using a discounted cash flow methodology, described in SAP 104 and the liability is reflected as policyholders' liability under insurance contracts.

The following are some of the products offered by the Corporation, which are investment contracts with DPF:

- Retirement Funds.
- Insika Comprehensive plan

The liability in respect of the smoothed bonus deposit administration business is valued as the historical contributions received less charges rolled up at actual historical declared bonus rates (vesting and non-vesting). A bonus smoothing reserve is maintained in respect of any historical investment returns less charges earned by the assets backing the liabilities which have not yet been distributed to policyholders in the form of bonus declarations.

Revenue consists of fees deducted for mortality, policy administration and surrender charges. Expenses and excess benefit claims incurred are reflected as expenditure in the statement of comprehensive income.

### 2.26 Insurance contracts and investment contracts with DPF (continued)

#### (a) Acquisition costs

Acquisition costs for insurance contracts represent commission and other costs that relate to the securing of new contracts and the renewing of existing contracts. These costs are expensed as incurred.

#### (b) Deferred policy acquisition costs (DAC)

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). All other costs are recognised as expenses when incurred. The DAC is subsequently amortised over the life of the contracts as follows:

- For non life insurance contracts, DAC is amortised over the terms of the policies as premium is earned;
- For life insurance contracts with fixed and guaranteed terms, the FSV method for valuing insurance contracts makes implicit allowance for the deferral of acquisition costs and hence no explicit deferred acquisition cost asset is recognised in the statement of financial position for insurance contracts.

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### (c) Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. 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.

The FSV methodology, using compulsory and discretionary margins on the best estimate future assumptions, is applied to individual business. The methodology takes into account all future cashflows, namely: claims, surrenders, premiums, expenses, future bonuses as well as investment income. The value of the liabilities is compared to the value of the assets. The FSV methodology therefore constitutes a Liability Adequacy Test in terms of paragraph 15 of IFRS 4.

### (d) Incurred but not reported claims

Provision is made in the policyholder's liabilities under insurance contracts for the estimated cost at the end of the year of claims incurred but not reported (IBNR) at that date. The liability is calculated using the three methods; Chain Ladder, Bornhuetter Ferguson and Loss Ratio method. Thereafter the most appropriate method is selected given the observed claims development before the application of the stochastic valuation method. These liabilities are not discounted due to the non life nature of outstanding claims. Outstanding claims and benefit payments are stated gross of reinsurance.

### (e) Premium income

Premiums received under insurance contracts and investment contracts with a discretionary participating feature are stated gross of commission and are recognized when due for payment. Premium income on insurance contracts is shown gross of reinsurance. Premiums are shown before deduction of commission. Premium income received in advance is included in insurance and other payables.

### (f) Claims

Claims paid under insurance contracts and investment contracts with a discretionary participating feature include maturities, annuities, surrenders, death and disability payments. Maturity and annuity claims are recorded as they fall due for payment. Death and disability claims and surrenders are accounted for when notified.

Reinsurance recoveries are accounted for in the same period as the related claim.

Anticipated reinsurance recoveries are disclosed separately as assets. Reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding. Claims provisions for claims outstanding are discounted where there is a particularly long period from incident to claims settlement and where there exists a suitable claims pattern from which to calculate the discount.

## Summary Of Significant Accounting Policies

Whilst the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

### (f) Reinsurance contracts held

Reinsurance contracts are contracts entered into by the Corporation with reinsurers under which the Corporation is compensated for the entire or a portion of losses arising on one or more of the insurance contracts issued by the Corporation.

#### 1) Reinsurance Claims

The expected benefits to which the Corporation is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of non life balances due from reinsurers (classified within loans and receivables) as well as longer-term receivables (classified as reinsurance assets) that are dependent on the present value of expected claims and benefits arising net of expected premiums payable under the related reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured contracts and in accordance with the terms of each reinsurance contract.

Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policy. The cost of reinsurance related to life contracts is accounted for over the life of the underlying insurance policies using assumptions consistent with those used to account for the underlying policies.

Premiums ceded and benefits reimbursed are presented in the aggregated statement of comprehensive income and statement of financial position on a gross basis.

Reinsurance assets are assessed for impairment at each statement of financial position date. If there is reliable objective evidence, as a result of an event that occurred after its initial recognition, that amounts due may not be recoverable, the Corporation reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance. Amounts recoverable under such contracts are recognised in the same year as the related claim. Contracts that do not transfer significant insurance risk (i.e. financial reinsurance) are recorded using the deposit method of accounting.

#### 2) Reinsurance premiums

Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position 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 Corporation may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Corporation will receive from the reinsurer.

## Summary Of Significant Accounting Policies

The Corporation cedes reinsurance premiums in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Corporation from its direct obligations to its policyholders.

Premiums ceded and benefits reimbursed are presented in the aggregated statement of comprehensive income and statement of financial position on a gross basis.

### **(g) Receivables and payables related to insurance contracts and investment contracts**

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and policyholders.

### **(h) Salvage and subrogation reimbursements**

Some insurance contracts permit the Corporation to sell (usually damaged) property acquired in settling a claim. The Corporation may also have the right to pursue third parties for payment of some or all costs.

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. 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 the measurement of 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.

### **2.25 Key assumptions in applying accounting policies**

Key assumptions derive estimates which require management's most complex or subjective judgements. The Corporation's management decide on assumptions that can materially affect the reported amounts of assets and liabilities within the next financial year. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most significant assets and liabilities which typically require such assumptions are the following:

Policyholders' liabilities under insurance contracts are derived from actual claims submitted which are not settled at statement of financial position date, and estimates of the net present value of future claims and benefits under existing contracts, offset by probable future premium to be received (net of expected service costs). The key assumptions have been detailed in paragraph 4.2.2 (c) of the accounting policies and note 32 to the financial statements.

## Summary Of Significant Accounting Policies

### 2.26 Key assumptions in applying accounting policies (continued)

The summary of Actuarial liabilities as at 31 December 2015 per the published reporting basis is as follows:

Published Reporting Basis	31-Dec-15		31-Dec-14	
	Gross of Reinsurance	Net of Reinsurance	Gross of Reinsurance	Net of Reinsurance
	E	E	E	E
Insurance Products	826 477 712	824 158 606	807 613 588	804 991 259
Investment Products	283 472 056	283 472 056	228 643 422	228 643 422
	<b>1 109 949 768</b>	<b>1 107 630 662</b>	1 036 257 010	1 033 634 681

The Corporation holds a number of financial assets that are designated at fair value through profit or loss. These are valued at quoted market prices as far as possible. However if such prices are unavailable, fair value is based either on internal valuations or management's best estimates of realisable amounts. The Corporation's valuation methodologies for unquoted financial instruments have been set out in paragraph 2.7 of the accounting policies. These estimates are based on current market as well as expectations about future economic and financial developments. The average estimated rate of investment return is 8.50% (2014: 9.50%). Where the average future investment returns were to differ by 1% from management's estimates, the insurance and investment liabilities would increase or decrease to the following amounts:

#### Sensitivity Run: valuation interest rate increased by 1%

	31-Dec-15		31-Dec-14	
	Gross of Reinsurance	Net of Reinsurance	Gross of Reinsurance	Net of Reinsurance
	E	E	E	E
Insurance Products	805 146 239	802 827 134	784 091 079	781 468 750
Investment Products	283 472 056	283 472 056	228 643 422	228 643 422
	<b>1 053 618 295</b>	<b>1 051 299 190</b>	1 012 734 501	1 010 112 172

#### Sensitivity Run: valuation interest rate decreased by 1%

	31-Dec-15		31-Dec-14	
	Gross of Reinsurance	Net of Reinsurance	Gross of Reinsurance	Net of Reinsurance
	E	E	E	E
Insurance Products	842 956 158	840 637 051	826 542 870	823 920 541
Investment Products	283 472 056	283 472 056	228 643 422	228 643 422
	<b>1 091 428 214</b>	<b>1 089 109 108</b>	1 055 186 292	1 052 563 963

## Summary Of Significant Accounting Policies

Impairment tests are conducted on all assets included in the statement of financial position. In determining the value in use, various estimates are used by management including deriving future cash flows and applicable discount rates. These estimates are most applicable to the impairment tests on reinsurance assets, intangible assets, deferred acquisition costs and receivables. Further details are contained in paragraphs 2.6, 2.7 and 4.2.2 of the accounting policies.

### **3 Risk management framework and objectives**

The Board acknowledges its responsibility for establishing and communicating appropriate risk and control policies and ensuring that adequate risk management processes are in place. The Corporation has committees which deal with the various aspects on policies for accepting risks, including selection and approval of risks to be insured, use of limits and avoiding undue concentrations of risk, underwriting strategies to ensure the appropriate risk classification and premium levels etc. as detailed below:

#### **Audit Committee**

An audit committee, appointed by the Corporation's Board, is in place to assist the board in discharging its risk management obligations.

The principal objectives of the Corporation's risk management function under the audit committee are to:

- Review the Corporation's risk philosophy, strategy, policies and processes recommended by executive management;
- Review compliance with risk policies and with the overall risk profile of the Corporation;
- Review and assess the integrity of the process and procedures for identifying, assessing, recording and monitoring of risk;
- Review the adequacy and effectiveness of the Corporation's risk management function and its implementation by management;
- Ensure that material corporate risks have been identified, assessed and receive attention; and
- Provide the board with an assessment of the state of risk management within the Corporation.

A significant part of Corporation's business involves the acceptance and management of risk. Primary responsibility for risk management at an operational level rests with the executive management. The Corporation's risk management processes, of which the systems of internal, financial and operating controls are an integral part, are designed to control and monitor risk throughout the Corporation. For effectiveness, these processes rely on regular communication, sound judgement and a thorough knowledge of the products and markets by the people closest to them. Management and various specialist committees are tasked with integrating the management of risk into the day-to-day activities of the Corporation.

## Summary Of Significant Accounting Policies

In particular:

The Corporation audit committee's principal objectives (pertaining to risk) are as follows:

- Act as an effective communication channel between the Board on one hand and the external auditors and the internal auditors on the other;
- Satisfy the Board that adequate internal, financial and operating controls are being identified, addressed and monitored by management and that material corporate risks have been identified and are being contained and monitored through the Corporation risk committee; and
- Enhance the quality, effectiveness, relevance and communication value of the published financial statements and other public documentation of a financial nature issued by the Corporation, with focus being placed on the actuarial assumptions, parameters, valuations and reporting guidelines and practices adopted by the statutory actuary as appropriate to the Corporation's life insurance activities.

- **Investment committee**

The investment committee is responsible for the management of the Corporation's capital and the investment policies for assets backing its liabilities.

This committee focuses in overseeing the high-level mix parameters for various products and portfolios and is tasked with agreeing benchmarks and mandates for performance of each investment portfolio in conjunction with the asset managers. It monitors the execution of such mandates.

## Summary Of Significant Accounting Policies

### 4 Management of financial and insurance risk

The Corporation issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Corporation manages them.

#### 4.1 Financial risk

The Corporation's financial instruments mainly consist of instruments held at fair value through profit or loss. The methods for recognition and measurement of financial instruments are disclosed in the Corporation's accounting policies.

The carrying amounts and the respective fair values of financial instruments are summarised below:

	2015 Carrying amount/ fair value E	2014 Carrying amount/ fair value E
Financial assets		
Held to maturity	-	26 347 169
Financial assets at fair value through profit or loss (note 14)	<b>1 354 613 920</b>	1 238 904 627
Loans and receivables including insurance receivables (note 15)	<b>116 554 366</b>	123 183 832
Reinsurance assets (note 18)	<b>57 550 798</b>	70 699 201
Cash and cash equivalents (note 17)	<b>308 066 974</b>	248 436 492
	<b>1 836 786 058</b>	1 707 571 321
Financial liabilities		
Insurance liabilities- Insurance contracts (note 30.1)	<b>1 034 894 307</b>	1 051 040 084
Insurance liabilities- Investment contracts (note 31)	<b>283 472 056</b>	228 643 422
Reinsurance liabilities (note 24)	<b>9 206 523</b>	17 682 207
Insurance and other payables (note 25)	<b>27 936 625</b>	33 855 733
	<b>1 355 509 511</b>	1 331 221 446

The carrying amount of loans and receivables (including insurance receivables), cash and cash equivalents and insurance and other payables approximate their fair values due to their non life nature.

The fair values have been calculated and measured consistently with methods described in the accounting policies for assets held at fair value through profit or loss.

## Summary Of Significant Accounting Policies

### Financial risk management

Risks associated with policyholder investment contract liabilities (financial instruments as defined) are discussed in note 4.2.2 and have been excluded from the analysis below.

The Corporation has appointed qualified asset managers to manage its financial instruments that support policyholder liabilities. The principal asset managers are Momentum Asset Management Limited, African Alliance Management Company Limited, STANLIB Asset Management Limited and ABSA Asset Management Limited.

Exposure to outside financial institutions concerning financial instruments is monitored in accordance with parameters which have been approved by the Corporation's audit committee and investment committee as mandated by the board. The Corporation places emphasis on investing in quality growth shares that reflect a reasonable value proposition. Identification and selection of quality growth shares is made through research and analysis.

The financial risks to which the Corporation is exposed are described below:

#### (a) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the Corporation to incur a financial loss.

Credit risks arise mainly from financial assets at fair value through profit or loss, reinsurance assets, loans and receivables (including insurance receivables) and cash and cash equivalents.

The carrying amounts of financial assets and insurance assets represent the maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date was:

	2015	2014
	E	E
Carrying amount		
Held to maturity investment (note 14)	-	26 347 169
Financial assets at fair value through profit or loss (note 14)	<b>1 354 613 920</b>	1 238 904 627
Reinsurance assets (note 18)	<b>57 550 798</b>	70 699 201
Loans and receivables including insurance receivables (note 15)	<b>116 554 366</b>	123 183 832
Cash and cash equivalents (note 17)	<b>308 066 974</b>	248 436 492
<b>Total assets bearing credit risk</b>	<b>1 836 786 058</b>	1 707 571 321

Loans and receivables (including insurance receivables) and cash and cash equivalents are placed with reputable counterparties whose credit ratings are assessed when placing the business and when there is a change in the status of the counterparty.

## Summary Of Significant Accounting Policies

### (a) Credit risk (continued)

The counterparties for assets backing financial liabilities held at fair value through profit or loss and most of reinsurance assets are rated [A-] by an international rating agency. The following table provides information regarding the aggregated credit risk exposure for the Corporation for debt instruments categorised by credit ratings.

31 December 2015	Rated E	Not Rated E	Total E
<b>Assets bearing credit risk</b>			
Financial assets at fair value through profit or loss and held to maturity investments (note 14)	1 265 211 845	89 402 075	1 354 613 920
Reinsurance assets (note 18)	57 550 798	-	57 550 798
Loans and receivables including insurance receivables (note 15)	-	116 554 366	116 554 366
Cash and cash equivalents (note 17)	-	308 066 974	308 066 974
	<u>1 322 762 643</u>	<u>514 023 415</u>	<u>1 836 786 058</u>

31 December 2014	Rated E	Not Rated E	Total E
<b>Assets bearing credit risk</b>			
Financial assets at fair value through profit or loss (note 14)	1 164 217 004	101 034 792	1 265 251 796
Reinsurance assets (note 18)	70 699 201	-	70 699 201
Loans and receivables including insurance receivables (note 15)	-	123 183 832	123 183 832
Cash and cash equivalents (note 17)	-	248 436 492	248 436 492
	<u>1 234 916 205</u>	<u>472 655 116</u>	<u>1 707 571 321</u>

Debt collection procedures are vigorously carried out on defaulters. Full provision is made for non-recoverability as soon as management is uncertain as to the recovery.

If policyholders cease to pay their premiums, as contractually required, any insurance risk would lapse and any investment product would be subject to charges in order to recover outstanding costs.

## Summary Of Significant Accounting Policies

### 4.1 Financial risk (continued)

#### (a) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in raising funds to meet commitments associated with financial instruments and insurance contracts.

The Insurance industry is regulated by the Registrar of Insurance and Retirement Funds as required by the Insurance Act of 2005. The Insurance Act 2005 specifies the liquidity and capital requirements of insurance and retirements fund companies.

Liquidity risks arising out of contractual obligations to policyholders are discussed further in note 36 of the notes to financial statements.

The Corporation manages liquidity risk by reviewing the contractual maturities of both its financial assets and financial liabilities. Refer to note 36 - Liquidity analysis for the detailed maturity analysis and the reconciliation to the financial statements.

#### (b) Market risk

Market risk includes currency risk, interest rate risk and equity price risk. From time to time derivative financial instruments are entered into to reduce this exposure to market risk.

##### (i) Currency risk

Currency risk is the risk that the financial instruments that are denominated in foreign currency will fluctuate due to changes in foreign exchange rates.

The Corporation is exposed to currency risk as its investments include financial instruments that are held in international portfolios.

##### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument or an insurance contract will fluctuate due to changes in market interest rates.

The Corporation continuously assesses the market expectations within the South African and Swaziland interest rate environments.

The following financial instruments and insurance contracts will be directly impacted by changes in market interest rates: financial assets at fair value through profit or loss, reinsurance assets, cash and cash equivalents, insurance liabilities – insurance contracts, investment contracts and reinsurance liabilities.

## Summary Of Significant Accounting Policies

A change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for 2015:

	<u>Profit or loss</u>		<u>Equity</u>	
	2015 E	2014 E	2015 E	2014 E
Increase of 50 basis points	<b>5 836 248</b>	4 900 394	<b>5 836 248</b>	4 900 394
Decrease of 50 basis points	<b>(5 836 248)</b>	(4 900 394)	<b>(5 836 248)</b>	(4 900 394)

### (iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Corporation maintains a balanced portfolio of investments between equity, capital and money market to mitigate the impact of other price risk.

The majority of equity investments are listed on the Johannesburg Securities Exchange (JSE). A 2% percent increase in the JSE All Share Index at the reporting date, with all other variables held constant, would have increased profit or loss by E 9 803 404 (2014: E10 042 973); an equal change in the opposite direction would have decreased profit or loss by E 9 803 404 (2014: E10 042 973); The analysis is performed on the same basis for 2014.

### (iii) Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

The initiation of all transactions and their administration is conducted on the foundation of segregation of duties that has been designed to ensure materially the completeness, accuracy and validity of all transactions. These controls are augmented by management and executive review of control accounts and systems, electronic and manual checks and controls, back-up facilities and contingency planning. The internal control systems and procedures are also subjected to regular internal audit reviews.

### (iv) Taxation risk

Taxation risk is the risk that the Corporation will incur a financial loss due to an incorrect interpretation and application of taxation legislation or due to the impact of new taxation legislation on existing structures.

During the development stage of any new product and prior to any corporate transactions the taxation resources of the Corporation, and if required external resources, identify and advise on any material potential taxation impact thereof.

## Summary Of Significant Accounting Policies

Taxation risk is further mitigated through policy terms and conditions, which enable the risk to be passed back to policyholders. This is the case on all classes of business other than non-participating annuity business.

### (v) Regulatory risk

Regulatory risk is the risk arising from a change in regulations pertaining to the business of the Corporation.

In order to manage this risk, the Corporation is an active participant in various bodies which may have an impact on its business, such as the office of The Registrar of Insurance and Retirement Funds.

### 4.1 Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The principal risk that the Corporation faces under its insurance contracts is that the actual claims and benefit payments may exceed the carrying amount of the insurance liabilities. This could occur because of the frequency or severity of claims and where the benefits payables are greater than estimated.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Corporation has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Some of the equity investments are listed on the Swaziland Stock Exchange (SSE). A 1.5% percent increase in the SSE All Share Index at the reporting date, with all other variables held constant, would have increased profit or loss by E78 917 (2014: E 76 704); an equal change in the opposite direction would have decreased profit or loss by E78 917 (2014:E 76 704). The analysis is performed on the same basis for 2014.

### (iv) Legal risk

Legal risk is the risk that the Corporation will be exposed to contractual obligations which have not been provided for.

The Corporation has a policy of ensuring all contractual obligations are documented and agreed to, through signing by the relevant parties to the contract. As at 31 December 2015, the directors are not aware of any significant obligation not provided for.

## Summary Of Significant Accounting Policies

### 4.2 Insurance Risk (continued)

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

#### 4.2.1 Non life insurance contracts

The primary insurance activity carried out by the Corporation assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, motor, liability, accident, health, credit, crop or other perils that may arise from an insurable event. As such the Corporation is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Corporation also has exposure to market risk through its insurance and investment activities.

The Corporation manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

The Corporation uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses and scenario analyses.

#### (a) Underwriting strategy

The Corporation underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a large area. As such, it is believed that this reduces the variability of the outcome. The underwriting strategy is set out on an annual business plan that sets out the classes of business to be written and the industry sectors to which the Corporation is prepared to expose itself.

This strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by line size, class of business and industry in order to enforce appropriate risk selection within the portfolio. The underwriters have the right to refuse renewal or to change the terms and conditions of the contract with 30 days' notice. Adherence to the underwriting authorities is measured through a series of exception reports that are run on a monthly basis covering line size, class and industry.

The Corporation bases its pricing policy on the theory of probability. Underwriting limits are set for underwriting manager and underwriters to ensure that this policy is consistently applied. The Corporation has the right to re-price and change the conditions for accepting risks on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Only extensive expertise, well-maintained data resources, and selective underwriting based on this information can produce risk-adequate prices and conditions. The effects of the risk of change influence both the premium calculation and the reserves.

## Summary Of Significant Accounting Policies

### (b) Reinsurance strategy

The Corporation reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Corporation utilises an independent Reinsurance Broker for the negotiations, placement and arrangement of Reinsurance programmes with reputable reinsurers.

The treaties are a combination of proportional and non-proportional in order to minimise the net exposure to the Corporation. The Corporation also participates in the facultative reinsurance in certain specified circumstances.

#### 4.2.1 Non life insurance contracts (continued)

### (c) Terms and conditions of insurance contracts

The Corporation issues a range of non life insurance contracts, each of which is described in further detail below:

**Engineering** – Provides cover for risks relating to:

The possession, use or ownership of machinery or equipment, other than motor vehicles, in the carrying on of a business:

- Erection of buildings or other structures or the undertaking of other works.
- The installation of machinery or equipment.

**Guarantee** – A contract whereby the insurer assumes an obligation to discharge the debts or other obligations of another person in the event of the failure of that person to do so.

**Liability** – Provides cover for risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract.

**Motor** – Covers risks relating to the possession, use or ownership of motor vehicles. This cover can include risks relating to vehicle accident, theft or damage to third party property or legal liability arising out of the possession, use or ownership of the insured vehicle.

**Property** – Covers risks relating to the use, ownership, loss of or damage to immovable property other than a risk covered more specifically under another insurance contract. It also covers for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

**Transportation** – Covers risks relating to the possession, use or ownership of a vessel, aircraft or other craft for the conveyance of persons or goods by air, space, land or water. It also covers risks relating to the storage, treatment or handling of goods that are conveyed.

## Summary Of Significant Accounting Policies

### (d) Nature of risks covered

The following gives an assessment of the Corporation's main products and the ways in which it manages the associated risks and the concentrations of these risks:

	Commercial	Personal
Crime	*	*
Contractors all risks	*	
Domestic (other)		*
Domestic (motor)		*
Fire and allied peril	*	*
Guarantees	*	
Accident	*	*

### (d) Nature of risks covered (continued) Product (continued)

	Commercial	Personal
Personal accident	*	*
Motor	*	*
Engineering	*	
Marine	*	
Hull	*	
Liability	*	
Workmen's compensation	*	
Cargo	*	

Commercial division underwrites small to large business from companies. Personal division provides insurance to the general public in their personal capacities.

The following perils are covered under the different types of business:

Fire – fire, storm, explosions, riot, malicious and earthquake.

Accident - all risks.

Personal Accident - death, permanent disablement, total disablement and medical expenses.

Motor - private and commercial (comprehensive, full third party fire and theft, full third party)

Engineering - machinery breakdown, contractors all risks, erection all risks and electronic equipment.

Marine - hull and cargo.

House-owners - fire, theft of fixtures, liability, storm and explosion.

House-holders - burglary.

## Summary Of Significant Accounting Policies

The return to shareholders under these products arises from the total premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred by the Corporation. There is also certain scope for the Corporation to earn investment income owing to the time delay between the receipt of premiums and the payment of claims.

The event giving rise to a claim usually occurs suddenly (such as a fire or burglary) and the cause is easily determinable. The claim will thus be notified promptly and can be settled without delay.

### **(e) Management of insurance risks**

The key risks associated with these products are underwriting risk, competitive risk, and claims experience risk (including the variable incidence of natural disasters). The Corporation will also be exposed to fraud risk by policyholders.

Underwriting risk is the risk that the Corporation does not charge premiums appropriate for the risk that it accepts. The risk on any policy will vary according to many factors such as location, safety measures in place, age of property etc. For domestic property insurance it is expected that there will be large numbers of properties with similar risk profiles. However, for commercial business this will not be the case.

Many commercial property proposals will comprise of a unique combination of location, type of business, and safety measures in place. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky. This risk is managed primarily through sensible pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The Corporation therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

Insurance companies are exposed to the risk that the insured will make false or invalid claims, or exaggerate the amount claimed following a loss. This largely explains why economic conditions correlate with the profitability of a portfolio. External control systems and fraud detection measurements are also in place to improve the Corporation's ability to proactively detect fraudulent claims. The Corporation has independent assessors who determine the value of claims in cases of uncertainty.

Through selective underwriting, client-focused claims handling and advanced reserving methods, the Corporation endeavor to minimize risks, resulting from the risk of change. Claims are analyzed separately for long-tail and short-tail claims. The development of large losses and catastrophes is analyzed separately. Short-tail claims can be estimated with greater reliability, and the Corporation's estimation process reflects all the factors that influence the amount and timing of cash flows from these contracts.

### **f) Concentrations of insurance risk**

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Corporation's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

Property is subject to a number of risks, including theft, fire, business interruption and weather. For property business there is a very significant geographical concentration of risk so that external factors such as adverse weather

## Summary Of Significant Accounting Policies

conditions may adversely impact upon a large proportion of a particular geographical portion of the Corporation's property risks. Claims including perils such as storms, floods, subsidence, fires, explosions, and rising crime levels will occur on a regional basis, meaning that the Corporation has to manage its geographical risk dispersion very carefully.

For motor business the main risks relates mainly to losses arising from theft, fire, third party losses and accident. Claims including perils such as increase in crime levels, adverse weather and bad road networks will occur on a seasonal and regional scale, meaning that the Corporation has to ensure that all products are adequately priced and that salvage recovery is pursued in order to mitigate losses.

### **g) Non-life insurance risk**

#### **1) Claims development**

Claims on casualty contracts are payable on a claims-occurrence basis. The Corporation is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term, subject to pre-determined time scales dependent on the nature of the insurance contract. The Corporation takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The claims liability comprises a provision for claims not yet paid and a provision for claims incurred but not yet reported (IBNR) at the statement of financial position date. Based on run off experience against IBNR in 2015, management are of the opinion that the provision for IBNR is adequate but not excessive.

In calculating the estimated cost of unpaid claims (both reported and not), the Corporation's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Corporation, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For casualty contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

In estimating the liability for the cost of reported claims not yet paid, the Corporation considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

Where possible, the Corporation adopts multiple techniques to estimate the required level of provisions. This

## Summary Of Significant Accounting Policies

provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each two year period.

The Corporation believes that the estimate of total claims outstanding disclosed in note 30.1 as at 31 December 2015 is adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

### 2) Process used to decide on assumptions

The risks associated with these insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The Corporation uses assumptions based on a mixture of internal and market data to measure its claims liabilities. Internal data is derived mostly from the Corporation's quarterly claims reports and screening of the actual insurance contracts to derive data for the contracts held. The Corporation has reviewed the individual contracts and classes and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

For all other Casualty risks, the Corporation uses several statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The three methods more commonly used are the chain-ladder, the Bornhuetter- Ferguson methods and the loss ratio method.

Chain-ladder methods may be applied to premiums, paid claims or incurred claims (for example, paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each two year period that is not yet fully developed to produce an estimated ultimate claims cost for each period.

Chain-ladder techniques are most appropriate for those accident years and classes of business that have reached a relatively stable development pattern. Chain-ladder techniques are less suitable in cases in which the insurer does not have a developed claims history for a particular class of business.

The Bornhuetter-Ferguson method uses a combination of a benchmark or market based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations in which developed claims experience was not available for the projection (recent accident years or new classes of business).

The loss ratio method assumes a loss ratio for each line of business. The loss ratio is then applied to the premiums earned to date. The claims paid and outstanding is deducted off and the balance is set aside as IBNR. With this method historic delay patterns are completely ignored and the entire estimate is calculated based on the expected loss ratio provided by management.

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or groups of accident years within the same class of business.

## Summary Of Significant Accounting Policies

### 4.2.1 Life insurance contracts

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics such as AIDS or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in social conditions that would increase longevity.

The terms and conditions of life insurance contracts which affect the amount, timing and uncertainty of cash flows are explained below:

#### **Endowment Assurance With Profits (EWP)**

This is life assurance where the sum assured is paid at the end of a specified term or on death if this should occur at an earlier date. The minimum term is 10 years for all products. It may be a stand-alone product or it may include a five yearly cash benefit policy. At maturity the sum assured plus bonuses is payable.

#### **Whole Life Assurance with profit**

The benefits of a whole life policy are payable only on death of the life assured whenever that may occur. However the premium is paid to either age 60 or 80 after which the life assured ceases to pay premiums and the cover is guaranteed until death. This is also a profit participating policy.

The Endowment Assurance with profits and the whole life assurance with profit may include the following supplementary benefits (optional):

Disability cash benefit which provide for an equal sum of payment in the event the life assured becomes permanently incapacitated to perform his own or similar occupation.

Additional Accident Benefit. This type of benefit provides for an additional sum of money in case the life assured dies of an accident.

Rest In Peace Benefit. The Rest in Peace Benefit provides for funeral expenses for the entire family.

#### **Term Assurance**

Temporary life assurance is issued for a specific term wherein the life cover and premium remain level throughout.

Term assurances are taken out solely to insure against the possibility of death occurring within a time specified in the contract. If death does not occur during that period, no payment is made and the life assured does not receive any returns from his premium.

#### **- Decreasing Term Assurance**

Temporary life assurance where the sum assured decreases over the duration of the policy.

#### **- Corporation Life Assurance**

The benefit is paid as a cash lump sum to the dependants of a deceased person. The benefit is expressed as a multiple of the member's annual salary.

## Summary Of Significant Accounting Policies

### - **Capital Disability Assurance**

This benefit is an extension of the Corporation Life Assurance and is payable when a member becomes totally and permanently disabled to the extent that he is unable to engage in any occupation.

### (a) **Underwriting**

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. For example, the Corporation balances death risk and survival risk across its portfolio. Medical selection is also included in the Corporation's underwriting procedures with premiums varied to reflect the health condition.

### (b) **Policyholder behaviour risk**

Insurance risk for contracts are also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to contract holder behaviour.

On the assumption that contract holders will make decisions rationally, overall insurance risk can be assumed to be aggravated by such behaviour. For example, it is likely that contract holders whose health has deteriorated significantly will be less inclined to terminate contracts insuring death benefits than those contract holders remaining in good health. This results in an increasing trend of expected mortality, as the portfolio of insurance contracts reduces due to voluntary terminations.

The main risk posed by this behaviour is the risk that expenses and commissions incurred early in the term of the contract, but priced to be recovered by means of ongoing charges over a longer period, are not fully recovered due to the decision by the policyholder to cease or reduce contributions.

### (c) **Assumptions**

For life insurance contracts estimates are made in two stages. At inception of the contract, the Corporation determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions. These assumptions are 'locked in' for the duration of the contract.

Subsequently, new estimates are developed at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates. The initial assumptions are not altered if the liabilities are considered adequate. If the liabilities are not adequate, the assumptions are altered ('unlocked') to reflect the latest current estimates; no margin is added to the assumptions in this event.

As a result, the effect of changes in the underlying variables on insurance liabilities and related assets is not symmetrical.

## Summary Of Significant Accounting Policies

Improvements in estimates have no impact on the value of the liabilities and related assets, while significant enough deteriorations in estimates have an impact. The assumptions used for the insurance contracts disclosed in this note are as follows:

### • Mortality risk and morbidity risk

There are a number of policy types which provide significant benefits on death of the policyholder or beneficiary. The impact of HIV and AIDS is of particular concern in Swaziland. The primary mortality risk mitigation strategies are:

- Underwriting at the time when policies are written
- The use of waiting periods and stepped sums assured to prevent anti-selection;
- Reinsurance

The Corporation is not exposed to material morbidity or medical risks.

### • Planned margins

Compulsory and discretionary margins are applied to the best estimate assumptions to introduce an element of prudence into the valuation and to ensure appropriate recognition of profit. These margins will enable the solvency of the Corporation to withstand fairly material deviations in experience from the best estimates.

Basis Element	Compulsory Margin	Discretionary Margin
Mortality including AIDS	7.5% reduction for Mortality group A 7.5% addition for all other products	Extra 7.5% reduction for Mortality group A Extra 7.5% increase for all other products
Investment return	0.25% increase for Investment group A 0.25% reduction for all other products	Extra 0.25% increase for Investment group A Extra 0.25% reduction for all other products
Surrenders	10% reduction for Surrender group A	Extra 15% reduction for Surrender group A
Lapses	25% increase for Lapse group A 25% reduction for Lapse group B	-
Renewal expenses	10% increase	Extra 15% increase
Expense inflation	10% increase	-

## Summary Of Significant Accounting Policies

The definitions of the group A and group B shown above is as follows:

**Mortality group A :** Lilunga Single Premium, Children's Education Endowment, Endowment Assurances, Whole Life With Profits Up To Age 80, Retirement Annuity with Life Cover, Child's Deferred Endowment, Retirement Annuity, Endowment with Periodic Cash Payments, Whole life with Periodic Cash Payments, Rest in Peace and Annuities (Usutu and non-Usutu).

**Investment group A :** Lilunga Pure Endowment, Lilunga Single Premium, Lilunga Asset Builder, Lilunga Graduate Plan Automatic Premium Waiver, Lilunga Pension Provider, Children's Education Endowment, Endowment Assurances, Whole Life With Profits Up To Age 80, Retirement Annuity with Life Cover, Whole Life With Profits Up To Age 60, Child's Deferred Endowment, Retirement annuity, Single Premium Retirement Annuity, Endowment with Periodic Cash Payments, Whole Life with Periodic Cash Payments, Rest in Peace, Level Term Cover, Supplementary Level Cover Term Assurance, Mortgage Protection Policy, Lilunga Lien Product, Lilunga Graduate Plan Underwriting Premium Waiver, Lilunga Graduate Plan No Premium Waiver.

**Surrender group A : All Lilunga and Insika Savings Component.**

Lapse group A : Whole Life With Profits Up To Age 80, Rider on Conventional Product, Rider on a Unit Linked Product, Decreasing Cover Term Assurance, Supplementary Decreasing Cover Term Assurance, Insika Comprehensive Life Policy, Rider on Insika Comprehensive.

**Lapse group B : All products excluding Lapse group A and Surrender group A.**

The value of discretionary margins included in the FSV liability as at 31 December 2015 is E33.1m (2014: E35.8m).

### Economic assumptions

The expected future return on bonds is derived from the 8.3 year point on the South African bond yield curve as this corresponds to the discounted mean term of the outstanding liabilities. The 8.3 year point was chosen relative to the average term on the liabilities.

The expected future return on the other asset classes are then derived using flat deduction / additions to this bond yield. The future investment return assumption is then calculated as the weighted average of these returns using the split of the assets backing the liabilities as weights. The expense inflation assumption is also derived with reference to the bond yield assumption.

The economic assumptions used are shown below:

	GAP	2015	201
Bonds		10.4%	8.5%
Equities	2.0%	12.4%	10.5%
Property	1.0%	11.4%	9.5%
Cash	-2.0%	8.4%	6.5%
<b>Average investment return</b>		<b>10.9%</b>	<b>9.2%</b>
Expense inflation	-2.0%	8.4%	6.5%

## Summary Of Significant Accounting Policies

### • Demographic and expense assumptions

#### **Mortality rates were left unchanged from last year.**

Renewal and supplementary expenses per policy decreased to E492.00 and E49.20 in 2015 from E530.00 and E53.00 in 2014 respectively. This decrease was not in line with the increase implied by the expense inflation assumption. This was because of a change in the allocation of expenses to individual business, which led to lower per policy expenses. Once off expenses were also allowed for as though they are not for the same type of expenses they do occur each year.

We did not change the reserving ratios for the Group risk policies since the observed profitability remains good even though we are allocating higher expenses than previously to this line of business.

The Individual business demographic and expense assumptions for 2015 (2014) are as follows:

Mortality Assurances	Male: 80% of SA56-62 + 0.001 + 100% of Assa2003m). Female: 80% of (SA56-62f + 0.001+100% of Assa2003f) where SA56-62f rated down by 3 years.
Pensions in payment	125% of A(90)
AIDS	80% of ASSA2003 for Males and 80% of ASSA2003 for Females
Withdrawal	7.5% per annum for Lilunga policies; 7.5% per annum for Mortgage Protection policies; 7.5% per annum for Term Assurances policies; 2.5% per annum for Rest In Peace policies; 7.5% per annum for Insika policies; 0% per annum for all other policy types
Expenses	E492 (E530.00) per main policy p.a. E49.2 (E53) per supplementary policy per annum

\*Note SA56-62f is SA56-62 where the rates have been shifted three years

## Summary Of Significant Accounting Policies

### 4 Management of financial and insurance risk (continued)

#### 4.2 Insurance Risk (continued)

##### 4.2.2 Life insurance contracts (continued)

(c) Assumptions (continued)

§ Changes in assumptions

The impact of the change in assumptions on the liabilities is as follows (E'000):

	31-Dec-15	31-Dec-14
	E'000	E'000
Change in expense assumption	<b>(12 953)</b>	4 388
Change in investment return assumption	<b>(3 190)</b>	4 245
Change in the expense inflation assumption	<b>8 127</b>	(1 684)
Change in the investment management expense on annuities in payment	<b>1 253</b>	-
<b>Total impact of change in assumptions</b>	<b>(6 763)</b>	6 949

The expense assumption change has resulted in a lower liability due to the decreased expenses being lower than the previous year's inflated assumption. The increase in the investment return assumption decreased reserves that are discounted as opposed to reserves that are not such as unit linked accounts. We have increased the allowance for investment management expenses from 0.25% p.a. to 0.4% p.a. on annuity business as we were previously underestimating this expense. The net impact of all the changes is a decrease in projected liability.

#### (d) Assumptions risk

Deviations from assumptions will result in actual cash flows being different from those projected in the policyholder liability calculations. As such, each assumption represents a source of uncertainty.

#### (e) Mortality risk

Mortality risk is the risk of loss arising due to actual policyholder death experience on life assurance policies being higher than expected.

There are a number of policy types which provide significant benefits on death of the policyholder or beneficiary. The impact of HIV and AIDS is of particular concern in Swaziland. The primary mortality risk mitigation strategies are:

- Underwriting at the time when policies are written;
- The use of waiting periods and stepped sums assured to prevent anti-selection;
- Reinsurance;

## Summary Of Significant Accounting Policies

The Corporation carries out annual valuations where actual deaths are compared with what was expected.

### (f) Longevity risk

Longevity risk is the risk of loss arising due to annuitants living longer than expected.

The Corporation has a growing portfolio of non-profit immediate annuity policies which presents longevity risk. Currently no allowance is made in the valuation for mortality improvements, however, experience is monitored against expected payouts annually and variances are reported to the audit committee.

### (g) Sensitivity analysis

The following tables present the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities. The table below indicates the level of the respective variable that will trigger an adjustment and then indicates the liability adjustment required as a result of a further deterioration in the variable.

Sensitivity Table					
		2015		2014	
		Gross	Net of	Gross	Net of
		E'000	Reinsurance	E'000	Reinsurance
		E'000	E'000	E'000	E'000
	Change %				
Mortality rates	+10%	2 937	2 705	3 446	3 184
	-10%	(2 767)	(2 535)	(3 273)	(3 011)
Withdrawals	+8%	(1 875)	(1 875)	(1 965)	(1 965)
	-8%	1 953	1 953	2 043	2 043
Expenses	+15%	22 840	22 840	25 014	25 014
	-15%	(22 734)	(22 734)	(24 909)	(24 909)
Interest Rate yield	+1%	(21 331)	(21 331)	(23 523)	(23 523)
	-1%	16 478	16 478	18 929	18 929

The above analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, change in interest rate and change in market values; and change in lapses and future mortality.

### (h) Reinsurance risk

The Corporation cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, Corporation risks or defined blocks of business, on a proportional and excess or catastrophe excess basis.

These reinsurance agreements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Corporation's evaluation of the specific risk subject in certain circumstances, to maximum limits based on characteristics of coverage. Under the terms of the reinsurance agreements, the reinsurer agrees to

## Summary Of Significant Accounting Policies

reimburse the ceded amount in the event the claim is paid. However, the Corporation remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligation it assumes.

When selecting a reinsurer the Corporation considers their relative security. The security of the reinsurer is assessed from public rating information and that from internal investigations.

Credit ratings of insurance reinsurers are as follows:

	2015		2014	
	Exposure	Premiums	Exposure	Premiums
AAA	0%	0%	0%	0%
AA+	0%	0%	0%	0%
AA-	70%	65%	12%	10%
A+	0%	0%	0%	0%
A	0%	0%	0%	0%
A-	18%	15%	80%	75%
BBB+	0%	0%	6%	5%
BBB-	9%	15%	0%	0%
Unrated	3%	5%	2%	10%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Premium rates pertain to premiums ceded to reinsurers during the period ended 31 December 2015 and exposure ratios relate to amounts owing from reinsurers at year end. We have only listed major re-insurers.

### (I) The Capital Adequacy Requirement (CAR) as part of the risk management framework

In order to comply with the requirements of SAP 104, a life insurance Corporation is required to hold capital in excess of its liabilities to ensure that it will remain solvent under adverse conditions in future years. The extent that a Corporation will be affected by adverse conditions depends on a number of factors, most importantly:

- The nature and term of the assets
- The types and duration of guarantees granted
- The ability to change contract terms and charges
- The speed with which the Corporation can react to changing circumstances.

The required excess capital is termed the "Capital Adequacy Requirement" or CAR. This considers two potential risks.

- That all policies cease with immediate effect – the so-called Termination CAR or TCAR.
- That an accumulation of adverse circumstances in a number of quite different areas conspire to produce a highly detrimental capital position. This is the CAR in the ordinary line of business or OCAR.

## Summary Of Significant Accounting Policies

It is important to note that the company can reduce their CAR by allowing for future management action, specifically the removal of non-vesting and terminal bonuses and allowing the bonus stabilisation reserve to go negative to a certain level, as well as reductions to future bonus declarations. The principle management actions assumed in the CAR calculation are the removal of a portion of the non-vested bonuses, 1% of the terminal bonuses and allowing the bonus stabilisation reserve to go down to minus 5% of fund.

The SRIC CAR at 31 December 2015 is E113.0m (2014: E93.4m). This is the maximum of the OCAR post management action of E113.0m and the TCAR of E4.8m. The management action taken on OCAR was to remove E7.8m of terminal bonuses. The impact of management action was to reduce OCAR from E120.6.5m to E113.0m.

The increase in OCAR from the previous year is largely caused by an increase in the investment CAR (E94.7m in 2015 from E79.4m in 2014) due to a correction in the allowance of management action on the investment CAR. This results in a CAR cover ratio of 2.3 times (2.6 times in 2014).

SRIC has an established dividend policy which has been applied for a number of years. The policy is such that 50% of any surplus in excess of two times the Capital Adequacy Requirement (CAR) is paid to shareholders in the form of a dividend. Application of the policy would result in a proposed dividend for 2015 of E16.9m.

### 4.2 Fair value estimation

The Corporation measures fair values using the following fair value hierarchy that reflects the significance of the inputs in making the measurements.

Effective 1 January 2009, the Corporation adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy in accordance with IFRS 13:

**Level 1:** Quoted market price in an active market for an identical instrument.

**Level 2:** Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

**Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

An analysis of financial instruments, measured at fair value at the end of the reporting period, by level in the fair value hierarchy into which the fair value measurement is categorised can be found in the notes to the financial statements.

## Summary Of Significant Accounting Policies

### 4 Management of financial and insurance risk (continued)

#### 4.3 Fair value estimation (continued)

The following table presents the Corporation's assets that are measured at fair value at 31 December 2015.

At 31 December 2015	Level 1 E'000	Level 2 E'000	Level 3 E'000
<b>Financial assets at fair value through profit or loss</b>			
- Equity	495 431 330	84 140 955	-
- Capital market	-	411 923 594	-
- Money market	-	363 118 041	-
- Held-to-Maturity	-	-	-
<b>Investment Property</b>	-	-	<b>55 000 000</b>
<b>Total assets</b>	<b>495 431 330</b>	<b>859 182 590</b>	<b>55 000 000</b>

At 31 December 2014	Level 1 E'000	Level 2 E'000	Level 3 E'000
<b>Financial assets at fair value through profit or loss</b>			
- Equity	507 262 272	72 738 171	-
- Capital market	-	363 761 701	-
- Money market	-	295 142 483	-
- Held-to-Maturity	-	26 347 169	-
<b>Investment Property</b>	-	-	<b>55 000 000</b>
<b>Total assets</b>	<b>507 262 272</b>	<b>757 989 524</b>	<b>55 000 000</b>

### 5 Critical accounting estimates and judgement

The Corporation makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### (a) The ultimate liability arising from claims made under insurance contracts- Incurred but not reported claims.

The estimation of the ultimate liability arising from claims made under insurance contracts is the Corporation's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Corporation will ultimately pay for such claims.

The Corporation believes that the liability for incurred but not reported claims carried at year-end is adequate. The methods and assumptions used in estimating the liability are detailed in accounting policy note 4.2.1. Incurred but not reported claims have been disclosed in note 30.1.

## Summary Of Significant Accounting Policies

### **(b) Estimate of life Insurance liabilities for investment and insurance contracts**

The determination of the liabilities under life insurance contracts is dependent on estimates made by the Corporation's statutory actuary.

The Corporation believes that the liability for life Insurance liabilities for investment and insurance contracts carried at year-end is adequate. The methods and assumptions used in estimating the liability are detailed in accounting policy note 4.2.2.

Life insurance liabilities for investment and insurance contracts have been disclosed in note 30.1.

### **(c) Taxation**

Significant judgement is required in determining the Corporation's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.



We are committed to ensuring that we deliver world class service to our clients.

# Notes To The Aggregated Financial Statements

## 1 Operating segments

### 1.1 Identifying operating segments

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. All operating segments used by management meet definition of reportable segments under IFRS 8.

The Corporation is organised and has identified four reportable operating segments on both non life and life insurance business based on the nature of the products and services delivered by each segment. These segments distribute their products through various forms of brokers, agencies and direct marketing programmes. Management identifies its reportable operating segments by product line consistent with the reports used by the board of directors. Each segment is a strategic business component exposed to risk which is unique to the component and each component is separately managed. At 31 December 2015, the segments and their respective operations are as follows:

#### Non life insurance business

§ Commercial insurance - providing cover on the assets and liabilities of business enterprise.

§ Personal insurance - consisting of insurance to individuals and their personal property. Life insurance business

§ **Insurance contracts**- contracts on which the Corporation accepts significant insurance risk from policyholder by agreeing to compensate the policyholder if insured event take place.

§ **Investment contracts**- consist of contracts that transfer financial risk with no insurance risk. Refer note 34 and 35 for non life and life insurance segment information analysis respectively.

### 1.2 Segment information

Transactions between the business segments are carried out at arm's length. The revenue from external parties reported to the executive committee and board of directors is measured in a manner consistent with that in the statement of comprehensive income. The Executive Committee and Board of Directors assess the performance of the operating segments based on a smoothed measure of operating profit. Unallocated costs represent corporate expenses, classified and investments and Shareholders funds. The total amounts of assets and liabilities are measured in a manner consistent with that of financial statements. Assets consist primarily of plant and equipment, loans and receivables including insurance receivables, reinsurance assets and operating cash. Liabilities comprise operating liabilities for both insurance and investment contracts, reinsurance liabilities and insurance and other payables excluding items such as taxation. These assets and liabilities are not allocated to any segments but included in corporate asset and liabilities.

### 1.3 Entity – wide information

#### Geographic segments

The Corporation's operations are wholly within Swaziland and its revenue is fully generated from within the country.

#### Customer

Management considers its external customers to be the individual policyholders; as such the Corporation is not reliant on any individual customer.

## Notes To The Aggregated Financial Statements

	2015 E	2014 E
<b>2 Expenditure</b>		
<b>2.1 Operating expenses</b>		
Operating expenses include the following items:		
Auditors' remuneration		
- Audit fees:- external audit excluding IT Review	<u>969 927</u>	<u>863 570</u>
- Internal audit and other services	<u>907 776</u>	<u>838 244</u>
- Other audit related services including IT Review and VAT	<u>725 742</u>	<u>676 723</u>
Actuarial fees	<u>1 492 800</u>	<u>1 270 662</u>
Amortisation of intangible assets (Note 12)	<u>3 108 109</u>	<u>3 044 831</u>
Directors emoluments – for services as directors	<u>1 060 160</u>	<u>650 842</u>
Depreciation (Note 11)	<u>1 768 698</u>	<u>1 499 340</u>
Employee benefit expenses (Note 8)	<u>42 723 094</u>	<u>42 005 874</u>
Insurance levy	<u>5 204 081</u>	<u>3 861 667</u>
Legal fees	<u>212 514</u>	<u>768 429</u>
Professional fees	<u>704 287</u>	<u>545 128</u>
Repairs and maintenance	<u>4 407 059</u>	<u>4 564 361</u>
Software licence and maintenance fees	<u>11 921 423</u>	<u>11 426 201</u>
<b>2.2 Asset management expenses</b>		
Property management	<u>471 920</u>	<u>459 408</u>
Investment managers' administration fees	<u>5 218 395</u>	<u>4 933 527</u>
	<u>5 690 315</u>	<u>5 392 935</u>
<b>3 Investment income</b>		
Financial assets- at fair value through profit and loss:		
- Dividend income	<u>18 071 269</u>	<u>14 936 378</u>
- Interest income	<u>53 251 855</u>	<u>47 750 176</u>
Loans and receivables interest income	<u>488 611</u>	<u>437 845</u>
Cash and cash equivalents interest income	<u>7 918 534</u>	<u>5 358 625</u>
Rental income and parking fees	<u>8 896 011</u>	<u>8 819 970</u>
	<u>88 626 280</u>	<u>77 302 994</u>

## Notes To The Aggregated Financial Statements

	2015 E	2014 E
<b>4 Net realised fair value gains</b>		
<b>4.1 Fair value gains on financial assets:</b>		
Fair value gains/(losses) on financial assets comprise of the following:-		
Momentum Asset Management – Non life	6 978 668	9 178 468
ABSA Asset Management – Non life	(239 092)	-
STANLIB Asset Managers – Life	48 084 456	77 015 545
	<b>54 824 032</b>	86 194 013
<b>4.2 Fair value losses on investment properties:</b>		
Fair value losses on investment property (Note 13)	-	(10 262 473)
<b>5 Net unrealised fair value losses on assets at fair value through profit or loss</b>		
Unrealised fair value losses on financial assets	(55 634 957)	(40 043 809)
Increase in Investment contracts (Note 31)	(15 670 243)	(18 075 939)
	<b>(71 305 200)</b>	(58 119 748)
<b>6 Fee income from policyholders</b>		
Insurance contracts	6 177 656	5 232 558
Investment contracts	11 352 462	10 855 990
	<b>17 530 118</b>	16 088 548
<b>7 Income tax expense</b>		
Swaziland normal Corporation taxation:		
Current year (Note 26)	61 647 732	45 387 534
Deferred taxation (Note 16)	(292 681)	(295 817)
	<b>61 355 051</b>	45 091 717

## Notes To The Aggregated Financial Statements

	2015 E	2014 E
<b>7</b>		
<b>Income tax expense</b> (continued)		
Taxation rate reconciliation:		
Standard taxation rate	27.5%	27.5%
Income not subject to tax	(0.4%)	(1.7%)
Expenses not deductible for tax purposes	0.4%	0.3%
Effective taxation rate	<u>27.5%</u>	<u>26.1%</u>
<b>8</b>		
<b>Employee benefit expenses</b>		
Salaries	30 244 153	30 068 338
Performance bonus	8 800 929	8 098 490
Staff welfare costs	286 229	580 074
Pension costs – defined contribution plan (Note 28)	3 391 783	3 258 972
	<u>42 723 094</u>	<u>42 005 874</u>
The average number of employees during the year was 104 (2014:98).		
<b>9</b>		
<b>Net insurance premium income</b>		
Life insurance contracts with fixed guaranteed terms	180 286 479	177 673 629
Non life insurance contracts		
- premium written	432 832 826	394 409 754
- change in unearned premium provision	(10 054 180)	(7 862 738)
<b>Premium revenue arising from insurance contracts issued</b>	<b>603 065 125</b>	<b>564 220 645</b>
<b>Non life reinsurance contracts</b>		
- premium payables (Note 24.1)	(130 605 661)	(118 415 633)
- change in unearned premium provision	3 163 794	(1 086 078)
Life reinsurance contracts (Note 24.1)	(10 789 764)	(11 159 258)
<b>Premium revenue ceded to reinsurers on insurance contracts issued</b>	<b>(138 231 631)</b>	<b>(130 660 969)</b>
<b>Net premium income</b>	<u>464 833 494</u>	<u>433 559 676</u>
<b>10</b>		
<b>Insurance benefits and claims</b>		
<b>Life insurance contracts with fixed and guaranteed terms:</b>		
- death, maturity and surrender benefits	(115 867 820)	(101 364 634)
- decrease/(increase) in actuarial insurance liabilities (Note 32.1)	(21 486 453)	(83 081 447)
- insurance benefits recoverable /from reinsurers	6 231 894	5 805 176
Total cost of policyholder benefits	<u>(131 122 379)</u>	<u>(178 640 905)</u>

## Notes To The Aggregated Financial Statements

### 10 Insurance benefits and claims (continued)

#### Non life insurance claims and loss adjustment expenses:

	2015			2014		
	Gross E	Reinsurance E	Net E	Gross E	Reinsurance E	Net E
Current year claims paid and adjustment expenses	103 089 864	19 683 990	122 773 854	104 193 565	44 010 840	148 204 405
Change in provision for outstanding claims	(19 407 489)	(16 758 178)	(36 165 667)	(30 727 849)	(33 779 163)	(64 507 012)
Total claims incurred and adjustment expenses	<u>83 682 375</u>	<u>2 925 812</u>	<u>86 608 187</u>	<u>73 465 716</u>	<u>10 231 677</u>	<u>83 697 393</u>

### 11 Property, plant and equipment

	Office furniture and equipment E	Motor Vehicles E	Land and buildings E	Total E
<b>Year ended 31 December 2015</b>				
Cost				
Opening balance	12 194 849	791 568	46 882 360	59 868 777
Additions	1 577 191	461 095	-	2 038 286
	<u>13 772 040</u>	<u>1 252 663</u>	<u>46 882 360</u>	<u>61 907 063</u>
Accumulated depreciation				
Opening balance	(10 638 653)	(713 904)	(6 882 360)	(18 234 917)
Charge for the year	(699 330)	(74 241)	(995 127)	(1 768 698)
	<u>(11 337 983)</u>	<u>(788 145)</u>	<u>(7 877 487)</u>	<u>(20 003 615)</u>
<b>Net carrying amount</b>	<u>2 434 057</u>	<u>464 518</u>	<u>39 004 873</u>	<u>41 903 448</u>

## Notes To The Aggregated Financial Statements

### 11 Property, plant and equipment (continued)

	Office furniture and equipment	Motor Vehicles	Land and Buildings	Total
	E	E	E	E
Year ended 31 December 2014				
<b>Cost</b>				
Opening balance	11 141 839	713 863	32 833 333	44 689 035
Additions	1 053 010	77 705	-	1 130 715
Revaluations (Note 22)	-	-	14 049 027	14 049 027
	<u>12 194 849</u>	<u>791 568</u>	<u>46 882 360</u>	<u>59 868 777</u>
<b>Accumulated depreciation</b>				
Opening balance	(9 902 750)	(690 096)	(6 192 731)	(16 785 577)
Charge for the year	(735 903)	(23 808)	(689 629)	(1 449 340)
	(10 638 653)	(713 904)	(6 882 360)	(18 234 917)
Net carrying amount	<u>1 556 196</u>	<u>77 664</u>	<u>40 000 000</u>	<u>41 633 860</u>

The Corporation's land and buildings were revalued in December 2014. The revaluation was done on a fair market value method by Broll Valuation & Advisory Services. The project manager, Tim Moulder is a registered Professional Valuer with FRICS FIV (SA). The land and buildings consists of Lot 2176, Mbabane, Hhohho, measuring 7464m<sup>2</sup>.

Included in property, plant and equipment are fully depreciated items with an initial cost of E 10 452 934 (2014: E7 487 551).

	2015 E	2014 E
<b>12 Intangible assets</b>		
<b>Cost</b>		
At the beginning of the year	22 235 367	18 104 145
Additions	2 314 841	4 131 222
At the end of the year	24 550 208	22 235 367
<b>Accumulated amortisation</b>		
At the beginning of the year	(18 510 591)	(15 465 760)
Charge for the year	(3 108 109)	(3 044 831)
At the end of the year	(21 618 700)	(18 510 591)
Net carrying amount	<u>2 931 508</u>	<u>3 724 776</u>

Included in intangible assets are fully amortized items with an initial cost of E 15 143 901 (2014: E14 400 536).

## Notes To The Aggregated Financial Statements

### 13 Investment properties

	<b>Land and Buildings E</b>
<b>31 December 2015</b>	
At the beginning of the year	<u>55 000 000</u>
At the end of the year	<u>55 000 000</u>
<b>31 December 2014</b>	
At the beginning of the year	65 262 473
Fair value losses	<u>(10 262 473)</u>
At the end of the year	<u>55 000 000</u>

The investment property consists of Lilunga House, which is held for rental income purposes and for capital appreciation. The amount shown above represents an estimate of fair value at the statement of financial position date.

Fair value is based on valuations that are done by a professional firm of valuers, Broll Valuation and Advisory Services (Proprietary) Limited. The last valuation was done in December 2014.

There are no restrictions to the realisability of this property and the property is not pledged as security for any liability.

A register of Investment Properties at 31 December 2015 is available for inspection at the Corporation's registered office.



The prosperity of our future leaders depends upon the opportunity for development accorded to them, **today.**

## Notes To The Aggregated Financial Statements

	2015 E	2014 E
<b>14 Financial assets</b>		
Held to maturity (note 14.1)	-	26 347 169
At fair value through profit and loss (note 14.2)	<b>1 354 613 920</b>	1 238 904 627
	<b><u>1 354 613 920</u></b>	<b><u>1 265 251 796</u></b>
<b>14.1 Held to Maturity</b>		
current		
Swaziland Government (SG 009) – Debt	-	26 347 169
	<b><u>-</u></b>	<b><u>26 347 169</u></b>
<b>14.2 At fair value through profit or loss</b>		
Non-current		
Swaziland Building Society – Permanent unlisted shares	<b>84 140 955</b>	72 738 171
Swazi Spa Holdings Limited – Equity	<b>1 148 400</b>	1 588 620
Nedbank Swaziland Limited – Equity	<b>2 087 720</b>	1 612 500
Royal Swaziland Sugar Corporation – Equity	<b>2 025 000</b>	1 912 500
	<b>89 402 075</b>	77 851 791
Current		
Investments managed by Momentum Asset Management:		
- Equity	<b>507 861</b>	16 253 999
- Capital Market	-	13 299 560
- Money Market	-	45 914 245
Investment managed by STANLIB Asset Managers:		
- Equity	<b>468 271 690</b>	485 894 653
- Capital market	<b>376 769 718</b>	350 462 141
- Money Market	<b>328 466 647</b>	237 794 537
Investment managed by African Alliance		
- Money Market	<b>12 170 515</b>	11 433 701
Investment managed by ABSA Asset Managers:		
- Equity	<b>21 390 659</b>	-
- Capital market	<b>35 153 876</b>	-
- Money Market	<b>22 480 879</b>	-
	<b>1 265 211 845</b>	1 161 052 836
	<b><u>1 354 613 920</u></b>	<b><u>1 238 904 627</u></b>

Financial assets at fair value through profit or loss are presented within 'investing activities' in the statement of cash flows

## Notes To The Aggregated Financial Statements

### 14 Financial assets at fair value through profit or loss (continued)

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'net realised unrealised fair value gains on financial asset' in the statement of comprehensive income (note 4 and 5).

The fair value of all equity securities is based on their current bid prices in an active market.

### 15 Loans and receivables including insurance receivables

#### Receivables arising from insurance contracts:

- due from agents, brokers and intermediaries

	2015 E	2014 E
- due from agents, brokers and intermediaries	41 381 295	52 408 311
<b>Receivables arising from reinsurance contracts:</b>		
- due from reinsurers	221 938	493 068
<b>Other receivables:</b>	74 951 133	70 282 453
Staff receivables	8 087 549	8 479 896
Other receivables	7 285 504	4 362 843
Loans to agents	123 577	83 667
Loans to policyholders	59 454 503	57 356 047
	<b>116 554 366</b>	<b>123 183 832</b>

#### Receivables arising from reinsurance contracts:

- due from reinsurers

#### Other receivables:

Staff receivables

Other receivables

Loans to agents

Loans to policyholders

The fair value of the trade and other receivables approximate their book values as included above.

At 31 December 2015, none of the receivables are past due. The entity further believes that no impairment allowance is necessary in respect of receivables as no objective evidence existed at year end to indicate that one or more events may have a negative effect on the estimated future cash flows expected from any individual balance.

### 16 Deferred income tax asset

At the beginning of the year

(783 883) (488 066)

Charge to statement of comprehensive income (note 7)

(292 681) (295 817)

**At the end of the year**

**(1 076 564) (783 883)**

Deferred income taxes are calculated in full on temporarily differences under the liability method using the principal tax rate of 27.5% (2014: 27.5%).

The gross movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

At the beginning of the year

(783 883) (488 066)

Arising from property, plant and equipment and intangible assets

(292 681) (295 817)

**At the end of the year**

**(1 076 564) (783 883)**

## Notes To The Aggregated Financial Statements

	2015	2014
	E	E
<b>16</b>		
<b>Deferred income tax</b> (continued)		
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 assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:		
Deferred income tax assets to be recovered in less than 12 months:		
- Difference between depreciation and wear and tear allowances	<b>(1 076 564)</b>	(783 883)
<b>17</b>		
<b>Cash and cash equivalents</b>		
Cash on hand	<b>9 000</b>	9 000
Non life deposits with local banks	<b>260 834 984</b>	204 381 644
Non life securities and money market assets	<b>47 222 990</b>	44 045 848
	<b>308 066 974</b>	248 436 492
<b>18</b>		
<b>Reinsurance assets</b>		
Reinsurers' share of insurance assets	<b>57 550 798</b>	70 699 201
The movement in the reinsurance assets account is as follows:		
At the beginning of the year	<b>70 699 201</b>	107 043 045
Movements in asset held in respect of amounts due by reinsurers in respect of ceded claims.	<b>(13 148 403)</b>	(36 343 844)
<b>At the end of the year (Note 30.1)</b>	<b>57 550 798</b>	70 699 201
<b>18.1</b>		
The reinsurers' share of insurance liabilities includes:	<b>57 550 798</b>	70 699 201
Outstanding claims (Note 30.1)	<b>14 243 751</b>	30 252 725
Unearned premiums (Note 30.1)	<b>40 987 941</b>	37 824 147
Insurance contracts (Note 30.1)	<b>2 319 106</b>	2 622 329

Amounts due from reinsurers in respect of claims already paid by the Corporation on the contracts that are reinsured are included in loans and other receivables (Note 15).

## Notes To The Aggregated Financial Statements

	2015	2014
	E	E
<b>19 Deferred acquisition costs</b>		
The movement in the deferred acquisition costs account is as follows:		
At the beginning of the year	8 466 827	7 672 770
Acquisition expenses paid	54 016 277	52 719 961
Charged to statement of comprehensive income during the year (Note 20)	(54 034 998)	(51 925 904)
<b>At the end of the year</b>	<b>8 448 106</b>	<b>8 466 827</b>
<b>20 Net expenses of acquisition of insurance contracts</b>		
Expenses for acquisition of insurance contract – non life	(54 034 998)	(51 925 904)
– life	(11 384 862)	(9 690 200)
Total commission expenses	(65 419 860)	(61 616 104)
Fees earned from reinsurance contracts – non life	39 531 710	33 158 870
– life	2 396 958	2 381 946
Total commission income	41 928 668	35 540 816
<b>Net expenses of acquisition of insurance contracts</b>	<b>(23 491 192)</b>	<b>(26 075 288)</b>
<b>21 Share capital</b>		
Authorised share capital – 4 000 000 (2014: 4 000 000) ordinary shares of E1 each	4 000 000	4 000 000
Issued share capital – 4 000 000 (2014: 4 000 000) ordinary shares of E1 each	4 000 000	4 000 000
<b>The reconciliation of authorised and issued share capital is as follows:</b>		
	<b>2015</b>	<b>2014</b>
	<b>Authorised</b>	<b>Issued</b>
	E	E
At the beginning of the year	4 000 000	4 000 000
<b>At the end of the year</b>	<b>4 000 000</b>	<b>4 000 000</b>

There were no changes on authorised and issued share capital during the year.

The requirements of Clause 7(2) of the Insurance Act, 2005 requires that the Corporation should hold a minimum share capital of E2 000 000. SRIC has a share capital of E4 000 000 because it is a registered insurer for both non life and life insurance businesses.

## Notes To The Aggregated Financial Statements

	2015 E	2014 E
<b>22 Revaluation Reserves</b>		
At the beginning of the year	32 829 347	18 780 320
Revaluation – land and buildings (Note 11)	-	14 049 027
<b>At the end of the year</b>	<b>32 829 347</b>	<b>32 829 347</b>

The revaluation reserve arose when the Corporation's land and buildings were last revalued in December 2014. The revaluation was done by a professional firm of valuers, Broll Valuation and Advisory Services (Proprietary) Limited. The land and buildings consists of Lot 2176, Mbabane, Hhohho measuring 7464m.

### 23 Retained earnings

	Non life Portion E	Life portion E	Total E
<b>Year ended 31 December 2015</b>			
At the beginning of the year	203 252 146	242 522 135	445 774 281
Comprehensive income for the year	116 243 056	45 114 627	161 357 683
Dividends paid	(87 000 000)	(28 000 000)	(115 000 000)
<b>At the end of the year</b>	<b>232 495 202</b>	<b>259 636 762</b>	<b>492 131 964</b>

### Year ended 31 December 2014

At the beginning of the year	242 335 560	238 555 014	480 890 574
Comprehensive income for the year	100 916 586	26 967 121	127 883 707
Dividends paid	(140 000 000)	(23 000 000)	(163 000 000)

<b>At the end of the year</b>	<b>203 252 146</b>	<b>242 522</b>	<b>445 774 281</b>
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	2015 E	2014 E
<b>24 Reinsurance liabilities</b>		
Premiums due to reinsurers (refer note 24.1)	9 206 523	17 682 207

#### 24.1 The movement in premiums due to reinsurers is as follows:

At the beginning of the year	17 682 207	7 049 762
Non life reinsurance contracts (note 9)	130 605 661	118 415 633
Life reinsurance contracts (note 9)	10 789 764	11 159 258
Cash paid to reinsurers	(149 871 109)	(118 942 446)
<b>At the end of the year</b>	<b>9 206 523</b>	<b>17 682 207</b>

## Notes To The Aggregated Financial Statements

	2015	2014
	E	E
<b>25 Insurance and other payables</b>		
Commission due to agents and brokers	8 772 231	13 189 531
Trade and other payables	19 164 394	20 666 205
- Trade accounts payable	6 766 360	4 359 691
- Other payables	12 398 034	16 306 514
	<b>27 936 625</b>	<b>33 855 736</b>
<b>26 Current income tax liability/(asset)</b>		
<b>The movement in the current income tax account is as follows:</b>		
At the beginning of the year	(4 472 520)	23 912 009
Charged to statement of comprehensive income – current (note 7)	61 647 732	45 387 534
Paid during the year	(39 041 183)	(73 772 063)
<b>At the end of the year</b>	<b>18 134 029</b>	<b>(4 472 520)</b>
<b>27 Provisions for other liabilities and charges</b>		
	<b>Performance</b>	
	<b>Bonus</b>	<b>Total</b>
	E	E
<b>For the year ended 31 December 2015</b>		
At the beginning of the year	7 828 110	7 828 110
Charged to statement of comprehensive income	8 800 929	8 800 929
Utilised during the year	(8 088 206)	(8 088 206)
<b>At the end of the year</b>	<b>8 540 833</b>	<b>8 540 833</b>
	Performance	
	Bonus	Total
	E	E
<b>For the year ended 31 December 2014</b>		
At the beginning of the year	7 844 933	7 844 933
Charged to statement of comprehensive income Note	8 098 490	8 098 490
Utilised during the year	(8 115 313)	(8 115 313)
<b>At the end of the year</b>	<b>7 828 110</b>	<b>7 828 110</b>

### Performance bonus

Provision is made for payments in accordance with a bonus plan for the year ended 31 December 2015. The bonus provision consists of a performance based bonus, which is determined by reference to the overall Corporation performance with regard to a set of pre-determined key performance areas. The cash flow is expected to occur in 2016 financial year when the results have been approved.

## Notes To The Aggregated Financial Statements

### 28 Retirement benefits

The Corporation provides retirement benefits for all its employees through the Pension fund of the Corporation which is a defined contribution plan. Employees contribute 7% (2014:7%) of their pensionable emoluments. The employer contributes 18.3% of pensionable emoluments part of which pays for risk benefits.

	2015 E	2014 E
Defined contribution plan - Employer	<b>4 944 988</b>	3 258 972
- Employee	<b>1 891 526</b>	1 246 601
<b>29 Cash flow information</b>		
<b>29.1 Insurance premium received</b>		
Life insurance contracts with fixed guaranteed terms (Note 9)	<b>180 286 479</b>	177 673 629
Non life insurance contracts – premium written (Note 9)	<b>432 832 826</b>	394 409 754
Opening insurance premium receivable (Note 15)	<b>52 408</b>	41 803 579
Closing insurance premium receivable (Note 15)	<b>(41 381 296)</b>	(52 408 311)
	<b>624 146 320</b>	561 478 651
<b>29.2 Payments to intermediaries to acquire insurance contracts</b>		
Opening commission payable (Note 25)	<b>(13 189 531)</b>	(10 052 263)
Commission expense charged to the statement of comprehensive income (Note 20)	<b>(65 419 860)</b>	(61 616 104)
Closing commission payable (Note 25)	<b>8 772 231</b>	13 189 531
Opening deferred acquisition commission (Note 19)	<b>8 466 827</b>	7 672 770
Closing deferred acquisition commission (Note 19)	<b>(8 448 106)</b>	(8 466 827)
	<b>(69 818 439)</b>	(59 272 893)
<b>29.3 Cash paid to employees and other suppliers for services rendered</b>		
Operating expenses	<b>(92 128 325)</b>	(85 510 389)
Amortization of intangible assets ( Note 12)	<b>3 108 109</b>	3 044 831
Depreciation of property, plant and equipment (Note 11)	<b>1 768 698</b>	1 449 340
Opening provisions for other liabilities (note 27)	<b>(7 828 110)</b>	(7 844 933)
Closing provisions for other liabilities (note 27)	<b>8 540 833</b>	7 828 110
Opening trade and other payables excluding insurance payables (note 25)	<b>(20 666 205)</b>	(25 817 094)
Closing trade and other payables excluding insurance payables (note 25)	<b>19 164 395</b>	20 666 205
	<b>(88 040 605)</b>	(86 183 930)

## Notes To The Aggregated Financial Statements

	2015 E	2014 E
<b>29 Cash flow information (continued)</b>		
<b>29.4 Net movements in financial assets</b>		
At the beginning of the year (Note 14)	1 265 251 796	1 276 341 257
Unrealised fair value losses on financial assets (Note 5)	(55 634 957)	(40 043 809)
Fair value gains on financial assets (Note 4.1)	54 824 032	86 194 013
Investment managers' administration fees (Note 2.2)	(5 218 395)	(4 933 527)
Net movements in financial assets	95 391 444	(52 306 138)
<b>At the end of the year (Note 14)</b>	<b>1 354 613 920</b>	<b>1 265 251 796</b>
<b>29.5 Cash paid to finance premiums and other receivables (Note 15)</b>		
Opening receivables excluding receivables from insurance contracts	70 775 521	68 064 369
Closing receivables excluding receivables from insurance contracts	(75 173 068)	(70 775 521)
	<b>(4 397 547)</b>	<b>(2 711 152)</b>
<b>30 Insurance liabilities and reinsurance assets – Insurance contracts</b>		
<b>30.1 Gross</b>		
<b>Non life insurance contracts</b>		
– Claims reported and loss adjustment expenses	51 987 388	73 412 134
– Claims incurred but not reported (IBNR)	31 163 963	28 397 502
– Unearned premiums reserve	138 604 740	128 550 560
<b>Life insurance contracts</b>		
– With fixed and guaranteed terms (Note 32.2)	826 477 712	807 613 588
– Outstanding claims	21 660 504	13 066 300
<b>Total insurance liabilities – gross</b>	<b>1 069 894 307</b>	<b>1 051 040 084</b>
<b>Recoverable from reinsurers</b>		
<b>Non life insurance contracts:</b>		
– Claims reported and loss adjustment expenses	6 624 582	23 382 760
– Claims incurred but not reported (IBNR)	7 619 169	6 869 965
– Unearned premiums reserve	40 987 941	37 824 147
<b>Life insurance contracts</b>		
– With fixed and guaranteed terms	2 319 106	2 622 329
<b>Total reinsurers' share of insurance liabilities (Note 18)</b>	<b>57 550 798</b>	<b>70 699 201</b>
<b>Net</b>		
<b>Non life insurance contracts</b>		
– Claims reported and loss adjustment expenses	45 362 806	50 029 374
– Claims incurred but not reported (IBNR)	23 544 794	21 527 537
– Unearned premiums reserve	97 616 799	90 726 413
<b>Life insurance contracts</b>		
– With fixed and guaranteed terms	789 158 606	804 991 259
– Outstanding claims	21 660 504	13 066 300
<b>Total insurance liabilities</b>	<b>977 343 509</b>	<b>980 340 883</b>

## Notes To The Aggregated Financial Statements

	2015 E	2014 E
<b>30 Insurance liabilities and ce assets – Continued</b>		
<b>Insurance contracts (continued)reinsurance</b>		
<b>30.1.1 Movements in insurance liabilities and reinsurance assets – Insurance contracts</b>		
(a) Claims and loss adjustment expenses		
<b>Gross outstanding claims - Non life</b>		
Outstanding claims	51 987 388	73 412 134
Provision for incurred but not reported (IBNR) claims	31 163 963	28 397 502
Gross outstanding claims	83 151 351	101 809 636
Reinsurance on outstanding claims (Note 18.1)	(14 243 751)	(30 252 725)
Net outstanding claims	<u>68 907 600</u>	<u>71 556 911</u>
<b>The movement in non life outstanding claims is as follows:</b>		
Net outstanding claims at the beginning of the year	71 556 911	68 505 598
Gross Claims	73 412 134	105 458 041
Provision for incurred but not reported claims	28 397 502	28 663 763
Reinsurance on gross claims	(23 382 760)	(57 161 923)
Reinsurance on incurred but not reported claims	(6 869 965)	(8 454 283)
Net cash paid for claims settled in the year	(89 257 498)	(80 646 081)
Gross (note 10)	(103 089 864)	(104 193 567)
Less reinsurance	13 832 366	23 547 486
Net increase in claims liabilities during the year	86 608 187	83 697 394
Gross	81 665 118	72 147 660
Change in provision for incurred but not reported claims	2 766 461	(266 260)
Reinsurance on gross claims incurred (Note 10)	2 925 812	10 231 677
Change in reinsurance on incurred but not reported claims	(749 204)	1 584 317
Net outstanding claims at the end of the year	68 907 600	71 556 911
Gross Claims	51 987 388	73 412 134
Provision for incurred but not reported claims	31 163 963	28 397 502
Reinsurance on gross claims	(6 624 582)	(23 382 760)
Reinsurance on incurred but not reported claims	(7 619 169)	(6 869 965)

## Notes To The Aggregated Financial Statements

	2015 E	2014 E
<b>30 Insurance liabilities and reinsurance assets –Insurance contracts</b> (continued)		
<b>30.1.1 Movements in insurance liabilities and reinsurance assets – Insurance contracts</b> (continued)		
(a) Claims and loss adjustment expenses (continued)		
<b>Gross outstanding claims –life</b>		
Outstanding claims	<b>21 660 504</b>	13 066 300
<b>The movement in life outstanding claims is as follows:</b>		
Net outstanding claims at the beginning of the year	<b>13 066 300</b>	5 299 261
- Gross	<b>13 066 300</b>	5 529 358
- Reinsurance	-	(230 097)
Net increase in claims liabilities during the year	<b>111 955 032</b>	(98 181 787)
- Gross	<b>115 867 820</b>	101 364 634
- Reinsurance	<b>(3 912 788)</b>	(3 182 847)
Net cash paid for claims settled in the year	<b>(103 360 828)</b>	(90 414 748)
- Gross	<b>(107 273 616)</b>	(93 827 692)
- Reinsurance	<b>3 912 788</b>	3 412 944
<b>Net outstanding claims</b>	<b>21 660 504</b>	13 066 300
-Gross outstanding claims at the end of the year	<b>21 660 504</b>	13 066 300
- Reinsurance on outstanding claims	-	-
<b>Gross outstanding claims - aggregated</b>		
Gross outstanding claims	<b>104 811 855</b>	114 875 936
Re-insurance on outstanding claims	<b>(6 624 582)</b>	(30 252 725)
	<b>98 187 273</b>	84 623 211
<b>Net cash paid for claims settled during the year – aggregated</b>		
Net cash paid for claims settled during the year	<b>(192 618 326)</b>	(171 060 829)
Gross claims	<b>(210 363 480)</b>	(198 021 259)
Reinsurance claims	<b>17 745 154</b>	26 960 430

## Notes To The Aggregated Financial Statements

	2015 E	2014 E
<b>30 Insurance liabilities and reinsurance assets – Insurance contracts</b> (continued)		
<b>30.1.1 Movements in insurance liabilities and reinsurance assets – Insurance contracts</b> (continued)		
(b) Provisions for unearned premiums		
<b>The movements for the year are summarised below.</b>		
Gross unearned premiums provision	<b>138 604 740</b>	128 550 560
Premium ceded to reinsurers	<b>(40 987 941)</b>	(37 824 148)
<b>Net provision for unearned premiums</b>	<b>97 616 799</b>	90 726 412
<b>The movement in the unearned premiums account during the year was as follows:</b>		
At the beginning of the year	<b>90 726 413</b>	81 777 597
Net decrease during the year	<b>6 890 386</b>	8 948 816
Changes in gross unearned premiums (Note 9)	<b>10 054 180</b>	7 862 738
Changes in unearned premiums reinsurance (Note 9)	<b>(3 163 794)</b>	1 086 078
<b>At the end of the year</b>	<b>97 616 799</b>	90 726 413
These provisions represent the liability for non life insurance contracts for which the Corporation's obligations are not expired.		
(c) Life insurance contracts		
<b>The movement in the life insurance contracts during the year was as follows:</b>		
At beginning of year	<b>807 613 588</b>	726 818 659
Valuation premium (Note 9)	<b>180 286 479</b>	177 673 629
Liabilities released for payments on death and other terminations in the year	<b>(109 635 926)</b>	(95 559 458)
Other movements	<b>(51 786 429)</b>	(1 319 242)
<b>At end of year</b>	<b>826 477 712</b>	807 613 588
As defined in the accounting policies, valuation premiums are the amounts of premiums received that directly increase the insurance liabilities.		

## Notes To The Aggregated Financial Statements

	2015 E	2014 E
<b>31 Insurance liabilities - Investment contracts</b>		
The movements in the liabilities arising from investment contracts with DPF are summarised below:		
At beginning of year	<b>228 643 422</b>	205 492 620
Premiums received – Gross (Note 35)	<b>84 232 615</b>	45 175 094
Fees deducted from account balances (Note 6)	<b>(11 352 462)</b>	(10 855 990)
Investment contracts benefit expenses (Note 35)	<b>(33 721 762)</b>	(29 244 241)
Increase in investment contracts	<b>15 670 243</b>	18 075 939
<b>At end of year</b> (Note 32)	<b>283 472 056</b>	228 643 422

### 32 Life fund valuation

#### 32.1 Life insurance and investment business liabilities

In accordance with the Insurance Act of 2005 an actuarial valuation of the life fund was carried out on 31 December 2015 by Deloitte & Touche.

The movement in the Life fund account is accounted for as follows:

At the beginning of the year	<b>1 036 257 010</b>	932 311 279
Investment Products – Pensions and Annuities (Note 35)	<b>72 880 154</b>	34 319 104
Other increase in investment contracts liability	<b>13 047 913</b>	15 789 421
Investment contracts benefit expenses (Note 35)	<b>(33 721 762)</b>	(29 244 241)
(Decrease)/Increase in insurance liabilities	<b>21 486 453</b>	83 081 447
At the end of the year (Note 32.2)	<b>1 109 949 768</b>	1 036 257 010

#### 32.2 The summary of actuarial liabilities

The summary of actuarial liabilities is as follows:

	Summary of Actuarial Liabilities			
	31-Dec 15		31-Dec 14	
	Gross of Reinsurance E	Net of Reinsurance E	Gross of Reinsurance E	Net of Reinsurance E
Insurance Products (Note 30.1.1)	<b>826 477 712</b>	<b>824 158 606</b>	807 613 588	804 991 259
Investment Products (Note 31)	<b>283 472 056</b>	<b>283 472 056</b>	228 643 422	228 643 422
	<b>1 109 949 768</b>	<b>1 107 630 662</b>	1 036 257 010	1 033 634 681

## Notes To The Aggregated Financial Statements

	2015 E	2014 E
<b>32 Life fund valuation</b> (continued)		
<b>32.2 The summary of actuarial liabilities</b> (continued)		
The results of the valuation are as follows:		
<b>Market value of assets</b> (Note 32.2.1)	<b>1 367 267 426</b>	1 276 156 816
<b>Less: Policyholder Actuarial Liability</b>	<b>1 107 630 662</b>	1 033 634 681
Individual life (incl. bonuses)	<b>612 481 353</b>	625 839 245
Pension and Corporation life	<b>418 032 883</b>	338 281 805
Additional reserves		
Bonus stabilisation reserve	<b>31 368 809</b>	46 359 416
Data reserve	<b>45 500 000</b>	10 500 000
Reserve i.r.o. matured policies	<b>247 617</b>	12 654 215
<b>Excess of assets over liabilities</b>	<b>259 636 764</b>	242 522 135
 <b>32.2.1 Reconciliation of market value of assets</b>		
Total assets (Note 35)	<b>1 454 298 514</b>	1 318 690 581
Less: Current Liabilities (Note 35)	<b>(84 711 983)</b>	(39 911 436)
Reinsurance share on insurance contracts (Note 30.1)	<b>(2 319 105)</b>	(2 622 329)
 <b>Market value of assets</b>	<b>1 367 267 426</b>	1 276 156 816

## Notes To The Aggregated Financial Statements

### 32.3 Summary of the main actuarial assumptions

#### 32.3.1 Demographic and expense assumptions

The demographic and expense assumptions for 2015 and 2014 are as follows:

The Individual business demographic and expense assumptions for 2015 (2014) are as follows:

Mortality Assurances	Male: 80% of SA56-62 + 0.001 + 100% of Assa2003m). Female: 80% of (SA56-62f + 0.001+100% of Assa2003f) where SA56-62f rated down by 3 years.
Pensions in payment	125% of Δ(90)
AIDS	80% of ASSA2003 for Males and 80% of ASSA2003 for Females
Withdrawal	7.5% per annum for Lilunga policies; 7.5% per annum for Mortgage Protection policies; 7.5% per annum for Term Assurances policies; 2.5% per annum for Rest In Peace policies; 7.5% per annum for Insika policies; 0% per annum for all other policy types
Expenses	E492 (E530.00) per main policy p.a. E49.2 (E53) per supplementary policy per annum

\*Note SA56-62f is SA56-62 where the rates have been shifted three years

#### Mortality

The individual business mortality assumption is set to reflect the expected future mortality of the lives assured and is based on standard South African tables. This includes an assumption for mortality due to AIDS, which is based on the AIDS tables derived by the Actuarial Society of South Africa. Each year the expected death benefit outgo according to the mortality assumptions set at the end of the previous year is compared with the actual death benefits in the accounts to check whether the mortality assumption is still adequate. Mortality rates were left unchanged from last year.

#### Withdrawals

Renewal and supplementary expenses per policy decreased to E492.00 and E49.20 in 2015 from E530.00 and E53.00 in 2014 respectively. This decrease was not in line with the increase implied by the expense inflation assumption. This was because of a change in the allocation of expenses to individual business, which led to lower per policy expenses. Once off expenses were also allowed for as though they are not for the same type of expenses they do occur each year.

We did not change the reserving ratios for the Group risk policies since the observed profitability remains good even though we are allocating higher expenses than previously to this line of business. See section 3.3.1. above for details of the assumed reserving ratios.

## Notes To The Aggregated Financial Statements

### 32 Life fund valuation (continued)

#### 32.3 Summary of the main actuarial assumptions (continued)

##### 32.3.2 Economic assumptions

The expected future return on bonds is derived from the 8.3 year point on the South African bond yield curve as this corresponds to the discounted mean term of the outstanding liabilities. The 8.3 year point was chosen relative to the average term on the liabilities. The expected future return on the other asset classes are then derived using flat deduction / additions to this bond yield. The future investment return assumption is then calculated as the weighted average of these returns using the split of the assets backing the liabilities as weights. The expense inflation assumption is also derived with reference to the bond yield assumption.

The economic assumptions used are shown below:

	GAP	2015	201
Bonds		10.4%	8.5%
Equities	2.0%	12.4%	10.5%
Property	1.0%	11.4%	9.5%
Cash	-2.0%	8.4%	6.5%
<b>Average investment return</b>		<b>10.9%</b>	<b>9.2%</b>
Expense inflation	-2.0%	8.4%	6.5%

##### Investment return

The overall investment return for a block of business is based on the investment return assumptions allowing for the current mix of assets supporting the liabilities.

##### Expenses

The per policy renewal expense assumption is based on the level of expenses during the year and the number of policies at the year end. An expense analysis is performed on the actual expenses incurred in the calendar year preceding the statement of financial position date. Expenses are first allocated to Corporation business and the remainder split between Acquisition and Renewal.

##### Expense inflation

The inflation is based on the fixed interest yield and is assumed to be 8.4% (2014: 6.5%) at 31 December 2015. The expense inflation assumption is set taking into consideration the expected future development of the number of in-force policies, as well as the expected future profile of Corporation maintenance expenses.

##### 32.3.3 Correlations

No correlations between assumptions were allowed for.

## Notes To The Aggregated Financial Statements

**Surrender group A** : All Lilunga and Insika Savings Component.

**Lapse group A** : Whole Life With Profits Up To Age 80, Rider on Conventional Product, Rider on a Unit Linked Product, Decreasing Cover Term Assurance, Supplementary Decreasing Cover Term Assurance, Insika Comprehensive Life Policy, Rider on Insika Comprehensive

**Lapse group B** : All products excluding Lapse group A and Surrender group A.

The value of discretionary margins included in the FSV liability as at 31 December 2015 is E33.1m (2014: E35.8m).

## Notes To The Aggregated Financial Statements

### 32 Life fund valuation (continued)

#### 32.3 Summary of the main actuarial assumptions (continued)

##### 32.3.5 Changes in assumptions

The impact of the change in assumptions on the liabilities is as follows (E'000):

	<b>31-Dec-15</b>	31-Dec-14
	<b>E'000</b>	E'000
Change in expense assumption	<b>(12 953)</b>	4 388
Change in discount rate on conventional BSR	<b>7 551</b>	(2 888)
Change in the economic basis	<b>(2 614)</b>	5 449
Change in the investment management expense on annuities in payment	<b>1 253</b>	-
Change in expense assumption	<b>(6 763)</b>	6 949

Detailed actuarial assumptions have been disclosed in 4.2.2 of the summary of significant accounting policies

## Notes To The Aggregated Financial Statements

### 33 Related party transactions

33.1 Related parties consist of the following entities:

Entity	Nature of relationship
Swaziland Government	Shareholder (41%)
Munich Reinsurance Company of Africa Limited	Shareholder (16%)
Cougar Investment Holdings Limited	Shareholder (16%)
Inba Holdings Limited	Shareholder (6.5%)
Public Services Pension Fund	Shareholder (6.5%)
Zurich Insurance Company South Africa Limited	Shareholder (9%)
Old Mutual Life Assurance Company South Africa	Shareholder (5%)

2015  
E

2014  
E

33.2 Transactions with related parties during the year

#### 33.2.1 Commission received from reinsurance included in acquisition expenses (net of commission expense):

Munich Reinsurance Company of Africa Limited	8 799 694	9 022 019
Mutual & Federal Insurance Company Limited	605 707	493 282
Zurich Insurance Company South Africa Limited	607 133	578 078
	<b>10 012 534</b>	<b>10 093 379</b>

#### 33.2.2 Premiums paid to reinsurers included in net premiums:

Munich Reinsurance Company of Africa Limited	39 499 034	29 328 780
Mutual & Federal Insurance Company Limited	2 422 828	1 483 487
Zurich Insurance Company South Africa Limited	4 059 058	1 908 771
	<b>45 980 920</b>	<b>32 721 038</b>

#### 33.2.3 Treaty claims recoveries during the year included in reinsurers' share of claims incurred:

Munich Reinsurance Company of Africa Limited	5 537 969	2 136 677
Zurich Insurance Company South Africa Limited	556 819	217 172
	<b>6 094 788</b>	<b>2 353 849</b>

## Notes To The Aggregated Financial Statements

	2015 E	2014 E
<b>33 Related party transactions</b> (continued)		
Balance outstanding from insurance business with related parties were as follows:		
<b>33.2.4 Claims recoveries due from reinsurers at year end included in insurance receivables:</b>		
Munich Reinsurance Company of Africa Limited	22 425	286 988
Mutual & Federal Insurance Company Limited	30 201	-
	<b>52 626</b>	286 988
<b>33.2.5 Premiums owed to reinsurers at year end included in reinsurance liabilities:</b>		
Munich Reinsurance Company of Africa Limited	1 361 830	3 194 261
Mutual & Federal Insurance Company Limited	334 473	274 390
Zurich Insurance Company South Africa Limited	-	168 370
	<b>1 696 303</b>	3 637 021
<b>33.2.6 Directors and Executive Management Compensation</b>		
Executive management compensation	3 668 448	5 253 956
Directors fees	1 060 160	650 842
<b>33.2.7 Loans to related parties</b>		
Loans to Executive Management	366 163	470 928
<b>33.2.8 Dividends paid to shareholders</b>		
Swaziland Government	47 150 000	66 830 000
Munich Reinsurance Company of Africa Limited	18 400 000	26 080 000
Cougar Investment Holdings Limited	18 400 000	26 080 000
Zurich Insurance Company South Africa Limited	10 350 000	14 670 000
INBA Holdings Limited	7 475 000	10 595 000
Public Services Pension Fund	7 475 000	10 595 000
Old Mutual Life Assurance Company South Africa	5 750 000	8 150 000
	<b>115 000 000</b>	163 000 000

Transactions with related parties are on an arm's length basis and no special conditions apply.

### 33.3 Doubtful debts

There is no provision for doubtful debts, nor any bad debt written off during the year 2015 and 2014, that relates to related parties.

## Notes To The Aggregated Financial Statements

### 34 Operating segment

#### 34.1 Divisional segments – non life insurance business

2015	Commercial E	Personal E	Investments E	Total E
Gross premiums	321 102 200	111 730 626	-	432 832 826
Less: Reinsurance premiums	<u>(122 301 273)</u>	<u>(8 304 387)</u>	-	<u>(130 605 660)</u>
Net Premiums	198 800 927	103 426 239	-	302 227 166
Change in provision for unearned premiums	<u>(4 085 994)</u>	<u>(2 804 394)</u>	-	<u>(6 890 388)</u>
Earned premiums net of reinsurance	194 714 933	100 621 845	-	295 336 778
Commission income	39 003 978	527 732	-	39 531 710
Operating income	-	-	17 872 087	17 872 087
Investment income	-	-	24 702 174	24 702 174
Other operating income	-	-	19 854	19 854
Unrealised surplus on investments	-	-	(6 849 941)	(6 849 941)
<b>Net income</b>	<u>233 718 911</u>	<u>101 149 577</u>	<u>17 872 087</u>	<u>352 740 575</u>
Net policyholder benefits incurred				
Claims and benefits incurred	(71 676 963)	(12 005 412)	-	(83 682 375)
Reinsurers' share of claims and benefits incurred	(3 207 383)	281 571	-	(2 925 812)
Acquisition costs	(41 702 726)	(12 332 272)	-	(54 034 998)
Administrative fees	-	-	6 177 656	6 177 656
Administrative expenses	<u>(38 896 738)</u>	<u>(17 806 325)</u>	<u>(300 327)</u>	<u>(57 003 390)</u>
<b>Operating profit before tax</b>	<u>78 235 101</u>	<u>59 287 139</u>	<u>23 749 416</u>	<u>161 271 656</u>
Taxation				<u>(45 028 600)</u>
<b>Operating Profit after tax</b>				<u>116 243 056</u>
<b>Segmental assets</b>				
Property Plant and Equipment				41 221 144
Intangibles				-
Deferred taxation				642 432
Investments				138 822 011
Bank and cash				193 583 792
Loans and receivables				84 530 522
Technical assets				<u>63 679 798</u>
Total assets				<u>522 479 699</u>
<b>Segmental liabilities</b>				
Technical reserves				221 756 091
Reinsurance liabilities				9 206 523
Current Tax Liability				1 385 229
Current liabilities				<u>20 807 307</u>
Total liabilities				<u>253 155 150</u>
Shareholders' funds				<u>269 324 549</u>
Total equity and liabilities				<u>522 479 699</u>

## Notes To The Aggregated Financial Statements

### 35 Divisional Segments – Life

	Investment Products	Insurance Products	Shareholder's Fund	Total
2015	E	E	E	E
Gross premiums	-	148 554 124	-	148 554 124
Less: Reinsurance premiums	-	(10 789 764)	-	(10 789 764)
Net Premiums	-	137 764 360	-	137 764 360
Pension and Annuities	72 880 154	31 732 356	-	104
Earned premiums net of reinsurance	72 880 154	169 496 716	-	242
Commission income	-	2 396 958	-	2 396 958
Operating Income	16 415 321	46 146 124	14 626 230	77 187 675
Investment Income and unrealised gains on investments	16 415 321	39 345 076	14 202 724	69 963 121
Other Operating Income	-	20 800	-	20 800
Interest on Policy Loans	-	6 780 248	423 506	7 203 754
<b>Net income</b>	<b>89 295 475</b>	<b>218 039 798</b>	<b>14 626 230</b>	<b>321 961 503</b>
Net policy holder benefits incurred				
Claims and benefits incurred	-	(103 360 488)	-	(103 360 488)
Benefits paid from pensions and annuities	(33 721 762)	(12 507 332)	-	(46 229 094)
Increase in Insurance liabilities	-	(21 486 453)	-	(21 486 453)
Increase in Investment contracts	(54 828 634)	-	-	(54 828 634)
Insurance benefits recovered from reinsurers	-	6 231 894	-	6 231 894
Acquisition cost	-	(11 384 861)	-	(11 384 861)
Administrative fees	3 413 565	7 938 897	-	11 352 461
Management expenses	(3 752 525)	(31 672 738)	-	(35 425 263)
Asset management expenses	(1 715 243)	(3 072 679)	(602 066)	(5 389 987)
<b>Operating profit</b>	<b>(1 309 124)</b>	<b>48 726 038</b>	<b>14 024 164</b>	<b>61 441 078</b>
Taxation				(16 326 451)
<b>Profit for the year</b>				<b>45 114 627</b>
<b>Segmental assets</b>				
Property Plant and Equipment				682 305
Intangibles				2 931 508
Investment Property				55 000 000
Investments				1 215 791 909
Deferred Tax Liability				434 132
Bank and cash				114 483 181
Loans and receivables				62 656 373
Technical assets				2 319 106
Total assets				1 454 298 514
<b>Segmental liabilities</b>				
Life portion of retained income (Note 23)				259 636 763
Life assurance liabilities (Note 32.1)				1 109 949 768
Current tax liability				16 748 799
Current liabilities				67 963 184
Total liabilities				1 454 298 514

## Notes To The Aggregated Financial Statements

### 35 Divisional Segments – Life (continued)

	Investment Products	Insurance Products	Shareholder's Fund	Total
	E	E	E	E
<b>2014</b>				
Gross premiums	-	146 585 989	-	146 585 989
Less: Reinsurance premiums	-	(11 159 258)	-	(11 159 258)
Net Premiums	-	135 426 731	-	135 426 731
Pension Annuities	34 319 104	31 087 640	-	65 406 744
Earned premiums net of reinsurance	34 319 104	166 514 371	-	200 833 475
Commission income		2 381 946	-	2 381 946
Operating Income	4 590 295	59 687 042	34 138	98 415 770
Investment Income	6 890 505	89 576 565	41 343	137 810 100
Other Operating Income	-	13 200	-	13 200
Interest on Policy Loans	-	-	6 596	6 596 660
Fair value losses on investment property	(513 124)	(6 670 608)	(3 078 742)	(10 262 474)
Unrealised losses on Investments	(1 787 086)	(23 232 115)	(10 722 515)	(35 741 716)
<b>Net income</b>	38 909 399	228 583 359	34 138 433	301 631 191
Net policy holder benefits incurred				
Claims and benefits incurred	(29 244 241)	(91 469 931)	-	(120 714 172)
Benefits paid from annuity and pensions	-	(9 894 703)	-	(9 894 703)
Increase in Insurance liabilities	-	(83 081 447)	-	(83 081 447)
Increase in Investment contracts	(5 074 864)	(18 075 939)	-	(23 150 803)
Insurance benefits recovered from reinsurers	-	5 805 176	-	5 805 176
Acquisition cost	-	(9 690 200)	-	(9 690 200)
Administrative fees	1 855 108	9 000 882	-	10 855 990
Asset management expenses	(4 135 825)	(24 296 978)	(3 628 701)	(32 061 504)
Management expenses	(235 352)	(3 059 572)	(1 412 112)	(4 707 036)
<b>Operating profit</b>	2 074 225	3 820 647	29 097 620	34 992 492
Taxation				(8 025 371)
<b>Profit for the year</b>				26 967 121
<b>Segmental assets</b>				
Property Plant and Equipment				377 307
Intangibles				3 721 412
Investment Property				55 000 000
Investments				1 124 421
Deferred Tax asset				201 11 785
Bank and cash				70 960 119
Loans and receivables				61 576 428
Technical assets				2 622 329
Total assets				1 318 690 581
<b>Segmental liabilities</b>				
Life portion of retained income (Note 23)				242 522 135
Life assurance liabilities (Note 32.1)				1 036 257
Current tax liability				010 8 037 155
Current liabilities				31 874 281
Total liabilities				1 318 690 581

## Notes To The Aggregated Financial Statements

36 a) Liquidity analysis	Less than 1 month or			1 to 5 years	Total
	available/ payable on demand	More than 1 month but less than 1 year			
2015	E	E	E	E	E
<b>Financial and insurance assets</b>					
Financial assets	1 270 472 965	84 140 955	-	1 354 613 920	
Reinsurance assets	57 550 798		-	57 550 798	
Loans and receivables (including insurance receivables)	-	116 554 366	-	116 554 366	
Cash and cash equivalents	308 066 974	-	-	308 066 974	
<b>Total assets</b>	<b>1 636 090 737</b>	<b>200 695 321</b>	<b>-</b>	<b>1 836 786 058</b>	
<b>Financial and insurance liabilities</b>					
Insurance liabilities- Insurance contracts	1 069 894 307	-	-	1 069 894 307	
Insurance liabilities- Investment contracts	283 472 056	-	-	283 472 056	
Reinsurance liabilities	-	9 206 523	-	9 206 523	
Insurance and other payables	-	27 936 625	-	27 936 625	
Provisions for other liabilities and charges	-	8 540 833	-	8 540 833	
<b>Total liabilities</b>	<b>1 353 366 363</b>	<b>45 683 981</b>	<b>-</b>	<b>1 399 050 344</b>	
<b>2014</b>					
	Less than 1 month or available/ payable on demand	More than 1 month but less than 1 year	1 to 5 years		Total
	E	E	E		E
<b>Financial and insurance assets</b>					
Financial assets	1 166 166 456	99 085 340	-	1 265 251 796	
Reinsurance assets	70 699 201	-	-	70 699 201	
Loans and receivables (including insurance receivables)	-	123 183 832	-	123 183 832	
Cash and cash equivalents	248 436 492	-	-	248 436 492	
<b>Total assets</b>	<b>1 485 302 149</b>	<b>222 269 172</b>	<b>-</b>	<b>1 707 571 321</b>	
<b>Financial and insurance liabilities</b>					
Insurance liabilities- Insurance contracts	1 051 040 084	-	-	1 051 040 084	
Insurance liabilities- Investment contracts	228 643 422	-	-	228 643 422	
Reinsurance liabilities	-	17 682 207	-	17 682 207	
Insurance and other payables	-	33 855 733	-	33 855 733	
Provisions for other liabilities and charges	-	7 828 110	-	7 828 110	
<b>Total liabilities</b>	<b>1 279 683 506</b>	<b>59 366 050</b>	<b>-</b>	<b>1 339 049 556</b>	

## Notes To The Aggregated Financial Statements

### 36 b) Analysis of financial assets and liabilities by measurement

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or amortised cost. The summary of significant accounting policies in Note 2.7 and 2.8 describes how the classes of financial instruments are measured and how income and expenses, including fair value gains are recognised. The following table analyses the carrying amounts of the financial assets and liabilities by category:

	Held for trading	Designated at fair value	Available for sale	Loans and Receivables	Financial liabilities at amortised cost	Total
	E	E	E	E	E	E
<b>31 December 2014</b>						
<b>cost</b>						
Financial assets	1 270 472 965	84 140 955	-	-	-	1 354 613 920
Reinsurance assets	-	-	-	57 550 798	-	57 550 798
Insurance and other receivables	-	-	-	116 554 366	-	116 554 366
Cash and cash equivalents	-	-	308 066 974	-	-	308 066 974
	<b>1 270 472 965</b>	<b>84 140 955</b>	<b>308 066 974</b>	<b>174 105 164</b>	<b>-</b>	<b>1 836 786 058</b>
Insurance and other payables	-	-	-	-	27 936 625	27 936 625
Provisions for other liabilities and charges	-	-	-	-	8 540 833	8 540 833
	-	-	-	-	<b>36 477 458</b>	<b>36 477 458</b>
	Held for Trading	Designated at fair value	Available for sale	Loans and Receivables	Financial liabilities at amortised cost	Total
	E	E	E	E	E	E
<b>31 December 2014</b>						
Financial assets	1 166 166 456	99 085 340	-	-	-	1 265 251 796
Reinsurance assets	-	-	-	70 699 201	-	70 699 201
Insurance and other receivables	-	-	-	123 183 832	-	123 183 832
Cash and cash equivalents	-	-	248 436 492	-	-	248 436 492
	<b>1 166 166 456</b>	<b>99 085 340</b>	<b>248 436 492</b>	<b>193 883 033</b>	<b>-</b>	<b>1 707 571 321</b>
Insurance and other payables	-	-	-	-	33 855 733	33 855 733
Provisions for other liabilities and charges	-	-	-	-	7 828 110	7 828 110
	-	-	-	-	<b>41 683 843</b>	<b>41 683 843</b>

## Notes To The Aggregated Financial Statements

### 37 Dividends

The dividends paid in 2015 amounted to E 115 000 000 (E 28.75 per share) [2014: E163 000 000 (E40.75 per share)]. Dividends in respect of the year ended 31 December 2015 are to be proposed by the directors in a meeting to be held during the 2016 financial year.

### 38 Contingencies

As at 31 December 2015, the Corporation was a defendant in various legal actions. All actions where the directors are of the opinion that significant loss is likely to be suffered have been provided for in the financial statements.

### 39 Events after statement of financial position date

A dividend of E28.00 per share has been declared in respect of the period ended 31 December 2015. The total amount of the dividend declared is E112 000 000. This was approved subsequent to year end at a board meeting held on 24 March 2016.



## Statement Of Comprehensive Income – Non Life Business

### Annexure 1

	2015 E	2014 E
Gross insurance premium revenue	432 832 826	394 409 754
Change in provision for unearned premiums	(6 890 386)	(8 948 816)
Insurance premium revenue	425 942 440	385 460 938
Insurance premium ceded to reinsurers	(130 605 661)	(118 415 633)
<b>Net insurance premium revenue</b>	<b>295 336 779</b>	<b>2 67 045 305</b>
<b>Claims incurred net of reinsurance</b>	<b>(86 608 186)</b>	<b>(83 697 393)</b>
Insurance claims expenses	(122 773 853)	(148 204 405)
- gross claims expense paid	(103 089 863)	(104 193 565)
- recovered from reinsurers'	(19 683 990)	(44 010 840)
Change in the provision for outstanding claims	36 165 667	64 507 012
- gross amount	19 407 489	30 727 849
- reinsurers' share	16 758 178	33 779 163
<b>Net expenses for the acquisition of insurance contracts</b>	<b>(14 503 288)</b>	<b>(18 767 034)</b>
Expenses for the acquisition of insurance contracts	(54 034 998)	(51 925 904)
Fees earned from reinsurance contracts	39 531 710	33 158 870
Management expenses	(56 703 064)	(53 448 884)
<b>Underwriting surplus</b>	<b>137 522 241</b>	<b>111 131 994</b>
Investment income	24 702 174	25 686 908
Fair value losses	(6 849 941)	(4 302 093)
Insurance policy administration fees	6 177 656	5 232 558
Asset management expenses	(300 328)	(685 896)
Other operating income	19 854	919 462
<b>Profit before income tax expense</b>	<b>161 271 656</b>	<b>137 982 933</b>
Income tax expense	(45 028 600)	(37 066 346)
<b>Profit for the year</b>	<b>116 243 056</b>	<b>100 916 587</b>

## Statement Of Comprehensive Income – Non Life Business

### Annexure 2

	2015 E	2014 E
Insurance premium revenue	148 554 124	146 585 989
Insurance premium ceded to reinsurers	(10 789 764)	(11 159 258)
<b>Net insurance premium revenue</b>	<b>137 764 360</b>	135 426 731
Contributions from pensions and retirement annuity schemes	31 732 356	31 087 640
<b>Net insurance benefits</b>	<b>(118 615 047)</b>	(168 746 202)
Decrease/(Increase) in insurance liabilities	(21 486 653)	(83 081 447)
Gross insurance benefits	(103 360 488)	(91 469 931)
Insurance benefits recoverable from reinsurers	6 231 894	5 805 176
Benefits paid from pension and retirement annuity schemes	(12 507 332)	(9 894 703)
<b>Net expenses for the acquisition of insurance contracts</b>	<b>(8 987 903)</b>	(7 308 254)
Expenses for the acquisition of insurance contracts	(11 384 861)	(9 690 200)
Fees earned from reinsurance contracts	2 396 958	2 381 946
Management expenses	(35 425 263)	(32 061 504)
<b>Life profit/(loss) from insurance activities</b>	<b>(6 038 829)</b>	(51 496 292)
Investment income	118 748 137	137 810 100
Fair value losses from financial assets	(48 785 015)	(35 741 716)
Fair value losses from investment property	-	(10 262 473)
Increase in insurance contracts	(15 670 243)	(18 075 939)
Fee income from asset management	11 352 461	10 855 990
Asset management expenses	(5 389 987)	(4 707 038)
Interest income from loans to policyholders	7 203 754	6 596 660
Other operating income	20 800	13 200
<b>Operating profit before tax</b>	<b>61 441 078</b>	34 992 492
Taxation	(16 326 451)	(8 025 371)
<b>Operating profit after tax</b>	<b>45 114 627</b>	26 967 121



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