

**FINANCIAL SERVICES BOARD
INSURANCE DEPARTMENT**

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

FOR THE PERIOD ENDED

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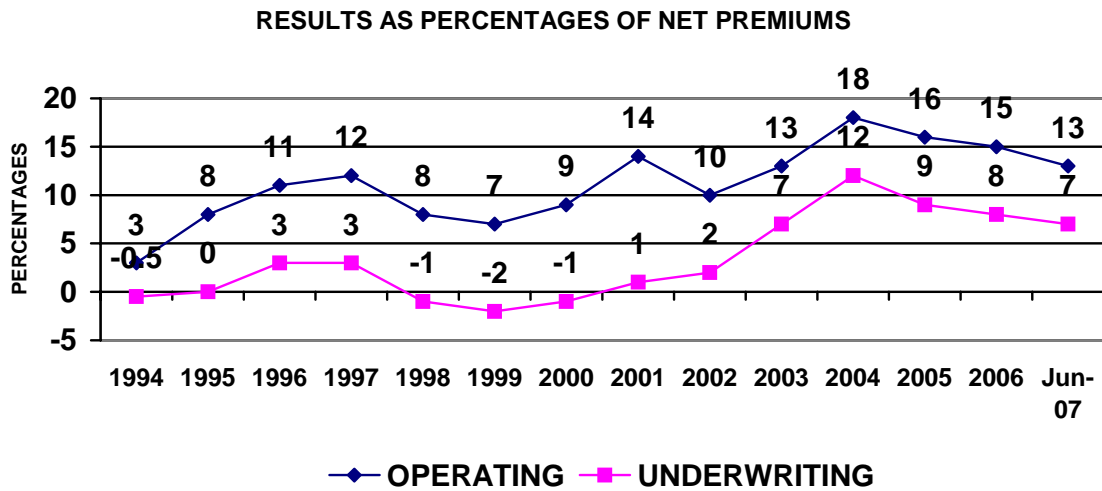
SPECIAL REPORT ON THE RESULTS OF THE SHORT-TERM INSURANCE INDUSTRY

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 unaudited statistics (net after reinsurance) for typical insurers for the calendar years 2002 to 2006 and for the first six months of 2007 as well as comparative figures for the first six months of 2006.

	2002	2003	2004	2005	2006	6 months ended June 2006	6 months ended June 2007
Net premiums R'm	16 860	19 774	24 211	26 828	31 093	14 095	16 513
Underwriting profit/(loss) R'm	377	1 381	2 932	2 542	2 482	1 027	1 220
Underwriting and investment income R'm	1 714	2 554	4 303	4 304	4 588	1 945	2 199
Claims (as % of earned premiums)	71	67	59	63	65	66	66
As % of net written premiums:							
Management Expenses and Commission	26	26	26	26	25	24	26
Underwriting profit/(loss)	2	7	12	9	8	7	7
Underwriting and investment income	10	13	18	16	15	14	13
Net premium increase (year to year)	16	17	22	11	16	9	17
Surplus asset ratio (median)	43	45	37	40	42	36	46

The following graph indicates how underwriting and operating (including investment income) results of the typical insurers have fluctuated over the past thirteen years and the first six months of 2007.



Four of the twenty-three insurance companies classified as typical insurers reported an underwriting loss for the six months ended June 2007 compared with ten (of twenty-three) who reported an underwriting loss for the three months ended March 2007.

Four of the twenty-three insurance companies reported an operating loss for the six months ended June 2007 compared with seven (of twenty-three) for the three months ended March 2007.

Statutory surplus asset ratios

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

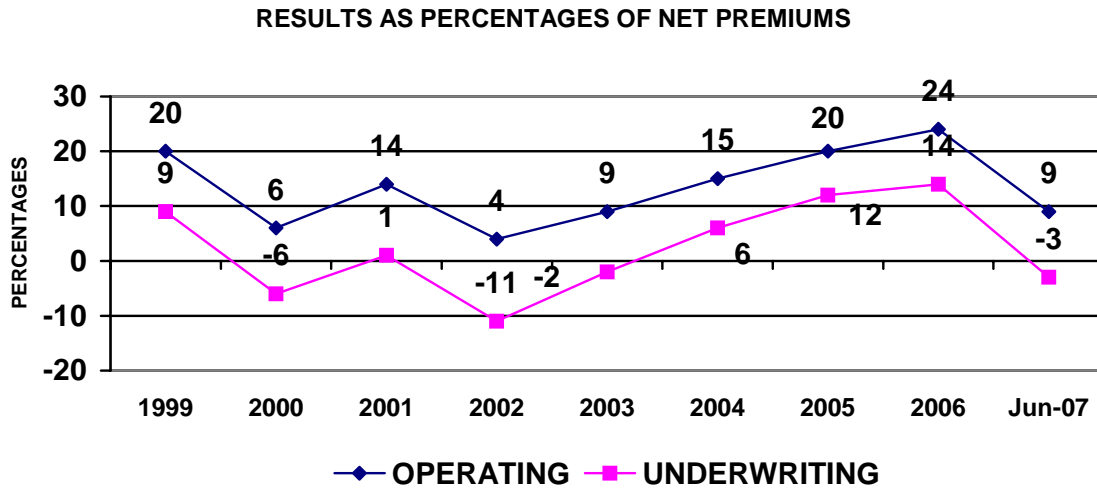
	Number of insurers					
	December 2002	December 2003	December 2004	December 2005	December 2006	June 2007
Below 15%	0	1	1	0	0	0
Between 15% and 20%	2	0	0	1	0	2
Between 20% and 25%	1	2	0	1	3	1
Between 25% and 30%	2	3	3	3	3	1
Between 30% and 40%	3	4	8	5	4	5
Between 40% and 50%	5	2	1	2	4	4
Between 50% and 100%	4	7	5	6	4	7
Above 100%	5	3	1	1	3	3

Industry results - Cell captive insurers (cell captive insurers, for the purpose of this report, are those insurers who offer, mostly, cover of the risks of first party cell owners only).

The table below sets out combined statistics (net after reinsurance) for cell captive insurers for the calendar years 2002 to 2006 and for the first six months of 2007 as well as comparative figures for the first six months of 2006. The figures are unaudited.

	2002	2003	2004	2005	2006	6 months ended June 2006	6 months ended June 2007
Net premiums R'm	1 868	2 773	3 486	4 239	4 144	1 810	2 254
Underwriting profit/(loss) R'm	(207)	(65)	220	529	568	196	(72)
Underwriting and investment income R'm	77	240	506	857	980	393	193
Claims (as % of earned premiums)	75	57	56	52	52	54	67
As % of net written premiums:							
Management Expenses and Commission	35	39	34	28	31	29	36
Underwriting profit/(loss)	(11)	(2)	6	12	14	11	(3)
Underwriting and investment income	4	9	15	20	24	22	9
Surplus asset ratio (median)	73	47	46	56	59	64	53

The following graph indicates how underwriting and operating (including investment income) results of the cell captive insurers have fluctuated over the past eight years and the first six months of 2007.



Of the ten operational cell captive insurers, four have reported an underwriting loss and two operating losses for the six months ended June 2007 compared with five of nine who reported an underwriting loss and two an operating loss for the three months ended March 2007.

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

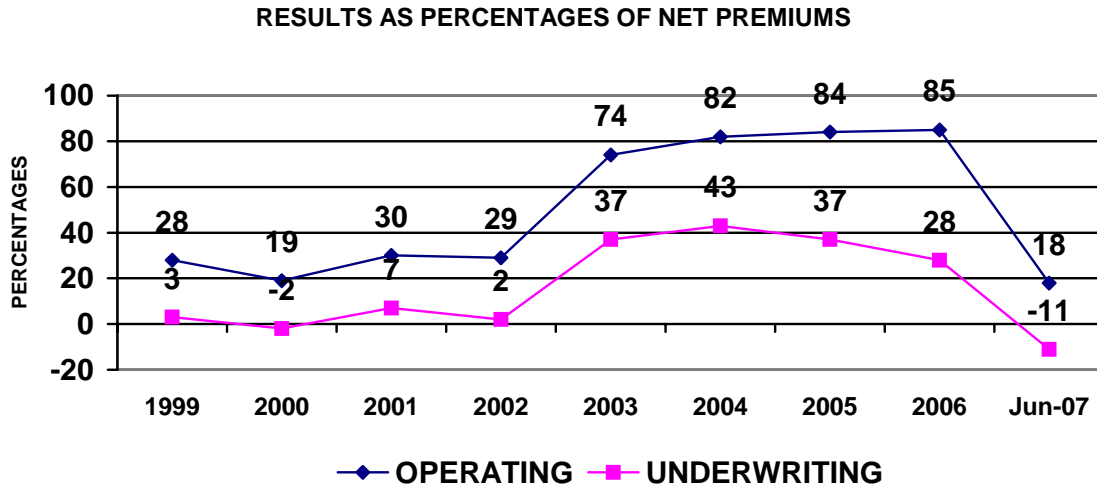
	Number of insurers					
	December 2002	December 2003	December 2004	December 2005	December 2006	June 2007
Below 15%	0	1	0	0	0	0
Between 15% and 20%	0	0	0	0	0	0
Between 20% and 25%	2	0	0	1	0	1
Between 25% and 30%	0	0	3	0	1	2
Between 30% and 40%	0	0	0	2	1	2
Between 40% and 50%	3	5	4	0	1	0
Between 50% and 100%	1	1	1	6	4	2
Above 100%	4	1	1	0	2	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 2002 to 2006 and for the first six months of 2007 as well as comparative figures for the first six months of 2006. The figures are unaudited.

	2002	2003	2004	2005	2006	6 months ended June 2006	6 months ended June 2007
Net premiums R'm	698	308	214	165	144	139	151
Underwriting profit/(loss) R'm	14	114	92	61	40	17	(17)
Underwriting and investment income R'm	204	227	176	138	122	61	27
Claims (as % of earned premiums)	86	47	52	74	63	67	111
As % of net written premiums:							
Management Expenses and Commission	12	16	7	-11	11	12	5
Underwriting profit/(loss)	2	37	43	37	28	12	(11)
Underwriting and investment income	29	74	82	84	85	44	18
Surplus asset ratio (median)	152	214	318	329	437	408	491

The following graph indicates how underwriting and operating (including investment income) results of the captive insurers have fluctuated over the past eight years and the first six months of 2007.



Three of the ten captive insurers have reported underwriting losses and three operating losses for the six months ended June 2007 compared with four of the ten captive insurers who reported underwriting losses and four operating losses for the three months ended March 2007.

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

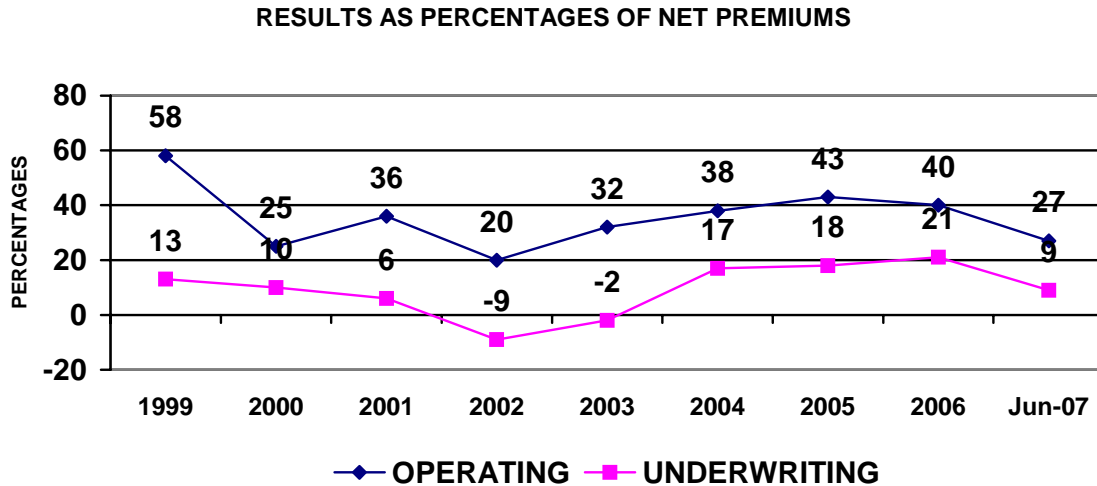
	Number of insurers					
	December 2002	December 2003	December 2004	December 2005	December 2006	June 2007
Below 15%	0	0	0	0	0	0
Between 15% and 20%	0	0	0	0	0	0
Between 20% and 25%	0	0	0	0	0	0
Between 25% and 30%	0	0	0	0	0	0
Between 30% and 40%	0	0	0	0	0	0
Between 40% and 50%	0	0	0	0	0	0
Between 50% and 100%	5	2	0	1	1	0
Above 100%	10	12	12	11	9	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 2002 to 2006 and for the first six months of 2007 as well as comparative figures for the first six months of 2006. The figures are unaudited.

	2002	2003	2004	2005	2006	6 months ended June 2006	6 months ended June 2007
Net premiums R'm	2 195	2 047	2 808	2 497	3 293	1 916	1 935
Underwriting profit/(loss) R'm	(198)	(48)	477	444	699	465	180
Underwriting and investment income R'm	438	652	1 067	1 081	1 308	791	515
Claims (as % of earned premiums)	84	70	55	51	48	47	56
As % of net written premiums:							
Management Expenses and Commission	24	33	25	29	28	24	32
Underwriting profit/(loss)	(9)	(2)	17	18	21	24	9
Underwriting and investment income	20	32	38	43	40	41	27
Surplus asset ratio (median)	107	121	163	117	120	150	95

The following graph indicates how underwriting and operating (including investment income) results of the niche insurers have fluctuated over the past eight years and the first six months of 2007.



Thirteen of the thirty-two operational niche insurers have reported underwriting losses for the six months ended June 2007 and nine have reported operating losses compared with fifteen of thirty-two for the three months ended March 2007 reporting underwriting losses and ten operating losses.

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

	Number of insurers					
	December 2002	December 2003	December 2004	December 2005	December 2006	June 2007
Below 15%	0	0	0	1	0	1
Between 15% and 20%	2	1	1	0	1	0
Between 20% and 25%	1	1	1	0	0	0
Between 25% and 30%	1	3	0	0	0	0
Between 30% and 40%	1	1	2	0	3	5
Between 40% and 50%	2	1	2	3	3	1
Between 50% and 100%	5	5	5	9	6	10
Above 100%	16	16	17	17	19	15