

Country Analysis Report -2007

Country	Premium Development	Claims Development	Underwriting Profitability	Business Outlook
<p>South Africa</p> <p>2007</p>	<p>The Engineering Market in South African has once again recorded exceptional results for the 2007 period. This can be attributed to the economic boom that South Africa is currently experiencing. Although the positive economic growth is anticipated to continue for the next few years, with a slow down predicted lasting about 12 months, the Engineering Market will, however, be facing a few challenges going forward. To name a few critical ones is the energy crisis that hit SA in the beginning of 2008 and the crime rate still high is the most talked about issues.</p> <p>Premium growth for 2006 was 24.7% and for 2007 24.1%. The main reason for this growth is the growth in the economy experienced and it is expected to last until 2009. Please note that two companies have not provided figures for 2007, however we have taken the 2006 premiums and claims figures for them.</p>	<p>South Africa did not experience any major weather related incidents during the 2007 year which could have had an impact on the construction industry. Thus the loss ratio for the 2007 period was very good (35.8%) although slightly up from 2006 (34.4%). This may change due to softening of rating levels and increasing competition.</p>	<p>Engineering business is the flavour of the day in the insurance industry due to the currently profitability experienced. There are many new entrants, mainly underwriting agencies, opening up. This will in itself put pressure on rates due to the competitive nature the engineering market currently experiencing.</p>	<p>The business outlook in South Africa is very positive albeit a slow down in the economy is expected due to higher interest rates. The Market has seen many new entrants, particularly underwriting managers, but it is expected that this will stabilize during 2008. In consideration of the profitable year that the reinsurance market has experienced, it is anticipated that more capacity is going to be made available to Engineering Insurers, which will result in continued competitive rating for the foreseeable future.</p> <p>The Gautrain project is steaming ahead, as are the preparations for the 2010 FIFA World Cup. It is anticipated that the stadiums, and the bulk of the associated infrastructure, will be completed with at least 6 months to spare before the tournament commences.</p> <p>There is currently an oversupply in capacity with re-insurers providing more capacity to the market making it very easy for new entrants to open up. This will ultimately put strain on the underwriting profitability and have a negative impact on rates. Thus the market is experiencing a downward cycle and rates are certainly deteriorating. Thus it is expected that loss ratio's will certainly increase in the future.</p>