Sanlam

SANLAM GENERAL INSURANCE LIMITED

QUESTIONS AND ANSWERS ASKED BY THE SHAREHOLDERS DURING THE 2019 AGM

1. **We noticed that the investment income is high, please expound on this. How much has been invested in the Government Bonds?**

   Answer: The company invested proceeds from capital injection and property disposal in government securities which yielded a favourable return in year 2018.
   The amount invested in government bonds is Kshs. 844 million.

2. **There has been no significant improvement in terms of income from the insurance operations, please explain why?**

   Answer: The underwriting profit in 2018 was Kshs. 40.9 million which was the same level as prior year. The 2018 topline was impacted negatively by reduction in the medical book as the company shed off loss making schemes to protect the bottom line

3. **Are there other investments that the company can liquidate?**

   Answer: Yes. The company has 3 investment properties totaling Kshs. 516.7 million. We have so far disposed 1 property with a book value of Kshs. 66.7 million, and we are actively seeking to dispose the other 2 in line with the risk based capital requirements. The proceeds will however be held as government bonds so we build up the required capital adequacy ratio

4. **How do you intend to improve underwriting income next year?**

   Answer: The company projects to grow its topline, while maintaining control in claim costs, and keeping expense growth minimal in order to improve underwriting income.

5. **During last year's AGM, the management promised to improve the performance of the company. What has since been done to achieve the performance?**

   Answer: Despite shedding off non-profitable medical business worth Kshs. 186 million, the topline recorded a marginal growth of 2%. The claims experience also improved from 52% to 51% and underwriting results maintained at the Kshs. 40 million level in both years. Profit for the year improved from Kshs. 68.8 million in 2017 to Kshs. 115.7 million in 2018.

6. **Comment: Reliance on investment income is a false representation. The shareholders prefer getting the money invested as Dividends**

   Answer: Investment income is derived from assets held to satisfy regulatory requirements n capital. The company has a strategy to improve operational results as the measures put in place take root.

7. **We have noticed that there was a drop of 20% in the medical insurance. What occasioned to such a high drop?**

   Answer: The Medical book was impacted by shedding off schemes that were loss making. The company is pursuing other better performing schemes to restore its market share.

8. **The Staff cost seem to have increased by 20% while the staff count went down. What is the reason for this?**

   Answer: In the year 2018 the company closed branches that were not sustainable for a profitability perspective. This resulted in a reduction in head count as the staff sought opportunities elsewhere. The technical team was also beefed up with more experienced staff to enable the company manage the underwriting and claims functions which contribute to positive impact in the bottom line.

9. **Has there been an increase in staff productivity?**

   Answer: Yes, the productivity improved from 88% in half 1 of 2018 to 94% in 2019

10. **Why have the branches reduced from 11 to 4 branches?**

    Answer: The key driver for branch rationalization was to close those branches that were returning underwriting losses. The company has retained regional presence in Nakuru, Mombasa, Nyeri and Thika to support our strategy to write more non-motor business which is more profitable.

11. **Should Forex Trading be considered as an investment channel?**

    Answer: We follow the investment guidelines approved by the regulator. Forex trading is not part of the listed investments options.

12. **On Page 47 of the Financial Statements Item No 6 on investment and other income;- what does the board do about money invested in banks?**

    Answer: The investment function for the company has been outsourced to Sanlam Investments East Africa, who are investment experts. They invest the funds in line with approved mandates and bank limits.

13. Is there a target for the cost investments? e.g the Government securities?

Answer: The regulator allows insurance companies the option to hold the entire investment portfolio in government securities. We invest the policyholders funds in government securities which are easily liquidated into cash to settle policyholder obligations.

14. Comment; on the Investment guideline, please separate policy holder vs shareholder funds.

15. What is the current capital ratio present and what is the value?

Answer: The current is 93% as at June 2019, which translates to Kshs. 587 million

16. Does the company have enough money to cover the policy holders?

Answer: Yes, the policyholders liability is Kshs. 1.2 billion and liquid assets and reinsurers share of liabilities total Kshs. 1.9 billion

17. Is there a requirement by the Regulator for the capital to be liquid?

Answer: The regulator allows the company to hold its assets in cash, bank deposits, government securities, equity securities, corporate bonds and investment properties. However, except cash, bank deposits and government securities the rest of the assets attract a capita charge.

18. What is the management doing to ensure the company is in compliance with the capital adequacy ratio?

Answer: The key action points are to report profit after tax, manage operational risk and manage receivables. These actions will maintain the capital adequacy ratio above the minimum capital requirement of 100%. The prescribed capital requirement of 200% will be met through profit after tax and capital injection.

19. On Page 10 on statement profit & loss; the claims incurred is reduced by amounts recoverable from reinsurers, is the same recoverable is it irrecoverable?

Answer: The amount is recoverable from reinsurers as the company settles claims. This asset is then built up afresh by new business written in the current period.

20. **How soon will the board and management declare a dividend? Dividends have not been issued to the shareholders for a long time.**

    Answer: The management and board is prioritizing compliance with capital requirements before paying out a dividend. The current projections indicate that using internally generated reserves, the company will attain the prescribed capital of 200% in the year 2023.

21. **Please explain to the shareholders on the company's history on the capital adequacy ratio and explain what actions the management has done to comply on the capital adequacy ratio.**

    Answer: The company was at a capital adequacy ratio of 46% as at 31 December 2016 because of negative retained earnings. This ratio improved to 120% as at 31 December 2018 as a result of capital injection of Kshs. 676 million and profit after tax of Kshs. 185 million. This position was later revised to 99% due to reclassification of Other receivables as directed by the regulator.

    Management has reported profit after tax of Kshs. 185 million in the 2 year period and also maintained the company operational risk below the Risk based capital level of Kshs. 600 million.

22. **Does the sale of properties increase the capital adequacy ratio and what properties are on sale?**

    Answer: Yes, the sale of properties increase the capital adequacy ratio. We are currently disposing 2 properties: an office block and a warehouse both in Mombasa

23. **What is the capital charge on the properties?**

    Answer: the capital charge on properties is 30%

24. Comments – the fact that the company is not paying dividend does not mean the company is not doing well.
25. Comment; A percentage of the profits made by the company should be paid as dividend
26. Comment; The management is requested to review the warranty claim.