Country analysis Report – South Africa

Premium Development	Claims Development	Underwriting Profitability	Business Outlook
2013 was a reasonably uneventful year from an Engineering perspective. Labour unrest, coupled with a slow pace of international economic growth, continued to limit South Africa's development. Limited investment resulted in an overall domestic growth of approximately 1.9% in comparison with 2.5% in 2012. However, the Engineering Insurance market reflected a Premium Income growth of 9.3%, the most notable increase being in the Construction and Erection classes, a result of public sector investment, focused on rail, road, water, energy, communication and sanitation. EAR insurance showed a growth of 21.6% and CAR a growth of 16.3%, jointly CAR and EAR combined equals a 17.8% growth. Machinery Breakdown showed a growth of 3.7%, whereas interestingly the associated Loss of Profits showed a decline of 16.4%. The Electronic Equipment premiums showed an increase of 5.8%. The figures are mainly attributed to large electronic installations such as medical equipment and simulation equipment requiring more than “standard” cover. The majority of the “Other” insurance premium can be attributed to Plant All Risks. A 1.3% increase was recorded.	The overall Claims paid figure was consistent with that of 2012. However, claims attributable to the MB and LOP classes were greatly reduced (81.1% and 98.1% respectively), but CAR claims increased by 98.1%. Once again though, the CAR and EAR figures should be combined, which result in a 12.6% increase in claims paid. Electronic Equipment claims reflected an increase of 65.1%. This is largely attributable to a single flood and inundation loss in the region of ZAR65 Million. The “Others” category showed a decrease of 10.1% and as indicated in the premium development section this would predominantly be Plant Insurance.	The overall loss ratio for the period 2013 is 40.5%. This reflects an improvement of 3.7% when compared with the period 2012. If tracked over a three year period (2011 to 2013), the average claims loss ratio would be 40.07%. Insurance companies should therefore still be making profitable returns. A softening market trend is still a concern and will result in the loss ratio increasing as terms decrease.	Although local market growth showed a decline in 2013, projections based on improvements to the global economy and the successful completion of major government projects, growth is anticipated to rise to 2.7% in 2014. However, unemployment and labour relations continue to pose challenges for the country, and the detrimental effect on the economy as a result thereof remains a concern. From an insurance outlook perspective, growth for South African Insurers will continue to come from South African Construction/ engineering companies expanding their operations into the rest of Africa. Key challenges for the growth of the industry are effective succession planning and retention of skills. The current skills base in South Africa is aging and attracting new entrants into our field is of utmost importance. This is coupled with the need to retain the essential expertise across Insurers, Re-Insurers, Brokers and Loss Adjusters. Although challenging the South African market is looking forward to exciting times ahead.