

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 NINE MONTHS ENDED 30 SEPTEMBER 2024**

This is a general communication to Santam shareholders and noteholders (collectively the "Security holders") covering the operational performance of the Group for the nine months ended 30 September 2024 (the "period").

Despite a challenging operating environment, the Group delivered a solid performance during the period, with an underwriting result within the 5% to 10% target range. The Group's underwriting performance benefited from an improvement in attritional loss experience as the various underwriting actions implemented over the past 18 months continue to bear positive results. Good progress has been made with implementing additional underwriting actions to address the underperformance of the property book. Weak economic growth in South Africa, our primary market, was not conducive to short-term growth. Competitive pressure in specialist lines of business persisted, with international capacity being deployed at unsustainable rates. Inclement weather conditions in July 2024 resulted in sizable flooding losses, which added to the adverse experience in the first half of the year.

Despite the challenges in the operating environment, the Group demonstrated operational resilience and achieved good growth in gross written premiums, net insurance results and net income after tax. The Group's diversification across market segments, insurance classes and geographical reach continues to stand it in good stead.

### **Conventional insurance business**

The conventional insurance business achieved net earned premium growth of 8%, with solid contributions from all major businesses except for Santam Re and Santam Specialist Solutions. This was mainly due to timing differences in recognising unearned premiums at Santam Re and competitive conditions impacting Santam Specialist Solutions, as noted above.

Gross written premium also increased by 8%, with solid growth across all major insurance classes. The exceptions were motor and crop. Within motor, a decline at Santam Re following its portfolio restructuring and flat volumes at Santam Specialist Solutions offset good growth in other business units. Crop insurance was impacted by weather conditions that delayed and, in some instances, prevented planting. Liability was impacted by the highly competitive market pricing, where we chose not to follow unsustainable terms. The Group, however, continued to achieve overall strong growth in liability due to the portfolio restructuring at Santam Re.

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 are being realised, with lapse rates improving over the period.

New business written through the MTN partnership in Santam Partner Solutions showed good traction with the device insurance strategy.

The Santam Specialist Solutions business recorded muted growth in gross written and net earned premiums, reflecting the pressures on the liability and crop insurance classes.

The improvement in growth trends at MiWay persisted. Business insurance and value-added services products achieved particularly robust growth. The roll-out of MiWay's new inbound and tied agency strategic growth initiatives shows positive results.

Santam Re recorded double-digit growth in gross written premiums during the period.

Conventional insurance underwriting results were impacted by weather-related and significant losses of some R960 million net of reinsurance year-to-date. The Western Cape floods in July 2024 added R133

million to the adverse weather-related claims experience. This was offset by better-than-expected attritional loss ratios at Santam Broker Solutions, Santam Client Solutions and MiWay, and a decline in claims frequency at Santam Specialist Solutions. The overall Group underwriting margin for the period remained within the 5% to 10% target range, improving on the result for the first half of 2024.

Favourable interest-rate markets and positive investment manager performance supported the investment return earned on insurance funds, which improved compared to the first half of 2024.

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

The ART business segment reported strong operating results, with excellent growth in fee income, underwriting results and investment margins when compared to 2023.

### **Shareholder investment performance**

The investment return earned on the Group's capital portfolios exceeded expectations. This was mainly due to higher returns on interest-bearing investments and the revaluation of the investment in Shriram General Insurance, partly offset by foreign currency translation losses following the strengthening of the Rand against the US Dollar since 31 December 2023.

### **Capital position**

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

### **Prospects**

We launched a refreshed Santam brand positioning in the third quarter of 2024 in support of the Group's FutureFit growth strategy. The new brand positioning was well received by the market. With the strength of our client and intermediary relationships and a superior distribution footprint, we are well-positioned to maintain our topline growth trajectory. Profitable growth remains a key focus area for all businesses to ensure we meet our gross written premium growth target of 1% to 2% above nominal economic growth. The unwinding of timing differences in recognising unearned premium reserves should support growth in net earned premiums towards the end of the year.

We implemented various actions to address the underperformance in the property book. These include improving the underlying rate strength, increasing excess amounts, better risk selection through geo-coding roll-out, strengthening our surveying capacity and targeted utilisation of reinsurance. These actions show positive results and are expected to continue benefiting underwriting results into 2025 as the property book progresses through the renewal cycle. Managing claims inflation, in particular in the motor book, remains a key focus area to ensure the long-term sustainability and affordability of premiums to the benefit of all stakeholders in the general insurance value chain.

The conventional insurance underwriting performance for the remainder of the year remains susceptible to higher-than-expected adverse weather- and fire-related experience. In addition, investment market volatility could potentially impact the investment return earned on insurance funds and the shareholder capital portfolio. These may have an impact on earnings growth for the full year.

We believe our solid foundation and steadfast implementation of the refreshed FutureFit strategy will enable us to maintain our track record of delivering superior results.

The financial information included in this announcement has not been reviewed or reported on by Santam's external auditors.

Shareholders and noteholders are further advised that Santam's results for the year ending 31 December 2024 are expected to be released on SENS on or about 27 February 2025.

12 November 2024

Equity Sponsor: Investec Bank Limited  
Debt Sponsor: FirstRand Bank Limited