Country Analysis Report 2019 - South Africa

Premium development	Claims development	Underwriting profitability	Business Outlook
The Gross Written Premium (GWP) for 2019 as volunteered and reported by 10 members of the Sou African Insurance Association for the above engineering lines was R1.22bn. This represents a marginal Y-O-Y premium growth of 13.6% compared 2018 (1.9%) and hence a glimpse of an improving economy. The GWP (which excludes CPM/PAR business) covers approximately 55% of the total engineering market share. The EAR/CAR segment registered the highest contribution (83%) to overall GWP followed by MB (14%) and EEI (3%). Machinery Breakdown (with consequential Loss of Profits) showed a significant improvement in Y-O-Y premium growth of 18.2% when compared to the negative growth of 2018 (-11.2%). This is probably linked to a transfer of risk from the assets portfolio (where rates and capacity is hardening) to engineeri CAR (with consequential Loss of Profits) segment aga reported Y-O-Y positive growth of 13.3% (2.2% in 2018). EAR (with consequential Loss of Profits) reported marginal Y-O-Y growth of 11.3% (5.7 in 2018). When combined, CAR and EAR insurance showed a Y O-Y growth of 12.4% in 2019 in comparison to 3.4% i 2018. The Y-O-Y marginal increase in premium growt is testimony to an improving construction industry. The Y-O-Y premiums for the Electronic Equipment sector increased by 26.2% compared to the 16.6% reported for 2017. The growth is attributed to a greater integration of technology/digitisation into th personal and business space. No premium statistics for IDI were reported for 2018	Total Engineering gross claims paid/reserved for 2019 amounted to R392m, a marginal increase of 6.5% from 2018. This was mainly due to a higher incidence and severity level of catastrophe claims. A total of four (4) large loss claims were reported, of which one (1) claim related to MB, another to Liability and two (2) to CAR business. The cause of loss was fire to electrical machinery for MB, whilst faulty material and workmanship to a chemical plant was the cause of a liability claim, and storm and fire respectively for two CAR civil engineering projects. Machinery Breakdown claims showed a significant worsening from a Y-O-Y 58% (2018) to 65.6% (2019). The claims are related to some large losses within the Assets All Risk policies. EAR (with ALOP) claims reduced by -8.7% (1.5 in 2018), whilst CAR (with ALOP) increased by 9.5% (-25.8% in 2018). The combined EAR/CAR claims increased by 2.1% during 2019 (-66% in 2018). Electronic Equipment claims of R10m reflect a further Y-O-Y worsening of 37.5% compared to 2018 (-23.7%).	The overall loss ratio reduced significantly from a 3 year high of 40.7% down to 32.0%. MB loss ratio worsened from 15.4% in 2018 to 21.5% in 2019. It is apparent that the positive growth in premium income was significantly eroded by some large losses. The EAR loss ratio of 27.3% shows a marginal decrease from 2018 (33.3%) which is aligned to the improvement in premium income. The CAR loss ratio of 39.8% is steady but nevertheless still beneath the breakeven level. The combined EAR/CAR loss ratio of 34.1% (37.5% in 2018) is below the global average of around 50% and certainly profitable business amidst the ongoing soft market trend. The Electronic Equipment loss ratio (24.2%) is steady and improving from its past average around the 40% mark. This can be attributed to the opposing effect as seen in the increase in GWP and claims. Overall, engineering insurance remains profitable business in the market. However, the rise (as noted) in AAR losses and the unpredictable threat of natural hazard catastrophes on civil engineering projects necessitates the need for more prudent underwriting and risk engineering support when assessing and selecting	The dual impact of the global COVID-19 pandemic and the poor economic conditions facing South Africa following a ratings downgrade is likely to be regarded as one of the most serious challenges facing the country. The crisis which has been exacerbated by a national lockdown is likely to persist for some time thereby threatening business profitability and sustainability, rising unemployment and ultimately insurance premiums.

and again in 2019. Overall, Engineering insurance accounts for approximately 3% of the GWP of the South African Commercial P&C insurance.	No claim stats were provided for IDI insurance in 2018 and 2019.	risks.	