

## Equity Assurance Plc

### Nigeria Insurance Analysis

July 2008

Security class	Rating scale	Currency	Rating	Rating outlook	Expiry date
Claims paying ability	National	Naira	A	Positive	07/2009

#### Financial data:

(US\$m Comparative)

	31/12/06	31/12/07
N/US\$ (avg)	132.4	128.6
N/US\$ (close)	134.0	120.0
Total assets	31.8	53.0
Total capital	27.2	42.7
Cash & equiv.	14.8	17.5
GPI	9.3	11.8
U/w result	1.2	2.7
NPAT	1.1	3.5
Op. cash flow	(2.1)	3.5

Market cap\* US\$296.2m

Market share\*\* 2.0%

\*As at 25 July 2008.

\*\*Estimate based on NPI in 2006.

#### Fundamentals:

With the new insurance reform requiring an increase in companies' minimum capital requirements, Equity Indemnity Insurance Company Plc (Equity Indemnity) and First Assurance Plc (First Assurance) merged in 2007. The name was subsequently changed to Equity Assurance Plc (Equity Assurance). The enlarged group will focus primarily on non-life business.

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#### Rating rationale

The rating is based on the following key factors:

- Equity Assurance's significantly strengthened balance sheet post merger, with a solvency margin of 397% reported for F07. This is expected to amplify further through the raising of additional capital of N7.6bn during 3Q08.
- The scale economies achieved as a result of the merger and containment of claims, which has clearly supported the underwriting result, was favourably considered. However, the bedding down of the new class of businesses in the medium to longer term, however, remains a challenge.
- The regulatory reforms bode well for growth prospects going forward, particularly in light of the insurer's larger capital base and associated underwriting capacity.
- Equity Assurance exhibits a large investment portfolio, characterised by high levels of liquidity. The high level of concentration in the listed equity portfolio does, however, expose the insurer to significant market risk.
- The revised business focus to become a fully-fledged financial services company, with increased geographical exposure and greater participation in life business, bodes well for diversification of premium income and future growth.
- The heightened level of business risk associated with this strategy is, however, noted, partly given the proposed short time frame.

#### Solvency and liquidity

NPAT of the merged company amounted to N445m in F07, which together with fair value gains of N1.1bn contributed to shareholders funds rising by a significant 41% to N5.1bn. This translated to an international solvency margin of 397%, compared to 348% for Equity Indemnity in F06. Cash holdings of N2.1bn comprised roughly half of total investments in F07, providing ample liquidity, as reflected by the claims cash coverage ratio of 82 months. Reinsurance cover provides further protection to the balance sheet, limiting Equity Assurance's maximum exposure to N70m per event, or just 1.4% of total capital as at 31 December 2007.



## Background information

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Equity Indemnity commenced operations in 1991, with a license to write all classes of business. First Assurance was incorporated as a limited liability company in 1984, transforming to a public entity in 1994. In order to meet with the National Insurance Commission's February 2007 deadline to hold capital of N3bn, First Assurance merged with Equity Indemnity to form Equity Assurance on 7 February 2007. The primary objectives for the merger were:

- Enhanced revenue opportunities and strategic benefits;
- Strong financial capacity;
- Economies of scale through improved operating efficiencies;
- Expanded product portfolio;
- Geographical expansion; and
- The merger enables Equity Assurance to have a near monopoly on the Ogun State Government business.

As a publicly quoted company, the shareholding in Equity Assurance is well diversified, with the largest shareholder (Gateway Holdings) holding 18%, followed by KYT Investments (7%).

## Industry overview

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Historically, the Nigerian insurance industry was highly fragmented with over 100 licensed participants operating in the general and composite arenas. However, in September 2005 insurance companies were mandated by National Insurance Commission (NAICOM) to shore up their capital bases (with a deadline of February 2007), after it was perceived that the industry was not contributing adequately to national development as a result of low capacity. Respective life companies were stipulated to increase their capital base to N2bn, non-life companies to N3bn (composite to N5bn), while reinsurance firms had to increase their capital base to N10bn. At the conclusion of the recapitalisation exercise, 49 insurance and reinsurance companies emerged with market capitalisation growing in excess of an estimated N200bn, against around N30bn before the recapitalisation and consolidation exercise.

Prior to recapitalisation, the insurance industry lacked the capacity to underwrite big risks, particularly in the oil & gas, marine and aviation sectors. Therefore, the enhanced capacity in the market brings positive implications for the financial stability of the industry, which is of particular importance given the mandatory requirement that companies utilise local insurers for a larger portion of their insurance requirements than historically, as well as the extension of compulsory insurable risks. These include motor liability, fire cover for public buildings, contractors all risk insurance and the substantial marine cargo and oil & gas related insurable risks. In addition, the recapitalisation has

facilitated listings of many players on The Nigerian Stock Exchange (NSE), which will serve as a further impetus for marketability and growth going forward.

It is, however, noted that the new market size has put unprecedented pressure on companies, who are now faced with the challenge of utilising the newly injected capital efficiently. This would require that companies improve their premium generation and returns to shareholders, and provide efficient services to the insuring public. Accordingly, many companies have embarked on a restructuring of their operations, which has involved investing in information technology to improve service delivery, employing and training quality manpower, as well as entering into the international market. In light of the aforementioned, there is the likelihood of industry induced consolidation in the medium term as a result of the drive or need for better financial performance, profitability and growth. Ongoing challenges in the industry include intense competition, rate cutting among players, manpower development, fraudulent claims and unavailability of the needed data base for research.

Economic conditions in Nigeria have improved in recent years, which has assisted the industry to a large extent, although insurance services have historically been unpopular with the Nigerian public. Less than 1% of the country's population holds an insurance policy. Limited public awareness regarding the principles of insurance has contributed to low penetration, and among those aware of the benefits of insurance cover, there remains a widespread notion that Nigerian insurers are reluctant to settle claims. Nigeria's insurance industry is predominately driven by non-life business, which reported a non-life insurance penetration rate of 0.5% in 2006, compared to life penetration of 0.1%. Based on the most recent industry statistics published by GCR<sup>1</sup>, the non-life industry has grown ahead of average inflation, having historically recorded growth in excess of 15% prior to 2005. GPI is estimated to have grown by approximately 11% in 2005, versus nominal CPI inflation of 8%, implying modest growth in real terms. Growth in 2006 eased further, by an estimated 10% to N69.5bn. The slowdown in growth could be ascribed to management time directed at meeting recapitalisation requirements by February 2007. This notwithstanding, although the trend has slowed, consolidation and stringent regulations should ensure that a greater proportion of business is retained onshore, thereby facilitating growth going forward. Motor business has traditionally been the largest contributor to total industry GPI, representing around 25% in 2006 (stemming from the fact that motor insurance is compelled by law). However, given the changes to legislation other classes of insurance (particularly oil & gas) are likely to become more

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<sup>1</sup> Refer to GCR's Nigerian Insurance Industry Bulletin 2008 for further information.

predominate sources of business. Loss ratios for the industry have in general compared extremely favourably with other African countries (although reserving methods differ substantially, which makes meaningful comparisons difficult), with the earned loss ratio estimated at 25% and 26% in 2005 and 2006 respectively. In contrast to historical trends, the industry's low claims ratio was complemented by a declining cost structure in 2006. As such, the overall non-life market continues to be highly profitable, at 34.5% in 2006 (2005: 20.7%).

The following table compares Equity Indemnity with certain insurers that it (now Equity Assurance) views as its major competitors in the general insurance market (prior to the merger, Equity Indemnity exhibited substantially higher premium income, shareholders funds and assets than First Assurance, and hence has been used for comparative purposes). Equity Indemnity had an estimated market share of around 2% pre-consolidation (based on NPI). While the insurer's underwriting margin is well below its peers (largely a function of its high delivery costs), capital and solvency are significantly stronger.

	Equity Indemnity	Custodian & Allied	Sovereign Trust	Standard Alliance
GPI	1,226.1	1,608.7	1,418.5	1,612.5
NPI	1,045.5	1,381.6	1,141.4	1,452.8
Shareholders funds	3,641.9	3,034.9	1,439.4	1,629.7
Total assets	4,265.9	3,966.9	2,049.1	2,523.5
<b>Key ratios (%)</b>				
GPI growth	7.2	54.8	38.8	29.1
Earned loss ratio	21.3	22.3	19.3	11.6
Delivery cost ratio	63.8	43.5	59.3	49.9
U/w margin	14.9	34.3	21.5	38.5
Solvency	348.3	219.7	126.1	112.2
Cash cover (mnths)	104.5	55.8	30.9	7.9

Note: F06 financials used (most recent available information).

## Operations

Equity Assurance's operating model is strictly organised according to business class. The company has its head office in Lagos and operated out of 14 branches and outlets in 2007, with expectations that this could grow to 25 branches by 2010. The overwhelming majority of business is sourced through 354 approved intermediaries, of which the two largest comprised 36% of GPI, indicative of high concentration risk. Direct sales totalled a modest N22m in F07. Going forward Equity Assurance intends reducing the level of broker sourced business to 40% and increasing direct sales to 60%. In this regard, 25 direct sales agents have recently been trained, with a plan to increase this to 100.

To position itself against increased competition and to address various identified growth opportunities, Equity Assurance recently restructured its management team and added Corporate Communication, Strategy Planning, Project Management, Oil & Gas and Business Development departments. In terms of new business growth, a

strong focus is being placed on oil & gas business, with other growth drivers expected to be driven by newly introduced products, namely motor tracking insurance, fire & burglary underwriting for small businesses and personal accident cover for persons operating in the informal sector. This is anticipated to reduce the currently high reliance on motor and general accident business, which cumulatively accounted for 81% of total GPI in F07.

Equity Assurance derives the largest proportion of net premiums (51% in F07) from motor business of mostly corporate clients. In F06, Equity Indemnity's motor business only accounted for 23% of net premiums. Marine business' GPI growth has been below expectations due to a shortage of funding for marine related assets and increased competition from international players.

	GPI		NPI		Retention	
	F06	F07	F06	F07	F06	F07
Motor	24.7	43.9	23.0	51.1	79.5	99.4
Marine	10.3	12.2	8.1	10.9	66.6	76.6
Fire	14.6	12.0	12.6	7.7	73.9	54.7
General accident	50.4	31.9	56.3	30.3	95.2	81.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>85.3</b>	<b>85.6</b>

Note: F06 refers to Equity Indemnity only.

Overall premium retention remained high at 86% of GPI in F07. The insurer retains the overwhelming majority of the motor book, while roughly half the fire book is reinsured given the high value nature of these claims.

The motor class earned loss ratio of 28% in F07 is a noticeable improvement over the level of 48% reported by Equity Indemnity in F06. This saw the motor book post a significant turnaround in underwriting performance, with a N186m profit posted. However, the fire class reported a high earned loss ratio of 63%, with an underwriting loss of N25m reflected. Equity Assurance's overall loss ratio of 24% in F07 is largely industry driven, given the industry wide practice of co-insurance, whereby a loss in the risk pool will affect all participants in proportion to underwriting participation. In GCR's view, however, the level of provisioning in the industry in general is considered low, and thus the highly favourable loss ratios reported (in comparison to other African markets) are not considered sustainable.

	Earned loss ratio (%)		Comm ratio (%)		U/w result (Nm)*	
	F06	F07	F06	F07	F06	F07
Motor	47.5	28.2	18.2	15.8	(22.7)	185.8
Marine	10.6	(4.3)	24.0	19.3	10.7	67.6
Fire	24.3	62.5	23.4	14.5	(2.2)	(24.9)
General accident	11.4	17.7	20.8	19.2	173.7	121.5
<b>Total</b>	<b>21.3</b>	<b>24.1</b>	<b>20.8</b>	<b>17.1</b>	<b>159.4</b>	<b>350.1</b>

Note: F06 refers to Equity Indemnity only.

\*Management expenses apportioned according to GPI contribution.

## Capital adequacy

Shareholders funds amounted to N5.2bn in F07, inclusive of unrealised investment gains of N1.1bn. It

is noted that Equity Indemnity previously raised new capital of N2.5bn in F06. Accordingly, the merged company comfortably exceeds the minimum paid-up capital requirement. The international solvency margin was reported at a solid 397% in F07, compared to 348% for Equity Indemnity in F06.

The insurer has tended to lag its peers with regard to provisioning. In particular, the outstanding claims reserve equated to a relatively low 8% of NPI in F07.

## Reinsurance

Table 4: Reinsurance programme 2008 (Nm)	Retention	Capacity
<b>Surplus treaty (max # of lines)</b>		
Fire 1 <sup>st</sup> surplus (15)	70	1,050
Fire 2 <sup>nd</sup> surplus (8)	70	560
Marine cargo (30)	25	750
Marine hull (25)	10	250
Engineering (31)	32	992
General accident (40)	15	600
<b>Quota share (%)</b>		
Bonds	40	60
<b>Excess of loss (layers)</b>		
Marine cargo (1)	50	300
Fire per risk (2)	35	140
Personal accident / Group personal accident (1)	23	69
Motor liability, WCA & general 3 <sup>rd</sup> party liability	2	25

With respect to the general accident surplus treaty, and the motor liability, WCA & general 3<sup>rd</sup> party liability and personal accident / group personal accident XOL treaties, the programmes are led by Africa Re with a 55% participation, followed by Continental Re (45%). The bulk of the remaining reinsurance treaties are led by Munich Mauritius Re (50%), followed by Africa Re (20%), Continental Re (20%) and CICA Re (10%). XOL cover limits the insurer's maximum net retention on marine cargo risks to N70m per event, or just 1.4% of total capital as at 31 December 2007.

Table 5: Reinsurance account (Nm)	F05	F06	F07
Premium ceded	(161.1)	(180.6)	(218.2)
Claims recovered	107.6	68.2	100.9
Commission recovered	66.6	78.0	63.6
<b>Underwriting result</b>	<b>13.1</b>	<b>(34.4)</b>	<b>(53.7)</b>

Note: F05 and F06 refer to Equity Indemnity only.

During F07, after claims and commission recoveries, the insurer posted a net transfer to reinsurers of N54m. Claims recovered and commissions received amounted to a cumulative 75% of premium ceded in F07.

## Asset management

The following table provides a breakdown of the consolidated investment portfolio for F07 and that of Equity Indemnity for F06 (investments reflected at market value). The executive management team decides on the allocation of investments, which are then monitored by the finance controller and investment manager.

Table 6: Consolidated	F06		F07	
	Nm	%	Nm	%
Cash	13.5	0.5	65.9	1.5
Short term deposits*	1,964.7	69.3	2,037.7	46.4
<b>Cash &amp; equivalents</b>	<b>1,978.2</b>	<b>69.8</b>	<b>2,103.6</b>	<b>47.9</b>
Fed government securities	-	-	0.2	0.0
Quoted shares	674.2	23.8	725.8	16.5
Long term investments	-	-	147.0	3.4
Unquoted shares	107.7	3.8	319.3	7.3
<b>Other investments cost</b>	<b>781.9</b>	<b>27.6</b>	<b>1,192.3</b>	<b>27.1</b>
Excess of mv on cost	76.1	2.7	1,097.2	25.0
<b>Other investments mv</b>	<b>858.0</b>	<b>30.2</b>	<b>2,289.5</b>	<b>52.1</b>
<b>Total investments</b>	<b>2,836.2</b>	<b>100.0</b>	<b>4,393.1</b>	<b>100.0</b>

Note: F06 refers to Equity Indemnity only.

\* Includes statutory deposit of N300m in F07 and N20m in F06.

Post the merger, Equity Assurance reflected total cash and cash equivalents of N2.1bn as at FYE07. Cash holdings comprised roughly half of total investments, at 48%, providing ample liquidity, as reflected by the claims cash coverage ratio of 82 months.

The value of listed equities amounted to N1.8bn (market value) in F07, representing 42% of total investments. While the listed equity portfolio comprises a broad range of blue chip equities, market risk is evident given the high concentration of the portfolio in FCMB (41%) and GTB (23%) at FYE07. This exposes the insurer to volatility of the returns earned on these investments. Unquoted shares of N319m include the insurer's 11% shareholding in Equity Life Insurance Co. Ltd (N279m) and 57% stake in Managed Healthcare Services (N22m), a company that provides health insurance and medical services. Long term investments of N147m are mainly comprised of Equity Assurance's recent 100% purchase of Equity Assurance Limited-Ghana (N132m), viewed as a strategic investment forming part of the company's vision to be a leading insurance group in Africa.

Overall, total investments amounted to N4.4bn in F07, with the investment yield posted at 30% (including unrealised investment movements). Investment income totaled N202m in F07, and mainly comprised of profits realised on the sale of investments totaling N153m (of which N88m was realised from FBC share sales). Also included is dividend income of N15m.

In terms of overall assets, debtors over 6 months in arrears totalled N571m in F07 (73% of the debtors book) translating into a high debtors collection period of 241 days. This serves to place strain on working capital and has negative implications in terms of solvency, which amounts to 352% if all debtors over 180 days are excluded. According to management, the merger directly impacted the rise in insurance receivables, with brokers unduly delaying the remittance of premiums. In addition, this was also a function of a weaker credit control. Management has indicated that this is being addressed through the establishment of a debt collection task force headed

by the Executive Director: Finance, who has been charged with overseeing collections. Notwithstanding this, year to date management accounts (1Q08) reveals a further deterioration in insurance receivables, with 53% or N553m outstanding for over 180 days.

### Financial performance

A financial synopsis of Equity Indemnity from 2003 to 2006, together with the consolidated numbers of Equity Assurance for 2007 is reflected at the end of this report, and brief comment follows hereafter. It is noted that the company wrote off N957m on the 2007 results, which relates entirely to goodwill acquired following the merger. However, Equity Assurance obtained the approval of shareholders post F07 to write off goodwill against the share premium account, legislation requires that goodwill be amortised systematically over a period of not more than 5 years.

Table 7: Income statement F07 (Nm)	Budget	Actual	Actual as % of budget
GPI	2,000.0	1,511.2	75.6
<b>EPI</b>	<b>1,604.0</b>	<b>1,273.0</b>	<b>79.4</b>
Claims	(326.8)	(306.4)	93.8
Net commission	(242.0)	(218.0)	90.1
Management expenses	(560.6)	(398.4)	71.1
<b>Underwriting result</b>	<b>474.5</b>	<b>350.1</b>	<b>73.8</b>

GPI amounted to N1.5bn in F07, representing growth of 4.1% over consolidated F06 numbers and 76% of the original full year budget. The shortfall was attributed to market reaction due to the prevailing uncertainty regarding the success of the recapitalisation of the insurance industry. Premium retention amounted to a high 86% (budget: 82%). Following a N20m transfer to the UPR, earned premiums totaled N1.3bn in F07.

Claims incurred of N306m in F07 translated to an earned loss ratio of 24% (budget: 20.4%), compared to 21% for Equity Indemnity in F06. The merger appears to have resulted in marked cost efficiencies, as reflected by Equity Assurance's management expense ratio of 31% in F07, compared to 43% for Equity Indemnity as a stand alone in F06. Net commission expenses totaled 17% in F07. The underwriting margin amounted to a solid 28% in F07 (underwriting result: N350m), which is above the level attained by Equity Indemnity in each year from F03 to F06, albeit well below the original budget. Following other expenses and taxation, NPAT was reported at N445m in F07. A dividend of N270m has been proposed for the year.

### Future prospects

The following table provides a summary of the F08 budget, as well as the YTD performance to March F08. GPI is forecast to increase by a significant 65% to N2.5bn in F08. The earned loss ratio is budgeted to reduce to 18% (F07: 24%). Delivery costs are

expected to remain fairly stable at around 49%. Overall, the underwriting margin is forecast to increase to a strong 33% (F07: 28%). The company's dividend policy is to maintain a payout ratio of between 60%-70% of NPAT.

Table 8: Income statement (Nm)	YTD March F08	Budget F08	Actual as % of budget
<b>GPI</b>	<b>843.6</b>	<b>2,495.0</b>	<b>33.8</b>
<b>EPI</b>	<b>798.2</b>	<b>1,888.0</b>	<b>42.3</b>
Claims	(133.4)	(348.0)	38.3
Net commissions	(164.0)	(285.0)	57.5
Management expenses	(149.7)	(642.0)	23.3
<b>U/w result</b>	<b>351.1</b>	<b>613.0</b>	<b>57.3</b>
<b>Key ratios</b>			
GPI growth	123.3*	65.1	
Earned loss	16.7	18.4	
Commission	20.6	15.1	
Management expense	18.8	34.0	
Underwriting	44.0	32.5	
Int. solvency (%)	181.0*	260.4	

\* Annualised, investments at market value.

The first quarter performance reflects significant new business growth, which was more than half the level achieved in F07. Driven by a very low loss ratio and tight cost control, the underwriting profit is well ahead of the relative full year budget. The strong growth has impacted solvency, which was recorded at an annualised 181%. Cash and equivalents have decreased to around N1.4bn (F07: N2.1bn), mainly due to funds tied up in working capital (insurance receivables as mentioned previously).

Equity Assurance expects to raise N7.6bn in new capital during 3Q08 through a combination of a rights Issue and Offer for Subscription of ordinary shares. The proceeds will be used for the implementation of the company's strategic plan of expansion and diversification, through the provision of a wide array of financial services (including subsidiaries in stockbroking, equipment lease finance, asset management companies and property development), to achieve greater diversification of income. In addition, Equity plans to increase its stake in life business through increasing its equity stake in Equity Life Insurance Co. Ltd. The insurer has also commenced operations in Ghana (as previously mentioned), with further expansion planned in another West African country during 4Q08. In addition, consolidation has enabled Equity Assurance to underwrite business in the oil & gas sector. The capital raised is intended to be deployed as follows:

Table 9: Activities	Nm	%	Estimated completion
Expansion into life & pension	2,193.1	29.0	24 months
Expansion into health insurance	453.8	6.0	24 months
Oil & gas insurance	831.9	11.0	24 months
Regional expansion/acquisitions (Ghana/Ivory Coast)	2,268.7	30.0	24 months
Regional offices	831.9	11.0	18 months
Branch expansion	756.2	10.0	18 months
Working capital	226.6	3.0	24 months
<b>Total</b>	<b>7,562.2</b>	<b>100.0</b>	

# Equity Assurance Plc

(Naira in Millions except as noted)

Year ended : 31 December	2003	2004	2005	2006	2007*	
<b>Income Statement</b>						
Gross premium income	789.4	857.5	1,143.8	1,226.1	1,511.2	
Reinsurance premiums	(218.4)	(125.9)	(161.1)	(180.6)	(218.2)	
<b>Net Premium income (NPI)</b>	<b>571.0</b>	<b>731.5</b>	<b>982.7</b>	<b>1,045.5</b>	<b>1,293.0</b>	
(Increase) / Decrease in insurance funds	(7.1)	(18.7)	(10.9)	21.3	(20.0)	
<b>Net premiums earned</b>	<b>563.9</b>	<b>712.8</b>	<b>971.8</b>	<b>1,066.9</b>	<b>1,273.0</b>	
Claims incurred	(150.5)	(172.4)	(148.3)	(227.1)	(306.4)	
Commission	(121.1)	(140.0)	(200.1)	(221.6)	(218.0)	
Management and other expenses	(229.3)	(256.9)	(393.3)	(458.7)	(398.4)	
<b>Underwriting profit / (loss)</b>	<b>63.0</b>	<b>143.5</b>	<b>230.0</b>	<b>159.4</b>	<b>350.1</b>	
Investment income	33.1	38.3	27.0	37.8	201.9	
Other income / (expenses)	0.5	(22.1)	(18.1)	(33.8)	(53.3)	
Taxation	(9.9)	(17.0)	(18.5)	(18.9)	(53.7)	
<b>Net income after tax</b>	<b>86.6</b>	<b>142.7</b>	<b>220.3</b>	<b>144.6</b>	<b>445.0</b>	
<b>Unrealised investment gains/(losses)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
<b>Cash Flow Statement</b>						
<b>Cash available from operating activities</b>	<b>43.6</b>	<b>109.0</b>	<b>69.5</b>	<b>(301.9)</b>	<b>262.3</b>	
Income on investments	33.1	38.3	27.0	40.8	201.9	
Tax paid	(10.1)	(4.9)	(9.0)	(22.0)	(16.8)	
Dividends paid	(10.8)	(5.9)	(29.2)	0.0	0.0	
<b>Cash flow from operating activities</b>	<b>55.8</b>	<b>136.6</b>	<b>58.3</b>	<b>(283.2)</b>	<b>447.5</b>	
(Purchases) / sales of fixed assets	(46.6)	(89.9)	(87.1)	(91.0)	(27.4)	
(Purchases) / sales of investments	(60.3)	(69.1)	(43.5)	(2,258.7)	(1,226.1)	
<b>Cash flow from investing activities</b>	<b>(106.9)</b>	<b>(159.0)</b>	<b>(130.6)</b>	<b>(2,349.7)</b>	<b>(1,253.6)</b>	
Cash flow from financing activities	75.3	5.1	57.4	2,592.3	2,523.2	
<b>Net cash inflow / (outflow)</b>	<b>24.2</b>	<b>(17.4)</b>	<b>(15.0)</b>	<b>(40.6)</b>	<b>1,717.1</b>	
<b>Balance Sheet</b>						
<b>Shareholders interest</b>	<b>297.6</b>	<b>485.9</b>	<b>907.7</b>	<b>3,641.9</b>	<b>5,126.9</b>	
Insurance funds	223.5	242.2	253.1	231.8	353.7	
Other liabilities	239.7	251.3	399.7	392.2	877.9	
<b>Total capital &amp; liabilities</b>	<b>760.8</b>	<b>979.4</b>	<b>1,560.5</b>	<b>4,265.9</b>	<b>6,358.5</b>	
Fixed assets	163.8	223.3	459.8	519.6	966.5	
Investments	77.4	153.7	161.0	858.0	2,289.5	
Cash and statutory deposits	316.8	282.7	350.7	1,978.2	2,103.6	
Other current assets	202.8	319.7	589.0	910.2	998.9	
<b>Total assets</b>	<b>760.8</b>	<b>979.4</b>	<b>1,560.5</b>	<b>4,265.9</b>	<b>6,358.5</b>	
<b>Key Ratios</b>						
<b>Solvency</b>						
Shareholders funds / NPI	%	52.1	66.4	92.4	348.3	396.5
Financial base	%	91.3	99.5	118.1	370.5	423.9
Claims cash coverage	months	25.3	19.7	28.4	104.5	82.4
Net outstanding claims/NPI	%	18.3	16.5	11.0	13.8	8.4
Net insurance funds/NPI	%	39.1	33.1	25.8	22.2	27.4
<b>Profitability</b>						
ROaE	%	58.2	58.7	48.5	6.4	10.2
Investment yield	%	16.8	17.5	10.5	2.3	4.6
<b>Efficiency / Growth</b>						
GPI Growth	%	17.4	8.6	33.4	7.2	23.3
Premiums reinsured / GPI	%	27.7	14.7	14.1	14.7	14.4
Earned loss ratio	%	26.7	24.2	15.3	21.3	24.1
Commissions / Earned premiums	%	21.5	19.6	20.6	20.8	17.1
Management expenses / Earned premiums	%	40.7	36.0	40.5	43.0	31.3
Underwriting result / Earned premium	%	11.2	20.1	23.7	14.9	27.5
Trade ratio	%	88.8	79.9	76.3	85.1	72.5
Debtors collection period	days	84.1	111.2	145.0	223.1	241.3
<b>Operating</b>						
Effective tax rate	%	10.2	10.6	7.7	11.6	10.8
Dividend cover	X	10.8	5.1	5.0	n.a.	1.6

\* Financials prior to 2007 relate to Equity Indemnity only.

## Long term debt

### Investment grade

<b>AAA</b>	Highest credit quality. The risk factors are negligible, being only slightly more than for risk free government bonds.
<b>AA+</b> <b>AA</b> <b>AA-</b>	Very high credit quality. Protection factors are very strong. Adverse changes in business, economic or financial conditions would increase investment risk, although not significantly.
<b>A+</b> <b>A</b> <b>A-</b>	High credit quality. Protection factors are good. However, risk factors are more variable and greater in periods of economic stress.
<b>BBB+</b> <b>BBB</b> <b>BBB-</b>	Adequate protection factors and considered sufficient for prudent investment. However, there is considerable variability in risk during economic cycles.

### Non-investment grade

<b>BB+</b> <b>BB</b> <b>BB-</b>	Below investment grade but capacity for timely repayment exists. Present or prospective financial protection factors fluctuate according to industry conditions or company fortunes. Overall quality may move up or down frequently within this category.
<b>B+</b> <b>B</b> <b>B-</b>	Below investment grade and possessing risk that obligations will not be met when due. Financial protection factors will fluctuate widely according to economic cycles, industry conditions and/or company fortunes.
<b>CCC</b>	Well below investment grade securities. Considerable uncertainty exists as to timely payment of principal or interest. Protection factors are narrow and risk can be substantial with unfavourable economic/industry conditions, and/or with unfavourable company developments.
<b>DD</b>	Defaulted debt obligations. Issuer failed to meet scheduled principal and/or Interest payments.

## Short term debt

### High Grade

<b>A1+</b>	Highest certainty of timely payment. Short-term liquidity, including internal operating factors and/or access to alternative sources of funds, is outstanding, and safety is just below that of risk-free treasury bills.
<b>A1</b>	Very high certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.
<b>A1-</b>	High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

### Good Grade

<b>A2</b>	Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.
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### Satisfactory Grade

<b>A3</b>	Satisfactory liquidity and other protection factors qualify issues as to investment grade. However, risk factors are larger and subject to greater variation.
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### Non-investment Grade

<b>B</b>	Speculative investment characteristics. Liquidity is not sufficient to insure against disruption in debt service. Operating factors and market access may be subject to a high degree of variation.
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### Default

<b>C</b>	Issuer failed to meet scheduled principal or interest payments.
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## Claims paying ability

### Secure

<b>AAA</b>	Highest claims paying ability. The risk factors are negligible.
<b>AA+</b> <b>AA</b> <b>AA-</b>	Very high claims paying ability. Protection factors are strong. Risk is modest, but may vary slightly over time due to economic and/or underwriting conditions.
<b>A+</b> <b>A</b> <b>A-</b>	High claims paying ability. Protection factors are above average although there is an expectation of variability in risk over time due to economic and/or underwriting conditions.
<b>BBB+</b> <b>BBB</b> <b>BBB-</b>	Adequate claims paying ability. Protection factors are adequate although there is considerable variability in risk over time due to economic and/or underwriting conditions.
<b>BB+</b> <b>BB</b> <b>BB-</b>	Uncertain claims paying ability and less than investment grade quality. The ability of these organisations to discharge obligations is considered moderate and thereby not well safeguarded in the future. Protection factors will vary widely with changes in economic and/or underwriting conditions.
<b>B+</b> <b>B</b> <b>B-</b>	Possessing substantial risk that policyholder and contract-holder obligations will not be paid when due. Judged to be speculative to a high degree.
<b>CCC</b>	Company has been, or is likely to be, placed under an order of the court.