

RAND MERCHANT INVESTMENT HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2010/005770/06)
ISIN: ZAE000210688
JSE ordinary share code: RMI
("RMI")

VOLUNTARY ANNOUNCEMENT RELATING TO YOUI AUSTRALIA'S EXPOSURE TO THE AUSTRALIAN BUSHFIRES AND TO THE COMPLETION OF THE SALE OF YOUI NEW ZEALAND'S INSURANCE PORTFOLIO

1. Youi Australia's exposure to the Australian bushfires

RMI wishes to provide information regarding the exposure of its Australian subsidiary, Youi Pty Ltd (Australia) (Youi), to the devastating bushfire events in Australia.

Australia has experienced multiple and ongoing bushfire events since late November 2019 affecting a number of states. The severe drought and high temperatures have intensified the devastating impact of the bushfires.

Youi's CEO, Hugo Schreuder, commented as follows: "Looking after our customers affected by these events is our first priority. Our claims and assessing teams are doing a superb job dealing with these claims under demanding conditions. We encourage our customers to make contact at the earliest opportunity to lodge a claim and where possible we are also proactively trying to contact customers potentially impacted. Our thoughts are with those communities affected by this unprecedented disaster."

Youi's current estimate of gross losses (excluding potential reinsurance recoveries) related to the bushfires since November 2019 and up to 8 January 2020 ranges between A\$25 million and A\$40 million. This wide range is reflective of the high level of uncertainty pertaining to these estimates. The reasons for the high level of uncertainty are inter alia:

- access to some the affected areas is restricted preventing accurate assessments for many claims; and
- longer than usual reporting delays prompted the inclusion of a larger than normal allowance for incurred but not reported claims.

Youi's excess of loss reinsurance cover for catastrophe events is expected to cover a proportion of these losses. The salient features of the current excess of loss treaty are as follows:

- "per event" cover from A\$9.5 million to A\$980 million;
- an event is defined by an "hours" clause of seven days for the aggregation of losses as a result of fire;
- one pre-paid reinstatement across all layers; and

- a further A\$130 million of drop-down cover to provide sideways cover for additional events.

The implication of the "hours" clause is that only losses in a consecutive seven-day window can be aggregated as a single event. With these unprecedented bushfires stretching over many weeks it implies that several A\$9.5 million deductibles could apply, thereby materially limiting the size of the reinsurance recovery on this treaty for the current bushfires.

Another key component of Youi's reinsurance programme is an annual aggregate natural perils treaty. This treaty assists in limiting the extent of total natural perils claims incurred during a financial year and provides protection for natural perils claims in excess of circa A\$80 million and up to circa A\$108 million. Including the estimated retained loss from the bushfires, the retained loss from a large hailstorm on the Sunshine Coast in November 2019 and other natural perils claims, Youi is estimated to have incurred between A\$45 million and A\$60 million in net natural perils losses to date. Depending on how much longer the bushfires continue to rage on, the circa A\$80 million attachment point may well be reached resulting in a recovery from this treaty.

RMI expects to publish interim results on 11 March 2020 when further detail regarding the bushfires will be provided.

2. Completion of the sale of Youi New Zealand's insurance portfolio

On 25 September 2019, RMI announced that Youi New Zealand will dispose of its insurance portfolio to Tower Insurance Limited. Shareholders are advised that this acquisition was completed during December 2019. The final transaction proceeds were A\$12.1 million (NZ\$12.6 million). The discontinuance of the Youi New Zealand insurance operation will release surplus capital of circa A\$47 million (circa NZ\$50 million) which is available to Youi Holdings Pty Ltd.

RMI owns 89.1% of OUTsurance Holdings Limited (OUTsurance). OUTsurance owns an effective interest of 84.5% in Youi Holdings Pty Ltd. Youi Pty Ltd (Australia) and Youi NZ Pty Ltd (New Zealand) are wholly-owned subsidiaries of Youi Holdings Pty Ltd.

Sandton
10 January 2020

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