



Guardrisk

Investor presentation

May 2023

GUARDRISK 
TAILORED RISK SOLUTIONS

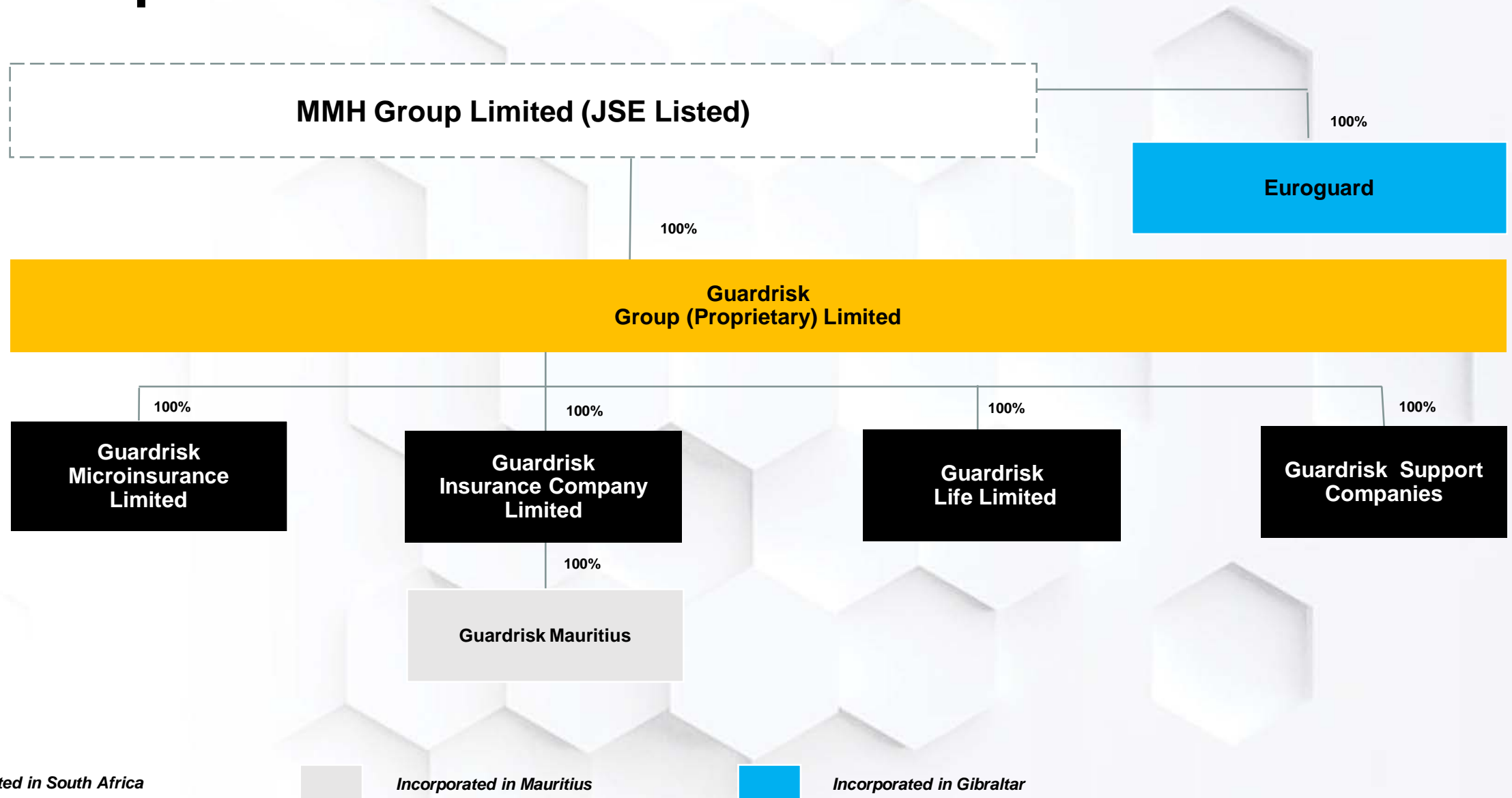
Agenda

1. Welcome
2. Guardrisk Group
3. Cell Captive Basics
4. Strategy
5. Financials
6. Governance
7. Regulatory
8. SCR

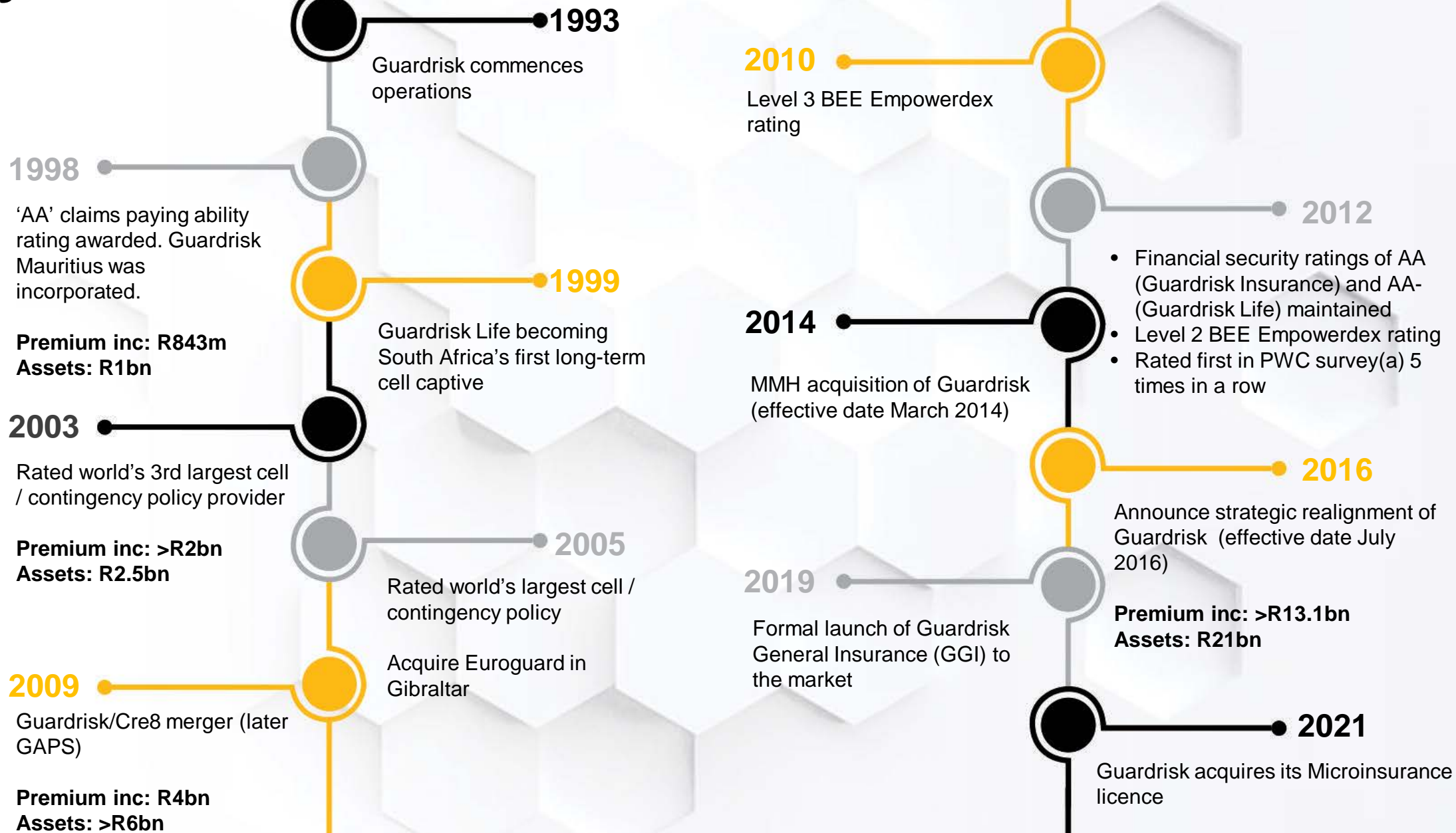


Group Overview

Ownership



History



Market position



**CREDIT
RATING**

Ba2

Global scale

Aaa.za

National scale

- Good market position as the largest cell captive insurer in the SA market
- Low underwriting risk due to its predominantly fee-based model
- Diverse product mix across insurance lines
- Strong profitability



**MARKET
POSITION**

South Africa's
Top-rated
**Alternative Risk
Transfer Insurer**
(PWC Biennial Survey)



**B-BBEE
RATING**

Level 1

**Broad Based Black
Economic
Empowerment
Group rating**

Under the revised Financial Sector Code, by AQRate (a B-BBEE verification agency)

Guardrisk | A growth story

2014

2022

Annual GWP

(14% Annualised growth P/A)

Group ➔

R'm
9,268

R'm
26,313

➔ **3x increase**

Valuation

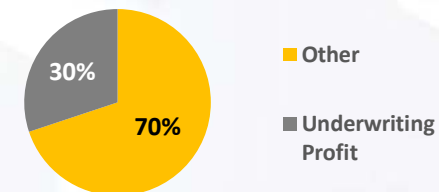
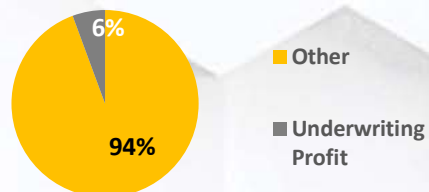
(2.8x increase)

R 1.6 billion

R 4.5 billion

(Accumulated dividends paid R1.5bn)

Revenue mix



Contribution to Group earnings

4%

12%

Capital efficiency

(SCR as % of Premium)

85%

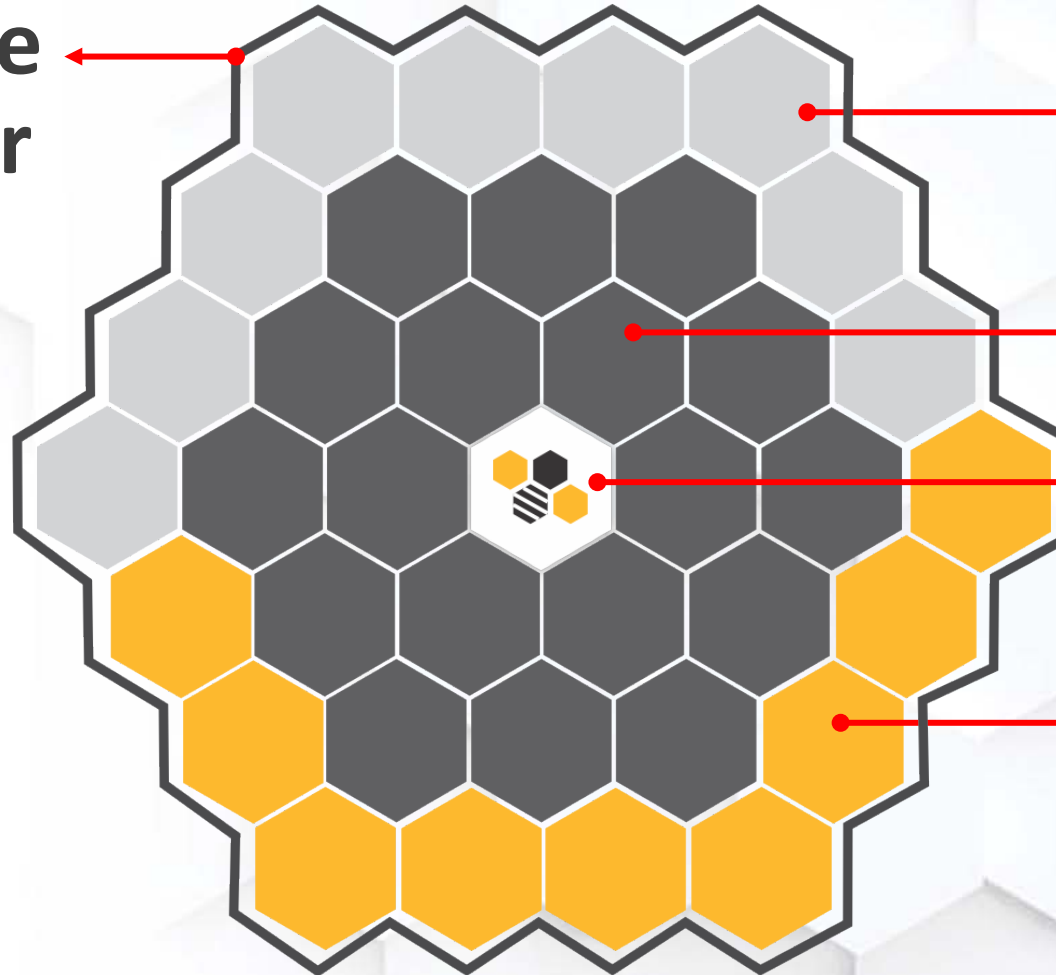
19%



Cell Captive basics

Guardrisk Cell structure

One Licence
One Insurer



Third party cells



GR Own
Underwriting Risk

Management

- Specialist support
- Governance

First party cells



Guardrisk Cell structure

Endorsed by Regulators
and market

Robust shareholders agreement

- No material change in 25 years
- Approved by ALL major legal firms in SA
- Clear disclosure of cell owner's rights and obligations.

Ringfencing

Cell owners' contractual obligation to recapitalize when required.

Use of reinsurance to support financial integrity of the ringfencing principle.

Premium acceleration clauses in policies (1st party).

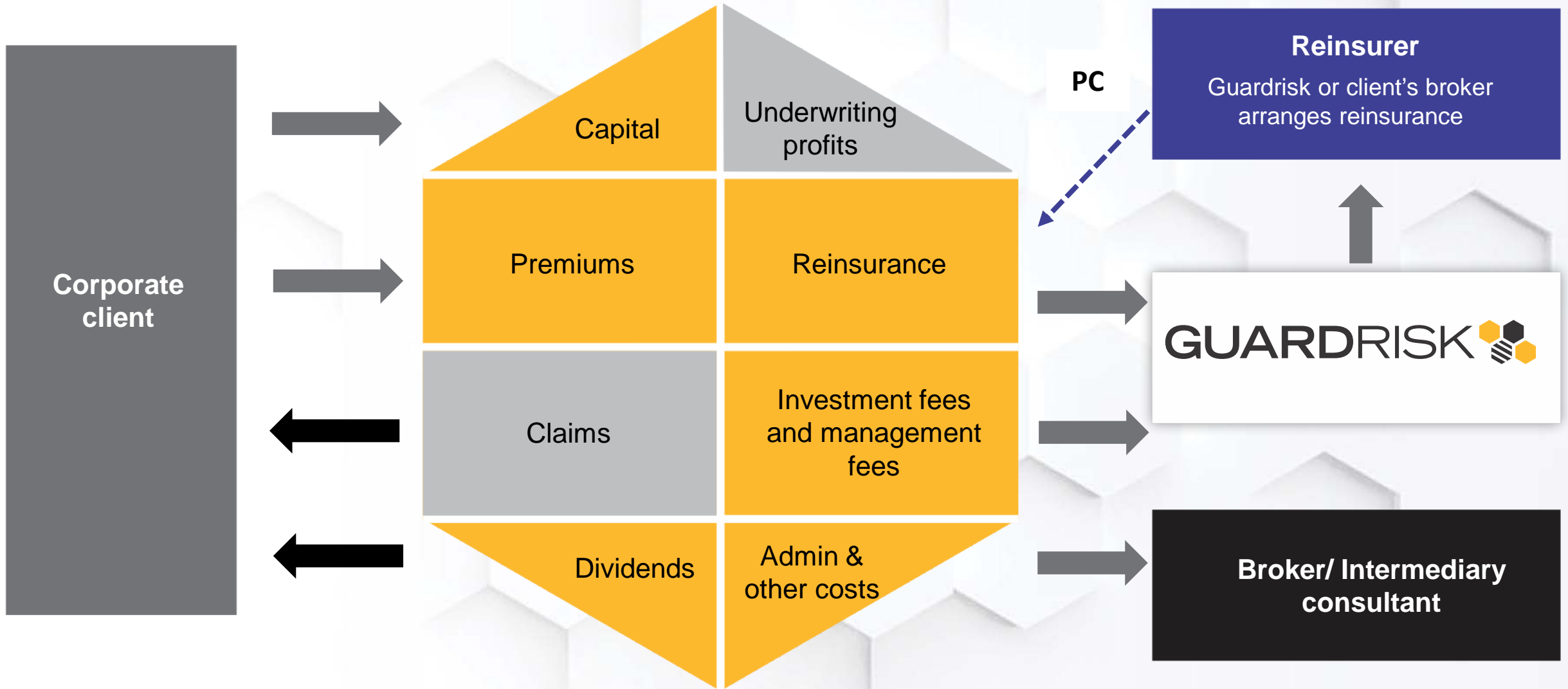
Limitation of claims to funds in the cell (1st party).

Pay-as-paid clause iro reinsurer obligations (1st party).

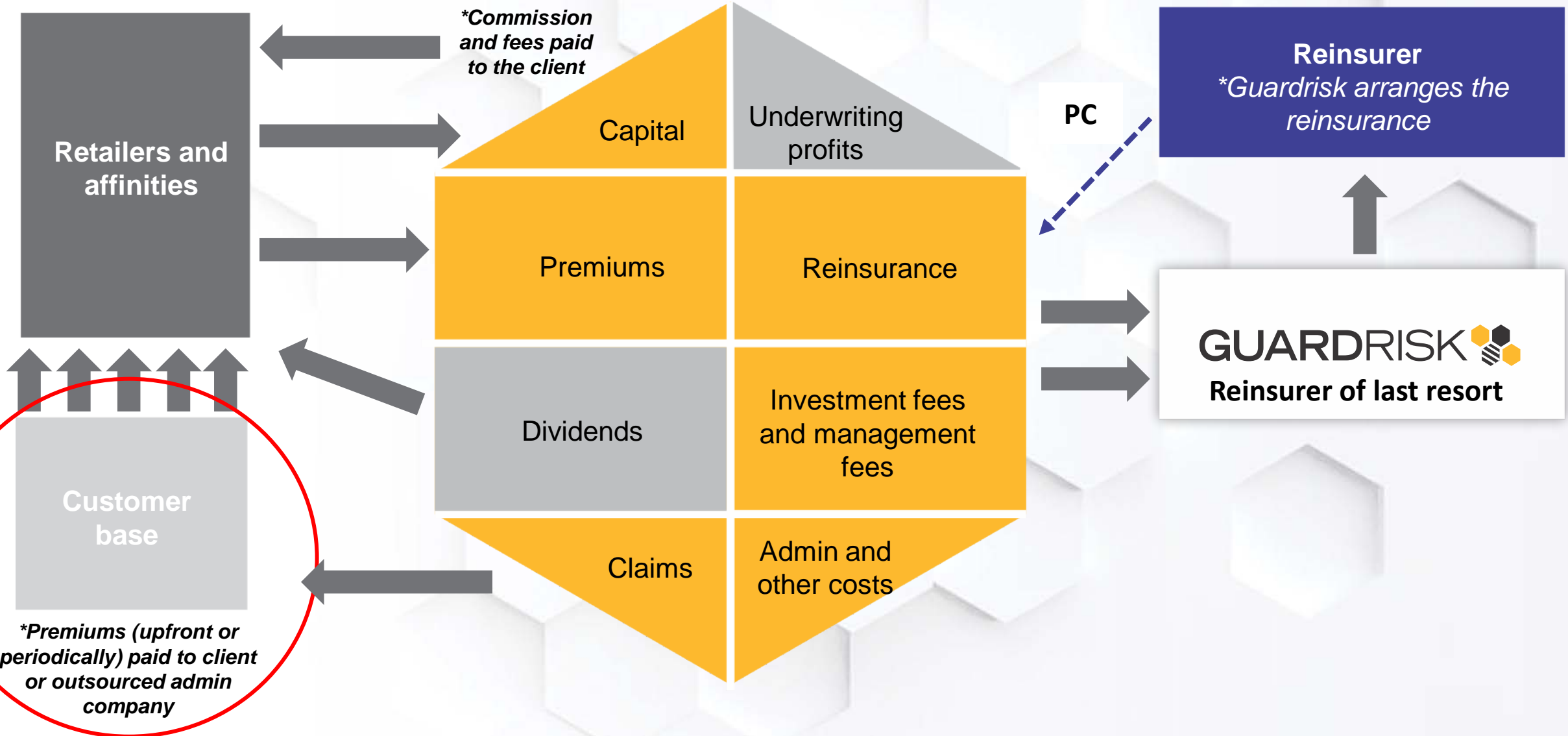
Alignment of all stakeholders' interests

- Sustainable profitable growth
- Capital efficiency
- Client centricity

1st Party Cell Captive Structure



3rd Party Cell Captive Structure



Guardrisk 3rd Party Retailers and Affinity overview



Third party cell structures enable retail clients to white label short-term insurance solutions offering insurance products to their end-user customers



Clients enhance brand value and association through providing insurance



Client base comprises motor vehicle retailers, micro-lenders, retailers and affinity groups



Focused on high frequency / low severity losses



Increased penetration



Improved efficiency



-STRATEGY-

Strategic overview

Reinvent and Grow | 2024

Our strategy aims to position Guardrisk as a strategic partner creating value beyond traditional cell captive insurance

● Reinvent

Tactical plans

Diversify revenue stream	<ul style="list-style-type: none">• Broker enablement to drive growth• Targeted underwriting (profits)• Improved efficiencies & service levels• Acquisitions and geographical opportunities
Value beyond cell captive	<ul style="list-style-type: none">• Advanced analytics• Embedded insurance• Organic growth
Capital efficiency	<ul style="list-style-type: none">• Cell capital efficiencies• Improve own RoE• Investment portfolio optimisation• Contract wording & reinsurance
Digital transformation	<ul style="list-style-type: none">• Modernisation• Optimise ROOT capabilities• Insurance gateway• Data enrichment
Sustainability	<ul style="list-style-type: none">• Earnings/value growth• Transformation• ESG (incl. climate change)

● Growth ambition

Earnings | **Return on equity**
15% pa  **22%** 

Value  | **B-BBEE**
+R2bn | **Level one** 

Sustainability 
Beyond compliance

 **Underwriting margin**
9% - 11%

Right to win

Current competitive advantages



Ability to innovate



IP / skill set / superior cell captive capability



Cell captive admin system



Deep client relationships

Future competitive advantages

Holistic client value propositions, reaching beyond the boundaries of traditional cell captive insurance

Unlocking commercial value from data assets and advanced analytics

Ease of doing business and scalability of solutions

Enabling capital efficiencies and related financial benefits for clients

Unlock the eco system for Insurtech initiatives (Launchpad)

Well positioned to access underwriting profit opportunities in Guardrisk Life

Microinsurance Cell structure as enabler for future transformation

Enhanced diversification of revenue streams

Key market trends



Advances in digital, data analytics and AI

- Leverage digital to enhance ease of doing business and create efficiencies
- Invest in data integration and data quality to extract commercial value for clients
- Stronger new business digital enablement



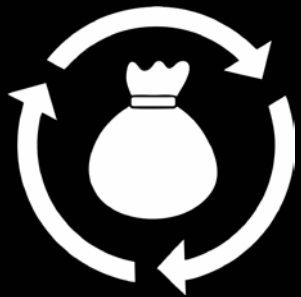
Changing consumer landscape

- Invest in data analytics and product development to enable more effective and more holistic client value propositions, reaching beyond the boundaries of traditional cell captive insurance
- Change in asset usage paving the way for Embedded Insurance 2.0.



Regulatory uncertainty and complexity

- Continue to enable solutions that cater for regulatory change



Evolving capital models

- Increase capital efficiency and create flexibility for cell owners
- Address capital requirements as a barrier to entry for new cell owners

Economic transformation and financial inclusion

- Continue to grow the number of black-owned cells in the Guardrisk portfolio
- Invest into an understanding of the needs of underserved consumer markets, and proactively seize new opportunities with an innovation mindset

Competitor landscape

Guardrisk leads the cell captive industry with more than

50% of total market share

Guardrisk General Insurance has demonstrated rapid, profitable growth since its inception, and will leverage its agility and specialist underwriting innovation to continue profitable scaling



Guardrisk value propositions remain leading, but we intend to invest into a stronger leading position



Alternative funding models pose a threat in light of limiting cell captive regulation, and we intend reinventing capital and funding models.



Brokers remain highly influential in the general insurance and first party markets, and we intend to invest in the strengthening and expansion of our network

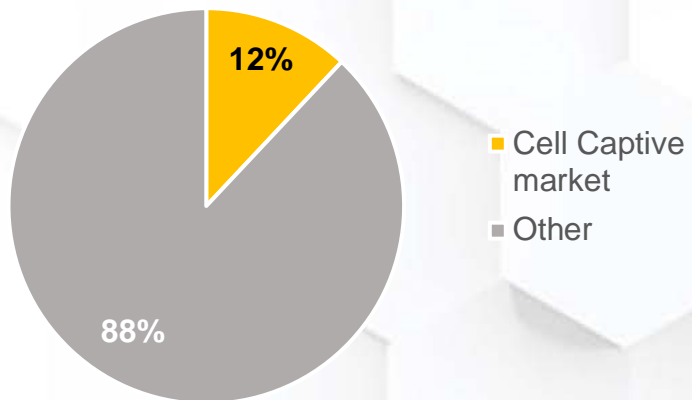


Startups and tech players present collaboration opportunities, we will continue to invest in our partnership with Root, while also exploring other collaboration opportunities

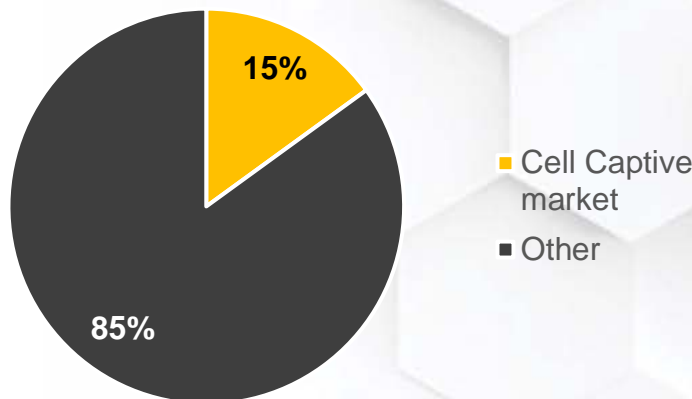
Competitor landscape

Cell captive continuing demand

Non-Life Market
2014

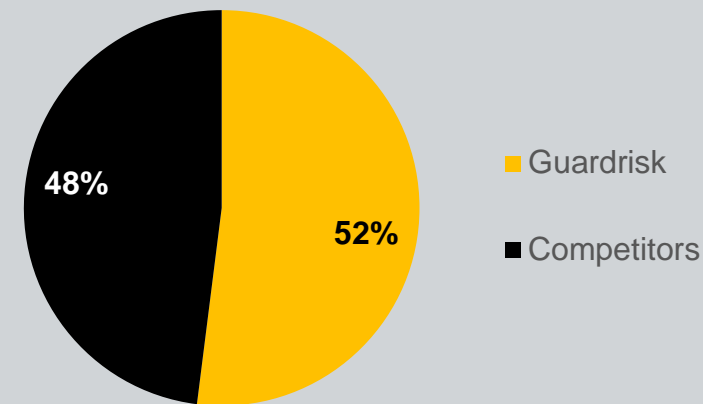


Non-Life Market
2022

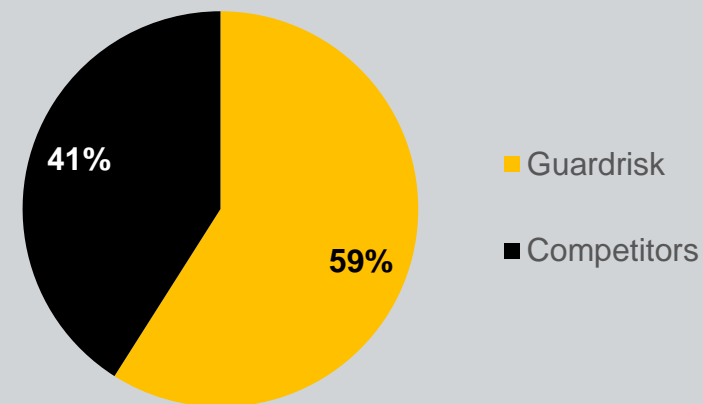


Guardrisk continuing growth

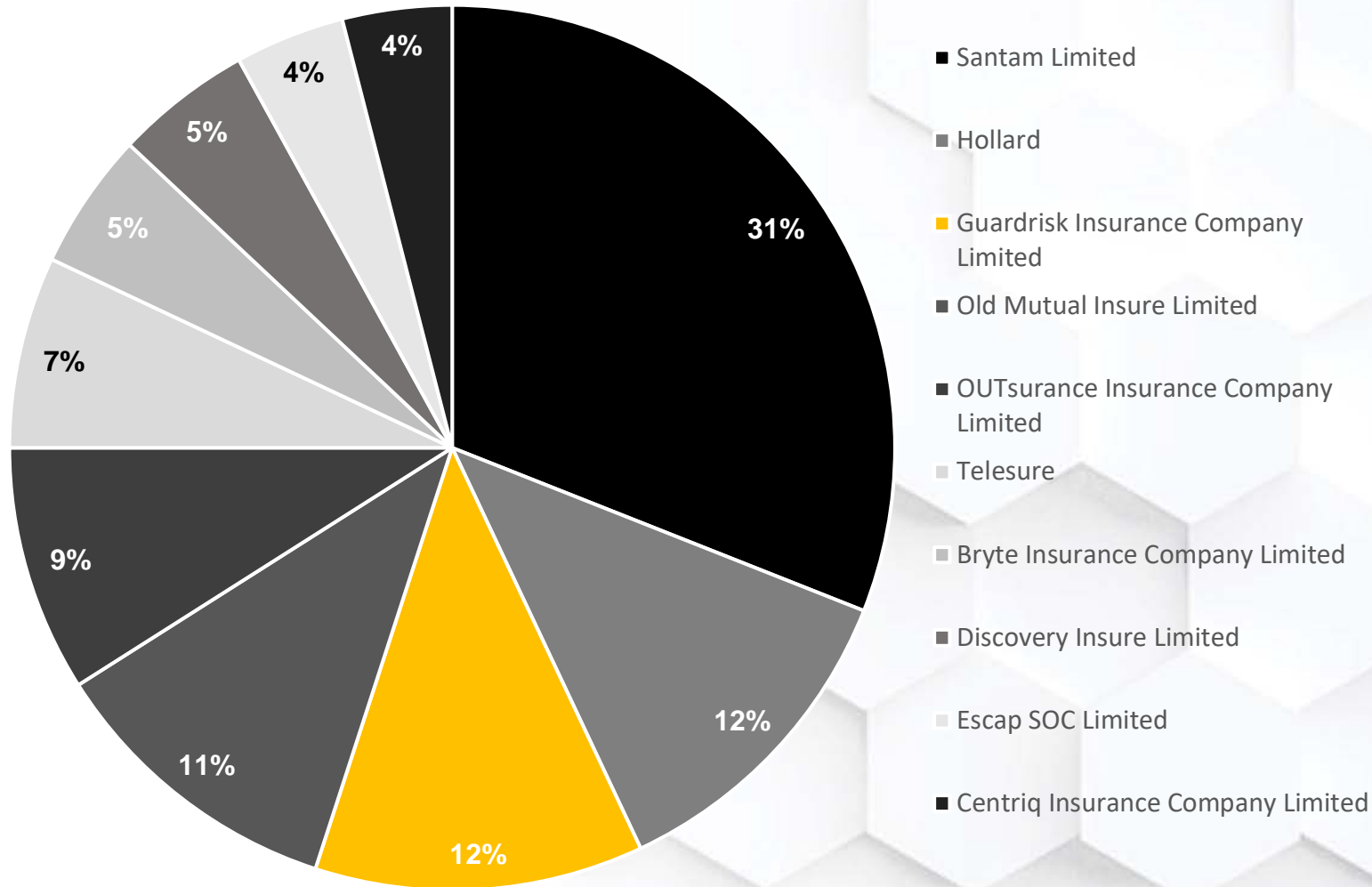
Cell Captive Market
2014



Cell Captive Market
2022



Competitor landscape



MARKET

GROSS WRITTEN PREMIUM (GWP)

GUARDRISK
IS IN THE TOP 3

12%

Initiatives to sustain revenue beyond 2024

Guardrisk Life

- Increase Guardrisk Life's underwriting risk participation
- Enhanced data analytics capabilities
- Identify specific bolt-on opportunities

Guardrisk General Insurance

- Digital broker portal
- Expand intermediary footprint
- Guardrisk reinsurance opportunities

Volume & Affinity

- Launchpad – investing in InsurTechs for application in the Guardrisk ecosystem.
- Full digital solutions.
- Embedded Insurance.

Diversification

- Bolt-on transactions
- Geographical expansion
- Microinsurance opportunities

Future challenges



Rising cost of reinsurance protection



Cost of compliance



Skills and retention of scarce skills/talent

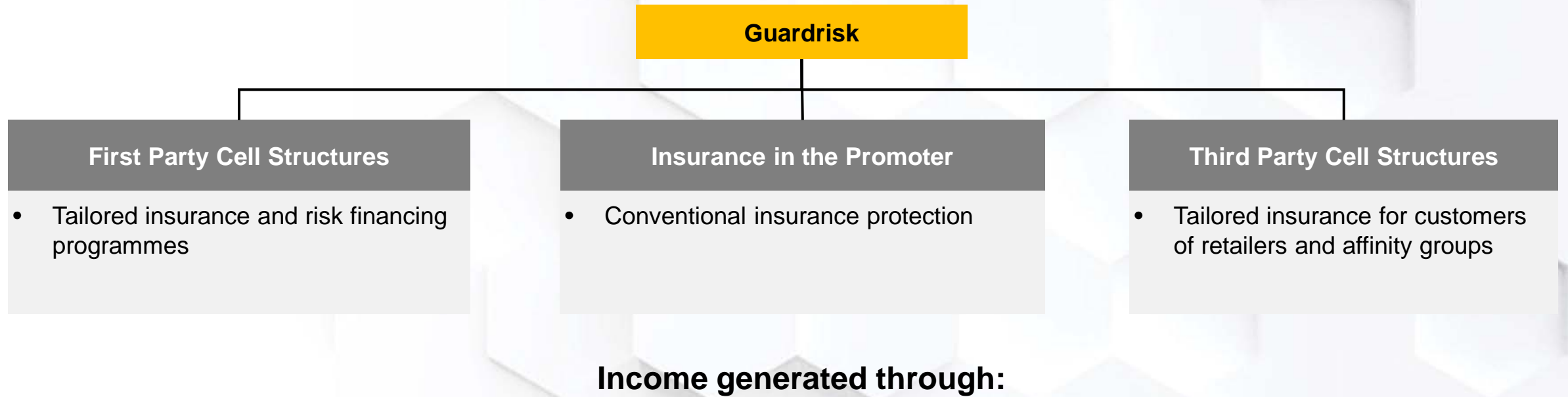


Despite diversification – low growth economy starting to impact all our clients in all industries



Guardrisk **financials**

Guardrisk offering



Management fee charged on premiums & assets



Investment fee charge on investment income earned



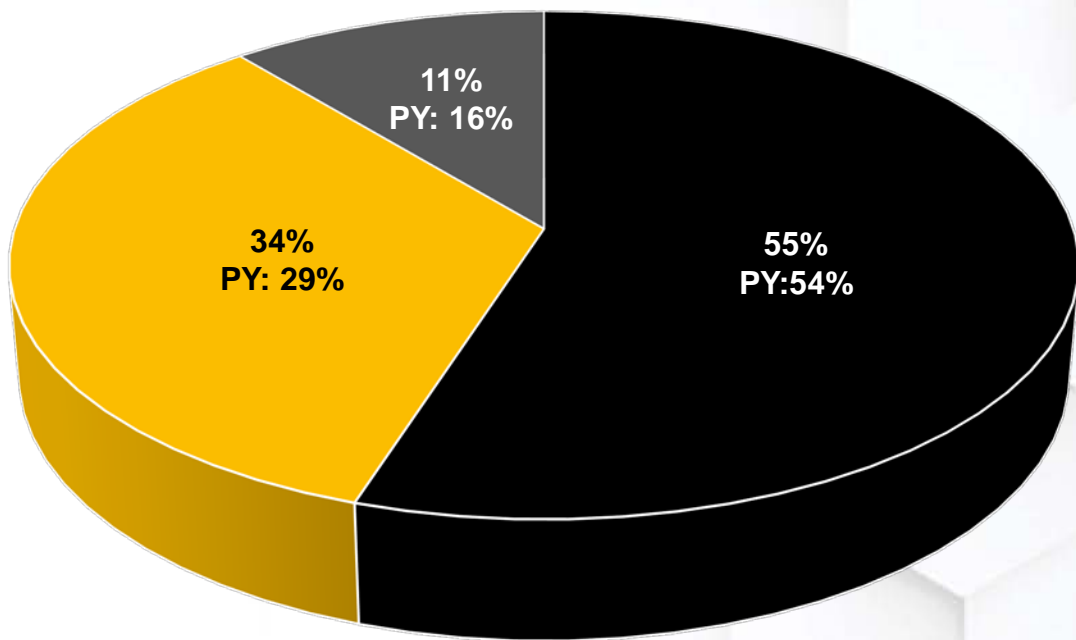
Underwriting profits



Investment Income

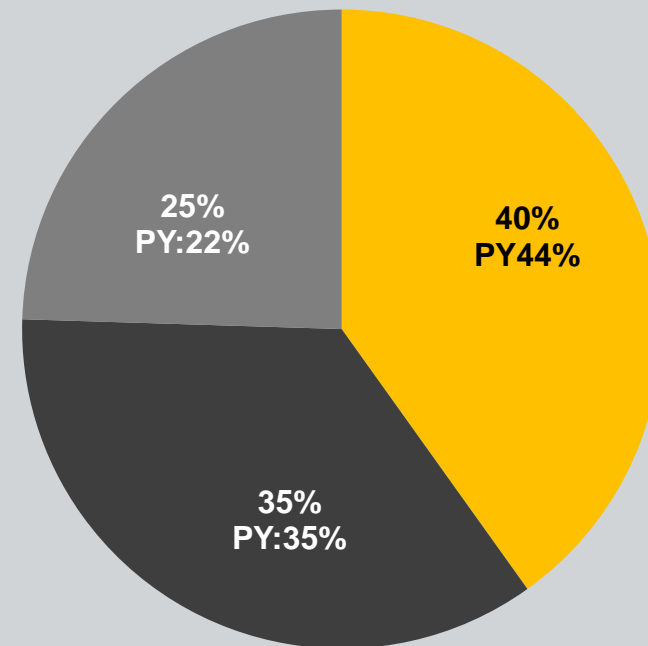
Proportional revenue | 31 Dec 22

Proportional revenue | 31 Dec 2022



■ Fees ■ Underwriting profit ■ Investment income

Planning unit overall performance



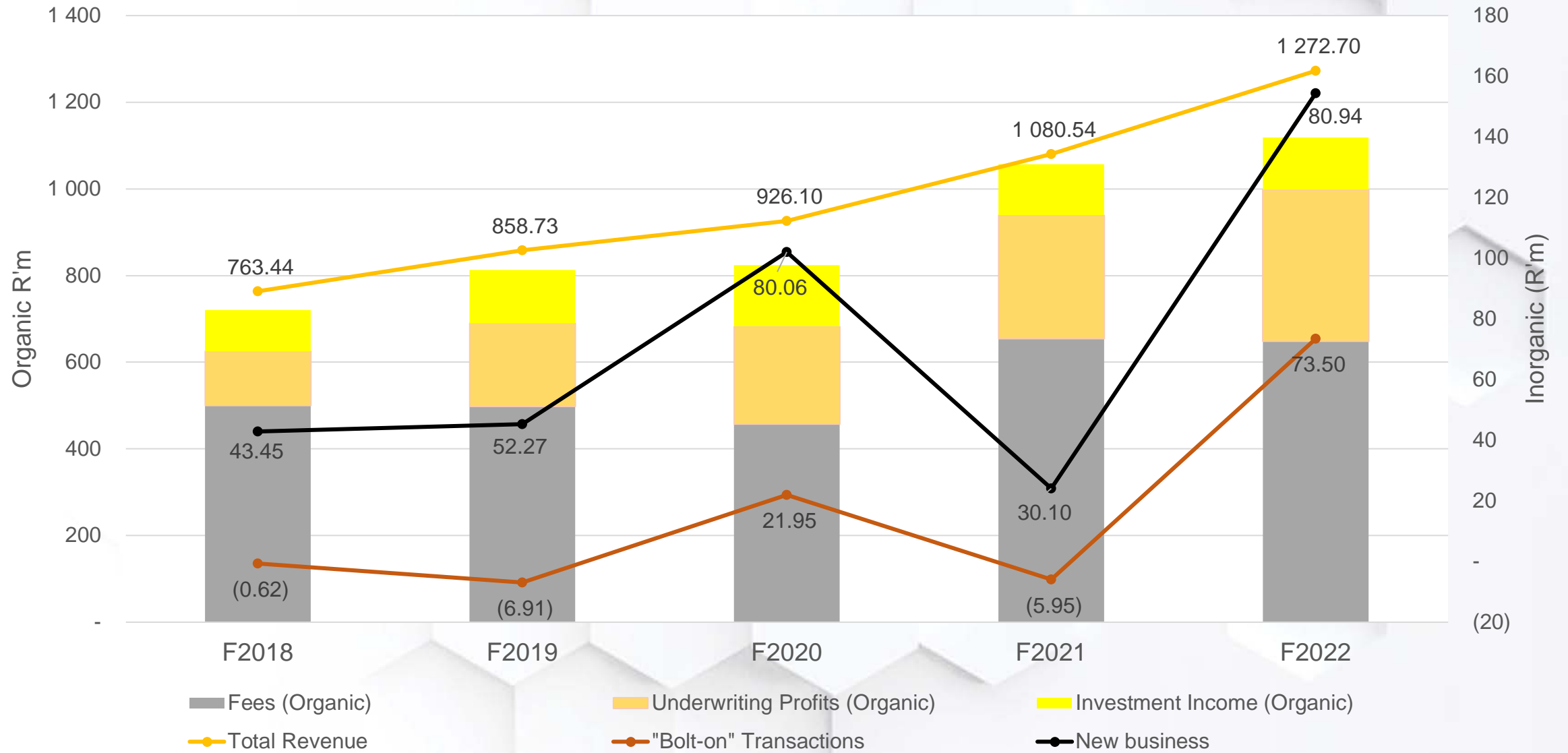
■ GRNL ■ GGI ■ GRL

Guardrisk Insurance includes International and GAPS

Guardrisk Life includes Momentum Ability & Guardrisk Micro Insurance

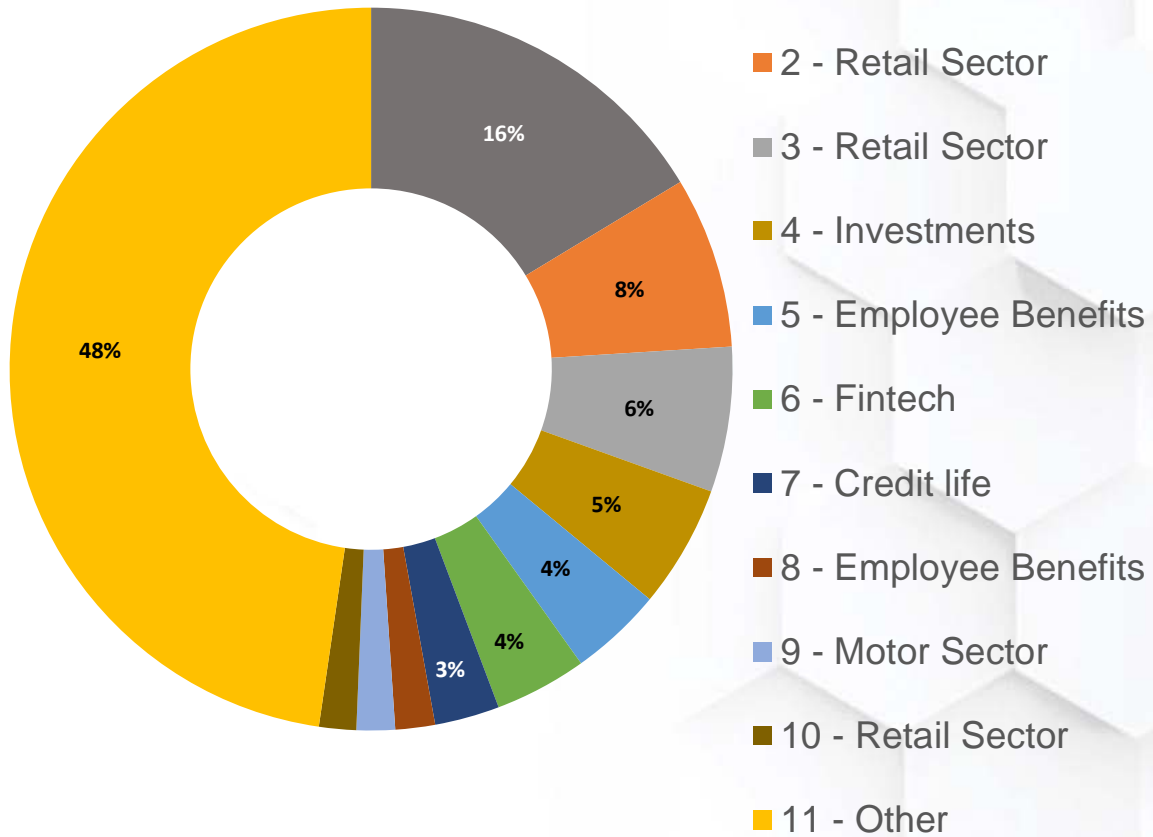
GUARDRISK REVENUE MIX

Guardrisk Group Revenue Composition History

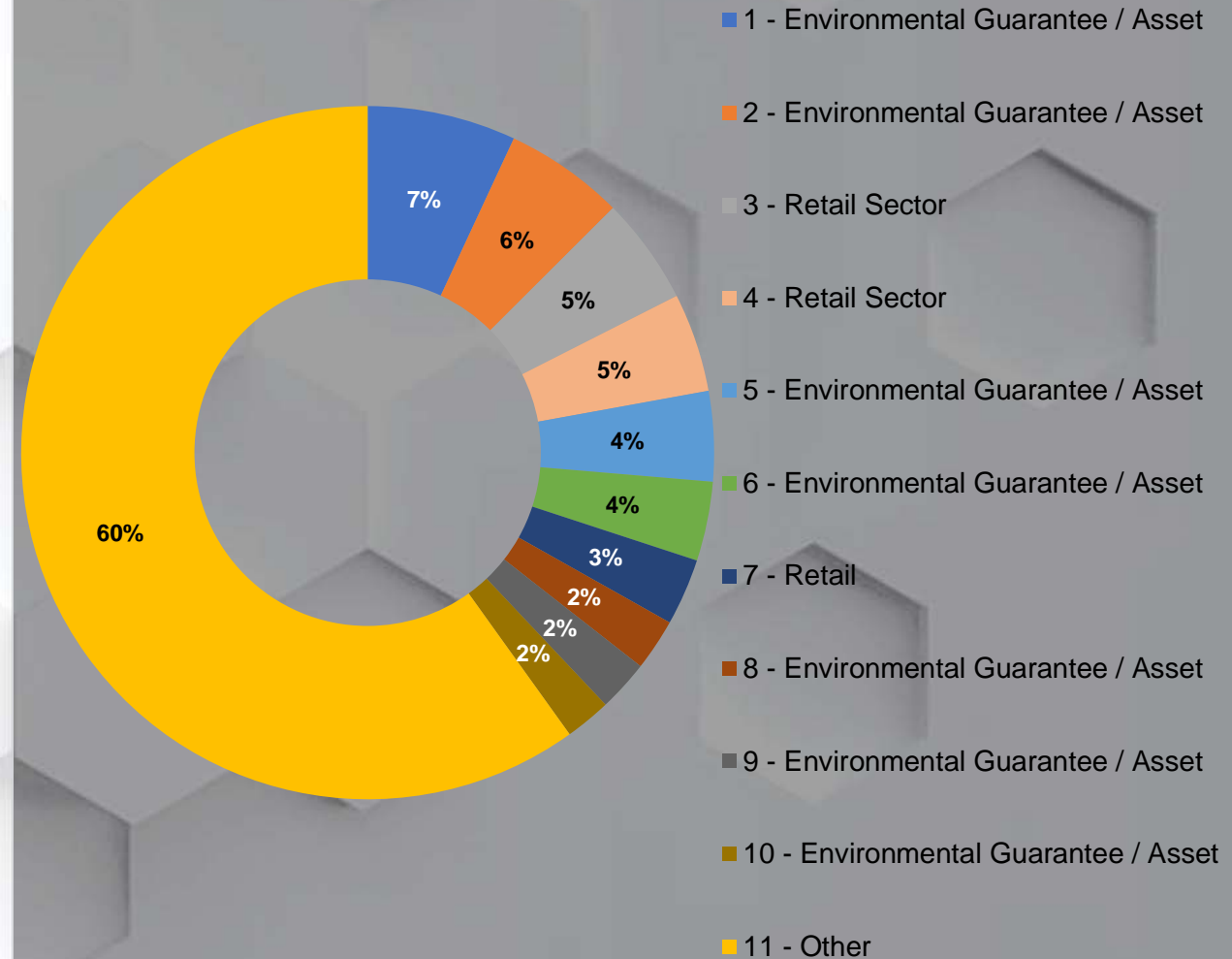


Client concentration | Fee Revenue

GRL - Fee Revenue

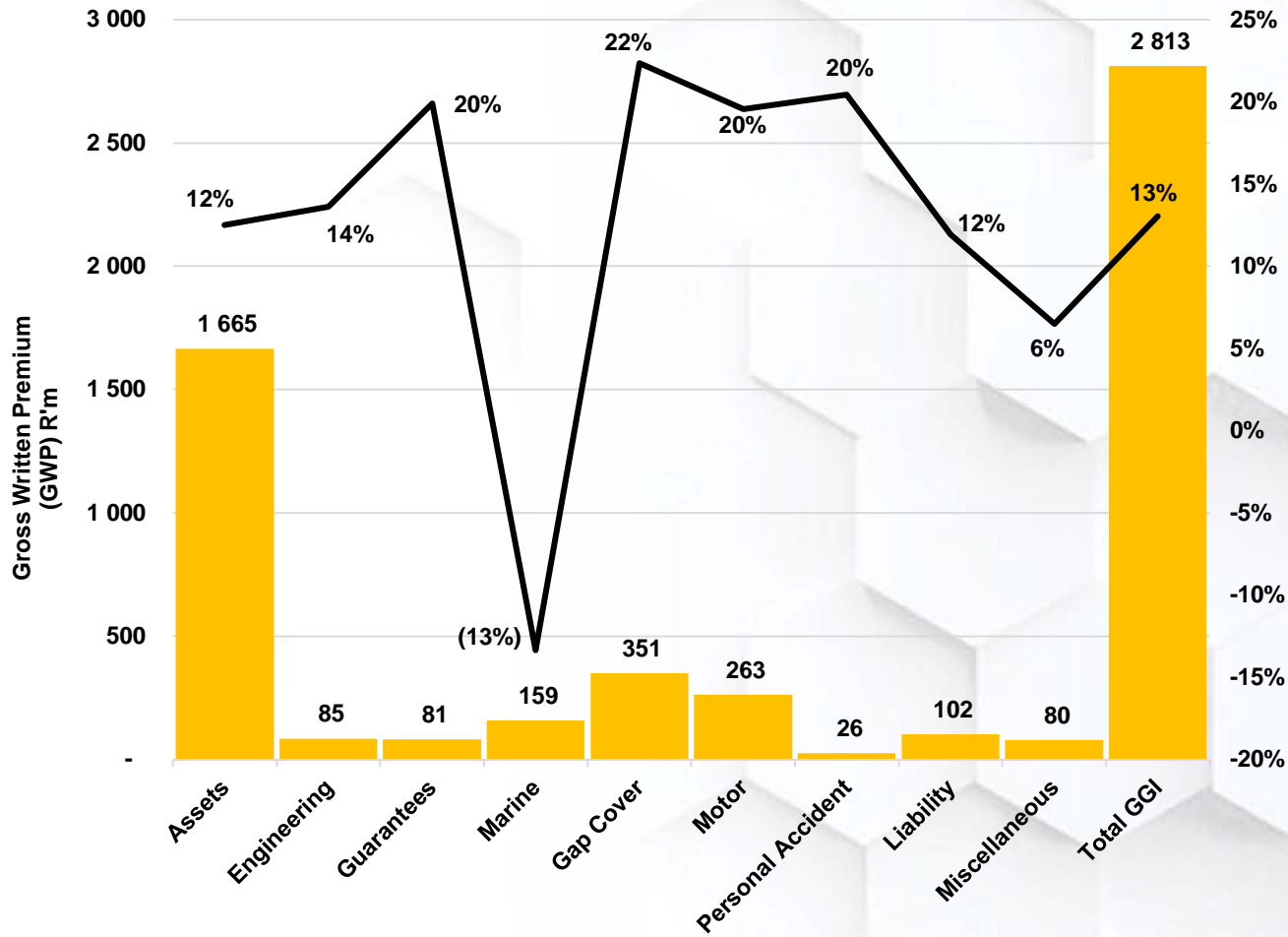


GRI - Fee Revenue

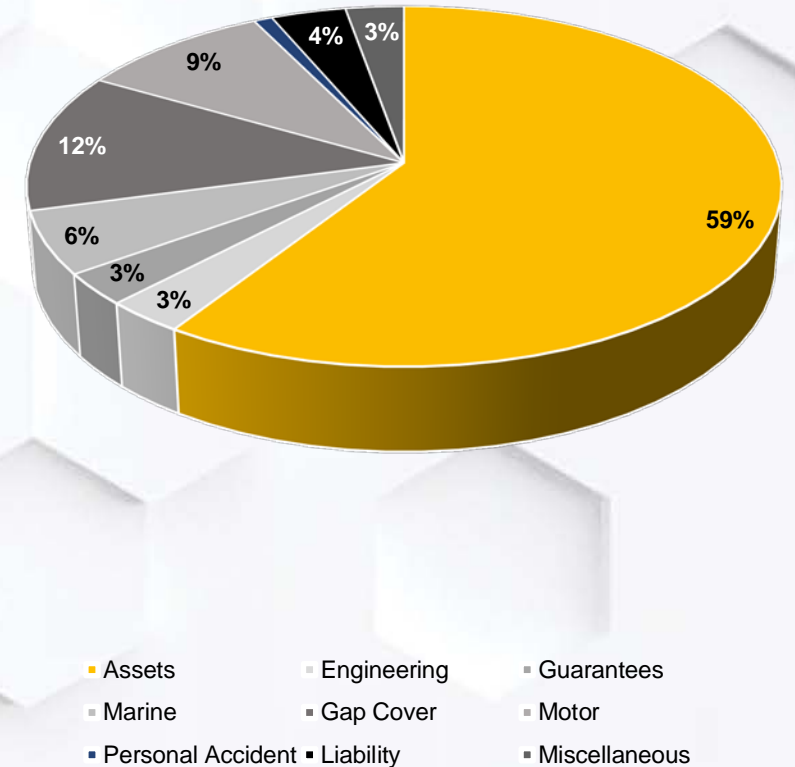


Underwriting Profit | Guardrisk General Insurance

Underwriting Margin as % of GWP (F2022)



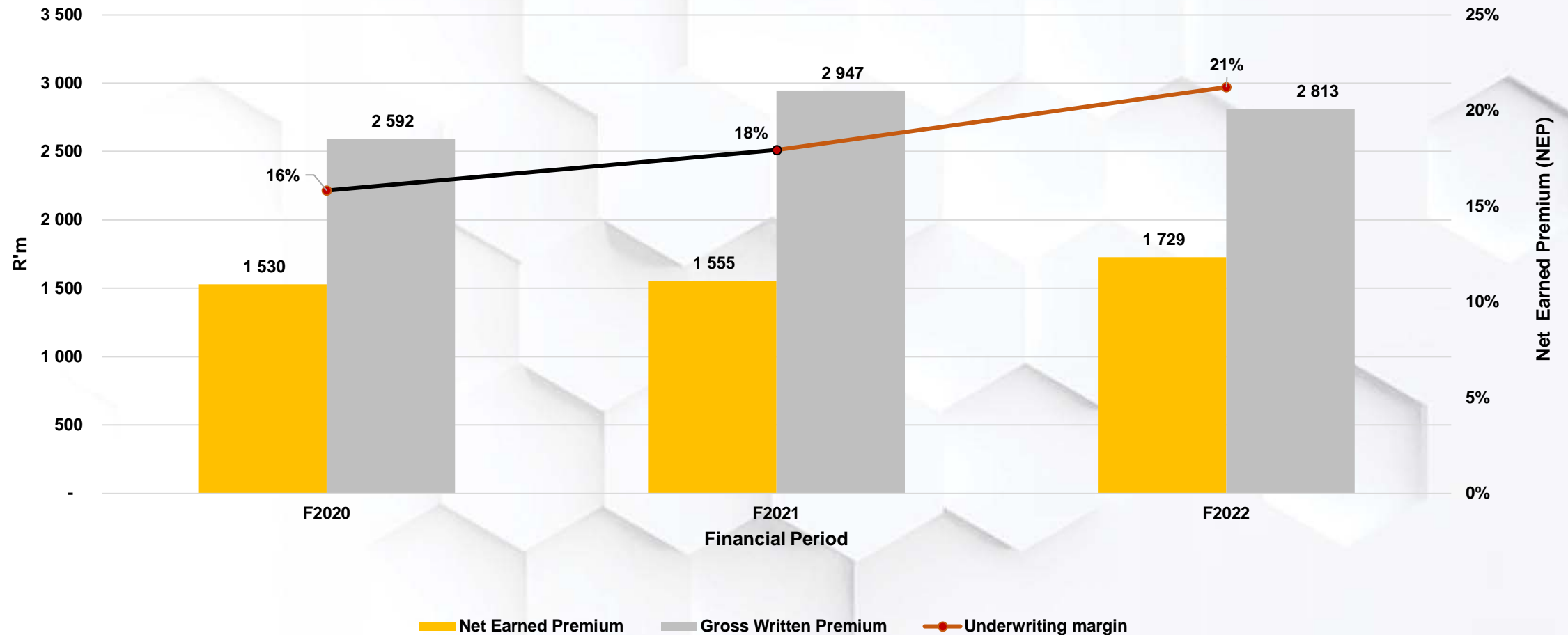
GGI | GWP composition



** Margin excludes overhead cost allocations

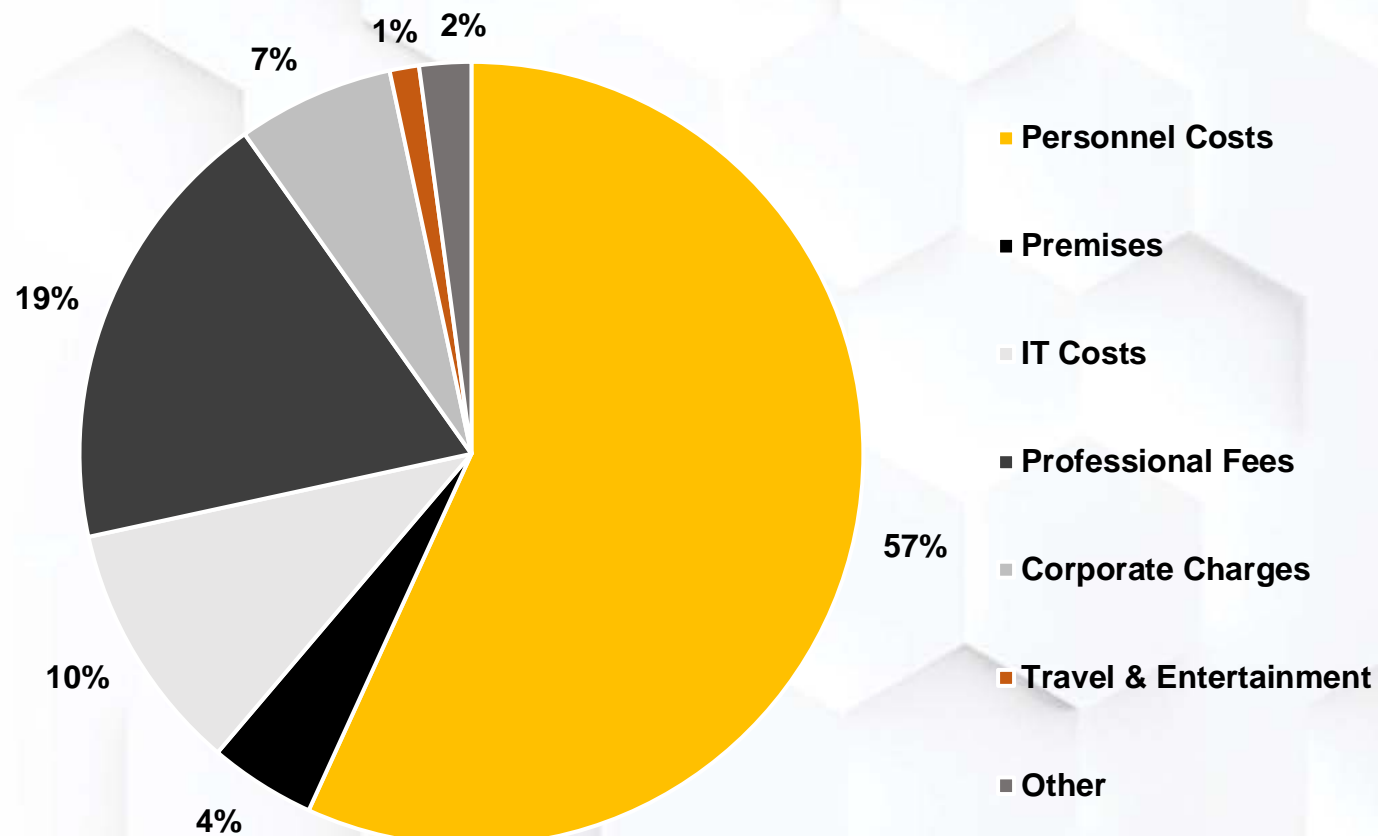
Underwriting Profit | Guardrisk General Insurance

Underwriting margin as % of NEP



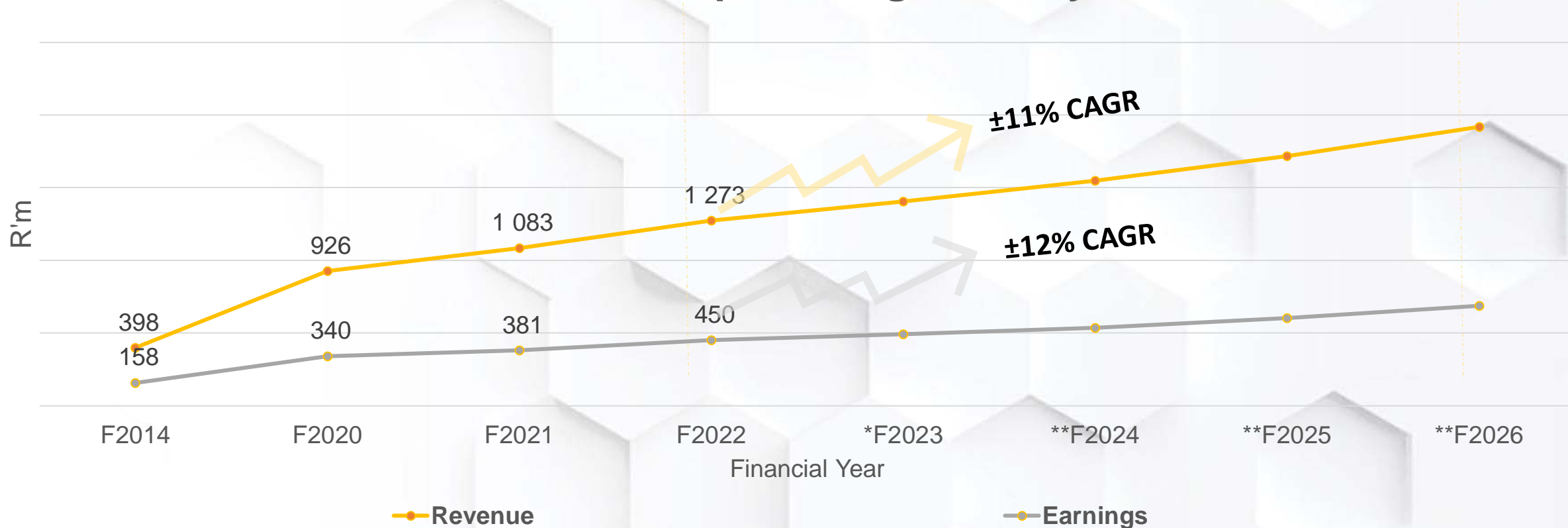
** Margin excludes overhead cost allocations

Expense Review | 31 Dec 22



Earnings history

Guardrisk Group Earnings History & Forecast



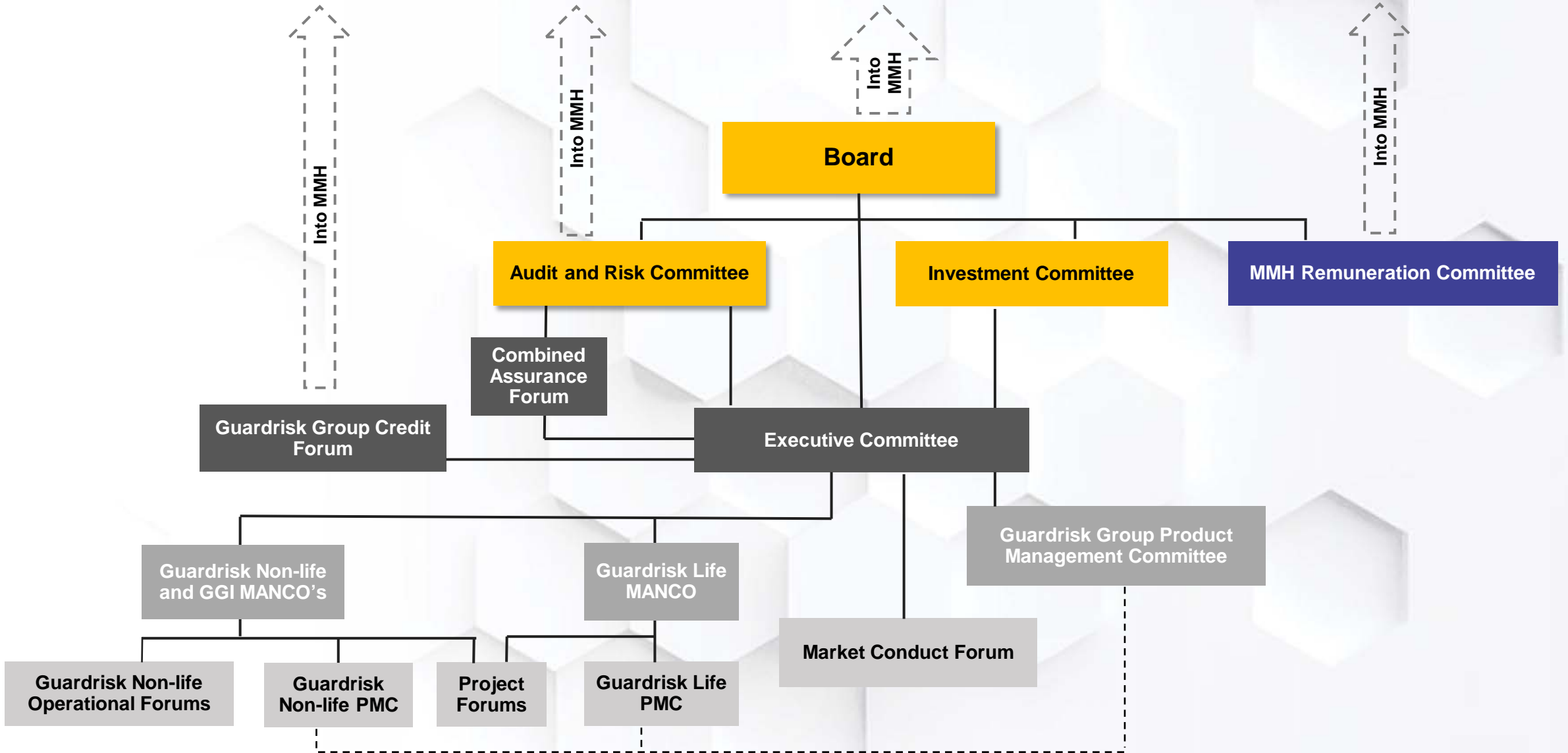
IFRS17

1. **First IFRS 17 Annual Financial Statements financial year 2024**
2. **No significant impact on earnings**
3. **First Party Cells IFRS9**
4. **Third Party Cells – Concept of "Notional Reinsurance"**



Governance

Governance



Executive portfolio overview



Herman Schoeman
CEO: Guardrisk
30 years experience
22 years tenure



Bianca Radzilani
Managing Executive:
Governance Legal and
Compliance
16 years experience
2 years tenure



Abrie Coetzee
Chief Operating Officer
25 years experience
22 years tenure



**André Jansen van
Vuuren**
Chief Actuary
22 experience
9 years tenure



Lourens Botha
Chief Financial Officer
27 years experience
13 years tenure



Richard Eales
Managing Executive:
Non-Life
25 years experience
22 years tenure



Xolani Nxanga
Managing Executive:
Microinsurance
24 years experience
3 years tenure



Francois Schaap
Managing Executive:
Life
25 experience
22 years tenure



Jessica Kutumela
Chief Risk Officer
20 years experience
2 years tenure



Yolanda Toy
Head: Human Capital
22 years experience
6 years tenure



SAIA

SOUTH AFRICAN INSURANCE ASSOCIATION



Herman Schoeman
Chairman of the
Board



Lourens Botha
Prudential Steering
Committee



Bianca Radzilani
Conduct of Business
Committee



Regulatory

Twinpeaks Regulation | Financial Sector Conduct Authority (FSCA)

Market Conduct Regulator

Protect consumers of financial products and services

Custodians of Treating Customers Fairly (TCF)

Legislation: Long-Term and Short-Term Insurance Act (remaining provisions) and Policyholder Protection Rules (PPR).
To be replaced by the Conduct of Financial Institutions (CoFI) in 2024

Engagements with the FSCA:

- quarterly conduct of business returns (CBR)
- ad hoc requests on complaints, claims, data, product design
- notifications for new cell, binder, product (funeral and microinsurance)

Teams Meetings

- quarterly meetings with the supervisory team at the FSCA

Twinpeaks Regulation | Prudential Authority (PA)

Prudential Stability Regulator

Financial stability, safety and soundness of the financial sector

Legislation: Insurance Act and Prudential Standards (Financial and Governance)

Engagements with the PA:

- **Board member and key person approvals**
 - Transfers of insurance business (S50)
 - All licence related issues (variations)
 - Quarterly and annual financial returns (QRT and ART)

Teams Meetings

- Annual Trilateral Meeting – Audit and Risk Committee
- Annual CEO meeting –business updates
- Bi-annual Results meeting
- Thematic meetings



Solvency capital requirement (SCR)

SCR for cell captive insurer

Component A – Promoter SCR

Capital requirement for risk
being taken in promoter

Component B – Cell SCR

Capital requirement of the
underlying cells

Component C – Diversified shortfall

Cells not making their capital
requirement that need support
from promoter

SCR for cell captive insurer: Component A + Component B + Component C

SCR and Own Funds

All amounts R'm	GRI QRT Dec 2022	GRL QRT Dec 2022
A. Promoter SCR	393	35
B. Cell SCR	1 985	3 172
C. Diversified Shortfall	278	24
Entity / Licence SCR (A+B+C)	2 656	3 231
SCR cover before OF elimination	2.15x	2.12x
SCR cover after OF elimination	1.26x	1.17x
D: Basic OF (after Promoter Dividend)	5 697	6 841
E: Remove Surplus OF	(2 352)	(3 072)
F: Ancillary OF	-	-
Eligible OF (D-E+F)	3 345	3 769
Cells with positive EOF	1 985	3 224
Cells with negative EOF	(277)	(25)
Promoter OF	1 637	597
GRI Surplus / GRL Buffer (EOF-SCR)	689	537

SCR Cover

	SCR Cover		
	Dec 2021	June 2022	December 2022
Guardrisk Insurance (Licence)	1.23X	1.17X	1.26X
Guardrisk Insurance (Promoter)	3.04X	2.11X	2.34X
Guardrisk Life (Licence)	1.14X	1.16X	1.17X
Guardrisk Life (Promoter)	12.3X	6.0X	10.1X
Guardrisk Microinsurance (Licence)	1.72X	2.18X	1.89X

All entities meeting SCR

Stable SCR cover

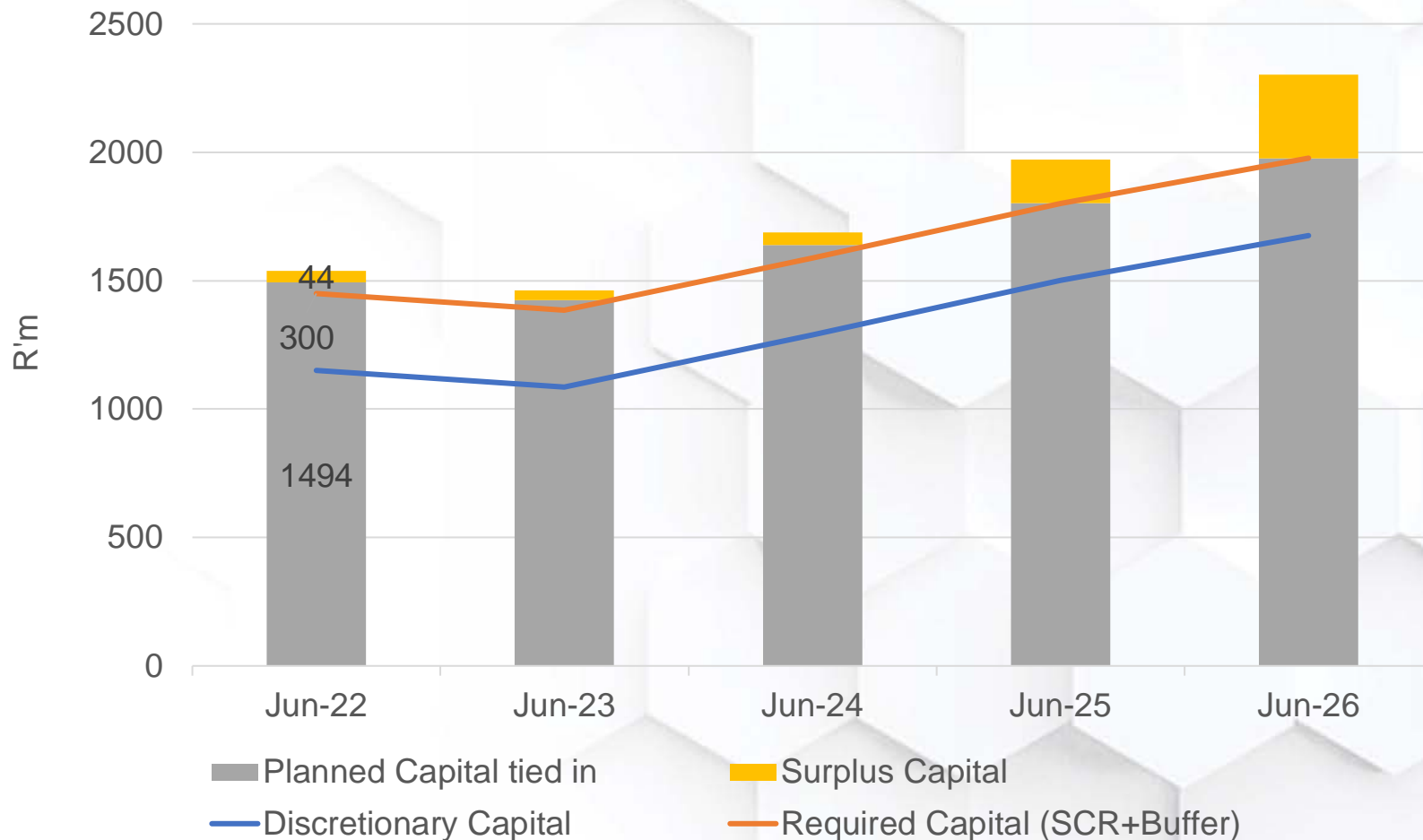
Approved dividend policy

60% of profits

5 year capital deployment plan

Capital deployment plan

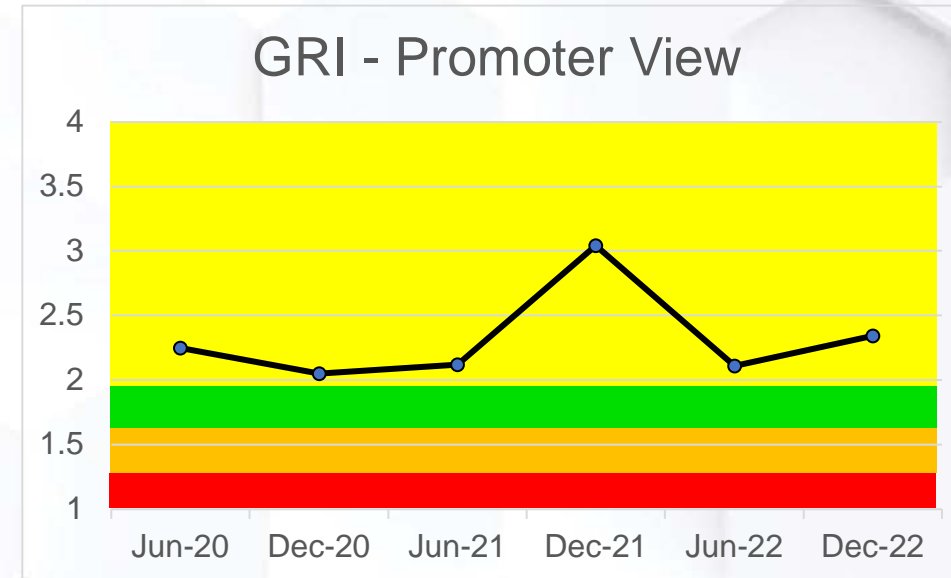
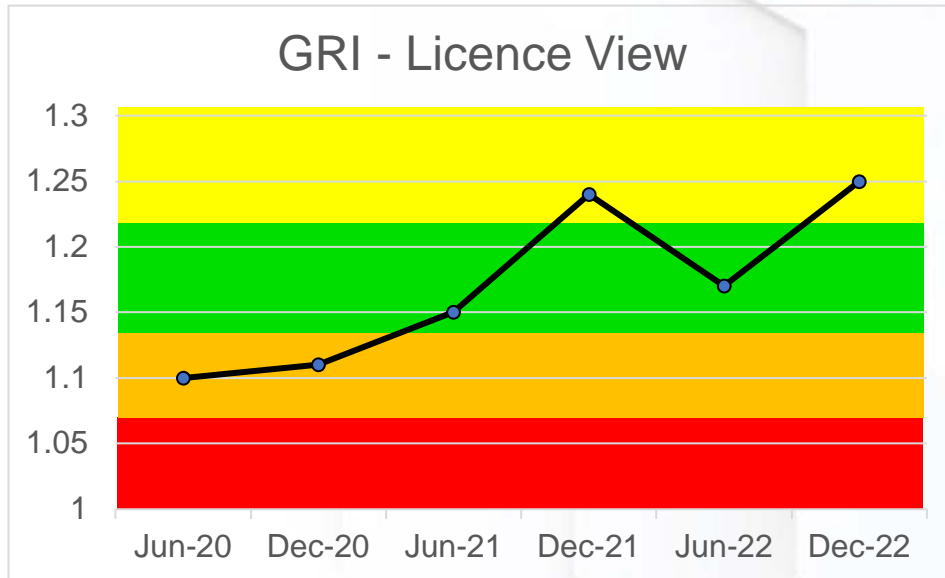
Projected capital after deployment (R'M)



Deployment initiatives (acquisition and dividends) less than projected OF growth

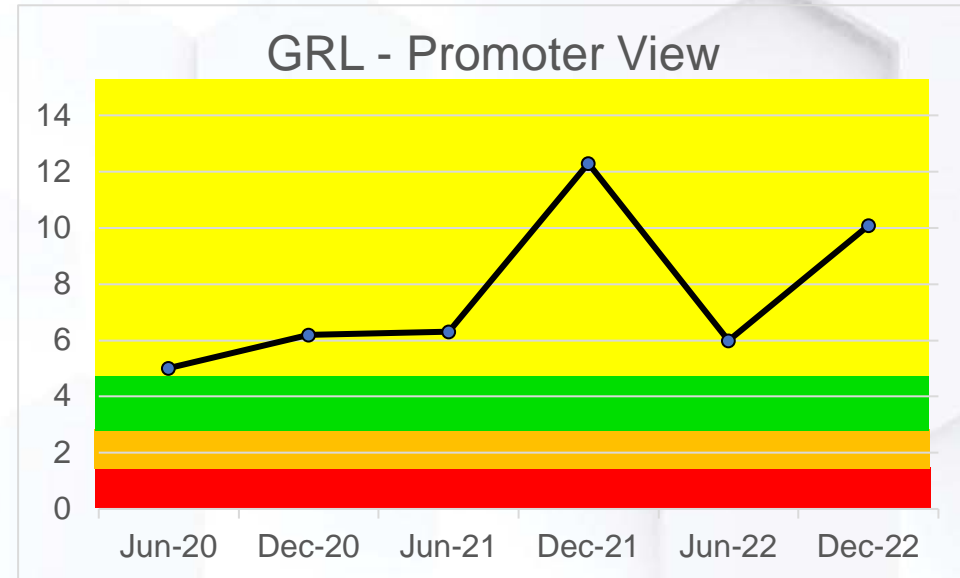
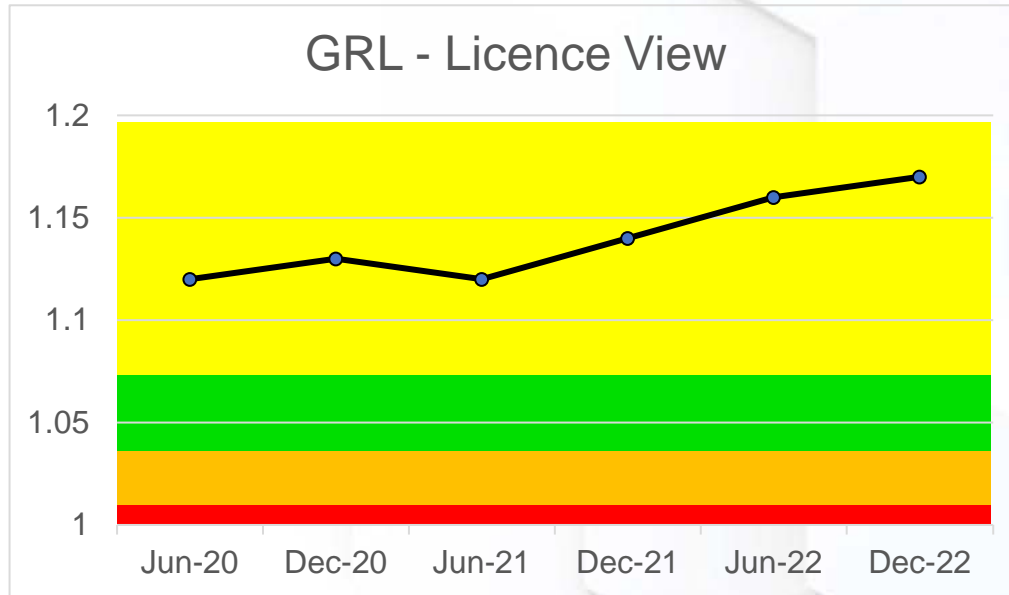
Growth in required capital and constant discretionary capital funded from growth strategy and growing surplus capital in 2025 and 2026

CAPITAL COVERAGE APPETITE (NON-LIFE BUSINESS)



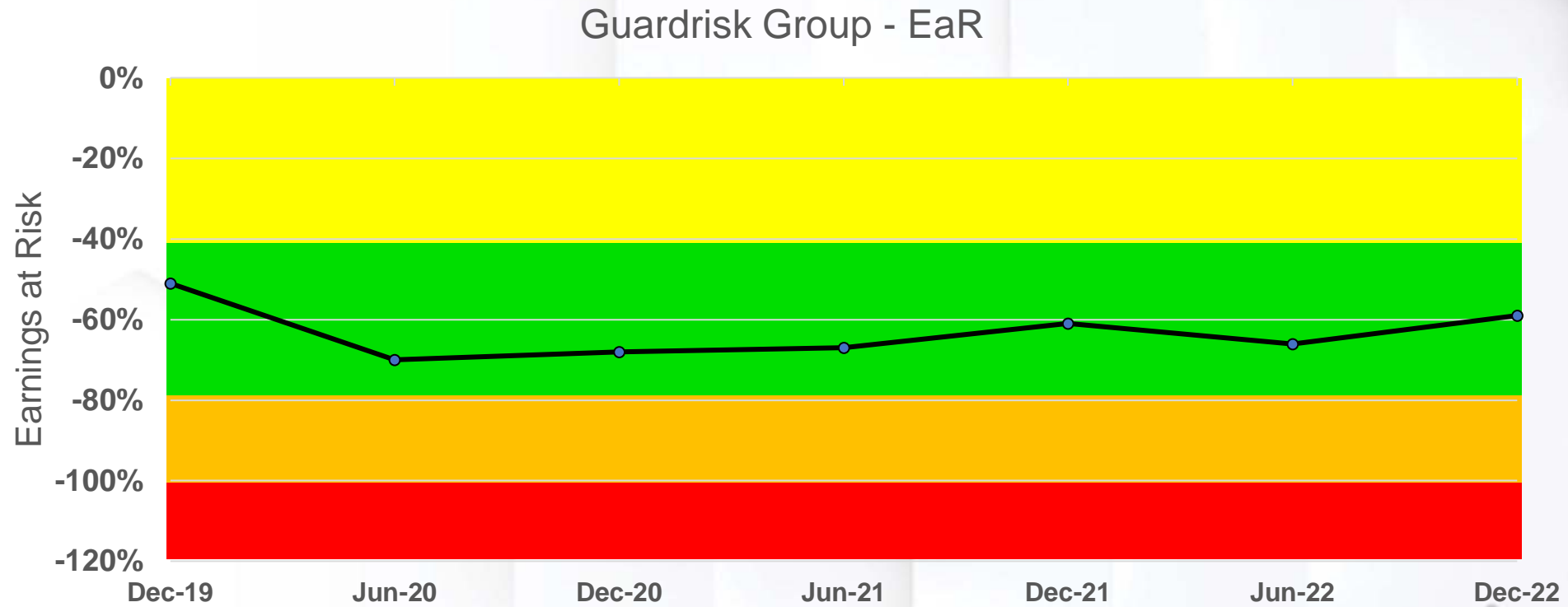
	Licence SCR Cover	Promoter SCR Cover
Red	Available financial resources less than 107% of the licence capital requirement.	Available financial resources less than 130% of the licence capital requirement.
Amber	Available financial resources less than 114% but greater than 107% of the licence capital requirement.	Available financial resources less than 160% but greater than 130% of the licence capital requirement.
Green	Available financial resources less than 121% but greater than 114% of the licence capital requirement.	Available financial resources less than 190% but greater than 130% of the licence capital requirement.
Yellow	Available financial resources greater than or equal to 121% of the licence capital requirement	Available financial resources greater than or equal to 190% of the licence capital requirement

CAPITAL COVERAGE APPETITE (LIFE BUSINESS)



	Licence SCR Cover	Promoter SCR Cover
Red	Available financial resources less than 101% of the licence capital requirement.	Available financial resources less than 140% of the licence capital requirement.
Amber	Available financial resources less than 104% but greater than 101% of the licence capital requirement.	Available financial resources less than 240% but greater than 140% of the licence capital requirement.
Green	Available financial resources less than 107% but greater than 104% of the licence capital requirement.	Available financial resources less than 440% but greater than 240% of the licence capital requirement.
Yellow	Available financial resources greater than or equal to 107% of the licence capital requirement	Available financial resources greater than or equal to 440% of the licence capital requirement

EARNINGS AT RISK (ALL BUSINESS)



Promoter SCR Cover	
Red	Fall in profit after tax following a 1-in-10-year event greater than 100% from budgeted PAT
Amber	Fall in profit after tax following a 1-in-10-year event greater than 80% but less than 100% from budgeted PAT
Green	Fall in profit after tax following a 1-in-10-year event greater than 40% but less than 80% from budgeted PAT
Yellow	Fall in profit after tax following a 1-in-10-year event less than 40% from budgeted PAT

Thank you.

GUARDRISK 
TAILORED RISK SOLUTIONS