IMIA Country Analysis 2010

Country	Premium Development	Claims Development	Underwriting Profitability	Business Outlook
South Africa	EAR insurance showed a strong growth of 58.7% and CAR a growth of 2%, so for an overall picture CAR and EAR combined equals a 10.2% growth. Machinery breakdown grew by 7.9 % and LOP by 76% which may mean that the manufacturing sector is recovering. The Electronic Equipment premiums (mostly written via Fire Insurance) grew slightly by 3.7%. “Other” insurance premiums (mostly CPE) fell by 18.3%. The number of entrants conducting our class of insurance once again increased in 2010 which of course leads to a softening market which again attributes to the premiums remaining stagnant as capacity in the engineering insurance arena remains high	The Claims paid figure reduced by 15.8% in 2010. On the face of the figures it appears that EAR insurance claims increased by 195.9% but when viewed together with the CAR losses the combined figure is in fact a reduction of 3.3%. The Machinery Breakdown and Boiler Expansion insurances had a reduction of 64.8%. This adjustment could be attributed to the large loss of an air compressor which had been reported in 2009. The “Others” category showed a decrease of 12.6% and as indicated in the premium development section this would predominantly be Plant Insurance. Across all classes the number of incidents seemed to be increasing	The overall loss ratio for the period 2010 is 46%. This reflects a decline of 8.6% against 2009, over a three year period (2008 to 2010), the average claims loss ratio would be 49%. 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 soften further Machinery Breakdown (82%) showed a downward trend as compared to the period 2009 where the loss ratio was 134%. In MLOP the claims loss ratio declined by 62%, a significant improvement. In EAR / CAR the results were 51% and 39% respectively, compared to 2009 for EAR 28% and CAR was 51%. CAR/EAR combined show a loss ratio for 2010 is 41.5% and in 2009 the respective figure was 47.3%. Electronic Equipment has a 39% loss ratio for the period 2010 against 555 in 2009, an improvement of 16%. The “Others” claims ratio is at 56% compared to 52% in 2009 which was 52%.	The local market has improved gradually in 2010. The Private Sector was the main driver in the economy, but the Public Sector also launched 7 new projects with a value of R9.7 Billion. Economy will gain some momentum in 2011. Consumer confidence is stronger as interest rates remain low. Business confidence is also showing slight improvement. Infrastructure spending will continue although possibly on a lower level. The South African economy is expected to grow by around 3.8% in 2011 against 2.8% in 2010. This reflects moderate growth but constraints such as the indecisive global economy. Local constraints include intermittent power outages, structural constraints and transport infrastructure remain concerns. From purely an insurance perspective the market outlook is that growth for South African Insurers will come from South African Construction/ engineering companies expanding their operations into the rest of Africa