

SANTAM LIMITED  
(Incorporated in the Republic of South Africa)  
Registration number: 1918/001680/06  
LEI: 37890092DC55C7D94B35  
JSE Share Code: SNT & ISIN: ZAE000093779  
A2X Share Code: SNT  
NSX Share Code: SNM  
Bond company code: BISAN  
("Santam" or "the Group")

## **OPERATIONAL UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2024**

This is a general communication to Santam shareholders and noteholders (collectively the "Securityholders") covering the operational performance of the Group for the three months ended 31 March 2024 (the "period").

The Group delivered a strong performance during the period, with a pleasing underwriting result within the 5% to 10% target range.

The operating environment in South Africa, our dominant market, remained challenging. Weak economic growth and pressure on personal disposable income continued to dampen growth prospects. South Africa also remains a highly competitive insurance market. Inclement weather conditions and exposure to some significant property losses impacted the underwriting performance for the period. Hardening insurance rates over the past two years are supportive of growth prospects outside of South Africa.

Despite these conditions, the Group showed operational resilience and achieved strong growth in gross written premiums, net insurance result and net income after tax. Our diversification across market segments, insurance classes and geographical reach continues to stand us in good stead. Our various underwriting actions over the past year continue to bear positive results. Good progress has also been made with the implementation of additional underwriting actions aimed at addressing the underperformance in the property book.

### **Conventional insurance business**

The conventional insurance business achieved net earned premium growth of 7%, with satisfactory contributions from all major businesses. Timing differences in the recognition of unearned premiums early in the year resulted in lower growth in net earned premiums relative to gross written premiums, particularly in respect of the reinsurance business. These timing differences are expected to reverse during the year.

The gross written premium increased by 10%, with solid growth across all major insurance classes. The exceptions were crop, where weather conditions delayed planting, whereas liability was impacted by highly competitive market pricing conditions where we chose not to follow unsustainable terms.

The Santam Client Solutions and Broker Solutions businesses achieved good growth in gross written premium and net earned premium. The premium-related actions taken in response to high claims inflation and frequency continue to be realised.

New business written through the MTN partnership in Santam Partner Solutions continued to outperform expectations. The transfer of the in-force book of MTN device insurance in January 2024 benefited growth in gross written premium and net earned premium.

The Santam Specialist Solutions business recorded acceptable growth in net earned premium, with corporate property, engineering and crop being the main contributors. Net earned premium from crop insurance was supported by unearned premium reserve releases relating to the strong business volumes written towards the end of 2023. The gross written premium was in line with the first three months of 2023, with notable growth in corporate property and engineering business offset by lower crop and liability volumes due to the factors mentioned earlier.

The improvement in growth trends at MiWay continued into 2024. Business insurance and value-added services products achieved strong growth, contributing to an overall increase of 7% in gross written premium. The roll-out of MiWay's new inbound and tied agency strategic growth initiatives are showing positive results.

Santam Re had a positive start to the year, achieving double-digit growth in gross written premiums. Net earned premium declined compared to the first quarter of 2023 due to timing differences in recognising unearned premium reserves.

Conventional insurance underwriting results were impacted by weather-related and fire losses of some R200 million. Most weather-related losses emanated from the KwaZulu-Natal flooding early in the period. Better than-expected attritional loss ratios at Santam Broker Solutions, Santam Client Solutions and MiWay, together with a decline in claims frequency at Santam Specialist Solutions, largely offset these significant losses, contributing to an overall Group underwriting margin for the period that was within the 5% to 10% target range. This is a substantial improvement compared to the first three months of 2023, which featured higher weather-related losses, adverse claims experience in the motor book and power-surge losses. The underwriting actions implemented during 2023 successfully addressed the motor and power-surge experience, while the roll-out of geo-coding is having a positive impact on weather-related losses.

Our exposure to the Western Cape storms and related fires in April 2024 amounts to an estimated R300 million net of reinsurance, which remains within our catastrophe and large loss budget for the year.

Favourable interest-rate markets supported the investment return earned on insurance funds, which amounted to 2.3% of the net earned premium, in line with the comparable period.

### **Alternative Risk Transfer ("ART") business**

The ART business segment reported solid operating results, with excellent growth in fee income and underwriting results compared to the first quarter of 2023.

### **Shareholder investment performance**

The investment return earned on the Group's capital portfolios exceeded expectations. This was mainly due to the combined effect of foreign currency translation gains following the weakening of the Rand against the US Dollar since 31 December 2023 and good returns on interest-bearing investments.

### **Capital position**

The Group's economic capital remained within the 145% to 165% target cover range following the final dividend payment in March 2024.

### **Prospects**

The challenging operating conditions are expected to persist for the remainder of the year, impacting growth prospects. Profitable growth is a key focus area for all businesses to ensure we meet our growth target of 1% to 2% above nominal economic growth.

We are, furthermore, implementing various actions to address the underperformance in the property book. These include improving the underlying rate strength, increasing excess amounts, improving risk selection through the continued roll-out of geo-coding, strengthening our surveying capacity and targeted utilisation of reinsurance. These actions are expected to improve underwriting results in the property book over the next twelve months as the book progresses through the renewal cycle. However, the conventional insurance underwriting performance for the remainder of the year is susceptible to higher-than-expected adverse weather- and fire-related experience.

Investment market volatility can, furthermore, impact the investment return earned on insurance funds and the shareholder capital portfolio.

We believe our firm foundation, our refreshed FutureFit strategy and our new operating model will continue to enable us to respond to these challenges and deliver superior results. The new operating model is fully vested, and we are making good progress with strategic execution across all pillars underpinning our FutureFit strategy.

The financial information included in this announcement has not been reviewed or reported on by Santam's external auditors. Santam's results for the six months ending 30 June 2024 are expected to be released on SENS on or about 29 August 2024.

14 May 2024

Equity Sponsor: Investec Bank Limited

Debt Sponsor: Rand Merchant Bank (A division of FirstRand Bank Limited)