santam

2023 AUDITED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2023

Contents

How to navigate the annual financial statements

The format of the annual financial statements for 2023 is consistent with that of 2022. All key information relating to a financial statement line item is grouped in one note.

Primary statements

The primary statements are included in the beginning of the annual financial statements and include note references to specific underlying detailed notes.

Notes to the financial statements

The notes to the financial statements consist of insurance-specific, financial instrument-specific and risk management notes first followed by less significant notes thereafter.

Accounting policies

The principal accounting policies applied in the preparation of these consolidated and company financial statements are included in the specific notes to which they relate and are indicated with a grey background.

Critical accounting estimates and judgements

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and company financial statements, are included in the specific notes to which they relate and are indicated with a yellow border.

Approval of the annual financial statements

To the shareholders of Santam Ltd

Responsibility for and approval of the group and company annual financial statements

The board of Santam Ltd accepts responsibility for the integrity, objectivity and reliability of the group and company financial statements of Santam Ltd. Adequate accounting records have been maintained. The board endorses the principle of transparency in financial reporting.

The responsibility for the preparation and presentation of the financial statements has been delegated to management.

The responsibility of the external auditors is to express an independent opinion on the fair presentation of the financial statements based on their audit of Santam Ltd and its subsidiaries.

The board has confirmed that adequate internal financial control systems are being maintained. There were no breakdowns in the functioning of the internal control systems during the year that had a material impact on the financial results. The board is satisfied that the financial statements fairly present the financial position, the results of the operations and cash flows in accordance with relevant accounting policies, based on IFRS® Accounting Standards.

The board is of the opinion that Santam Ltd is financially sound and operates as a going concern. The financial statements have accordingly been prepared on this basis.

The financial statements were authorised for issue and publication by the board and signed on its behalf by:

NT Moholi
Chairperson

TC Madzinga
Group chief executive officer
28 February 2024

Preparation and presentation of the annual financial statements

The preparation of the annual financial statements was supervised by the group chief financial officer of Santam Ltd, ML (Wikus) Olivier (CA (SA)).

Statement on internal financial controls

Each of the directors, whose names are stated below, hereby confirm that:

- The annual financial statements set out on pages 20 to 179, fairly present in all material respects the financial position, financial performance and cash flows of the group in terms of IFRS.
- To the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading.
- Internal financial controls have been put in place to ensure that material information relating to the group and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the group.
- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls.
- Where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies.
- We are not aware of any fraud involving directors.

ML Olivier
Group chief financial officer

TC Madzinga
Group chief executive officer
28 February 2024

Secretarial certification

In accordance with section 88(2)(e) of the Companies Act, 71 of 2008, as amended (the Companies Act), it is hereby certified that the company has lodged with the Registrar of Companies all such applicable returns as are required of a public company in terms of the Companies Act and that such returns are to our knowledge true, accurate and up to date.

R Eksteen
Group company secretary
28 February 2024

Independent auditor's report

To the Shareholders of Santam Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Santam Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2023, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS accounting standards and the requirements of the Companies Act of South Africa.

What we have audited

Santam Limited's consolidated and separate financial statements set out on pages 20 to 179 comprise:

- the consolidated and separate statements of financial position as at 31 December 2023;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, including material accounting policy information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

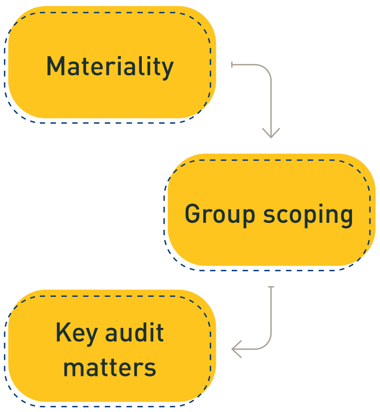
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Our audit approach

Overview



Overall group materiality

- Overall group materiality: R314.11 million, which represents 0.67% of the consolidated insurance revenue.

Group audit scope

- Full scope audits have been performed in respect of the Company and certain subsidiaries based on their financial significance and/or the risks associated with these subsidiaries.
- Analytical procedures were performed over the remaining subsidiaries as they were deemed to be financially insignificant.

Key audit matters

- Fair value of the unquoted equity investment in Shriram General Insurance Company Limited (SGI); and
- Valuation of the liability for incurred claims in relation to insurance contracts recognised in accordance with IFRS 17: *Insurance Contracts* ("IFRS 17").

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Independent auditor's report

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R314.11 million
How we determined it	0.67% of the consolidated insurance revenue
Rationale for the materiality benchmark applied	We chose consolidated insurance revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and it is the benchmark that provides the most representative reflection of the activities of the Group. Based on professional judgement, we chose 0.67% to take into consideration the intended users and distribution of the consolidated financial statements, as well as the inherent risk within the Group.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group operates in Southern Africa and transacts all classes of general insurance. Certain licensed subsidiaries conduct individual life and investment-linked business. Based on the relative contribution of the Company and each of the subsidiaries to the Group's gross written premium, we scoped in the Company and three subsidiaries with active insurance licences. Full scope audits were performed on these entities. Furthermore, additional entities were scoped in as there are balances in these entities that contribute to the significant risks of material misstatement of the consolidated financial statements. Full scope audits were performed on these entities. Analytical procedures were performed over the remaining subsidiaries as they were deemed to be either financially insignificant or did not contribute to the significant risks of material misstatement of the consolidated financial statements.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, or component auditors from other PwC network firms or component auditors from other firms operating under our instructions. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis of our opinion on the consolidated financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	***How our audit addressed the key audit matter***
Fair value of the unquoted equity investment in Shriram General Insurance Company Limited (SGI) Refer to note 5 '*Financial assets*' to the consolidated and separate financial statements for details. The company subscribes from time to time in separate classes of target shares issued by a subsidiary of Sanlam in terms of a Participation Transaction, with each separate class linked to a participatory interest in target companies. The target companies with the unquoted Sanlam target shares are disclosed in note 5 to the consolidated and separate financial statements, which includes the investment in SGI. As per note 5.3 – *Financial instruments measured at fair value on a recurring basis*, the most significant investment relates to the target share which provides a participatory interest in SGI to the value of R1 894 million (2022: R1 459 million). The fair value of the SGI target share is determined using a discounted cash flow model. The most significant assumptions used by management in this model is the discount rate and net insurance margin expectations. We considered the fair value of the unquoted equity investment in SGI to be a matter of most significance to the current year audit due to the following: • The significant judgement and estimation uncertainties in the assumptions used by management; and • The magnitude of the unlisted investment in SGI.	We assessed management's discounted cash flow model (the "SGI fair value model") used for appropriateness with reference to IFRS 13 – *Fair value measurement*, taking into account the nature of the investments and the principles of IFRS 13. We noted no matters requiring further consideration. We made use of our valuation expertise to test the assumptions used by management in the SGI fair value model by performing the following procedures: • We compared the discount rate used by management in the model to a range of discount rates which we independently calculated based on the market in which SGI operates and taking into account the nature of SGI. We found the discount rate used to be within an acceptable range of our independently calculated discount rates; • In order to assess the reasonability of previous cash flow forecasts used by management in the model, we compared prior year budgets to the actual results of SGI. Based on the work we performed, we accepted management's cash flow forecasts; • With regards to the forecasts for future years, we tested the key drivers of the net insurance margin expectations included in the SGI fair value model by comparing them to our independent expectations. Our independent expectations were based on the historical experience, the current year's insurance results of SGI and the market in which it operates. No material differences were noted; and • We compared the fair value of SGI as determined by management to our independently recalculated range of fair values. No material differences were noted.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of the liability for incurred claims in relation to insurance contracts recognised in accordance with IFRS 17 At 31 December 2023, the Group and Company held insurance contract assets and liabilities as well as reinsurance contract assets and liabilities as a result of its insurance operations. The financial year ended 31 December 2023 represents the first year in which the Group and Company applied IFRS 17 in respect of its insurance and reinsurance contracts. Refer to note 4 '*Insurance and reinsurance contracts*' to the consolidated and separate financial statements for details. The most significant assumptions made in the valuation of the liability for incurred claims balances as it relates to insurance contracts are: • the future cash flow projections; and • a risk adjustment for non-financial risk. The best estimate provision for liability for incurred claims relates to claim events that have occurred before or at the reporting date, whether the claims arising from these events have been reported (Outstanding claims (OCR) or Incurred but not reported claims (IBNR)). The cash flow projections comprise estimates of all future claim payments, receivables from salvage as well as the directly attributable claims administration expenses arising from these events within the boundary of each group of contracts. Historic claims triangulations that cross-tabulate claims incurred by their date of loss and date of payment are used to determine the expected present value of the cost of future claims (equivalent to the OCR plus IBNR). A payment pattern based on the historic claims paid triangulation is used to determine the rate at which the claims provision runs off into the future. The risk adjustment for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The Group uses a confidence level approach (value at risk) under IFRS 17. The group's calibrated risk adjustment (using value at risk) is such that the technical reserves are held to be at least sufficient at the 75th percentile of the ultimate loss distribution. As at 31 December 2023 the liabilities held were at the 79th percentile. The value of the liability for incurred claims is the sum of the present value of expected future cash flows and the risk adjustment. The liability for incurred claims (which is the net insurance contract liabilities for incurred claims relating to general insurance and life insurance, on both the general model and the premium allocation approach) is R20 050 million as at 31 December 2023 (2022: R22 013 million) for the Group and R18 037 million for the Company (2022: R19 777 million). We considered the valuation of the liability for incurred claims to be a matter of most significance to the current year audit due to the following: • The significant judgement and estimation uncertainties in the future cash flow projections and the risk adjustment for non-financial risk; and • The magnitude of the liability.	On a sample basis, we tested the data used in the model calculating the IBNR liability by comparing the data to the claims information on the underlying system such as date of loss, gross claim amount paid, gross outstanding claims amount and claim number. No material differences were noted. We assessed completeness of the above data with the assistance of our IT specialists by testing the claims data interface between the underlying system and the data applied in the model used to determine the liability for incurred claims. No material differences were noted between the underlying system and the data applied in the model. On a sample basis for OCR, we tested the claims information recorded on the underlying system (such as loss event, claim estimate, and item being claimed) by tracing the claims to the relevant documentation which detailed the loss event. We further compared the claim values used by management to assessor reports. We assessed the validity of the claims by agreeing the nature of the claim in the assessor's report to the insured item in the claimant's original policy, and inspected the claimant's account status as reflected on the underwriting system to confirm that the premium has been paid as at the date of the claim. No material differences were noted in these procedures performed. Utilising our internal actuarial expertise, we tested the model used by management to calculate the best estimate of the liability for incurred claims by performing the following procedures: • We compared the methodology applied by management to the methodology applied by other companies in the industry. We found the methodology to be consistent with the actuarial methods typically applied in industry; and • We independently calculated the incurred but not reported component of the best estimate liability for incurred claims and using our independently determined range of assumptions performed sensitivity testing on the key areas of judgement to calculate a reasonable range for this liability. The liability calculated by management falls within our independently determined range. Utilising our internal actuarial expertise we tested the reasonableness of the risk adjustment by performing the following procedures: • We evaluated management's methodology relative to the principles of IFRS 17 to assess whether this approach is consistent with the principles of the risk adjustment under IFRS 17. The risk adjustment covers non-financial risk relating to insurance contracts and the compensation required by Santam in lieu of this risk, with reference to Santam's risk appetite statement. We did not identify any matters requiring further consideration; • We tested the risk adjustment on a sample basis by performing independent stochastic simulations using management's data to determine a distribution of the liabilities from which we infer confidence levels. We compared the results of our independent simulations to management's proposed estimates (i.e. best estimate plus a risk adjustment). Based on the work we performed, we did not identify any matters requiring further consideration; and • Based on the output of our independent stochastic models, we assessed whether our independently calculated liabilities are at least sufficient at the 75th percentile. We noted no matters requiring further consideration.

Independent auditor’s report

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled “Santam 2023 Annual Financial Statements for the year ended 31 December 2023 ”, which includes the Directors’ Report, the Report of the Audit Committee and the Secretarial Certification as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor’s report, and the other sections of the document titled “Santam 2023 Integrated Report” which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor’s report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS accounting standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s and the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditor's report

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Santam Limited for 95 years.

PricewaterhouseCoopers Inc.
Director: C van den Heever
Registered Auditor
Cape Town, South Africa
28 February 2024

The examination of controls over the maintenance and integrity of the group's website is beyond the scope of the review of the financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Report of the audit committee

Composition and charter

The Santam group audit committee appointed to hold office until the conclusion of the annual general meeting (AGM) on 28 May 2024 comprises of four independent non-executive directors of the company. PE Speckmann, MP Fandeso, DEH Loxton and M Chauke were re-elected to the committee by the company's shareholders at the AGM on 31 May 2023. The qualifications of the members of the committee are listed on page 37 of the integrated report. The members possess the necessary experience and expertise to direct the committee in the execution of its duties.

The audit committee of the Santam group acts as such for the following companies within the group where an audit committee is required in terms of the Companies Act, 71 of 2008, as amended: Santam Ltd, MiWay Insurance Ltd, Centriq Insurance Company Ltd, Centriq Life Insurance Company Ltd, Santam Structured Insurance Ltd and Santam Structured Life Ltd. The committee has a charter, approved by the board, dealing, *inter alia*, with its membership, frequency of meetings and responsibilities. The charter is reviewed annually and was updated during November 2023. The committee has a formal work plan to structure the execution of its responsibilities. The committee reviews reports from the external and internal auditors. The chair of the committee reports on the findings at board meetings.

Functions

The responsibility and functions of the audit committee includes the review of financial reporting (and their recommendation for approval to the board), regulatory compliance matters and monitoring litigation. The audit committee also has the responsibility of reviewing the basis on which the company has been determined a going concern and is responsible for considering changes to, and the application of, the dividend policy and recommending dividend declarations to the board. The committee's charter allows it to consult with external consultants to assist it with the execution of its functions, subject to a board approval process.

Internal and external audit

The committee nominated the independent external auditor to Santam group and its subsidiaries for appointment by the shareholders at the annual general meeting held on 31 May 2023. It also approves the terms of engagement and remuneration for the external audit engagement. Furthermore, a review of the non-audit services rendered by external auditors and an assessment of the external auditor's ability to accept the audit, had been conducted by the committee. It was confirmed that the non-audit services did not compromise the external auditor's independence and that there were no regulations that prevented the external auditor's reappointment. The committee has considered the latest Independent Regulatory Board for Auditors' inspection findings report and the information provided in accordance with paragraphs 3.84(g)(iii) and 7.3(e)(iii) of the JSE Ltd Listings and Debt Listings Requirements in respect of the external auditor when assessing the suitability of the appointment of the audit firm and the designated audit partner.

The head of internal audit functionally reports to the chairperson of the audit committee and administratively to the group chief financial officer. The audit committee is responsible for reviewing and approving the internal audit charter, the internal audit coverage, as well as resource and financial plans of the internal audit function. The committee also evaluates and promotes the independence of internal audit. The committee ensures a combined assurance model is applied to provide a coordinated approach to all assurance activities of the Santam group. This continues to mature.

Meetings

The committee held four scheduled meetings during the year under review. The required quorum was present at all meetings held.

Chief financial officer

As required by paragraphs 3.84(g)(iii) and 7.3(e)(i) of the JSE Ltd Listings and Debt Listings Requirements, the audit committee has considered the expertise and experience of the chief financial officer and financial director, ML Olivier, and concluded that the appropriate requirements had been met. The committee is satisfied that the expertise, resources and experience of the company's finance function is appropriate and that the financial reporting procedures are operating satisfactorily.

Integrated report and annual financial statements

The audit committee reviewed the 2023 Santam Ltd integrated report and considered factors and risks that may impact the integrity of the report. The audit committee also reviewed the disclosure of sustainability and governance issues in the integrated report to ensure that it is reliable and does not conflict with the financial information. The committee has recommended the integrated report and annual financial statements to the board for approval.

Effectiveness of internal financial controls

The audit committee has confirmed that effective systems of internal financial control and risk management are being maintained. There were no breakdowns in the functioning of the internal financial control systems during the year that had a material impact on the Santam group annual financial statements. The board is satisfied that the annual financial statements fairly present the financial position, changes in equity, the results of operations and cash flows for the group in accordance with IFRS® Accounting Standards and supported by reasonable and prudent judgements consistently applied.

The committee is satisfied that it had fulfilled its responsibilities in terms of its charter during the year under review and believes that it complied with its legal, regulatory, and other responsibilities for the year.

PE Speckmann
Chairperson of the audit committee
28 February 2024

Directors' report

Financial and operational review

Key features

- Santam's strong brand and diversification provided resilience amid challenging operating conditions
- Net income attributable to equity holders up 64%
- Return on capital of 28.5% exceeds hurdle rate
- Robust growth in net earned premiums reflects the strength of the Santam brand and distribution channels
- MiWay growth accelerating – solid progress with new strategic initiatives
- Underwriting actions yielding positive results
  - A turnaround in the profitability of motor book – claims inflation and high-value vehicle theft successfully managed
  - Power surge losses mitigated
- Exceptional underwriting performance by Specialist Solutions
- Conventional underwriting margin below target range due to adverse claims experience
- Strong investment returns earned on float and capital portfolios

Executive summary

The group achieved a resilient performance in 2023 under challenging operating conditions. Our diversification across market segments, insurance classes and geographies enabled us to grow shareholder value in excess of our 24% hurdle rate. Our ability to demonstrate resilience is a testament to our business' core strength – we have a solid legacy and a consistent, proven record of sustainable value creation. We have faced extraordinary headwinds over the past number of years, and despite these, we have proven to be a resilient business, managing to achieve superior performance. This consistency makes us a trusted, reliable brand, able to deliver to the expectations of our diverse stakeholders.

We faced several challenges in 2022 that placed pressure on our growth prospects and underwriting results. We recognised that most of these conditions would persist into 2023, which eventually turned out even more challenging than we anticipated.

- The overall operating environment was not conducive to insurance growth. Weak economic growth in South Africa, our largest market, dented any prospects of a meaningful improvement in employment levels. Consumer disposable income also remained under pressure despite recent easing in inflation
- Adverse rainfall conditions drove high claims frequency in the first quarter of 2023, followed by two severe flooding events in the Western Cape province in June and September. The Türkiye earthquake in the first half of the year and hail in Gauteng during November contributed further to the losses from natural events
- Continuous electricity supply disruptions outpaced past experience by a significant margin, increasing the risk of losses from power surge claims
- Claims inflation also remained elevated, exacerbated by a weak Rand exchange rate
- The cost of reinsurance increased substantially following the significant losses experienced globally and in the South African market since 2020

We responded through several strategic and operational measures to navigate these conditions.

We refreshed the FutureFit strategy at the end of 2022, going live with a new omni-channel operating model on 1 January 2023. The Commercial and Personal multi-channel business was restructured into three business units to focus on the distribution channels where we interact directly with clients (Client Solutions), through brokers (Broker Solutions) and partnerships (Partner Solutions). The other client-facing businesses – MiWay, Specialist Solutions and Santam Re continue to provide growth and diversification benefits. These business units remain part of conventional insurance for segmental reporting purposes. The new operating model provided an immediate focus that enhanced our ability to weather the challenges.

Being a data-driven organisation is a key strategic enabler of the refreshed FutureFit strategy. We made good progress in driving value through better use of data, with several data-based use cases in the implementation phase. Among these is an expansion of our geocoding initiative, which creates a comprehensive risk-based view of property locations in South Africa. We gained significant traction in implementing geocoding, with approximately 86% of the core property book covered to date. We have seen the benefits with several losses avoided during the Western Cape floods through risk-mitigating actions we took in response to the geocoding initiative.

We continue to drive diversified growth, evidenced by a substantial profit contribution from the Specialist Solutions business that provided welcome relief to the adverse claims experience in the Broker Solutions, Client Solutions and Santam Re businesses.

We implemented several underwriting actions in response to the 2022 claims experience, including enhanced risk assessments in underwriting, segmented premium increases, changes to excess amounts and enhanced security requirements for high-risk vehicles. These actions are yielding positive results, with a marked turnaround in the profitability of the motor book and mitigation of power surge losses. The latter remains an insurable peril and an important value proposition for our clients.

Directors' report

We increased property rates as part of the management actions to date. However, the weather and fire-related claims experience in 2023 indicate that premiums, risk mitigation and surveying are not yet appropriate due to continued poor experience in this class of business.

These measures contributed positively to our financial performance in 2023.

Performance measure	Long-term goal	2023 performance	Rating
Growth in size of book	CPI + GDP + 1 to 2% (7.5% – 8.5% for 2023)	Gross written premium (GWP): 5.5% (9% excluding cancelled business) Net earned premium (NEP): 5.8% (9% excluding cancelled business)	
Net underwriting margin	5% – 10%	3.5%	
Diversification • International • Direct	 >20% by 2030 >30% by 2030	 16% 17%	
Return on capital	24%	28.5%	
Dividend growth	In line with GWP (5.5% for 2023)	7%	
Capital coverage ratio	145% – 165%	155%	

Excluding large one-off items, an underwriting margin of 8.4% was achieved, which exceeds the comparable 6.0% in 2022. Investment market conditions were more favourable than in 2022, which, together with an outperformance of benchmarks, contributed to a return on insurance funds of 2.6% of net earned premiums compared to 1.2% in 2022. The 2023 net insurance margin of 6.1% compares to a margin of 6.3% in 2022.

The Alternative Risk Transfer (ART) businesses reported excellent operating results, supported by solid growth in fee income and positive investment and underwriting results.

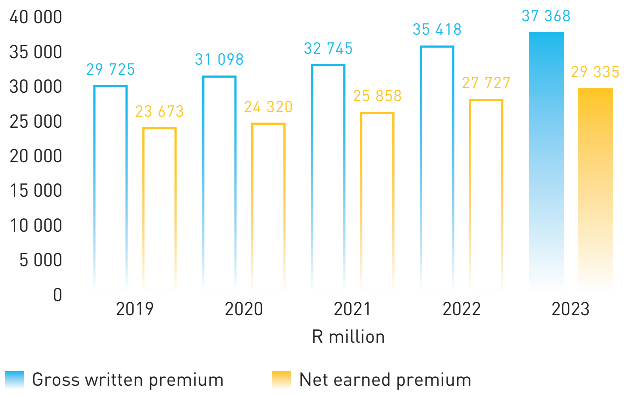
The adoption of IFRS 17 *Insurance contracts* (IFRS 17) did not have a material impact on the group's results. It also does not affect the group's key performance indicators and operational management.

Business volumes

NEP, a key indicator of the size of business retained, for Conventional insurance business increased by 5.8%. Risk management actions taken during the year had a negative impact of R579 million on the growth in NEP. These included pruning underperforming business at Santam Re and Broker Solutions, limiting concentration risk in selected portfolios and the non-renewal of business at Emerald that were inappropriately priced by the market. Excluding the impact of these actions, NEP grew by 8%. The risk management actions align with our strategic focus on enhancing shareholder value through profitable growth. We are prepared to lose premium volumes if we believe the business is unlikely to meet our return hurdles.

GWP, an indicator of the size of the business written before reinsurance, increased by 6% and by 9%, excluding the impact of the risk management actions highlighted above.

CONVENTIONAL BUSINESS VOLUMES



Directors' report

By business unit

Broker Solutions, our most mature business, achieved good growth and realised the targeted premium increases in response to high claims inflation and frequency.

Client Solutions recorded acceptable growth, albeit lower than expectations. The business remained focused on managing the quality of business written.

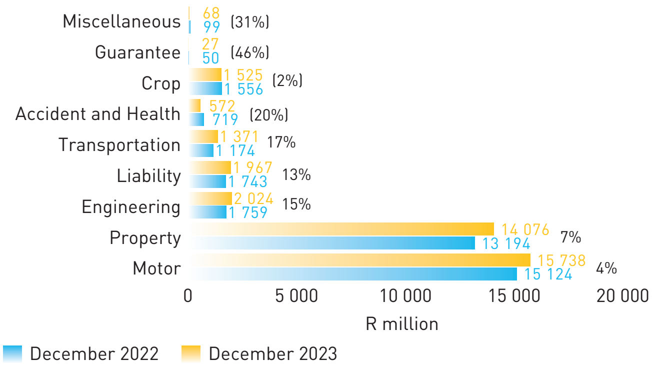
The launch of new business through the MTN partnership resulted in a substantial increase in Partner Solutions' contribution from a low base. 151 339 policies, well in excess of initial expectations, have been sold since launch in April 2023 at attractive underwriting margins.

MiWay's monthly growth almost doubled towards the end of the year compared to the first-half 2023 results, ending at an increase of 5% for the full year. Commercial and value-added services continue to perform well, supported by an acceleration in personal lines sales. MiWay's focus on addressing all of the key pressure points, namely rejected debit orders, quote volumes, conversions, and average premiums, are yielding positive results. The new strategic initiatives (tied agency for commercial business and inbound marketing strategy) contributed to the growth.

Specialist Solutions achieved satisfactory overall growth. The impact of a high comparative base at Agri and the non-renewal of business at Emerald largely offset solid growth at the other business units.

Santam Re's cancellation of non-profitable business resulted in a decline in its contribution.

By insurance class



The motor class recorded a growth of 4% in GWP. Double-digit growth from Broker Solutions' broker services distribution channel was partly offset by muted growth at MiWay and Outsourced Business and the cancellation of non-profitable business. Excluding the latter, the motor class grew by 7%.

GWP in the property class grew by 7%, attributable to solid growth at Santam Re and Broker Solutions. Specialist Solutions' volumes declined by 8% following the non-renewal of business at Emerald. Excluding cancelled business, property volumes grew by 11%.

The engineering class achieved excellent growth of 15%, recovering well from 2022 due to solid growth at Santam Re and new business at Mirabilis from outside South Africa.

Transportation GWP increased by 17%, with Santam Re and the Specialist Solutions business being the main contributors.

The liability class also performed well, supported by the Specialist Solutions businesses and Santam Re.

Geographical analysis

South Africa remains the most significant contributor to GWP at 84% (2022: 85%), with GWP from this market increasing in line with inflation by 5% to R31.5 billion (2022: R30 billion). GWP from outside South Africa, written on the Santam Ltd and Santam Namibia Ltd licences, made up 16% (2022: 15%) of total GWP and grew by 7% to R5.8 billion (2022: R5.5 billion). Growth in the proportion of business written outside of South Africa was hampered by the cancelled business at Santam Re.

Our collaboration with Sanlam Pan-Africa (SPA) across the African continent in specialist business continues to yield positive results, with excellent GWP growth of 43% to R822 million (2022: R574 million), following solid growth achieved in the engineering and marine businesses.

Earnings

	2023 R million	2022 R million	Variance
Conventional	**2 910**	2 328	25%
Net insurance result	**1 790**	1 743	3%
Investment return on capital	**1 120**	585	91%
Net income ART	**516**	368	40%
Associated companies	**786**	54	>100%
Amortisation and other	**(113)**	(24)	<(100%)
Income before tax and non-controlling interests	**4 099**	2 726	50%
Tax and non-controlling interests	**(849)**	(746)	(14%)
Net income	**3 250**	1 980	64%

Directors' report

Conventional insurance

	2023 R million	2023 % of NEP	2022 R million	2022 % of NEP
Gross written premium	**37 368**		35 418	
Net earned premium	**29 335**	**100.0**	27 727	100.0
Claims incurred	**19 420**	**66.2**	18 030	65.0
Acquisition cost	**8 884**	**30.3**	8 295	29.9
Commission	**4 049**	**13.8**	3 860	13.9
Management expenses	**4 835**	**16.5**	4 435	16.0
Underwriting result	**1 031**	**3.5**	1 402	5.1
Investment return on insurance funds	**759**	**2.6**	341	1.2
Net insurance result	**1 790**	**6.1**	1 743	6.3
Combined ratio		**96.5**		94.9

Net income increased by 64%, benefitting from solid growth in ART earnings, favourable investment return earned across all fixed-interest portfolios, profit realised on the disposal of the group's interest in SAN JV and a revaluation of the economic interest held in Shriram General Insurance in India.

Underwriting result

Underwriting profit declined by 26% at a margin of 3.5% for 2023 compared to 5.1% in 2022.

Several large items impacted the comparability of the results:

- Claims from the Western Cape floods and the hail storm in Gauteng amounted to R403 million and R180 million, respectively
- Santam Re's performance was severely impacted by run-off losses in respect of the cancelled motor business (R401 million) (2022: R115 million) and exposure to the Türkiye earthquakes (R150 million). The remainder of the Santam Re book delivered a satisfactory performance despite some flooding claims in Australia and China
- Fire claims remain a concern, negatively impacting the profitability of the property class of business. Losses in excess of R20 million, predominantly related to fire claims, amounted to R422 million in 2023 compared to R388 million in 2022. This is a particular area of focus in 2024
- Reinstatement premiums of R85 million were incurred in 2023 with respect to large claims compared to R100 million in the comparative 2022 period (excluding the KZN flooding)
- The comparative period of 2022 included net losses from the KZN flooding of R567 million (including reinstatement premiums related thereto)
- COVID-19-related CBI reserves of R215 million were released in 2023, compared to R714 million in 2022. The release of reserves is mainly attributable to the actual claims being lower than initial estimates. The current estimate of Santam's gross liability for open CBI claims at 31 December 2023 is R158 million, which is mostly covered by reinsurance. No significant uncertainty remains in respect of the outstanding claims. As a result, we do not anticipate any further reserve releases

Adjusting for these, an underwriting margin of 8.4% was achieved compared to 6% in 2022. This improvement reflects the positive impact of the underwriting actions taken since the second half of 2022, as referred to above. We remain focused on the implementation of underwriting actions in response to the increase in frequency and severity of natural and fire-related losses. These include segmented premium and excess increases, more stringent limits on concentration risk, enhanced surveying, utilisation of reinsurance and co-insurance, and accelerated roll-out of the geocoding initiative.

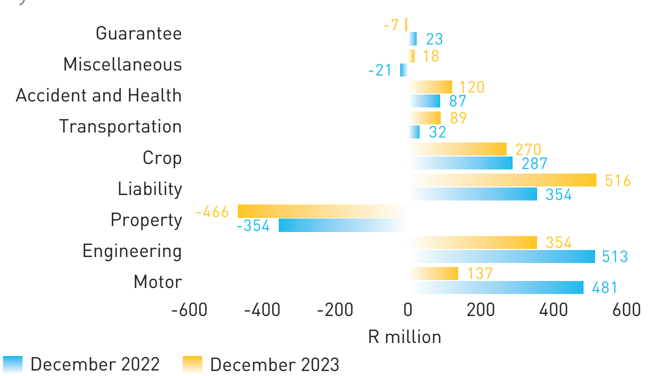
By business unit

Broker Solutions and Client Solutions were most significantly impacted by the weather-related attritional losses in the first quarter of 2023, the Western Cape flooding and the increase in the frequency and severity of fire claims. This was offset by an exceptional underwriting result from Specialist Solutions that exceeded the high base in 2022. Specialist Solutions benefitted in 2022 from a particularly benign claims environment at Agri, a relatively higher release of CBI reserves and positive claims development in the liability and engineering classes. Most lines of business experienced a lower frequency of large claims in 2023.

MiWay recorded a loss ratio of 59% (2022: 60%) and an underwriting profit of R168 million (2022: R254 million). Underwriting actions, which included claim efficiencies, segmented premium increases and adjusted risk covers, showed positive results. This was, however, offset by exposure to the Western Cape floods and the hail in Gauteng, as well as the investment in strategic initiatives. In addition, 2022 benefitted from lower employee variable incentive costs.

Santam Re reported an underwriting loss, negatively impacted by the losses highlighted above.

By insurance class



Directors' report

The motor book showed a strong recovery following the implementation of the underwriting actions highlighted above, with profit from this line of business increasing by 5%, excluding the run-off losses in Santam Re of R401 million (2022: R115 million) and the November Gauteng motor hail claims of R89 million.

The weather and fire-related claims negatively impacted the underwriting result of the property class, which was, to some extent, offset by the release of the CBI claims provision. The property class, however, remained unprofitable.

Engineering delivered strong underwriting results, albeit lower than the comparative period in 2022, which benefitted from positive claim estimate adjustments.

The liability class continued to deliver favourable underwriting results with limited adverse claims development and a low frequency of large claims. The comparable period included positive claim estimate adjustments.

Transportation recovered well compared to 2022 when it experienced underwriting losses in the marine business from the KZN flooding.

Crop reported good results but declined from 2022. The comparable period benefitted from a remarkably benign claims environment.

Expense management

The net acquisition cost ratio increased marginally to 30.3% (2022: 29.9%), with the net commission ratio at 13.8% compared to 13.9% in 2022.

The management expense ratio remained well-controlled at 16.5% (2022: 16.0%) on the back of continued focused cost containment efforts. The management expense ratio declined compared to 2022, excluding the positive impact of lower variable incentive costs in the comparable period.

Investment return on insurance funds

The investment return on insurance funds of 2.6% (2022: 1.2%) of net earned premium improved significantly, benefitting from strong returns on local and global fixed-income investments compared to lacklustre overall returns in the comparable period, particularly the first half of 2022. Volatility in fixed-interest markets subsided somewhat in 2023, with global returns also benefitting from a weaker Rand exchange rate.

Investment return on capital

Investment return on capital increased from R585 million in 2022 to R1.1 billion in 2023. This is mainly attributable to improved investment market performance, with unrealised fair value adjustments on equities and bonds turning around from a net loss in 2022 to a net gain in 2023. Investment return includes foreign exchange gains of R254 million (2022: R229 million) following a weaker Rand and an upward revaluation of the target shares of R433 million (2022: R346 million including the special dividend of R217 million received in respect of the KKR corporate action). The revaluation of the target shares in 2023 relates almost entirely to SGI and reflects an improved operational performance and prospects for the business, as well as foreign exchange gains. All key investment portfolios outperformed benchmarks, apart from equities, where the value bias resulted in some underperformance.

Alternative Risk Transfer business

The ART business reported strong profits of R516 million (2022: R368 million), which is the combination of 33% growth in operating earnings to R443 million (2022: R332 million) and 103% growth in investment return earned on capital to R73 million (2022: R36 million). Good growth was experienced across all main income lines (fee income, investment margin and underwriting margins), reflecting increased business under administration and improved investment return earned on assets under management.

India/Malaysia general insurance businesses

Santam's share of the Insurance revenue of SGI in India and Pacific & Orient Insurance Co. Berhad (P&O) in Malaysia increased by 31%. SGI's contribution increased by 41%, with solid growth from the Shriram Group and digital distribution channels. P&O continued to face significant competitive pricing in the market, depressing its contribution.

Net insurance results increased by 31%, supported by 35% growth at SGI. The SGI performance benefitted from book growth and reserve releases due to better-than-expected claims experience following good claims management.

Corporate transactions

We received Competition Tribunal approval during the period to acquire the MTN device insurance book in South Africa. The transaction is part of the broader strategic alliance between Sanlam and MTN through aYo Holdings Limited, the MTN Group's InsurTech platform. This enabled us to commence writing new device insurance business through this arrangement during April 2023. Initial sales volumes are very promising.

The transfer of the in-force book of business received regulatory approval in December 2023. This part of the transaction is unconditional with an effective transfer date of 1 January 2024. This will add 340 000 policies to the Santam licence and an annualised GWP of R390 million on the transition date. Santam's net capital outlay for the acquisition will amount to approximately R59 million. The profit share arrangement allows for good margin retention in line with our return on capital hurdle rate for this business.

On 4 May 2022, we announced that we entered into an agreement with Allianz, in which Santam would dispose of its 10% interest in SAN JV to Allianz. The transaction closed in the second half of 2023, with disposal proceeds of some R2.6 billion received in September. On the same date, we also entered into a 12-month zero-cost collar of EUR125 million to protect the SAN JV sale proceeds from the Rand strengthening against the Euro. The structure provided full downside protection below a EUR/ZAR exchange rate of R16.66 and entitled us to share in Rand weakness against the Euro up to a cap of R19.16. The structure expired on 4 May 2023 at a negative fair value of R122 million, of which R35 million was recognised directly in equity in the 2022 financial statements in terms of hedge accounting requirements. This hedge accounting reserve has been recycled to the Statement of Comprehensive Income in 2023 to recognise the cumulative R122 million fair value loss as part of the profit on disposal of the investment.

Directors' report

The zero-cost collar was replaced with a forward exchange contract (FEC) on 4 May 2023, based on a notional amount of EUR125 million with cover up to 2 October 2023. The expiry date of the FEC was accelerated to align with the transaction closing date. The FEC rate at closing was broadly in line with the spot exchange rate.

Capital management

Capital management philosophy

The group's capital management philosophy remains focused on maximising return on shareholders' capital within an appropriate risk management framework that protects policyholder security. Aligned with this philosophy, return on capital is a key management performance indicator, which is also integrated into the vesting conditions of the group's short- and long-term incentive schemes.

Optimising return on capital over the long term requires the consideration and balancing of a number of factors that impact the amount of required capital as well as the expected future return, including but not limited to:

- Regulatory capital requirements set by the Prudential Authority in terms of the Solvency Assessment and Management (SAM) regime in South Africa
- The internal economic capital requirement, which is determined through the application of the group's Internal Capital Model
- The group risk appetite, which sets limits for, among others, earnings volatility and a target solvency range
- The utilisation of different sources of capital, including shareholders' equity and subordinated debt
- Strategic asset allocation within the investment portfolios, including the expected future returns on the various asset classes
- The mix of insurance business
- Counter-party exposure
- Reinsurance programmes

All of these factors are actively managed under the guidance of the Santam board and its investment committee. Santam targets a threshold return on capital of 24% over the long term.

Capital is allocated to the various businesses based on their mix of business, with the return on capital of each business and insurance class measured against the applicable threshold hurdle rate.

Carrying excess capital on the balance sheet is suboptimal as the threshold hurdle rate is well in excess of the expected investment return to be earned on the capital portfolio over the longer term. After allowing for potential corporate transactions, capital in excess of the group's requirements is commensurately returned to shareholders.

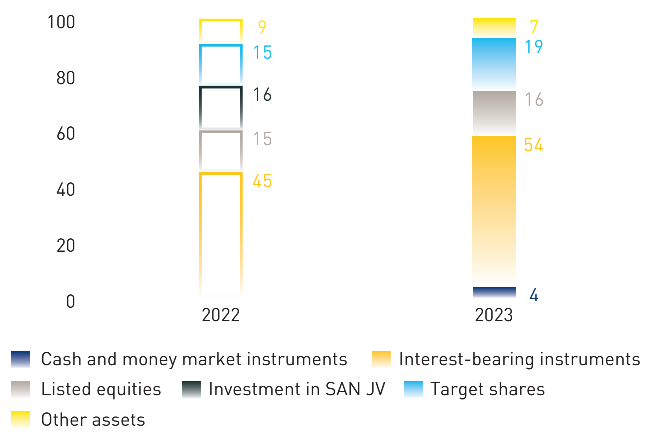
Capital management actions during the year and economic solvency

On 6 April 2023, Santam Limited issued additional five-year unsecured subordinated callable floating rate notes of R1 billion. The effective interest rate for the floating rate notes is equivalent to the three-month JIBAR plus a spread of 150 basis points. The notes have a maturity date of 6 April 2028. Santam also redeemed subordinated fixed rate notes issued in April 2016 of R500 million (with an effective interest rate of 11.77%), which became callable on 12 April 2023. The issued subordinated notes commensurately increased to R3 billion.

The board declared an interim dividend of 495 cents per ordinary share in August 2023, based on the group's solvency position at the time.

The disposal of the group's interest in SAN JV increased the group's capital coverage ratio in excess of the target range. The board commensurately declared a special dividend of 1 780 cents per ordinary share (total special dividend of approximately R2 billion) in September 2023 out of the disposal proceeds in line with the philosophy to return excess capital to shareholders.

SHAREHOLDERS' FUND ASSET MIX (%)

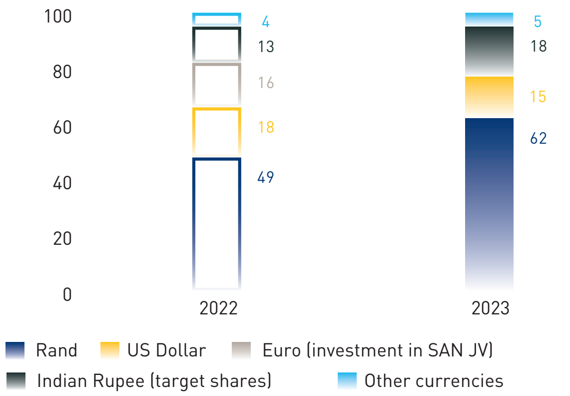


The group and all of its principal subsidiaries remain well-capitalised. Based on the internal model, the group economic capital requirement at 31 December 2023 amounted to R8.8 billion (December 2022: R8.6 billion) compared to the actual capital of R13.7 billion (December 2022: R13.4 billion). This equates to an economic capital coverage ratio of 155% (December 2022: 156%), at the midpoint of the capital target range of 145% to 165%. Santam Limited, the primary operating entity, had an economic capital coverage ratio of 151% at 31 December 2023 and a regulatory capital coverage ratio of 178%, well above the risk appetite levels.

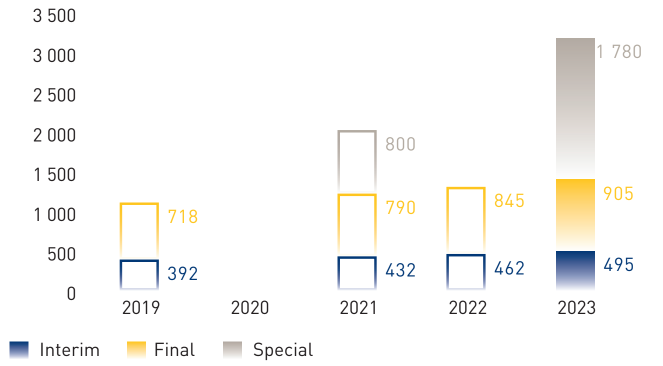
No significant changes were made to the strategic asset allocation of the key investment portfolios. Therefore, the asset class and currency composition of the shareholder's fund at 31 December 2023 remained broadly in line with 2022.

Directors' report

SHAREHOLDERS' FUND CURRENCY MIX (%)



DIVIDENDS PER SHARE (CENTS)



Dividend

The group's ordinary dividend policy aims to achieve stable dividend growth in line with longer term sustainable business growth while maintaining the group solvency ratio within the target range. Special dividends are considered when the group solvency ratio is expected to exceed the upper end of the target range over the medium to long term after allowing for any potential corporate transactions under consideration.

Given the group's sound solvency position at 31 December 2023, the board approved a final ordinary dividend of 905 cents per ordinary share in respect of the 2023 financial year, an increase of 7.1% on the final dividend of 845 cents declared in respect of the 2022 financial year.

Together with the interim dividend for the six months ended 30 June 2023 of 495 cents (June 2022: 462 cents), the total ordinary dividends declared in respect of the 2023 financial year amount to 1 400 cents per ordinary share, an increase of 7.1% on the total ordinary dividends of 1 307 cents declared in respect of the 2022 financial year. Including the special dividend of 1 780 cents declared in September 2023, total distributions to shareholders in respect of 2023 amount to 3 180 cents per ordinary share.

Adoption of IFRS 17

The group retrospectively applied the IFRS 17 *Insurance contracts* standard from 1 January 2023 and restated comparatives for the 2022 financial period. The key impacts on the group's results are as follows:

Conventional business

- The underwriting result for conventional business under IFRS 17 is R100 million higher than IFRS 4 for the 2023 financial year (2022: R13 million). This primarily relates to the treatment of risk-attaching reinsurance contracts – under IFRS 17, the reinsurance cost is spread over the coverage period of the underlying risk compared to IFRS 4, where the reinsurance cost was spread over the reinsurance contract period.
- The claims incurred liability benefits from the impact of discounting under IFRS 17, especially with respect to the longer-tailed business (e.g. liability), compared to IFRS 4, where the claims reserves were not discounted. However, this is largely offset by the accretion of interest, which represents the unwinding of discounting recognised in prior periods.
- Reinstatement premiums are recognised as a claims expense under IFRS 17 compared to a reduction in net earned premium under IFRS 4. This results in an increase in net earned premium for segmental reporting purposes, with a corresponding increase in net claims incurred. This impact is particularly pronounced for the 2022 comparative period when the group incurred reinstatement premiums of R481 million (mainly relating to the KZN flood losses) compared to R85 million in 2023.
- All binder fees were recognised in administration costs under IFRS 4, whereas the component relating to sales activity is recognised in commission expenses under IFRS 17. This increases the commission ratio, with a corresponding decline in the management expense ratio for segmental reporting purposes.

A comparison of the key management performance ratios for conventional business is as follows:

	2023				2022			
	IFRS 17 R million	%	IFRS 4 R million	%	IFRS 17 R million	%	IFRS 4 R million	%
NET INSURANCE RESULT								
Net earned premiums	**29 335**	**100.0**	**29 188**	**100.0**	27 727	100.0	27 221	100.0
Claims incurred	**19 420**	**66.2**	**19 370**	**66.4**	18 030	65.0	17 588	64.6
Cost of acquisition	**8 884**	**30.3**	**8 887**	**30.4**	8 295	29.9	8 244	30.3
Commissions	**4 049**	**13.8**	**3 910**	**13.4**	3 860	13.9	3 661	13.5
Expenses	**4 835**	**16.5**	**4 977**	**17.0**	4 435	16.0	4 583	16.8
Underwriting result	**1 031**	**3.5**	**931**	**3.2**	1 402	5.1	1 389	5.1
Investment return on insurance funds	**759**	**2.6**	**759**	**2.6**	341	1.2	341	1.3
Net insurance result	**1 790**	**6.1**	**1 690**	**5.8**	1 743	6.3	1 730	6.4

We continue to disclose gross written premium (GWP) and net earned premium (NEP) as additional information in line with past practice. It should be noted that GWP and NEP are not metrics reported under IFRS but management performance metrics, which are reconciled to IFRS 17 insurance revenue in the segmental information.

Directors' report

Alternative Risk Transfer business

The impact of the introduction of IFRS 17 on the Alternative Risk Transfer (ART) business is immaterial.

Net profit attributable to equity holders of the company

Net profit attributable to equity holders is R88 million higher under IFRS 17 than IFRS 4 for the 2023 financial year (2022: R10 million lower).

Net profit attributable to equity holders under IFRS 17 compares as follows to those prepared under IFRS 4:

	2023			2022		
	IFRS 17 R million	IFRS 4 R million	Diff %	IFRS 17 R million	IFRS 4 R million	Diff %
Net insurance result	**1 790**	**1 690**	**6**	1 743	1 730	1
Alternative risk transfer	**516**	**516**	**–**	368	390	(6)
Income from associated companies	**786**	**786**	**–**	54	54	–
Investment income	**1 120**	**1 120**	**–**	585	585	–
Amortisation of intangible assets	**(31)**	**(31)**	**–**	(23)	(23)	–
Other income and expenses	**(82)**	**(82)**	**–**	(1)	(2)	(50)
Income before tax	**4 099**	**3 999**	**3**	2 726	2 734	–
Taxation	**(716)**	**(712)**	**1**	(649)	(645)	1
Income after tax	**3 383**	**3 287**	**3**	2 077	2 089	(1)
Minority shareholders interest	**(133)**	**(125)**	**6**	(97)	(99)	(2)
Net profit attributable to equity holders	**3 250**	**3 162**	**3**	1 980	1 990	(1)

Events after the reporting period

In 2023, the company purchased MTN's device insurance book for R59 million. The transaction was subject to receiving regulatory approval, which was received and the transaction became effective January 2024.

There have been no other material changes in the affairs or financial position of the group since the statement of financial position date.

Ordinary shares issued

The shares in issue remained at 115 131 417 (2022: 115 131 417) shares of no par value (including 5 995 673 (2022: 5 534 058) treasury shares). In terms of the deferred share plan (DSP) implemented in 2007 and the performance deferred share plan (PDSP), 730 836 (2022: 567 959) shares were granted to employees on a deferred delivery basis during the year, 168 794 (2022: 116 040) shares lapsed as a result of resignations and 325 805 (2022: 293 292) treasury shares were issued in terms of the DSP and PDSP. Full details are set out in note 17 to the annual financial statements.

Subsidiaries in the group hold a total of 5 766 976 (2022: 5 301 582) Santam shares. The shares are held as 'Treasury shares'. Furthermore, since the unwinding of the Central Plaza structure in 2015, the Emthunzini BBBEE staff trust is under the control of Santam Ltd, resulting in 228 697 (2022: 232 476) shares being recognised as treasury shares as at 31 December 2023 (refer notes 16 and 17 for further details).

Capital structure

Debt securities

On 6 April 2023, Santam issued additional five-year unsecured subordinated callable floating rate notes of R1 billion. The effective interest rate for the floating rate notes is equivalent to the three-month JIBAR plus a spread of 150 basis points. The notes have a maturity date of 6 April 2028. Santam also redeemed subordinated fixed rate notes issued in April 2016 of R500 million (with an effective interest rate of 11.77%), which became callable on 12 April 2023. The issued subordinated notes commensurately increased to R3 billion.

For details on debt securities, refer to note 6.1 to the financial statements.

Share capital

For details on ordinary shares issued, refer to note 16 to the financial statements.

Ordinary dividends

	COMPANY	
	2023 R million	2022 R million
The following dividends were paid and are approved		
Interim dividend of 495 cents per share (2022: 462 cents)	**570**	532
Final dividend of 905 cents per share (2022: 845 cents)	**1 042**	973
	1 612	1 505

Special dividend

A special dividend of 1 780 cents per share was declared in September 2023 and paid in October 2023 (March 2022: 800 cents per share).

Directors' report

Subsidiaries

Details of the company's direct and indirect interests in subsidiaries are set out in note 10.1 to the financial statements. The following changes in shareholding took place during the year:

- In July 2023, the Santam group acquired a 100% shareholding in Sentravaal Brokers (Pty) Ltd for R26.9 million in cash, in addition to contingent payments estimated at R12.9 million.
- In October 2023, the Santam group acquired the remaining 53% in Vulindlela Underwriting Managers (Pty) Ltd for R14 million in cash, in addition to contingent payments estimated at R10 million.

Associated companies and joint ventures

Details of the holding company's interest in associated companies and joint ventures are set out in note 12.1 to the financial statements. The following changes took place during the year:

- On 4 May 2022, Santam announced that it entered into an agreement with Allianz, in terms of which Santam will dispose of its 10% interest in SAN JV to Allianz. All the conditions precedent to the transaction were fulfilled with a legal effective date of 4 September 2023. Disposal proceeds of EUR126.4 million (c. R2.6 billion) in relation to the transaction were received on the effective date.
- As referred to above, in October 2023, the Santam group acquired the remaining 53% in Vulindlela Underwriting Managers (Pty) Ltd, resulting in it becoming a subsidiary. Prior to the transaction, the group's investment in Vulindlela Underwriting Managers (Pty) Ltd was included in Investment in associates and joint ventures.

Related parties

Related-party relationships exist between the company, subsidiaries, associated companies, joint ventures, other Sanlam Group entities, company directors and key management. All material intergroup transactions between group subsidiaries have been eliminated from the group's financial statements.

For related-party transactions and key management personnel information, refer to notes 10.2 (transactions with subsidiaries in the Santam group), 12.2 (transactions with associated companies and joint ventures in the Santam group), 20.3.1 and 20.3.2 (transactions with key management, directors and prescribed officers) and 27 (transactions with Sanlam Group entities) to the annual financial statements.

Details of directors' remuneration and their interest in the company's shares appear in notes 16.1 (interest in the shares of the company), 17.1 (Santam deferred share plan), 17.2 (Sanlam deferred share plan), 20.3.1 (remuneration received from the company) and 27 (remuneration received from other companies in the group) to the annual financial statements.

Holding company

Sanlam Ltd, the company's holding company, holds 62.6% (2022: 62.3%) of the total issued ordinary share capital, net of treasury shares.

Segment information

Refer to note 2 in the notes to the annual financial statements for the segmental report.

Changes in directorate and board committees

The following changes took place on the company's board of directors during the year:

Ms CD da Silva	» An existing independent, non-executive director on the board, was appointed as a member of the human resources and remuneration committee with effect from 1 June 2023, to enhance the skill set of the committee.
Ms LA Swartz	» Appointed as an independent, non-executive director to the board (and as a member of the human resources and remuneration committee) with effect from 1 June 2023, to enhance the overall skill set of the board.
Mr HD Nel	» Resigned as finance director, group CFO and executive director from the board (and as a member of the risk and investment committees) with effect from 30 June 2023, to take up the role of Executive Head: Corporate Finance at the Sanlam Group. In addition he also resigned as Santam's debt officer with effect from 30 June 2023.
Mr ML Olivier	» Appointed as finance director, group CFO and executive director to the board (and as a member of the risk and investment committees) with effect from 1 July 2023, to succeed HD Nel. In addition he was also appointed as Santam's debt officer with effect from 1 July 2023.
Ms MLD Marole	» Retired as an independent, non-executive director from the board due to her long-standing tenure on the board of directors (and as chairperson of the human resources and remuneration committee, as the chairperson of the social, ethics and sustainability committee and as a member of the nomination committee) with effect from 1 October 2023. Consequently, Ms LA Swartz was appointed as the chairperson of the human resources and remuneration committee, Ms CD da Silva was appointed as the chairperson of the social, ethics and sustainability committee and Mr MP Fandeso was appointed to the nominations committee.

The composition of the board committees is now as follows:

Directors' report

Committee memberships	Risk committee	Audit committee	Human resources and remuneration committee	Nominations committee	Social, ethics and sustainability committee	Investment committee
Independent non-executive directors						
M Chauke	✓	✓			✓	
CD da Silva	✓		✓		✓	
MP Fandeso	✓	✓				✓
DEH Loxton	✓	✓				✓
NT Moholi (chairperson)			✓	✓		
PE Speckmann	✓	✓				
LA Swartz			✓			
Non-executive directors						
PB Hanratty			✓	✓		
MM Mahlangeni	✓					
AM Mukhuba	✓					✓
JJ Ngulube					✓	
Executive directors						
TC Madzinga (group chief executive officer)	✓				✓	✓
ML Olivier (group chief financial officer)	✓					✓

Company secretary

R Eksteen served as the group company secretary during 2023.

Registered office for company secretary

PO Box 3881, Tyger Valley 7536
Santam Ltd, 1 Sportica Crescent, Bellville 7530

Auditors

Upon conclusion of the audit of the financial year ended 31 December 2023, as per the mandatory audit firm rotation requirements, PricewaterhouseCoopers Inc (PwC) will rotate as Santam Limited's external auditors in accordance with section 90(1) of the Companies Act, 71 of 2008. A shareholder resolution was passed at Santam Ltd's AGM on 31 May 2023 to formally appoint KPMG Inc as the Santam group's external auditors for the financial year ending 31 December 2024.

Special resolutions passed

The following special resolutions were passed by Santam Ltd at the AGM on 31 May 2023:

- Approval of non-executive directors' remuneration.
- General authority to the directors, in accordance with the JSE Ltd Listings Requirements and Companies Act, to repurchase the company's shares.
- General authority to grant financial assistance to any related party established for the benefit of employees of the group in connection with the purchase of securities.
- General authority to provide direct or indirect financial assistance to related companies or persons (or inter-related companies or corporations). Such financial assistance provided during the year exceeded the threshold of 0.1% of the Santam group's net asset value.

Notice in terms of section 45(5) of the Companies Act

The company is from time to time, as an essential part of conducting the business of the group, required to provide financial assistance to group companies as part of its day-to-day operations in the form of loan funding, guarantees or general financial assistance as contemplated in section 45 of the Companies Act. In accordance with section 45(5) of the Companies Act this serves to give notice that the Santam board, in line with existing practice, approved that the company may, in accordance with and subject to the provisions of section 45 of the Companies Act and in terms of the special resolution passed at the company's annual general meeting in 2023, provide such direct or indirect financial assistance to related and inter-related companies and corporations as described in section 45 of the Companies Act. The amount and format of financial assistance which may be granted pursuant to the resolution is subject to ongoing review by the Santam board and may in total exceed 0.1% of the Santam group's net asset value.

Statements of financial position

	Notes	GROUP 31 Dec 2023 R million	Restated[1] 31 Dec 2022 R million	Restated[1] 1 Jan 2022 R million	COMPANY 31 Dec 2023 R million	Restated[1] 31 Dec 2022 R million	Restated[1] 1 Jan 2022 R million
ASSETS							
Intangible assets	13	**1 226**	1 073	989	**301**	285	306
Property and equipment	15	**877**	640	702	**610**	456	517
Investment in subsidiaries	10	**–**	–	–	**1 401**	1 029	1 029
Investment in associates and joint ventures	12	**542**	467	2 284	**–**	–	2 034
Strategic investment – unquoted Sanlam target shares	5.1	**2 030**	1 596	1 691	**2 030**	1 596	1 691
Deferred income tax	22	**162**	139	130	**–**	–	19
Financial assets at fair value through income	5.1	**43 748**	36 069	31 188	**15 266**	12 547	13 764
Insurance contract assets	4.1	**426**	797	190	**340**	624	–
Reinsurance contract assets	4.1	**10 087**	14 005	13 980	**8 401**	12 159	12 964
Non-current assets held for sale	12.3	**–**	1 768	–	**–**	2 034	–
Loans and receivables	5.6	**2 739**	2 615	1 792	**1 591**	1 170	953
Current income tax		**474**	96	5	**176**	–	–
Cash and cash equivalents	5.7	**4 819**	5 387	4 496	**1 415**	2 356	1 842
Total assets		**67 130**	64 652	57 447	**31 531**	34 256	35 119
EQUITY							
Capital and reserves attributable to the company's equity holders							
Share capital	16	**103**	103	103	**103**	103	103
Treasury shares	16	**(845)**	(713)	(570)	**–**	–	–
Other reserves	18.1	**10**	(63)	37	**–**	(35)	–
Distributable reserves	18.2	**11 424**	11 537	11 807	**8 636**	9 070	9 567
		10 692	10 864	11 377	**8 739**	9 138	9 670
Non-controlling interest	11	**714**	670	634	**–**	–	–
Total equity		**11 406**	11 534	12 011	**8 739**	9 138	9 670
LIABILITIES							
Deferred income tax	22	**1 103**	100	70	**571**	23	–
Lease liabilities	7	**824**	669	764	**569**	501	575
Financial liabilities at fair value through income							
Debt securities	6.1	**3 053**	2 539	2 552	**3 053**	2 539	2 552
Investment contracts	6.3	**6 286**	5 214	3 798	**–**	–	–
Derivatives	6.4	**7**	35	1	**7**	35	1
Financial liabilities at amortised cost							
Repo liability	6.5	**690**	739	926	**–**	–	–
Collateral guarantee contracts	6.6	**113**	129	155	**113**	129	155
Insurance contract liabilities	4.1	**34 650**	36 221	30 896	**16 592**	19 857	19 898
Reinsurance contract liabilities	4.1	**5 789**	4 144	3 438	**–**	–	–
Provisions for other liabilities	19	**141**	139	188	**60**	87	136
Trade and other payables	6.7	**2 830**	2 855	2 243	**1 827**	1 680	1 796
Current income tax		**238**	334	405	**–**	267	336
Total liabilities		**55 724**	53 118	45 436	**22 792**	25 118	25 449
Total shareholders' equity and liabilities		**67 130**	64 652	57 447	**31 531**	34 256	35 119

[1] Comparative information was restated for the initial application of IFRS 17, in addition to a reclassification of accrued interest. Refer to note 1 for additional information.

Statements of comprehensive income

	Notes	GROUP 31 Dec 2023 R million	GROUP Restated[1] 31 Dec 2022 R million	COMPANY 31 Dec 2023 R million	COMPANY Restated[1] 31 Dec 2022 R million
Insurance revenue	4.8	**46 882**	43 082	**33 005**	31 500
Insurance service expense	4.9, 20.2	**(37 230)**	(38 694)	**(27 185)**	(29 941)
Net (expense)/income from reinsurance contracts held	4.10	**(6 835)**	(1 728)	**(4 184)**	45
Insurance service result		**2 817**	2 660	**1 636**	1 604
Finance expenses from insurance contracts issued	4.11	**(1 980)**	(1 245)	**(1 489)**	(665)
Finance (expense)/income from reinsurance contracts held	4.12	**(66)**	658	**636**	456
Net insurance service result		**771**	2 073	**783**	1 395
Interest income on amortised cost instruments	5.9	**466**	276	**88**	51
Interest income on fair value through income instruments	5.9	**2 733**	1 688	**1 075**	724
Other investment income	5.9	**745**	696	**1 117**	908
Net fair value gains/(losses) on financial assets and liabilities at fair value through income	5.10	**746**	(550)	**576**	(327)
Other revenue	20.1	**464**	387	**119**	115
Investment management services fees	20.2	**(125)**	(124)	**(75)**	(83)
Net investment income and other revenue		**5 029**	2 373	**2 900**	1 388
Other operating expenses	20.2	**(722)**	(521)	**(239)**	(154)
Investment return allocated to structured products		**(497)**	(208)	**–**	–
Amortisation and impairment of intangible assets	13, 20.2	**(77)**	(105)	**(35)**	(60)
Total other operating expenses		**(1 296)**	(834)	**(274)**	(214)
Results of operating activities		**4 504**	3 612	**3 409**	2 569
Other finance costs	6.8	**(438)**	(323)	**(328)**	(246)
Realised profit on sale of subsidiaries	14	**–**	–	**145**	–
Net income from associates and joint ventures	12	**81**	68	**–**	–
Income tax recovered from structured products		**258**	126	**–**	–
Profit before tax		**4 405**	3 483	**3 226**	2 323
Total tax expense		**(1 727)**	(1 392)	**(579)**	(474)
Tax expense allocated to shareholders		**(716)**	(649)	**(579)**	(474)
Tax expense allocated to third party cell insurance contracts and structured products		**(1 011)**	(743)	**–**	–
Profit from continuing operations		**2 678**	2 091	**2 647**	1 849
Profit/(loss) from discontinued operations	12.4	**705**	(14)	**476**	–
Profit for the year		**3 383**	2 077	**3 123**	1 849
Other comprehensive income, net of tax					
Items that may subsequently be reclassified to income					
Exchange differences on translation of discontinued operations	18.1	**–**	(57)	**–**	–
Hedging reserve movement		**(87)**	–	**(87)**	–
Hedging reserve release on sale of discontinued operations		**122**	–	**122**	–
Foreign currency translation and other non-distributable reserves released on sale of discontinued operations		**37**	–	**–**	–
Total comprehensive income for the year		**3 455**	2 020	**3 158**	1 849
Profit attributable to:					
– equity holders of the company		**3 250**	1 980	**3 123**	1 849
– non-controlling interest		**133**	97	**–**	–
		3 383	2 077	**3 123**	1 849
Total comprehensive income attributable to:					
– equity holders of the company		**3 322**	1 923	**3 158**	1 849
– non-controlling interest		**133**	97	**–**	–
		3 455	2 020	**3 158**	1 849
Total comprehensive income for the year arises from:					
Continuing operations		**2 678**	2 091	**2 682**	1 849
Discontinued operations		**777**	(71)	**476**	–
		3 455	2 020	**3 158**	1 849
Earnings attributable to equity shareholders	23				
Earnings per share (cents)					
Basic earnings per share		**2 973**	1 806		
Diluted earnings per share		**2 952**	1 794		

[1] Comparative information was restated for the initial application of IFRS 17. Refer to note 1 for additional information.

Statements of changes in equity

	Attributable to equity holders of the company						
	Share capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million	Total R million	Non-controlling interest R million	Total R million
GROUP							
Balance as at 1 January 2022	103	(570)	37	11 862	11 432	630	12 062
IFRS17 transitional adjustment	–	–	–	(55)	(55)	3	(52)
Balance as at 1 January 2022 (restated)	103	(570)	37	11 807	11 377	633	12 010
Profit for the year[1]	–	–	–	1 980	1 980	97	2 077
Other comprehensive income:							
Exchange differences on translation of discontinued operations	–	–	(57)	–	(57)	–	(57)
Total comprehensive income for the year ended 31 December 2022[1]	–	–	(57)	1 980	1 923	97	2 020
Issue of treasury shares in terms of share option schemes	–	94	–	(94)	–	–	–
Purchase of treasury shares	–	(237)	–	–	(237)	–	(237)
Share-based payment costs	–	–	–	112	112	–	112
Hedging reserve movement	–	–	(35)	–	(35)	–	(35)
Share of associates' movements in other reserves	–	–	(8)	–	(8)	–	(8)
Issue of equity interest in cell captive	–	–	–	–	–	46	46
Repayment of equity interest in cell captive	–	–	–	–	–	(6)	(6)
Dividends paid	–	–	–	(2 264)	(2 264)	(98)	(2 362)
Non-controlling interest acquired	–	–	–	(4)	(4)	(2)	(6)
Balance as at 31 December 2022[1]	**103**	**(713)**	**(63)**	**11 537**	**10 864**	**670**	**11 534**
Profit for the year	**–**	**–**	**–**	**3 250**	**3 250**	**133**	**3 383**
Other comprehensive income:							
Hedging reserve movement	**–**	**–**	**(87)**	**–**	**(87)**	**–**	**(87)**
Hedging reserve release on sale of discontinued operations	**–**	**–**	**122**	**–**	**122**	**–**	**122**
Foreign currency translation and other non-distributable reserves released on sale of discontinued operations	**–**	**–**	**37**	**–**	**37**	**–**	**37**
Total comprehensive income for the year ended 31 December 2023	**–**	**–**	**72**	**3 250**	**3 322**	**133**	**3 455**
Issue of treasury shares in terms of share option schemes	**–**	**89**	**–**	**(89)**	**–**	**–**	**–**
Purchase of treasury shares	**–**	**(221)**	**–**	**–**	**(221)**	**–**	**(221)**
Share-based payment costs	**–**	**–**	**–**	**117**	**117**	**–**	**117**
Movement in foreign currency translation reserve	**–**	**–**	**1**	**–**	**1**	**–**	**1**
Transfer between equity holders and non-controlling interest	**–**	**–**	**–**	**33**	**33**	**(33)**	**–**
Dividends paid	**–**	**–**	**–**	**(3 424)**	**(3 424)**	**(86)**	**(3 510)**
Issue of equity interest in cell captive	**–**	**–**	**–**	**–**	**–**	**30**	**30**
Balance as at 31 December 2023	**103**	**(845)**	**10**	**11 424**	**10 692**	**714**	**11 406**

[1] Comparative information was restated for the initial application of IFRS 17. Refer to note 1 for additional information.

Statements of changes in equity (continued)

	Attributable to equity holders of the company			
	Share capital R million	Other reserves R million	Distributable reserves R million	Total R million
COMPANY				
Balance as at 1 January 2022	103	–	9 567	9 670
Profit for the year[1]	–	–	1 849	1 849
Total comprehensive income for the year ended 31 December 2022[1]	–	–	1 849	1 849
Hedging reserve movement	–	(35)	–	(35)
Share-based payment costs	–	–	111	111
Loss on delivery of shares in terms of share scheme	–	–	(95)	(95)
Dividends paid	–	–	(2 362)	(2 362)
Balance as at 31 December 2022[1]	**103**	**(35)**	**9 070**	**9 138**
Profit for the year	**–**	**–**	**3 123**	**3 123**
Other comprehensive income:				
Hedging reserve movement	**–**	**(87)**	**–**	**(87)**
Hedging reserve release on sale of discontinued operations	**–**	**122**	**–**	**122**
Total comprehensive income for the year ended 31 December 2023	**–**	**35**	**3 123**	**3 158**
Share-based payment costs	**–**	**–**	**117**	**117**
Loss on delivery of shares in terms of share scheme	**–**	**–**	**(78)**	**(78)**
Dividends paid	**–**	**–**	**(3 592)**	**(3 592)**
Balance as at 31 December 2023	**103**	**–**	**8 640**	**8 743**

1 Comparative information was restated for the initial application of IFRS 17. Refer to note 1 for additional information.

Statements of cash flows

	Notes	GROUP 31 Dec 2023 R million	GROUP Restated[1] 31 Dec 2022 R million	COMPANY 31 Dec 2023 R million	COMPANY Restated[1] 31 Dec 2022 R million
Cash flows from operating activities					
Cash generated from operations	25.1	**5 860**	8 369	**1 758**	1 236
Dividends received[1]		**178**	457	**237**	563
Interest received[1]		**2 688**	1 541	**1 119**	774
Interest paid		**(425)**	(322)	**(268)**	(223)
Income tax paid	26	**(1 220)**	(1 545)	**(455)**	(500)
Net movement from acquisition and sale of financial assets		**(6 414)**	(4 957)	**(2 374)**	1 093
Net cash from operating activities		**667**	3 543	**17**	2 943
Cash flows from investing activities					
Proceeds from redemption of financial assets		**–**	92	**–**	92
Acquisition of subsidiaries, net of cash acquired	14	**(99)**	31	**(24)**	–
Purchases of equipment	15	**(189)**	(78)	**(151)**	(64)
Purchases of intangible assets	13	**(82)**	(58)	**(51)**	(39)
Proceeds from sale of intangible assets		**–**	16	**–**	–
Acquisition of associates and joint ventures	14	**–**	(2)	**–**	–
Proceeds from sale of non-current assets held for sale[2]	14	**2 632**	–	**2 632**	–
Settlement of zero cost collar		**(122)**	–	**(122)**	–
Net cash from/(used in) investing activities		**2 140**	1	**2 284**	(11)
Cash flows from financing activities					
Purchase of treasury shares	16	**(221)**	(237)	**–**	–
Purchase of non-controlling interest in subsidiaries		**–**	(6)	**–**	–
Proceeds from issue of unsecured subordinated callable notes	6.1	**1 000**	1 000	**1 000**	1 000
Redemption of unsecured subordinated callable notes	6.1	**(500)**	(1 000)	**(500)**	(1 000)
Dividends paid to company's shareholders		**(3 424)**	(2 264)	**(3 592)**	(2 362)
Dividends paid to non-controlling interest		**(86)**	(98)	**–**	–
Equity interest issued to cell captive		**30**	46	**–**	–
Repayment of equity interest in cell captive		**–**	(6)	**–**	–
Payment of principal element of lease liabilities	7	**(134)**	(123)	**(110)**	(91)
Net cash used in financing activities		**(3 335)**	(2 688)	**(3 202)**	(2 453)
Net (decrease)/increase in cash and cash equivalents		**(528)**	856	**(901)**	479
Cash and cash equivalents at beginning of year		**5 387**	4 496	**2 356**	1 842
Exchange (losses)/gains on cash and cash equivalents		**(40)**	35	**(40)**	35
Cash and cash equivalents at end of year		**4 819**	5 387	**1 415**	2 356

1 Refer to note 25.2 for detail of the restatement.
2 Represents cash flow relating to disposal of discontinued operations.

Notes to the annual financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and company financial statements are included in the specific notes to which they relate. These policies have been consistently applied to all years presented, unless otherwise indicated.

1.1 Statement of compliance

The financial statements are prepared in accordance with the JSE Ltd Listings Requirements and Debt Listings Requirements, the requirements of the Companies Act and the company's memorandum of incorporation. The JSE Ltd Listings Requirements and Debt Listings Requirements require annual reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS® Accounting Standards, the IFRS Interpretations Committee interpretations and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements, as issued by the Financial Reporting Standards Council.

1.2 Basis of preparation

The financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through income and the application of the equity method of accounting for investments in associates and joint ventures.

The consolidated annual financial statements have been prepared on a going concern basis. In adopting the going concern basis, the board has reviewed the group's ongoing commitments for the next 12 months and beyond. The board's review included the group's strategic plans and updated financial forecasts including capital position, liquidity and credit facilities, and investment portfolio.

In the context of the current challenging environment, a range of downside scenarios have been considered. These include scenarios which reflect subdued economic activity, market volatility and increased climate-related claim events.

As a result, the board believes that the group is well placed to meet future capital requirements and liquidity demands. Based on this review, no material uncertainties, that would require disclosure, have been identified in relation to the ability of the group to remain a going concern for at least the next 12 months, from the date of approval of the consolidated annual financial statements.

All amounts in the consolidated financial statements are presented in South African Rand, rounded to the nearest million, unless otherwise stated.

Restatements other than adoption of IFRS 17

Restatement of statement of financial position

Accrued interest on financial assets was previously classified as loans and receivables, and has been restated to be appropriately included as part of the carrying value of financial assets. Refer to note 5.11 for further information.

Restatement of statement of comprehensive income

Investment management services fees (previously expenses for investment-related activities) have been moved on the statement of comprehensive income to be presented closer to other items of an investment nature.

Restatement of statement of cash flows

Cash flows relating to dividends and interest received within operating activities have been restated to be presented separately in the statement of cash flows. Refer to note 25.2 for further information.

Standards effective in 2023

The following new IFRSs and/or IFRICs were effective for the first time from 1 January 2023:

- IFRS 17 *Insurance contracts*
- Amendments to IFRS 17 *Insurance contracts*
- Amendments to IAS 12 *Income taxes (deferred tax related to assets and liabilities arising from a single transaction)*
- Amendments to IAS 12 *Income taxes (Income Taxes on International Tax Reform—Pillar Two Model Rules)*
- Narrow scope amendments to IAS 1 *Presentation of financial statements, Practice statement 2* and IAS 8 *Accounting policies (changes in accounting estimates and errors)*

The adoption of these amendments to IFRS did not have a material impact, apart from the first-time application of IFRS17 *Insurance contracts* and the amendments.

Standards not yet effective in 2023

- Amendment to IAS 1 *Presentation of financial statements (classification of liabilities as current or non-current)*
- Amendment to IAS 1 *Presentation of financial statements (non-current liabilities with covenants)*
- Amendment to IFRS 16 *Leases (sale and leaseback)*
- Amendments to IAS 7 *Statement of cash flows* and IFRS 7 *Financial instruments: Disclosures (on supplier finance arrangements)*
- Amendments to IAS 21 *The effects of changes in foreign exchange rates (on lack of exchangeability)*

The group did not early adopt any of the IFRS standards that are not yet effective. The group does not anticipate that the adoption of the new standards will have a material impact. Refer to note 31 for more detail.

IFRS 17 insurance contracts (IFRS 17)

Introduction

The IASB issued IFRS 17 *Insurance contracts* in May 2017 and on 25 June 2020, the IASB issued amendments to the standard. The effective date of IFRS 17 is for annual reporting periods beginning on or after 1 January 2023. The group adopted the standard on 1 January 2023 and restated comparative information.

Notes to the annual financial statements

1. Summary of significant accounting policies (continued)

1.2 Basis of preparation (continued)

IFRS 17 insurance contracts (IFRS 17) (continued)

Project governance

The group's audit committee and an IFRS 17 steering committee provided oversight and governance of the implementation of the new standard. The steering committee comprised of senior management from various functions including finance, risk, information technology, operations and group internal audit.

Transition approach

The group adopted IFRS 17 as of 1 January 2023 on a fully retrospective basis for all its portfolios except for certain life contracts. For the life portfolios where the fully retrospective method was deemed impractical, the fair value approach was applied. Comparative information has been restated as required by the transitional provisions of IFRS 17. The R52 million transition impact in retained earnings is mainly attributable to the deferral of administration fee income related to the cell captive business, only to be released as the insurance service is provided. The change in carrying amounts of insurance and reinsurance assets and liabilities at the date of transition, has been recognised in retained earnings at 1 January 2022 (the comparative period).

Impact on opening reserves on transition to IFRS 17

	Impact on reserves at the beginning of 2022			Impact on reserves at the end of 2022		
	31 Dec 2021 R million	IFRS 17 restatement R million	Restated 1 Jan 2022 R million	31 Dec 2022 R million	IFRS 17 restatement R million	Restated 31 Dec 2022 R million
Group[1]						
Distributable reserves	11 862	(55)	11 807	11 602	(65)	11 537
Non-controlling interest	630	3	633	669	1	670

[1] The adoption of IFRS 17 had no impact on the reserves of the company.

Impact of changes in tax legislation

National Treasury promulgated the 2022 Taxation Laws Amendment Act in January 2023, which contained the changes to section 28 of the Income Tax Act (the Act) to cater for the implementation of IFRS 17. The main objective of these changes was to ensure that section 28 is aligned to the terminology and principles of IFRS 17, as well as to mitigate unintended tax implications as a result of the transition from IFRS 4 to IFRS 17. A phase-in period of three years applies to non-life insurers in respect of the transition amount (phasing-in amount).

The insurance sector engaged with National Treasury in this regard to effect changes to the Act. The 2023 Taxation Laws Amendment Act was promulgated on 22 December 2023, effective for the group's 2023 financial year. The changes made to section 28 of the Act did not address all unintended consequences as the interpretation of the IFRS 17 disclosure requirements continued to evolve during the year.

Based on the current provisions of the Act, the phasing-in amount is calculated with reference to the difference between the total insurance liabilities determined under IFRS 4 to only a portion of the insurance liabilities determined under IFRS 17. This results in an overstatement of the phasing-in amount. A deferred tax liability has been raised for the phasing-in amount which will be phased in over 3 years and constitutes a timing difference. The Act also allows short-term insurers in the first year of assessment commencing on or after 1 January 2023, to deduct premium debtors and creditors taken into account in determining insurance liabilities under IFRS 17. However, debtors and creditors forming part of IFRS 17 insurance liabilities are not limited to only premium debtors and creditors. These amounts can also include additional debtors and creditors balances such as commissions payable to brokers. That results in an increase of the deduction and an unintended permanent difference. The deferred tax asset raised on the assessed loss has been reduced for this unintended permanent difference.

Further amendments to the legislation are therefore required to ensure certainty in interpretation and to remove unintended phase-in amounts due to the disclosure and reclassification of certain items in terms of IFRS 17. The required amendments to the phase-in approach are expected to only have an impact on the timing of tax payable from a cash flow perspective.

The group, together with the rest of the industry, have made further submissions to clarify and refine the wording of section 28 in this regard.

The current legislation results in an increase in the deferred tax liability recognised in respect of the shareholders' fund and policyholders/cell owners' interests of respectively R947 million and R77 million, with a corresponding decrease in tax payable in respect of the 2023 financial year. The impact in respect of policyholders/cell owners' interests are for the account of clients and do not affect after tax profit attributable to equity holders of the group.

1.3 Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company's accounting policies. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the annual financial statements

1. Summary of significant accounting policies (continued)

1.3 Critical accounting estimates and judgements (continued)

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are highlighted below with more detail provided in the specific notes to which they relate:

Insurance contracts – note 4.1:

- Unit of account
- Premium allocation approach eligibility
- Liability for incurred claims
- Discount rates
- Risk adjustment for non-financial risk
- Foreign currency translation

Investment results:

- Fair value of financial instruments that are not listed or quoted – note 5.3

2. Segment information

Operating segments are reported consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the chief executive officer, supported by the group executive committee.

The group conducts mainly insurance and investment activities.

Insurance activities:

The group presents its insurance results in the following segments:

- Conventional insurance business written on insurance licences controlled by the group, consisting of Santam Broker Solutions, Santam Client Solutions, Santam Partner Solutions, Santam Specialist Solutions, MiWay and Santam Re;
- Alternative Risk Transfer (ART) insurance business written on the insurance licences of the Centriq Insurance group (Centriq) and the Santam Structured Insurance group (SSI); and
- Santam's share of the insurance results of the Sanlam general insurance businesses in India and Malaysia.

Conventional insurance is further analysed by insurance class. Operating segments are aggregated based on quantitative and/or qualitative significance. The performance of insurance activities is based on gross written premium as a measure of growth, with operating result as measure of profitability.

Growth is measured for the Sanlam general insurance businesses based on the insurance revenue generated by the underlying businesses. This information is considered to be a reallocation of fair value movements recognised on the Sanlam target shares. It is also included as reconciling items in order to reconcile to the consolidated statement of comprehensive income. Overall profitability is measured based on net investment income and fair value movements from Sanlam target share investments.

Insurance business denominated in foreign currencies is covered by foreign-denominated bank accounts and investment portfolios. Foreign exchange movements on underwriting activities are therefore offset against the foreign exchange movements recognised on the bank accounts and investment portfolios.

The investment return on insurance funds is calculated based on the day-weighted effective return realised by the group on the assets held to cover the group's net insurance working capital requirements.

Investment activities

Investment activities are all investment-related activities undertaken by the group. Due to the nature of the activities conducted, investment activities are considered to be one operating segment. Investment activities are measured based on net investment income. Revenue is earned from the various investment portfolios managed in the form of interest, dividends and fair value gains or losses, as well as income from associates and joint ventures that are not considered to be strategic investments.

All activities

Given the nature of the operations, there is no single external client that provides 10% or more of the group's revenues.

Santam Ltd is domiciled in South Africa. Geographical analysis of the insurance revenue and non-current assets is based on the countries in which the business is underwritten or managed. Non-current assets comprise goodwill and intangible assets, property and equipment, investments in associates and joint ventures, Sanlam target shares and previously non-current assets held for sale.

Restatement of segment report

Due to the implementation of IFRS 17, the segment report was enhanced to provide more detailed disclosure to assist the chief operating decision maker (CODM) as well as users of the financial statements to better understand the impact of reclassifications and changes brought about by the implementation of the new standard. Refer to note 2.1.

Notes to the annual financial statements

2. Segment information (continued)

2.1 Segment report

For the year ended 31 December 2023

	OPERATING SEGMENTS				
	Conventional R million	Alternative risk transfer R million	Santam's share of Sanlam general insurance businesses[1] R million	Investment R million	Total R million
Insurance revenue	36 895	11 353	937	1 958	51 143
External	36 042	11 353	937	1 958	50 290
Intersegment[6]	853	–	–	–	853
Insurance service expense	(30 989)	(7 882)	(754)	–	(39 625)
Claims	(20 415)	(5 791)	(443)	–	(26 649)
Commission	(5 739)	(1 156)	(110)	–	(7 005)
Admin expenses[2]	(4 835)	(935)	(201)	–	(5 971)
Net (expense)/income from reinsurance contracts held	(4 250)	(3 338)	(209)	–	(7 797)
Reinsurance premiums	(7 560)	(9 480)	(209)	–	(17 249)
Reinsurance claims	1 620	4 763	–	–	6 383
Reinsurance commission	1 690	1 379	–	–	3 069
Insurance service result	1 656	133	(26)	1 958	3 721
Finance expenses from insurance contracts issued	(1 223)	–	–	–	(1 223)
Finance income/(expense) from reinsurance contracts held	598	(40)	–	–	558
Net insurance service result	1 031	93	(26)	1 958	3 056
Reallocation of investment revenue	–	–	–	(1 958)	(1 958)
Investment return on insurance funds	759	350	221	–	1 330
Interest income on amortised cost instruments	–	–	–	252	252
Interest income on fair value through income instruments	–	–	–	93	93
Other investment income	–	–	–	401	401
Net fair value gains on financial assets and liabilities at fair value through income	–	–	–	887	887
Other revenue	141	–	–	–	141
Investment management services fees	–	–	–	(125)	(125)
Net investment income and other revenue	900	350	221	(450)	1 021
Other operating expenses	(223)	–	–	–	(223)
Investment return allocated to structured products	–	–	–	–	–
Amortisation and impairment of intangible assets	(31)	–	–	–	(31)
Total other operating expenses	(254)	–	–	–	(254)
Results of operating activities	1 677	443	195	1 508	3 823
Other finance costs[3]	–	–	–	(315)	(315)
Net income from associates and joint ventures	–	–	–	81	81
Reallocation of operating result	–	–	(195)	–	(195)
Income tax recovered from structured products	–	–	–	–	–
Profit before tax from continuing operations	1 677	443	–	1 274	3 394
Profit from discontinued operations	–	–	–	705	705
Profit before tax from continuing and discontinued operations	1 677	443	–	1 979	4 099
Insurance and investment activities	1 790	–	–	1 120	2 910
Other income and expenses	(113)	–	–	–	(113)
ART activities	–	443	–	73	516
Associates	–	–	–	81	81
Discontinued operations	–	–	–	705	705

1 Santam's share of Sanlam general insurance businesses' commission and claims included on a net basis within insurance service expenses.
2 Includes depreciation of R240 million for Conventional and R8 million for ART.
3 Finance costs relating to lease liabilities is included in operating result.
4 Amortisation of computer software is included as part of operating result.
5 Reconciling items consist of the reallocation of net operating results relating to the underlying investments of the Sanlam target shares for management reporting purposes (as a result of the investments in Sanlam target shares being carried at fair value through income), and the reallocation of investment revenue for IFRS purposes.
6 Intersegment revenue includes revenue earned from the Santam's share of the Sanlam general insurance businesses segment.

Notes to the annual financial statements

RECONCILING ITEMS

Sanlam target shares and investment revenue[5] R million	ART investment return R million	Tax recovered from cell owners R million	Other income and expenses R million	Inward reinsurance commission R million	Foreign currency on technical reserves and investment return on insurance funds R million	Finance costs on leases and amortisation of intangible assets[3,4] R million	Total R million	Statement of compre-hensive income R million
(2 895)	–	–	–	(1 366)	–	–	(4 261)	46 882
(2 895)	–	–	–	(1 366)	–	–	(4 261)	46 029
–	–	–	–	–	–	–	–	853
754	–	–	176	1 366	–	99	2 395	(37 230)
443	–	–	–	–	–	–	443	(26 206)
110	–	–	–	1 366	–	–	1 476	(5 529)
201	–	–	176	–	–	99	476	(5 495)
209	–	753	–	–	–	–	962	(6 835)
209	–	–	–	–	–	–	209	(17 040)
–	–	753	–	–	–	–	753	7 136
–	–	–	–	–	–	–	–	3 069
(1 932)	–	753	176	–	–	99	(904)	2 817
–	(475)	–	–	–	(282)	–	(757)	(1 980)
–	(668)	–	–	–	44	–	(624)	(66)
(1 932)	(1 143)	753	176	–	(238)	99	(2 285)	771
1 958	–	–	–	–	–	–	1 958	–
(221)	–	–	–	–	(1 109)	–	(1 330)	–
–	214	–	–	–	–	–	214	466
–	1 531	–	–	–	1 109	–	2 640	2 733
–	106	–	–	–	238	–	344	745
–	(141)	–	–	–	–	–	(141)	746
–	–	–	323	–	–	–	323	464
–	–	–	–	–	–	–	–	(125)
1 737	1 710	–	323	–	238	–	4 008	5 029
–	–	–	(499)	–	–	–	(499)	(722)
–	(497)	–	–	–	–	–	(497)	(497)
–	–	–	–	–	–	(46)	(46)	(77)
–	(497)	–	(499)	–	–	(46)	(1 042)	(1 296)
(195)	70	753	–	–	–	53	681	4 504
–	(70)	–	–	–	–	(53)	(123)	(438)
–	–	–	–	–	–	–	–	81
195	–	–	–	–	–	–	195	–
–	–	258	–	–	–	–	258	258
–	–	1 011	–	–	–	–	1 011	4 405
–	–	–	–	–	–	–	–	705
–	–	1 011	–	–	–	–	1 011	5 110

Notes to the annual financial statements

2. Segment information (continued)

2.1 Segment report (continued)

For the year ended 31 December 2022

	OPERATING SEGMENTS				
	Conventional R million	Alternative risk transfer R million	Santam's share of Sanlam general insurance businesses[1] R million	Investment R million	Total R million
Insurance revenue	34 974	9 331	716	664	45 685
External	34 307	9 331	716	664	45 018
Intersegment[6]	667	–	–	–	667
Insurance service expense	(33 222)	(6 969)	(691)	–	(40 882)
Claims	(23 315)	(5 088)	(438)	–	(28 841)
Commission	(5 472)	(1 066)	(29)	–	(6 567)
Admin expenses[2]	(4 435)	(815)	(224)	–	(5 474)
Net (expense)/income from reinsurance contracts held	(29)	(2 316)	(85)	–	(2 430)
Reinsurance premiums	(7 247)	(7 945)	(85)	–	(15 277)
Reinsurance claims	5 606	4 372	–	–	9 978
Reinsurance commission	1 612	1 257	–	–	2 869
Insurance service result	1 723	46	(60)	664	2 373
Finance expenses from insurance contracts issued	(701)	(243)	–	–	(944)
Finance income from reinsurance contracts held	380	308	–	–	688
Net insurance service result	1 402	111	(60)	664	2 117
Reallocation of investment revenue	–	–	–	(664)	(664)
Investment return on insurance funds	341	221	209	–	771
Interest income on amortised cost instruments	–	–	–	276	276
Interest income on fair value through income instruments	–	–	–	284	284
Other investment income	–	–	–	757	757
Net fair value losses on financial assets and liabilities at fair value through income	–	–	–	(351)	(351)
Other revenue	129	–	–	–	129
Investment management services fees	–	–	–	(124)	(124)
Net investment income and other revenue	470	221	209	178	1 078
Other operating expenses	(130)	–	–	–	(130)
Investment return allocated to structured products	–	–	–	–	–
Amortisation and impairment of intangible assets	(23)	–	–	–	(23)
Total other operating expenses	(153)	–	–	–	(153)
Results of operating activities	1 719	332	149	842	3 042
Other finance costs[3]	–	–	–	(221)	(221)
Net income from associates and joint ventures	–	–	–	68	68
Reallocation of operating result	–	–	(149)	–	(149)
Income tax recovered from structured products	–	–	–	–	–
Profit before tax from continuing operations	1 719	332	–	689	2 740
Loss from discontinued operations	–	–	–	(14)	(14)
Profit before tax from continuing and discontinued operations	1 719	332	–	675	2 726
Insurance and investment activities	1 743	–	–	585	2 328
Other income and expenses	(24)	–	–	–	(24)
ART activities	–	332	–	36	368
Associates	–	–	–	68	68
Discontinued operations	–	–	–	(14)	(14)

1 Santam's share of Sanlam general insurance businesses' commission and claims included on a net basis within insurance service expenses.
2 Includes depreciation of R203 million for Conventional and R11 million for ART.
3 Finance costs relating to lease liabilities is included in operating result.
4 Amortisation of computer software is included as part of operating result.
5 Reconciling items consist of the reallocation of net operating results relating to the underlying investments of the Sanlam target shares for management reporting purposes (as a result of the investments in Sanlam target shares being carried at fair value through income), and the reallocation of investment revenue for IFRS purposes.
6 Intersegment revenue includes revenue earned from the Santam's share of the Sanlam general insurance businesses segment.
7 Comparative information was restated for the initial application of IFRS 17, refer to note 1 for additional information.

Notes to the annual financial statements

			RECONCILING ITEMS					
Sanlam target shares and investment revenue[5] R million	ART investment return R million	Tax recovered from cell owners R million	Other income and expenses R million	Inward reinsurance commission R million	Foreign currency on technical reserves and investment return on insurance funds R million	Finance costs on leases and amortisation of intangible assets[3,4] R million	Total R million	Statement of compre-hensive income R million
(1 380)	–	–	–	(1 223)	–	–	(2 603)	43 082
(1 380)	–	–	–	(1 223)	–	–	(2 603)	42 415
–	–	–	–	–	–	–	–	667
691	–	–	133	1 223	–	141	2 188	(38 694)
438	–	–	–	–	–	–	438	(28 403)
29	–	–	–	1 223	–	–	1 252	(5 315)
224	–	–	133	–	–	141	498	(4 976)
85	–	617	–	–	–	–	702	(1 728)
85	–	–	–	–	–	–	85	(15 192)
–	–	617	–	–	–	–	617	10 595
–	–	–	–	–	–	–	–	2 869
(604)	–	617	133	–	–	141	287	2 660
–	(347)	–	–	–	46	–	(301)	(1 245)
–	(100)	–	–	–	70	–	(30)	658
(604)	(447)	617	133	–	116	141	(44)	2 073
664	–	–	–	–	–	–	664	–
(209)	–	–	–	–	(562)	–	(771)	–
–	–	–	–	–	–	–	–	276
–	842	–	–	–	562	–	1 404	1 688
–	55	–	–	–	(116)	–	(61)	696
–	(199)	–	–	–	–	–	(199)	(550)
–	–	–	258	–	–	–	258	387
–	–	–	–	–	–	–	–	(124)
455	698	–	258	–	(116)	–	1 295	2 373
–	–	–	(391)	–	–	–	(391)	(521)
–	(208)	–	–	–	–	–	(208)	(208)
–	–	–	–	–	–	(82)	(82)	(105)
–	(208)	–	(391)	–	–	(82)	(681)	(834)
(149)	43	617	–	–	–	59	570	3 612
–	(43)	–	–	–	–	(59)	(102)	(323)
–	–	–	–	–	–	–	–	68
149	–	–	–	–	–	–	149	–
–	–	126	–	–	–	–	126	126
–	–	743	–	–	–	–	743	3 483
–	–	–	–	–	–	–	–	(14)
–	–	743	–	–	–	–	743	3 469

Notes to the annual financial statements

2. Segment information (continued)

2.1 Segment report (continued)

Additional information on Conventional insurance activities

	2023 R million	Restated[3] 2022 R million
Gross insurance revenue	**36 895**	34 974
Gross written premium	**37 368**	35 418
Unearned premium and experience adjustments	**(473)**	(444)
Net earned premium	**29 335**	27 727
Gross insurance revenue	**36 895**	34 974
Reinsurance cost	**(7 560)**	(7 247)
Net claims incurred	**19 420**	18 030
Gross claims cost	**21 638**	24 016
Gross claims incurred	**20 415**	23 315
Unwinding of discount rate	**1 223**	701
Reinsurance claims	**(2 218)**	(5 986)
Reinsurance claims recovered	**(1 620)**	(5 606)
Unwinding of discount rate	**(598)**	(380)
Net commission	**4 049**	3 860
Gross commission incurred	**5 739**	5 472
Reinsurance commission received	**(1 690)**	(1 612)
Management expenses[1, 2]	**4 835**	4 435
Net underwriting result	**1 031**	1 402
Investment return on insurance funds	**759**	341
Net insurance result	**1 790**	1 743
Other income	**141**	129
Other expenses	**(254)**	(153)
Profit before tax from continuing and discontinued operations	**1 677**	1 719

1 Amortisation of computer software is included in management expenses.
2 Finance costs relating to lease liabilities is included in management expenses.
3 Comparative information was restated for the initial application of IFRS 17, refer to note 1 for additional information.

The group's conventional insurance activities are spread over various classes of general insurance.

	2023		2022	
	Gross written premium R million	Underwriting result R million	Gross written premium R million	Restated[1] Underwriting result R million
Accident and health	**572**	**120**	719	87
Crop	**1 525**	**270**	1 556	287
Engineering	**2 024**	**354**	1 759	513
Guarantee	**27**	**(7)**	50	23
Liability	**1 967**	**516**	1 743	354
Miscellaneous	**68**	**18**	99	(21)
Motor	**15 738**	**137**	15 124	481
Property	**14 076**	**(466)**	13 194	(354)
Transportation	**1 371**	**89**	1 174	32
Total	**37 368**	**1 031**	35 418	1 402
Comprising:				
Commercial insurance	**22 519**	**1 053**	21 327	1 287
Personal insurance	**14 849**	**(22)**	14 091	115
Total	**37 368**	**1 031**	35 418	1 402

1 Comparative information was restated for the initial application of IFRS 17, refer to note 1 for additional information.

Notes to the annual financial statements

2. Segment information (continued)

2.1 Segment report (continued)

Additional information on Alternative risk transfer insurance activities

The group's alternative risk insurance activities can be analysed as follows:

	2023 R million	Restated[2] 2022 R million
Income from clients	**703**	510
Participation in underwriting results[1]	**85**	114
	788	624
Administration expenses	**(345)**	(292)
Operating result before non-controlling interest and tax	**443**	332
Non-controlling interest	**(38)**	(51)
Operating result before tax	**405**	281

1 This relates to Centriq Insurance and SSI's selective participation in underwriting risk across the portfolios of traditional insurance business.
2 Comparative information was restated for the initial application of IFRS 17, refer to note 1 for additional information.

2.2 Geographical analysis

	Insurance revenue		Non-current assets	
	2023 R million	Restated[3] 2022 R million	2023 R million	2022 R million
South Africa	**41 148**	37 653	**2 635**	2 168
Rest of Africa[1]	**2 533**	2 557	**10**	1 781
Southeast Asia, India and Middle East	**3 985**	3 614	**2 030**	1 596
Other	**153**	286	**–**	–
	47 819	44 110	**4 675**	5 545
Reconciling items[2]	**(937)**	(1 028)	**–**	–
Group total	**46 882**	43 082	**4 675**	5 545

1 Includes insurance revenue relating to Santam Namibia Ltd of R1 088 million (2022: R1 021 million).
2 Reconciling items relate to the underlying investments included in the Sanlam target shares for management reporting purposes (as a result of the investments in Sanlam target shares being carried at fair value through income).
3 Comparative information was restated for the initial application of IFRS 17, refer to note 1 for additional information.

3. Risk and capital management

3.1 Objective and framework

As an insurance group, Santam Ltd and its subsidiaries are exposed to various insurance and financial risks. These risks cause uncertainty and therefore the challenge for management is to determine what level of uncertainty is acceptable for each business unit as it strives to enhance stakeholder value.

Santam has adopted an enterprise risk management (ERM) approach and framework that enables management to effectively deal with uncertainty and thus enhance the capacity to build value by efficiently and effectively deploying resources in pursuit of achieving the group's objectives. The ERM process adopted is considered appropriate to the nature, scale and complexity of the group and company's business and risks. The Santam approach is aligned with the principles of the King Report on Corporate Governance™ for South Africa, 2016 (King IV), ISO 31000, Solvency Assessment and Management (SAM) requirements as well as the requirements of our majority shareholder, Sanlam.

Santam's ERM framework and process is designed to assist the board in ensuring that management continually monitors risk and reports back to the risk committee on the status of these risks. ISO 31000 was adopted to ensure that a structured and practical approach to risk management is implemented throughout the business. Santam's ERM process is well defined and businesses are responsible and accountable for integrating ERM in the operations. ERM adds value by being aligned to the business strategy and objectives.

Notes to the annual financial statements

3. Risk and capital management (continued)

3.2 Risk assessment process

A key component of the ERM framework is the risk assessment process. Santam's risk assessment process consists of risk identification, risk analysis, risk evaluation and risk treatment/management of those risks that are relevant to the company and group's strategic objectives. Risks are identified from a top down (strategic) and bottom up (operational) perspective to create and maintain an integrated view of material risk exposures. The top down approach is undertaken at an executive and senior management level and considers strategic risks affecting Santam in the medium to long term. In parallel, the bottom up approach is undertaken by enterprise risk management (ERM) at a business unit or specialist unit level to assess all categories of risks from their perspectives with specific focus on operational, underwriting, reinsurance and financial risks.

The risk identification process is used to build an aggregated view of all significant risks faced by the organisation. This, together with the risk categories and knowledge base is translated into the Santam risk universe. The risk universe is a summary of the most common risk themes across all categories of risk within the company and group and assists management in understanding and effectively managing the relevant risks.

Risk analysis provides an input to risk evaluation and informs decisions on how the risks need to be treated. Risk analysis involves consideration of the causes and sources of risk, their positive and negative consequences and the likelihood that those consequences may occur.

Santam analyses quantifiable risks by using an internally developed economic capital model. The model covers the following risk categories:

- insurance risk (consisting of underwriting and reinsurance risk)
- credit risk
- market risk
- operational risk

A number of risks faced by Santam are not modelled in the internal model, namely: strategic, liquidity, conduct, reputational, political, regulatory, compliance, sovereign downgrade, legal, outsourcing and cyber risks. These risks are analysed individually by management and appropriate measures are implemented to monitor and mitigate these risks.

Once the relevant risks are better understood, the risk appetite framework governs how the risks should be managed within the group. Santam has formulated a risk appetite policy which aims to quantify the amount of capital the company and group is willing to put at risk in the pursuit of value creation. It is within this risk appetite framework that Santam has selected its asset allocation and reinsurance programme which are among the most important determinants of risk and hence capital requirements within the organisation. The internal model allows for the measurement of Santam's expected performance relative to the risk appetite assessment criteria agreed to by Santam's board. The risk appetite process also includes the assessment of non-financial measures in determining the overall capital requirements. These assessments are presented to the risk committee as well as the board on a quarterly basis for consideration.

The group issues contracts that transfer insurance risk or financial risk or both (refer to note 4 for the general terms of insurance contracts). Insurance risk (i.e. underwriting and reinsurance risk) and investment risk (i.e. market and credit risk) impacts the balances and transactions reported in a financial period. The information that follows provides more detail on how Santam and its subsidiaries manage insurance and investment risk from a financial reporting perspective. The table below is a summary of all the financial balances that are affected by insurance and/or investment risk. It also considers balances that are directly or indirectly exposed to foreign currency risk. For this reason, the investment in SAN JV is also included in the table although it is not a financial or insurance instrument. It is included in Non-current assets held for sale in the prior year. The investment was disposed of during 2023. Refer to note 14 for more detail.

Notes to the annual financial statements

3. Risk and capital management (continued)

3.2 Risk assessment process (continued)

	Notes	GROUP TOTAL 2023 R million	GROUP TOTAL Restated[1] 2022 R million	GROUP FOREIGN 2023 R million	GROUP FOREIGN Restated[1] 2022 R million
Financial and insurance assets					
Equity securities					
Listed equities and similar securities	5.1, 5.3	**2 926**	2 861	**373**	319
Unlisted equities and similar securities	5.1, 5.3	**2 173**	1 738	**2 047**	1 613
Interest-bearing investments					
Government interest-bearing investments	5.1, 5.3	**5 336**	4 675	**1 257**	1 067
Corporate interest-bearing investments	5.1, 5.3	**18 136**	15 458	**1 968**	1 899
Mortgages and loans	5.1, 5.3	**125**	88	**13**	10
Structured transactions					
Structured notes	5.1, 5.3	**296**	241	**–**	–
Investment funds	5.1, 5.3	**10 324**	9 065	**289**	298
Deposits and similar securities	5.1, 5.3	**6 462**	3 539	**844**	561
Total investment assets		**45 778**	37 665	**6 791**	5 767
Loans and receivables	5.6, 5.8	**2 739**	2 615	**73**	145
Insurance contract assets	4.1, 4.2	**426**	797	**–**	–
Reinsurance contract assets	4.1, 4.4	**10 087**	14 005	**2 269**	1 873
Cash and cash equivalents	5.7, 5.8	**4 819**	5 387	**848**	1 346
Total financial and insurance assets		**63 849**	60 469	**9 981**	9 131
Investment in associates and joint ventures		**542**	467	**–**	–
Non-current assets held for sale		**–**	1 768	**–**	1 768
Total assets with direct or indirect foreign currency exposure		**64 391**	62 704	**9 981**	10 899
Financial and insurance liabilities					
Lease liabilities	7	**824**	669	**–**	–
Debt securities	6.1	**3 053**	2 539	**–**	–
Investment contracts	6.3	**6 286**	5 214	**–**	–
Derivatives	6.4	**7**	35	**7**	35
Repo liability	6.5	**690**	739	**–**	–
Collateral guarantee contracts	6.6	**113**	129	**–**	–
Insurance contract liabilities	4.1, 4.2	**34 650**	36 221	**5 185**	4 377
Reinsurance contract liabilities	4.1, 4.6	**5 789**	4 144	**–**	
Trade and other payables	6.7	**2 830**	2 855	**–**	–
Total financial and insurance liabilities		**54 242**	52 545	**5 192**	4 412

[1] Comparative information was restated for the initial application of IFRS 17, in addition to a reclassification of accrued interest. Refer to note 1 for additional information.

Notes to the annual financial statements

3. Risk and capital management (continued)

3.2 Risk assessment process (continued)

	Notes	COMPANY TOTAL 2023 R million	COMPANY TOTAL Restated[1] 2022 R million	COMPANY FOREIGN 2023 R million	COMPANY FOREIGN Restated[1] 2022 R million
Financial and insurance assets					
Equity securities					
Listed equities and similar securities	5.1, 5.3	**1 556**	1 430	**–**	–
Unlisted equities and similar securities	5.1, 5.3	**2 171**	1 738	**2 047**	1 613
Interest-bearing investments					
Government interest-bearing investments	5.1, 5.3	**2 052**	1 752	**975**	865
Corporate interest-bearing investments	5.1, 5.3	**9 525**	7 747	**1 919**	1 834
Mortgages and loans	5.1, 5.3	**109**	67	**–**	–
Structured transactions					
Structured notes	5.1, 5.3	**103**	113	**–**	–
Derivative assets	5.1, 5.2, 5.3	**–**	–	**–**	–
Investment funds	5.1, 5.3	**508**	332	**183**	149
Deposits and similar securities	5.1, 5.3	**1 272**	964	**844**	561
Total investment assets		**17 296**	14 143	**5 968**	5 022
Loans and receivables	5.6, 5.8	**1 591**	1 170	**–**	–
Insurance contract assets	4.1, 4.2	**340**	624	**–**	–
Reinsurance contract assets	4.1, 4.4	**8 401**	12 159	**2 269**	1 873
Cash and cash equivalents	5.5, 5.7, 5.8	**1 415**	2 356	**496**	964
Total financial and insurance assets		**29 043**	30 452	**8 733**	7 859
Non-current assets held for sale		**–**	2 034	**–**	2 034
Total assets with direct or indirect foreign currency exposure		**29 043**	32 486	**8 733**	9 893
Financial and insurance liabilities					
Lease liabilities	7	**569**	501	**–**	–
Debt securities	6.1, 6.2	**3 053**	2 539	**–**	–
Derivatives	6.4	**7**	35	**7**	35
Collateral guarantee contracts	6.6	**113**	129	**–**	–
Insurance contract liabilities	4.1, 4.2	**16 592**	19 857	**5 182**	4 374
Trade and other payables	6.7	**1 827**	1 680	**–**	–
Total financial and insurance liabilities		**22 161**	24 741	**5 189**	4 409

[1] Comparative information was restated for the initial application of IFRS 17, in addition to a reclassification of accrued interest. Refer to note 1 for additional information.

3.2.1 Insurance risk

Insurance risk refers to the risk of loss as a result of underwriting insurance contracts. More specifically, Santam group defines insurance risk to include:

- Underwriting risk
- Reinsurance risk

Santam's group risk management function has developed a group-wide governance and risk management framework in terms of the board-approved underwriting and reinsurance policies, and as required by the regulator's prudential standards.

This framework is implemented at business unit level through underwriting practice policies that set out the specific requirements and parameters within which insurance risks are managed. Through the group risk management's on-going monitoring and review processes, business units are held accountable to the framework.

A key benefit of the framework from a risk management perspective is that it facilitates enhanced oversight and collaboration between business units and significantly improves the understanding and management of risk concentrations that arise from time to time and that extend over several business unit portfolios in most instances.

Notes to the annual financial statements

3. Risk and capital management (continued)

3.2 Risk assessment process (continued)

3.2.1 Insurance risk (continued)

3.2.1.1 Underwriting risk

Underwriting risk results from fluctuations in the timing, frequency and severity of insured events. It includes the risk that premium provisions (liabilities for remaining cover) turn out to be insufficient to compensate for expected future claims, that the claims provisions (liability for incurred claims) raised for both reported and unreported claims are inadequate, as well as the risk resulting from the volatility of expense payments.

The group manages underwriting risk through its underwriting strategy and proactive claims handling. The underwriting strategy aims to ensure that the portfolio of insurance contracts issued is well diversified and reasonably priced. Claims costs are actively managed to ensure that the impact of factors such as the volatility of the Rand is adequately addressed.

In order to determine the underwriting risk faced by Santam and its subsidiaries, a stochastic simulation of Santam's claims is performed at a line of business level. Assumptions for each line of business are determined based on more than 20 years' worth of historic data. The results of this analysis are then used to identify where underwriting action is required. These actions can include, but is not limited to, changes to the pricing of insurance policies or adjustments to the reinsurance programme.

Refer to note 4.14 for detail on these risks and the way the group manages it.

3.2.1.2 Reinsurance risk

Reinsurance risk is the risk of loss due to either insufficient or inappropriately structured reinsurance cover relative to the group and company's risk management strategy and objectives. It also includes the risk that the reinsurance programme is inappropriately administered. The group and company obtain third-party reinsurance cover to reduce risks from single events or accumulations of risk that could have a significant impact on the current year's earnings or the company's capital.

Refer to note 4.15 for detail on these risks and the way the group manages it.

3.2.2 Credit risk

Credit risk reflects the financial impact of the default of one or more of Santam's counterparties.

Santam is exposed to financial risks caused by a loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. Key areas where Santam is exposed to credit default risk are:

- Failure of an asset counterparty to meet their financial obligations (note 5.8)
- Reinsurer default on presentation of a large claim (note 4.16)
- Reinsurers default on their share of Santam's insurance liabilities (note 4.16)

Santam determines the credit quality for each of its counterparties by reference to ratings from independent rating agencies such as Standard & Poor's (S&P) and Moody's. For the IFRS 9 expected credit losses, Santam measures the probability of default on the basis of assessments made by the rating agencies over a one-year time horizon and the resulting loss given default. The underlying default probabilities are based on the credit migration models developed by S&P and Moody's which incorporate up to ninety years' worth of credit default information. For default risk Santam uses a model which is largely based on Basel III regulations.

The credit risk analysis is used by management to determine the level of risk capital that should be held for the following types of exposures:

- Risk-based assets such as bonds and bank deposits
- Outstanding premiums due from intermediaries and reinsurance receivables due from reinsurers
- Reinsurance asset for incurred claims
- Exposure to potential reinsurance recoveries based on the losses generated by the internal model

Refer to note 4.16 as indicated above for detail on credit risk.

3.2.3 Market risk

Market risk arises from the level or volatility of the market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as interest rates, equity prices and exchange rates. The following financial and insurance assets, disclosed based on similar characteristics, are affected by market risk:

- Equity and similar securities
- Interest-bearing investments
- Structured transactions
- Investment funds
- Deposits and similar securities
- Insurance contract assets
- Reinsurance contract assets
- Non-current assets held for sale
- Loans and receivables
- Cash and cash equivalents

3. Risk and capital management (continued)

3.2 Risk assessment process (continued)

3.2.3 Market risk (continued)

The group makes use of a number of sensitivity or stress-test based risk management tools to understand the impact of the above risks on earnings and capital in both normal and stressed conditions. These stress tests combine deterministic shocks, analysis of historical scenarios and stochastic modelling using the internal economic capital model to inform the group's and company's decision-making and planning process and also for identification and management of risks within the business units.

Each of the major components of market risk faced by Santam is described in more detail below.

3.2.3.1 Price risk

The group and company are subject to price risk due to the impact that volatility in the market has on the value of its equity portfolios resulting in either a positive or negative effect on the net asset value of the group and company.

Santam has a well-defined investment strategy, including return objectives, asset allocation, portfolio construction and asset manager selection. The strategy has been translated into various specialist mandates which in turn have been outsourced mostly to Sanlam Investment Management (SIM). The total level of equity investments, both listed and unlisted, is closely monitored by the investment committee, audit committee and the board. The internal economic capital model is used to model the asset mix and absolute level of equity exposure on at least a quarterly basis and to compare the results to Santam's risk appetite. The analysis is presented to the risk committee for consideration in terms of required actions.

Refer to note 5.4 for detail on price risk.

3.2.3.2 Interest rate risk

Interest rate risk arises from the net effect on assets and liabilities due to a change in the level of interest rates. The market value of bonds and other fixed interest financial instruments are dependent on the level of interest rates. This includes movements in fixed income prices reflecting changes in expectations of credit losses, changes in investor risk aversion, or price changes caused by market liquidity. The income received from floating rate interest-bearing financial instruments is also affected by changes in interest rates.

The impact of a change in the interest rate on the asset mix as well as the economic capital requirements is determined using the internal economic capital model. The result of this analysis is presented to the risk committee on at least a quarterly basis for consideration and approval of required actions.

Refer to notes 5.5 and 6.2 for detail on interest rate risk.

3.2.3.3 Currency risk

Foreign currency risk is the risk that Santam will be negatively impacted by changes in the level or volatility of currency exchange rates relative to the South African Rand.

In accordance with Santam's international diversification strategy, Santam is entering into various transactions where there is an underlying foreign currency risk such as the investments in the Sanlam target shares and previously SAN JV. Santam is also expanding its reinsurance offerings to predominantly other countries in Africa, as well as Southeast Asia and India. Furthermore, Santam has established an international investment portfolio to ensure adequate asset liability matching in terms of the claims process and capital requirements.

Santam has a well-defined foreign currency management policy which is used to ensure adequate overall asset liability matching. Santam enters into currency hedges only when approved by the investment committee.

Refer to note 8 for detail on foreign currency risk.

3.2.4 Liquidity risk

Liquidity risk is the risk that Santam will encounter difficulty in raising funds to meet the commitments associated with its financial obligations as a result of assets not being available in a form that can immediately be converted into cash.

Santam manages liquidity requirements by matching the underlying risk profile of the assets invested to the corresponding liabilities. For example, the net insurance liabilities are covered by investments with limited capital risk (i.e. cash and short duration interest-bearing investments) while the subordinated debt security obligations are covered by longer duration interest-bearing investments and interest rate swaps to ensure that the interest rate risk is almost perfectly aligned.

Shareholder funds are invested in a combination of financial instruments (i.e. interest-bearing instruments, preference shares, listed and unlisted shares).

Refer to note 9 for more detail on liquidity risk.

3.2.5 Operational risk

Operational risk is the risk of direct or indirect losses resulting from human factors, external events and inadequate or failed internal processes and systems. Operational risks are inherent in the group's and company's operations and are typical of any large enterprise. Major sources of operational risk can include operational process reliability, information security, outsourcing of operations, dependence on key suppliers, implementation of strategic and operational change, integration of acquisitions, fraud, human error such as not placing the necessary facultative reinsurance, client service quality, inadequacy of business continuity arrangements, recruitment, training and retention of employees, and social and environmental impact.

Notes to the annual financial statements

3. Risk and capital management (continued)

3.2 Risk assessment process (continued)

3.2.5 Operational risk (continued)

The group and company manage operational risk by a comprehensive system of internal controls. From a risk governance perspective, the three lines of defence approach is used to identify the various levels of controls, oversight and assurance, including consideration of role-player independence. Risk management processes for oversight include using a range of techniques and tools to identify, monitor and mitigate its operational risk in accordance with the group's risk appetite. These tools include risk and control self-assessments and questionnaires, key risk indicators (e.g. fraud and service indicators), scenario analyses and loss reporting. In addition, the group and company have developed a number of contingency plans including incident management and business continuity plans. Quantitative analysis of operational risk exposures material to the group and company are used to inform decisions on controls and the overall amount of capital held for potential risk exposures. A compulsory annual internal control declaration is completed by senior and executive management and results reported to the risk and audit committees. The outcome of the declaration is reviewed to ensure material control breakdowns have been noted and appropriately addressed. The declaration process supports the board in their assessment of the system of internal controls.

3.3 Solvency and capital management

Capital adequacy risk is the risk that the group and company are holding insufficient funds to cover material negative variations in actual future experience.

The group and company must maintain a capital balance that will be at least sufficient to meet obligations in the event of substantial deviations, such as a 1-in-200-year event, from the main risk assumptions affecting the group's and company's business.

The overall capital management objectives of the group and company are:

- to comply with the requirements set by the regulators of the insurance markets where the group and company operates;
- to protect policyholders against adverse results that may affect the solvency of the group and company and therefore its ability to meet its financial obligations;
- to retain sufficient capital to fund the strategic objectives of the group and company; and
- to provide an adequate return for shareholders and benefits for other various stakeholders.

The material components to the capital management process are described in more detail below.

3.3.1 Capital appetite

The group's and company's objective is to maintain sufficient capital (including foreign capital), which comprises shareholders' equity and subordinated debt capital, to meet its strategic business plan and objectives. This represents sufficient surpluses for both regulatory and economic capital. To assist in managing its capital position, the group and company has set an internal coverage ratio band for its economic capital requirement of 145% – 165%, while at all times achieving specific threshold levels for its regulatory capital requirement. The group remains committed to efficient capital management.

The internal economic capital model is the preferred measure of capital sufficiency used to support, inform and improve decision-making across the group. It is used to determine the group's optimal capital structure, its investment strategy, its reinsurance programme and to determine the pricing and target returns for each portfolio. The economic capital analysis compares available capital with the economic capital assessment.

When determining capital requirements, Santam uses a risk measure of value-at-risk at the 99.5th percentile confidence level over a one-year time period. This means that the threshold economic and regulatory coverage ratios use a 1-in-200 year worst case event as their base.

The group economic capital requirement at 31 December 2023, based on the internal economic capital model, amounted to R8.8 billion (2022: R8.6 billion) resulting in an economic capital coverage ratio of 155% (2022: 156%), at the midpoint of the capital target range of 145% to 165%. Santam Ltd, the main operating entity, had an economic capital coverage ratio of 151% at 31 December 2023.

3.4 Regulatory and compliance risk management

Regulatory and compliance risks are risks that the group and company will be negatively affected by changes in regulations or non-compliance with regulations or internal policies that are already in place, resulting in regulatory sanctions and significantly impacting Santam's reputation.

The Financial Sector Regulation Act, 2017 commenced on 1 April 2018 and established two regulatory authorities, the Financial Sector Conduct Authority (the FSCA), to regulate and supervise financial services providers and improve market conduct to ensure fair outcomes to financial clients, and the Prudential Authority (the PA) who is focussed on the financial soundness of the financial system and insurers.

Santam's conduct of business committee is aligned with the FSCA's focus to improve market conduct to protect financial clients. As a result of the well-entrenched treating customers fairly culture in the organisation, Santam is well positioned to ensure fair treatment and protection of financial clients.

National Treasury published the second draft Conduct of Financial Institutions (COFI) Bill for public comment in September 2020. One of the purposes of the COFI Bill is to build a consistent, strong and effective market conduct legislative framework for all institutions rendering financial services. The industry awaits the third version of the Bill which is to be presented to Parliament. The Santam board of directors and management are actively monitoring the changes. The possible implications in the business plans and governance structures going forward are analysed on a continuous basis and the necessary changes are implemented where deemed reasonable.

Notes to the annual financial statements

3. Risk and capital management (continued)

3.4 Regulatory and compliance risk management (continued)

The group and its subsidiaries engage actively with their various regulatory authorities and policymakers. This is done through appropriate participation in industry forums.

In South Africa, Mauritius and Namibia where the group issues insurance contracts, the local insurance regulator specifies the minimum amount and the type of capital that must be held by each of the subsidiaries, in addition to their insurance liabilities. The minimum required capital must be maintained at all times throughout the year.

The group has complied with the local solvency regulations for regulated entities.

3.5 Conduct risk

Conduct risk is the risk that an entity's behaviour may result in unfair treatment of its clients. These risks can manifest through insurance product design, sales process, various distributional channels adopted by the entity, conflicts of interest between distribution channels that may arise in the distribution of insurance products, remuneration strategies, handling of claims and/or complaints management.

Santam constituted a conduct of business committee which is a sub-committee of the Santam group exco, consisting of representatives from various areas of the business within the Santam group such as Commercial and Personal lines business, Specialist business, Claims, Client Care and Product Development, to monitor the conduct risks and manner in which treating customers fairly outcomes are evidenced within Santam and across the Santam group. This committee meets on a quarterly basis. Quarterly reports are also submitted to the Santam social, ethics and sustainability (SES) committee, the risk committee and a summary to the board containing relevant information, progress and risk profile pertaining to market conduct outcomes. The Conduct Framework was formalised and presented to the SES committee.

The South African market conduct regulator aligned its market conduct legislation with the principles of fair treatment of clients. Santam, by complying with the South African market conduct legislation, implicitly adopts the principles of fair treatment as a fundamental cornerstone of its business.

4. Insurance and reinsurance contracts

		GROUP		COMPANY	
	Notes	2023 R million	Restated[1] 2022 R million	2023 R million	Restated[1] 2022 R million
Insurance contract assets		**(426)**	(797)	**(340)**	(624)
Reinsurance contract assets		**(10 087)**	(14 005)	**(8 401)**	(12 159)
Insurance contract liabilities		**34 650**	36 221	**16 592**	19 857
Reinsurance contract liabilities		**5 789**	4 144	**–**	–
	4.1	**29 926**	25 563	**7 851**	7 074

[1] Restated as a result of the adoption of IFRS 17.

Risk management
Refer to note 4.14 to 4.16 for detail on risks relating to insurance liabilities and reinsurance assets, and the management thereof.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.1 Insurance and reinsurance contracts analysis

	Notes	2023 Assets R million	2023 Liabilities R million	2023 Net R million	Restated[1] 2022 Assets R million	Restated[1] 2022 Liabilities R million	Restated[1] 2022 Net R million
GROUP							
Insurance contracts issued							
General insurance							
Premium allocation approach	4.2.1	**(408)**	**32 047**	**31 639**	(696)	34 139	33 443
General measurement model	4.2.2, 4.3	**–**	**675**	**675**	–	702	702
		(408)	**32 722**	**32 314**	(696)	34 841	34 145
Life insurance							
Premium allocation approach	4.2.1	**(18)**	**293**	**275**	(86)	329	243
General measurement model	4.2.2, 4.3	**–**	**1 635**	**1 635**	(15)	1 051	1 036
		(18)	**1 928**	**1 910**	(101)	1 380	1 279
Insurance contract (assets)/liabilities		**(426)**	**34 650**	**34 224**	(797)	36 221	35 424
Expected to be settled after 12 months		**(2)**	**5 711**	**5 709**	–	5 204	5 204
Expected to be settled within 12 months		**(424)**	**28 939**	**28 515**	(797)	31 017	30 220
Reinsurance contracts held							
General insurance							
Premium allocation approach	4.4.1	**(9 361)**	**119**	**(9 242)**	(13 472)	68	(13 404)
		(9 361)	**119**	**(9 242)**	(13 472)	68	(13 404)
Life insurance							
Premium allocation approach	4.4.1	**(25)**	**3**	**(22)**	(57)	71	14
General measurement model	4.4.2, 4.5	**(701)**	**3**	**(698)**	(476)	4	(472)
		(726)	**6**	**(720)**	(533)	75	(458)
Third party cell insurance contracts							
General insurance							
Premium allocation approach	4.6.1	**–**	**1 290**	**1 290**	–	1 139	1 139
General measurement model	4.6.2, 4.7	**–**	**1 480**	**1 480**	–	1 518	1 518
		–	**2 770**	**2 770**	–	2 657	2 657
Life insurance							
Premium allocation approach	4.6.1	**–**	**483**	**483**	–	373	373
General measurement model	4.6.2, 4.7	**–**	**2 411**	**2 411**	–	971	971
		–	**2 894**	**2 894**	–	1 344	1 344
Reinsurance contract (assets)/liabilities		**(10 087)**	**5 789**	**(4 298)**	(14 005)	4 144	(9 861)
Expected to be recovered after 12 months		**(1 967)**	**14**	**(1 953)**	(2 574)	4 025	1 451
Expected to be recovered within 12 months		**(8 120)**	**5 775**	**(2 345)**	(11 431)	119	(11 312)
COMPANY							
Insurance contracts issued							
General insurance							
Premium allocation approach	4.2.1	**(340)**	**16 592**	**16 252**	(624)	19 857	19 233
Insurance contract (assets)/liabilities		**(340)**	**16 592**	**16 252**	(624)	19 857	19 233
Expected to be settled after 12 months		**–**	**3 960**	**3 960**	–	4 701	4 701
Expected to be settled within 12 months		**(340)**	**12 632**	**12 292**	(624)	15 156	14 532
Reinsurance contracts held							
General insurance							
Premium allocation approach	4.4.1	**(8 401)**	**–**	**(8 401)**	(12 159)	–	(12 159)
Reinsurance contract (assets)/liabilities		**(8 401)**	**–**	**(8 401)**	(12 159)	–	(12 159)
Expected to be recovered after 12 months		**(1 506)**	**–**	**(1 506)**	(2 550)	–	(2 550)
Expected to be recovered within 12 months		**(6 895)**	**–**	**(6 895)**	(9 609)	–	(9 609)

[1] Restated as a result of the adoption of IFRS 17. IFRS 17 also requires new disclosures provided in notes 4.1 to 4.18.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.1 Insurance and reinsurance contracts analysis (continued)

Accounting policy – Insurance contracts

a) Classification

The group applies IFRS 17 to insurance contracts it issues and reinsurance contracts held.

Once a contract has been classified as an insurance contract the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during the coverage period, unless the terms of the contract are modified.

Insurance and reinsurance contracts

A contract is classified as an insurance contract where the group provides insurance coverage by accepting significant insurance risk when agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk is assessed on a contract level and exists where there is at least one scenario in which the insured event results both in significant additional payments and also in an overall loss to the group on a present value basis.

In the normal course of business, the group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

The accounting model applied to these insurance contracts (including reinsurance contracts issued and/or held) for liability measurement purposes is the General Measurement Model (GMM) unless the Premium Allocation Approach (PAA) applies. The PAA is a modification of the GMM that allows the use of a simplified approach for measuring the insurance contract liabilities for certain eligible types of contracts.

The group will apply the PAA to simplify the measurement of the majority of its insurance contracts and reinsurance contracts. When recognising insurance revenue, the PAA is broadly similar to the group's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the group now discounts cash flows and includes an explicit risk adjustment for non-financial risk.

Separation and combination of insurance contracts

Contracts entered into with the same or related counterparty and that are designed to achieve an overall commercial effect are considered a single contract for the purpose of assessing whether significant insurance risk was transferred to the group.

Some reinsurance contracts issued contain various commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive, either in the form of a commission, or as claims, or another contractual payment irrespective of the insured event happening. Reinsurance commissions that are not contingent on claims of the underlying contracts issued reduce reinsurance premiums and are accounted for as part of reinsurance expenses. Reinsurance commissions that are contingent on claims of the underlying contract issued reduce incurred claims recovery.

Cell captive arrangements

The group offers first party and third-party cell captive facilities to clients.

First party cell captive arrangements are arrangements where the risks that are being insured relate to the cell shareholder's own operations or operations within the cell shareholder's group of companies. The cell shareholder and the policyholder are considered the same person. Where more than one contract is entered into with a single counterparty, it shall be considered a single contract, and the shareholder and insurance agreement are considered together for risk transfer purposes. As these first party cell captive arrangements are a single contract there is no significant risk transfer and such cell captive facilities are accounted for as investment contracts.

Third party cell captives allow clients to purchase non-convertible preference shares in the registered insurance company which undertakes the professional insurance management of the cell, including: underwriting, reinsurance, claims management, actuarial and statistical analysis, investment, and accounting services. The shareholders' agreement, however, determines that the cell shareholders remain responsible for the solvency of the cell captive arrangements. In substance, the insurance company therefore reinsures this business to the cell shareholder. The cell shareholder's interest represents the cell shareholder's funds, in respect of the insurance business conducted in the cell structures, held by the insurer, and is included under third party cell insurance contract liabilities. The liabilities due to cell shareholders have been assessed to be highly interrelated with the in-substance reinsurance component of the reinsurance contacts and is treated similarly to non-distinct investment components which are not accounted for separately.

The group also offers insurance contracts that provide both insurance cover and the payment of a specified amount (performance bonus or premium refund paid at agreed upon interval, after deducting related expenses). These specified amounts meet the definition of an investment component as they will be paid to policyholders in all circumstances, regardless of whether an insured event occurs. The criteria encompass risk management strategies, risk performance conditions or policy claim experience. These contracts are deemed to be insurance contracts under IFRS 17 as the group has concluded that there is a transfer of significant risk.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.1 Insurance and reinsurance contracts analysis (continued)

Accounting policy – Insurance contracts (continued)

a) Classification (continued)

Aggregation
IFRS 17 requires a company to determine the level of aggregation at which to apply the standard. The standard requires that when insurance contracts are measured, they are placed into a portfolio of contracts with other contracts that are managed together and that have similar risk profiles. Each business within the group manages insurance contracts issued within product lines, therefore the IFRS 17 portfolios are allocated at a business unit, class of insurance level.

Portfolios are further divided into groups of insurance contracts, based on whether:

- contracts are onerous at initial recognition;
- contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
- groups of remaining contracts.

An insurance contract is expected to be onerous if the fulfilment cash flows allocated to the contract at initial recognition in total are a net outflow. For insurance contracts measured under the PAA, the group may assume that these contracts are not onerous at initial recognition, unless facts and circumstances indicate otherwise. The group's focus is to grow a profitable and sustainable business and does not anticipate the recognition of onerous contracts except where the following facts and circumstances have been identified:

- relevant pricing decisions;
- initial stages of a new business acquired where the underlying contracts are onerous; or
- any other strategic decisions the board considers appropriate.

Management will review all contracts that have been identified and disclosed as onerous to consider the appropriate action required to ensure the future profitability of the identified contracts. For reinsurance contracts the references to onerous contracts are replaced with references to contracts on which there is a net gain at initial recognition.

Each profitability grouping does not include contracts issued more than one year apart. These profitability groups represent the level of aggregation at which insurance revenue is measured. Such groups are not subsequently reconsidered. For each portfolio of contracts, the group determines the appropriate level at which reasonable and supportable information is available to determine the profitability grouping of contracts.

Derecognition and modification
The group derecognises a contract when the rights and obligations relating to the contract are extinguished, i.e. expired, discharged, or cancelled.

The group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, consistent with the criteria set out in the standard, or if the contract is transferred to a third party. Where terms are modified, a new contract on the modified terms is recognised. If a contract is transferred to a third party, then the group adjusts the contractual service margin of the group of insurance contracts from which the contract has been derecognised based on the difference between the change in the carrying amount of the group of insurance contracts resulting from the contract being derecognised and the premium charged by the third party. If a contract modification does not result in derecognition, then the group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

For a contract measured under the PAA, the liability for remaining coverage of the group of insurance contracts is adjusted to reflect the amount refunded to the policyholder (or the premium that would have been received for a new contract in the case of a contract modification or the amount paid to a third party in the case of a transfer) other than for settlement of incurred claims.

b) Measurement

The group measures insurance contracts by performing year-to-date estimates of the carrying amount of the insurance liabilities.

Recognition
Groups of insurance contracts issued are initially recognised from the earliest of either the beginning of the coverage period, or the date when the first payment from the policyholder is due or actually received, if there is no due date. Onerous contracts are recognised when the contract is accepted, if this is earlier than when the first premium is due, and the coverage starts. Insurance contracts acquired in a business combination, or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

The group recognises a group of reinsurance contracts held at the beginning of the coverage period, except where:

- the group of reinsurance contracts relate to an onerous group of underlying insurance contracts, the recognition date is when the group recognises the onerous group of underlying insurance contracts; or
- the group of reinsurance contracts held provides proportionate coverage, the recognition date is not earlier than the date that any underlying insurance contract is initially recognised.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.1 Insurance and reinsurance contracts analysis (continued)

Accounting policy – Insurance contracts (continued)

b) Measurement (continued)

Contract boundaries

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the group can compel the policyholder to pay premiums; or the group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

- the group has the practical ability to reprice the risks of the policyholder or change the level of benefits so that the price fully reflects those risks; or
- both of the following criteria are satisfied:
  - » the group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
  - » the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the group, such as insurance risk and financial risk, are considered. Other risks, such as lapse or surrender and expense risk, are not included.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the group that exist during the reporting period in which the group is compelled to pay amounts to the reinsurer or in which the group has a substantive right to receive services from the reinsurer.

The group considers the legal rights and the commercial substance of the contracts in this assessment.

Cash flows outside of the boundary of the insurance contract relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For most insurance contracts issued, the group has the practical ability to reassess the risks of a policyholder and set an appropriate premium to reflect those risks on short notice. Consequently, for most insurance contracts the contract boundary will be shorter than a year. The practical ability to reprice is not removed when management makes a commercial decision to price, or not price, at a certain level.

Most facultative reinsurance contract boundaries will align with the contract boundary of the underlying direct insurance contracts. Certain risk-attaching treaty reinsurance contracts, however, cover underlying direct business that begins during a one-year coverage period of the reinsurance contract (risk-attaching reinsurance contracts). Because of this feature, the contract boundary of these reinsurance contracts can be more than one year. Such contracts will be subjected to the PAA eligibility test, described below.

The contract boundary of loss occurring treaty reinsurance contracts is equal to the coverage period of the reinsurance contract. That is, losses must occur within the treaty's cover period.

Initial measurement

On initial recognition, the group measures the liability for remaining coverage as the total of:

- the fulfilment cash flows related to service to be provided under the contract in future periods; and
- the contractual service margin (CSM).

For the liability for incurred claims refer to critical accounting estimates below.

The PAA is a modification of the GMM that allows the use of a simplified approach for measuring the liability for remaining coverage for certain eligible types of contracts.

Fulfilment cash flows

The fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows within the contract boundary. The fulfilment cash flows consider all reasonable and supportable information available at the reporting date without undue cost or effort.

Fulfilment cash flows are determined separately for insurance contracts issued and reinsurance contracts issued or held. Fulfilment cash flows are allocated to groups of insurance contracts for measurement purposes.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. This risk adjustment represents compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The risk adjustment forms part of the fulfilment cash flows for a group of insurance contracts.

Reinsurance contracts

Fulfilment cash flows of reinsurance contracts include the effect of any risk of non-performance by the issuer of the reinsurance contract where material, including the effects of collateral and losses from disputes. The fulfilment cash flows are calculated using all cash flows within the reinsurance contract boundary, including future new business contracts where relevant. The group applies judgement in determining the value of future new business.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.1 Insurance and reinsurance contracts analysis (continued)

Accounting policy – Insurance contracts (continued)

b) Measurement (continued)

Initial measurement (continued)

Contractual service margin

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued which represents the unearned profit that the group expects to recognise as it provides insurance contract services.

If a group of insurance contracts is not onerous at initial recognition, the CSM is measured as the equal and opposite amount of the net inflow resulting from the total of the fulfilment cash flows, any derecognised assets or liabilities for insurance acquisition or other cash flows paid before the recognition date. This results in no income or expenses arising on initial recognition.

For groups of contracts acquired, the consideration received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date.

If a group of insurance contracts is onerous at initial recognition, the group immediately recognises this net outflow in profit or loss. Following this, a loss component is created to represent these losses recognised in profit or loss, which determines the amounts that are subsequently presented in profit or loss as an increase or reversal of losses on onerous groups of insurance contracts.

For reinsurance arrangements a loss recovery component is established when underlying onerous insurance contracts are recognised, which will offset the insurance losses for the portion of the contracts being reinsured. The loss recovery component is not established before the underlying onerous contracts are recognised.

Discount rates

The estimates of future cash flows are adjusted to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of future cash flows. The discount rates applied to the estimates of the future cash flows:

- reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- are consistent with observable current market prices (if any); and
- exclude the effect of factors that influence such observable market prices, but do not affect the future cash flows of the insurance contracts.

Subsequent measurement

The carrying amount of a group of insurance contracts issued at each reporting date is the sum of:

- the liability for remaining coverage, comprising:
  - » the fulfilment cash flows related to service to be provided under the contract in future periods; and
  - » the remaining CSM of the group at that date.
- the liability for incurred claims, comprising the fulfilment cash flows for past incurred claims and expenses not paid, including claims that have been incurred but not reported. The liability for incurred claims also includes the payment of any investment components or other amounts that are not related to the provision of insurance contract services and that are not included in the liability for remaining coverage.

Fulfilment cash flows

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of fulfilment cash flows, discount rates appropriate to the measurement model being used and current estimates of the risk adjustment for non-financial risk.

Contractual service margin

For groups of insurance contracts measured under the GMM, the CSM at the start of the period is explicitly accreted with interest based on the discount rates applied to the fulfilment cash flows at initial recognition.

The impact of changes in estimates of the fulfilment cash flows on the measurement of the CSM depends on whether the changes are related to current (or past), or future service:

- changes that relate to current or past service are recognised in profit or loss; and
- changes that relate to future service are recognised by adjusting the CSM within the liability for remaining coverage, including changes in the risk adjustment for non-financial risk that relate to future service. This excludes any changes which give rise to a loss on a group of insurance contracts, as well as any changes which adjust the loss recovery component on a group of reinsurance contracts.

The experience adjustments arising from premiums received (including related cash flows such as insurance acquisition cash flows) adjust the CSM if they relate to future service, or such amounts are recognised in insurance revenue in the reporting period if they relate to current or past service. The group applies judgement to determine whether these experience adjustments relate to current or past service, or future service. The experience adjustments arising from incurred claims and administration expenses relate to past service and are recognised in profit or loss.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.1 Insurance and reinsurance contracts analysis (continued)

Accounting policy – Insurance contracts (continued)

b) Measurement (continued)

Subsequent measurement (continued)

Contractual service margin (continued)

The group of insurance contracts (including the CSM) that has cash flows in more than one currency, is denominated in a single currency, such as the currency of the predominant cash flows.

An amount of the CSM at the end of the period is recognised in insurance revenue in profit or loss in each reporting period based on the insurance contract services provided under the group of contracts, defined based on the coverage units provided in the current period and expected to be provided in the future.

Coverage units

The coverage units of the group of insurance contracts are identified by considering for each contract the quantity of the benefits provided under the contract and its expected coverage period. Coverage units are not applicable to contracts measured under the PAA.

Loss component

The loss component represents the expected losses to be incurred on a group of insurance contracts, i.e., groups of insurance contracts where the cash outflows are expected to exceed the cash inflows included in the fulfilment cash flows at initial recognition.

Subsequent to initial recognition, the loss component of a group of insurance contracts is adjusted for changes in estimates of the fulfilment cash flows that relate to future service (consistent with the equivalent treatment for groups of insurance contracts with a CSM), with such increases or reversals of losses recognised in profit or loss.

The subsequent changes in the fulfilment cash flows of the liability for remaining coverage are allocated to the loss component on a systematic basis based on the expected incurred claims and directly attributable expenses and expected release of the risk adjustment in each reporting period, such that the loss component reduces to zero by the end of the coverage period of a group of insurance contracts. These changes in the fulfilment cash flows allocated to the loss component are excluded from insurance revenue and insurance service expenses. This ensures that the recognition of insurance revenue depicts the consideration to which the group expects to be entitled in exchange for the insurance contract services provided.

For reinsurance arrangements the loss recovery component is adjusted for changes in estimates that relate to future service and adjust the loss component of the onerous groups of underlying insurance contracts.

Contracts measured under the premium allocation approach

The PAA will be applied to all contracts with a coverage period of one year or less. The PAA is also applied for the measurement of groups of insurance contracts where the group reasonably expects that the measurement under the PAA model would produce a measurement of the liability for remaining coverage that would not differ materially from the one that would be produced by applying the GMM.

Initial measurement

On initial recognition, the group measures the liability for remaining coverage under the PAA as the amount of premiums received if any, less any insurance acquisition cash flows at that date (if not recognised as an expense in profit and loss). The premiums received exclude value added tax and any other foreign indirect taxes. Cash flows relating to such transaction-based taxes are recognised as loans and receivables. Premiums received from intermediaries are recognised as part of the liability for remaining coverage.

Subsequent measurement

On subsequent measurement, the group measures the liability or remaining coverage under the PAA as the carrying amount at the beginning of the reporting period:

- plus the premiums received in the period;
- minus insurance acquisition cash flows (if not recognised as an expense in profit and loss);
- plus any amounts relating to the amortisation of insurance acquisition cash flows (if not recognised as an expense in profit or loss);
- plus any adjustment to a finance component (refer below);
- minus the amount recognised as insurance revenue for services provided in that period;
- minus any investment component paid or transferred to the liability for incurred claims.

The time value of money and the effect of financial risk are not allowed for when calculating the liability for remaining coverage except for when the time between receiving premiums and providing coverage is more than a year. The group does not have products where the time between the receipt of premiums and the provision of coverage is more than a year and therefore the group does not discount the liability for remaining coverage.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.1 Insurance and reinsurance contracts analysis (continued)

Accounting policy – Insurance contracts (continued)

b) Measurement (continued)

Subsequent measurement (continued)

The group will allow for the time value of money and the effect of financial risk on cash flows related to the liability for incurred claims. Refer to section on discount rates for detail as to the discount rate applied.

A risk adjustment is determined for the liabilities for incurred claims where there is uncertainty in the size of the estimate and/or the timing of the underlying cash flows.

Insurance acquisition costs are defined as those costs related to the selling, underwriting and starting a group of insurance contracts. The group's policy is to defer acquisition costs. Acquisition costs are amortised on a straight-line basis over the coverage period of the group of contracts.

If there are facts and circumstances that indicate that a group of contracts is onerous, a loss will be recognised in profit or loss equal to the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. The loss recognised for an onerous group of contracts will be rebalanced at each reporting date, with any change in the loss component recognised as an increase or reversal of losses in profit or loss. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

Where the group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The group calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the group expects to recover from the group of reinsurance contracts held. The group uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

c) Critical accounting estimates and judgements

i) Unit of account

The lowest unit of account explicitly mentioned in IFRS 17 is the contract, and there is a presumption that an insurance arrangement with the legal form of a single contract would generally be considered a single unit of account.

There might be certain cases where the legal form of a contract does not reflect the substance, and thus where separation is required for accounting purposes. In such instances, the group writes multiple risks into a single contract and has concluded that each risk within the policy document is the unit of account for IFRS 17 based on the following reasons:

- Each risk in the policy is a separate transaction and therefore a separate contract concluded with the policyholder due to the risk being acquired independently by the policyholder, independently underwritten and priced and monitored and reported on separately by management.
- Depending on when the risks were acquired and added to a policy document, the risks would expire at different times. Practically, however, when the earliest of the contracts renew in a policy, all risks in the policy are renewed to ease the administrative burden for the policyholder. This is also permissible as in the commercial and personal lines contracts the group is allowed to give 30-days' written notice of the changes that will be made to the policy.
- The different risks covered in a policy do not have similar characteristics and commercial risks and have no bearing to each other in consideration of future fulfilment net cash flows.
- Fulfilment cash flows for each risk is considered independently of other risks covered in a policy.

4. Insurance and reinsurance contracts (continued)

4.1 Insurance and reinsurance contracts analysis (continued)

c) Critical accounting estimates and judgements (continued)

ii) PAA eligibility

The group will apply the PAA to measure a group of insurance contracts issued or reinsurance contracts held if, at inception of the group: the coverage period of each contract in the group of insurance contracts is one year or less; or the group reasonably expects that the PAA would produce a measurement of the liability for remaining coverage for a group of insurance contracts that would not differ materially from the measurement that would be achieved by applying the GMM requirements.

Where the cover period is greater than one year, the group will assess the appropriateness of the PAA measurement model as follows:

- Project the fulfilment cash flows of the group of contracts and take into account the time value of money.
- Calculate the projected liability for remaining coverage under the PAA and under the GMM (including the CSM) at each projected time period (initial recognition and subsequent measurement at our external reporting frequency, i.e., half-yearly or annually).
- At each point in time (in the projection) calculate the difference between the liability for remaining coverage under the PAA and GMM (the "difference").
- Compare the difference to the pre-determined materiality threshold (relative measure) at each point in time.
- Where the difference does not exceed the determined threshold (at any time) then the group passes the PAA eligibility test (for the base case).
- Perform scenario testing using the above process to ensure differences remain immaterial.

Scenario testing will be performed, at least annually, by updating the fulfilment cash flows (best estimate and corresponding risk adjustment) under reasonably expected scenarios, which would affect cash flow variability.

Relative materiality threshold will be defined for each portfolio based on ensuring that the combined absolute impacts of all IFRS 17 groups with coverage periods longer than a year applying the PAA falls within an absolute measure of materiality for the entity for each future year.

iii) Liability for incurred claims

The best estimate provision (probability weighted cash flows) for liability for incurred claims relates to claim events that have occurred before or at the reporting date, whether the claims arising from these events have been reported (OCR) or not (IBNR). The cash flow projections comprise all future claim payments, receivables from salvage as well as the claims administration expenses arising from these events.

The reinsurance cash flow projections will make allowance for the best estimate credit risk arising from the potential default of reinsurance counterparties.

Historic claims triangulations that cross-tabulate claims incurred by their date of loss and date of payment are used to determine the expected cost of future claims (equivalent to the OCR plus IBNR). A payment pattern based on the historic claims paid triangulation is used to determine the rate at which the claims provision runs off into the future.

These future claims payments are then discounted back to the reporting date using a term-dependent discount rate. Refer to section on discount rates for detail as to the discount rate applied.

The historic claims incurred includes an amount for directly attributable claims-related expenses (i.e. allocated loss adjustment expenses (ALAE)) which are implicitly projected into the future with the claim payments (and hence form part of the LIC). In addition, a provision for overheads which are determined to be directly attributable to fulfilment of the insurance contract (i.e. unallocated attributable expenses (ULAE)) is added to the best-estimate liability to allow for the cost of administering the ultimate run-off of the claims provision.

The best-estimate liability is then equal to the sum of the discounted claims and expense provisions.

The stochastic chain ladder methodology assists in developing a greater understanding of the trends inherent in the data being projected to estimate the ultimate cost of claims. This process is performed separately for each insurance class.

Stochastic chain ladder methodology

The basic technique involves analysing historical claims development factors, net of reinsurance, and selecting estimated development factors based on this historical pattern. The selected development factors are applied to cumulative internal claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year.

It is the nature of this technique that a weighted average of claims inflation within the past data will be projected into the future. A stochastic process is applied to the choice of development factors for each accident year in accordance with standard statistical practices. Numerous simulations are performed to obtain a distribution of the ultimate claims cost.

The claims provisions are subject to close scrutiny both within the group's business units and at a company level. In addition, for major insurance classes where the risks and uncertainties inherent in the provisions are greatest, regular and ad hoc detailed reviews are undertaken by advisers who are able to draw upon their specialist expertise and a broader knowledge of current industry trends in claims development. The results of these reviews are considered when establishing the appropriate levels of provisions for the outstanding claims and unexpired periods of risk.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.1 Insurance and reinsurance contracts analysis (continued)

c) Critical accounting estimates and judgements (continued)

iii) Liability for incurred claims (continued)

The liability for incurred claims is to be held to be at least sufficient at the 75th percentile of the ultimate loss distribution. As at 31 December 2023 the reserves held were at the 79th percentile (2022: 80th percentile).

The liability for incurred claims is considered to be the most sensitive to changes in the expected loss ratio; therefore, a sensitivity analysis is performed. A 1% upward adjustment in the expected loss ratio would result in an additional charge of approximately R103 million (2022: R98 million) (before taxation), while a 1% downward adjustment in the expected loss ratio would result in a release of reserves in the statement of comprehensive income of approximately R103 million (2022: R98 million) (before taxation).

As this method uses historical claims development information, it assumes that the historical claims development pattern will occur again in future. There are reasons why this may not be the case. Such reasons include:

- Change in processes that affect the development/recording of claims paid and incurred;
- Economic, legal, political, and social trends;
- Change in mix of business; or
- Random fluctuations, including the impact of large losses

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks and the cost of a claim will be determined by the actual loss suffered by the policyholder. There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the group. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim.

The establishment of insurance liabilities is an inherently uncertain process and as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims can vary substantially from the initial estimates, particularly for the group's long tail lines of business. The group seeks to provide appropriate levels of claims provisions taking the known facts and experience into account. It should be emphasised that the estimation techniques for the determination of insurance liabilities involve obtaining corroborative evidence from as wide a range of sources as possible and combining these to form the overall estimate.

iv) Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. For the general insurance business, the group will apply the 10-year government bond risk-free curve as at reporting date for the liability for incurred claims.

The risk-free rates are deemed appropriate given that:

- the risk-free rate adequately reflects the characteristics of the insurance contracts as the risk-free rate generally increases for longer durations. Further, any differences in characteristics between the risk-free rates and the insurance contracts should not be material given the short-term nature of the liabilities; and
- the risk-free rates are consistent with current market prices as they reflect the rates provided in the market and will be the latest available rates.

Given the nature of the liabilities, no liquidity adjustment will be made to the risk-free rates. The discount curve used for cash flows will be based on the most current rates reflecting that variability.

v) Risk-adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would require to remove the uncertainty that future cash flows will exceed the expected value amount.

The first step in the process is to calculate a best estimate reserve where there is an equally likely chance that the actual amount needed to pay future claims will be higher or lower than the calculated best estimate. The group will aim to use a confidence level approach (value at risk) under IFRS 17. The group's calibrated risk adjustment (using value at risk) is such that the technical reserves held are between the 75th and 95th percentile of the net ultimate loss distribution.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the group to the reinsurer.

The risk adjustment percentile will be defined at the Santam group level and implemented consistently across the group. All licensed entities accepting insurance risk within the group are required to target the confidence interval as defined at the group level.

vi) Foreign currency translation

The group of insurance contracts (including the CSM) that has cash flows in more than one currency, is denominated in a single currency, such as the currency of the predominant cash flows.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.2 Movement in carrying amounts of insurance liabilities and assets

4.2.1 Insurance contracts – premium allocation approach

	2023			
	Liability for remaining coverage	Liability for incurred claims		
	Present value of expected future cash flows R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
General insurance				
GROUP				
Net insurance contract liabilities opening balance	11 854	19 385	2 204	33 443
Opening insurance contract assets	(894)	187	11	(696)
Opening insurance contract liabilities	12 748	19 198	2 193	34 139
Insurance revenue	(40 005)	–	–	(40 005)
Insurance service expenses	5 251	28 410	(686)	32 975
Incurred claims and other insurance services expenses	–	26 583	914	27 497
Amortisation of insurance acquisition costs	5 251	–	–	5 251
Changes to liabilities for incurred claims that relate to past service	–	1 827	(1 600)	227
Insurance service result	(34 754)	28 410	(686)	(7 030)
Finance expenses from insurance contracts issued	539	1 382	95	2 016
Net movements recognised in the statement of comprehensive income	(34 215)	29 792	(591)	(5 014)
Investment component	(505)	505	–	–
Net insurance contract cash flows	34 985	(31 775)	–	3 210
Premiums received	39 741	–	–	39 741
Claims and other insurance service expenses paid	–	(31 775)	–	(31 775)
Insurance acquisition costs paid	(4 756)	–	–	(4 756)
Net insurance contract liabilities closing balance	12 119	17 907	1 613	31 639
Closing insurance contract assets	(659)	220	31	(408)
Closing insurance contract liabilities	12 778	17 687	1 582	32 047
COMPANY				
Net insurance contract liabilities opening balance	(544)	17 635	2 142	19 233
Opening insurance contract assets	(813)	189	–	(624)
Opening insurance contract liabilities	269	17 446	2 142	19 857
Insurance revenue	(33 005)	–	–	(33 005)
Insurance service expenses	4 576	23 264	(655)	27 185
Incurred claims and other insurance services expenses	–	21 784	881	22 665
Amortisation of insurance acquisition costs	4 576	–	–	4 576
Changes to liabilities for incurred claims that relate to past service	–	1 480	(1 536)	(56)
Insurance service result	(28 429)	23 264	(655)	(5 820)
Finance expenses from insurance contracts issued	65	1 329	95	1 489
Net movements recognised in the statement of comprehensive income	(28 364)	24 593	(560)	(4 331)
Net insurance contract cash flows	27 123	(25 773)	–	1 350
Premiums received	31 325	–	–	31 325
Claims and other insurance service expenses paid	–	(25 773)	–	(25 773)
Insurance acquisition costs paid	(4 202)	–	–	(4 202)
Net insurance contract liabilities closing balance	(1 785)	16 455	1 582	16 252
Closing insurance contract assets	(533)	175	18	(340)
Closing insurance contract liabilities	(1 252)	16 280	1 564	16 592

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.2 Movement in carrying amounts of insurance liabilities and assets (continued)

4.2.1 Insurance contracts –premium allocation approach (continued)

	Restated[1] 2022			
	Liability for remaining coverage	Liability for incurred claims		
	Present value of expected future cash flows R million	Present value of expected future cash flows R million	Risk adjustment for non–financial risk R million	Total R million
General insurance				
GROUP				
Net insurance contract liabilities opening balance	7 578	20 144	1 684	29 406
Opening insurance contract assets	(145)	48	18	(79)
Opening insurance contract liabilities	7 723	20 096	1 666	29 485
Insurance revenue	(37 504)	–	–	(37 504)
Insurance service expenses	5 084	29 819	449	35 352
Incurred claims and other insurance services expenses	–	29 121	1 371	30 492
Amortisation of insurance acquisition costs	5 084	–	–	5 084
Changes to liabilities for incurred claims that relate to past service	–	698	(922)	(224)
Insurance service result	(32 420)	29 819	449	(2 152)
Finance expenses from insurance contracts issued	305	692	71	1 068
Net movements recognised in the statement of comprehensive income	(32 115)	30 511	520	(1 084)
Investment component	(669)	669	–	–
Net insurance contract cash flows	37 060	(31 939)	–	5 121
Premiums received	41 899	–	–	41 899
Claims and other insurance service expenses paid	–	(31 939)	–	(31 939)
Insurance acquisition costs paid	(4 839)	–	–	(4 839)
Net insurance contract liabilities closing balance	11 854	19 385	2 204	33 443
Closing insurance contract assets	(894)	187	11	(696)
Closing insurance contract liabilities	12 748	19 198	2 193	34 139
COMPANY				
Net insurance contract liabilities opening balance	(671)	18 968	1 601	19 898
Opening insurance contract liabilities	(671)	18 968	1 601	19 898
Insurance revenue	(31 500)	–	–	(31 500)
Insurance service expenses	4 435	25 039	467	29 941
Incurred claims and other insurance services expenses	–	25 092	1 404	26 496
Amortisation of insurance acquisition costs	4 435	–	–	4 435
Changes to liabilities for incurred claims that relate to past service	–	(53)	(937)	(990)
Insurance service result	(27 065)	25 039	467	(1 559)
Finance (income)/expenses from insurance contracts issued	(42)	633	74	665
Net movements recognised in the statement of comprehensive income	(27 107)	25 672	541	(894)
Net insurance contract cash flows	27 234	(27 005)	–	229
Premiums received	31 712	–	–	31 712
Claims and other insurance service expenses paid	–	(27 005)	–	(27 005)
Insurance acquisition costs paid	(4 478)	–	–	(4 478)
Net insurance contract liabilities closing balance	(544)	17 635	2 142	19 233
Closing insurance contract assets	(813)	189	–	(624)
Closing insurance contract liabilities	269	17 446	2 142	19 857

[1] Refer to note 4.19 for the detail of the restatement.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.2 Movement in carrying amounts of insurance liabilities and assets (continued)

4.2.1 Insurance contracts – premium allocation approach (continued)

	2023			
	Liability for remaining coverage	Liability for incurred claims		
	Present value of expected future cash flows R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
Life insurance				
GROUP				
Net insurance contract liabilities opening balance	(65)	294	14	243
Opening insurance contract assets	(86)	–	–	(86)
Opening insurance contract liabilities	21	294	14	329
Insurance revenue	(738)	–	–	(738)
Insurance service expenses	128	538	(2)	664
Incurred claims and other insurance services expenses[1]	–	649	–	649
Amortisation of insurance acquisition costs	128	–	–	128
Changes to liabilities for incurred claims that relate to past service	–	(111)	(2)	(113)
Insurance service result	(610)	538	(2)	(74)
Finance expenses from insurance contracts issued	–	16	–	16
Net movements recognised in the statement of comprehensive income	(610)	554	(2)	(58)
Net insurance contract cash flows	591	(501)	–	90
Premiums received	717	–	–	717
Claims and other insurance service expenses paid	–	(501)	–	(501)
Insurance acquisition costs paid	(126)	–	–	(126)
Net insurance contract liabilities closing balance	(84)	347	12	275
Closing insurance contract assets	(89)	69	2	(18)
Closing insurance contract liabilities	5	278	10	293

[1] The movement in the risk adjustment for the year is below R1 million.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.2 Movement in carrying amounts of insurance liabilities and assets (continued)

4.2.1 Insurance contracts – premium allocation approach (continued)

	Restated[1] 2022			
	Liability for remaining coverage	Liability for incurred claims		
	Present value of expected future cash flows R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
Life insurance				
GROUP				
Net insurance contract liabilities opening balance	(42)	219	7	184
Opening insurance contract assets	(67)	–	–	(67)
Opening insurance contract liabilities	25	219	7	251
Insurance revenue	(704)	–	–	(704)
Insurance service expenses	119	507	7	633
Incurred claims and other insurance services expenses	–	596	7	603
Amortisation of insurance acquisition costs	119	–	–	119
Change to liabilities for incurred claims that relate to past service	–	(89)	–	(89)
Insurance service result	(585)	507	7	(71)
Finance expenses from insurance contracts issued	–	7	–	7
Net movements recognised in the statement of comprehensive income	(585)	514	7	(64)
Net insurance contract cash flows	562	(439)	–	123
Premiums received	673	–	–	673
Claims and other insurance service expenses paid	–	(439)	–	(439)
Insurance acquisition costs paid	(111)	–	–	(111)
Net insurance contract liabilities closing balance	(65)	294	14	243
Closing insurance contract assets	(86)	–	–	(86)
Closing insurance contract liabilities	21	294	14	329

[1] Refer to note 4.19 for the detail of the restatement.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.2 Movement in carrying amounts of insurance liabilities and assets (continued)

4.2.2 Insurance contracts – general measurement model

	2023					
	Liability for remaining coverage			Liability for incurred claims		
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
General insurance						
GROUP						
Net insurance contract liabilities opening balance	**679**	**1**	**22**	**–**	**–**	**702**
Opening insurance contract liabilities	**679**	**1**	**22**	**–**	**–**	**702**
Insurance revenue	**14**	**–**	**(5)**	**–**	**–**	**9**
Contracts under fully retrospective transition approach	**14**	**–**	**(5)**	**–**	**–**	**9**
Insurance service result	**14**	**–**	**(5)**	**–**	**–**	**9**
Finance expenses from insurance contracts issued	**55**	**–**	**24**	**–**	**–**	**79**
Net movements recognised in the statement of comprehensive income	**69**	**–**	**19**	**–**	**–**	**88**
Investment component	**(115)**			**115**		**–**
Net insurance contract cash flows	**–**	**–**	**–**	**(115)**	**–**	**(115)**
Claims and other insurance service expenses paid	**–**	**–**	**–**	**(115)**	**–**	**(115)**
Net insurance contract liabilities closing balance	**633**	**1**	**41**	**–**	**–**	**675**
Closing insurance contract liabilities	**633**	**1**	**41**	**–**	**–**	**675**

	2022					
	Liability for remaining coverage			Liability for incurred claims		
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
General insurance						
GROUP						
Net insurance contract liabilities opening balance	781	1	7	–	–	789
Opening insurance contract liabilities	781	1	7	–	–	789
Insurance revenue	(71)	–	15	–	–	(56)
Contracts under fully retrospective transition approach	(71)	–	15	–	–	(56)
Net movements recognised in the statement of comprehensive income	(71)	–	15	–	–	(56)
Net insurance contract cash flows	(31)	–	–	–	–	(31)
Insurance acquisition costs paid	(31)	–	–	–	–	(31)
Net insurance contract liabilities closing balance	679	1	22	–	–	702
Closing insurance contract liabilities	679	1	22	–	–	702

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.2 Movement in carrying amounts of insurance liabilities and assets (continued)

4.2.2 Insurance contracts – general measurement model (continued)

	2023					
	Liability for remaining coverage			Liability for incurred claims		
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
Life insurance						
GROUP						
Net insurance contract liabilities opening balances[2]	(3 976)	672	4 224	112	4	1 036
Opening insurance contract assets	(194)	22	157	–	–	(15)
Opening insurance contract liabilities	(3 782)	650	4 067	112	4	1 051
Insurance revenue	(7 302)	390	764	–	–	(6 148)
Contracts under the fully retrospective transition approach	(3 894)	(151)	(1 100)	–	–	(5 145)
Contract recognised since transition	(3 412)	542	1 871	–	–	(999)
Contracts under the fair value transition approach	4	(1)	(7)	–	–	(4)
Insurance service expenses	142	–	–	3 447	2	3 591
Incurred claims and other insurance services expenses	–	–	–	3 561	2	3 563
Amortisation of insurance acquisition costs	142	–	–	–	–	142
Changes to liabilities for incurred claims that relate to past service[1]	–	–	–	(114)	–	(114)
Insurance service result	(7 160)	390	764	3 447	2	(2 557)
Finance (income)/expenses from insurance contracts issued	(703)	168	393	11	–	(131)
Recognition of assumption changes in contractual service margin	(2 204)	266	1 938	–	–	–
Net movements recognised in the statement of comprehensive income	(10 067)	824	3 095	3 458	2	(2 688)
Net insurance contract cash flows	6 692	–	–	(3 405)	–	3 287
Premiums received	6 817	–	–	–	–	6 817
Claims and other insurance service expenses paid	–	–	–	(3 405)	–	(3 405)
Insurance acquisition costs paid	(125)	–	–	–	–	(125)
Net insurance contract liabilities closing balances[2]	(7 351)	1 496	7 319	165	6	1 635
Closing insurance contract assets	–	–	–	–	–	–
Closing insurance contract liabilities	(7 351)	1 496	7 319	165	6	1 635

[1] The movement in the risk adjustment for the year is below R1 million.

[2] The table above reconciles the opening balance of the liability for remaining coverage of R920 million to the closing balance of R1 464 million, and the opening balance of the liability for incurred claims of R116 million to the closing balance of R171 million.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.2 Movement in carrying amounts of insurance liabilities and assets (continued)

4.2.2 Insurance contracts – general measurement model (continued)

	Restated[2] 2022					
	Liability for remaining coverage			Liability for incurred claims		
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
Life insurance						
GROUP						
Net insurance contract liabilities opening balances[2]	(2 751)	395	2 614	68	2	328
Opening insurance contract assets	(139)	15	80	–	–	(44)
Opening insurance contract liabilities	(2 612)	380	2 534	68	2	372
Insurance revenue	(5 487)	76	593	–	–	(4 818)
Contracts under the fully retrospective transition approach	(3 360)	(79)	(270)	–	–	(3 709)
Contract recognised since transition	(2 074)	158	870	–	–	(1 046)
Contracts under the fair value transition approach	(53)	(3)	(7)	–	–	(63)
Insurance service expenses	112	–	–	2 595	2	2 709
Incurred claims and other insurance services expenses	–	–	–	2 636	2	2 638
Amortisation of insurance acquisition costs	112	–	–	–	–	112
Changes to liabilities for incurred claims that relate to past service[1]	–	–	–	(41)	–	(41)
Insurance service result	(5 375)	76	593	2 595	2	(2 109)
Finance (income)/expenses from insurance contracts issued	(61)	6	220	5	–	170
Recognition of assumptions changes in contractual service margin	(992)	195	797	–	–	–
Net movements recognised in the statement of comprehensive income	(6 428)	277	1 610	2 600	2	(1 939)
Net insurance contract cash flows	5 203	–	–	(2 556)	–	2 647
Premiums received	5 315	–	–	–	–	5 315
Claims and other insurance service expenses paid	–	–	–	(2 556)	–	(2 556)
Insurance acquisition costs paid	(112)	–	–	–	–	(112)
Net insurance contract liabilities closing balances[2]	(3 976)	672	4 224	112	4	1 036
Closing insurance contract assets	(194)	22	157	–	–	(15)
Closing insurance contract liabilities	(3 782)	650	4 067	112	4	1 051

[1] The movement in the risk adjustment for the year is below R1 million.
[2] Refer to note 4.19 for the detail of the restatement.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.3 Analysis of movements in carrying amounts of insurance liabilities and assets

4.3.1 Insurance contracts – general measurement model

	2023			
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Total R million
General insurance				
GROUP				
Net insurance contract liabilities opening balance	679	1	22	702
Opening insurance contract liabilities	679	1	22	702
Changes that relate to current services	14	–	(5)	9
Contractual service margin recognised for services provided	–	–	(5)	(5)
Experience adjustments[1]	14	–	–	14
Insurance service result	14	–	(5)	9
Finance expenses from insurance contracts issued	54	–	24	78
Net movements recognised in the statement of comprehensive income	68	–	19	87
Net insurance contract cash flows	(115)	–	–	(115)
Claims and other insurance service expenses paid	(115)	–	–	(115)
Net insurance contract liabilities closing balance	632	1	41	674
Closing insurance contract liabilities	632	1	41	674
Life insurance				
GROUP				
Net insurance contract liabilities opening balance	(3 864)	676	4 224	1 036
Opening insurance contract assets	(194)	22	157	(15)
Opening insurance contract liabilities	(3 670)	654	4 067	1 051
Changes that relate to current services	(581)	(420)	(1 442)	(2 443)
Contractual service margin recognised for services provided	–	–	(1 442)	(1 442)
Change in risk adjustment for expired risk	–	(420)	–	(420)
Experience adjustments[2]	(581)	–	–	(581)
Changes that relate to future services	(5 222)	1 078	4 144	–
Contracts recognised in the period	(3 018)	812	2 206	–
Changes in estimates that adjust the contractual service margin	(2 204)	266	1 938	–
Changes that relate to past service	(114)	–	–	(114)
Changes to liabilities for incurred claims	(114)	–	–	(114)
Insurance service result	(5 917)	658	2 702	(2 557)
Finance (income)/expenses from insurance contracts issued	(690)	166	393	(131)
Net movements recognised in the statement of comprehensive income	(6 607)	824	3 095	(2 688)
Net insurance contract cash flows	3 287	–	–	3 287
Premiums received	6 817	–	–	6 817
Claims and other insurance service expenses paid	(3 405)	–	–	(3 405)
Insurance acquisition costs paid	(125)	–	–	(125)
Net insurance contract liabilities closing balance	(7 184)	1 500	7 319	1 635
Closing insurance contract assets	–	–	–	–
Closing insurance contract liabilities	(7 184)	1 500	7 319	1 635

1 The R14 million experience adjustment relates to the liability for incurred claims.
2 Of the R581 million experience adjustment, R4 142 million relates to the liability for remaining coverage, decreased by R3 561 million that relates to the liability for incurred claims.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.3 Analysis of movements in carrying amounts of insurance liabilities and assets (continued)

4.3.1 Insurance contracts – general measurement model (continued)

	2022			
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Total R million
General insurance				
GROUP				
Net insurance contract liabilities opening balance	781	1	7	789
Opening insurance contract liabilities	781	1	7	789
Changes that relate to current services	(71)	–	15	(56)
Contractual service margin recognised for services provided	–	–	15	15
Experience adjustments[1]	(71)	–	–	(71)
Net movements recognised in the statement of comprehensive income	(71)	–	15	(56)
Net insurance contract cash flows	(31)	–	–	(31)
Claims and other insurance service expenses paid	(31)	–	–	(31)
Net insurance contract liabilities closing balance	679	1	22	702
Closing insurance contract liabilities	679	1	22	702
Life insurance				
GROUP				
Net insurance contract liabilities opening balance	(2 683)	397	2 614	328
Opening insurance contract assets	(139)	15	80	(44)
Opening insurance contract liabilities	(2 544)	382	2 534	372
Changes that relate to current services	(1 532)	(141)	(395)	(2 068)
Contractual service margin recognised for services provided	–	–	(395)	(395)
Change in risk adjustment for expired risk	–	(141)	–	(141)
Experience adjustments[2]	(1 532)	–	–	(1 532)
Changes that relate to future services	(2 199)	414	1 785	–
Contracts recognised in the period	(1 206)	219	987	–
Changes in estimates that adjust the contractual service margin	(993)	195	798	–
Changes that relate to past services				
Changes to liabilities for incurred claims	(41)	–	–	(41)
Insurance service result	(3 772)	273	1 390	(2 109)
Finance (income)/expenses from insurance contracts issued	(49)	6	220	177
Net movements recognised in the statement of comprehensive income	(3 821)	279	1 610	(1 932)
Net insurance contract cash flows	2 640	–	–	2 640
Premiums received	5 308	–	–	5 308
Claims and other insurance service expenses paid	(2 556)	–	–	(2 556)
Insurance acquisition costs paid	(112)	–	–	(112)
Net insurance contract liabilities closing balance	(3 864)	676	4 224	1 036
Closing insurance contract assets	(194)	22	157	(15)
Closing insurance contract liabilities	(3 670)	654	4 067	1 051

1 The R71 million experience adjustment relates to the liability for remaining coverage.

2 Of the R1 532 million experience adjustment, R4 169 million relates to the liability for remaining coverage, decreased by R2 637 million that relates to the liability for incurred claims.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.4 Movements in carrying amounts of reinsurance assets and liabilities

4.4.1 Reinsurance contracts – premium allocation approach

	2023			
	Asset for remaining coverage	Asset for incurred claims		
	Present value of expected future cash flows R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
General insurance				
GROUP				
Net reinsurance contract assets opening balance	1 564	(13 901)	(1 067)	(13 404)
Opening reinsurance contract assets	1 518	(13 923)	(1 067)	(13 472)
Opening reinsurance contract liabilities	46	22	–	68
Reinsurance expenses	6 724	–	–	6 724
Reinsurance income	–	(2 439)	407	(2 032)
Claims recovered and other reinsurance service income received	–	(1 938)	97	(1 938)
Adjustments to incurred claims that relate to past service	–	(501)	310	(191)
Net expenses/(income) from reinsurance contracts held	6 724	(2 439)	407	4 692
Finance expense/(income) from reinsurance contracts held	3	(719)	(54)	(770)
Net movements recognised in the statement of comprehensive income	6 727	(3 158)	353	3 922
Net reinsurance contract cash flows	(8 713)	8 953	–	240
Premiums paid (net of ceding commissions)	(8 713)	–	–	(8 713)
Claims recovered and other reinsurance service income received	–	8 953	–	8 953
Net reinsurance contract assets closing balance	(422)	(8 106)	(714)	(9 242)
Closing reinsurance contract assets	(530)	(8 117)	(714)	(9 361)
Closing reinsurance contract liabilities	108	11	–	119
COMPANY				
Net reinsurance contract assets opening balance	1 575	(12 717)	(1 017)	(12 159)
Opening reinsurance contract assets	1 575	(12 717)	(1 017)	(12 159)
Reinsurance expenses	5 732	–	–	5 732
Reinsurance income	–	(1 874)	326	(1 548)
Claims recovered and other reinsurance service income received	–	(1 572)	19	(1 553)
Adjustments to incurred claims that relate to past service	–	(302)	307	5
Net expenses/(income) from reinsurance contracts held	5 732	(1 874)	326	4 184
Finance expense/(income) from reinsurance contracts held	3	(583)	(56)	(636)
Net movements recognised in the statement of comprehensive income	5 735	(2 457)	270	3 548
Net reinsurance contract cash flows	(7 922)	8 132	–	210
Premiums paid (net of ceding commissions)	(7 922)	–	–	(7 922)
Claims recovered and other reinsurance service income received	–	8 132	–	8 132
Net reinsurance contract assets closing balance	(612)	(7 042)	(747)	(8 401)
Closing reinsurance contract assets	(612)	(7 042)	(747)	(8 401)

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.4 Movements in carrying amounts of reinsurance assets and liabilities (continued)

4.4.1 Reinsurance contracts – premium allocation approach (continued)

	Restated[1] 2022			
	Asset for remaining coverage	Asset for incurred claims		
	Present value of expected future cash flows R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
General insurance				
GROUP				
Net reinsurance contract assets opening balance	(753)	(12 361)	(644)	(13 758)
Opening reinsurance contract assets	(838)	(12 361)	(634)	(13 833)
Opening reinsurance contract liabilities	85	–	(10)	75
Reinsurance expenses[2]	6 425	–	–	6 425
Reinsurance income	–	(6 291)	(381)	(6 672)
Claims recovered and other reinsurance service income received[1, 2]	–	(5 551)	(700)	(6 251)
Adjustments to incurred claims that relate to past service	–	(740)	319	(421)
Net expenses/(income) from reinsurance contracts held	6 425	(6 291)	(381)	(247)
Finance income from reinsurance contracts held[1]	(5)	(448)	(42)	(495)
Net movements recognised in the statement of comprehensive income	6 420	(6 739)	(423)	(742)
Net reinsurance contract cash flows	(4 103)	5 199	–	1 096
Premiums paid (net of ceding commissions)[2]	(4 103)	–	–	(4 103)
Claims recovered and other reinsurance service income received[2]	–	5 199	–	5 199
Net reinsurance contract assets closing balance	1 564	(13 901)	(1 067)	(13 404)
Closing reinsurance contract assets	1 518	(13 923)	(1 067)	(13 472)
Closing reinsurance contract liabilities	46	22	–	68
COMPANY				
Net reinsurance contract assets opening balance	(731)	(11 588)	(644)	(12 963)
Opening reinsurance contract assets	(731)	(11 588)	(644)	(12 963)
Reinsurance expenses	5 542	–	–	5 542
Reinsurance income	–	(5 257)	(330)	(5 587)
Claims recovered and other reinsurance service income received	–	(5 191)	(659)	(5 850)
Adjustments to incurred claims that relate to past service	–	(66)	329	263
Net expenses/(income) from reinsurance contracts held	5 542	(5 257)	(330)	(45)
Finance income from reinsurance contracts held	(5)	(408)	(43)	(456)
Net movements recognised in the statement of comprehensive income	5 537	(5 665)	(373)	(501)
Net reinsurance contract cash flows	(3 231)	4 536	–	1 305
Premiums paid (net of ceding commissions)	(3 231)	–	–	(3 231)
Claims recovered and other reinsurance service income received	–	4 536	–	4 536
Net reinsurance contract assets closing balance	1 575	(12 717)	(1 017)	(12 159)
Closing reinsurance contract assets	1 575	(12 717)	(1 017)	(12 159)

1 Claims recovered and other reinsurance service income received has been restated to increase by R130 million, with a corresponding decrease in finance income from reinsurance contracts, to correct for an allocation error.

2 Reinsurance service expenses has been restated to decrease by R480 million, with a corresponding decrease in claims recovered and other reinsurance service income received, to correct for an allocation error.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.4 Movements in carrying amounts of reinsurance assets and liabilities (continued)

4.4.1 Reinsurance contracts – premium allocation approach (continued)

	2023			
	Asset for remaining coverage	Asset for incurred claims		
	Present value of expected future cash flows R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
Life insurance				
GROUP				
Net reinsurance contract liabilities opening balance	14	–	–	14
Opening reinsurance contract assets	(57)	–	–	(57)
Opening reinsurance contract liabilities	71	–	–	71
Reinsurance expenses	35	–	–	35
Reinsurance income	–	(32)	(1)	(33)
Claims recovered and other reinsurance service income received	–	(74)	(1)	(75)
Adjustments to incurred claims that relate to past service[1]	–	42	–	42
Net movements recognised in the statement of comprehensive income	35	(32)	(1)	2
Investment component	10	(10)	–	–
Net reinsurance contract cash flows	(39)	1	–	(38)
Premiums paid (net of ceding commissions)	(39)	–	–	(39)
Claims recovered and other reinsurance service income received	–	1	–	1
Net reinsurance contract assets closing balance	20	(41)	(1)	(22)
Closing reinsurance contract assets	15	(39)	(1)	(25)
Closing reinsurance contract liabilities	5	(2)	–	3

[1] The movement in the risk adjustment for the year is below R1 million.

	2022			
	Asset for remaining coverage	Asset for incurred claims		
	Present value of expected future cash flows R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
Life insurance				
GROUP				
Net reinsurance contract liabilities opening balance	12	–	–	12
Opening reinsurance contract assets	(93)	–	–	(93)
Opening reinsurance contract liabilities	105	–	–	105
Reinsurance expense	56	–	–	56
Net movements recognised in the statement of comprehensive income	56	–	–	56
Net reinsurance contract cash flows	(54)	–	–	(54)
Premiums paid (net of ceding commissions)	(54)	–	–	(54)
Net reinsurance contract liabilities closing balance	14	–	–	14
Closing reinsurance contract assets	(57)	–	–	(57)
Closing reinsurance contract liabilities	71	–	–	71

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.4 Movements in carrying amounts of reinsurance assets and liabilities (continued)

4.4.2 Reinsurance contracts – general measurement model

	2023					
	Assets for remaining coverage			Assets for incurred claims		
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
Life insurance						
GROUP						
Net reinsurance contract assets opening balance[2]	1 097	(199)	(1 243)	(121)	(6)	(472)
Opening reinsurance contract assets	1 076	(197)	(1 227)	(122)	(6)	(476)
Opening reinsurance contract liabilities	21	(2)	(16)	1	–	4
Reinsurance expenses	4 351	(127)	(259)	–	–	3 965
Contracts under the fully retrospective transition approach	1 973	26	190	–	–	2 189
Contracts recognised since transition	2 378	(153)	(449)	–	–	1 776
Reinsurance income	–	–	–	(3 357)	–	(3 357)
Claims recovered and other reinsurance service income received[1]	–	–	–	(3 437)	–	(3 437)
Adjustments to incurred claims that relate to past service[1]	–	–	–	80	–	80
Net expenses/(income) from reinsurance contracts held	4 351	(127)	(259)	(3 357)	–	608
Finance expense/(income) from reinsurance contracts held	199	(49)	(116)	(10)	2	26
Recognition of assumption changes in contractual service margin	623	(67)	(556)	–	–	–
Net movements recognised in the statement of comprehensive income	5 173	(243)	(931)	(3 367)	2	634
Net reinsurance contract cash flows	(4 215)	–	–	3 355	–	(860)
Premiums paid (net of ceding commissions)	(4 215)	–	–	–	–	(4 215)
Claims recovered and other reinsurance service income received	–	–	–	3 355	–	3 355
Net reinsurance contract assets closing balance[2]	2 055	(442)	(2 174)	(133)	(4)	(698)
Closing reinsurance contract assets	2 022	(439)	(2 149)	(131)	(4)	(701)
Closing reinsurance contract liabilities	33	(3)	(25)	(2)	–	3

1 The movement in the risk adjustment for the year is below R1 million.
2 The table above reconciles the opening balance of the asset for remaining coverage of R345 million to the closing balance of R561 million, and the opening balance of the asset for incurred claims of R127 million to the closing balance of R137 million.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.4 Movements in carrying amounts of reinsurance assets and liabilities (continued)

4.4.2 Reinsurance contracts – general measurement model (continued)

	2022					
	Assets for remaining coverage			Assets for incurred claims		
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
Life insurance						
GROUP						
Net reinsurance contract liabilities opening balance[1]	1 042	(115)	(775)	(51)	(2)	99
Opening reinsurance contract assets	–	–	–	(52)	(2)	(54)
Opening reinsurance contract liabilities	1 042	(115)	(775)	1	–	153
Reinsurance expenses	3 022	(21)	(168)	–	–	2 833
Contracts under the fully retrospective transition approach	2 146	23	73	–	–	2 242
Contracts recognised since transition	876	(44)	(241)	–	–	591
Reinsurance income	–	–	–	(2 536)	(4)	(2 540)
Claims recovered and other reinsurance service income received	–	–	–	(2 536)	(4)	(2 540)
Net expenses/(income) from reinsurance contracts held	3 022	(21)	(168)	(2 536)	(4)	293
Finance expense/(income) from reinsurance contracts held	17	(2)	(65)	(4)	–	(54)
Recognition of assumption changes in contractual service margin	296	(61)	(235)	–	–	–
Net movements recognised in the statement of comprehensive income	3 335	(84)	(468)	(2 540)	(4)	239
Net reinsurance contract cash flows	(3 280)	–	–	2 470	–	(810)
Premiums paid (net of ceding commissions)	(3 280)	–	–	–	–	(3 280)
Claims recovered and other reinsurance service income received	–	–	–	2 470	–	2 470
Net reinsurance contract assets closing balance[1]	1 097	(199)	(1 243)	(121)	(6)	(472)
Closing reinsurance contract assets	1 076	(197)	(1 227)	(122)	(6)	(476)
Closing reinsurance contract liabilities	21	(2)	(16)	1	–	4

[1] The table above reconciles the opening balance of the reinsurance asset for remaining coverage of R152 million to the closing balance reinsurance liability for remaining coverage of R345 million, and the opening balance of the asset for incurred claims of R53 million to the closing balance of R127 million.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.5 Analysis of movements in carrying amounts of reinsurance assets and liabilities

4.5.1 Reinsurance contracts – general measurement model

	2023			
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Total R million
Life insurance				
GROUP				
Net reinsurance contract assets opening balance	976	(205)	(1 243)	(472)
Opening reinsurance contract assets	954	(203)	(1 227)	(476)
Opening reinsurance contract liabilities	22	(2)	(16)	4
Changes that relate to current services	(5)	125	408	528
Contractual service margin recognised in profit or loss for the services received	–	–	408	408
Change in risk adjustment for expired risk	–	125	–	125
Experience adjustments[1]	(5)	–	–	(5)
Changes that relate to future services	1 542	(319)	(1 223)	–
Contracts initially recognised in the period	921	(253)	(668)	–
Changes in estimates	621	(66)	(555)	–
Changes that relate to past service	80	–	–	80
Changes to liabilities for incurred claims	80	–	–	80
Net expenses/(income) from reinsurance contracts held	1 617	(194)	(815)	608
Finance expense/(income) from reinsurance contracts held	189	(47)	(116)	26
Net movements recognised in the statement of comprehensive income	1 806	(241)	(931)	634
Net reinsurance contract cash flows	(860)	–	–	(860)
Premiums paid (net of ceding commissions)	(4 215)	–	–	(4 215)
Claims recovered and other reinsurance service income received	3 355	–	–	3 355
Net reinsurance contract assets closing balance	1 922	(446)	(2 174)	(698)
Closing reinsurance contract assets	1 892	(444)	(2 149)	(701)
Closing reinsurance contract liabilities	30	(2)	(25)	3

[1] Of the R5 million experience adjustment, R3 430 million relates to the reinsurance asset for remaining coverage, decreased by R3 435 million that relates to the reinsurance asset for incurred claims.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.5 Analysis of movements in carrying amounts of reinsurance assets and liabilities (continued)

4.5.1 Reinsurance contracts –general measurement model (continued)

	2022			
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Total R million
Life insurance				
GROUP				
Net reinsurance contract liabilities opening balance	991	(117)	(775)	99
Opening reinsurance contract assets	(52)	(2)	–	(54)
Opening reinsurance contract liabilities	1 043	(115)	(775)	153
Changes that relate to current services	149	41	103	293
Contractual service margin recognised in profit or loss for the services received	–	–	103	103
Change in risk adjustment for expired risk	–	41	–	41
Experience adjustments[1]	149	–	–	149
Changes that relate to future services	633	(127)	(506)	–
Contracts initially recognised in the period	336	(65)	(271)	–
Changes in estimates	297	(62)	(235)	–
Net expenses/(income) from reinsurance contracts held	782	(86)	(403)	293
Finance expense/(income) from reinsurance contracts held	13	(2)	(65)	(54)
Net movements recognised in the statement of comprehensive income	795	(88)	(468)	239
Net reinsurance contract cash flows	(810)	–	–	(810)
Premiums paid (net of ceding commissions)	(3 280)	–	–	(3 280)
Claims recovered and other reinsurance service income received	2 470	–	–	2 470
Net reinsurance contract assets closing balance	976	(205)	(1 243)	(472)
Closing reinsurance contract assets	954	(203)	(1 227)	(476)
Closing reinsurance contract liabilities	22	(2)	(16)	4

[1] Of the R149 million experience adjustment, R2 686 million relates to the reinsurance asset for remaining coverage, decreased by R2 537 million that relates to the reinsurance asset for incurred claims.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.6 Movement in carrying amounts of third party cell insurance contracts

4.6.1 Third party cell insurance contracts – premium allocation approach

	2023			
		Liability for incurred claims		
	Liability for remaining coverage R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
General insurance				
GROUP				
Net third party cell insurance contract liabilities opening balance	1 139	–	–	1 139
Opening third party cell insurance contract liabilities	1 139	–	–	1 139
Reinsurance expenses	1 190	–	–	1 190
Net transfer from in-substance reinsurance contracts				
Contracts under the fully retrospective transition approach	1 195	–	–	1 195
Contracts under fair value approach	(5)	–	–	(5)
Reinsurance income	–	(951)	–	(951)
Other directly attributable expenses recovered	–	(147)	–	(147)
Claims recovered – current service	–	(804)	–	(804)
Net expense/(income) from reinsurance contracts held	1 190	(951)	–	239
Investment return allocated to third party cells	411	–	–	411
Finance expense from reinsurance contracts held	–	26	–	26
Net movements recognised in the statement of comprehensive income	1 601	(925)	–	676
Investment component	(925)	925	–	–
Net third party cell insurance contracts cash flows	(525)	–	–	(525)
Capital contribution	26	–	–	26
Redemption of capital contribution	–	–	–	–
Dividends paid	(551)	–	–	(551)
Net third party cell insurance contract liabilities closing balance	1 290	–	–	1 290
Closing third party cell insurance contract liabilities	1 290	–	–	1 290

4. Insurance and reinsurance contracts (continued)

4.6 Movement in carrying amounts of third party cell insurance contracts (continued)

4.6.1 Third party cell insurance contracts – premium allocation approach (continued)

	2022			
		Liability for incurred claims		
	Liability for remaining coverage R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
General insurance				
GROUP				
Net third party cell insurance contract liabilities opening balance	975	–	–	975
Opening third party cell insurance contract liabilities	975	–		975
Reinsurance expenses	988	–	–	988
Net transfer from in-substance reinsurance contracts				
Contracts under the fully retrospective transition approach	962	–	–	962
Contracts under fair value approach	26	–	–	26
Reinsurance income	–	(688)	–	(688)
Other directly attributable expenses recovered	–	(135)	–	(135)
Claims recovered – current service	–	(553)	–	(553)
Net expense/(income) from reinsurance contracts held	988	(688)	–	300
Investment return allocated to third party cells	89	–	–	89
Finance income from reinsurance contracts held	–	(17)	–	(17)
Net movements recognised in the statement of comprehensive income	1 077	(705)	–	372
Investment component	(705)	705	–	–
Net third party cell insurance contracts cash flows	(208)	–	–	(208)
Capital contribution	7	–	–	7
Redemption of capital contribution	(50)	–	–	(50)
Dividends paid	(165)	–	–	(165)
Net third party cell insurance contract liabilities closing balance	1 139	–	–	1 139
Closing third party cell insurance contract liabilities	1 139	–	–	1 139

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.6 Movement in carrying amounts of third party cell insurance contracts (continued)

4.6.1 Third party cell insurance contracts – premium allocation approach (continued)

	2023			
		Liability for incurred claims		
	Liability for remaining coverage R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
Life insurance				
GROUP				
Net third party cell insurance contract liabilities opening balance	373	–	–	373
Opening third party cell insurance contract liabilities	373	–	–	373
Reinsurance expenses	249	–	–	249
Net transfer from in-substance reinsurance contracts				
Contracts under the fully retrospective transition approach	249	–	–	249
Reinsurance income	–	(134)	–	(134)
Other directly attributable expenses recovered	–	(44)	–	(44)
Claims recovered – current service	–	(90)	–	(90)
Net expense/(income) from reinsurance contracts held	249	(134)	–	115
Investment return allocated to third party cells	38	–	–	38
Finance expense/(income) from reinsurance contracts held	–	(25)	–	(25)
Net movements recognised in the statement of comprehensive income	287	(159)	–	128
Investment component	(159)	159	–	–
Net third party cell insurance contracts cash flows	(18)	–	–	(18)
Capital contribution	1	–	–	1
Redemption of capital contribution	–	–	–	–
Dividends paid	(19)	–	–	(19)
Net third party cell insurance contract liabilities closing balance	483	–	–	483
Closing third party cell insurance contract liabilities	483	–	–	483

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.6 Movement in carrying amounts of third party cell insurance contracts (continued)

4.6.1 Third party cell insurance contracts – premium allocation approach (continued)

	2022			
		Liability for incurred claims		
	Liability for remaining coverage R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
Life insurance				
GROUP				
Net third party cell insurance contract liabilities opening balance	323	–	–	323
Opening third party cell insurance contract liabilities	323	–	–	323
Reinsurance expenses	205	–	–	205
Net transfer from in-substance reinsurance contracts				
Contracts under the fully retrospective transition approach	205	–	–	205
Reinsurance income	–	(133)	–	(133)
Other directly attributable expenses recovered	–	(32)	–	(32)
Claims recovered – current service	–	(101)	–	(101)
Net expense/(income) from reinsurance contracts held	205	(133)	–	72
Investment return allocated to third party cells	18	–	–	18
Finance income from reinsurance contracts held	–	(6)	–	(6)
Net movements recognised in the statement of comprehensive income	223	(139)	–	84
Investment component	(139)	139		–
Net third party cell insurance contracts cash flows	(34)	–	–	(34)
Capital contribution	11	–	–	11
Redemption of capital contribution	(1)	–	–	(1)
Dividends paid	(44)	–	–	(44)
Net third party cell insurance contract liabilities closing balance	373	–	–	373
Closing third party cell insurance contract liabilities	373	–	–	373

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.6 Movement in carrying amounts of third party cell insurance contracts (continued)

4.6.2 Third party cell insurance contracts – general measurement model

	2023					
	Liability for remaining coverage			Liability for incurred claims		
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
General insurance						
GROUP						
Net third party cell insurance contract liabilities opening balance	1 541	(1)	(22)	–	–	1 518
Opening third party cell insurance contract assets	–	(1)	(22)	–	–	(23)
Opening third party cell insurance contract liabilities	1 541	–	–	–	–	1 541
Reinsurance income	–	–	–	(11)	–	(11)
Other directly attributable expenses recovered[1]	–	–	–	(11)	–	(11)
Net income from reinsurance contracts held	–	–	–	(11)	–	(11)
Investment return allocated to third party cells	(5)	–	–	–	–	(5)
Finance expense/(income) from reinsurance contracts held	73	–	(19)	–	–	54
Net movements recognised in the statement of comprehensive income	68	–	(19)	(11)	–	38
Investment component	(11)	–	–	11	–	–
Net third party cell insurance contracts cash flows	(76)	–	–	–	–	(76)
Capital contribution	–	–	–	–	–	–
Redemption of capital contribution	–	–	–	–	–	–
Dividends paid	(76)	–	–	–	–	(76)
Net third party cell insurance contract liabilities closing balance	1 522	(1)	(41)	–	–	1 480
Closing third party cell insurance contract liabilities	1 522	(1)	(41)	–	–	1 480

[1] The movement in the risk adjustment for the year is below R1 million.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.6 Movement in carrying amounts of third party cell insurance contracts (continued)

4.6.2 Third party cell insurance contracts – general measurement model (continued)

	2022					
	Liability for remaining coverage			Liability for incurred claims		
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
General insurance						
GROUP						
Net third party cell insurance contract liabilities opening balance	1 613	(1)	(7)	–	–	1 605
Opening third party cell insurance contract liabilities	1 613	(1)	(7)	–	–	1 605
Reinsurance expenses	101	–	2	–	–	103
Net transfer from in-substance reinsurance contracts						
Contracts under fair value approach	101	–	2	–	–	103
Reinsurance income	–	–	–	(76)	–	(76)
Other directly attributable expenses recovered[1]	–	–	–	(76)	–	(76)
Net expense/(income) from reinsurance contracts held	101	–	2	(76)	–	27
Investment return allocated to third party cells	(67)	–	–	–	–	(67)
Finance income from reinsurance contracts held	(41)	–	(17)	–	–	(58)
Net movements recognised in the statement of comprehensive income	(7)	–	(15)	(76)	–	(98)
Investment component	(76)	–	–	76	–	–
Net third party cell insurance contracts cash flows	11	–	–	–	–	11
Capital contribution	11	–	–	–	–	11
Net third party cell insurance contract liabilities closing balance	1 541	(1)	(22)	–	–	1 518
Closing third party cell insurance contract liabilities	1 541	(1)	(22)	–	–	1 518

[1] The movement in the risk adjustment for the year is below R1 million.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.6 Movement in carrying amounts of third party cell insurance contracts (continued)

4.6.2 Third party cell insurance contracts – general measurement model (continued)

	2023					
	Liability for remaining coverage			Liability for incurred claims		
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
Life insurance						
GROUP						
Net third party cell insurance contract liabilities opening balance	4 426	(475)	(2 980)	–	–	971
Opening third party cell insurance contract liabilities	4 426	(475)	(2 980)	–	–	971
Reinsurance expenses	2 580	(262)	(506)	–	–	1 812
Net transfer from in-substance reinsurance contracts						
Contracts under the fully retrospective transition approach	483	296	1 033	–	–	1 812
Contracts recognised since transition	2 097	(558)	(1 539)	–	–	–
Reinsurance income	–	–	–	(622)	–	(622)
Other directly attributable expenses recovered	–	–	–	(555)	–	(555)
Claims recovered – current service	–	–	–	(67)	–	(67)
Net expense/(income) from reinsurance contracts held	2 580	(262)	(506)	(622)	–	1 190
Investment return allocated to third party cells	195	–	–	–	–	195
Finance expense/(income) from reinsurance contracts held	395	(117)	(276)	114	–	116
Recognition of assumption changes in the contractual service margin	1 583	(200)	(1 383)	–	–	–
Net movements recognised in the statement of comprehensive income	4 753	(579)	(2 165)	(508)	–	1 501
Investment component	(508)	–	–	508	–	–
Net third party cell insurance contracts cash flows	(61)	–	–	–	–	(61)
Dividends paid	(61)	–	–	–	–	(61)
Net third party cell insurance contract liabilities closing balance	8 610	(1 054)	(5 145)	–	–	2 411
Closing third party cell insurance contract liabilities	8 610	(1 054)	(5 145)	–	–	2 411

4. Insurance and reinsurance contracts (continued)

4.6 Movement in carrying amounts of third party cell insurance contracts (continued)

4.6.2 Third party cell insurance contracts – general measurement model (continued)

	2022					
	Liability for remaining coverage			Liability for incurred claims		
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
Life insurance						
GROUP						
Net third party cell insurance contract liabilities opening balance	2 336	(281)	(1 839)	–	–	216
Opening third party cell insurance contract liabilities	2 336	(281)	(1 839)	–	–	216
Reinsurance expenses	1 318	102	292	–	–	1 712
Net transfer from in-substance reinsurance contracts						
Contracts under the fully retrospective transition approach	1 318	102	292	–	–	1 712
Reinsurance income	–	–	–	(485)	–	(485)
Other directly attributable expenses recovered	–	–	–	(454)	–	(454)
Claims recovered – current service	–	–	–	(31)	–	(31)
Net expense/(income) from reinsurance contracts held	1 318	102	292	(485)	–	1 227
Investment return allocated to third party cells	48	–	–	–	–	48
Finance expense/(income) from reinsurance contracts held	159	(4)	(155)	(116)	–	(116)
Recognition of assumption changes in contractual service margin	1 570	(292)	(1 278)	–	–	–
Net movements recognised in the statement of comprehensive income	3 095	(194)	(1 141)	(601)	–	1 159
Investment component	(601)	–	–	601	–	–
Net third party cell insurance contracts cash flows	(404)	–	–	–	–	(404)
Dividends paid	(404)					(404)
Net third party cell insurance contract liabilities closing balance	4 426	(475)	(2 980)	–	–	971
Closing third party cell insurance contract liabilities	4 426	(475)	(2 980)	–	–	971

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.7 Analysis of movements in carrying amounts of third party cell insurance contracts

4.7.1 Third party cell insurance contracts – general measurement model

	2023			
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Total R million
General insurance				
GROUP				
Net third party cell insurance contract liabilities opening balance	**1 541**	**(1)**	**(22)**	**1 518**
Opening third party cell insurance contract liabilities	**1 541**	**(1)**	**(22)**	**1 518**
Changes that relate to current services	**(11)**	**–**	**–**	**(11)**
Experience adjustments[1]	**(11)**	**–**	**–**	**(11)**
Net income/expenses from reinsurance contracts held	**(11)**	**–**	**–**	**(11)**
Finance expense/(income) from reinsurance contracts held	**68**	**–**	**(19)**	**49**
Net movements recognised in the statement of comprehensive income	**57**	**–**	**(19)**	**38**
Net reinsurance contract cash flows	**(76)**	**–**	**–**	**(76)**
Dividends paid	**(76)**	**–**	**–**	**(76)**
Net third party cell insurance contract liabilities closing balance	**1 522**	**(1)**	**(41)**	**1 480**
Closing third party cell insurance contract liabilities	**1 522**	**(1)**	**(41)**	**1 480**

[1] The R11 million experience adjustment relates to the reinsurance liability for incurred claims.

	2022			
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Total R million
General insurance				
GROUP				
Net third party cell insurance contract liabilities opening balance	1 613	(1)	(7)	1 605
Opening third party cell insurance contract liabilities	1 613	(1)	(7)	1 605
Changes that relate to current services	25	–	2	27
Contractual service margin recognised in profit or loss for the services received	–	–	2	2
Experience adjustments[1]	25	–	–	25
Net income/expenses from reinsurance contracts held	25	–	2	27
Finance income from reinsurance contracts held	(108)	–	(17)	(125)
Net movements recognised in the statement of comprehensive income	(83)	–	(15)	(98)
Net reinsurance contract cash flows	11	–	–	11
Redemption of capital contribution	11	–	–	11
Net third party cell insurance contract liabilities closing balance	1 541	(1)	(22)	1 518
Closing third party cell insurance contract liabilities	1 541	(1)	(22)	1 518

[1] Of the R25 million experience adjustment, R101 million relates to the reinsurance liability for remaining coverage, decreased by R76 million that relates to the reinsurance liability for incurred claims.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.7 Analysis of movements in carrying amounts of third party cell insurance contracts (continued)

4.7.1 Third party cell insurance contracts – general measurement model (continued)

	2023			
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Total R million
Life insurance				
GROUP				
Net third party cell insurance contract liabilities opening balance	4 426	(475)	(2 980)	971
Opening third party cell insurance contract liabilities	4 426	(475)	(2 980)	971
Changes that relate to current services	1 444	96	(350)	1 190
Contractual service margin recognised in profit or loss for the services received	–	–	(350)	(350)
Change in risk adjustment for expired risk	–	96	–	96
Experience adjustments[1]	1 444	–	–	1 444
Changes that relate to future services	2 097	(558)	(1 539)	–
Contracts initially recognised in the period	2 097	(558)	(1 539)	–
Net income/expenses from reinsurance contracts held	3 541	(462)	(1 889)	1 190
Finance expense/(income) from reinsurance contracts held	704	(117)	(276)	311
Net movements recognised in the statement of comprehensive income	4 245	(579)	(2 165)	1 501
Net reinsurance contract cash flows	(61)	–	–	(61)
Dividends paid	(61)	–	–	(61)
Net third party cell insurance contract liabilities closing balance	8 610	(1 054)	(5 145)	2 411
Closing third party cell insurance contract liabilities	8 610	(1 054)	(5 145)	2 411

[1] Of the R1 444 million experience adjustment, R2 066 million relates to the reinsurance liability for remaining coverage, decreased by R622 million that relates to the reinsurance liability for incurred claims.

	2022			
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Total R million
Life insurance				
GROUP				
Net third party cell insurance contract liabilities opening balance	2 336	(281)	(1 839)	216
Opening third party cell insurance contract liabilities	2 336	(281)	(1 839)	216
Changes that relate to current services	833	102	292	1 227
Contractual service margin recognised in profit or loss for the services received	–	–	292	292
Change in risk adjustment for expired risk	–	102		102
Experience adjustments[1]	833	–	–	833
Changes that relate to future service	1 570	(292)	(1 278)	–
Contracts initially recognised in the period	1 570	(292)	(1 278)	–
Net income/expenses from reinsurance contracts held	2 403	(190)	(986)	1 227
Finance expense/(income) from reinsurance contracts held	91	(4)	(155)	(68)
Net movements recognised in the statement of comprehensive income	2 494	(194)	(1 141)	1 159
Net reinsurance contract cash flows	(404)	–	–	(404)
Dividends paid	(404)	–	–	(404)
Net third party cell insurance contract liabilities closing balance	4 426	(475)	(2 980)	971
Closing third party cell insurance contract liabilities	4 426	(475)	(2 980)	971

[1] Of the R833 million experience adjustment, R1 318 million relates to the reinsurance liability for remaining coverage, decreased by R485 million that relates to the reinsurance liability for incurred claims.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.8 Insurance revenue

	2023 General R million	2023 Life R million	2023 Total R million	2022 General R million	2022 Life R million	2022 Total R million
GROUP						
Contracts measured under the GMM						
Amounts relating to changes in liabilities for remaining coverage:	(9)	6 020	6 011	56	4 721	4 777
CSM recognised for serviced provided	5	1 442	1 447	(15)	395	380
Change in risk adjustment for non-financial risk for risk expired	–	422	422	–	147	147
Expected incurred claims and other insurance service expenses	(14)	4 156	4 142	71	4 179	4 250
Recovery of insurance acquisition cash flows	–	128	128	–	97	97
Insurance revenue from contracts not measured under the PAA	(9)	6 148	6 139	56	4 818	4 874
Contracts measured under the PAA	40 005	738	40 743	37 504	704	38 208
Total insurance revenue	39 996	6 886	46 882	37 560	5 522	43 082
COMPANY[1]						
Contracts measured under the PAA	33 005	–	33 005	31 500	–	31 500
Total insurance revenue	33 005	–	33 005	31 500	–	31 500
Impact of GMM contracts initially recognised in the year						
GROUP						
Claims and other insurance service expenses payable	–	6 261	6 261	–	3 299	3 299
Insurance acquisition costs	–	225	225	–	123	123
Estimates of present value of cash outflows	–	6 486	6 486	–	3 422	3 422
Estimates of present value of cash inflows	–	(9 504)	(9 504)	–	(4 628)	(4 628)
Risk adjustment for non-financial risk	–	812	812	–	219	219
Contractual service margin	–	2 206	2 206	–	987	987
	–	–	–	–	–	–

[1] The company does not account for any insurance contracts under the GMM.

Insurance revenue per transition method	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Total R million
31 December 2023				
GROUP				
Contracts measured under the GMM				
Contracts under the fully retrospective transition approach	3 894	151	1 100	5 145
Contracts under the fair value transition approach	(18)	1	12	(5)
Contracts recognised since transition	3 412	(542)	(1 871)	999
	7 288	(390)	(759)	6 139
31 December 2022				
GROUP				
Contracts measured under the GMM				
Contracts under the fully retrospective transition approach	3 359	79	271	3 709
Contracts under the fair value transition approach	125	3	(9)	119
Contracts recognised since transition	2 074	(158)	(870)	1 046
	5 558	(76)	(608)	4 874

4. Insurance and reinsurance contracts (continued)

4.8 Insurance revenue (continued)

Accounting policy – Insurance revenue

Insurance revenue represents the changes in the liability for remaining coverage over the period by the group, excluding changes in the liability that do not relate to services expected to be covered by the consideration received. The consideration received refers to the amount of premiums paid to the group, adjusted for the discounting effect (where applicable) and excluding any investment components. The amount of insurance revenue recognised in the reporting period depicts the delivery of promised services at an amount that reflects the portion of premiums the group expects to be entitled to in exchange for those services.

For contracts not measured under the PAA, the total consideration for a group of contracts includes the following amounts:

- the expected claims and administration expenses incurred in the period (excluding amounts allocated to the loss component, repayments of investment components and policyholder rights to withdraw an amount, amounts of transaction-based taxes collected in a fiduciary capacity, insurance acquisition expenses, and amounts related to the risk adjustment for non-financial risk);
- the amount of the CSM recognised in profit or loss;
- the release of the risk adjustment for risk expired (excluding changes included in insurance finance income, changes that relate to future coverage, and amounts allocated to the loss component);
- amounts related to income tax that are specifically chargeable to policyholders;
- premium experience adjustments arising from premiums received in the period that relate to past and current service (including experience adjustments arising from related cash flows such as insurance acquisition cash flows); and
- the amortisation of insurance acquisition cash flows.

For contracts measured under the PAA, insurance revenue for the period is the amount of expected premium receipts allocated to the period based on the passage of time. However, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then insurance revenue for the period is allocated on the basis of the expected timing of incurred insurance service expenses, for example the Crop business.

Accounting policy – Amortisation of insurance acquisition cash flows

Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting, and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or groups of insurance contracts within the portfolio.

Insurance acquisition cash flows are amortised in insurance revenue and insurance service expenses in each reporting period in a systematic way based on the passage of time where the GMM is applied. For contracts measured under the PAA insurance acquisition costs are amortised in line with the recognition of insurance revenue.

4.9 Insurance service expense

	2023			2022		
	General R million	Life R million	Total R million	General R million	Life R million	Total R million
GROUP						
Incurred claims and other insurance service expenses	**22 972**	**3 741**	**26 713**	25 483	2 920	28 403
Amortisation of insurance acquisition costs	**5 251**	**270**	**5 521**	5 084	231	5 315
Directly attributable expenses	**4 753**	**243**	**4 996**	4 785	191	4 976
	32 976	**4 254**	**37 230**	35 352	3 342	38 694
COMPANY						
Incurred claims and other insurance service expenses	**19 606**	**–**	**19 606**	22 558	–	22 558
Amortisation of insurance acquisition costs	**4 576**	**–**	**4 576**	4 435	–	4 435
Directly attributable expenses	**3 003**	**–**	**3 003**	2 948	–	2 948
	27 185	**–**	**27 185**	29 941	–	29 941

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.9 Insurance service expense (continued)

Accounting policy – Insurance service expense

The following amounts are recognised in insurance service expenses:

- claims and administration expenses incurred (excluding amounts allocated to the loss component and excluding investment components payable in the period);
- experience adjustments relating to claims and administration expenses incurred;
- the initial loss on onerous groups of contracts recognised during the period;
- the increases and reversals of losses on onerous contracts;
- the changes in liability for incurred claims relating to past service; and
- the amortisation of insurance acquisition cash flows.

Expense cashflows included in the boundary of a contract, comprises of expenses that are directly attributable to fulfilling the obligations under the insurance contract and includes an allocation of fixed and variable overheads.

The group applied a broad of view in assessing overhead to determine expenses that are directly attributable to fulfilment of the insurance contract and non-attributable expense. Consequently, non-attributable expenses were those defined as non-essential business expenditure, certain employee benefit costs not related to maintenance of existing products or the sale of new products and system development costs which were incurred in research and product development stage.

Attributable overhead expenses are allocated to revenue-generating business units on an economic basis, with gross written premium being the key driver to the allocation.

Non-attributable expenses are excluded from the valuation of insurance contract liabilities and reinsurance contract assets and are expensed in profit and loss when incurred.

4.10 Net (expense)/income from reinsurance contracts held

	2023			2022		
	General R million	Life R million	Total R million	General R million	Life R million	Total R million
GROUP						
Reinsurance expense						
Reinsurance expenses – contracts measured under the GMM[1]						
Amounts relating to changes in assets for remaining coverage						
Expected incurred claims and other expenses recovery	–	(3 913)	(3 913)	(101)	(4 397)	(4 498)
Change in the risk adjustment for non-financial risk for the risk expired	–	(1 442)	(1 442)	–	(45)	(45)
CSM recognised for the services received	–	(422)	(422)	(2)	(103)	(105)
Contracts not measured under the PAA	–	(5 777)	(5 777)	(103)	(4 545)	(4 648)
Reinsurance expenses – contracts measured under the PAA	(7 914)	(284)	(8 198)	(7 413)	(261)	(7 674)
Other directly attributable expenses recovered	(22)	599	577	211	486	697
Incurred claims recovered	3 016	3 547	6 563	7 225	2 672	9 897
Net (expense)/income from reinsurance contracts held	(4 920)	(1 915)	(6 835)	(80)	(1 648)	(1 728)
COMPANY[2]						
Reinsurance expenses –contracts measured under the PAA	(5 732)	–	(5 732)	(5 542)	–	(5 542)
Incurred claims recovered	1 548	–	1 548	5 587	–	5 587
Net (expense)/income from reinsurance contracts held	(4 184)	–	(4 184)	45	–	45

1 All GMM reinsurance contracts were measured on the fully retrospective approach at transition.
2 The company does not account for any reinsurance contracts under the GMM.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.10 Net (expense)/income from reinsurance contracts held (continued)

GROUP	2023 General R million	2023 Life R million	2023 Total R million	2022 General R million	2022 Life R million	2022 Total R million
Impact of GMM reinsurance contracts recognised in the year						
Estimates of present value of future cash inflows	–	**5 846**	**5 846**	–	3 132	3 132
Estimates of present value of future cash outflows	–	**(6 767)**	**(6 767)**	–	(3 468)	(3 468)
Risk adjustment for non-financial risk	–	**253**	**253**	–	65	65
Contractual service margin	–	**668**	**668**	–	271	271
Increase/decrease in reinsurance contracts recognised in the year	–	–	–	–	–	–

Accounting policy – Income or expense from reinsurance contracts held

The group presents income or expenses from a group of reinsurance contracts held, other than insurance finance income or expenses, as a single amount.

Income or expense from reinsurance contracts held comprise:

- reinsurance expenses;
- incurred claims recovery;
- other incurred directly attributable expenses;
- changes that relate to past service;
- effect of changes in the risk of reinsurers' non-performance; and
- amounts relating to accounting for onerous groups of underlying insurance contracts issued.

The amounts recognised as income or expenses reflect the features of reinsurance contracts held that differ from insurance contracts issued, for e.g., the loss recovery component recognised during the reporting period rather than an initial loss recognised.

4.11 Finance expenses from insurance contracts issued

	2023 General R million	2023 Life R million	2023 Total R million	2022 General R million	2022 Life R million	2022 Total R million
GROUP						
Interest accreted	**(1 901)**	**249**	**(1 652)**	(1 379)	122	(1 257)
Effect of changes in interest rates and other financial assumptions	**112**	**258**	**370**	248	(79)	169
Effect of measuring changes in estimates as current rates and adjusting the CSM at rates on initial recognition	**(24)**	**(392)**	**(416)**	17	(220)	(203)
Net foreign exchange (losses)/gains	**(282)**	–	**(282)**	46	–	46
	(2 095)	**115**	**(1 980)**	(1 068)	(177)	(1 245)
COMPANY						
Interest accreted	**(1 247)**	–	**(1 247)**	(951)	–	(951)
Effect of changes in interest rates and other financial assumptions	**40**	–	**40**	240	–	240
Net foreign exchange (losses)/gains	**(282)**	–	**(282)**	46	–	46
	(1 489)	–	**(1 489)**	(665)	–	(665)

The majority of general insurance in the table above is measured applying the premium allocation approach, whilst the majority of the life insurance business is measured applying the general measurement model.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.12 Finance expenses from reinsurance contracts held

	2023			2022		
	General R million	Life R million	Total R million	General R million	Life R million	Total R million
GROUP						
Interest accreted	**773**	**143**	**916**	689	99	788
Effect of changes in interest rates and other financial assumptions	**(101)**	**(258)**	**(359)**	(141)	79	(62)
Net foreign exchange losses	**44**	**–**	**44**	70	–	70
Investment return allocated to third party cell	**(432)**	**(235)**	**(667)**	(70)	(67)	(137)
	284	**(350)**	**(66)**	548	111	659
COMPANY						
Interest accreted	**620**	**–**	**620**	517	–	517
Effect of changes in interest rates and other financial assumptions	**(28)**	**–**	**(28)**	(131)	–	(131)
Net foreign exchange losses	**44**	**–**	**44**	70	–	70
	636	**–**	**636**	456	–	456

Accounting policy – Finance income and expense from insurance contracts issued and reinsurance contracts held

The group recognises all insurance finance income or expenses for the reporting period in profit or loss.

Under the GMM and PAA, the effect of and changes in financial risk form part of insurance finance income and expenses.

The changes in the risk adjustment for non-financial risk have been disaggregated between insurance service result and insurance finance income and expenses.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.13 Claims development tables

The presentation of the claims development tables for the Santam group and company, is based on the actual date of the event that caused the claim (accident year basis). The claims development tables represent the development of claim estimates for continuing operations.

The group does not present claims development tables for Life business as the uncertainty about the timing of payments are resolved within one year.

		Accident year								
GROUP	**Total R million**	2023 R million	2022 R million	2021 R million	2020 R million	2019 R million	2018 R million	2017 R million	2016 R million	2015 R million
– General insurance claims – gross										
Reporting year										
Claim estimates (gross of reinsurance and undiscounted)										
– at end of accident year		18 186	16 544	14 357	11 138	11 680	10 804	12 114	10 414	12 335
– one year later			22 914	20 381	15 577	15 083	13 902	15 785	13 470	16 259
– two years later				22 474	16 966	15 514	15 693	16 344	13 837	17 225
– three years later					17 374	15 695	15 886	16 490	14 072	17 760
– four years later						15 818	15 978	16 641	14 531	18 078
– five years later							16 005	16 742	14 593	18 608
– six years later								16 742	14 593	18 608
– seven years later									14 593	18 608
– eight years later										18 608
Cumulative payments to date		(12 063)	(20 290)	(20 568)	(16 393)	(15 287)	(15 572)	(16 195)	(13 798)	(17 927)
Gross cumulative claim liabilities – 2015 to 2023	**14 621**	**6 123**	**2 624**	**1 906**	**981**	**531**	**433**	**547**	**795**	**681**
IBNR – best estimate	**3 329**									
Effect of discounting	**(976)**									
Creditors and debtors included in liabilities for incurred claims[2]	**1 828**									
Risk adjustment for non-financial risk[1]	**718**									
Gross liabilities for incurred claims	**19 520**									
– General insurance claims – net										
Reporting year										
Claim estimates (net of reinsurance and undiscounted)										
– at end of accident year		13 106	12 908	12 017	10 375	10 429	9 716	9 935	9 208	10 399
– one year later			16 441	14 723	13 571	12 928	11 924	12 276	11 257	12 905
– two years later				15 065	14 163	13 220	12 244	12 517	11 461	13 422
– three years later					14 273	13 347	12 378	12 584	11 578	13 721
– four years later						13 438	12 432	12 697	11 903	13 880
– five years later							12 452	12 769	11 950	13 988
– six years later								12 769	11 950	13 988
– seven years later									11 950	13 988
– eight years later										13 988
Cumulative payments to date		(9 419)	(15 766)	(14 636)	(14 007)	(13 128)	(12 258)	(12 554)	(11 896)	(13 546)
Net cumulative claim liabilities – 2015 to 2023	**6 272**	**3 687**	**675**	**429**	**266**	**310**	**194**	**215**	**54**	**442**
IBNR – best estimate	**2 670**									
Effect of discounting	**(507)**									
Creditors and debtors included in liabilities for incurred claims[2]	**1 647**									
Risk adjustment for non-financial risk[1]	**618**									
Gross liabilities for incurred claims	**10 700**									

[1] Includes attributable expenses and risk adjustment.

[2] Included unrealised forex, insurance related premiums receivables, commission and claims payables.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.13 Claims development tables (continued)

		Claims paid in respect of								
COMPANY	Total R million	2023 R million	2022 R million	2021 R million	2020 R million	2019 R million	2018 R million	2017 R million	2016 R million	2015 R million
– General insurance claims – gross										
Reporting year										
Claim estimates (gross of reinsurance and undiscounted)										
– at end of accident year		14 429	16 544	14 357	11 138	11 680	10 804	12 114	10 414	12 335
– one year later			22 914	20 381	15 577	15 083	13 902	15 785	13 470	16 259
– two years later				22 474	16 966	15 514	15 693	16 344	13 837	17 225
– three years later					17 374	15 695	15 886	16 490	14 072	17 760
– four years later						15 818	15 978	16 641	14 531	18 078
– five years later							16 005	16 742	14 593	18 608
– six years later								16 742	14 593	18 608
– seven years later									14 593	18 608
– eight years later										18 608
Cumulative payments to date		(8 876)	(20 541)	(20 727)	(16 466)	(15 349)	(15 604)	(16 225)	(13 812)	(17 985)
Gross cumulative claim liabilities – 2015 to 2023	**13 372**	**5 553**	**2 373**	**1 747**	**908**	**469**	**401**	**517**	**781**	**623**
IBNR – best estimate	**3 147**									
Effect of discounting	**609**									
Creditors and debtors included in liabilities for incurred claims[2]	**(866)**									
Risk adjustment for non-financial risk[1]	**1 775**									
Net LIC for the contracts originated	**18 037**									
– General insurance claims – net										
Reporting year										
Claim estimates (net of reinsurance and undiscounted)										
– at end of accident year		13 106	12 908	12 017	10 375	10 429	9 716	9 935	9 208	10 399
– one year later			16 441	14 723	13 571	12 928	11 924	12 276	11 257	12 905
– two years later				15 065	14 163	13 220	12 244	12 517	11 461	13 422
– three years later					14 273	13 347	12 378	12 584	11 578	13 721
– four years later						13 438	12 432	12 697	11 903	13 880
– five years later							12 452	12 769	11 950	13 988
– six years later								12 769	11 950	13 988
– seven years later									11 950	13 988
– eight years later										13 988
Cumulative payments to date		(9 790)	(15 821)	(14 661)	(14 018)	(13 138)	(12 268)	(12 563)	(11 901)	(13 575)
Net cumulative claim liabilities – 2015 to 2023	**5 747**	**3 316**	**620**	**404**	**255**	**300**	**184**	**206**	**49**	**413**
IBNR – best estimate	**2 603**									
Effect of discounting	**(475)**									
Creditors and debtors included in liabilities for incurred claims[2]	**1 799**									
Risk adjustment for non-financial risk[1]	**574**									
Net liabilities for incurred claims	**10 248**									

[1] Includes attributable expenses and risk adjustment.
[2] Included unrealised forex, insurance related premiums receivables, commission and claims payables.

4.14 Insurance risk

As mentioned in note 3.2, Santam manages insurance risk in two main components which are discussed in more detail below:

- Underwriting risk
- Reinsurance risk (refer to note 4.15)

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.14 Insurance risk (continued)

Underwriting risk

In general, the group issues personal, commercial, niche and cell/policyholder insurance policies, as well as reinsurance contracts in respect of most of the classes of business listed below:

Accident and health – Provides cover for death, disability and certain health events. This excludes the benefits to the provider of health services and is linked directly to the expenditure in respect of health services.

Alternative risk transfer (ART) – The use of techniques, other than traditional insurance, that include at least an element of insurance risk, to provide entities with risk coverage or protection. This includes cover for mining rehabilitation, life business and third party cell insurance.

Aviation – Covers property (both moveable and immovable) risks associated with aircraft (i.e. in respect of their use, ownership, storage, loss or damage), as well as liability and transport risks associated with this class of business.

Bonds and Guarantees – A contract whereby the insurer assumes an obligation to discharge the debts or other obligations of another person in the event of the failure of that person to do so. This business is in run-off.

Crop – Provides indemnity for crops while still on the field against hail, drought and excessive rainfall. Cover ceases as soon as harvesting has taken place.

Engineering – Provides cover for risks relating to:
- the possession, use or ownership of machinery or equipment, other than a motor vehicle, in the carrying on of a business;
- the erection of buildings or other structures or the undertaking of other works; and
- the installation of machinery or equipment.

Liability – Provides cover for risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract.

Marine – Covers property (both moveable and immovable) risks associated with watercraft (i.e. in respect of their use, ownership, storage, loss or damage), as well as liability and transport risks (both on land and on water bodies) associated with this class of business.

Motor – Covers risks relating to the possession, use or ownership of a motor vehicle. This cover can include risks relating to vehicle accident, theft or damage to third-party property or legal liability arising from the possession, use or ownership of the insured vehicle.

Property – Covers risks relating to the use, ownership, loss of or damage to movable or immovable property other than a risk covered more specifically under another insurance contract. Policies including an extension for contingency business interruption cover, for both physical and non-physical damage, are included in the property class.

Transportation – Covers risks relating to the possession, use or ownership of a vessel, aircraft or other craft or for the conveyance of persons or goods by air, space, land or water. It also covers risks relating to the storage, treatment or handling of goods that are conveyed.

Travel – Covers risks associated with local and international travel, for both business and leisure purposes.

Underwriting risk results from fluctuations in the timing, frequency and severity of insured events. It includes the risk that either premium or claims provisions turn out to be insufficient to pay insurance claims, as well as the risk resulting from the volatility of expense payments. Expense risk is implicitly included as part of the underwriting risk.

In order to quantify the underwriting risk faced by Santam, a stochastic simulation of Santam's claims is performed at a line of business level within Santam's internal economic capital model. Assumptions for each line of business are determined based on more than 20 years' worth of historical data. The expected claims liabilities are modelled for specific lines of business, which are then split into the appropriate sub-classes. For each sub-class of business, three types of losses are modelled, namely attritional losses, individual large losses and catastrophe losses. Each of the sub-classes is modelled based on its own assumptions whose methodology and calibration are thoroughly documented in the internal model documentation.

The attritional losses are modelled as a percentage of the premium. The large losses are modelled by fitting separate distributions to the claims frequency and the claim severity.

Santam also models various catastrophes and the losses from each catastrophe are allocated to multiple classes of business. The following catastrophes are modelled:

- Earthquake
- Storm (small)
- Storm (large)
- Hail (excluding crop damage)
- Marine (cargo)
- Aviation (hull/liability)
- Conflagration (property)
- Conflagration (liability)
- Utility failure
- Latent liability
- Economic downturn

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.14 Insurance risk (continued)

Underwriting risk (continued)

The net claims ratio for the group's conventional insurance business, which is important in monitoring insurance risk, has developed as follows over the past seven years:

Loss history	2023	2022	2021[3]	2020[3]	2019[3]	2018[3]	2017[3]
Net claims paid and provided[1, 2]	**66.2**	65.0	62.0	68.2	62.1	60.3	65.8

1 Expressed as a percentage of net earned premiums per segmental report in note 2.
2 The net claims ratio for conventional insurance is disclosed, as it is the key ratio for this business segment. The key drivers for the performance of the ART business segment are income from clients and investment results. Refer note 2.2 for more detail regarding the performance of the ART business segment.
3 Ratio's quoted for 2021 and earlier were not restated in terms of IFRS 17.

Pricing of the group's products is generally based upon historical claims frequencies and claims severity averages, adjusted for inflation and modelled catastrophes trended forward to recognise anticipated changes in claims patterns. While claims remain the group's principal cost, the group also makes allowance in the pricing procedures for acquisition costs, attributable and non-attributable expenses, investment income, the cost of reinsurance and for a profit loading that adequately covers the cost of the capital.

Underwriting limits (per risk and, where relevant, per event) are set for business units, underwriting managers and intermediaries to ensure that the group's risk appetite is appropriately delegated. Underwriting performance is monitored continuously and the pricing policy is revised accordingly. Risk factors considered as part of the review are unique to each class of business (listed above) and constantly evolve as the risk environment changes. The group has the right to reprice and change the conditions for accepting risks on renewal and/or, in most cases, 30 days.

Expenses are monitored by each business unit based on an approved budget and business plan.

The underwriting strategy aims to ensure that the risks underwritten are well diversified in terms of type and amount of risk, size, economic sector and geography. The Santam group has a sufficiently diversified portfolio based on insurance classes as demonstrated in the segmental report. The group is currently focusing on obtaining international geographical diversification through the business written by Santam Re (which underwrites inward reinsurance contracts only) and the Santam Specialist business. The current geographical allocation of insurance revenue is provided in the segmental report.

Underwriting risk is further mitigated by ensuring that reserve and reinsurance risk (discussed in note 4.6) is adequately managed.

Reserve risk relates to the risk that the claim provisions held for both reported and unreported claims, as well as their associated expenses, may prove insufficient.

Santam currently calculates its risk adjustment on two different methodologies, namely the 'percentile approach' and the 'cost-of-capital approach'. The 'percentile approach' is used to evaluate the adequacy of risk adjustment for financial reporting purposes, while the 'cost-of-capital approach' is used as one of the inputs for regulatory reporting purposes.

Percentile approach

Under this methodology, reserves are held to be at least sufficient at the 75th percentile of the ultimate loss distribution.

The first step in the process is to calculate a probability-weighted best-estimate reserve. Being a best-estimate, there is an equally likely chance that the actual amount needed to pay future claims will be higher or lower than this calculated value.

The next step is to determine a risk adjustment. The risk adjustment is calculated such that there is at least a 75% to 95% probability that the reserves will be sufficient to cover future claims. The resulting amount of the calculated risk adjustment corresponds to the confidence level of 79% at 31 December 2023 (2022: 80%). For more detail on the reserving techniques used in this approach, refer to critical accounting estimates and judgements in note 4.1.

Cost-of-capital approach

The cost-of-capital approach to reserving is aimed at determining a market value for the liabilities on the statement of financial position. This is accomplished by calculating the cost of transferring the liabilities, including their associated expenses, to an independent third party.

The cost of transferring the liabilities off the statement of financial position involves calculating a best-estimate of the expected future cost of claims, including all related run-off expenses, as well as a margin for the cost of capital that the independent third party would need to hold to back the future claims payments.

Refer to section 3.3 for more detail on the capital management process.

Santam is not significantly exposed to seasonality due to the broad range of insurance contracts that the group writes. Motor and property contains an element of seasonality e.g. hail storms in the summer, however, there may not be a direct correlation between that seasonality and the group's financial results. There is an element of seasonality attached to crop, however, the group's exposure is limited.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.15 Reinsurance risk

Santam has an extensive reinsurance programme that has developed over many years to suit the risk management needs of the business units in the group.

The internal model is used to evaluate the type and quantum of reinsurance to purchase within Santam's risk appetite framework. The reinsurance programme is placed into both the local and international reinsurance markets. Reinsurance arrangements in place include proportional, excess of loss per risk and catastrophe and stop loss arrangements.

The core components of the reinsurance programme comprised:

- Individual excess-of-loss cover for property, liability, engineering, aviation and marine risks, which provides protection to limit losses between the range of R5 million to R100 million (2022: R17 million to R85 million) per risk, excluding reinstatement premiums and inclusive of Santam Re's participations, following a claim or claims against the covers. Santam protects its property per risk loss exposure down to a maximum amount of R100 million on any one risk.
- Santam buys catastrophe cover exceeding the 1 in 200 year earthquake catastrophe loss using an external validated earthquake loss prediction model. This model typically results in cover of up to 1.20% of the total exposure of the significant geographical areas, amounting to protection of R12 billion per event, with an attachment point of R400 million. For 2022 Santam group purchased catastrophe cover up to R10.5 billion with a R150 million retention. This represented 1.06% of the total exposure of the significant geographical areas.

The ultimate cost of a loss that would exhaust the total Santam catastrophe programme of R12 billion in 2023, amounted to the retention of R505 million (made up of R400 million retention on the inner layer with a cover of R350 million of which 30% was unplaced giving additional retention of R105 million) plus additional premiums of R645.5 million to reinstate the cover in the event of a second catastrophe loss. For 2024, Santam's net retention increased from R505 million to R1 billion, plus reinstatement premiums of R550 million.

South African insurers transferred significant losses to international reinsurers under their catastrophe programmes due to CBI losses in 2020 and the KZN flood in 2022. The correction in pricing and the levels at which catastrophe protection attached was significant and Santam's own covers were affected. The attachment point for 2023 was R505 million, plus the cost of reinstatement premiums. This meaningful increase remains within the range of an acceptable figure as regards the company's shareholders funds, as well as a percentage of retained net premium income.

The group's agriculture portfolio is protected through a 56% proportional and a non-proportional reinsurance arrangement with non-proportional cover set at levels offering protection from extreme aggregate loss events.

Santam has arrangements to support growth in territories outside South Africa in situations where this is dependent on Santam's S&P international rating scale rating. In 2019, Santam entered into an agreement with New Reinsurance Company Ltd Switzerland (New Re), which is a wholly-owned Munich Re company. In terms of the agreement, selected Santam business units are able to write inwards international reinsurance business on New Re's AA- credit rating licence. The 5-year agreement between Santam and New Re became effective 1 January 2020.

The board approves the reinsurance renewal process on an annual basis. The major portion of the reinsurance programme is placed with external reinsurers that have an international credit rating of no less than A- (2022: A-) from S&P or AM Best, unless specific approval is obtained from the board to use reinsurers with ratings lower than the agreed benchmark.

4.16 Insurance-related credit risk

Key insurance-related areas where Santam is exposed to credit default risk are:

- Reinsurer default on presentation of a large claim
- Reinsurers default on their share of Santam's insurance liabilities
- Default on amounts due from insurance contract intermediaries and premium collection agencies

For default risk Santam uses a model which is largely based on the Basel III regulation.

Credit risk capital is held for the following type of exposure:

- Outstanding premiums due from intermediaries and reinsurance due from reinsurers
- Reinsurance claims provisions
- Exposure to potential reinsurance recoveries based on the losses generated by the internal model

Santam uses a large panel of high quality reinsurance companies. The credit risk of reinsurers included in the reinsurance programme is considered annually by reviewing their financial strength as part of the renewal process. The group's largest reinsurance counterparty is Munich Re. The credit risk exposure is further monitored throughout the year to ensure that changes in credit risk positions are adequately addressed. Regarding receivables from contract holders/intermediaries included in insurance contract liabilities, receivables from individuals and commercial entities don't generally have published credit ratings. Santam has credit control teams that monitor receivables and ensures appropriate governance is applied.

Insurance contract assets arise as a result of amounts due by intermediaries. In terms of the Insurance Act, amounts due from intermediaries are required to be paid to Santam 15 days after the month in which it was collected. Due to the nature and extent of the intermediary network, credit ratings are not generally available for the individuals and entities comprising the broker intermediary network. Santam applies strict credit controls and governance over its broker intermediary network to limit any related credit risk exposure.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.16 Insurance-related credit risk (continued)

The following table provides information regarding the aggregated credit risk exposure for reinsurance contract assets:

Reinsurance contract assets 31 December 2023	AA+ R million	AA R million
GROUP		
Reinsurance contract assets	21	761
Total	**21**	**761**
COMPANY		
Reinsurance contract assets	–	756
Total	**–**	**756**

31 December 2022	AA+ R million	AA R million
GROUP		
Reinsurance contract assets	171	194
Total	171	194
COMPANY		
Reinsurance contract assets	–	192
Total	–	192

Reinsurer credit risk exposure where external ratings are not available, are subject to internal review by the risk committee. These reviews are performed regularly throughout the year to ensure changes in credit risk of reinsurance counterparties are addressed timeously.

4.17 Contractual service margin

The following table sets out when Santam expects to recognise the remaining CSM in profit or loss, after the reporting date:

31 December 2023	Total R million	Year 1 R million	Year 2 R million	Year 3 R million
GROUP				
INSURANCE CONTRACTS				
General insurance				
Opening balance	42	42	38	34
Accretion of interest on liabilities under the GMM	19	3	3	4
Recognised in statement of comprehensive income	(61)	(7)	(7)	(8)
Closing balance	–	38	34	30
Life insurance				
Opening balance	7 319	7 319	5 991	4 956
Accretion of interest on liabilities under the GMM	2 238	439	359	297
Recognised in statement of comprehensive income	(9 557)	(1 767)	(1 394)	(1 134)
Closing balance	–	5 991	4 956	4 119
REINSURANCE CONTRACTS HELD				
Life insurance				
Opening balance	(2 174)	(2 174)	(1 797)	(1 496)
Accretion of interest on assets under the GMM	(675)	(130)	(108)	(90)
Recognised in statement of comprehensive income	2 849	507	409	338
Closing balance	–	(1 797)	(1 496)	(1 248)
THIRD PARTY CELL INSURANCE CONTRACTS HELD				
General insurance				
Opening balance	(42)	(42)	(38)	(34)
Accretion of interest on assets under the GMM	(19)	(3)	(3)	(4)
Recognised in statement of comprehensive income	61	7	7	8
Closing balance	–	(38)	(34)	(30)
Life insurance				
Opening balance	(5 145)	(5 145)	(4 194)	(3 461)
Accretion of interest on assets under the GMM	(1 564)	(309)	(252)	(208)
Recognised in statement of comprehensive income	6 709	1 260	985	796
Closing balance	–	(4 194)	(3 461)	(2 873)

Notes to the annual financial statements

	AA- R million	A+ R million	A R million	A- R million	BBB+ R million	BBB- R million	BB R million	Not rated R million	Carrying value R million
	1 419	**2 515**	**487**	**1 435**	**13**	**57**	**840**	**2 539**	**10 087**
	1 419	**2 515**	**487**	**1 435**	**13**	**57**	**840**	**2 539**	**10 087**
	1 176	**2 056**	**468**	**1 351**	**13**	**57**	**50**	**2 474**	**8 401**
	1 176	**2 056**	**468**	**1 351**	**13**	**57**	**50**	**2 474**	**8 401**

	AA- R million	A+ R million	A R million	A- R million	BBB+ R million	BBB- R million	BB R million	Not rated R million	Carrying value R million
	1 081	2 930	659	1 678	26	29	837	6 400	14 005
	1 081	2 930	659	1 678	26	29	837	6 400	14 005
	816	2 913	614	1 651	25	29	267	5 652	12 159
	816	2 913	614	1 651	25	29	267	5 652	12 159

	Year 4 R million	Year 5 R million	Year 6 R million	Year 7 R million	Year 8 R million	Year 9 R million	Year 10 R million	11 to 20 years R million	>20 years R million
	30	**24**	**17**	**7**	**–**	**–**	**–**	**–**	**–**
	3	**3**	**2**	**1**	**–**	**–**	**–**	**–**	**–**
	(9)	**(10)**	**(12)**	**(8)**	**–**	**–**	**–**	**–**	**–**
	24	**17**	**7**	**–**	**–**	**–**	**–**	**–**	**–**
	4 119	**3 428**	**2 854**	**2 374**	**1 975**	**1 643**	**1 364**	**1 129**	**152**
	247	**206**	**171**	**142**	**119**	**99**	**82**	**68**	**9**
	(938)	**(780)**	**(651)**	**(541)**	**(451)**	**(378)**	**(317)**	**(1 045)**	**(161)**
	3 428	**2 854**	**2 374**	**1 975**	**1 643**	**1 364**	**1 129**	**152**	**–**
	(1 248)	**(1 041)**	**(867)**	**(722)**	**(601)**	**(500)**	**(415)**	**(344)**	**(48)**
	(75)	**(62)**	**(52)**	**(43)**	**(36)**	**(30)**	**(25)**	**(21)**	**(3)**
	282	**236**	**197**	**164**	**137**	**115**	**96**	**317**	**51**
	(1 041)	**(867)**	**(722)**	**(601)**	**(500)**	**(415)**	**(344)**	**(48)**	**–**
	(30)	**(24)**	**(17)**	**(7)**	**–**	**–**	**–**	**–**	**–**
	(3)	**(3)**	**(2)**	**(1)**	**–**	**–**	**–**	**–**	**–**
	9	**10**	**12**	**8**	**–**	**–**	**–**	**–**	**–**
	(24)	**(17)**	**(7)**	**–**	**–**	**–**	**–**	**–**	**–**
	(2 873)	**(2 389)**	**(1 988)**	**(1 654)**	**(1 376)**	**(1 145)**	**(951)**	**(788)**	**(108)**
	(172)	**(143)**	**(119)**	**(99)**	**(83)**	**(69)**	**(57)**	**(47)**	**(6)**
	656	**544**	**453**	**377**	**314**	**263**	**220**	**727**	**114**
	(2 389)	**(1 988)**	**(1 654)**	**(1 376)**	**(1 145)**	**(951)**	**(788)**	**(108)**	**–**

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.17 Contractual service margin (continued)

31 December 2022	Total R million	Year 1 R million	Year 2 R million	Year 3 R million
GROUP				
INSURANCE CONTRACTS				
General insurance				
Opening balance	22	22	21	19
Accretion of interest on liabilities under the GMM	11	2	1	2
Recognised in statement of comprehensive income	(33)	(3)	(3)	(4)
Closing balance	–	21	19	17
Life insurance				
Opening balance	4 224	4 224	3 780	3 400
Accretion of interest on liabilities under the GMM	1 780	253	227	204
Recognised in statement of comprehensive income	(6 004)	(697)	(607)	(536)
Closing balance	–	3 780	3 400	3 068
REINSURANCE CONTRACTS HELD				
Life insurance				
Opening balance	(1 243)	(1 243)	(1 125)	(1 019)
Accretion of interest on assets under the general model	(531)	(75)	(67)	(61)
Recognised in statement of comprehensive income	1 774	193	173	157
Closing balance	–	(1 125)	(1 019)	(923)
THIRD PARTY CELL INSURANCE CONTRACTS HELD				
General insurance				
Opening balance	(22)	(22)	(21)	(19)
Accretion of interest on assets under the general model	(11)	(2)	(1)	(2)
Recognised in statement of comprehensive income	33	3	3	4
Closing balance	–	(21)	(19)	(17)
Life insurance				
Opening balance	(2 980)	(2 981)	(2 655)	(2 381)
Accretion of interest on assets under the general model	(1 249)	(178)	(160)	(143)
Recognised in statement of comprehensive income	4 230	504	434	379
Closing balance	–	(2 655)	(2 381)	(2 145)

Notes to the annual financial statements

Year 4 R million	Year 5 R million	Year 6 R million	Year 7 R million	Year 8 R million	Year 9 R million	Year 10 R million	11 to 20 years R million	>20 years R million
17	15	12	7	2	–	–	–	–
2	2	1	1	–	–	–	–	–
(4)	(5)	(6)	(6)	(2)	–	–	–	–
15	12	7	2	–	–	–	–	–
3 068	2 774	2 511	2 273	2 056	1 858	1 679	1 516	516
184	166	151	136	123	112	101	91	32
(478)	(429)	(389)	(353)	(321)	(291)	(264)	(1 091)	(548)
2 774	2 511	2 273	2 056	1 858	1 679	1 516	516	–
(923)	(836)	(757)	(685)	(620)	(560)	(506)	(456)	(154)
(55)	(50)	(45)	(41)	(37)	(34)	(30)	(27)	(9)
142	129	117	106	97	88	80	329	163
(836)	(757)	(685)	(620)	(560)	(506)	(456)	(154)	–
(17)	(15)	(12)	(7)	(2)	–	–	–	–
(2)	(2)	(1)	(1)	–	–	–	–	–
4	5	6	6	2	–	–	–	–
(15)	(12)	(7)	(2)	–	–	–	–	–
(2 145)	(1 938)	(1 754)	(1 588)	(1 436)	(1 298)	(1 173)	(1 060)	(362)
(129)	(116)	(106)	(95)	(86)	(78)	(71)	(64)	(23)
336	300	272	247	224	203	184	762	385
(1 938)	(1 754)	(1 588)	(1 436)	(1 298)	(1 173)	(1 060)	(362)	–

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.18 Insurance-related interest rate risk

The following table presents an analysis of how a possible shift in market interest rates might impact the balances of contracts within the scope of IFRS 17, as well as the net impact on profit or loss and equity.

The nature of third party cell insurance contracts does not expose the group to interest rate risk, and is thus not included in the table below.

For the group's other financial assets and liabilities' interest rate sensitivities, refer to note 5.5 and 6.2.

		1% increase in interest rate impact on:			1% decrease in interest rate impact on:		
31 December 2023	**Net insurance contract balance**	**Net insurance contract balance**	**Profit or loss before tax**	**Profit or loss/ Equity**	**Net insurance contract balance**	**Profit or loss before tax**	**Profit or loss/ Equity**
GROUP							
Insurance contracts issued							
General insurance	**32 314**	**(129)**	**(129)**	**(94)**	**216**	**216**	**158**
Life insurance	**1 910**	**(4)**	**(4)**	**(3)**	**–**	**–**	**–**
Reinsurance contracts held							
General insurance	**(9 242)**	**55**	**55**	**40**	**(88)**	**(88)**	**(64)**
Life insurance	**(720)**	**2**	**2**	**1**	**–**	**–**	**–**
COMPANY							
Insurance contracts issued							
General insurance	**16 252**	**(112)**	**(112)**	**(82)**	**193**	**193**	**141**
Reinsurance contracts held							
General insurance	**(8 401)**	**48**	**48**	**35**	**(69)**	**(69)**	**(51)**
31 December 2022							
GROUP							
Insurance contracts issued							
General insurance	34 145	(145)	(145)	(106)	247	247	180
Life insurance	1 279	(3)	(3)	(2)	–	–	–
Reinsurance contracts held							
General insurance	(13 404)	91	91	67	(131)	(131)	(95)
Life insurance	(458)	1	1	1	–	–	–
COMPANY							
Insurance contracts issued							
General insurance	19 233	(130)	(130)	(95)	220	220	161
Reinsurance contracts held							
General insurance	(12 159)	82	82	60	(111)	(111)	(81)

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.19 Restatements relating to corrections to the insurance and reinsurance contracts

a) In compliance with IFRS 17, Santam should present their inwards reinsurance revenue net of ceding commission. Due to a mapping error in preparing the financial statements, the ceding commission was not netted off against inward reinsurance revenue for the six months to June 2023 in the 30 June 2023 interim financial statements, as required. This resulted in the overstatement of insurance revenue and amortisation of insurance acquisition costs by R225 million. The ceding commission netted off against inward reinsurance revenue for the 31 December 2022 comparative year in the 30 June 2023 interim financial statement note was similarly understated by R1 171 million, therefore overstating insurance revenue by R1 171 million, with amortisation of insurance acquisition costs overstated by the same amount. The June 2023 statement of comprehensive income will be restated in the 2024 interim results.

b) A reversal of binder fees relating to acquisition activities of R91 million were incorrectly included in incurred claims and other insurance services expenses in insurance service expenses. Under IFRS 17 this amount should form part of insurance acquisition costs of insurance service expenses. The note was corrected to correctly reflect the reversal of the binder fees against the amortisation of insurance acquisition cost line. There was no impact on the insurance service expenses as presented on the statement of comprehensive income.

c) IFRS 17 requires changes in financial assumptions for insurance contracts issued to be accounted for as part of finance expenses from insurance contracts issued (insurance finance expense). In the 30 June 2023 interim financial statements, changes in financial assumptions were incorrectly mapped to insurance service expenses. The mapping was subsequently corrected which reduced finance expenses from insurance contracts issued and increased insurance service expenses with R240 million, respectively. This restatement impacted the 31 December 2022 comparative year presented in the 30 June 2023 interim financial statements in relation to the IFRS 17 adoption note.

d) A measurement group of insurance contracts with a closing liability for incurred claims balance of R176 million (opening balance of R115 million) was incorrectly mapped to the Life general measurement model disclosure group, instead of the Life premium allocation model disclosure group. These balances and the respective reconciling terms have been corrected in the relating notes. This restatement impacted the 31 December 2022 comparative year presented in the 30 June 2023 interim financial statements in relation to the IFRS 17 adoption note.

e) First party cell contracts are in the scope of IFRS 9. In the June 2023 interim financial statements, the investment return allocated to first party cell contracts of R208 million, as well as income tax recovered from first party cells of R126 million, were incorrectly mapped to the finance income from reinsurance contracts held, net expenses from reinsurance contracts held and finance expenses from insurance contracts issued, respectively. This was corrected to be presented as part of the investment return allocated to structured products (fair value movement) and Income tax recovered from structured products, in line with IFRS 9. This restatement impacted the 31 December 2022 comparative year presented in the 30 June 2023 interim financial statements in relation to the IFRS 17 adoption note. The June 2023 statement of comprehensive income will be restated in the 2024 interim results.

f) IFRS 17 requires changes in financial assumptions for reinsurance contracts held to be accounted for as part of finance income from reinsurance contracts issued (Reinsurance finance (income)/expense). In the 30 June 2023 interim financial statements, changes in financial assumptions were mapped to net (expense)/income from reinsurance contracts held (Claims recovered and other reinsurance service income received). The mapping was subsequently corrected to reduce finance income from reinsurance contracts issued with R130 million relating to changes in financial assumptions, and remove the amount from net (expense)/income from reinsurance contracts held. This restatement impacted the 31 December 2022 comparative year presented in the 30 June 2023 interim financial statement note in relation to the adoption of IFRS 17.

g) Santam discloses their reinsurance income net of compulsory reinstatement premiums, in compliance with IFRS 17. The compulsory reinstatement premiums of R480 million in the 30 June 2023 interim financial statement notes were however incorrectly disclosed as part of reinsurance expenses instead of being treated as part of reinsurance income in the note supporting the "Net expense from reinsurance contracts held" line item. This was corrected accordingly. There is no statement of comprehensive income impact.

h) Before the adoption of IFRS 17, loans to policyholders were appropriately classified as IFRS 9 Loans and receivables (i.e. separately from the insurance contract). These loans however do not meet the requirements in IFRS 17 to be treated as separate IFRS 9 investment components. These policy loans amounting to R856 million were incorrectly treated as IFRS 9 loans and receivables and have subsequently been reclassified to the insurance contract liability for remaining cover, within the general insurance premium allocation approach disclosure group. The amounts disclosed in the December 2022 statement of financial position in the group's interim financial statements for the period ended 30 June 2023 were incorrect and have been restated.

i) Comparative information was restated to correctly classify certain contracts within the alternative risk transfer business from policyholders interest to investment contracts. The investment contract balance as at 31 December 2021 was restated from R1 970 million to R3 798 million, and the balance as at 31 December 2022 was restated from R2 061 million to R5 214 million. The format of the build-up in the note was also changed to provide more relevant information. This was corrected in the June 2023 financial statements, but the restatement was disclosed as part of the IFRS 17 implementation instead of separately. The restatement disclosure has now been included as part of the 2023 financial statements.

Notes to the annual financial statements

4. Insurance and reinsurance contracts (continued)

4.19 Restatements relating to corrections to the insurance and reinsurance contracts (continued)

The impact on the group's December 2022 and December 2021 statement of financial position, the 31 December 2022 insurance notes, as well as the 31 December 2022 statement of comprehensive income (not reported yet after the implementation of IFRS 17) was as follows:

		Restatement Audited as at 31 December 2022	
R million	Previously reported Audited as at 31 December 2022	a) Inwards reinsurance acquisition cost	b) Binder fees
Note 4.2.1 general insurance under premium allocation approach			
Net insurance contract liabilities opening balance	30 021	–	–
Insurance revenue	(38 675)	1 171	–
Amortisation of insurance acquisition costs	6 346	(1 171)	(91)
Incurred claims and other insurance service expenses	30 161	–	91
Finance expenses from insurance contracts issued	1 425	–	–
Premiums received	43 407	–	–
Net insurance contract liabilities closing balance	34 299	–	–
Note 4.2.1 life insurance under premium allocation approach			
Net insurance contract liabilities for opening balance	69	–	–
Incurred claims and other insurance services expenses	207	–	–
Changes to liabilities for incurred claims that relate to past service	–	–	–
Insurance finance income and expenses	–	–	–
Claims and other insurance service expenses paid	(186)	–	–
Net insurance contract liabilities closing balance	67	–	–
Note 4.2.2 life insurance under general measurement approach			
Net insurance contract liabilities opening balance	443	–	–
Incurred claims and other insurance services expenses	3 034	–	–
Changes to liabilities for incurred claims that relate to past service	(130)	–	–
Insurance finance income and expenses	177	–	–
Claims and other insurance service expenses paid	(2 809)	–	–
Net insurance contract liabilities closing balance	1 212	–	–
Note 4.4.1 general insurance under premium allocation approach			
Reinsurance expenses	6 905	–	–
Claims recovered and other reinsurance service income received	(6 727)	–	–
Adjustments to incurred claims that relate to past service	(421)	–	–
Reinsurance finance expenses/(income)	(534)	–	–
Total statement of financial position disclosure notes		–	–
Statement of financial position			
Loans and receivables	3 690	–	–
Insurance contract liabilities	(36 387)	–	–
		–	–
Statement of comprehensive income	–	–	–
Investment return allocated to structured products	–	–	–
Income tax recovered from structured products	–	–	–
		–	–

		Restatement Audited as at 31 December 2021	
R million	Previously reported Audited as at 31 December 2021	a) Inwards reinsurance acquisition cost	b) Binder fees
Statement of financial position			
Loans and receivables	2 548	–	–
Insurance contract liabilities	(31 511)	–	–
		–	–

Restatement
Audited as at 31 December 2022

c) Claims cost allocation	d) Measurement model reallocation	e) First party cell contract reallocation	f and g) Reinsurance service expense	h) Policyholder loans	Restated Audited as at 31 December 2022
–	–	–	–	(615)	29 406
–	–	–	–	–	(37 504)
–	–	–	–	–	5 084
240	–	–	–	–	30 492
(240)	–	(117)	–	–	1 068
–	–	–	–	(241)	43 166
–	–	–	–	(856)	33 443
–	115	–	–	–	184
–	396	–	–	–	603
–	(89)	–	–	–	(89)
–	7	–	–	–	7
–	(253)	–	–	–	(439)
–	176	–	–	–	243
–	(115)	–	–	–	328
–	(396)	–	–	–	2 638
–	89	–	–	–	(41)
–	(7)	–	–	–	170
–	253	–	–	–	(2 556)
–	(176)	–	–	–	1 036
–	–	–	(480)	–	6 425
–	–	126	350	–	(6 251)
–	–	–	–	–	(421)
–	–	(91)	130	–	(495)
–	–	(82)	–	(1 712)	
–	–	–	–	(856)	2 834
–	–	–	–	856	(35 531)
–	–	–	–	–	
–	–	(208)	–	–	(208)
–	–	126	–	–	126
–	–	–	–	–	
–	–	(82)	–	–	

Restatement
Audited as at 31 December 2021

c) Claims cost allocation	d) Measurement model reallocation	e) First party cell contract reallocation	f and g) Reinsurance service expense	h) Policyholder loans	Restated Audited as at 31 December 2021
–	–	–	–	(615)	1 933
–	–	–	–	615	(30 896)
–	–	–	–	–	

Notes to the annual financial statements

5. Financial assets

	Notes	GROUP 2023 R million	GROUP Restated[1] 2022 R million	COMPANY 2023 R million	COMPANY Restated[1] 2022 R million
Financial assets mandatorily measured at fair value through income					
Strategic investment – unquoted Sanlam target shares	5.1.1	**2 030**	1 596	**2 030**	1 596
Financial assets at fair value through income	5.1	**43 748**	36 069	**15 266**	12 547
Financial assets measured at amortised cost					
Loans and receivables	5.6	**2 739**	2 615	**1 591**	1 170
Cash and cash equivalents	5.7	**4 819**	5 387	**1 415**	2 356
Financial assets		**53 336**	45 667	**20 302**	17 669

Risk management

Refer to the following notes for detail on risks relating to financial assets and the management thereof:

- Fair value of financial assets – note 5.3
- Price risk – note 5.4
- Interest rate risk – note 5.5
- Credit risk – note 5.8
- Currency risk – note 8
- Liquidity risk – note 9

5.1 Financial assets at fair value through income (excluding derivatives)

The group's financial assets at fair value through income are summarised below by investment type.

	Notes	GROUP 2023 R million	GROUP Restated[1] 2022 R million	COMPANY 2023 R million	COMPANY Restated[1] 2022 R million
Equity securities					
Listed equities and similar securities		**2 926**	2 861	**1 556**	1 430
Unlisted equities and similar securities		**2 173**	1 738	**2 171**	1 738
Interest-bearing investments					
Government interest-bearing investments		**5 336**	4 675	**2 052**	1 752
Corporate interest-bearing investments		**18 136**	15 458	**9 525**	7 747
Mortgages and loans		**125**	88	**109**	67
Structured transactions					
Structured notes		**296**	241	**103**	113
Investment funds	5.2	**10 324**	9 065	**508**	332
Deposits and similar securities		**6 462**	3 539	**1 272**	964
Financial assets at fair value through income		**45 778**	37 665	**17 296**	14 143
Financial assets at fair value through income (excluding Sanlam target shares)					
Expected to be realised after 12 months		**30 221**	24 795	**10 556**	8 743
Expected to be realised within 12 months		**13 527**	11 274	**4 710**	3 804
Strategic investments – unquoted Sanlam target shares					
Expected to be realised after 12 months		**2 030**	1 596	**2 030**	1 596
Expected to be realised within 12 months		**–**	–	**–**	–
		45 778	37 665	**17 296**	14 143

1 Restated for reclassification of accrued interest. Refer to note 5.11 for detail.

5. Financial assets (continued)

5.1 Financial assets at fair value through income (excluding derivatives)(continued)

Accounting policy – Financial assets at fair value through income

a) Classification

The group classifies the following financial assets at fair value through income:

- equity instruments that are held for trading
- equity instruments for which the group has not elected to recognise fair value gains and losses through other comprehensive income (OCI), and
- debt instruments that do not qualify for measurement at either amortised cost or fair value through OCI. A key input in the assessment of the classification of debt instruments held was the business model applied to manage the financial assets. Financial assets that are held to sell and those that are managed and whose performance is evaluated on a fair value basis will be measured at fair value through income as they are neither held to collect contractual cash flows nor held to collect contractual cash flows and sell.

Information about these financial assets is provided internally on a fair value basis to the group's key management decision makers. The group's investment strategy is to invest in equity and debt securities, and to evaluate them with reference to their fair values. Assets that are part of these portfolios are classified upon initial recognition at fair value through income.

b) Recognition and measurement

Purchases and sales of investments are recognised on trade date – the date on which the group commits to purchase or sell the asset.

The carrying amount of the assets best represents its maximum exposure to credit risk.

5.1.1 Sanlam target shares

Santam subscribes from time to time in separate classes of target shares issued by a subsidiary of Sanlam Ltd in terms of a Participation Transaction, with each separate class linked to a participatory interest in the target companies listed below. The fair value of these instruments at year-end was R2 030 million (2022: R1 596 million). The shares were classified as unlisted equity securities.

On 14 December 2022, Sanlam redeemed the target shares through which the Santam group held economic participation rights in the general insurance businesses of Sanlam in Africa (the African target shares). The Santam group retained its economic participation rights in the general insurance investments of Sanlam in India and Malaysia and these two investments now make up the Sanlam general insurance business segment.

	Incorporated in	Type of business	Santam effective holding 2023 %	Santam effective holding 2022 %
Pacific & Orient Insurance Co. Berhad (P&O)	Malaysia	P&O is a niche general insurer based in Kuala Lumpur, Malaysia.	15.4	15.4
Shriram General Insurance Company Ltd (SGI)[1]	India	SGI is the general insurance business of the Shriram group, a financial conglomerate based in India.	14.1	14.1

[1] This is currently the most material investment due to its relative size to the entire Sanlam target share investment portfolio.

5.2 Structured entities

A structured entity is one that has been designed so that voting or similar rights are not the dominant factor in deciding who controls it. The group considers collective investment schemes and other unit-linked investments to be structured entities. The following note provides information on significant unconsolidated structured entities in which the group holds an interest. Collective investment schemes are categorised into equity, property or money market instruments based on a minimum of 55% per category of the underlying asset composition of the fund by value. In the event no one category meeting this threshold, it is classified as a mixed class. Money market collective investment schemes are categorised as such.

	GROUP		COMPANY	
	2023 R million	2022 R million	2023 R million	2022 R million
Collective investment schemes				
Local and foreign				
Property	**153**	152	**–**	–
Money market	**7 779**	6 794	**226**	147
Equity	**671**	594	**185**	149
Mixed	**1 721**	1 525	**97**	36
Total investment in unconsolidated structured entities	**10 324**	9 065	**508**	332

5. Financial assets (continued)

5.3 Financial instruments measured at fair value on a recurring basis

The table below analyses financial instruments, carried at fair value through income, by valuation method. There were no significant changes in the valuation methods applied since 31 December 2022. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (that is, by prices) or indirectly (that is, derived from prices). The fair value of level 2 instruments are determined as follows:
  - » Listed equity and similar securities are valued using quoted prices with the main assumption that quoted prices might require adjustments due to an inactive market.
  - » Unlisted equity and similar securities are valued using the discounted cash flow (DCF) or net asset value method based on market input.
  - » Interest-bearing investments:
    - Quoted interest-bearing investments are valued using yield of benchmark bond, DCF benchmarked against similar instruments with the same issuer, price quotations of JSE interest rate market or issue price of external valuations based on market input.[1]
    - Unquoted interest-bearing investments are valued using DCF, real interest rates, benchmark yield plus fixed spread or deposit rates based on market input.
  - » Structured transactions are valued using DCF, real interest rates, benchmark yield plus fixed spread or deposit rates based on market input.
  - » Investment funds:
    - Quoted investment funds with underlying equity securities are valued using quoted prices with the main assumption that quoted prices might require adjustments due to an inactive market.
    - Quoted investment funds with underlying debt securities are valued using DCF, external valuations and published price quotations on the JSE equity and interest rate market or external valuations that are based on published market input with the main assumptions being market input, uplifted with inflation.[1]
  - » Derivatives are valued using the Black-Scholes model, net present value of estimated floating costs less the performance of the underlying index over contract term, DCF (using fixed contract rates and market-related variable rates adjusted for credit risk, credit default swap premiums, offset between strike price and market projected forward value, yield curve of similar market-traded instruments) with the main assumptions being market input, credit spreads and contract inputs.
- Level 3: Input for the asset or liability that is not based on observable data (that is, unobservable input).

There were no significant transfers between level 1 and level 2 during the current or prior year. The group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

[1] These investments are classified as level 2 as the markets that they trade on are not considered to be active.

31 December 2023	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
GROUP				
Financial assets				
Equities and similar securities				
Listed equities and similar securities	2 926	–	–	2 926
Unlisted equities and similar securities	–	2	2 171	2 173
Interest-bearing investments				
Government interest-bearing investments	–	5 336	–	5 336
Corporate interest-bearing investments	–	18 090	46	18 136
Mortgages and loans	–	125	–	125
Structured transactions				
Structured notes	–	296	–	296
Investment funds	–	10 324	–	10 324
Deposits and similar securities	–	6 462	–	6 462
Financial assets at fair value through income	2 926	40 635	2 217	45 778

Notes to the annual financial statements

5. Financial assets (continued)

5.3 Financial instruments measured at fair value on a recurring basis (continued)

31 December 2023	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
COMPANY				
Financial assets				
Equities securities				
Listed equities and similar securities	**1 556**	**–**	**–**	**1 556**
Unlisted equities and similar securities	**–**	**–**	**2 171**	**2 171**
Interest-bearing investments				
Government interest-bearing investments	**–**	**2 052**	**–**	**2 052**
Corporate interest-bearing investments	**–**	**9 525**	**–**	**9 525**
Mortgages and loans	**–**	**109**	**–**	**109**
Structured transactions				
Structured notes	**–**	**103**	**–**	**103**
Investment funds	**–**	**508**	**–**	**508**
Deposits and similar securities	**–**	**1 272**	**–**	**1 272**
Financial assets at fair value through income	**1 556**	**13 569**	**2 171**	**17 296**

31 December 2022 (restated[1])	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
GROUP				
Financial assets				
Equities and similar securities				
Listed equities and similar securities	2 861	–	–	2 861
Unlisted equities and similar securities	–	–	1 738	1 738
Interest-bearing investments				
Government interest-bearing investments	–	4 675	–	4 675
Corporate interest-bearing investments	–	15 398	60	15 458
Mortgages and loans	–	88	–	88
Structured transactions				
Structured notes	–	241	–	241
Investment funds	–	9 065	–	9 065
Deposits and similar securities	–	3 539	–	3 539
Financial assets at fair value through income	2 861	33 006	1 798	37 665

31 December 2022 (restated[1])	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
COMPANY				
Financial assets				
Equities and similar securities				
Listed equities and similar securities	1 430	–	–	1 430
Unlisted equities and similar securities	–	–	1 738	1 738
Interest-bearing investments				
Government interest-bearing investments	–	1 752	–	1 752
Corporate interest-bearing investments	–	7 747	–	7 747
Mortgages and loans	–	67	–	67
Structured transactions				
Structured notes	–	113	–	113
Investment funds	–	332	–	332
Deposits and similar securities	–	964	–	964
Financial assets at fair value through income	1 430	10 975	1 738	14 143

[1] Restated for reclassification of accrued interest. Refer to note 5.11 for detail.

Notes to the annual financial statements

5. Financial assets (continued)

5.3 Financial instruments measured at fair value on a recurring basis (continued)

Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from the stock exchange or pricing service, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the closing price. These instruments are included in level 1 and comprise mainly equity instruments classified as trading securities that are listed on the JSE or Namibian Stock Exchange.

Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant input required to fair value an instrument is observable, the instrument is included in level 2. Level 2 instruments comprise the following:

- Investment funds
- Derivatives
- Interest-bearing investments
- Structured transactions
- Deposits and similar securities

where the value is determined by using market observable input, e.g. JIBAR, prime rate, foreign currency rates, listed bond rates of similar instruments, without significant adjustments.

Level 3

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value level 3 financial instruments include:

- **Unlisted equity instruments**
  Fair value (excluding Sanlam target shares) is determined based on valuation techniques where the input is determined by management, e.g. multiples of net asset value, and is not readily available in the market or where market observable input is significantly adjusted. Valuations are generally based on multiples of net asset value ranging between 0.6 and 1.0 (2022: 0.6 and 1.0). The value of unlisted equity instruments (excluding Sanlam target shares) is not material.

  The fair value of the Sanlam target shares is determined using predominantly DCF models, with the remainder valued at or within close proximity of the latest available net asset value of the underlying company. The most significant investment relates to the target share which provides a participatory interest in SGI in India to the value of R1 894 million (2022: R1 459 million). No other individual target share is material.

  The fair value of the SGI target share is determined using a DCF model, and significant assumptions are tested with local management as well as Santam's representative on the SGI board of directors. Given the short volatility of earnings patterns, the group uses a 10 year discounting period, rather than a five year one, in order to provide a more robust valuation of the SGI business. The 10 year DCF model discounts expected cash flows and a perpetual value (after providing for regulatory capital requirements) at an appropriate risk-adjusted discount rate. The most significant unobservable input used in this DCF model is the discount rate of 14.9% (2022: 15.1%). A Rand/Indian Rupee exchange rate of 0.222 (2022: 0.205) was used to translate the DCF valuation result in Indian Rupee to Rand. An average net insurance margin over a 10 year period of 20.2% (2022: 21.4%) was incorporated. Should the discount rate increase or decrease by 10%, the investment would decrease by R365 million (2022: R277 million) or increase by R570 million (2022: R438 million), respectively. If the relative foreign exchange rate increases or decreases by 10%, the fair value will increase or decrease by R189 million (2022: R146 million). Should the net insurance margin profile (projected over a period of 10 years) increase or decrease by 10%, the fair value will increase or decrease by R149 million (2022: R117 million). The remaining Sanlam target share is valued with reference to the net asset value of the underlying company and was mostly impacted by changes in the exchange rate.

Notes to the annual financial statements

5. Financial assets (continued)

5.3 Financial instruments measured at fair value on a recurring basis (continued)

Accounting policy – Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the group has access to at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair values of quoted investments are based on current stock exchange prices at the close of business on the statement of financial position date. If the market for a financial asset is not active or if it is unquoted, the group establishes fair value by using valuation techniques. These include discounted cash flow analysis, recent arm's length transactions, premium/discount to net asset value and price-earnings techniques. The group's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data.

The fair values of unit-linked investment contracts are measured with reference to their respective underlying assets. Debt securities are measured at fair value based on the market rate of an equivalent non-convertible bond. Unit trusts are measured at fair value based on the quoted repurchase prices.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from the stock exchange or pricing service, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the closing price. These instruments are included in level 1 and comprise mainly equity instruments classified as trading securities that are listed on the JSE or Namibian Stock Exchange.

Critical accounting estimates and judgements – Fair value of financial instruments that are not listed or quoted

The fair value of financial assets and liabilities that are not listed or quoted in an active market are determined using valuation techniques. The assumptions used in these valuation techniques are described as part of the fair value hierarchy analysis included in this note.

The following table presents the changes in level 3 instruments for the year ended 31 December 2023:

31 December 2023	Equity securities R million	Interest-bearing investments R million	Derivative (liabilities)/ assets[1] R million	Total R million
GROUP				
Opening balance	1 738	60	(35)	1 763
Settlements	–	–	122	122
Gains/(losses) recognised in profit or loss	433	(14)	(7)	412
Losses recognised directly in equity	–	–	(87)	(87)
Closing balance	2 171	46	(7)	2 210

31 December 2023	Equity securities R million	Interest-bearing investments R million	Derivative (liabilities)/ assets[1] R million	Total R million
COMPANY				
Opening balance	1 738	–	(35)	1 703
Settlements	–	–	122	122
Gains/(losses) recognised in profit or loss	433	–	(7)	426
Losses recognised directly in equity	–	–	(87)	(87)
Closing balance	2 171	–	(7)	2 164

[1] Refer to note 6.4 for detail on derivative (liabilities)/assets.

Notes to the annual financial statements

5. Financial assets (continued)

5.3 Financial instruments measured at fair value on a recurring basis (continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2022:

31 December 2022	Equity securities R million	Interest-bearing investments R million	Derivative (liabilities)/ assets[1] R million	Total R million
GROUP				
Opening balance	1 765	60	(1)	1 824
Acquisitions	62	–	–	62
Redemptions	(92)	–	(23)	(115)
Gains recognised in profit or loss	3	–	24	27
Losses recognised directly in equity	–	–	(35)	(35)
Closing balance	1 738	60	(35)	1 763

31 December 2022	Equity securities R million	Interest-bearing investments R million	Derivative (liabilities)/ assets[1] R million	Total R million
COMPANY				
Opening balance	1 765	–	(1)	1 764
Acquisitions	62	–	–	62
Redemptions	(92)	–	(23)	(115)
Gains recognised in profit or loss	3	–	24	27
Losses recognised directly in equity	–	–	(35)	(35)
Closing balance	1 738	–	(35)	1 703

1 Refer to note 6.4 for detail on derivative (liabilities)/assets.

The unquoted equity instruments recognised as level 3 instruments consist mainly of the participation target shares issued by Sanlam.

Of the R433 million gain (2022: R3 million gain) recognised on equity securities, a R433 million gain (2022: R3 million loss) relates to the Sanlam target shares, of which R121 million (2022: R58 million) relates to foreign exchange gains (2022: losses), and R312 million (2022: R55 million) to an increase in fair value in local currency terms. The key drivers of the fair value movements of Santam's share of the Sanlam investment portfolio were:

In 2023, the increase in the value of SGI of R320 million (2022: R187 million) (excluding the impact of exchange rate movements) was attributable to higher new business volumes, coupled with an improved claims ratio for 2023. SGI also reported a better claims experience than prior years and expects the claims ratio to gradually improve over the short term.

In April 2022, KKR, a leading global investment fund acquired a 9.99% stake in SGI from the Shriram group. Prior to the transaction, Santam held a 15% economic participatory interest in SGI by way of the target share issued by Sanlam, which target share references Sanlam's effective shareholding in SGI. The transaction diluted Sanlam's effective shareholding in SGI, resulting in a dilution of Santam's economic interest in SGI from 15.0% to 14.1%. The enterprise value attributed to SGI for purposes of the transaction was around R38 billion (Rs 18 000 crore) and exceeded Santam's internal valuation of SGI at 31 December 2022 of R10 billion (Rs 5 046 crore) for the 100% stake. Pursuant to the transaction, Santam received a distribution in respect of the SGI target share at the end of May 2022 amounting to R217 million.

On 14 December 2022, Sanlam redeemed the target shares through which the Santam group held economic participation rights in the general insurance businesses of Sanlam in Africa (the African target shares). The African target shares were redeemed following the cash payment by Sanlam of aggregate redemption distributions to the amount of R126 million to Santam, comprising a capital distribution of R92 million and an income distribution of R34 million. The capital distribution was recognised directly in the statement of financial position as a reduction of the African target share investment value. The income distribution was recognised in the statement of comprehensive income, where it was countered with a release of the realised fair value adjustment of the same value. The Santam group retained its economic participation rights in the general insurance investments in India and Malaysia.

Notes to the annual financial statements

5. Financial assets (continued)

5.4 Price risk

The group is subject to price risk due to daily changes in the market values of its equity portfolios. The group is not directly exposed to commodity price risk, but does have indirect commodity price exposure via various equity share holdings. Any change in valuation of these companies due to change in commodity prices will reflect in the change in share price of these companies.

Each of the following investments has an individual value of more than 1.5% of the total quoted equity investment portfolio. Details of the investments below 1.5%, summarised as "Other", are open to inspection at the registered office of the company.

	GROUP				COMPANY			
	2023		2022		2023		2022	
	Number of shares	Market value R million	Number of shares	Market value R million	Number of shares	Market value R million	Number of shares	Market value R million
Direct listed equity exposure								
Naspers Ltd	**42 208**	**132**	36 698	104	**35 937**	**112**	31 650	89
Mr Price Group Ltd	**836 864**	**131**	457 884	73	**79 007**	**12**	79 007	13
Firstrand Group Ltd	**1 436 088**	**106**	1 366 878	85	**1 278 813**	**94**	1 278 813	79
Blue Label Telecoms Ltd	**25 508 343**	**99**	25 504 782	124	**460 621**	**2**	460 621	2
Standard Bank Group Ltd	**407 994**	**85**	410 124	69	**350 490**	**73**	350 490	59
Gold Fields Ltd[1]	**273 164**	**76**	68 424	12	**250 554**	**70**	49 590	9
MTN Group Ltd	**574 712**	**66**	567 791	72	**514 113**	**59**	514 113	65
Anglo Plc	**129 498**	**61**	134 204	89	**124 326**	**59**	124 326	82
Prosus NV	**105 552**	**59**	60 781	72	**75 483**	**42**	46 071	54
British American Tobacco Plc	**87 944**	**48**	92 142	62	**57 738**	**31**	71 652	48
BHP Group Ltd[1]	**74 082**	**47**	75 223	40	**69 201**	**44**	69 201	36
Absa Group Ltd	**286 517**	**47**	298 414	58	**269 924**	**44**	269 924	52
Investec Plc	**358 442**	**45**	507 904	55	**349 338**	**44**	494 711	53
Truworths International Ltd[1,2]	**553 436**	**41**	314 990	17	**550 781**	**41**	309 338	17
Nedbank Group Ltd[1,2]	**178 420**	**39**	179 468	38	**163 507**	**35**	163 507	35
Reinet Investments SCA[1,2]	**78 003**	**36**	29 577	10	**70 503**	**33**	22 328	7
Woolworths Holdings Ltd[1,2]	**475 020**	**34**	172 344	11	**408 455**	**29**	92 443	6
Anglogold Ashanti Ltd[1,2]	**92 183**	**33**	64 901	21	**82 366**	**29**	55 682	18
Shoprite Holdings Ltd[1,2]	**115 795**	**32**	99 421	22	**99 421**	**27**	99 421	22
Investec Bank Ltd – SXEIIP[1,2]	**2 000**	**30**	2 000	27	**2 000**	**30**	2 000	27
Exxaro Resources Ltd[1,2]	**129 415**	**26**	129 880	28	**117 174**	**24**	117 174	25
Investec Bank Ltd – IBLIIB[1,2]	**20 000**	**26**	20 000	20	**20 000**	**26**	20 000	20
Kumba Iron Ore Ltd[1,2]	**40 396**	**25**	26 420	13	**39 468**	**24**	25 579	13
Investec Bank Ltd – SPXIII[1,2]	**20 000**	**25**	20 000	23	**20 000**	**25**	20 000	23
Santam Ltd[3]	**–**	**–**	–	–	**173 768**	**50**	–	–
Other	**–**	**1 577**	–	1 716	**–**	**497**	–	576
		2 926		2 861		**1 556**		1 430
Indirect listed equity exposure								
Investment funds		**824**		746		**185**		149

1 In the prior year these investments did not exceed 1.5% of the total quoted equity investment portfolio.
2 These investments do not exceed 1.5% on a group level.
3 The Santam shares are not directly owned by Santam, but are held in a custody account owned by a related party, over which Santam has control. The shares are classified as treasury shares at a Santam group level.

Notes to the annual financial statements

5. Financial assets (continued)

5.4 Price risk (continued)

The group takes a long-term view when agreeing investment mandates with the relevant portfolio managers and looks to build value over a sustained period of time rather than utilising high levels of purchases and sales in order to generate short-term gains from its equity holdings.

Equity price risk arises from the negative effect that a fall in the market value of equities can have on Santam's net asset value. The group's objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively managed through a variety of modelling methods. The group sets appropriate risk limits to ensure that no significant concentrations in individual companies arise. The group's largest investment in any one company comprises 4.5% (2022: 4.3%) of the total quoted equities and 0.2% (2022: 0.2%) of the total assets. The company's largest investment in any one company comprises 7.2% (2022: 6.2%) of the total quoted equities and 0.4% (2022: 0.2%) of the total assets.

Sensitivity analysis on listed equities and similar securities

At 31 December 2023, the group's listed equities and similar securities were recorded at their fair value of R3 750 million (2022: R3 607 million). A 10% decline or increase in each individual unit price would have the net effect of decreasing or increasing profit before taxation by R375 million (2022: R361 million).

The company's listed equities and similar securities were recorded at their fair value of R1 741 million (2022: R1 579 million). A 10% decline or increase in each individual unit price would have the net effect of decreasing or increasing profit before taxation by R174 million (2022: R158 million).

5.5 Interest rate risks – financial assets

Exposure to interest rate risk is monitored through several methods that include scenario testing and stress testing using measures such as duration. The bond returns are modelled based on the historic performance of the individual bonds held in the portfolio, and adjusted to reflect the current interest rates and inflation environment. The risk-free rate used for modelling is 9% as at 31 December 2023 (2022: 9%).

Sensitivity analysis on interest-bearing instruments

Interest-bearing instruments with a fixed rate give rise to fair value interest rate risk, while interest-bearing instruments with a floating rate give rise to cash flow interest rate risk.

The following table provides an indication of the impact of a 1% change in interest rates on the net income before tax as well as the net comprehensive income of the group and the company:

	2023		2022	
	1% increase R million	1% decrease R million	1% increase R million	1% decrease R million
GROUP				
Financial assets – fixed rate				
Interest-bearing investments				
Government interest-bearing investments	**(113)**	**119**	(101)	98
Corporate interest-bearing investments	**(32)**	**34**	(41)	39
Deposits and similar securities	**(50)**	**51**	(34)	33
Total	**(195)**	**204**	(176)	170
Financial assets – variable rate				
Interest-bearing investments				
Government interest-bearing investments	**17**	**(17)**	13	(13)
Corporate interest-bearing investments	**112**	**(112)**	136	(136)
Mortgages and loans	**1**	**(1)**	1	(1)
Structured transactions				
Structured notes	**2**	**(2)**	2	(2)
Deposits and similar securities	**1**	**(1)**	16	(16)
Cash and cash equivalents	**44**	**(44)**	15	(15)
Total	**177**	**(177)**	183	(183)

5. Financial assets (continued)

5.5 Interest rate risks – financial assets (continued)

Sensitivity analysis on interest-bearing instruments (continued)

	2023		2022	
	1% increase R million	1% decrease R million	1% increase R million	1% decrease R million
COMPANY				
Financial assets – fixed rate				
Interest-bearing investments				
Government interest-bearing investments	**(47)**	**50**	(57)	56
Corporate interest-bearing investments	**(26)**	**28**	(36)	34
Deposits and similar securities	**(6)**	**6**	(5)	5
Total	**(79)**	**84**	(98)	95
Financial assets – variable rate				
Interest-bearing investments				
Government interest-bearing investments	**3**	**(3)**	–	–
Corporate interest-bearing investments	**84**	**(84)**	64	(64)
Mortgages and loans	**1**	**(1)**	1	(1)
Structured transactions				
Structured notes	**1**	**(1)**	1	(1)
Cash and cash equivalents	**10**	**(10)**	15	(15)
Total	**99**	**(99)**	81	(81)

5.6 Loans and receivables

	GROUP		COMPANY	
	2023 R million	Restated[1] 2022 R million	2023 R million	Restated[1] 2022 R million
Premium financing receivables	**872**	710	**–**	–
Indirect taxes included in premium receivables	**592**	448	**557**	413
Other loans and receivables[2]	**1 380**	1 575	**507**	433
Less provision for impairment	**(105)**	(118)	**(87)**	(89)
Loans to subsidiaries (refer note 10.1)	**–**	–	**614**	413
Total	**2 739**	2 615	**1 591**	1 170
Expected to be realised within 12 months	**2 739**	2 615	**977**	757
Expected to be realised after 12 months	**–**	–	**614**	413
Reconciliation of provisions for impairment of other receivables				
At the beginning of the year	**118**	114	**89**	97
Charge to the statement of comprehensive income:				
– movement in provisions	**(13)**	4	**(2)**	(8)
Total at the end of the year	**105**	118	**87**	89

[1] Restated for reclassification of accrued interest, as well as reclassification of loans to policyholders. Refer to note 5.11 and 4.19 respectively for detail.
[2] Restated from R1 010 million to R1 575 million to accurately reflect balances due to the group in respect of contracts that do not contain significant risk transfer, that were previously incorrectly included in insurance receivables.

The estimated fair values of loans and receivables are the discounted amounts of the estimated future cash flows expected to be received.

The carrying value of loans and receivables approximates fair value. Provisions for impairment are based on the recoverability of individual loans and receivables. Gross carrying amounts are written off if interest and/or principal repayments are past due and there is no reasonable expectation of recovery.

Notes to the annual financial statements

5. Financial assets (continued)

5.6 Loans and receivables (continued)

Accounting policy – Loans and receivables

Classification

The group classifies its loans and receivables as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principle and interest.

Recognition and measurement

Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective-interest method, less provision for expected credit losses.

Impairment

The group applies the general approach to providing for expected credit losses prescribed by IFRS 9. To measure the expected credit losses, loans and receivables have been grouped based on shared credit risk characteristics and the days past due to create three categories namely performing, underperforming and not performing. The expected loss rates are based on the payment profiles of receivables over a period of 36 months before year-end. The loss rates are adjusted to reflect current and forward looking information on macro-economic factors, such as the socio-economic environment affecting the ability of the debtors to settle the receivables. Receivables that are 30 days or more past due are considered to be "not performing" and the default rebuttable presumption of 90 days prescribed by IFRS 9 is not applied.

Expected credit loss summary

		GROUP					
2023		ECL rate	ECL method	Gross R million	Provision opening balance R million	Raised/ (released) in the period R million	Provision closing balance R million
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	**2.01%**	**12 month**	**2 543**	**10**	**41**	**51**
Underperforming	Loans for which there is a significant increase in credit risk; a significant increase in credit risk is presumed if interest and/or principal repayments are past due	**8.57%**	**Lifetime**	**105**	**12**	**(3)**	**9**
Not performing	Interest and/or principal repayments are 30 days past due	**22.96%**	**Lifetime**	**196**	**96**	**(51)**	**45**
Total				**2 844**	**118**	**(13)**	**105**

5. Financial assets (continued)

5.6 Loans and receivables (continued)

Expected credit loss summary (continued)

2023		ECL rate	ECL method	Gross R million	Provision opening balance R million	Raised/ (released) in the period R million	Provision closing balance R million
		COMPANY					
Performing[1]	Customers have a low risk of default and a strong capacity to meet contractual cash flows	**3.51%**	**12 month**	**1 454**	**10**	**41**	**51**
Underperforming	Loans for which there is a significant increase in credit risk; a significant increase in credit risk is presumed if interest and/or principal repayments are past due	**8.57%**	**Lifetime**	**105**	**12**	**(3)**	**9**
Not performing	Interest and/or principal repayments are 30 days past due	**22.69%**	**Lifetime**	**119**	**67**	**(40)**	**27**
Total				**1 678**	**89**	**(2)**	**87**

[1] Included in performing loans are amounts due from other group companies. Given that the companies that funding has been provided to have no history of default and sufficient net asset values, it is unlikely that the company will experience credit losses in respect of these loans and as such no amounts have been provided for.

The forward looking information considered was deemed to have an immaterial impact on expected credit loss.

2022 Restated[1]		ECL rate	ECL method	Gross R million	Provision opening balance R million	Raised/ (released) in the period R million	Provision closing balance R million
		GROUP					
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	0.41%	12 month	2 449	4	6	10
Underperforming	Loans for which there is a significant increase in credit risk; a significant increase in credit risk is presumed if interest and/or principal repayments are past due	10.91%	Lifetime	110	11	1	12
Not performing	Interest and/or principal repayments are 30 days past due	55.17%	Lifetime	174	99	(3)	96
Total				2 733	114	4	118

[1] Comparative information was restated for the initial application of IFRS 17, as well as the reclassification of accrued interest. Refer to note 1 for additional information.

Notes to the annual financial statements

5. Financial assets (continued)

5.6 Loans and receivables (continued)

Expected credit loss summary (continued)

2022 Restated[2]		ECL rate	ECL method	Gross R million	Provision opening balance R million	Raised/ (released) in the period R million	Provision closing balance R million
				COMPANY			
Performing[1]	Customers have a low risk of default and a strong capacity to meet contractual cash flows	0.94%	12 month	1 060	4	6	10
Underperforming	Loans for which there is a significant increase in credit risk; a significant increase in credit risk is presumed if interest and/ or principal repayments are past due	10.91%	Lifetime	110	11	1	12
Not performing	Interest and/or principal repayments are 30 days past due	75.28%	Lifetime	89	82	(15)	67
Total				1 259	97	(8)	89

[1] Included in performing loans are amounts due from other group companies. Given that the companies that funding has been provided to have no history of default and sufficient net asset values, it is unlikely that the company will experience credit losses in respect of these loans and as such no amounts have been provided for.

[2] Comparative information was restated for the initial application of IFRS 17, as well as the reclassification of accrued interest. Refer to note 1 for additional information.

These loans and receivables are mostly unrated. Refer to note 5.8 for credit ratings.

The forward looking information considered was deemed to have an immaterial impact on expected credit loss.

5.7 Cash and cash equivalents

	GROUP		COMPANY	
	2023 R million	2022 R million	2023 R million	2022 R million
Cash at bank and in hand	**4 819**	5 387	**1 415**	2 356
	4 819	5 387	**1 415**	2 356

The carrying value of cash and cash equivalents approximates fair value. The full value is expected to be realised within 12 months.

Refer to note 5.8 where it is noted that cash and cash equivalents are invested with reputable banking institutions with no less than a BB- (2022: B+) credit rating. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, due to the credit ratings being favourable for these institutions, the impairment loss on cash and cash equivalent was assessed to be immaterial.

Accounting policy – Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held on call with banks. Cash and cash equivalents are carried at amortised cost.

Notes to the annual financial statements

5. Financial assets (continued)

5.8 Credit risk

Santam continuously monitors its exposure to its counterparties for financial statement as well as regulatory reporting purposes. It has therefore established a number of criteria in its risk appetite statement to monitor concentration risk and provide feedback to management and the risk committee on at least a quarterly basis.

The credit quality of Santam's counterparties are determined using rating agencies' assessments of the probability of default over a one-year time horizon. The underlying default probabilities are based on the credit migration models developed by S&P, Moody's, Fitch and GCR, which incorporate up to 90 years' worth of credit default information. The probability of default assigned are based on the highest credit rating assigned by the various rating agencies.

Credit risk capital is held for exposure to risk-based assets such as bonds and bank deposits.

For concentration risk Santam uses the SAM methodology. The calculation is performed in four steps:

- Determine the exposure by counterparty
- Calculate the excess exposure above a specified threshold level
- Apply a charge to this excess exposure
- Aggregate the individual charges to obtain an overall capital requirement for concentration risk

Santam seeks to avoid concentration of credit risk to groups of counterparties, business sectors, product types and geographical segments. The group's financial instruments, except for Santam's exposure to the four large South African banks, do not represent a concentration of credit risk. In terms of Santam's internal risk appetite framework no more than 15% of total portfolio assets are generally invested in any one of the four major South African banks. Accounts receivable is spread over a number of major companies and intermediary parties, clients and geographic areas. The group assesses concentration risk for debt securities, money market instruments and cash collectively. The group does not have concentrations in these instruments to any one company exceeding 15% of total debt securities, money market instruments or cash. Santam's exposure to a major South African bank amounted to 15.8% on 31 December 2023 and was managed down in the current year in accordance with the risk appetite framework.

The following table provides information regarding the aggregated credit risk exposure for financial assets without taking into account collateral. The credit ratings provided in this table were determined as follows: SIM provided reports generated from their credit system on a quarterly basis, detailing all counterparty, duration and credit risk. These reports include international, national and internal ratings. SIM also provides a conversion table that is then applied to standardise the ratings to international long-term rates. For assets held by subsidiaries and not managed by SIM, a process is agreed with the subsidiaries to align the credit rating analysis with group requirements.

As reflected in the table below, the majority of financial asset investments have remained BB following the BB South African government issuer rating by major credit rating agencies. Most issuers in South Africa will have their credit ratings capped at the sovereign credit rating, and therefore the rating BB represents the best available ratings within the South African investable universe. This still falls within Santam's documented risk appetite and does not pose a significant risk for the group. It has had no significant impact on expected credit losses provided for.

Notes to the annual financial statements

5. Financial assets (continued)

5.8 Credit risk (continued)

31 December 2023	Credit rating AAA R million	AA+ R million	AA R million	AA- R million	A+ R million	A R million	A- R million
GROUP							
Financial assets:							
Government interest-bearing investments	248	–	–	–	–	–	–
Corporate interest-bearing investments	64	7	273	314	267	183	329
Mortgages and loans	–	–	–	–	–	–	–
Interest-bearing investments	312	7	273	314	267	183	329
Structured notes	–	–	–	–	–	–	–
Collaterised securities	–	–	–	–	–	–	–
Derivative assets	–	–	–	–	–	–	–
Structured transactions	–	–	–	–	–	–	–
Investment funds[1]	–	–	–	–	–	–	–
Deposits and similar securities	–	–	–	–	–	–	–
Loans and receivables	–	–	–	–	–	–	–
Cash and cash equivalents	–	4	–	275	–	–	–
Total financial assets	312	11	273	589	267	183	329

31 December 2023	Credit rating AAA R million	AA+ R million	AA R million	AA- R million	A+ R million	A R million	A- R million
COMPANY							
Financial assets:							
Government interest-bearing investments	248	–	–	–	–	–	–
Corporate interest-bearing investments	64	7	273	314	267	183	329
Mortgages and loans	–	–	–	–	–	–	–
Interest-bearing investments	312	7	273	314	267	183	329
Structured notes	–	–	–	–	–	–	–
Collaterised securities	–	–	–	–	–	–	–
Derivative assets	–	–	–	–	–	–	–
Structured transactions	–	–	–	–	–	–	–
Investment funds[1]	–	–	–	–	–	–	–
Deposits and similar securities	–	–	–	–	–	–	–
Loans and receivables	–	–	–	–	–	–	–
Cash and cash equivalents	–	4	–	275	–	–	–
Total financial assets	312	11	273	589	267	183	329

[1] Investment funds are generally unrated, but operate in a highly regulated environment.

Notes to the annual financial statements

Credit rating

BBB+ R million	BBB R million	BB R million	BB- R million	B+ R million	B R million	B- R million	Below B- R million	Not rated R million	Carrying value R million
–	–	4 642	433	2	2	–	–	9	5 336
–	68	14 977	941	511	153	18	3	28	18 136
–	–	6	59	37	16	–	7	–	125
–	68	19 625	1 433	550	171	18	10	37	23 597
–	–	252	13	31	–	–	–	–	296
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	252	13	31	–	–	–	–	296
–	–	609	–	–	–	–	–	8 891	9 500
–	–	6 388	56	–	–	–	–	18	6 462
–	–	38	189	13	2	–	–	2 497	2 739
–	–	4 457	83	–	–	–	–	–	4 819
–	68	31 369	1 774	594	173	18	10	12 235	47 413

Credit rating

BBB+ R million	BBB R million	BB R million	BB- R million	B+ R million	B R million	B- R million	Below B- R million	Not rated R million	Carrying value R million
–	–	1 794	10	–	–	–	–	–	2 052
–	68	7 418	286	185	110	18	3	–	9 525
–	–	6	56	24	16	–	7	–	109
–	68	9 218	352	209	126	18	10	–	11 686
–	–	89	13	1	–	–	–	–	103
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	89	13	1	–	–	–	–	103
–	–	–	–	–	–	–	–	323	323
–	–	1 272	–	–	–	–	–	–	1 272
–	–	–	–	–	–	–	–	1 591	1 591
–	–	1 136	–	–	–	–	–	–	1 415
–	68	11 715	365	210	126	18	10	1 914	16 390

Notes to the annual financial statements

5. Financial assets (continued)

5.8 Credit risk (continued)

31 December 2022 (restated[2])	Credit rating AAA R million	AA+ R million	AA R million	AA- R million	A+ R million	A R million	A- R million
GROUP							
Financial assets:							
Government interest-bearing investments	158	46	–	–	–	–	–
Corporate interest-bearing investments	–	23	110	223	251	154	308
Mortgages and loans	–	–	–	–	–	–	–
Interest-bearing investments	158	69	110	223	251	154	308
Structured notes	–	–	–	–	–	–	–
Structured transactions	–	–	–	–	–	–	–
Investment funds[1]	–	–	–	–	–	–	–
Deposits and similar securities	–	–	–	–	–	–	–
Loans and receivables	–	–	–	–	–	–	–
Cash and cash equivalents	–	160	–	841	72	–	69
Total financial assets	158	229	110	1 064	323	154	377

31 December 2022 (restated[2])	Credit rating AAA R million	AA+ R million	AA R million	AA- R million	A+ R million	A R million	A- R million
COMPANY							
Financial assets:							
Government interest-bearing investments	158	46	–	–	–	–	–
Corporate interest-bearing investments	–	23	110	223	251	154	308
Mortgages and loans	–	–	–	–	–	–	–
Interest-bearing investments	158	69	110	223	251	154	308
Structured notes	–	–	–	–	–	–	–
Structured transactions	–	–	–	–	–	–	–
Investment funds[1]	–	–	–	–	–	–	–
Deposits and similar securities	–	–	–	–	–	–	–
Loans and receivables	–	–	–	–	–	–	–
Cash and cash equivalents	–	160	–	159	72	–	69
Total financial assets	158	229	110	382	323	154	377

[1] Investment funds are generally unrated, but operate in a highly regulated environment.
[2] Restated for reclassification of accrued interest. Refer to note 5.11 for detail.

Notes to the annual financial statements

Credit rating

BBB+ R million	BBB R million	BB R million	BB- R million	B+ R million	B R million	Below B- R million	Not rated R million	Carrying value R million
–	–	4 424	7	1	23	16	–	4 675
59	63	12 713	947	389	181	1	36	15 458
–	–	26	10	31	11	10	–	88
59	63	17 163	964	421	215	27	36	20 221
–	–	196	45	–	–	–	–	241
–	–	196	45	–	–	–	–	241
–	–	716	–	–	–	–	7 603	8 319
–	–	3 539	–	–	–	–	–	3 539
–	–	27	60	–	–	–	2 528	2 615
–	–	4 190	35	20	–	–	–	5 387
59	63	25 831	1 104	441	215	27	10 167	40 322

Credit rating

BBB+ R million	BBB R million	BB R million	BB- R million	B+ R million	B R million	Below B- R million	Not rated R million	Carrying value R million
–	–	1 512	–	–	21	15	–	1 752
59	61	5 754	615	93	96	–	–	7 747
–	–	26	7	13	11	10	–	67
59	61	7 292	622	106	128	25	–	9 566
–	–	99	14	–	–	–	–	113
–	–	99	14	–	–	–	–	113
–	–	–	–	–	–	–	183	183
–	–	964	–	–	–	–	–	964
–	–	–	–	–	–	–	1 170	1 170
–	–	1 895	–	1	–	–	–	2 356
59	61	10 250	636	107	128	25	1 353	14 352

Notes to the annual financial statements

5. Financial assets (continued)

5.9 Investment income

	GROUP 2023 R million	GROUP Restated[1] 2022 R million	COMPANY 2023 R million	COMPANY Restated[1] 2022 R million
Interest income derived from	**3 199**	1 964	**1 163**	775
Financial assets measured at amortised cost	**466**	276	**88**	51
Financial assets mandatorily measured at fair value through income	**2 733**	1 688	**1 075**	724
Other investment income	**745**	696	**1 117**	908
Dividend income[2]	**205**	520	**627**	796
Foreign exchange differences[1]	**540**	176	**490**	112
	3 944	2 660	**2 280**	1 683

[1] Restated as result of the adoption of IFRS 17. Foreign exchange differences relating to insurance contracts are disclosed as part of finance expenses/income from insurance and reinsurance contracts.

[2] Dividend income for the company includes dividends received from subsidiaries and Sanlam target shares.

5.10 Net gains/(losses) on financial assets and liabilities at fair value through income

	GROUP 2023 R million	GROUP 2022 R million	COMPANY 2023 R million	COMPANY 2022 R million
Net fair value gains/(losses) on financial assets mandatorily at fair value through income	**947**	(600)	**576**	(352)
Net realised gains/(losses) on financial assets excluding derivative instruments	**242**	(128)	**14**	(162)
Net unrealised fair value gains/(losses) on financial assets excluding derivative instruments	**712**	(496)	**569**	(214)
Net realised/fair value (losses)/gains on derivative instruments	**(7)**	24	**(7)**	24
Net fair value (losses)/gains on financial liabilities designated as at fair value through income	**(201)**	50	**–**	25
Net fair value gains on debt securities	**–**	25	**–**	25
Net fair value (losses)/gains on investment contracts	**(201)**	25	**–**	–
	746	(550)	**576**	(327)

Accounting policy – Investment income and net gains/(losses) on financial assets mandatorily at fair value through income

Gains and losses arising from changes in the fair value of the 'financial assets mandatorily at fair value through income' category are included in the statement of comprehensive income in the period in which they arise. Dividend income and interest accrued from financial assets mandatorily at fair value through income is recognised in the statement of comprehensive income as part of investment income when the group's right to receive payments is established. Realised gains on instruments mandatorily at fair value through income are calculated as the difference between proceeds received and cost. Realised gains are recognised as part of the net loss/gain on financial assets mandatorily at fair value through income and liabilities designated at fair value through income. Interest is accrued on financial assets mandatorily at fair value through income on the effective yield basis.

Notes to the annual financial statements

5. Financial assets (continued)

5.11 Restatement of financial assets

Accrued interest on financial assets was previously classified as loans and receivables, and has been restated to be appropriately included as part of the carrying value of financial assets. In addition, loans to policyholders which were previously included as loans and receivables, have been reclassified to insurance contract liabilities.

	Previously reported 2022 R million	Restatement 2022 R million	Restated 2022 R million
GROUP			
Financial assets at fair value through income (excluding derivatives)			
Equity securities			
Listed equities and similar securities	2 861	–	2 861
Unlisted equities and similar securities	1 738	–	1 738
Interest-bearing investments			
Government interest-bearing investments	4 640	35	4 675
Corporate interest-bearing investments	15 340	118	15 458
Mortgages and loans	87	1	88
Structured transactions			
Structured notes	238	3	241
Investment funds	9 065	–	9 065
Deposits and similar securities	3 477	62	3 539
Financial assets at fair value through income	37 446	219	37 665
Financial assets measured at amortised cost			
Loans and receivables[1]	3 690	(1 075)	2 615
Net restatement of financial assets	41 136	(856)	40 280

[1] Included in restatement is R856 million in loans to policyholders which were reclassified to insurance contract liabilities. Refer to note 4.19 for more detail.

	Previously reported 2022 R million	Restatement 2022 R million	Restated 2022 R million
COMPANY			
Financial assets at fair value through income (excluding derivatives)			
Equity securities			
Listed equities and similar securities	1 430	–	1 430
Unlisted equities and similar securities	1 738	–	1 738
Interest-bearing investments			
Government interest-bearing investments	1 730	22	1 752
Corporate interest-bearing investments	7 680	67	7 747
Mortgages and loans	66	1	67
Structured transactions			
Structured notes	112	1	113
Investment funds	332	–	332
Deposits and similar securities	942	22	964
Financial assets at fair value through income	14 030	113	14 143
Financial assets measured at amortised cost			
Loans and receivables	1 283	(113)	1 170
Net restatement of financial assets	15 313	–	15 313

The restatement as at 31 December 2021 was R141 million reclassified from loans and receivables to financial assets at fair value through income for group and R91 million for company.

6. Financial liabilities

	Notes	GROUP 2023 R million	GROUP Restated[1] 2022 R million	COMPANY 2023 R million	COMPANY Restated[1] 2022 R million
The group's financial liabilities are summarised below.					
Financial liabilities designated at fair value through income					
Debt securities	6.1	**3 053**	2 539	**3 053**	2 539
Investment contracts[1]	6.3	**6 286**	5 214	**–**	–
Derivative liabilities	6.4	**7**	35	**7**	35
Financial liabilities at amortised cost					
Repo liability	6.5	**690**	739	**–**	–
Collateral guarantee contracts	6.6	**113**	129	**113**	129
Trade and other payables	6.7	**2 830**	2 855	**1 827**	1 680
Financial liabilities		**12 979**	11 511	**5 000**	4 383

[1] Comparative information was restated for the initial application of IFRS 17 , refer to note 1 for additional information.

Risk management

Refer to the following notes for detail on risks relating to financial liabilities and the management thereof:

- Interest rate risk – note 6.2
- Currency risk – note 8
- Liquidity risk – note 9

6.1 Debt securities

	GROUP 2023 R million	GROUP Restated[1] 2022 R million	COMPANY 2023 R million	COMPANY Restated[1] 2022 R million
At the beginning of the year	**2 508**	2 533	**2 508**	2 533
Cash movements				
New debt securities issued	**1 000**	1 000	**1 000**	1 000
Debt securities redeemed	**(500)**	(1 000)	**(500)**	(1 000)
Non-cash movements				
Net fair value gains on debt securities	**–**	(25)	**–**	(25)
	3 008	2 508	**3 008**	2 508
Accrued interest	**45**	31	**45**	31
	3 053	2 539	**3 053**	2 539
Expected to be settled after 12 months	**3 008**	2 004	**3 008**	2 004
Expected to be settled within 12 months	**45**	535	**45**	535
Estimated redemption value on maturity date	**3 000**	2 500	**3 000**	2 500

During April 2016, the company issued unsecured subordinated callable fixed rate notes to the value of R500 million. The effective rate for the for the fixed rate notes amounted to 11.77%. The fixed rate notes of R500 million were redeemed on the optional redemption date of 12 April 2023.

During June 2017, the company issued additional unsecured subordinated callable floating rate notes to the value of R1 billion in anticipation of the redemption of the R1 billion subordinated debt issued in 2007 and redeemed in September 2017. The effective interest rate for the floating rate notes represented the three-month JIBAR plus 210 basis points. The notes have all been redeemed on the optional redemption date of 27 June 2022.

During November 2020, the company issued additional unsecured subordinated callable floating rate notes to the value of R1 billion. The effective interest rate for the floating rate notes represents the three-month JIBAR plus 198 basis points. The notes have an optional redemption date of 30 November 2025 with a final maturity date of 30 November 2030.

During May 2022, the company issued additional unsecured subordinated callable floating rate notes to the value of R1 billion. The effective interest rate for the floating rate notes represents the three-month JIBAR plus 159 basis points. The notes have an optional redemption date of 16 May 2027 with a final maturity date of 16 May 2032.

During April 2023, the company issued additional five year unsecured subordinated callable floating rate notes to the value of R1 billion. The effective interest rate for the floating rate notes is equivalent to the three-month JIBAR plus a spread of 150 basis points. The notes have a final maturity date of 6 April 2028.

Per the conditions set by the Prudential Authority, Santam is required to maintain liquid assets equal to the value of the callable notes until maturity. The callable notes are therefore measured at fair value to minimise undue volatility in the statement of comprehensive income. The fair value of the fixed rate notes is calculated using the yield provided by the JSE and adding accrued interest. The fair value of the floating rate notes is calculated using the price provided by the JSE and adding accrued interest.

The South African Revenue Bank (SARB) has indicated its intention to move away from the Johannesburg Interbank Average Rate (JIBAR) and to create an alternative reference rate for South Africa, namely the South African Overnight index Average (ZARONIA). The transition from JIBAR to ZARONIA in South Africa is expected in 2025. It is not expected to have a material impact on the company or group.

Notes to the annual financial statements

6. Financial liabilities (continued)

6.1 Debt securities (continued)

Santam's international credit rating was reaffirmed as BB in March 2023. No reviewed credit rating has been issued since. The movement in the fair value of the unsecured subordinated callable notes is considered immaterial and mainly represents the market movement.

Accounting policy – Debt securities

Debt securities issued by the group comprise subordinated debt instruments fair valued against similar quoted debt instruments. Debt securities are designated as at fair value through income as these instruments are managed at fair value in terms of the related business model.

Fair value movements are recognised in the statement of comprehensive income. Interest accruals are recognised as finance costs in the statement of comprehensive income. Financial liabilities are derecognised when all obligations have been met.

6.2 Interest rate risks – Financial liabilities

Interest rate risk arises from the net effect on assets and liabilities of a change in the level of interest rates.

The assets backing the subordinated debt are managed within a mandate to ensure that adequate cover is provided for the related liabilities i.e. the market value of the subordinated debt and the market value of the assets backing the debt react the same way to changes in interest rates.

Sensitivity analysis on interest-bearing instruments

For the interest rate sensitivity of insurance related liabilities refer to note 4.18. Interest-bearing instruments with a fixed rate give rise to fair value interest rate risk, while interest-bearing instruments with a floating rate give rise to cash flow interest rate risk.

The following table provides an indication of the impact of a 1% change in interest rates on the net income before tax as well as the net comprehensive income of the group and the company:

	2023		2022	
	1% increase R million	1% decrease R million	1% increase R million	1% decrease R million
GROUP				
Financial liabilities – fixed rate				
Debt securities – quoted	**–**	**–**	1	(1)
Derivative instruments	**11**	**(12)**	34	(38)
Financial liabilities – variable rate				
Debt securities – quoted	**(37)**	**37**	(10)	10
Total change in finance cost and net fair value movement before tax	**(26)**	**25**	25	(29)

	2023		2022	
	1% increase R million	1% decrease R million	1% increase R million	1% decrease R million
COMPANY				
Financial liabilities – fixed rate				
Debt securities – quoted	**–**	**–**	1	(1)
Derivative instruments	**11**	**(12)**	34	(38)
Financial liabilities – variable rate				
Debt securities – quoted	**(30)**	**30**	(10)	10
Total change in finance cost and net fair value movement before tax	**(19)**	**18**	25	(29)

Notes to the annual financial statements

6. Financial liabilities (continued)

6.3 Investment contracts

	GROUP 2023 R million	Restated[1] 2022 R million
At the beginning of the year	**5 214**	3 798
Cash movements		
Contributions received	**1 324**	1 998
Benefits paid	**(538)**	(628)
Non-cash movements		
Net fair value losses/(gains)	**201**	(25)
Other investment return	**382**	215
Investment management fees	**(297)**	(144)
	6 286	5 214
Expected to be settled after 12 months	**1 321**	1 107
Expected to be settled within 12 months	**4 965**	4 107

[1] Comparative information was restated to correctly classify certain contracts within the alternative risk transfer business as investment contracts. The balance as at 31 December 2021 was restated from R1 970 million to R3 798 million, and the balance as at 31 December 2022 was restated from R2 061 million to R5 214 million. The format of the build-up in the note was also changed to provide more relevant information. The liquidity risk disclosure in note 9 was also restated to correctly reflect the contractual maturities of the contracts. The within 1 year amount changed from R490 million to R4 107 million, the 1 – 5 years amount changed from nil to R1 107 million, and the more than 5 years amount changed from R1 571 million to Rnil million.

The net fair value losses/(gains) on investment contracts are equal to the net fair value losses/(gains) on the linked financial assets at fair value through income. The movement in the net fair value of the linked assets and liabilities are included in net gains/(losses) on financial assets and liabilities at fair value through income in the statement of comprehensive income. The movement in the fair value of the investment contracts mainly represents the market movement. The maturity values of these financial liabilities are determined by the fair values of the linked assets. They are classified as level 2 per the fair value hierarchy.

Accounting policy – Investment contracts

The group recognises the following investment contracts:

a) *First-party cells*

First-party cell captive arrangements are arrangements, accounted for under IFRS 9, where the risks that are being insured relate to the cell shareholder's own operations or operations within the cell shareholder's group of companies. The cell shareholder and the policyholder are considered the same person. Where more than one contract is entered into with a single counterparty, it shall be considered a single contract, and the shareholder and insurance agreement are considered together for risk transfer purposes. As these contracts are considered a single contract there is no significant risk transfer and as such cell captive facilities are accounted for as investment contract liabilities.

b) *Policies with no significant risk transfer*

A risk is a significant risk if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding those that lack commercial substance and is assessed on a contract-by-contract basis except in circumstances where there is a relatively homogeneous book of small contracts which are known to transfer risk. Should an insurance contract not result in significant risk transfer, the contract will be accounted for as an investment contract.

Investment contract liabilities are recognised when the group becomes party to the contractual provisions of the instrument. It is initially recognised at fair value. The fair value is determined using the fair value of the underlying financial assets linked to the financial liability. Based on the principle of eliminating an accounting mismatch in the financial statements, investment contracts are designated to be measured at fair value through income.

6.4 Derivative liabilities

	GROUP 2023 R million	GROUP 2022 R million	COMPANY 2023 R million	COMPANY 2022 R million
Exchange-traded futures	**7**	–	**7**	–
Over the counter				
Foreign exchange collar	**–**	35	**–**	35
	7	35	**7**	35

6. Financial liabilities (continued)

6.4 Derivative liabilities (continued)

At 31 December 2023, the group had exchange traded futures with an exposure value of R319 million (2022: R968 million). The exchange traded futures relate to interest rate derivatives used to manage interest rate risk in Santam's fixed income portfolios.

On 4 May 2022, Santam announced that it entered into an agreement with Allianz, in terms of which Santam will dispose of its 10% interest in SAN JV to Allianz. On the same day Santam entered into a 12-month zero-cost collar to the amount of EUR125 million to protect the sale proceeds from the Rand strengthening against the Euro. The structure provided full downside protection below a EUR/ZAR exchange rate of R16.66 and entitled Santam to share in Rand weakness against the Euro up to a cap of R19.16. On 31 December 2022 the fair value of the structure amounted to a R35 million liability. The collar was designated as a cash flow hedge instrument on 4 May 2022. The impact of this was that foreign currency losses of R35 million recognised on the collar since implementation date were not recognised in the statement of comprehensive income, but were accounted for as a hedging reserve. On expiry, the group decided not to renew the collar structure and paid a final settlement of R122 million per fin review and level 3 recon to the counterparty. The group had retained the cash flow hedge reserve until it was recycled to profit or loss on disposal of SAN JV.

On 4 May 2023, upon expiration of the above mentioned zero-cost collar, the transaction with Allianz had not been finalised. The group decided to continue hedging the transaction by entering into a forward exchange contract (FEC) on a notional amount of EUR125 million with cover up to 2 October 2023. The contract rate at expiry on 2 October 2023 would have been R20.58. However, on conclusion of the transaction, the final gain on the FEC was less than R1 million.

On 30 June 2022, the group entered into a zero-cost collar over listed equities to the value of R1.4 billion, based on the SWIX 40, to provide capital protection under continued volatile market conditions. The structure offered full downside protection from the implementation level of 11 789, with upside participation (excluding dividends) of 0.78% and expired on 15 December 2022. The final loss on the contract was R90 million.

At 31 December 2023, the group had interest rate swaps and currency swaps (2022: nil). The fair value of the swaps are disclosed on a net basis in the statement of financial position as well as the statement of comprehensive income due to the contractual right to settle the instrument on a net basis. They are classified as level 3 per the fair value hierarchy. The gross exposure asset and liability as at 31 December 2023 amounted to R22 million and R22 million respectively.

The hedging instrument was the foreign exchange collar which expired and settled in full. The hedge was replaced with an FEC contract, and the hedged item was the forecast transaction for the disposal of the group's interest in SAN JV. The hedge remained fully effective, and no hedge ineffectiveness was accounted for in profit or loss during the period.

Accounting policy – Derivatives

Derivatives are initially recognised in the statement of financial position at fair value on the date on which the contract is entered into and subsequently measured at their fair value. These derivatives are regarded as non-hedge derivatives. Changes in the fair value of such derivative instruments are recognised immediately in the statement of comprehensive income. Quoted derivative instruments are valued at quoted market prices, while unquoted derivatives are valued independently using valuation techniques such as discounted cash flow models and option models. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a current legal enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

6.5 Repo liability

	GROUP	
	2023 R million	2022 R million
At the beginning of the year	**739**	926
Cash movements		
New repurchase agreements entered into	**1 170**	1 582
Repurchase agreements settled	**(1 248)**	(1 790)
	661	718
Accrued interest	**29**	21
	690	739
Expected to be settled after 12 months	**518**	413
Expected to be settled within 12 months	**172**	326

Notes to the annual financial statements

6. Financial liabilities (continued)

6.5 Repo liability (continued)

The repo liability relates to a sale and repurchase agreement within SSI's portfolio. This liability is secured by debt securities with a value of R1 248 million (2022: R1 190 million). The liability is classified as level 2 per the fair value hierarchy. The group continues to receive income derived from the underlying assets over the term of the agreement. The group cannot realise profit or losses on disposing of the underlying assets for the duration of the agreements, as the group does not have custody of the assets during this time.

Accounting policy – Repo liability

Repo repurchase liabilities consist of sale and repurchase of assets agreements. These agreements contain financial liabilities consisting of financial instruments sold with an agreement to repurchase these instruments at a fixed price at a later date. These financial liabilities are classified as financial liabilities at amortised cost.

Where financial instruments are sold subject to a commitment to repurchase them, the financial instrument is not derecognised and remains in the statement of financial position and is valued according to the group's accounting policy relevant to that category of financial instrument. The proceeds received are recorded as a liability (repo liability) carried at amortised cost.

The difference between the sale and repurchase price is treated as finance cost and is accrued over the life of the agreement using the effective interest rate method.

6.6 Collateral guarantee contracts

	GROUP		COMPANY	
	2023 R million	2022 R million	**2023 R million**	2022 R million
At the beginning of the year	**129**	155	**129**	155
Cash movements				
New contracts entered into	**–**	3	**–**	3
Contracts ended	**(22)**	(34)	**(22)**	(34)
Non-cash movements				
Interest	**6**	5	**6**	5
	113	129	**113**	129
Expected to be settled after 12 months	**–**	–	**–**	–
Expected to be settled within 12 months	**113**	129	**113**	129

Liabilities arising out of collateral guarantee contracts are payable on demand should a claim be made against the policy, and is therefore treated as current.

Santam issues guarantees on behalf of its corporate clients covering various risks, such as mining rehabilitation. The guarantees are issued on the back of full collateral guarantees in the form of monies deposited with Santam. These assets are included in financial assets, debt securities, at fair value through income and cash, and amounted to R113 million (2022: R129 million) as at 31 December 2023. These assets are managed in a separate investment portfolio and are sold when required to settle obligations arising from the collateral guarantee contracts. As there is no transfer of significant insurance risk, the transaction is not recorded as an insurance transaction in terms of IFRS 17, but as a financial instrument in terms of IFRS 9.

The carrying value of collateral guarantee contracts approximates fair value.

Accounting policy – Collateral guarantee contracts

Collateral guarantee contracts are initially recognised at fair value and subsequently measured at amortised cost using the effective-interest method. Interest accruals are recognised as finance costs in the statement of comprehensive income.

Notes to the annual financial statements

6. Financial liabilities (continued)

6.7 Trade and other payables

	GROUP 2023 R million	GROUP Restated 2022 R million	COMPANY 2023 R million	COMPANY Restated 2022 R million
Amounts due to subsidiaries (refer to note 10.1)	**–**	–	**390**	326
Accrued expenses[1]	**269**	235	**131**	143
Employee benefits and accruals	**888**	686	**565**	418
Other trade payables[2]	**1 673**	1 934	**741**	793
Total	**2 830**	2 855	**1 827**	1 680

[1] Restated from R871 million to R235 million due to accrued interest on corporate contract liabilities previously classified as trade and other payables. On adoption of IFRS 17, the accrued interest balance was transferred to an experience account balance which is recognised as part of insurance contract liabilities.

[2] Restated from R1 745 million to R1 934 million to accurately reflect balances due by the group in respect of contracts that do not contain significant risk transfer, that were previously incorrectly included in insurance payables.

The carrying value of trade and other payables approximates fair value. All trade payables are expected to be settled within 12 months.

Accounting policy – Trade and other payables

Trade and other payables, including accruals, are recognised when the group has a present obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits from the group. Trade and other payables are carried at amortised cost.

6.8 Finance costs

	GROUP 2023 R million	GROUP 2022 R million	COMPANY 2023 R million	COMPANY 2022 R million
Interest expense				
– collateral guarantee contracts	**6**	5	**6**	5
– lease liabilities	**55**	58	**39**	38
– subordinated callable note	**283**	203	**283**	203
– repo liability	**64**	44	**–**	–
– other	**30**	13	**–**	–
	438	323	**328**	246

Accounting policy – Finance costs

Finance costs are recognised using the effective-interest method.

7. Lease liabilities

	GROUP 2023 R million	GROUP 2022 R million	COMPANY 2023 R million	COMPANY 2022 R million
Opening balance	**669**	764	**501**	575
Cash movements				
Payment of principle element of lease liabilities	**(134)**	(123)	**(110)**	(91)
Payment of interest	**(55)**	(58)	**(39)**	(38)
Non-cash movements				
Business combinations	**–**	30	**–**	–
New leases entered into and lease extensions during the year	**289**	79	**178**	44
Termination of lease agreements	**–**	(81)	**–**	(27)
Interest	**55**	58	**39**	38
	824	669	**569**	501

Notes to the annual financial statements

7. Lease liabilities (continued)

The following table summarises the contractual maturity dates for lease liabilities. The maturity analysis is presented on an undiscounted contractual cash flow basis.

31 December 2023	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
GROUP				
Lease liabilities	**191**	**549**	**328**	**1 068**

31 December 2023	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
COMPANY				
Lease liabilities	127	421	154	702

31 December 2022	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
GROUP				
Lease liabilities	189	477	153	819

31 December 2022	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
COMPANY				
Lease liabilities	134	344	136	614

Accounting policy – Leases

Agreements where the counterparty retains control of the underlying asset are classified as leases. The group leases various offices, motor vehicles and office equipment.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest, the incremental borrowing rate, on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Offices consist mainly of head office buildings and branches. Rental contracts are typically made for fixed periods of three to eight years but may have extension options that exist. Head office buildings are typically leased for longer periods than branches and are the main contributor to the carrying value of the right-of-use asset. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Periods covered by an option to extend the lease are included if the group is reasonably certain to exercise that option taking into account, among others, the remaining term of the original lease, refurbishments, changing technology and cost-saving initiatives. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Vehicles consist of a fleet of vehicles that the group leases for use by various field agents including assessors. The terms of these leases are typically between three and five years. Lease extensions are not considered in the valuation of these leases, as the group does not expect to extend leases on motor vehicles as they are generally replaced with a new lease.

The incremental borrowing rate for Santam Limited uses the Santam bonds' borrowing rate as starting point, while all subsidiaries use a rate at which borrowings can be obtained by them commercially. The rate is then adjusted based on factors relating to the specific lease and underlying asset, including but not limited to, the term of the borrowing, the property yield (for property) and the ability to provide security for the purchase of the specific asset.

Notes to the annual financial statements

7. Lease liabilities (continued)

Accounting policy – Leases (continued)

The group does not account for short term leases, with a term shorter than 12 months as lease liabilities or right-of-use assets. These are accounted for as operating leases.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments, but excluding payments for service components), less any lease incentives receivable
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

After initial recognition, lease liabilities are remeasured where there is a change in the future lease payments or if there is a change in the group's assessment of whether it will exercise an extension or termination option. When the lease is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or recognised in the income statement if the carrying amount of the right-of-use assets has been reduced to zero.

8. Currency risk

The group has two sources of currency risk:

- Operational currency risk – underwriting liabilities in currencies other than the currency of the primary environment in which the business units operate (non-functional currencies)
- Structured currency risk – investing in Sanlam target shares

These risks affect both the value of Santam's assets as well as the cost of claims, particularly for imported motor parts, directly and indirectly. The fair value of the investments in the Sanlam target shares are impacted by changes in the foreign exchange rates of the underlying operations. Santam is also pursuing international diversification in underwriting operations through the business written by Santam Re and the specialist underwriting managers.

In order to mitigate the foreign currency mismatch risk, Santam monitors the level of foreign currency assets relative to foreign currency liabilities and foreign currency capital requirements.

The tables presented on pages 122 and 125 provide a summary of the foreign exposures (including structured currency risk) relating to assets and liabilities included in the statement of financial position at the reporting date. Only the material currencies held at the reporting date are disclosed in the table. The exposure disclosed in Rand value does, however, represent the group and the company's total exposure to all currencies held at the reporting date irrespective of whether it was separately disclosed in the table. The foreign currency exposure for reinsurance assets disclosed in the table only includes reinsurance contracts denominated in foreign currencies.

Structured currency risk relating to the investments in Sanlam target shares expose the group and company to predominantly the Indian Rupee. The group and company has structured currency exposure of R2 030 million (2022: R1 596 million) relating to its investment in Sanlam target shares. Refer to note 5.3 for additional disclosure on the group's sensitivity in its exposure to structured currency risk arising from the investment in Sanlam target shares.

The movement for the group and company in the hedging instrument and hedged item during the year was as follows:

	2023		2022	
	Hedging instrument R million	Hedged item R million	Hedging instrument R million	Hedged item R million
Carrying/fair value beginning of the year	**(35)**	**2 264**	–	–
New hedge item	**–**	**–**	–	2 039
Movement in carrying/fair value	**(87)**	**379**	(35)	225
Settlements	**122**	**(2 643)**	–	–
Carrying/fair value end of the year	**–**	**–**	(35)	2 264

Any exposure to Namibian Dollar was not included in the tables as there is currently no impact on profit or loss and/or the net asset value of the group.

Notes to the annual financial statements

8. Currency risk (continued)

Assets and liabilities denominated in foreign currencies included in the statement of financial position

31 December 2023	Euro € million	United States Dollar US$ million	Moroccan Dirham MAD million	Chinese Yuan CNY million	Indian Rupee INR million	South Korean Won KRW million	Israeli Shekel ILS million	Total exposure R million
GROUP								
Interest-bearing investments	–	195	–	–	–	–	–	3 736
Deposits and similar securities	2	34	–	–	–	–	–	1 218
Reinsurance contract assets	2	116	36	–	–	–	–	2 269
Insurance contract liabilities	(17)	(170)	(4)	(73)	(547)	(10 073)	(137)	(5 185)
Total foreign currency exposure relating to insurance business (excluding alternative risk)	(13)	175	32	(73)	(547)	(10 073)	(137)	2 038
Deposits and similar securities								
– relating to alternative risk business	–	12	–	–	–	–	–	232
Trade and other payables								
– relating to alternative risk business	–	–	–	–	–	–	–	(9)
Reinsurance contract assets								
– relating to alternative risk business	–	3	–	–	–	–	–	52
Quoted equity securities	3	10	–	–	–	–	–	253
Derivative instruments	–	–	–	–	–	–	–	(7)
Foreign currency exposure	(10)	200	32	(73)	(547)	(10 073)	(137)	2 559

8. Currency risk (continued)

Assets and liabilities denominated in foreign currencies included in the statement of financial position (continued)

31 December 2023	Euro € million	United States Dollar US$ million	Moroccan Dirham MAD million	Chinese Yuan CNY million	Indian Rupee INR million	South Korean Won KRW million	Israeli Shekel ILS million	Total exposure R million
COMPANY								
Interest-bearing investments	–	195	–	–	–	–	–	3 736
Deposits and similar securities	2	34	–	–	–	–	–	1 218
Reinsurance contract assets	2	116	36	–	–	–	–	2 269
Insurance contract liabilities	(17)	(169)	(4)	(73)	(547)	(10 073)	(137)	(5 182)
Total foreign currency exposure relating to insurance business	(13)	176	32	(73)	(547)	(10 073)	(137)	2 041
Derivative instruments	–	–	–	–	–	–	–	(7)
Foreign currency exposure	(13)	176	32	(73)	(547)	(10 073)	(137)	2 034
Exchange rates:								
Closing rate	20.20	18.29	1.88	2.61	0.22	0.01	5.12	
Average rate	19.93	18.44	1.82	2.61	0.22	0.01	5.01	

Notes to the annual financial statements

8. Currency risk (continued)

Assets and liabilities denominated in foreign currencies included in the statement of financial position (continued)

31 December 2022	Euro € million	United States Dollar US$ million	Moroccan Dirham MAD million	Chinese Yuan CNY million	Indian Rupee INR million	South Korean Won KRW million	Israeli Shekel ILS million	Total exposure R million
GROUP								
Interest-bearing investments	–	191	–	–	–	–	–	3 375
Deposits and similar securities	1	55	–	–	–	–	–	964
Reinsurance contract assets	–	106	36	–	–	–	–	1 873
Insurance contract liabilities	(12)	(163)	(14)	(48)	(724)	(14 799)	(103)	(4 377)
Total foreign currency exposure relating to insurance business (excluding alternative risk)	(11)	189	22	(48)	(724)	(14 799)	(103)	1 835
Deposits and similar securities								
– relating to alternative risk business	–	16	–	–	–	–	–	287
Trade and other payables								
– relating to alternative risk business	–	(5)	–	–	–	–	–	(81)
Reinsurance contract assets								
– relating to alternative risk business	–	5	–	–	–	–	–	92
Quoted equity securities	3	10	–	–	–	–	–	214
Derivative instruments	(2)	–	–	–	–	–	–	(35)
Foreign currency exposure	(10)	215	22	(48)	(724)	(14 799)	(103)	2 312

Notes to the annual financial statements

8. Currency risk (continued)

Assets and liabilities denominated in foreign currencies included in the statement of financial position (continued)

31 December 2022	Euro € million	United States Dollar US$ million	Moroccan Dirham MAD million	Chinese Yuan CNY million	Indian Rupee INR million	South Korean Won KRW million	Israeli Shekel ILS million	Total exposure R million
COMPANY								
Interest-bearing investments	–	191	–	–	–	–	–	3 375
Deposits and similar securities	1	55	–	–	–	–	–	964
Reinsurance contract assets	–	106	36	–	–	–	–	1 873
Insurance contract liabilities	(12)	(163)	(14)	(48)	(724)	(14 799)	(103)	(4 374)
Total foreign currency exposure relating to insurance business	(11)	189	22	(48)	(724)	(14 799)	(103)	1 838
Derivative instruments	(2)	–	–	–	–	–	–	(35)
Foreign currency exposure	(13)	189	22	(48)	(724)	(14 799)	(103)	1 803
Exchange rates:								
Closing rate	18.16	17.02	1.60	2.45	0.21	0.01	4.81	
Average rate	17.18	16.31	1.60	2.43	0.21	0.01	4.87	

Accounting policy – Foreign currency translation

a) *Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African Rand, which is the group's presentation currency.

b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the closing exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Translation differences on non-monetary items, such as equities held at fair value through income, are reported as part of the fair value gain or loss.

c) *Group companies*

The results and financial position of all group entities (none of which uses a currency linked to a hyperinflationary economy) that use a functional currency other than the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.

(ii) Income and expenses for each statement of comprehensive income presented are translated at average exchange rates during each period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

(iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as the foreign entity's assets or liabilities and are translated at the closing rate.

Notes to the annual financial statements

8. Currency risk (continued)

Assets and liabilities denominated in foreign currencies included in the statement of financial position (continued)

A 10% change in the Rand exchange rate against the US Dollar and Israeli Shekel (ILS) would have the following impact on income before taxation:

31 December 2023	10% strengthening in Rand/ILS R million	10% weakening in Rand/ILS R million	10% strengthening in Rand/USD R million	10% weakening in Rand/USD R million
GROUP				
Impact on profit or loss	**70.33**	**(70.33)**	**(368.49)**	**368.49**
COMPANY				
Impact on profit or loss	**70.33**	**(70.33)**	**(323.52)**	**323.52**

31 December 2022	10% strengthening in Rand/ILS R million	10% weakening in Rand/ILS R million	10% strengthening in Rand/USD R million	10% weakening in Rand/USD R million
GROUP				
Impact on profit or loss	49.50	(49.50)	(367.83)	367.83
COMPANY				
Impact on profit or loss	49.50	(49.50)	(322.28)	322.28

The impact of a 10% change in the Rand exchange rate against the Euro, Chinese Yuan, Moroccan Dirham, Indian Rupee and South Korean Won is not disclosed as it is not material for the group or the company for the current year.

The foreign exchange profits or losses arising from the translation of international business unit statements of financial position from their functional currencies into Rand are recognised in the foreign currency translation reserve. These movements in exchange rates therefore have no impact on profit. On disposal of the foreign companies, the reserve is realised and released to profit or loss.

Exchange rate profits or losses relating to the Sanlam target shares are included in the fair value movements of the instruments.

Derivative risk

The group uses derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in interest rates, foreign exchange rates and equity prices. The group does not use derivatives to leverage its exposure to markets and does not hold or issue derivative financial instruments for speculative purposes. The policy on use of derivatives is approved by the investment committee and the board. Refer to note 6.4 for more detail on the derivatives held by the group.

Over-the-counter derivative contracts and exchange-traded futures are entered into only with approved counterparties, in accordance with group policies, effectively reducing the risk of credit loss. The group applies strict requirements to the administration and valuation process it uses, and has a control framework that is consistent with market and industry practice for the activity that it has undertaken.

Notes to the annual financial statements

9. Liquidity risk

Santam manages its liquidity requirements by matching the duration of the assets invested to the corresponding liabilities. The net insurance contract liabilities are covered by cash and liquid interest-bearing instruments while the company's subordinated debt obligation is covered by matching cash and interest-bearing instruments.

The cash mandates include market risk limitations (average duration and maximum duration per instrument) to ensure adequate availability of liquid funds to meet Santam's payment obligations.

Santam's shareholders funds are invested in a combination of interest-bearing instruments, preference shares, listed equities and unlisted investments. The listed equity portfolio is a well-diversified portfolio with highly liquid shares.

The following table summarises the contractual repricing or maturity dates (whichever is earlier) for financial assets and liabilities that are subject to fixed and variable interest rates. Insurance contract and financial assets are presented using discounted values. Insurance contract liabilities are also presented using discounted values and are analysed by remaining estimated duration until settlement. Financial liabilities are presented on an undiscounted contractual cash flow basis, except for investment contracts, which are presented using discounted values. The open ended instruments are available to use within one year.

31 December 2023	Within 1 year R million	1 – 5 years[1] R million	More than 5 years R million	Open ended R million	Carrying value R million
GROUP					
Financial and insurance assets					
Equity securities					
Listed equities and similar securities	–	–	–	2 926	2 926
Unlisted equities and similar securities	–	–	–	2 173	2 173
Interest-bearing investments					
Government interest-bearing investments	3 033	1 157	1 146	–	5 336
Corporate interest-bearing investments	6 322	10 060	1 754	–	18 136
Mortgages and loans	17	108	–	–	125
Structured transactions					
Structured notes	93	179	24	–	296
Investment funds	–	–	–	10 324	10 324
Deposits and similar securities	5 566	896	–	–	6 462
Total investment assets	15 031	12 400	2 924	15 423	45 778
Insurance contract assets	424	2	–	–	426
Reinsurance contract assets	8 120	1 627	340	–	10 087
Loans and receivables	2 549	190	–	–	2 739
Total	11 093	1 819	340	–	13 252
Cash and cash equivalents	4 819	–	–	–	4 819
Total financial and insurance assets	30 943	14 219	3 264	15 423	63 849

31 December 2023	Within 1 year R million	1 – 5 years[2] R million	More than 5 years R million	Total R million
GROUP				
Financial and insurance liabilities				
Debt securities	303	3 700	–	4 003
Investment contracts	4 965	1 321	–	6 286
Derivative liabilities	7	–	–	7
Repo liability	173	417	100	690
Collateral guarantee contracts	113	–	–	113
Insurance contract liabilities	28 939	4 731	980	34 650
Reinsurance contract liabilities	5 775	14	–	5 789
Trade and other payables	2 830	–	–	2 830
Total financial and insurance liabilities	43 105	10 183	1 080	54 368

[1] Cash flows in the 1 – 5 years category are spread evenly.
[2] Included in Investment contracts maturing in 1 to 5 years, are liabilities that are redeemable at discretion of the issuer after 3 years from inception.

Notes to the annual financial statements

9. Liquidity risk (continued)

31 December 2023	Within 1 year R million	1 – 5 years[1] R million	More than 5 years R million	Open ended R million	Carrying value R million
COMPANY					
Financial and insurance assets					
Equity securities					
Listed equities and similar securities	–	–	–	1 556	1 556
Unlisted equities and similar securities	–	–	–	2 171	2 171
Interest-bearing investments					
Government interest-bearing investments	720	814	518	–	2 052
Corporate interest-bearing investments	2 303	5 727	1 495	–	9 525
Mortgages and loans	14	95	–	–	109
Structured transactions					
Structured notes	37	62	4	–	103
Investment funds	–	–	–	508	508
Deposits and similar securities	1 220	52	–	–	1 272
Total investment assets	4 294	6 750	2 017	4 235	17 296
Insurance contract assets	340	–	–	–	340
Reinsurance contract assets	6 895	1 374	132	–	8 401
Loans and receivables	1 591	–	–	–	1 591
Total	8 826	1 374	132	–	10 332
Cash and cash equivalents	1 415	–	–	–	1 415
Total financial and insurance assets	14 535	8 124	2 149	4 235	29 043

31 December 2023	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
COMPANY				
Financial and insurance liabilities				
Debt securities	303	3 700	–	4 003
Derivative liabilities	7	–	–	7
Collateral guarantee contracts	113	–	–	113
Insurance contract liabilities	12 632	3 613	347	16 592
Reinsurance contract liabilities	–	–	–	–
Trade and other payables	1 827	–	–	1 827
Total financial and insurance liabilities	14 882	7 313	347	22 542

[1] Cash flows in the 1 – 5 years category are spread evenly.

9. Liquidity risk (continued)

31 December 2022 (restated[2])	Within 1 year R million	1 – 5 years[1] R million	More than 5 years R million	Open ended R million	Carrying value R million
GROUP					
Financial and insurance assets					
Equity securities					
Listed equities and similar securities	–	–	–	2 861	2 861
Unlisted equities and similar securities	–	–	–	1 738	1 738
Interest-bearing investments					
Government interest-bearing investments	2 477	1 237	961	–	4 675
Corporate interest-bearing investments	5 983	8 454	1 021	–	15 458
Mortgages and loans	11	73	4	–	88
Structured transactions					
Structured notes	27	204	10	–	241
Investment funds	–	–	–	9 065	9 065
Deposits and similar securities	2 212	1 291	36	–	3 539
Total investment assets	10 710	11 259	2 032	13 664	37 665
Insurance contract assets	797	–	–	–	797
Reinsurance contract assets	11 431	2 349	219	6	14 005
Loans and receivables	2 607	–	8	–	2 615
Total	14 835	2 349	227	6	17 417
Cash and cash equivalents	5 387	–	–	–	5 387
Total financial and insurance assets	30 932	13 608	2 259	13 670	60 469

31 December 2022 (restated[1])	Within 1 year R million	1 – 5 years[3] R million	More than 5 years R million	Total R million
GROUP				
Financial and insurance liabilities				
Debt securities	738	2 564	–	3 302
Investment contracts	4 107	1 107	–	5 214
Derivative liabilities	35	–	–	35
Repo liability	326	413	–	739
Collateral guarantee contracts	129	–	–	129
Insurance contract liabilities	31 017	4 764	440	36 221
Reinsurance contract liabilities	119	4 025	–	4 144
Trade and other payables	2 855	–	–	2 855
Total financial and insurance liabilities	39 326	12 873	440	52 639

1 Cash flows in the 1 – 5 years category are spread evenly.
2 Comparative information was restated for the initial application of IFRS 17, the reclassification of accrued interest and the reclassification of investment contracts. Refer to notes 1, 5.11 and 6.3 respectively for additional information.
3 Included in Investment contracts maturing in 1 to 5 years, are liabilities that are redeemable at discretion of the issuer after 3 years from inception.

Notes to the annual financial statements

9. Liquidity risk (continued)

31 December 2022 (restated[2])	Within 1 year R million	1 – 5 years[1] R million	More than 5 years R million	Open ended R million	Carrying value R million
COMPANY					
Financial and insurance assets					
Equity securities					
Listed equities and similar securities	–	–	–	1 430	1 430
Unlisted equities and similar securities	–	–	–	1 738	1 738
Interest-bearing investments					
Government interest-bearing investments	311	958	483	–	1 752
Corporate interest-bearing investments	1 806	5 137	804	–	7 747
Mortgages and loans	9	54	4	–	67
Structured transactions					
Structured notes	–	106	7	–	113
Investment funds	–	–	–	332	332
Deposits and similar securities	898	66	–	–	964
Total investment assets	3 024	6 321	1 298	3 500	14 143
Insurance contract assets	624	–	–	–	624
Reinsurance contract assets	9 609	2 332	218	–	12 159
Loans and receivables	1 170	–	–	–	1 170
Total	11 403	2 332	218	–	13 953
Cash and cash equivalents	2 356	–	–	–	2 356
Total financial and insurance assets	16 783	8 653	1 516	3 500	30 452

31 December 2022 (restated[1])	Within 1 year R million	1 – 5 years R million	More than 5 years R million	Total R million
COMPANY				
Financial and insurance liabilities				
Debt securities	738	2 564	–	3 302
Derivative liabilities	35	–	–	35
Collateral guarantee contracts	129	–	–	129
Insurance contract liabilities	15 156	4 299	402	19 857
Reinsurance contract liabilities	–	–	–	–
Trade and other payables	1 680	–	–	1 680
Total financial and insurance liabilities	17 738	6 863	402	25 003

1 Cash flows in the 1 – 5 years category are spread evenly.
2 Comparative information was restated for the initial application of IFRS 17, as well as reclassification of accrued interest. Refer to notes 1 and 5.11 for additional information.

10. Investment in subsidiaries

	COMPANY 2023 R million	COMPANY 2022 R million
At the beginning of the year	**1 029**	1 029
Acquisition of subsidiaries	**456**	–
Disposal of subsidiaries	**(84)**	–
Unlisted shares at cost price less impairment	**1 401**	1 029
Expected to be realised after 12 months	**1 401**	1 029
Expected to be realised within 12 months	**–**	–

In July 2023, the company acquired a 100% shareholding in Sentravaal Brokers (Pty) Ltd for R26.9 million in cash, in addition to contingent payments estimated at R12.9 million.

In October 2023, the Santam group acquired the remaining 53% in Vulindlela Underwriting Managers (Pty) Ltd for R14 million in cash, in addition to contingent payments estimated at R10 million. As a result of this transaction, the Santam group now effectively owns 100% shareholding in Vulindlela Underwriting Managers (Pty) Ltd, and it was classified as a subsidiary from November 2023.

Notes to the annual financial statements

10. Investment in subsidiaries (continued)

In December 2023, the company acquired a 100% shareholding in Mirabilis Holdings (Pty) Ltd from Swanvest 120 (Pty) Ltd for R187.2 million, on loan account. On the same day the company disposed of its investment in Mirabilis Engineering Underwriting Managers (Pty) Ltd to Mirabilis Holdings (Pty) Ltd for R228.8 million, settled via shares issued by Mirabilis Holdings (Pty) Ltd to the company.

In May 2022, the Santam group acquired the remaining 76% shareholding in Indwe Broker Holdings Group (Pty) Ltd for R125 million in cash. As a result of this transaction, the Santam group now effectively owns 100% shareholding in Indwe Broker Holdings Group (Pty) Ltd.

The Santam group purchased the 49% non-controlling interest in JaSure Financial Services (Pty) Ltd, effective 1 June 2022 for R6 million in cash. The Santam group now effectively owns 100% shareholding in JaSure Financial Services (Pty) Ltd.

Refer to note 14 for more detail on acquisitions.

Management performed an impairment review on all investments in subsidiaries. No impairments were required in the current or prior year.

Accounting policy – Consolidation

a) Subsidiaries and business combinations

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

The company accounts for its investments in subsidiaries at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

b) Changes in ownership interests without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

c) Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Notes to the annual financial statements

10. Investment in subsidiaries (continued)

10.1 Analysis of investments in subsidiaries

Investment in subsidiaries

Unlisted companies

	Nature of business	Country of incorporation	Issued capital R
Direct			
Centriq Insurance Holdings Ltd	Holding company	RSA	102 330 000
Guardian National Insurance Company Ltd	Insurance	RSA	178 603 840
Mirabilis Engineering Underwriting Managers (Pty) Ltd[3]	Underwriting	RSA	84 000 850
Mirabilis Holdings (Pty) Ltd[3]	Underwriting	RSA	312 800 950
Santam Namibia Holdings Pty (Ltd)	Holding company	RSA	445 000 001
Sentinel Insurance Corporation Ltd[7]	Investments	RSA	1 000 000
Swanvest 120 (Pty) Ltd	Holding company	RSA	100
Sentravaal Brokers (Pty) Ltd[1]	Underwriting	RSA	100
Indirect			
Admiral Professional Underwriting Agency (Pty) Ltd	Underwriting	RSA	2 270 403
Africa Group Financial Services (Pty) Ltd[7]	Holding company	RSA	100
Beyonda Group (Pty) Ltd	Insurance	RSA	200
Broker Funding Solutions (Pty) Ltd	Underwriting	RSA	1 000
Brolink (Pty) Ltd	Administration company	RSA	146 325 847
Centriq Insurance Company Ltd	Insurance	RSA	55 000 084
Centriq Life Insurance Company Ltd	Insurance	RSA	15 000 000
Cenviro Solutions (Pty) Ltd	Underwriting	RSA	100
Credit Innovation (Pty) Ltd	Insurance	RSA	6 428 571
C-Sure Underwriting Managers (Pty) Ltd[8]	Underwriting	RSA	–
Echelon Private Client Solutions (Pty) Ltd	Underwriting	RSA	1 000
Emerald Risk Transfer (Pty) Ltd	Underwriting	RSA	2 000 174
Ground up Risk Partners (Pty) Ltd	IT Services	RSA	100
Indwe Broker Holdings Group (Pty) Ltd[5]	Underwriting	RSA	28 552 225
Indwe Financial Services (Pty) Ltd[5]	Underwriting	RSA	19 599 146
Indwe Risk Services (Pty) Ltd[5]	Underwriting	RSA	–
JaSure Financial Services (Pty) Ltd[6]	Underwriting	RSA	1
Just I-Insure Consultants (Pty) Ltd	Underwriting	RSA	120
MiAdmin (Pty) Ltd	Administration company	RSA	–
Mirabilis Engineering Underwriting Managers (Pty) Ltd[3]	Holding company	RSA	84 000 850
Mirabilis Holdings (Pty) Ltd[3]	Underwriting	RSA	312 800 950
MiWay Group Holdings (Pty) Ltd	Holding company	RSA	1 101 111
MiWay Insurance Ltd	Insurance	RSA	2 434 600
Nautical Underwriting Managers (Pty) Ltd	Underwriting	RSA	–
Plus Ecosystem Ventures (Pty) Ltd[4]	IT Services	RSA	–
Premium Finance Partners (Pty) Ltd	Lending specialist	RSA	500
Riscor Underwriting Managers (Pty) Ltd	Underwriting	RSA	37 500 100
Santam Financial Services Ltd DAC[7]	Insurance	Ireland	14 991 989
Santam Namibia Ltd	Insurance	Namibia	8 307 147
Santam SI Investments Mauritius Ltd	Insurance	Mauritius	12
Santam SI Investments (Pty) Ltd	Insurance	RSA	78 551 582
Santam Specialist Business Ltd	Administration company	UK	19
Santam Structured Insurance Ltd	Insurance	RSA	215 476 226
Santam Structured Insurance Ltd PCC	Insurance	Mauritius	70 467 005
Santam Structured Life Ltd (Life)	Insurance	RSA	40 000 000
Santam Structured Reinsurance Ltd PCC	Insurance	Mauritius	797 707 193
Snyman en Van der Vyver Finansiele Dienste (Pty) Ltd	Broker	RSA	58 389 804
Specialised Credit Solutions (Pty) Ltd	Broker	RSA	85
Stalker Hutchison Admiral (Pty) Ltd	Underwriting	RSA	7 914 393
Vantage Insurance Acceptances (Pty) Ltd	Underwriting	RSA	100
Vulindlela Underwriting Managers (Pty) Ltd[2]	Underwriting	RSA	448 000
XS Sure (Pty) Ltd	Insurance	RSA	100
Total investments in subsidiaries			

1 In July 2023, the Santam group acquired a 100% shareholding in Sentravaal Brokers (Pty) Ltd for R26.9 million in cash, in addition to contingent payments estimated at R12.9 million.
2 In October 2023, the Santam group acquired the remaining 53% shareholding in Vulindlela Underwriting Managers (Pty) Ltd for R14 million in cash, in addition to contingent payments estimated at R10 million.
3 In December 2023, the company acquired a 100% shareholding in Mirabilis Holdings (Pty) Ltd from Swanvest 120 (Pty) Ltd for R187.2 million, on loan account. On the same day the company disposed of its investment in Mirabilis Engineering Underwriting Managers (Pty) Ltd to Mirabilis Holdings (Pty) Ltd for R228.8 million, settled via shares issued by Mirabilis Holdings (Pty) Ltd to the company.
4 In March 2022, the group incorporated Plus Ecosystem Ventures (Pty) Ltd.
5 In May 2022, the Santam group acquired the remaining 76% shareholding in Indwe Broker Holdings Group (Pty) Ltd for R125 million in cash.
6 On 1 June 2022, the Santam group purchased the remaining 49% in JaSure Financial services (Pty) Ltd for R6 million in cash.
7 These entities are currently in the process of being liquidated.
8 C-Sure Underwriting Managers (Pty) Ltd was deregistered during 2023.

Expected credit losses on amounts owing to Santam are considered immaterial. These amounts have been included in the assessment in note 5.6.

Notes to the annual financial statements

	2023 Proportion held by the company	2023 Book value R million	2023 Owing by Santam Ltd R million	2023 Owing to Santam Ltd R million	2022 Proportion held by the company	2022 Book value R million	2022 Owing by Santam Ltd R million	2022 Owing to Santam Ltd R million
	100.0%	150	–	–	100.0%	150	–	–
	100.0%	626	306	–	100.0%	626	217	–
	0.0%	–	–	–	100.0%	84		
	100.0%	416	11	–	0.0%	–	–	–
	100.0%	168	–	–	100.0%	168	–	–
	100.0%	1	1	–	100.0%	1	1	–
	100.0%	–	3	–	100.0%	–	39	–
	100.0%	40	–	–	0.0%	–	–	–
		1 401	321	–		1 029	257	–
	100.0%	12	–	–	100.0%	12	–	–
	100.0%	–	–	–	100.0%	–	–	–
	87.5%	14	–	–	87.5%	14	–	–
	75.0%	–	–	–	75.0%	–	–	–
	100.0%	26	–	–	100.0%	26	–	–
	100.0%	102	–	–	100.0%	102	–	–
	100.0%	16	–	–	100.0%	16	–	–
	51.0%	–	–	–	51.0%	–	–	–
	100.0%	6	–	–	80.3%	6	–	–
	0.0%	–	–	–	100.0%	3	–	–
	100.0%	–	5	–	100.0%	–	–	–
	100.0%	94	–	–	100.0%	94	–	–
	100.0%	–	–	–	100.0%	–	–	–
	100.0%	146	–	–	100.0%	146	–	–
	100.0%	25	–	–	100.0%	25	–	–
	100.0%	40	–	–	100.0%	40	–	–
	100.0%	12	–	–	100.0%	12	–	–
	100.0%	–	–	–	100.0%	–	–	–
	100.0%	–	–	–	100.0%	–	–	–
	100.0%	176	–	–	0.0%	–	–	–
	0.0%	–	–	–	100.0%	176	8	–
	100.0%	59	–	–	100.0%	59	–	–
	100.0%	2	–	–	100.0%	2	–	–
	62.0%	–	–	–	62.0%	–	–	–
	100.0%	1	–	150	100.0%	1	–	9
	75.0%	–	–	440	75.0%	–	–	404
	100.0%	–	–	–	100.0%	–	–	–
	100.0%	–	–	–	100.0%	15	–	–
	60.0%	5	–	24	60.0%	5	–	–
	100.0%	–	–	–	100.0%	–	–	–
	100.0%	193	–	–	100.0%	193	–	–
	100.0%	–	–	–	100.0%	–	–	–
	100.0%	215	–	–	100.0%	215	–	–
	100.0%	176	–	–	100.0%	176	–	–
	100.0%	40	–	–	100.0%	40	–	–
	100.0%	798	–	–	100.0%	798	–	–
	100.0%	90	–	–	100.0%	90	–	–
	100.0%	–	–	–	0.0%	–	–	–
	100.0%	–	64	–	100.0%	–	61	–
	100.0%	31	–	–	100.0%	31	–	–
	100.0%	46	–	–	0.0%	–	–	–
	100.0%	36	–	–	100.0%	36	–	–
		2 361	69	614		2 333	69	413
		3 762	390	614		3 362	326	413

10. Investment in subsidiaries (continued)

10.2 Transactions with entities in the group

During the year the company and its subsidiaries, in the ordinary course of business, entered into various transactions with other group companies.

The company has several intercompany balances owed by and to subsidiaries in the group as at the end of the year. Loans to subsidiaries with outside shareholders are interest-bearing and are repayable on demand. Loans to wholly-owned subsidiaries are interest free and repayable on demand. These inter-Santam group balances have been eliminated on consolidation (for detail on balances, refer to table above).

During the prior year Santam renewed a contingent capital facility with Centriq Insurance Company Ltd of R50 million, at an annual facility fee of 0.5% (excluding value added tax) of the contingent capital facility. The capital facility ensured appropriate economic capital levels for the prudential management of the entity. The agreement was in place until 18 December 2023 and was not renewed.

The following is a summary of transactions and balances with subsidiaries:

	COMPANY	
	2023 R million	2022 R million
a) Insurance contracts and other services		
– Centriq Insurance Holdings (Pty) Ltd		
Insurance premiums	**90**	126
Insurance claims paid	**(44)**	(95)
– MiWay Group Holdings Ltd		
Insurance premiums	**2 906**	2 765
Insurance claims paid	**(1 643)**	(1 714)
– Santam Namibia Ltd		
Insurance premiums	**83**	69
Reinsurance claims recovered	**–**	4
Insurance claims paid	**(23)**	(36)
Reinsurance services	**1**	1
– Subsidiaries		
Administration services rendered	**50**	51
Administration services received	**(327)**	(258)
Brokerage commission	**(1 209)**	(1 088)
b) Year-end balances with related parties		
Emthunzini Black Economic Empowerment staff trust	**–**	1

For loans with subsidiaries, refer to table in note 10.1.

11. Non-controlling interest in subsidiaries

The following table summarises the information relating to the group's subsidiaries that have material non-controlling interests (NCIs), before any intragroup eliminations.

		GROUP	
	Principle place of business	2023 R million	2022 R million
Santam Namibia Ltd	Namibia	**485**	455
Santam Structured Reinsurance Ltd PCC	Mauritius	**208**	175
Other	RSA	**21**	40
Total		**714**	670

11. Non-controlling interest in subsidiaries (continued)

	Santam Namibia Ltd 2023 R million	Santam Namibia Ltd Restated[1] 2022 R million
Ownership and voting right	**40.0%**	40.0%
Target share interest	**37.4%**	37.4%
Current assets	**363**	350
Non-current assets	**673**	608
Current liabilities	**627**	594
Non-current liabilities	**11**	14
Net assets	**398**	350
Carrying amount of NCI	**485**	455
Target shares	**329**	314
Ordinary shareholders	**156**	141
Revenue	**1 088**	1 021
Profit after tax	**131**	67
Total comprehensive income	**131**	67
Profit allocated to NCI	**101**	52
Cash flows from operating activities	**191**	114
Cash flows from investing activities	**(82)**	(52)
Cash flows from financing activities, before dividends to NCI	**(23)**	(18)
Cash flows from financing activities, cash dividends to NCI	**(62)**	(44)
Net increase in cash and cash equivalents	**24**	–

Santam Structured Reinsurance Ltd PCC

	Attributable to NCI		Attributable to shareholders of the group	
	2023 R million	Restated[1] 2022 R million	2023 R million	Restated[1] 2022 R million
Current assets	**383**	285	**2 976**	3 008
Non-current assets	**17**	5	**2**	3
Current liabilities	**191**	172	**738**	890
Non-current liabilities	**–**	–	**1 095**	1 046
Net assets	**209**	118	**1 145**	1 075
Carrying amount of NCI	**209**	118	**1 145**	1 075
Revenue	**187**	195	**925**	689
Profit after tax	**(3)**	(18)	**204**	82
Total comprehensive income	**(3)**	(18)	**204**	82
Profit allocated to NCI	**(3)**	(18)	**204**	82
Cash flows from operating activities	**38**	23	**189**	(72)
Cash flows from investing activities	**21**	(17)	**24**	162
Cash flows from financing activities, before dividends to NCI	**30**	12	**(59)**	(142)
Cash flows from financing activities, cash dividends to NCI	**–**	(36)	**(158)**	–
Net increase/(decrease) in cash and cash equivalents	**89**	(18)	**(4)**	(52)

[1] Comparative information was restated for the initial application of IFRS 17, refer to note 1 for additional information.

Notes to the annual financial statements

11. Non-controlling interest in subsidiaries (continued)

Santam set up a wholly-owned subsidiary, Santam Namibia Holdings (Pty) Ltd (Namibian HoldCo), in December 2013. Namibian HoldCo purchased the 60% of the issued ordinary shares of Santam Namibia Ltd (Santam Namibia) that was held by Santam Ltd. Sanlam subscribed for target shares to the value of R277 million in Santam Namibia HoldCo linked to a 37.4% participatory interest in Santam Namibia. The target shares issued to Sanlam are also disclosed as part of non-controlling interest. Santam Ltd's effective participation in Santam Namibia is therefore 22.6%. However, Santam Ltd retains control over Santam Namibia by way of a service level agreement and representation on board committees, the duration of which is under the control of Santam Ltd.

Accounting policy – Non-controlling interest

The group recognises any NCI in an acquiree on an acquisition-by-acquisition basis, either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Accounting policy – Cell equity

The group offers cell captive facilities to clients where the group has sole discretion on the payment of dividends and redemption of the cell share capital. As the group has an unconditional right to avoid payment of remaining capital and accrued profits in the cell, the cell owners interest is classified as equity as non-controlling interest. Unlike other third-party cell captives, the insurance company does not reinsure business to the cell shareholder, and the cell shareholder participates in the operating results of the cell as an attribution of profit.

12. Investment in associates and joint ventures

	GROUP	
	2023 R million	2022 R million
At the beginning of the year	**467**	2 284
Acquisitions	**–**	2
Share of results after tax – continuing operations	**81**	68
Share of results before tax	**110**	108
Share of tax	**(29)**	(40)
Share of results after tax – discontinued operations	**–**	(14)
Share of results before tax	**–**	(24)
Share of tax	**–**	10
Dividends received from associates and joint ventures	**(5)**	(6)
Disposals	**(1)**	(34)
Reclassification to non-current assets held for sale	**–**	(1 768)
Share of associates other reserves	**–**	(65)
Foreign currency translation	**–**	(57)
Share of associates' movements in other reserves	**–**	(8)
At the end of the year	**542**	467

Current year disposals reflects a deemed disposal on Vulindlela Underwriting Managers (Pty) Ltd. In October 2023, the Santam group acquired the remaining 53% in Vulindlela Underwriting Managers (Pty) Ltd for R14 million in cash, in addition to contingent payments estimated at R10 million. As a result of this transaction, the Santam group now effectively owns 100% shareholding in Vulindlela Underwriting Managers (Pty) Ltd, and it is reported as an investment in subsidiary. Refer to notes 10.1 and 14 for more detail.

Prior year disposals reflects a deemed disposal on Indwe Broker Holdings Group (Pty) Ltd. In May 2022, the Santam group acquired the remaining 76% shareholding in Indwe Broker Holdings Group (Pty) Ltd for R125 million in cash. As a result of this transaction, the Santam group now effectively owns 100% shareholding in Indwe Broker Holdings Group (Pty) Ltd, and it is reported as an investment in subsidiary. Refer to notes 10.1 and 14 for more detail.

On 4 May 2022, Santam announced that it entered into an agreement with Allianz, in terms of which Santam will dispose of its 10% interest in SAN JV to Allianz. All the conditions precedent to the transaction were fulfilled with a legal effective date of 4 September 2023. Disposal proceeds of EUR126.4 million (R2.6 billion) in relation to the transaction were received on the effective date. Refer to note 14 for more detail.

Notes to the annual financial statements

12. Investment in associates and joint ventures (continued)

The Santam group purchased additional shares in Ctrl Investment Holdings (Pty) Ltd, effective 1 June 2022 for R2 million in cash, increasing the effective holding from 20.41% to 21.97%. The investment continues to be accounted for as an investment in associate.

Management performed an impairment review on all investments in associates and joint ventures. No impairments were required in the current or prior year.

	COMPANY	
	2023 R million	2022 R million
At the beginning of the year	–	2 034
Transfer to non-current assets held for sale[1]	–	(2 034)
At the end of the year	–	–

[1] Please refer to note 12.3 for details on the transfer of the investment in SAN JV to non-current assets held for sale.

Accounting policy – Equity-accounted investments

The group's interest in equity-accounted investments comprises interests in associates and joint ventures. Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Joint ventures are entities over which the group has joint control with other investors. Investments in associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates and joint ventures includes goodwill identified on acquisition (see note 13).

If the ownership interest in an equity-accounted investee is reduced, but significant influence or joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of its equity-accounted investees' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The group's share of other post-acquisition movements in equity reserves (other than those related to dividends) is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an equity-accounted investee equals or exceeds its interest in the equity-accounted investee, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the equity-accounted investee.

On consolidation exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

The group determines at each reporting date whether there is any objective evidence that the investment in associates and joint ventures is impaired. If this is the case, the group calculates the amount of the impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and recognises the amount adjacent to share of profit or loss of associates and joint ventures in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the group and its associates and joint ventures are recognised in the group's financial statements only to the extent of unrelated investors' interests in the associates and joint ventures. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates and joint ventures are recognised in the statement of comprehensive income.

Equity accounting is discontinued when the group no longer has significant influence or joint control over the investment.

The company accounts for its investment in associates and joint ventures at cost less provision for impairment.

12. Investment in associates and joint ventures (continued)

The aggregate assets, liabilities, revenues and profits/(losses) of the principal associates and joint ventures, all of which are unlisted, were as follows:

	Western National Insurance Ltd (associate)[1] R million	Other (associate)[2] R million	Total R million
2023			
Revenue	1 974	26	2 000
Depreciation and amortisation	–	1	1
Interest income	115	2	117
Interest expense	–	1	1
Income tax expense	(72)	(1)	(73)
Profit/(loss) from continuing operations	194	(12)	182
Total comprehensive income/(loss)	194	(12)	182
Current assets	433	15	448
Non-current assets	1 160	7	1 167
Current liabilities	(333)	(4)	(337)
Non-current liabilities	(2)	(22)	(24)
Non-controlling interest	–	–	–
Net asset value (after NCI)	1 258	(4)	1 254
Carrying value[3]	542	–	542

1 Western National Insurance has a financial year-end of 28 February. The information included in the summary is based on the management accounts for the 12 months ended 31 August 2023 (2022: 12 months ended 31 August 2022).

2 In October 2023, the Santam group acquired the remaining 53% in Vulindlela Underwriting Managers (Pty) Ltd for R14 million in cash, in addition to contingent payments estimated at R10 million. As a result of this transaction, the Santam group now effectively owns 100% shareholding in Vulindlela Underwriting Managers (Pty) Ltd, and it is reported as an investment in subsidiary. Refer to notes 10.1 and 14 for more detail. The information included in the summary is based on the management accounts for the ten months ended 31 October 2023.

3 No intangible assets are recognised in the carrying value of investments in associates and joint ventures.

Notes to the annual financial statements

12. Investment in associates and joint ventures (continued)

	Indwe Broker Holdings Group (Pty) Ltd (joint venture)[3] R million	SAN JV (RF) (Pty) Ltd (associate)[4] R million	Western National Insurance Ltd[1] (associate) R million	Other (associates)[2] R million	Total R million
2022					
Revenue	280	1 737	1 678	34	3 729
Depreciation and amortisation	3	375	–	1	378
Interest income	5	64	67	1	136
Interest expense	–	1	–	1	1
Income tax expense	(7)	67	(68)	(3)	(11)
Profit/(loss) from continuing operations	9	(204)	178	(5)	(22)
Total comprehensive income/(loss)	9	(1 236)	178	(5)	(1 054)
Current assets	–	–	359	18	377
Non-current assets	–	–	1 028	12	1 040
Current liabilities	–	–	(325)	(5)	(330)
Non-current liabilities	–	–	–	(22)	(22)
Net asset value (after NCI)	–	–	1 062	3	1 065
Carrying value[5]	–	–	462	5	467

1 Western National Insurance has a financial year-end of 28 February. The information included in the summary is based on the management accounts for the 12 months ended 31 August 2023 (2022: 12 months ended 31 August 2022).

2 In October 2023, the Santam group acquired the remaining 53% in Vulindlela Underwriting Managers (Pty) Ltd for R14 million in cash, in addition to contingent payments estimated at R10 million. As a result of this transaction, the Santam group now effectively owns 100% shareholding in Vulindlela Underwriting Managers (Pty) Ltd, and it is reported as an investment in subsidiary. Refer to notes 10.1 and 14 for more detail. The information included in the summary is based on the management accounts for the ten months ended 31 October 2023.

3 In May 2022, the Santam group acquired the remaining 76% shareholding in Indwe Broker Holdings Group (Pty) Ltd for R125 million in cash. As a result of this transaction, the Santam group now effectively owns 100% shareholding in Indwe Broker Holdings Group (Pty) Ltd, and it is reported as an investment in subsidiary. Refer note 14 for more detail. The information included in the summary is based on the management accounts for the five months ended 31 May 2022.

4 Transferred to non-current assets held for sale from 30 June 2022. The information included in the summary is thus for the six months ended 30 June 2022 restated for the initial application of IFRS 17. Refer note 14 for more detail.

5 No intangible assets are recognised in the carrying value of investments in associates and joint ventures.

Notes to the annual financial statements

12. Investment in associates and joint ventures (continued)

12.1 Analysis of investments in associates and joint ventures

Investment in associates and joint ventures

Unlisted companies

	Nature of business	Country of incorporation	Issued capital R
Direct			
South African Nuclear Pool Administrators (Pty) Ltd	Insurance	RSA	120
Indirect			
STRIDE South Africa (RF) (Pty) Ltd	IT company	RSA	25 140 000
Ctrl Investment Holdings (Pty) Ltd[1]	IT company	RSA	15 172 451
Vulindlela Underwriting Managers (Pty) Ltd[2]	Underwriting	RSA	800
Western National Insurance Ltd	Insurance	RSA	165 000 000
Total investments in associates and joint ventures			

1 The Santam group purchased additional shares in Ctrl Investment Holdings (Pty) Ltd, effective 1 June 2022 for R2 million in cash, increasing the effective holding from 20.41% to 21.97%. The investment continues to be accounted for as an investment in associate.

2 The Santam group acquired the remaining 53% in Vulindlela Underwriting Managers (Pty) Ltd for R14 million in cash, in addition to contingent payments estimated at R10 million. As a result of this transaction, the Santam group now effectively owns 100% shareholding in Vulindlela Underwriting Managers (Pty) Ltd, and it is classified as a subsidiary from November 2023.

Notes to the annual financial statements

Proportion held by the company 2023	Carrying value including equity-accounted earnings R million	Owing by Santam Ltd R million	Owing to Santam Ltd R million	Proportion held by the company 2022	Carrying value including equity-accounted earnings R million	Owing by Santam Ltd R million	Owing to Santam Ltd R million
33.3%	**–**	**–**	**–**	33.3%	–	–	–
	–	**–**	**–**		–	–	–
33.3%	**–**	**–**	**–**	33.3%	–	–	–
22.0%	**–**	**–**	**23**	20.4%	3	–	21
0.0%	**–**	**–**	**–**	47.0%	2	–	–
40.0%	**542**	**4**	**–**	40.0%	462	24	–
	542	**4**	**23**		467	24	21
	542	**4**	**23**		467	24	21

Notes to the annual financial statements

12. Investment in associates and joint ventures (continued)

12.2 Transactions with entities in the group

During the year the company in the ordinary course of business entered into various transactions with associates and joint ventures.

The following is a summary of transactions and balances with associates and joint ventures:

	COMPANY	
	2023 R million	2022 R million
a) Insurance contracts and other services		
– SAN JV (RF) (Pty) Ltd group[1]		
Inward reinsurance contracts	**–**	230
Inward reinsurance claims	**–**	(169)
Inward reinsurance commissions	**–**	(40)
Outward reinsurance contracts	**–**	(48)
Outward reinsurance claims	**–**	33
Outward reinsurance commissions	**–**	9
– other associates and joint ventures		
Inward reinsurance contracts	**235**	181
Inward reinsurance claims	**(160)**	(98)
Inward reinsurance commissions	**(75)**	(78)
Outward reinsurance contracts	**(277)**	(265)
Outward reinsurance claims	**180**	182
Outward reinsurance commissions	**31**	30
Administration services	**(16)**	(48)
Brokerage commission	**–**	(32)

[1] SAN JV (RF) (Pty) Ltd was classified as an associate up until 30 June 2022 when it was reclassified to non-current assets held for sale. Transactions after 30 June 2022 are included in note 27.

	COMPANY	
	2023 R million	2022 R million
b) Year-end balances with related parties		
Western National Insurance Ltd	**(4)**	(24)
Ctrl Investment Holdings (Pty) Ltd	**23**	21

For loans with associates, refer to table in note 12.1.

12.3 Non-current assets held for sale

	GROUP		COMPANY	
	2023 R million	2022 R million	**2023 R million**	2022 R million
SAN JV	**–**	1 768	**–**	2 034
Non-current assets held for sale	**–**	1 768	**–**	2 034

On 4 May 2022, Santam announced that it entered into an agreement with Allianz, in terms of which Santam will dispose of its 10% interest in SAN JV to Allianz. The completion of the sale was subject to various regulatory approvals that were expected to be obtained before the end of 2023. The investment in SAN JV of R1 768 million for group (R2 034 million for company) (previously included in "Investment in associates and joint ventures") had therefore been reclassified as "Non-current assets held for sale" from 30 June 2022.

In accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the asset held for sale was recognised at its carrying value as at 30 June 2022, being lower than the fair value less costs to sell. This was a non-recurring fair value based on the net asset value of the business. It was therefore also recognised within level 3 of the fair value hierarchy. Reserves relating to non-current assets held for sale are disclosed in note 18.1, and were released on disposal.

On 4 September 2023 the regulatory approvals were fulfilled and the disposal became unconditional. The disposal proceeds of EUR126 million were received in cash. Refer to note 14 for detail.

Notes to the annual financial statements

12. Investment in associates and joint ventures (continued)

12.3 Non-current assets held for sale (continued)

Accounting policy – Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if the carrying amount will be recovered principally through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the assets or disposal groups are available for immediate sale in their present condition and management is committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of the classification.

Immediately prior to being classified as held for sale, the carrying amount of the non-current assets or disposal groups is measured in accordance with the applicable IFRS. After classification as held for sale, it is measured at the lower of the carrying amount or fair value less costs to sell. An impairment loss is recognised in profit or loss for any initial and subsequent write-down of the asset and disposal group to fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognised in the statement of comprehensive income to the extent that it is not in excess of the cumulative impairment loss previously recognised.

Non-current assets or disposal groups that are classified as held for sale are not depreciated.

12.4 Discontinued operations

Financial information relating to the discontinued operations for the year is set out below.

	GROUP		COMPANY	
	2023 R million	2022 R million	2023 R million	2022 R million
Profit on sale of investment in SAN JV	**864**	–	**598**	–
Release of foreign currency translation and other non-distributable reserves on sale of investment	**(37)**	–	**–**	–
Release of hedging reserve on sale of investment	**(122)**	–	**(122)**	–
Loss from associate	**–**	(24)	**–**	–
Tax credit on loss from associate	**–**	10	**–**	–
Profit/(loss) from discontinued operations	**705**	(14)	**476**	–
Exchange differences on translation of discontinued operations	**–**	(57)	**–**	–
Hedging reserve movement	**(87)**	–	**–**	–
Hedging reserve release on sale of discontinued operations	**122**	–	**–**	–
Foreign currency translation and other non-distributable reserves released on sale of discontinued operations	**37**	–	**–**	–
Other comprehensive income/(loss) from discontinued operations	**72**	(57)	**–**	–
Total comprehensive income/(loss) from discontinued operations	**777**	(71)	**476**	–

On 4 September 2023 Santam concluded the disposal of its 10% interest in SAN JV to Allianz. Refer to note 14 for detail.

Accounting policy – Discontinued operations

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive income.

Notes to the annual financial statements

13. Intangible assets

	Goodwill R million	Computer software R million	Brand, trademark and trade names R million	Key business relationships R million	Total R million
GROUP					
At 1 January 2022					
Cost	789	707	7	100	1 603
Accumulated impairment/amortisation	(104)	(429)	(7)	(74)	(614)
Net book amount	685	278	–	26	989
Movement for the year ended 31 December 2022					
Acquisitions	–	58	–	–	58
Disposals	–	–	–	(1)	(1)
Amortisation	–	(43)	(6)	(17)	(66)
Impairment	–	(39)	–	–	(39)
Business combinations	66	–	24	42	132
At 31 December 2022					
Cost	855	765	31	140	1 791
Accumulated impairment/amortisation	(104)	(511)	(13)	(90)	(718)
Net book amount	751	254	18	50	1 073
Movement for the year ended 31 December 2023					
Acquisitions	**–**	**82**	**–**	**–**	**82**
Amortisation	**–**	**(44)**	**(8)**	**(25)**	**(77)**
Business combinations	**31**	**42**	**6**	**69**	**148**
At 31 December 2023					
Cost	**886**	**889**	**37**	**209**	**2 021**
Accumulated impairment/amortisation	**(104)**	**(555)**	**(21)**	**(115)**	**(795)**
Net book amount	**782**	**334**	**16**	**94**	**1 226**
COMPANY					
At 1 January 2022					
Cost	76	389	1	30	496
Accumulated impairment/amortisation	–	(159)	(1)	(30)	(190)
Net book amount	76	230	–	–	306
Movement for the year ended 31 December 2022					
Acquisitions	–	39	–	–	39
Amortisation	–	(21)	–	–	(21)
Impairment	–	(39)	–	–	(39)
At 31 December 2022					
Cost	76	428	1	30	535
Accumulated impairment/amortisation	–	(219)	(1)	(30)	(250)
Net book amount	76	209	–	–	285
Movement for the year ended 31 December 2023					
Acquisitions	**–**	**51**	**–**	**–**	**51**
Amortisation	**–**	**(35)**	**–**	**–**	**(35)**
At 31 December 2023					
Cost	**76**	**479**	**1**	**30**	**586**
Accumulated impairment/amortisation	**–**	**(254)**	**(1)**	**(30)**	**(285)**
Net book amount	**76**	**225**	**–**	**–**	**301**

13. Intangible assets (continued)

Computer software

Additional software acquired by the group during the year consists of external software of R7 million (2022: R2 million) and internally developed software of R75 million (2022: R56 million). The internally developed software acquired forms part of a strategic project to develop a new claims management system. Implementation of phase 1 of the project commenced in 2020 and phase 2 in 2021. It is expected that the useful life of the technology will be 10 years from the date the software is ready for use. In 2023 phase 2 of motor business was completed and therefore ready for use.

The impairment of computer software recognised during 2022 relates to the development of IFRS 17 software. It was decided to only use certain components of the software going forward. The full capitalised amount of R39 million was impaired and included in the Conventional insurance reportable segment.

Key business relationships

Key business relationships consist of client lists acquired and key intermediary or other relationships acquired as part of business combinations and capitalised.

The valuation of key intermediary or other relationships is based on discounted cash flow models. Discount rates between 22% and 25% (2022: 22% and 24%) are used as significant input.

Accounting policy – Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures; it represents the excess of the consideration transferred over the group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree at the acquisition date.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs) that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the group at which goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates and joint ventures is included in the carrying amount of investments in associates and joint ventures.

Impairment

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

Impairment tests of goodwill

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

	GROUP	
	2023 R million	2022 R million
Crop	**19**	19
Alternative risk	**16**	16
Brokerage	**176**	145
Policy administration	**49**	49
Engineering	**28**	28
MiWay group	**331**	331
Liability	**87**	87
Accident and health	**76**	76
	782	751

Notes to the annual financial statements

13. Intangible assets (continued)

Impairment tests of goodwill (continued)

All CGUs were tested for impairment. When testing for impairment, the recoverable amount of a CGU, based on the fair value less cost of disposal, is determined using discounted cash flow projections. The input into the fair value measurement is classified as level 3 in terms of the fair value hierarchy. The cash flow projections are based on budgets approved by management. The impairment tests are applied using the following internal processes:

- Comparing original budgets to updated forecasts and aligning projected cash flows when deemed necessary.
- Current changes in operations are assessed to determine whether it will have an impact on the valuation.
- The discount rates applied in the cash flow projections are reassessed.

The nature of goodwill mainly relates to employee skill and industry knowledge. In 2023, goodwill of R31 million was raised in the Brokerage CGU on acquisition of Sentravaal (Pty) Ltd (R6 million) and Vulindlela Underwriting Managers (Pty) Ltd (R25 million). In 2022, goodwill of R66 million was raised in the Brokerage CGU on acquisition of Indwe Broker Holdings Group (Pty) Ltd. Refer to note 14 for details on goodwill.

In accordance with the accounting policy stated above, the group tests annually whether goodwill has suffered any impairment. The recoverable amounts of the most significant CGU have been determined by estimating the future cash flows expected to arise from the CGU and a suitable discount rate to calculate the present value. Management is projecting cash flows over a 10-year period to ensure stable and predictable cashflows are projected into perpetuity. A terminal growth rate of 5% is applied.

Discount rates between 16.5% and 24% (2022: 15.6% and 24%) were applied in the recoverable amount valuation. As discount rates are considered a significant input in the valuation of these entities, a sensitivity analysis was performed on the valuation outcome of the most significant CGU. If discount rates increase by 10% the valuations would decrease on average by 15.0% (2022: 13.4%). Should the discount rates decrease by 10% the valuations would increase on average by 20.0% (2022: 17.7%). These sensitivities and other relevant factors were considered in the overall impairment testing and it was concluded that no impairment would be required.

Accounting policy – Other intangible assets

Computer software

Computer software is recognised at cost less accumulated amortisation and impairment charges. Computer software packages acquired are initially recognised at fair value. Cost associated with maintaining computer software programmes are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, which do not exceed 10 years.

Brands, trademarks and trade names

Separately acquired brands, trademarks and trade names are shown at historical cost. Brands, trademarks and trade names acquired in a business combination are recognised at fair value at the acquisition date. Brands, trademarks and trade names have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of brands, trademarks and trade names over their estimated useful lives of three to five years.

Key business relationships

Key business relationships acquired in a business combination are recognised at fair value at the acquisition date. The key business relationships have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the estimated useful life of three to six years of the key business relationship.

Notes to the annual financial statements

14. Corporate transactions

For the year ended 31 December 2023

Acquisitions

Sentravaal Brokers (Pty) Ltd

In July 2023, the Santam group acquired a 100% shareholding in Sentravaal Brokers (Pty) Ltd for R26.9 million in cash, in addition to contingent payments estimated at R12.9 million. Goodwill relates to synergies expected to be received.

	R million
Details of the assets and liabilities acquired are as follows:	
Intangible assets	32
Cash and cash equivalents	3
Current income tax	(1)
Net asset value acquired	34
Goodwill	6
Future contingent consideration payable	(13)
Purchase consideration paid	27

In2Insure (Pty) Ltd intangible asset

In September 2023, the Santam group purchased intangible assets of In2Insure (Pty) Ltd for R19 million in cash, in addition to contingent payments estimated at R9 million.

	R million
Details of the assets and liabilities acquired are as follows:	
Intangible assets	28
Net asset value acquired	28
Future contingent consideration payable	(9)
Purchase consideration paid	19

Vulindlela Underwriting Managers (Pty) Ltd

In October 2023, the Santam group acquired the remaining 53% in Vulindlela Underwriting Managers (Pty) Ltd for R14 million in cash, in addition to contingent payments estimated at R10 million. As a result of this transaction, the Santam group now effectively owns 100% shareholding in Vulindlela Underwriting Managers (Pty) Ltd, and it was classified as a subsidiary from November 2023. Goodwill relates to synergies expected to be received.

	R million
Details of the assets and liabilities acquired are as follows:	
Intangible assets	15
Property and equipment	1
Cash and cash equivalents	2
Net asset value acquired	18
Goodwill	25
Future contingent consideration payable	(10)
Gain on remeasurement to subsidiary	(19)
Purchase consideration paid	14

IDWork (Pty) Ltd, trading as Kandua

During December 2023, the Santam group purchased the underlying business of IDWork (Pty) Ltd, trading as Kandua for R42 million in cash. Due to the limited time available to perform a purchase price allocation a provisional allocation was recorded based on the IFRS historical cost values. Per IFRS 3 requirements a detailed valuation and allocation will be performed within 12 months of the purchase.

Mirabilis Holdings (Pty) Ltd restructure

During December 2023, the Santam Group restructured it's holding in Mirabilis Holdings (Pty) and Mirabilis Engineering Underwriting Managers (Pty) Ltd. Santam Limited acquired a 100% shareholding in Mirabilis Holdings (Pty) Ltd from Swanvest 120 (Pty) Ltd for R187.2 million, on loan account. On the same day the company disposed of its investment in Mirabilis Engineering Underwriting Managers (Pty) Ltd to Mirabilis Holdings (Pty) Ltd for R228.8 million, settled via shares issued by Mirabilis Holdings (Pty) Ltd to the company. This transaction resulted in a R145 million profit on sale of subsidiary for the company.

14. Corporate transactions (continued)

For the year ended 31 December 2023 (continued)

Disposals

SAN JV (RF) (Pty) Ltd

On 4 May 2022, Santam announced that it entered into an agreement with Allianz, in terms of which Santam will dispose of its 10% interest in SAN JV to Allianz. The completion of the sale was subject to various regulatory approvals. The investment in SAN JV of R1 768 million for group (R2 034 million for company) (previously included in "Investment in associates and joint ventures") was reclassified as "Non-current assets held for sale" from 30 June 2022.

In accordance with IFRS 5: Non-current assets held for sale and discontinued operations, the assets held for sale were recognised at their carrying value as at 30 June 2022, being lower than the fair value less costs to sell. This is a non-recurring fair value based on the net asset value of the business. It is therefore also recognised within level 3 of the fair value hierarchy. Reserves relating to non-current assets held for sale are disclosed in note 18.1, and were released on disposal.

On 4 May 2022, Santam also entered into a 12-month zero-cost collar to the amount of EUR125 million to protect the sale proceeds from the Rand strengthening against the Euro. The structure provides full downside protection below a EUR / ZAR exchange rate of R16.66 and entitles Santam to share in Rand weakness against the Euro up to a cap of R19.16. On 31 December 2022 the structure amounted to a R35 million liability. The collar was designated as a cash flow hedge instrument on 4 May 2022. The impact of this was that foreign currency losses of R35 million recognised on the collar since implementation date were not recognised in the statement of comprehensive income, but were accounted for as a hedging reserve. On expiry, Santam decided not to renew the collar structure and paid a final settlement of R122 million to the counterparty.

On 4 May 2023, upon expiration of the above mentioned zero-cost collar, the transaction with Allianz had not been finalised. The group decided to continue hedging the transaction by entering into a forward exchange contract (FEC) on a notional amount of EUR125 million with cover up to 2 October 2023. The contract rate at expiry on 2 October 2023 would have been R20.58. However, on conclusion of the transaction, the final gain on the FEC was less than R1 million.

On 4 September 2023 the regulatory approvals were fulfilled and the disposal became unconditional. As proceeds for the disposal the group received EUR126 million in cash, as well as a preference share in SAN JV RF (Pty) Ltd, a financial asset valued as a level 3 instrument. The preference share entitles Santam to receive future income upon the sale of two companies that was not within the scope of the Allianz transaction. Upon the disposal of Santam share in SAN JV, the profit on the sale of SAN JV was recognised in profit and loss, together with the release of the cashflow hedging reserve, translation reserve and other non-distributable reserves. Refer to note 18.1.

Profit on the sale of SAN JV	GROUP R million	COMPANY R million
Purchase consideration received in cash	**2 632**	**2 632**
Carrying value of Non-current asset held for sale	**(1 768)**	**(2 034)**
Fair value of preference share received[1]	**–**	**–**
Release of foreign currency translation difference on sale of investment	**(37)**	**–**
Release of hedging reserve on sale of investment	**(122)**	**(122)**
Total profit on the sale of non-current asset held for sale	**705**	**476**

[1] Carrying value less than R1 million.

14. Corporate transactions (continued)

For the year ended 31 December 2022

Acquisitions

Indwe Broker Holdings Group (Pty) Ltd

In May 2022, the group acquired the remaining 76% shareholding in Indwe Broker Holdings Group (Pty) Ltd for R125 million in cash. As a result of this transaction, the Santam group now effectively owns 100% shareholding in Indwe Broker Holdings Group (Pty) Ltd, and it was classified as a subsidiary from May 2022. Goodwill relates to synergies expected to be received.

	R million
Details of the assets and liabilities acquired are as follows:	
Intangible assets	66
Property and equipment	30
Deferred income tax assets	8
Loans and receivables including insurance receivables	36
Current income tax	9
Cash and cash equivalents	156
Deferred income tax liabilities	(17)
Lease liabilities	(30)
Trade and other payables including insurance payables	(159)
Net asset value acquired	99
Goodwill	66
Investment in joint venture	(34)
Gain on remeasurement to subsidiary	(6)
Purchase consideration paid	125

JaSure Financial Services (Pty) Ltd

The Santam group purchased the 49% non-controlling interest effective 1 June 2022 for R6 million in cash. The group now effectively owns 100% shareholding in JaSure Financial Services (Pty) Ltd.

Ctrl Investment Holdings (Pty) Ltd

The Santam group purchased additional shares in Ctrl Investment Holdings (Pty) Ltd, effective 1 June 2022 for R2 million in cash, increasing the effective holding from 20.41% to 21.97%. The investment continues to be accounted for as an investment in associate.

Disposals

SAN JV (RF) (Pty) Ltd

Refer to detail included for transactions for the year ended 31 December 2023.

Notes to the annual financial statements

15. Property and equipment

Property and equipment consists of owned and leased assets that do not meet the definition of investment property.

	Note	GROUP 2023 R million	GROUP 2022 R million	COMPANY 2023 R million	COMPANY 2022 R million
Property and equipment owned		**233**	126	**180**	86
Property and equipment leased (right-of-use asset)	15.1	**644**	514	**430**	370
Total		**877**	640	**610**	456

15.1 Types of property and equipment

	Owner-occupied properties R million	Computer equipment R million	Furniture, equipment and other assets R million	Total R million
GROUP				
At 1 January 2022				
Cost or valuation	1 064	339	228	1 631
Accumulated depreciation	(460)	(302)	(167)	(929)
Net book amount	604	37	61	702
Movement for the year ended 31 December 2022				
Additions	70	70	17	157
Owned assets	–	70	8	78
Leased assets	70	–	9	79
Business combinations	24	1	5	30
Owned assets	–	1	5	6
Leased assets	24	–	–	24
Disposals	(34)	–	(1)	(35)
Owned assets	–	–	(1)	(1)
Leased assets	(34)	–	–	(34)
Depreciation charge	(134)	(52)	(28)	(214)
Owned assets	–	(52)	(13)	(65)
Leased assets	(134)	–	(15)	(149)
At 31 December 2022				
Cost or valuation	1 091	374	245	1 710
Accumulated depreciation	(561)	(318)	(191)	(1 070)
Net book amount	530	56	54	640
Movement for the year ended 31 December 2023				
Additions	**279**	**57**	**148**	**484**
Owned assets	**–**	**57**	**132**	**189**
Leased assets	**279**	**–**	**16**	**295**
Business combinations	**1**	**–**	**–**	**1**
Owned assets	**1**	**–**	**–**	**1**
Depreciation charge	**(149)**	**(62)**	**(37)**	**(248)**
Owned assets	**–**	**(62)**	**(20)**	**(82)**
Leased assets	**(149)**	**–**	**(17)**	**(166)**
At 31 December 2023				
Cost or valuation	**1 371**	**431**	**393**	**2 195**
Accumulated depreciation	**(710)**	**(380)**	**(228)**	**(1 318)**
Net book amount	**661**	**51**	**165**	**877**

Notes to the annual financial statements

15. Property and equipment (continued)

15.1 Types of property and equipment (continued)

	Owner-occupied properties R million	Computer equipment R million	Furniture, equipment and other assets R million	Total R million
COMPANY				
At 1 January 2022				
Cost or valuation	756	236	128	1 120
Accumulated depreciation	(323)	(189)	(91)	(603)
Net book amount	433	47	37	517
Movement for the year ended 31 December 2022				
Additions	37	62	9	108
Owned assets	–	62	2	64
Leased assets	37	–	7	44
Disposals	(28)	–	–	(28)
Leased assets	(28)	–	–	(28)
Depreciation charge	(84)	(36)	(21)	(141)
Owned assets	–	(36)	(7)	(43)
Leased assets	(84)	–	(14)	(98)
At 31 December 2022				
Cost or valuation	744	266	137	1 147
Accumulated depreciation	(386)	(193)	(112)	(691)
Net book amount	358	73	25	456
Movement for the year ended 31 December 2023				
Additions	**159**	**37**	**129**	**325**
Owned assets	**–**	**37**	**114**	**151**
Leased assets	**159**	**–**	**15**	**174**
Depreciation charge	**(98)**	**(45)**	**(28)**	**(171)**
Owned assets	**–**	**(45)**	**(12)**	**(57)**
Leased assets	**(98)**	**–**	**(16)**	**(114)**
At 31 December 2023				
Cost or valuation	**903**	**303**	**266**	**1 472**
Accumulated depreciation	**(484)**	**(238)**	**(140)**	**(862)**
Net book amount	**419**	**65**	**126**	**610**

The Santam group concluded an eight year lease agreement in Parktown Johannesburg. The lease commenced in October 2023, after construction was completed. It optimised and consolidated two previous leases of the Santam group in the approximate vicinity.

Depreciation expense has been included in expenses for marketing and administration in the statement of comprehensive income (refer to note 20.2).

15. Property and equipment (continued)

15.1 Types of property and equipment (continued)

Accounting policy – Property and equipment

a) Property

All owner-occupied buildings are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the building. Land is not depreciated. Buildings are depreciated on a straight-line basis to allocate the cost over the estimated useful life (50 years) of the building. The residual values and useful lives of buildings are reviewed at each statement of financial position date and adjusted accordingly.

b) Equipment

Equipment is stated at cost less accumulated depreciation and impairment charges. Depreciation is calculated on the difference between the cost and residual value of the asset and is charged to the statement of comprehensive income over the estimated useful life of each significant part of an item of equipment, using the straight-line basis.

Estimated useful lives are as follows:

Computer equipment	3 years
Furniture and equipment	3 – 6 years
Motor vehicles	Up to 5 years

The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are included in profit or loss before tax.

Repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits from the existing asset will flow to the group.

Accounting policy – Leases

Agreements where the counterparty retains control of the underlying asset are classified as leases. The group leases various offices, motor vehicles and office equipment.

Leases other than short term leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest, the incremental borrowing rate, on the remaining balance of the liability for each period. The right-of-use asset is subsequently depreciated using the straight-line method over the earlier of the useful life of the underlying asset or the period of the lease term. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Short term leases with a term shorter than 12 months are accounted for as operating leases.

Offices consist mainly of head office buildings and branches. Rental contracts are typically made for fixed periods of three to eight years but may have extension options that exist. Head office buildings are typically leased for longer periods than branches and are the main contributor to the carrying value of the right-of-use asset. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Periods covered by an option to extend the lease are included if the group is reasonably certain to exercise that option taking into account, among others, the remaining term of the original lease, refurbishments, changing technology and cost-saving initiatives. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Vehicles consist of a fleet of vehicles that the group leases for use by various field agents including assessors. The terms of these leases are typically between three and five years. Lease extensions are not considered in the valuation of these leases, as the group does not expect to extend leases on motor vehicles as they are generally replaced with a new lease.

Assets and liabilities arising from a lease are initially measured on a discounted value basis. Right-of-use asset comprise of:

- the amount of the initial measurement of the lease liability, as described in note 7;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the lessee.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment.

Notes to the annual financial statements

16. Share capital

	Group and company ordinary shares		Group treasury shares	
	Number of shares (thousands)	Stated capital R million	Number of shares (thousands)	Stated capital R million
At 1 January 2022	115 131	103	4 971	570
Purchase of treasury shares	–	–	934	237
Reissue of treasury shares	–	–	(371)	(94)
At 31 December 2022	115 131	103	5 534	713
Purchase of treasury shares	**–**	**–**	**782**	**221**
Reissue of treasury shares	**–**	**–**	**(491)**	**(89)**
At 31 December 2023	**115 131**	**103**	**5 825**	**845**

The total authorised number of ordinary shares is 150 million shares of no par value and 12 million non-redeemable, non-participating, non-cumulative no par value preference shares. All issued shares are fully paid. Subject to the restrictions imposed by the Companies Act, the authorised and unissued shares are under the control of the directors until the forthcoming annual general meeting.

In 2007, Guardian National Insurance Company Limited ("GNI"), acquired 6 972 940 Santam shares through a voluntary share buy-back offer on 20 April 2007 at R102 per share. During 2023, GNI acquired an additional 774 837 (2022: 900 000) shares to utilise as part of the deferred share plan (DSP), while 487 197 (2022: 362 819) shares were reissued in terms of the DSP. In 2023, 7 006 (2022: 33 765) shares were also acquired by Santam Structured Insurance Ltd. The net amount of these transactions has been deducted from shareholders' equity. The shares are held as treasury shares.

Since the unwinding of the Central Plaza structure in 2015, the Emthunzini BBBEE staff trust is under the control of Santam Ltd. During 2023, the staff trust distributed 3 779 (2022: 7 171) shares.

Accounting policy – share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the company's equity holders net of any directly attributable incremental transaction costs and the related income tax effects.

Where such shares are subsequently reissued for no consideration to employees under long-term incentive schemes, the cost of these shares when acquired as treasury shares is transferred from treasury shares to distributable reserves.

16.1 Directors' and prescribed officers' interest in the shares of the company

At 31 December 2023, the directors of the company held direct and indirect interests, including family interests, in 96 249 of the company's issued ordinary shares (2022: 61 215). Details of shares held per individual director are listed below. A total of 124 511 (2022: 105 343) deferred shares are allocated to directors in terms of the company's employee share schemes. No material changes occurred between the reporting date and the date of approval of the financial statements.

	Direct		Indirect		
2023	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Total
Executive directors and prescribed officers					
TC Madzinga	**36 305**	**–**	**–**	**–**	**36 305**
ML Olivier	**53 644**	**–**	**–**	**–**	**53 644**
Non-executive directors					
MP Fandeso	**1 196**	**–**	**–**	**–**	**1 196**
JJ Ngulube	**5 104**	**–**	**–**	**–**	**5 104**
	96 249	**–**	**–**	**–**	**96 249**
2022					
Executive directors and prescribed officers					
TC Madzinga	26 633	–	–	–	26 633
HD Nel[1]	28 282	–	–	–	28 282
Non-executive directors					
MP Fandeso	1 196	–	–	–	1 196
JJ Ngulube	5 104	–	–	–	5 104
	61 215	–	–	–	61 215

[1] At 31 December 2022, 10 905 Santam shares with a market value of R2.8 million were pledged as security for a loan of R1 million with Sanlam Private Wealth (Pty) Ltd.

Notes to the annual financial statements

17. Share incentive schemes

(i) Deferred share plan (DSP) and performance deferred share plan (PDSP)

Deferred share plan (DSP)

Awards granted under the DSP are conditional rights to acquire shares for no consideration subject to vesting conditions being satisfied. The vesting conditions are that the individual remains employed by the group throughout the vesting period and maintains agreed individual performance hurdles.

All share awards are subject to the following measurement of performance conditions:

- 40% of the award to be measured after three years since the date of grant, and to the extent that the performance hurdle is not achieved the entitlement to the DSP shares will lapse.
- 30% of the award to be measured after four years since the date of grant, and to the extent that the performance hurdle is not achieved, the entitlement to the DSP shares will lapse.
- 30% of the award to be measured after five years since the date of grant, and to the extent that the performance hurdle is not achieved the entitlement to the DSP shares will lapse.

The award granted under the DSP is not subject to the satisfaction of the group performance conditions but does require meeting individually contracted performance hurdles. Typically, the award granted under the DSP has a face value of up to 70% (2022: 70%) of total guaranteed package (TGP). To the extent that this percentage falls, whether through vesting or due to a promotion or salary increase, an additional award may be granted on an annual basis to maintain the level of participation under the DSP.

Executive committee DSP performance conditions

The short-term Individual financial and strategic performance conditions are aligned to the long-term strategic focus areas of the group. Individual key performance indicators (KPI's) scores, which include both strategic and financial indicators, measured over a rolling five year period will be used as basis to assess performance achievement by an Exco member. From 2022 no further DSP allocations were made to exco members, only PDSP.

Performance deferred share plan (PDSP)

Up to 2021, to the extent that the face value of awards granted under the DSP does not satisfy the specified multiple of TGP to be granted as long-term incentive (LTI) awards, the individual will be granted an award under the PDSP. From 2022 only PDSP allocations were made to exco members and senior managers. Awards granted under the PDSP are conditional rights to acquire Santam shares for no consideration, subject to various vesting conditions being satisfied.

In addition to the individual remaining employed by the group throughout the measurement period and maintaining agreed individual performance hurdles, the vesting of a Santam PDSP awards before 2020 is also subject to the condition that the Santam group's return on capital (ROC) exceeds its cost of capital for the relevant measurement period, as finally determined by the directors.

PDSP awards from 2020 onwards will be subject to a return on capital (ROC) hurdle with a sliding scale applied between 16% (threshold) and 24% (stretched).

The use of relevant performance conditions is considered appropriate as these are the key drivers of the Santam group's strategy. The use of these measures creates a direct link between the LTI reward, group strategy and shareholders' interests.

This arrangement is aimed at encouraging performance that will result in targets being met earlier within the agreed performance measurement period. To the extent that the value of performance awards falls below the specified multiple of TGP, whether through vesting or due to a promotion or salary increase, an additional award may be granted on an annual basis to maintain the level of performance awards and encourage ongoing long-term performance.

Prior to 2019, Santam granted executive committee members awards under the Sanlam DSP and Sanlam PDSP. As a result executive committee members have unvested awards under the Sanlam DSP and PDSP. For Sanlam PDSP awards (awarded up to 2018), in addition to continued employment by the group throughout the measurement period and maintaining agreed individual performance hurdles, the vesting of the PDSP is also subject to the condition that the Sanlam Group's return on group embedded value (RoGEV) exceeds the cost of capital for the measurement period by an agreed margin.

Allocations were made as follows during the year:

	Number of participants		Number of shares	
	2023	2022	**2023**	2022
Allocations in respect of:				
Santam DSP	**307**	320	**358 901**	292 536
Santam PDSP	**60**	51	**371 935**	275 423
			730 836	567 959

17. Share incentive schemes (continued)

(i) Deferred share plan (DSP) and performance deferred share plan (PDSP) (continued)

The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R190 million (2022: R165 million) and is expensed in the statement of comprehensive income over the vesting period of five years. The fair value is based on the Santam share price on grant date, adjusted for dividends not accruing to participants during the vesting period and the probability that the service and performance conditions will be met in part.

2022	Date awarded	Latest irreversible date	Grant price	Number of shares
The following shares were awarded and the delivery thereof deferred to a predetermined future date.	23 March 2022	31 May 2023	R259.45	1 508
	1 June 2018	31 May 2023	R309.84	66 534
	23 March 2022	31 May 2023	R259.45	3 291
	1 June 2019	31 May 2024	R286.92	169 245
	23 March 2022	31 May 2024	R259.45	7 156
	1 June 2020	31 May 2025	R241.07	343 960
	23 March 2022	31 May 2025	R259.45	8 249
	1 June 2021	31 May 2026	R242.98	365 458
	23 March 2022	31 May 2026	R259.45	9 270
	1 June 2022	31 May 2027	R292.32	514 704
				1 489 375

Movements during the period	Average price	Number of shares
As at 1 January 2022	R256.89	1 330 748
Shares awarded in 2022	R292.32	538 415
Shares awarded in lieu of special dividend	R259.45	29 544
Awarded shares lapsed due to resignations	R248.28	(116 040)
Shares issued	R259.99	(293 292)
As at 31 December 2022	R267.90	1 489 375

2023	Date awarded	Latest irreversible date	Grant price	Number of shares
The following shares were awarded and the delivery thereof deferred to a predetermined future date.	1 June 2019	31 May 2024	R286.92	**71 589**
	23 March 2022	31 May 2024	R259.45	**1 516**
	4 September 2023	31 May 2024	R252.62	**4 629**
	1 June 2020	31 May 2025	R241.07	**188 575**
	23 March 2022	31 May 2025	R259.45	**3 624**
	4 September 2023	31 May 2025	R252.62	**11 072**
	1 June 2021	31 May 2026	R242.98	**332 877**
	23 March 2022	31 May 2026	R259.45	**7 363**
	4 September 2023	31 May 2026	R252.62	**21 585**
	1 June 2022	31 May 2027	R292.32	**460 091**
	4 September 2023	31 May 2027	R252.62	**29 173**
	1 June 2023	31 May 2028	R260.50	**558 123**
	4 September 2023	31 May 2028	R252.62	**35 395**
				1 725 612

Movements during the period	Average price	Number of shares
As at 1 January 2023	R267.90	**1 489 375**
Shares awarded in 2023	R260.50	**628 982**
Shares awarded in lieu of special dividend	R252.62	**101 854**
Awarded options lapsed due to resignations	R245.85	**(147 338)**
Awarded options lapsed due to transfers	R245.85	**(21 456)**
Shares issued	R250.15	**(325 805)**
As at 31 December 2023	R246.09	**1 725 612**

Notes to the annual financial statements

17. Share incentive schemes (continued)

(i) Deferred share plan (DSP) and performance deferred share plan (PDSP) (continued)

Accounting policy – Deferred share plans

In terms of the DSP and PDSP, Santam undertakes to deliver a fixed number of shares to selected employees on predetermined dates in the future, in accordance with the terms and conditions of the plans detailed above.

The fair value of equity instruments granted is measured on grant date using an appropriate valuation model, which takes into account the market price on grant date, the fact that employees will not be entitled to dividends until the shares vest, as well as an assumption on the actual percentage of shares that will be delivered. The fair value on grant date is recognised in the statement of comprehensive income on a straight-line basis over the vesting period of the equity instruments, adjusted to reflect actual levels of vesting, with a corresponding increase in equity.

(ii) The Emthunzini Black Economic Empowerment staff trust (the staff trust)

The staff trust is one of three components of a structured entity which hosted the Santam BBBEE scheme that unwound during 2015. Refer to note 16 for further information on the structured entity. Units were allocated to new black employees that joined the Santam group and to black employees that were promoted since the previous allocation. These units were allocated on a deferred delivery basis over a seven-year period. The fair value used in determining the allocation was based on the unit price on grant date, adjusted for expected employee attrition over the vesting period. The unit price reflected the number of Santam shares held in the staff trust. During 2018, units were converted into shares using an equivalent fair value rate. Any new awards are made in shares. The total share allocation costs for the staff trust amounting to less than R1 million (2022: R2 million) has been included in the statement of comprehensive income.

2022	Date awarded	Latest irreversible date	Grant price	Number of shares
The following shares were awarded and the delivery thereof deferred to a predetermined future date.	01 September 2016	31 August 2023	R220.00	518
	01 September 2017	31 August 2024	R259.00	1 970
	01 September 2018	31 August 2025	R303.17	3 192
	01 September 2019	31 August 2026	R285.00	4 212
	01 September 2020	31 August 2027	R248.00	1 634
				11 526

Movements during the period	Average price	Number of shares
As at 1 January 2022	R267.76	20 061
Awarded options lapsed due to resignations	R220.00	(1 364)
Shares issued	R199.26	(7 171)
As at 31 December 2022	R276.44	11 526

Notes to the annual financial statements

17. Share incentive schemes (continued)

(ii) The Emthunzini Black Economic Empowerment staff trust (the staff trust) (continued)

2023	Date awarded	Latest irreversible date	Grant price	Number of shares
The following shares were awarded and the delivery thereof deferred to a predetermined future date.	01 September 2017	31 August 2024	R259.00	**985**
	01 September 2018	31 August 2025	R303.17	**1 138**
	01 September 2019	31 August 2026	R285.00	**3 159**
	01 September 2020	31 August 2027	R248.00	**980**
				6 262

Movements during the period	Average price	Number of shares
As at 1 January 2023	R276.44	**11 526**
Awarded options lapsed due to resignations	R303.17	**(1 485)**
Shares issued	R264.45	**(3 779)**
As at 31 December 2023	R277.34	**6 262**

Accounting policy – The Emthunzini Black Economic Empowerment (BEE) Scheme

In terms of the BEE scheme, Central Plaza (a structured entity within the Sanlam Group), undertook to deliver a specified number of units to selected black Santam employees or strategic business partners on predetermined dates in the future. Employees still need to be in the employment of Santam on or by those dates. Vesting occurs based on the contracts with employees or the strategic business partners, but does not exceed a period of seven years.

The Central Plaza structure unwound on 28 February 2015. Unvested and unallocated units relating to black Santam employees were transferred to the staff trust that is controlled by Santam Ltd. The staff trust is consolidated. All units relating to strategic business partners were settled as part of the unwinding process. The fair value of equity instruments granted is measured on grant date using an appropriate valuation model, which takes into account the market price on grant date, the cost of funding, as well as an assumption on the actual percentage of shares that will be delivered. The fair value on grant date is recognised in the statement of comprehensive income on a straight-line basis over the vesting period of the equity instruments, adjusted to reflect actual levels of vesting, with a corresponding increase in equity.

Notes to the annual financial statements

17. Share incentive schemes (continued)

17.1 Santam shares granted under the deferred share plan and performance deferred share plan to executive directors and prescribed officers

The DSP has been implemented during 2007, in terms of which shares are granted to employees on a deferred delivery basis over a five-year period. In addition to the DSP, a PDSP is also in place. Refer to note 17 for details on these plans.

DSP and PDSP – directors' and prescribed officers' participation

2023	As at 31 December 2022	Number of shares awarded during year	Number of shares awarded in lieu of special dividend	Number of shares transferred in/(out) during the year	Number of shares vested during year[3]	Gain per share on vesting	Date awarded	As at 31 December 2023
Santam shares								
TC Madzinga	44 255	–	–	–	–	–	01/06/22	44 255
	–	–	2 806	–	–	–	04/09/23	2 806
	–	46 123	–	–	–	–	01/06/23	46 123
	–	–	2 925	–	–	–	04/09/23	2 925
	44 255	46 123	5 731	–	–			96 109
HD Nel[1]	30	–	–	–	(30)	R260.50	23/03/22	–
	855	–	–	–	(855)	R260.50	01/06/18	–
	40	–	–	–	(40)	R260.50	23/03/22	–
	3 116	–	–	(1 558)	(1 558)	R260.50	01/06/19	–
	120	–	–	(36)	(84)	R260.50	23/03/22	–
	22 004	–	–	(3 973)	(8 939)	R260.50	01/06/20	9 092
	510	–	–	(456)	(54)	R260.50	23/03/22	–
	5 533	–	–	(5 533)	–	–	01/06/21	–
	128	–	–	(128)	–	–	23/03/22	–
	9 785	–	–	(9 785)	–	–	01/06/22	–
	–	1 754	–	–	–	–	04/09/23	1 754
	42 121	1 754	–	(21 469)	(11 560)			10 846
ML Olivier[2]	–	–	–	1 692	–	–	01/06/19	1 692
	–	–	107	–	–	–	04/09/23	107
	–	–	–	9 324	–	–	01/06/20	9 324
	–	–	591	–	–	–	04/09/23	591
	–	–	–	3 696	–	–	01/06/21	3 696
	–	–	234	–	–	–	04/09/23	234
	–	–	–	11 997	–	–	23/03/22	11 997
	–	–	761	–	–	–	04/09/23	761
	–	–	1 693	26 709	–			28 402
Total	86 376	47 877	7 424	5 240	(11 560)			135 357

1 HD Nel resigned from Santam Ltd effective 30 June 2023 and 21 416 of his Santam Ltd shares were converted to 149 455 Sanlam Ltd shares at an award price of R53.53 per share.
2 ML Olivier joined Santam Ltd effective 1 January 2023 and all his Sanlam Ltd shares were converted to Santam Ltd shares and transferred in.
3 The 21 469 indicated as transfers for HD Nel included 13 shares that have lapsed.

17. Share incentive schemes (continued)

17.1 Santam shares granted under the deferred share plan and performance deferred share plan to executive directors and prescribed officers (continued)

2022	As at 31 December 2021	Number of shares awarded during year	Number of shares awarded in lieu of special dividend	Number of shares vested during year	Gain per share on vesting	Date awarded	As at 31 December 2022
Santam shares							
L Lambrechts[1]	2 322	–	–	(2 322)	R260.74	01/06/17	–
	–	–	54	–	–	23/03/22	54
	6 412	–	–	(4 425)	R260.74	01/06/18	1 987
	–	–	149	–	–	23/03/22	149
	15 547	–	–	(9 937)	R260.74	01/06/19	5 610
	–	–	360	–	–	23/03/22	360
	17 724	–	–	(7 328)	R260.74	01/06/20	10 396
	–	–	411	–	–	23/03/22	411
	42 005	–	974	(24 012)			18 967
TC Madzinga	–	44 255	–	–	–	01/06/22	44 255
	–	44 255	–	–			44 255
HD Nel	1 307	–	–	(1 307)	R292.32	01/06/17	–
	–	–	30	–	–	23/03/22	30
	1 710	–	–	(855)	R292.32	01/06/18	855
	–	–	40	–	–	23/03/22	40
	5 194	–	–	(2 078)	R292.32	01/06/19	3 116
	–	–	120	–	–	23/03/22	120
	22 004	–	–	–	–	01/06/20	22 004
	–	–	510	–	–	23/03/22	510
	5 533	–	–	–	–	01/06/21	5 533
	–	–	128	–	–	23/03/22	128
	–	9 785	–	–	–	01/06/22	9 785
	35 748	9 785	828	(4 240)			42 121
Total	77 753	54 040	1 802	(28 252)			105 343

[1] Shares were received in position of chief executive officer prior to 1 July 2022 and will vest in due course. No new shares will be awarded.

17.2 Sanlam shares granted under the deferred share plans to executive directors and prescribed officers

As at 31 December 2023 no executive directors or prescribed officers of the Santam group has remaining Sanlam shares issued under the Santam deferred share plans.

Of HD Nel's remaining shares, as disclosed at 31 December 2022, 2 027 shares vested at a gain of R59.68 per share and 470 shares were transferred to the Sanlam Group on 1 July 2023, when he took up the role of Executive Head: Corporate Finance at the Sanlam Group.

2022	As at 31 December 2021	Number of shares vested during year	Gain per share on vesting	Date awarded	As at 31 December 2022
Sanlam shares					
L Lambrechts[1]	5 066	(3 693)	R53.21	01/06/17	1 373
	16 095	(9 036)	R53.21	01/06/18	7 059
	21 161	(12 729)			8 432
HD Nel	644	(644)	R53.25	01/06/16	–
	2 587	(2 079)	R53.25	01/06/17	508
	3 665	(1 676)	R53.25	01/06/18	1 989
	6 896	(4 399)			2 497
Total	28 057	(17 128)			10 929

[1] Shares were received in position of chief executive officer prior to 1 July 2022 and will vest in due course. No new shares will be awarded.

Notes to the annual financial statements

18. Reserves

18.1 Other reserves

	Translation reserve[1] R million	Capital contribution reserve R million	Other non-distributable reserves[1] R million	Hedging reserve R million	Total R million
GROUP					
Balance as at 1 January 2022	28	9	–	–	37
Hedging reserve movement	–	–	–	(35)	(35)
Exchange differences on translation of non-current assets held for sale	(57)	–	–	–	(57)
Share of other non-distributable reserves of non-current assets held for sale	–	–	(8)	–	(8)
Balance as at 31 December 2022	**(29)**	**9**	**(8)**	**(35)**	**(63)**
Hedging reserve movement	**–**	**–**	**–**	**(87)**	**(87)**
Movement in foreign currency translation reserve	**1**	**–**	**–**	**–**	**1**
Release of reserves upon disposal of SAN JV	**29**	**–**	**8**	**122**	**159**
Balance as at 31 December 2023	**1**	**9**	**–**	**–**	**10**
COMPANY					
Balance as at 1 January 2022				–	–
Hedging reserve movement				(35)	(35)
Balance as at 31 December 2022				**(35)**	**(35)**
Hedging reserve movement				**(87)**	**(87)**
Release of reserves upon disposal of SAN JV				**122**	**122**
Balance as at 31 December 2023				**–**	**–**

[1] Related mainly to non-current assets held for sale.

Exchange differences, resulting from the translation of the financial statements of foreign operations with a presentation currency different to that of the group, are taken to the translation reserve on consolidation to form part of equity. On disposal of such a foreign operation, the translation differences are recognised in the statement of comprehensive income as part of the profit or loss on disposal.

The capital contribution reserve reflects the reserves of the Emthunzini BBBEE staff trust that came under control of Santam Ltd as a result of the unwinding of the Central Plaza structure in 2015.

The hedging reserve represents the impact of the foreign currency losses on the zero-cost collar Santam entered into to protect the proceeds of the sale of SAN JV to Allianz from the Rand strengthening against the euro. Refer to note 8 and 14 for more detail.

On 4 September 2023 the company disposed of its investment in SAN JV. Upon disposal, the translation reserve, other non-distributable reserves and the hedging reserve were released through other comprehensive income. Refer to note 14 for more detail.

18.2 Distributable reserves

	GROUP		COMPANY	
	2023 R million	Restated[1] 2022 R million	2023 R million	Restated[1] 2022 R million
Share-based payment reserve				
At the beginning of the year	**1 079**	967	**65**	49
Transfer from retained earnings	**117**	112	**117**	111
Loss on delivery of shares in terms of share scheme	**–**	–	**(78)**	(95)
At the end of the year	**1 196**	1 079	**104**	65
Retained earnings	**10 228**	10 458	**8 532**	9 001
Total distributable reserves	**11 424**	11 537	**8 636**	9 066

[1] Comparative information was restated for the initial application of IFRS 17, refer to note 1 for additional information.

The obligation that flows from an agreement between the entity and another party to enter into a share-based payment transaction, which entitles the other party to receive benefits in terms of the agreement, is recognised as a share-based payment expense in the statement of comprehensive income. A release of this reserve will not be recognised in profit or loss.

18. Reserves (continued)

18.2 Distributable reserves (continued)

Accounting policy – Hedging

The group has elected to apply IFRS 9 for hedge accounting.

When such hedging opportunities are identified, the group documents the relationship between hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction at the inception of the hedging transaction. The group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the hedging instrument that will be used in the hedging transaction is and will continue to be highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the foreign currency value of the hedging instrument that will be designated and qualifies as a cash flow hedge, is recognised in other comprehensive income and accumulates in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within investment income (if applicable). The tax charge on the accumulated foreign currency movements is also recognised in equity.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss. When the highly probable forecast transaction that is hedged results in the recognition of a non-financial asset (for example, the acquisition of an associate) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss when the relating asset is impaired or sold.

When the highly probable forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

19. Provisions for other liabilities

	GROUP		COMPANY	
	2023 R million	2022 R million	2023 R million	2022 R million
At the beginning of the year	**139**	188	**87**	136
Charged to statement of comprehensive income:				
– additional provisions	**110**	66	**67**	48
– reversal of provisions	**(96)**	(21)	**(94)**	(21)
Used during the year	**(12)**	(94)	**–**	(76)
At the end of the year	**141**	139	**60**	87

The balance consists mainly of the cash-settled share-based payment liability in Santam Ltd, the provision for the MiWay deferred bonus plan, key SSI management's 10% economic participation interest in SSI and deferred purchase consideration commitments. Participants to the MiWay deferred bonus scheme can redeem their units at any time following their respective vesting dates. In addition, there is a compulsory redemption upon the completion of the fifth year of issue of the units.

Accounting policy – Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

20. Other revenue and expenses by nature

20.1 Other revenue

	GROUP		COMPANY	
	2023 R million	Restated[1] 2022 R million	2023 R million	2022 R million
Fee income from policy administration	**334**	261	**–**	–
Commission	**130**	126	**119**	115
	464	387	**119**	115

[1] Comparative information was restated for the initial application of IFRS 17, refer to note 1 for additional information.

Notes to the annual financial statements

20. Other revenue and expenses by nature (continued)

20.1 Other revenue (continued)

Accounting policy – Other revenue

Fee income is earned by intermediaries within the group for administration services performed on behalf of insurance companies, in terms of binder agreements. The group also earns administration fees for administration of cell captives on behalf of cell owners. These arrangements contain no significant financing components, revenue is earned at a point in time. The group does not recognise any assets in relation to costs required to fulfil its performance obligations in respect of these arrangements.

Commission is earned by the group in its capacity as an intermediary, and is accounted for in the same manner as fee income.

20.2 Expenses by nature

	GROUP		COMPANY	
	2023 R million	Restated[3] 2022 R million	2023 R million	Restated[3] 2022 R million
Auditor's remuneration	**51**	40	**20**	14
– Current year	**48**	36	**19**	13
– Prior year	**2**	3	**–**	–
– Non-audit services	**1**	1	**1**	1
Claims and benefits	**26 206**	28 403	**19 606**	22 558
Depreciation	**248**	214	**171**	141
Amortisation of intangible assets	**77**	66	**35**	21
Impairment of intangible assets	**–**	39	**–**	39
Employee benefit expense (refer to note 20.3)	**4 395**	3 912	**3 001**	2 756
Operating lease rentals – low value leases[2]	**27**	18	**16**	9
Service level agreement related to computer equipment	**265**	221	**265**	221
Research and development costs	**125**	239	**125**	239
Fees and commissions (acquisition cost)	**5 857**	5 315	**4 576**	4 435
Investment-related activities	**125**	124	**75**	83
Other expenses[1]	**778**	853	**(356)**	(278)
Total expenses	**38 154**	39 444	**27 534**	30 238
Represented by				
Insurance service expense	**37 230**	38 694	**27 185**	29 941
Other operating expenses	**722**	521	**239**	154
Investment management services fees	**125**	124	**75**	83
Amortisation and impairment of intangible assets	**77**	105	**35**	60
Total expenses	**38 154**	39 444	**27 534**	30 238

1 Includes allocation of claims handling costs to claims costs.
2 Refer notes 7 and 15 for the accounting policy on leases.
3 Comparative information was restated for the initial application of IFRS 17, refer to note 1 for additional information.

Accounting policy – Low value leases

Leases relating to low value assets, which consist of office furniture and equipment, are expensed on a straight-line basis.

20.3 Employee benefit expense

	GROUP		COMPANY	
	2023 R million	2022 R million	2023 R million	2022 R million
Wages, salaries and bonus	**3 540**	3 133	**2 351**	2 031
Social security costs	**248**	190	**198**	183
Long-term incentive scheme costs	**169**	132	**130**	111
Pension costs – defined contribution plans	**438**	455	**322**	429
BBBEE cost	**–**	2	**–**	2
	4 395	3 912	**3 001**	2 756

Notes to the annual financial statements

20. Other revenue and expenses by nature (continued)

20.3 Employee benefit expense (continued)

Accounting policy – Employee benefits

a) Pension obligations

The group only has defined contribution pension plans. A defined contribution plan is a pension plan under which the group pays a fixed contribution into a separate entity. The group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans the group pays contributions to publicly and privately administered pension insurance plans on a mandatory basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Long-term incentive and retention bonus plan

Certain employees were paid retention bonuses in terms of the long-term incentive and retention bonus plan. These beneficiaries – including executive directors, executive management, senior and middle management – are subject to retention periods. Should the beneficiary be in breach of the retention period, a certain amount is subject to repayment. The costs associated with the long-term incentive and retention bonus plan are recognised in the statement of comprehensive income over the retention period.

c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to: either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

d) Performance bonus plans

The group recognises a liability and an expense for bonuses based on a formula that takes into consideration the net insurance result after certain adjustments as well as growth targets. The group recognises an accrual where contractually obliged or where there is a past practice that has created a constructive obligation.

e) Leave pay

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the statement of financial position date.

20.3.1 Transactions with key management

Remuneration is paid to key management (executive committee members) of the group.

Key management also have general insurance contracts with the company in their private capacity. Premiums on these contracts are not material.

	COMPANY	
	2023 R million	2022 R million
Key management compensation paid		
Salaries and other short-term employee benefits paid	**86**	95
Sign-on and retention payments paid	**5**	9
Share-based payments and long-term deferred bonus schemes	**45**	21

Notes to the annual financial statements

20. Other revenue and expenses by nature (continued)

20.3 Employee benefit expense (continued)

20.3.2 Transactions with directors and prescribed officers

Remuneration is paid to directors and prescribed officers in the form of fees to non-executive directors and remuneration to executive directors of the company. All directors of Santam Ltd have notified that they did not have a material interest in any contract of significance with the company or any of its subsidiaries, which could have given rise to a conflict of interest during the year.

Certain directors have general insurance contracts with the company in their private capacity. These contracts are not material.

Directors' and prescribed officers' emoluments

The group human resources committee considers the remuneration of all executive directors as well as the fees paid to all non-executive directors. Fees payable to directors are recommended by the board to the annual general meeting for approval. This note reflects the total of executive and non-executive directors' earnings, other benefits and costs incurred by the company, in accordance with the requirement of the Companies Act and Listing Requirements introduced by the JSE Ltd.

	Salary R000	Performance bonus[1] Cash R000	Performance bonus[1] Deferred[5] R000	Other benefits and costs[2, 3, 4] R000	Total R000
Executive directors and prescribed officers					
2023					
Paid by the company					
TC Madzinga	**7 473**	**–**	**9 520**	**350**	**17 343**
HD Nel	**3 840**	**1 294**	**555**	**368**	**6 057**
ML Olivier	**3 765**	**2 894**	**1 240**	**361**	**8 260**
	15 078	**4 188**	**11 315**	**1 079**	**31 660**
2022					
Paid by the company					
L Lambrechts	2 908	2 000	–	175	5 083
TC Madzinga	5 362	5 250	2 250	4 063	16 925
HD Nel	3 521	1 232	528	387	5 668
	11 791	8 482	2 778	4 625	27 676

1 Bonus in respect of 2023 payable in 2024 (2022: bonus in respect of 2022 paid in 2023).
2 Includes retirement funding benefits. During 2023, R350 000 (2022: R262 500) was paid in respect of TC Madzinga, R350 000 (2022: R350 000) was paid in respect of HD Nel and R350 000 (2022: Rnil) was paid in respect of ML Olivier.
3 Adjusted to exclude company costs.
4 Includes a sign-on bonus of R3.8 million on TC Madzinga's appointment in 2022.
5 Deferred into restricted Santam shares (deferred bonus shares).

	Directors' fees 2023 R000	Directors' fees 2022 R000
Non-executive directors		
Paid by the company		
M Chauke[2]	**1 286**	962
CD da Silva	**847**	696
MP Fandeso[2]	**1 855**	1 535
PB Hanratty[1]	**677**	706
DEH Loxton	**1 179**	927
MM Mahlangeni[3]	**649**	–
MLD Marole[4]	**637**	831
NT Moholi	**1 554**	1 305
AM Mukhuba[1]	**615**	763
JJ Ngulube	**573**	506
MJ Reyneke[5]	**–**	427
PE Speckmann[2]	**1 561**	1 544
L Swartz[6]	**324**	–
	11 757	10 202
Total directors' remuneration	**44 106**	37 878

1 Fees were paid to the holding company, Sanlam Ltd.
2 Fees include amounts paid by subsidiaries of the group.
3 Appointed in December 2022.
4 Retired in October 2023.
5 Retired in June 2022.
6 Appointed in June 2023.

Notes to the annual financial statements

21. Income tax expense

	GROUP 2023 R million	GROUP Restated[2] 2022 R million	COMPANY 2023 R million	COMPANY Restated[2] 2022 R million
South African normal taxation				
Current year	**691**	1 356	**2**	436
– charge for the year	**690**	1 354	**–**	436
– other taxes	**1**	2	**2**	–
Prior year under/(overprovision)	**4**	(11)	**24**	(4)
Foreign taxation – current year	**51**	57	**–**	–
Income taxation for the year	**746**	1 402	**26**	432
Deferred taxation				
Current year	**981**	(10)	**553**	42
Deferred taxation for the year	**981**	(10)	**553**	42
Total taxation as per the statement of comprehensive income	**1 727**	1 392	**579**	474
Income tax allocated to cell owners and structured products	**(1 011)**	(743)	**–**	–
Total tax expense attributable to shareholders	**716**	649	**579**	474
Profit before taxation per statement of comprehensive income from continuing and discontinued operations	**5 110**	3 469	**3 702**	2 323
Adjustment for income tax allocated to cell owners and structured products	**(1 011)**	(743)	**–**	–
Total profit before tax attributable to shareholders from continuing and discontinued operations	**4 099**	2 726	**3 702**	2 323

	GROUP 2023	GROUP Restated[2] 2022	COMPANY 2023	COMPANY Restated[2] 2022
Reconciliation of taxation rate (%)				
Normal South African taxation rate	**27.0**	28.0	**27.0**	28.0
Adjusted for				
– Disallowable expenses	**0.3**	0.1	**0.2**	0.1
– Foreign tax differential	**(1.1)**	0.1	**–**	–
– Exempt income[1]	**(1.0)**	(4.0)	**(4.6)**	(9.2)
– Investment results	**(0.5)**	1.3	**(1.6)**	1.6
– (Income)/loss from associates, joint ventures and discontinued operations	**(7.2)**	(0.5)	**(5.7)**	0.1
– Previous year's under/(overprovision)	**0.1**	(0.4)	**0.3**	(0.2)
– Other permanent differences	**(0.2)**	(0.1)	**–**	–
– Other taxes	**0.1**	(0.7)	**–**	–
Net reduction	**(9.5)**	(4.2)	**(11.4)**	(7.6)
Effective rate (%)	**17.5**	23.8	**15.6**	20.4

[1] Exempt income consists mainly of dividends received.
[2] Restated as a result of the adoption of IFRS 17.

Accounting policy – Income tax

The tax expense for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

a) Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company, its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

b) Withholding tax on dividends

Withholding taxes are measured at the amount expected to be paid to the relevant tax authorities in the country from which dividend income originates. The tax rates and tax laws used to compute the amount are those that are enacted when the dividend was declared.

22. Deferred tax

	GROUP 2023 R million	GROUP Restated[1] 2022 R million	COMPANY 2023 R million	COMPANY Restated[1] 2022 R million
The amounts are as follows:				
Deferred tax assets	**162**	139	**–**	–
Deferred tax liabilities	**(1 103)**	(100)	**(571)**	(23)
Total net deferred income tax (liability)/asset	**(941)**	39	**(571)**	(23)
Deferred tax is made up as follows:				
Lease liabilities	**222**	181	**156**	136
Unrealised appreciation of investments	**(417)**	(276)	**(345)**	(262)
Provisions and accruals	**386**	219	**208**	124
IFRS 17 transition[1]	**(1 016)**	49	**(572)**	(6)
Right-of-use assets	**(174)**	(139)	**(116)**	(98)
Tax losses carried forward	**56**	5	**41**	–
Other differences	**2**	–	**57**	83
	(941)	39	**(571)**	(23)
Movement of deferred tax				
Balance as at 1 January	**39**	48	**(23)**	19
Charge to the statement of comprehensive income	**(981)**	(1)	**(553)**	(42)
Lease liabilities	**41**	(27)	**20**	(37)
Unrealised appreciation of investments	**(141)**	39	**(83)**	31
Provisions and accruals	**167**	(65)	**84**	(79)
IFRS 17 transition[1]	**(1 065)**	(6)	**(566)**	(6)
Right-of-use assets	**(35)**	19	**(18)**	38
Tax losses carried forward	**51**	(3)	**41**	–
Other differences	**1**	42	**(31)**	11
Business combinations	**–**	(9)	**–**	–
Tax credited directly to equity	**1**	1	**5**	–
Balance as at 31 December	**(941)**	39	**(571)**	(23)

1 Comparative information was restated for the initial application of IFRS 17. The current legislation results in an increase in the deferred tax liability recognised in respect of the shareholders' fund and policyholders/cell owners' interest of respectively R947 million and R77 million, with a corresponding decrease in tax payable in respect of the 2023 financial year. Refer to note 1 for additional information.

On 23 February 2022, the Minister of Finance announced in his budget speech that the corporate income tax rate will be reduced from 28% to 27%, for companies with years of assessment ending on or after 31 March 2023. The 31 December 2022 deferred tax balances were therefore calculated at 27%.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The group has unrecognised tax losses of R6.3 million (2022: R6.6 million).

Accounting policy – Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle the balances on a net basis.

Notes to the annual financial statements

23. Earnings per share

23.1 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	GROUP	
	2023 R million	Restated[1] 2022 R million
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	**3 250**	1 980
Weighted average number of ordinary shares in issue (millions)	**109.33**	109.61
Earnings per share (cents)	**2 973**	1 806
Continuing operations	**2 328**	1 819
Discontinued operations	**645**	(13)

23.2 Diluted earnings per share

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. In the diluted earnings per share calculation for the shares granted to employees under the deferred share plan, a calculation is done to determine the number of shares that could have been acquired at market price (determined as the average annual share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding shares. This calculation serves to determine the unpurchased shares to be added to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit.

	GROUP	
	2023 R million	Restated[1] 2022 R million
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	**3 250**	1 980
Weighted average number of ordinary shares in issue (millions)	**109.33**	109.61
Adjusted for share options	**0.75**	0.74
Weighted average number of ordinary shares for diluted earnings per share (millions)	**110.08**	110.35
Diluted basic earnings per share (cents)	**2 952**	1 794
Continuing operations	**2 312**	1 807
Discontinued operations	**640**	(13)

[1] Restated as a result of the adoption of IFRS 17.

Notes to the annual financial statements

23. Earnings per share (continued)

23.3 Headline earnings per share

For the calculation of headline earnings per share, the profit attributable to equity holders of the company is adjusted with items excluded from headline earnings per share as listed below, divided by the normal weighted average number of ordinary shares in issue.

	GROUP	
	2023 R million	Restated[1] 2022 R million
Headline earnings per share		
Profit attributable to the company's equity holders	**3 250**	1 980
Adjusted for:		
Profit on disposal of intangible assets	**–**	(15)
Tax on profit on disposal of intangible assets	**–**	4
Profit on disposal of discontinued operations	**(705)**	–
Impairment of intangible assets	**–**	39
Tax on impairment of intangible assets	**–**	(10)
Gain on remeasurement to subsidiary	**(19)**	(6)
Headline earnings	**2 526**	1 992
Weighted average number of ordinary shares in issue (millions)	**109.33**	109.61
Headline earnings per share (cents)	**2 310**	1 817
Continuing operations	**2 310**	1 830
Discontinued operations	**–**	(13)

23.4 Diluted headline earnings per share

Headline earnings (R million)	**2 526**	1 992
Weighted average number of ordinary shares for diluted earnings per share (millions)	**110.08**	110.35
Diluted headline earnings per share (cents)	**2 295**	1 805
Continuing operations	**2 295**	1 818
Discontinued operations	**–**	(13)

24. Dividends per share

Interim of 495 cents per share (2022: 462 cps)	**570**	532
Final of 905 cents per share (2022: 845 cps)[2]	**1 042**	973
	1 612	1 505

[1] Restated as a result of the adoption of IFRS 17.
[2] 2023: Approved (2022: Paid).

A special dividend of 1 780 cents per share was declared in September 2023 and paid in October 2023 (March 2022: 800 cents per share).

Accounting policy – Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the board of directors approves the dividend.

Notes to the annual financial statements

25. Cash generated from operations

25.1 Cash generated from operations

	GROUP		COMPANY	
	2023 R million	Restated[1, 2] 2022 R million	2023 R million	Restated[1, 2] 2022 R million
Profit before tax from continuing and discontinued operations	**5 110**	3 469	**3 702**	2 319
Adjustments for:				
Non-cash items	**158**	1 398	**(322)**	275
– share-based payment costs	**117**	112	**117**	111
– amortisation of intangible assets	**77**	66	**35**	21
– depreciation	**248**	214	**171**	141
– impairment of goodwill and other intangible assets	**–**	39	**–**	39
– profit on sale of subsidiary	**–**	–	**(145)**	–
– income from associates and joint ventures and discontinued operations	**(81)**	(54)	**–**	–
– profit on disposal of investment in SAN JV	**(705)**	–	**(476)**	–
– asset management fees relating to unit trust investments	**11**	23	**–**	–
– movement in expected credit losses	**(13)**	(8)	**(2)**	(8)
– movement in structured products and collateral guarantees	**504**	1 006	**(22)**	(29)
Repo liability cash movement	**(78)**	(208)	**–**	–
Investment income, realised and fair value gains	**(4 690)**	(2 110)	**(2 856)**	(1 356)
Foreign currency losses/(gains) included in insurance and reinsurance finance income and expense	**237**	(116)	**237**	(116)
Finance costs	**438**	323	**328**	246
Income tax recovered from structured products	**(258)**	(126)	**–**	–
Changes in working capital (excluding the effects of acquisitions and disposals of subsidiaries)	**4 897**	5 722	**676**	(108)
Insurance contract assets	**275**	(610)	**284**	(624)
Reinsurance contract assets	**3 678**	15	**3 655**	847
Loans and receivables	**(193)**	(1 127)	**(175)**	96
Insurance contract liabilities	**(1 407)**	5 543	**(3 126)**	(167)
Reinsurance contract liabilities	**2 300**	1 504	**–**	–
Provisions for other liabilities	**23**	(59)	**(27)**	(49)
Trade and other payables	**221**	456	**65**	(211)
Investment income/(expense) received/(paid) in cash	**46**	17	**(7)**	(24)
Foreign exchange differences	**48**	48	**(2)**	7
Movement in accrual for investment income	**(2)**	(31)	**(5)**	(31)
Cash generated from operations	**5 860**	8 369	**1 758**	1 236

[1] Refer to note 25.2 for detail of the restatement.
[2] Comparative information was restated for the initial application of IFRS 17, refer to note 1 for additional information.

Accounting policy – Cash flow relating to investment portfolios

Cash flows relating to investment portfolios are classified as operating activities on the statement of cash flows, other than the acquisition of and proceeds from sales relating to strategic investments, equity portfolios and portfolios backing subordinated debt which are classified as investing activities.

Notes to the annual financial statements

25. Cash generated from operations (continued)

25.2 Restatement of the statement of cash flow

Cash flows relating to dividends and interest received within operating activities have been restated to be presented separately in the statement of cash flows. This presentation is more relevant, as these amounts relate to a prominent part of the group's operating results and investment strategy. This presentation is in line with the industry. The comparative information has been restated accordingly.

Cash flows relating to income tax paid on behalf of third party reinsurance contracts, investment contracts and structured products have been restated to be presented correctly in the statement of cash flows. The group has a contractual arrangement to recoup the payments from these parties and as such, this was previously presented on a net basis. The enhanced presentation is more relevant, as these payments were made directly to the relevant tax authorities by the group. The comparative information has been restated accordingly.

The table below shows the impact of the change:

	Previously reported 2022 R million	Restatement 2022 R million	Restated 2022 R million
GROUP			
Net cash from operating activities			
Cash generated from operations	9 624	(1 255)	8 369
Dividends received	–	457	457
Interest received	–	1 541	1 541
Income tax paid	(802)	(743)	(1 545)
Net impact	8 822	–	8 822
COMPANY			
Net cash from operating activities			
Cash generated from operations	2 573	(1 337)	1 236
Dividends received	–	563	563
Interest received	–	774	774
Net impact	2 573	–	2 573

26. Income tax paid

	GROUP		COMPANY	
	2023 R million	Restated[1] 2022 R million	2023 R million	2022 R million
Amounts charged to profit or loss	**(1 727)**	(1 392)	**(579)**	(474)
Income tax credited directly to equity	**1**	2	**5**	1
Movement in deferred taxation	**980**	7	**548**	42
Movement in taxation liability	**(474)**	(162)	**(429)**	(69)
	(1 220)	(1 545)	**(455)**	(500)

[1] Refer to note 25.2 for detail on restatement.

27. Related-party transactions – Sanlam Group

Major shareholders

Sanlam Ltd (incorporated in South Africa) is the ultimate holding company with a 62.6% (2022: 62.3%) shareholding in Santam Ltd. The balance of the shareholders (37.4% (2022: 37.7%)) do not have significant influence and thus no other shareholder is treated as a related party. The shares are widely held by public, non-public, individual and corporate shareholders.

Transactions with the Sanlam Group

The group transacts with the Sanlam Group on various levels, predominantly insurance-related cover, provided to Sanlam Group companies. SIM acts as the largest investment fund manager for the group with its fees negotiated on a regular basis. Santam also subscribed to target shares in a Sanlam subsidiary as described in note 5.1.

Refer to note 14 for disposal of investment in SAN JV.

On 14 December 2022, Sanlam redeemed the target shares through which the Santam group held economic participation rights in the general insurance businesses of Sanlam in Africa excluding SAN JV (the African target shares). Santam will retain its economic participation rights in the general insurance investments in India and Malaysia and these two investments now make up the Sanlam general insurance business segment.

27. Related-party transactions – Sanlam Group (continued)

The following is a summary of transactions and balances with Sanlam-related parties:

	2023 R million	2022 R million
a) Insurance contracts and other services		
– Sanlam Ltd and related parties (for insurance premiums)	**17**	21
– Sanlam Ltd and related parties (for investment management services)	**(60)**	(53)
– Sanlam Ltd and related parties (for IT infrastructure costs)	**(345)**	(308)
– Sanlam Ltd and related parties (for administration services)	**(25)**	(22)
– Sanlam Ltd (for insurance services)	**(8)**	(8)
– SAN JV (RF) (Pty) Ltd group (for inward reinsurance contracts)[1]	**744**	358
– SAN JV (RF) (Pty) Ltd group (for inward reinsurance claims)[1]	**(182)**	(64)
– SAN JV (RF) (Pty) Ltd group (for inward reinsurance commissions)[1]	**(126)**	(34)
– SAN JV (RF) (Pty) Ltd group (for outward reinsurance contracts)[1]	**(29)**	(40)
– SAN JV (RF) (Pty) Ltd group (for outward reinsurance claims)[1]	**30**	8
– SAN JV (RF) (Pty) Ltd group (for outward reinsurance commissions)[1]	**10**	7
b) Investment income and net realised/unrealised gains received from:		
– Sanlam Ltd and related parties	**525**	379
c) Dividends paid		
– to Sanlam Group	**(2 116)**	(1 392)
d) Year-end balances with related parties		
Sanlam Group		
– target shares acquired (refer to note 5.1)	**2 030**	1 596
– target shares issued (refer to note 11)	**(329)**	(314)
Sanlam Alternative Income Fund		
– investment	**60**	–
Sanlam Global Convertible Securities Fund		
– investment	**79**	67
Sanlam Investment Management SA Active Income Fund		
– investment	**20**	11
Sanlam Property Fund		
– investment	**53**	65
Sanlam Capital Markets		
– cash and money market instruments	**269**	270
Sanlam Real Assets Fund		
– investment	**86**	83
Sanlam Ltd		
– shares	**16**	16
Sanlam Life Insurance Ltd		
– trade payable	**(27)**	(34)
SAN JV (RF) (Pty) Ltd group		
– trade payable[1]	**273**	252

[1] SAN JV (RF) (Pty) Ltd was classified as an associate up until 30 June 2022 when it was reclassified to non-current assets held for sale. Transactions up until 30 June 2022 are included in note 12.

Notes to the annual financial statements

27. Related-party transactions – Sanlam Group (continued)

Emoluments for the year ended 31 December

Remuneration received by Santam directors from other Sanlam Group companies for services provided to these companies (disclosed in accordance with section 30(5)(b) of the Companies Act).

	Salary R000	Performance bonus[1] Cash R000	Deferred R000	Other benefits R000	Fees R000	Total[2] R000
2023						
M Chauke	–	–	–	–	537	537
PB Hanratty	6 130	–	–	–	–	6 130
MM Mahlangeni	5 697	4 900	2 100	340	–	13 037
AM Mukhuba	5 757	4 200	1 800	350	–	12 107
PE Speckmann	–	–	–	–	1 880	1 880
	17 584	9 100	3 900	690	2 417	33 691
2022						
PB Hanratty	6 130	–	–	–	–	6 130
MM Mahlangeni	5 310	4 333	1 857	407	–	11 907
AM Mukhuba	5 386	4 564	1 956	343	–	12 249
PE Speckmann	–	–	–	–	1 730	1 730
	16 826	8 897	3 813	750	1 730	32 016

1 Performance bonus in respect of 2022 paid in 2023 (2022: 2021 paid in 2022).
2 Total TGP includes amounts recharged by Sanlam Ltd to Santam Ltd for services provided.

Deferred share plan

Sanlam shares

	Balance 31 December 2022	Awarded in 2023	Shares vested	Balance 31 December 2023
MM Mahlangeni	106 491	–	(42 597)	63 894
AM Mukhuba	106 789	–	(42 715)	64 074
Total	213 280	–	(85 312)	127 968

	Balance 31 December 2021	Awarded in 2022	Shares vested	Balance 31 December 2022
MM Mahlangeni	106 491	–	–	106 491
AM Mukhuba	106 789	–	–	106 789
Total	213 280	–	–	213 280

Performance deferred share plan

	Balance 31 December 2022	Awarded in 2023	Shares vested	Shares forfeited	Balance 31 December 2023
MM Mahlangeni	92 524	54 867	–	–	147 391
AM Mukhuba	155 698	75 404	(12 149)	(666)	218 287
Total	248 222	130 271	(12 149)	(666)	365 678

	Balance 31 December 2021	Awarded in 2022	Balance 31 December 2022
MM Mahlangeni	66 128	26 396	92 524
AM Mukhuba	118 245	37 453	155 698
Total	184 373	63 849	248 222

Notes to the annual financial statements

27. Related-party transactions – Sanlam Group (continued)

Emoluments for the year ended 31 December (continued)

Restricted share plan

	Balance 31 December 2022	Awarded in 2023	Shares vested	Shares forfeited	Balance 31 December 2023
PB Hanratty	**4 901 044**	**–**	**–**	**(144 023)**	**4 757 021**
MM Mahlangeni	**121 584**	**33 725**	**(35 843)**	**–**	**119 466**
AM Mukhuba	**169 353**	**31 131**	**(121 075)**	**–**	**79 409**
Total	**5 191 981**	**64 856**	**(156 918)**	**(144 023)**	**4 955 896**

	Balance 31 December 2021	Awarded in 2022	Shares vested	Shares forfeited	Balance 31 December 2022
PB Hanratty	5 000 000	–	–	(98 956)	4 901 044
MM Mahlangeni	158 602	31 979	(68 997)	–	121 584
AM Mukhuba	135 670	33 683	–	–	169 353
Total	5 294 272	65 662	(68 997)	(98 956)	5 191 981

28. Contingencies and uncertainties

Contracts with third parties

The group enters into outsourcing contracts and distribution arrangements with third parties in the normal course of its business and is reliant upon those third parties being willing and able to perform their obligations in accordance with the terms and conditions of the contracts.

Litigation, disputes and investigations

The group, in common with the insurance industry in general, is subject to litigation, mediation and arbitration, and regulatory, governmental and other sectoral inquiries and investigations in the normal course of its business. The outcome of these can be uncertain, but based on current information, the directors do not believe that any current mediation, arbitration, regulatory, governmental or sectoral inquiries and investigations and pending or threatened litigation or dispute will have a material adverse effect on the group's financial position.

29. Commitments

The group does not have any other obligations not disclosed in other parts of these financial statements.

30. Events after the reporting period

In 2023, the company purchased MTN's device insurance book for R59 million. The transaction was subject to receiving regulatory approvals, which were received and the transactions became effective January 2024.

There have been no other material changes in the affairs or financial position of the group since the statement of financial position date.

Notes to the annual financial statements

31. New standards, amendments and interpretations

(a) Standards, amendments and interpretations effective in 2023

The following amendments to published standards are mandatory for the group's accounting periods beginning on or after 1 January 2023:

Standard	Effective date	Executive summary
IFRS 17 *Insurance contracts*	Annual periods beginning on or after 1 January 2023 (Published May 2017)	The IASB issued IFRS 17 *Insurance contracts*, and thereby started a new epoch of accounting for insurers. Whereas the previous standard, IFRS 4, allowed insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 has an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.
IFRS 17 *Insurance contracts* amendments	Annual periods beginning on or after 1 January 2023 (Published June 2020)	In response to some of the concerns and challenges raised, the IASB developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard.
Amendments to IAS 12 *Income Taxes* on Deferred Tax related to assets and liabilities arising from a single transaction	Annual periods beginning on or after 1 January 2023. (Published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
Amendments to IAS 12 *Income Taxes* on international tax reform – pillar two model rules	The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. (Published May 2023)	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.
Narrow scope amendments to IAS 1 *Presentation of Financial Statements*, Practice statement 2 and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	Annual periods beginning on or after 1 January 2023. (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

Besides for IFRS 17, no material impact on the annual financial statements was identified. Please refer to note 1.2 for detailed information regarding IFRS 17.

Notes to the annual financial statements

31. New standards, amendments and interpretations (continued)

(b) Interpretation and amendments to published standards that are not yet effective and have not been early adopted by the group

Number	Effective date	Executive summary
Amendment to IAS 1 *Presentation of Financial Statements* on classification of liabilities as current or non-current	Annual periods beginning on or after 1 January 2024 (Published January 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment.
Amendments to IAS 1 *Presentation of Financial Statements* on non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
Amendments to IFRS16 *Leases* on sale and leaseback	Annual periods beginning on or after 1 January 2024 (Published September 2022)	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments, that do not depend on an index or rate, are most likely to be impacted.
Amendments to supplier finance arrangements (IAS 7 and IFRS 7)	Annual periods beginning on or after 1 January 2024 (Published May 2023)	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.
Amendments to IAS 21 *The effects of changes in foreign exchange rates* on lack of exchangeability	Annual periods beginning on or after 1 January 2025 (Published August 2023)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

No material impact on the annual financial statements was identified.

Notes to the annual financial statements

32. Analysis of policyholder/shareholder financial position and results

This note provides information on cellholder/policyholder versus shareholder statement of financial position and statement of comprehensive income. Cellholder/policyholder activities relate mainly to alternative risk transfer insurance business written on the insurance licences of Centriq and SSI.

32.1 Analysis of policyholder/shareholder statement of financial position

2023	Group R million	Shareholder R million	Policyholder/ cellholder R million
ASSETS			
Intangible assets	1 226	1 226	–
Property and equipment	877	877	–
Investment in associates and joint ventures	542	542	–
Strategic investment – unquoted Sanlam target shares	2 030	2 030	–
Deferred income tax	162	97	65
Financial assets at fair value through income	43 748	17 165	26 583
Insurance contract assets	426	346	80
Reinsurance contract assets	10 087	8 419	1 668
Loans and receivables	2 739	2 179	560
Current income tax	474	441	33
Cash and cash equivalents	4 819	3 087	1 732
Total assets	67 130	36 409	30 721
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(845)	(845)	–
Other reserves	10	10	–
Distributable reserves	11 424	11 424	–
	10 692	10 692	–
Non-controlling interest	714	486	228
Total equity	11 406	11 178	228
LIABILITIES			
Deferred income tax	1 103	1 103	–
Lease liabilities	824	824	–
Financial liabilities at fair value through income			
Debt securities	3 053	3 053	–
Investment contracts	6 286	–	6 286
Derivatives	7	7	–
Financial liabilities at amortised cost			
Repo liability	690	–	690
Collateral guarantee contracts	113	–	113
Insurance contract liabilities	34 650	17 332	17 318
Reinsurance contract liabilities	5 789	49	5 740
Provisions for other liabilities	141	141	–
Trade and other payables	2 830	2 496	334
Current income tax	238	226	12
Total liabilities	55 724	25 231	30 493
Total shareholders' equity and liabilities	67 130	36 409	30 721

Notes to the annual financial statements

32. Analysis of policyholder/shareholder financial position and results (continued)

32.1 Analysis of policyholder/shareholder statement of financial position (continued)

2022 (restated[1])	Group R million	Shareholder R million	Policyholder/ cellholder R million
ASSETS			
Intangible assets	1 073	1 073	–
Property and equipment	640	640	–
Investment in associates and joint ventures	467	467	–
Strategic investment – unquoted Sanlam target shares	1 596	1 596	–
Deferred income tax	139	76	63
Financial assets at fair value through income	36 069	13 552	22 517
Insurance contract assets	797	705	92
Reinsurance contract assets	14 005	12 331	1 674
Non-current assets held for sale	1 768	1 768	–
Loans and receivables	2 615	1 976	639
Current income tax	96	40	56
Cash and cash equivalents	5 387	4 090	1 297
Total assets	64 652	38 314	26 338
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(713)	(713)	–
Other reserves	(63)	(63)	–
Distributable reserves	11 537	11 537	–
	10 864	10 864	–
Non-controlling interest	670	496	174
Total equity	11 534	11 360	174
LIABILITIES			
Deferred income tax	100	62	38
Lease liabilities	669	669	–
Financial liabilities at fair value through income			
Debt securities	2 539	2 539	–
Investment contracts	5 214	–	5 214
Derivatives	35	35	–
Financial liabilities at amortised cost			
Repo liability	739	–	739
Collateral guarantee contracts	129	–	129
Insurance contract liabilities	36 221	20 715	15 506
Reinsurance contract liabilities	4 144	21	4 123
Provisions for other liabilities	139	139	–
Trade and other payables	2 855	2 503	352
Current income tax	334	271	63
Total liabilities	53 118	26 954	26 164
Total shareholders' equity and liabilities	64 652	38 314	26 338

[1] Comparative information was restated for the initial application of IFRS 17, in addition to a reclassification of accrued interest. Refer to note 1 for additional information.

Notes to the annual financial statements

32. Analysis of policyholder/shareholder financial position and results (continued)

32.2 Analysis of policyholder/shareholder statement of comprehensive income

2023	Group R million	Shareholder R million	Policyholder/ cellholder R million
Insurance revenue	46 882	36 250	10 632
Insurance service expense	(37 230)	(30 015)	(7 215)
Net expense from reinsurance contracts held	(6 835)	(4 240)	(2 595)
Insurance service result	2 817	1 995	822
Finance expenses from insurance contracts issued	(1 980)	(1 512)	(468)
Finance (expense)/income from reinsurance contracts held	(66)	646	(712)
Net insurance service result	771	1 129	(358)
Interest income on amortised cost instruments	466	252	214
Interest income on fair value through income instruments	2 733	1 202	1 531
Other investment income	745	639	106
Net fair value gains/(losses) on financial assets and liabilities at fair value through income	746	850	(104)
Other revenue	464	474	(10)
Investment management services fees	(125)	(114)	(11)
Net investment income and other revenue	5 029	3 303	1 726
Other operating expenses	(722)	(671)	(51)
Investment return allocated to structured products	(497)	–	(497)
Amortisation and impairment of intangible assets	(77)	(77)	–
Total other operating expenses	(1 296)	(748)	(548)
Results of operating activities	4 504	3 684	820
Other finance costs	(438)	(374)	(64)
Net income from associates and joint ventures	81	81	–
Income tax recovered from structured products	258	–	258
Profit before tax	4 405	3 391	1 014
Total tax expense	(1 727)	(716)	(1 011)
Tax expense allocated to shareholders	(716)	(716)	–
Tax expense allocated to cell owners and structured products	(1 011)	–	(1 011)
Profit from continuing operations	2 678	2 675	3
Profit from discontinued operations	705	705	–
Profit for the year	3 383	3 380	3
Profit attributable to:			
– equity holders of the company	3 250	3 250	–
– non-controlling interest	133	130	3
	3 383	3 380	3

Notes to the annual financial statements

32. Analysis of policyholder/shareholder financial position and results (continued)

32.2 Analysis of policyholder/shareholder statement of comprehensive income (continued)

2022 (restated[1])	Group R million	Shareholder R million	Policyholder/ cellholder R million
Insurance revenue	43 082	34 360	8 722
Insurance service expense	(38 694)	(32 620)	(6 074)
Net (expense)/income from reinsurance contracts held	(1 728)	135	(1 863)
Insurance service result	2 660	1 875	785
Finance expenses from insurance contracts issued	(1 245)	(668)	(577)
Finance income from reinsurance contracts held	658	626	32
Net insurance service result	2 073	1 833	240
Interest income on amortised cost instruments	276	276	–
Interest income on fair value through income instruments	1 688	846	842
Other investment income	696	641	55
Net fair value losses on financial assets and liabilities at fair value through income	(550)	(351)	(199)
Other revenue	387	387	–
Investment management services fees	(124)	(124)	–
Net investment income and other revenue	2 373	1 675	698
Other operating expenses	(521)	(469)	(52)
Investment return allocated to structured products	(208)	–	(208)
Amortisation and impairment of intangible assets	(105)	(105)	–
Total other operating expenses	(834)	(574)	(260)
Results of operating activities	3 612	2 934	678
Other finance costs	(323)	(280)	(43)
Net income from associates and joint ventures	68	68	–
Income tax recovered from structured products	126	–	126
Profit before tax	3 483	2 722	761
Total tax expense	(1 392)	(649)	(743)
Tax expense allocated to shareholders	(649)	(649)	–
Tax expense allocated to cell owners and structured products	(743)	–	(743)
Profit from continuing operations	2 091	2 073	18
Loss from discontinued operations	(14)	(14)	–
Profit for the year	2 077	2 059	18
Profit attributable to:	1 980	1 980	–
– equity holders of the company	97	79	18
– non-controlling interest	2 077	2 059	18

[1] Restated as a result of the adoption of IFRS 17.

Analysis of shareholders

Analysis of shareholders	Number of shareholders	% of total shareholders	Number of shares	% Interest
1 – 100 shares	2 362	33.07	89 131	0.08
101 – 1 000 shares	3 042	42.59	1 201 511	1.04
1 001 – 50 000 shares	1 619	22.67	10 924 374	9.49
50 001 – 100 000 shares	54	0.76	3 650 384	3.17
100 001 – 10 000 000 shares	64	0.90	31 413 718	27.29
More than 10 000 000 shares	1	0.01	67 852 299	58.93
Total	7 142	100.00	115 131 417	100.00
Type of shareholder				
Individuals	4 524	63.34	3 179 868	2.76
Companies	547	7.66	82 588 479	71.73
Growth funds/unit trusts	387	5.42	15 285 520	13.28
Nominee companies or trusts	958	13.41	2 523 971	2.19
Pension and retirement funds	726	10.17	11 553 579	10.04
Total	7 142	100.00	115 131 417	100.00

	Shareholders in South Africa		Shareholders other than in South Africa		Total shareholders	
Shareholder spread	Nominal number	% Interest	Nominal number	% Interest	Nominal number	% Interest
Public shareholders	6 894	24.22	231	100.00	7 125	30.09
Directors	4	0.09	–	–	4	0.08
Guardian National Insurance Ltd[1]	1	5.23	–	–	1	4.83
Santam Structured Insurance Ltd[1]	1	0.03	–	–	1	0.03
Trustees of employees' share scheme[1]	3	1.27	–	–	3	1.17
Holdings of 5% or more	8	69.16	–	–	8	63.80
Sanlam Ltd	7	63.89	–	–	7	58.94
Government Employees Pension Fund	1	5.27	–	–	1	4.86
Total	6 911	100.00	231	100.00	7 142	100.00

[1] Owners of treasury shares.

The analysis includes the shares held as treasury shares.

Analysis of bondholders

Analysis of debt security holders	Number of debt security holders	% of total debt security holders	Number of units	% Interest
1 – 50 000 units	–	–	–	–
50 001 – 100 000 units	4	1.39	400 000	0.01
100 001 – 1 000 000 units	77	26.83	52 261 530	1.74
1 000 001 – 10 000 000 units	148	51.57	571 932 796	19.07
More than 10 000 000 units	58	20.21	2 375 405 674	79.18
Total	287	100.00	3 000 000 000	100.00
Type of debt security holder				
Banks	1	0.35	6 000 000	0.20
Endowment funds	6	2.09	29 300 000	0.98
Insurance companies	32	11.15	231 450 000	7.72
Investment companies	30	10.45	221 050 000	7.37
Medical aid schemes	18	6.28	123 492 619	4.11
Mutual funds	132	45.99	1 955 840 349	65.19
Pension funds	63	21.95	402 567 032	13.42
Nominees and trusts	1	0.35	8 500 000	0.28
Public companies	4	1.39	21 800 000	0.73
Total	287	100.00	3 000 000 000	100.00

	Debt security holders in South Africa	
Debt security holder spread	Nominal number	% Interest
Stanlib Income Fund	449 543 774	14.98
Ninety One Cautious Managed Fund	282 300 000	9.41
Others	2 268 156 226	75.61
Total	3 000 000 000	100.00

Administration

Non-executive directors

M Chauke, CD da Silva, MP Fandeso, PB Hanratty, DEH Loxton, MM Mahlangeni, NT Moholi (chairperson), AM Mukhuba, JJ Ngulube, PE Speckmann, LA Swartz

Executive directors

TC Madzinga (group chief executive officer), ML Olivier (group chief financial officer)

Sponsors

Equity sponsor: Investec Bank Ltd
Debt sponsor: Rand Merchant Bank (a division of FirstRand Bank Ltd)

Transfer secretaries

Computershare Investor Services (Pty) Ltd
15 Biermann Avenue, Rosebank 2196
Private Bag X9000, Saxonwold 2132
Tel: 011 370 5000
Fax: 011 688 5216
www.computershare.com

Group company secretary

R Eksteen

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Tyger Valley
Bellville, 7530
PO Box 3881, Tyger Valley 7536
Tel: 021 915 7000
Fax: 021 914 0700
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Registration number 1918/001680/06
ISIN ZAE000093779
JSE share code: SNT
NSX share code: SNM
A2X share code: SNT
Debt company code: BISAN
LEI: 37890092DC55C7D94B35

A copy of the set of annual consolidated financial statements with the signatures of the directors is available at the company's registered office.

Santam is an authorised financial services provider (licence number 3416).

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Santam is an authorised financial services provider (FSP 3416), a licensed non-life insurer and controlling company for its group companies.