

**FINANCIAL SERVICES BOARD
INSURANCE DIVISION**

**SPECIAL REPORT ON THE RESULTS OF
THE SHORT-TERM INSURANCE INDUSTRY**

FOR THE PERIOD ENDED

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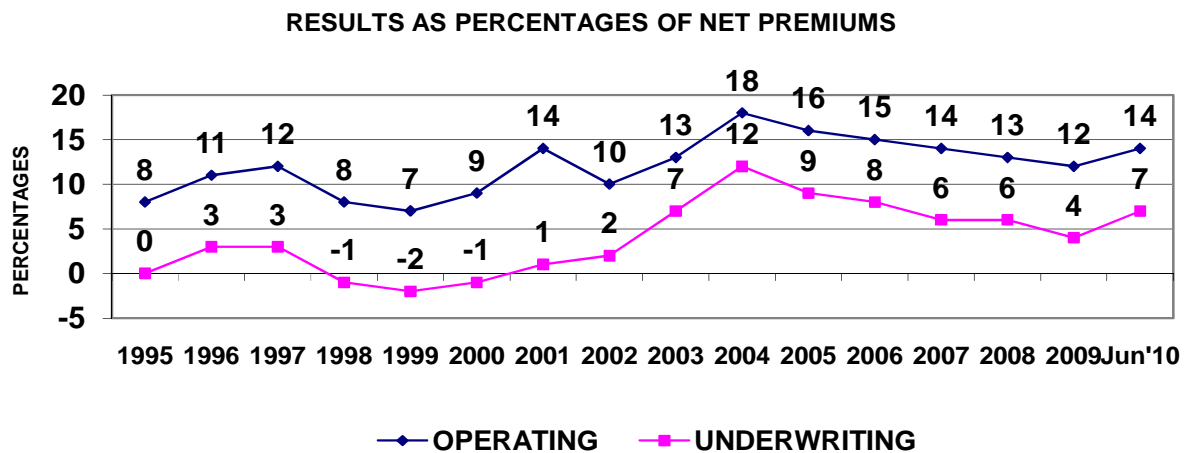
SPECIAL REPORT ON THE RESULTS OF THE SHORT-TERM INSURANCE INDUSTRY

Industry results - Typical insurers (typical insurers, for the purpose of this report, are those insurers who offer most types of policies to, mostly, the general public).

The table below sets out combined statistics (net after reinsurance) for typical insurers for the calendar years 2005 to 2009 and for the first six months of 2010 as well as comparative figures for the first six months of 2009. The figures are unaudited.

	2005	2006	2007	2008	2009	6 months ended June 2009	6 months ended June 2010
Net premiums R'm	26 828	31 093	34 351	37 556	39 512	19 032	19 987
Underwriting profit/(loss) R'm	2 542	2 482	2 169	2 327	1 722	924	1 486
Underwriting and investment income R'm	4 304	4 588	4 851	5 064	4 741	2 754	2 802
Claims (as % of earned premiums)	63	65	66	66	67	68	63
As % of net written premiums:							
Management Expenses and Commission	26	25	27	27	28	28	31
Underwriting profit/(loss)	9	8	6	6	4	5	7
Underwriting and investment income	16	15	14	13	12	14	14
Net premium increase (year to year)	11	16	10	9	5	6	5
Surplus asset ratio (median)	40	42	43	40	43	46	39

The following graph indicates how underwriting and operating (including investment income) results of the typical insurers have fluctuated over the past fifteen years and the first six months of 2010.



Nine of the twenty-five insurance companies classified as typical insurers reported an underwriting loss for the six months ended June 2010 compared with nine (of twenty-five) who reported an underwriting loss for the three months ended March 2010.

Four of the twenty-five insurance companies reported an operating loss for the six months ended June 2010 compared with four (of twenty-five) for the three months ended March 2010.

Statutory surplus asset ratios

The following table indicates the spread of the statutory solvency percentages of the typical insurance companies.

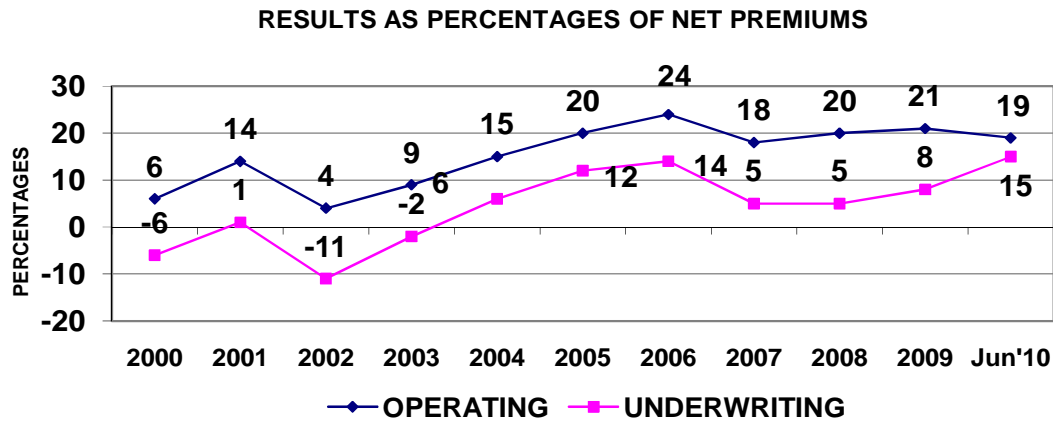
	Number of insurers					
	December 2005	December 2006	December 2007	December 2008	December 2009	June 2010
Below 15%	0	0	0	1	0	0
Between 15% and 20%	1	0	1	1	0	0
Between 20% and 25%	1	3	0	1	2	0
Between 25% and 30%	3	3	6	2	1	3
Between 30% and 40%	5	4	2	8	7	10
Between 40% and 50%	2	4	5	4	5	3
Between 50% and 100%	6	4	5	4	8	6
Above 100%	1	3	3	3	2	3

Industry results - Cell captive insurers (cell captive insurers, for the purpose of this report, are those insurers who offer insurance structures on a cell ownership basis for first party and third party cell owners).

The table below sets out combined statistics (net after reinsurance) for cell captive insurers for the calendar years 2005 to 2009 and for the first six months of 2010 as well as comparative figures for the first six months of 2009. The figures are unaudited.

	2005	2006	2007	2008	2009	6 months ended June 2009	6 months ended June 2010
Net premiums R'm	4 239	4 144	4 511	5 460	5 368	3 099	3 454
Underwriting profit/(loss) R'm	529	568	224	295	410	198	467
Underwriting and investment income R'm	857	980	810	1 079	1 150	654	762
Claims (as % of earned premiums)	52	52	62	67	62	65	50
As % of net written premiums:							
Management Expenses and Commission	28	31	33	25	27	20	32
Underwriting profit/(loss)	12	14	5	5	8	6	15
Underwriting and investment income	20	24	18	20	21	21	19
Surplus asset ratio (median)	56	59	60	56	64	67	83

The following graph indicates how underwriting and operating (including investment income) results of the cell captive insurers have fluctuated over the past ten years and the first six months of 2010.



Of the ten operational cell captive insurers, two have reported an underwriting loss and one an operating loss for the six months ended June 2010 compared with three of eleven who reported an underwriting loss and two an operating loss for the three months ended March 2010.

The following table indicates the spread of the statutory solvency percentages of the cell captive insurance companies.

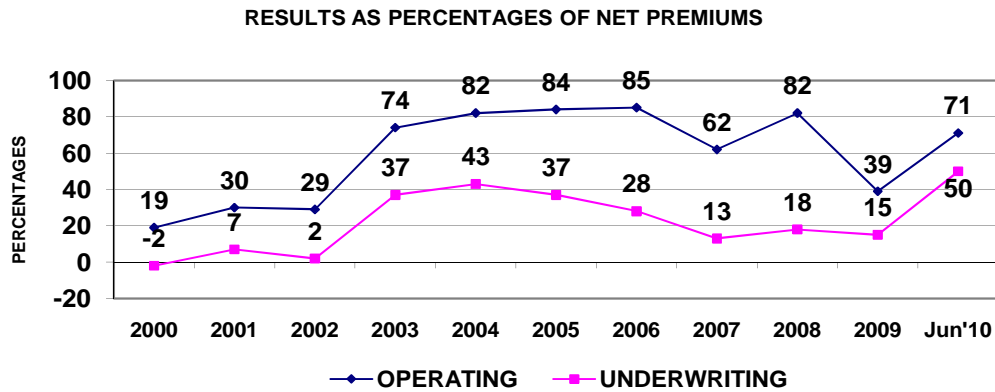
	Number of insurers					
	December 2005	December 2006	December 2007	December 2008	December 2009	June 2010
Below 15%	0	0	0	1	0	0
Between 15% and 20%	0	0	0	0	0	0
Between 20% and 25%	1	0	2	1	1	0
Between 25% and 30%	0	1	0	1	1	1
Between 30% and 40%	2	1	2	2	2	3
Between 40% and 50%	0	1	1	0	1	0
Between 50% and 100%	6	4	2	3	2	3
Above 100%	0	2	3	2	4	3

Industry results - Captive insurers (captive insurers, for the purpose of this report, are those insurers who offer cover of the risks of the owners' company or companies only).

The table below sets out combined statistics (net after reinsurance) for captive insurers for the calendar years 2005 to 2009 and for the first six months of 2010 as well as comparative figures for the first six months of 2009. The figures are unaudited.

	2005	2006	2007	2008	Reinstated 2009	6 months ended June 2009	6 months ended June 2010
Net premiums R'm	165	144	200	185	329	377	278
Underwriting profit/(loss) R'm	61	40	26	34	80	9	139
Underwriting and investment income R'm	138	122	125	152	212	59	197
Claims (as % of earned premiums)	74	63	84	79	74	88	22
As % of net written premiums:							
Management Expenses and Commission	-11	11	2	4	2	1	(2)
Underwriting profit/(loss)	37	28	13	18	24	2	50
Underwriting and investment income	84	85	62	82	64	16	71
Surplus asset ratio (median)	329	437	435	334	402	335	458

The following graph indicates how underwriting and operating (including investment income) results of the captive insurers have fluctuated over the past ten years and the first six months of 2010.



Two of the ten captive insurers have reported underwriting losses and two operating losses for the six months ended June 2010 compared with two of the ten captive insurers who reported underwriting losses and operating losses for the three months ended March 2010.

The following table indicates the spread of the statutory solvency percentages of the captive insurance companies.

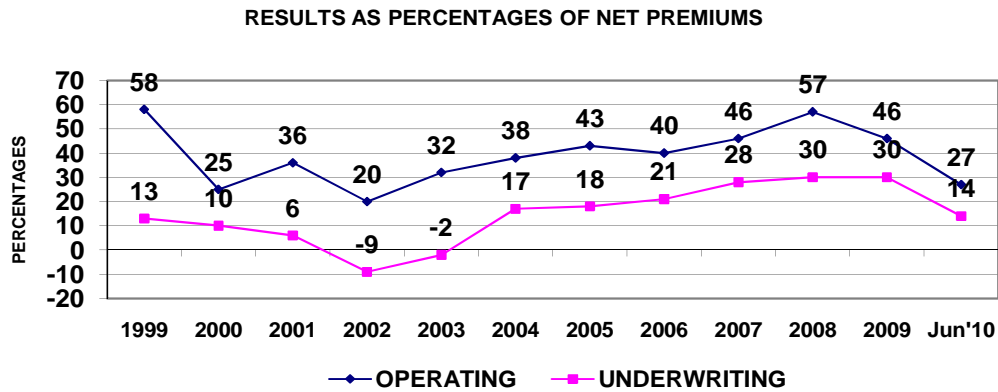
	Number of insurers					
	December 2005	December 2006	December 2007	December 2008	December 2009	June 2010
Below 15%	0	0	0	0	0	0
Between 15% and 20%	0	0	0	0	0	0
Between 20% and 25%	0	0	0	0	0	0
Between 25% and 30%	0	0	0	0	0	0
Between 30% and 40%	0	0	0	0	0	0
Between 40% and 50%	0	0	0	0	0	0
Between 50% and 100%	1	1	0	0	0	0
Above 100%	11	9	10	11	10	10

Industry results - Niche insurers (niche insurers, for the purpose of this report, are those insurers who offer, mostly, specialised cover only, in certain niche markets).

The table below sets out combined statistics (net after reinsurance) for niche insurers for the calendar years 2005 to 2009 and for the first six months of 2010 as well as comparative figures for the first six months of 2009. The figures are unaudited.

	2005	2006	2007	2008	2009	6 months ended June 2009	6 months ended June 2010
Net premiums R'm	2 497	3 293	3 872	4 976	5 712	2 852	3 703
Underwriting profit/(loss) R'm	444	699	1 078	1 514	1 723	807	533
Underwriting and investment income R'm	1 081	1 308	1 779	2 839	2 617	1 071	1 017
Claims (as % of earned premiums)	51	48	43	40	41	39	41
As % of net written premiums:							
Management Expenses and Commission	29	28	27	27	29	34	36
Underwriting profit/(loss)	18	21	28	30	30	28	14
Underwriting and investment income	43	40	46	57	46	38	27
Surplus asset ratio (median)	117	120	72	77	58	60	63

The following graph indicates how underwriting and operating (including investment income) results of the niche insurers have fluctuated over the past ten years and the first six months of 2010.



Eleven of the thirty-four operational niche insurers have reported underwriting losses for the first six months of 2010 and six have reported operating losses compared with eleven of the thirty-four operational niche insurers who reported underwriting losses for the three months ended March 2010 and eight who reported operating losses.

The following table indicates the spread of the statutory solvency percentages of the niche insurance companies.

	Number of insurers					
	December 2005	December 2006	December 2007	December 2008	December 2009	June 2010
Below 15%	1	0	0	0	1	0
Between 15% and 20%	0	1	0	1	1	1
Between 20% and 25%	0	0	1	2	1	3
Between 25% and 30%	0	0	1	0	2	2
Between 30% and 40%	0	3	2	4	5	2
Between 40% and 50%	3	3	5	4	3	2
Between 50% and 100%	9	6	10	9	8	9
Above 100%	17	19	14	13	13	13

Industry results – Re-insurers (re-insurers, for the purpose of this report, are those insurers who offer specialised cover, only to primary insurers).

The table below sets out combined statistics (net after reinsurance) for re-insurers for the calendar years 2007 and 2009 and for the first six months of 2010 as well as comparative figures for the first six months of 2009. The figures are unaudited.

	2007	2008	2009	6 months ended June 2009	6 months ended June 2010
Net premiums R'm	1 899	2 388	2 314	1 201	992
Underwriting profit/(loss) R'm	192	37	55	(90)	62
Underwriting and investment income R'm	651	492	464	106	232
Claims (as % of earned premiums)	58	64	66	74	63
As % of net written premiums:					
Management Expenses and Commission	30	34	31	33	31
Underwriting profit/(loss)	10	2	2	(7)	6
Underwriting and investment income	34	21	20	9	23
Surplus asset ratio (median)	146	149	243	138	70

Two of the seven operational re-insurers have reported underwriting losses for the six months ended June 2010 and none reported operating losses compared with three of the seven operational re-insurers who reported underwriting losses for the three months ended March 2010 and one has reported operating loss.

The following table indicates the spread of the statutory solvency percentages of the re-insurance companies.

	Number of reinsurers			
	December 2007	December 2008	December 2009	June 2010
Below 15%	0	0	0	0
Between 15% and 20%	0	0	0	0
Between 20% and 25%	0	0	0	0
Between 25% and 30%	0	0	0	0
Between 30% and 40%	0	1	0	0
Between 40% and 50%	0	0	1	1
Between 50% and 100%	3	2	2	2
Above 100%	4	4	5	4