



A journey of purpose



Integrated Report 2019

Navigating this report



Indicates further information available online, mostly on our website, www.sasria.co.za



Directs readers to a page in this integrated report with supplementary information.

OUR CAPITALS



Financial capital



Human capital



Social and relationship capital



Intellectual capital



Natural capital



Manufactured capital



For more information on the capitals that we employ in our value creation process, refer to page 13.

STRATEGIC FOCUS AREAS



Sustainability



Socio-economic impact



Customer-centricity



Digitalisation

STRATEGIC ENABLERS



Talent



Capital management



Business intelligence



Distribution channel



Refer to page 72 for a detailed description of our strategy for the next five years (2020 to 2024).

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About this integrated report

In this integrated report, we review our performance for the financial year ended 31 March 2019 (which we refer to as 2019). 2019 marks the final year of our **previous five-year strategic cycle**, which we also report on in depth. The **report is intended for all our stakeholders** and explains how we create value over time.

Structure of this report

This integrated report takes the reader on a journey of **Sasria's past performance and future strategy**:

The **Minister of Finance**, in his capacity as representative of the shareholder, receives the integrated report for tabling in Parliament. Refer to page 4 for his foreword, where he expands on what the state expects from Sasria in terms of its mandate.

The Board is responsible for setting the strategy needed to deliver against the mandate. Refer to page 5 for the message from the Chairperson wherein he introduces our strategy for next strategic cycle, 2020 to 2024, in response to the changing environment in which we operate.

In the chapter OUR PURPOSE – VALUE CREATION, we discuss our business and its value creation strategy and how it is impacted by our capitals, stakeholders, risks and opportunities.

OUR JOURNEY – FIVE-YEAR PERFORMANCE REVIEW outlines our past performance, concentrating on the past year and the now completed five-year strategic cycle. In his report on page 32, the Managing Director reports on progress against the strategy for the 2015 to 2019 cycle and Sasria's outlook on the future and the next strategic cycle from 2020 to 2024. This is complemented by the Finance Director's report on page 46.

In OUR LEADERSHIP AND GOVERNANCE, we introduce the Board of Directors and Executive Committee and expand on the activities of the Board and its committees in providing sound corporate governance.

Finally, our strategy for the next five-year cycle, 2020 to 2024, and beyond is outlined in the chapter entitled OUR FUTURE – VISION 2024.

Scope and boundary

This report covers all the social, economic and governance aspects that are material to Sasria's ability to create value for all our stakeholders over the short, medium and long term. A matter is material if it could substantively affect our ability to create value. As part of our annual strategy review, we identified and prioritised the issues that could have a material impact on our ability to create value. The process that we followed, as well as the matters that we identified as material issues, are discussed on page 26. All material issues have been included and management is not aware of any information that was unavailable or any legal prohibitions to the publication of any information.

The integrated report is informed by the following:

- Constitution of the Republic of South Africa;
- Companies Act 71 of 2008 (Companies Act);
- Conversion of Sasria Act 134 of 1998 (Sasria Act);
- Department of Trade and Industry's Code of Good Practice for Broad-Based Black Economic Empowerment (B-BBEE);
- Financial Sector Charter (FSC);
- Financial Sector Regulation Act 9 of 2017 (FSRA);
- Insurance Act 18 of 2017 (Insurance Act);
- Integrated Reporting Framework issued by the International Integrated Reporting Council;
- International Financial Reporting Standards (IFRS);

- King IV Report on Corporate Governance for South Africa 2016 (King IV);
- Public Finance Management Act 1 of 1999 (PFMA); and
- Treasury Regulations issued in terms of the PFMA.

Approval and assurance

The information in this report was collected and prepared on the same basis as last year insofar as measurement methods and time frames are concerned unless otherwise stated. The information provided in the annual financial statements was prepared in line with IFRS and audited by our external auditor, SizweNtsalubaGobodo Grant Thornton Inc. Financial information included elsewhere in this report was extracted from the annual financial statements.

The Audit Committee approved a combined assurance approach to this report:

- The Executive Committee convened and contracted the relevant skills and experience to undertake the reporting process in a transparent and complete manner;
- The Executive Committee and the Integrated Report Steering Committee provided an oversight role, by reviewing the integrated report for completeness and accuracy;
- Internal Audit performed agreed-upon procedures to review the content and information in the integrated report; and
- The external auditor reviewed the integrated report to ensure consistency with the audited annual financial statements, but they did not issue an opinion thereon.

We welcome your feedback

We want to improve our integrated reporting process continuously, to ensure that we meet best practice reporting standards and the expectations of our stakeholders, as well as increase visibility of our efforts to create sustainable value for all our stakeholders. We therefore welcome any views on the content and design of the report. Comments and questions can be directed to contactus@sasria.co.za.

Forward-looking statements

We make certain statements that are not based on historical facts but rather forecasts of future results which are not yet determinable, such as gross written insurance premium growth levels, underwriting margins and investment returns. Forward-looking statements involve inherent risks and uncertainties and actual results may be very different from those anticipated. Forward-looking statements apply only on the date made and we do not undertake to update or revise any of them, whether as a result of new information, future events or otherwise.

Board responsibility and approval statement

The Board acknowledges that it is ultimately responsible for overseeing the integrity and completeness of this report. With the assistance of the Board committees, it has considered the preparation and presentation of the 2019 integrated report and annual financial statements. It is of the opinion that this report addresses all material issues and fairly presents the Company's integrated performance, outlook, strategy and perspective on future value creation in accordance with the Integrated Reporting Framework. The integrated report was approved by the Board on 16 August 2019 and is signed on its behalf by


Norman Baloyi
Chairperson


Cedric Masondo
Managing Director



A journey of purpose: 40 years of covering extraordinary risk

Sasria is the only short-term insurer that provides affordable, voluntary cover against special risks such as civil commotion, public disorder, strikes, riots and terrorism to any individual, business, government or corporate entity that has assets in South Africa.

In 2019, Sasria is proud to celebrate 40 years of a memorable journey in the insurance industry. Our theme this year recognises the purpose of our journey, with special emphasis on the value delivered in the successful execution of our strategy over the past five years. We also look at the road that lies ahead. Sasria is dedicated to building on its legacy and continuing to prioritise sustainable relationships with all stakeholders, while meeting expectations through innovative product offerings.

The story of our journey

History of Sasria

The 1976 uprisings by courageous young people in Soweto turned the course of history and played a significant role in the creation of Sasria.

The government of the day and the South African Insurance Association (SAIA) needed to provide insurance cover against political riots and politically motivated mass action. The South African Special Risks Insurance Association (abbreviated SASRIA) was formed in 1979 as a section 21 non-profit company with a legislated monopoly. At the time, it was exempted from paying tax and its members were South African short-term insurance companies. The one insured loss limit was R50 million.

Sasria offered cover on the basis that it would not refuse cover or cancel the cover, making the South African government the reinsurer of last resort with unlimited liability. Rates were originally high in order to build up reserves and reflect the high risk at that time.

In 1998, the mandate was extended for our cover to include non-political perils, such as strikes and labour disturbances. Sasria was converted to a limited company in terms of the Sasria Act.

Sasria is now a transformed entity and the special risk short-term insurer of choice for all individuals, businesses and government institutions looking for extraordinary cover of their assets within the borders of South Africa and includes civil commotion, public disorder, strikes, riots and terrorism cover.

We work through a network of insurance companies (agents) and brokers (intermediaries) who perform an administration function on our behalf and sell our products.

We contribute to the economic sustainability and growth of South Africa. We protect assets against extraordinary risk by offering affordable insurance protection, thereby ensuring that South Africa continues to be an attractive investment destination that delivers economic continuity and social stability for all its people, entities or businesses.

We adhere to the highest standards of corporate governance, thereby growing a sustainable business that contributes positively to South Africa's fiscus and transformation for the benefit of all.



To read more about Sasria and its services, visit our website at www.sasria.co.za

Timeline
1979

The South African Special Risks Insurance Association (SASRIA) is formed
Legislated Monopoly in terms of the Reinsurance of Material, Damage and Losses Act
South African government is reinsurer of last resort with unlimited liability, Administered by the SAIA
One insured loss limit set at R50 million

Sasria's role in society in light of major events over the past 40 years



Credit: Sam Nzima

16 June 1976

20 000 black students march to Orlando Stadium to protest Afrikaans as the medium of instruction. They are met with fierce police brutality.



Credit: Camera Press – Martin Pope

20 July 1985

President PW Botha declares a State of Emergency in 36 of the country's 260 magisterial districts.

12 June 1986

The government declares a countrywide State of Emergency.



Credit: New York Times – Ozier Muhammad

11 February 1990

Nelson Mandela is released after 27 years in prison.

Widespread violence erupts in anticipation of the first democratic elections.

1970s

1980s

1990s

25 January 1979

The South African Special Risks Insurance Association (SASRIA) is formed as a section 21 non-profit company to provide cover against political riots and politically motivated mass action. This was not offered by other insurance companies.

Blacks will have to pay five times as much as Whites for riot cover

Sunday Express, 25 March 1979

Riot insurance causing problems

The Star, 17 August 1979

As the disenfranchised population's efforts to make the country ungovernable intensified, claims for damages paid by SASRIA started escalating.

SASRIA Facing the rioters

Financial Mail, 2 November 1984

R26-m paid out in riot claims

The Citizen, 20 April 1985

Expanding risks cover

Business Day, 8 August 1986

Ciskei counts riot costs

The Star, 12 March 1990





Credit: REX – Markus Zeffler

27 April 1994

South Africa's first democratic elections take place.

10 May 1994

South Africa's first black president is inaugurated.



Credit: REX

11 September 2001

Terrorists attack the World Trade Centre in New York and other targets in the United States.



Credit: REX

11 June 2010

2010 FIFA World Cup kicks off in South Africa.

South Africa experiences increased protests relating to service delivery and student fees.

1994

2000s

2010s

In 1998, Sasria was converted to a limited company and its mandate was extended for cover to include non-political perils such as strikes and labour disturbances.

Sasria makes substantial contributions to the fiscus through taxes and dividends.

Funds from Sasria: less govt borrowing

The Citizen, 5 November 1998

The nature and severity of acts of terrorism escalated overnight.

Sasria is obliged to extend its scenario planning and capital base in order to cover the potential astronomical losses possible.

Sasria increased its one insured loss limit to R1.5 billion and covered all stadiums used during the 2010 FIFA World Cup.

High cost to student protests

The New Age, 28 October 2016

Violent protests have cost R1bn in past 9 months – Sasria

The Citizen, 21 January 2019

Timeline
1984

One insured loss limit increased to R100 million

Foreword from the Minister of Finance



Tito Mboweni, MP
Minister of Finance

I receive and table these results and this integrated report to Parliament.

I thank Sasria for its **solid performance in the past year under challenging conditions.**

The economic environment

South Africa continues to experience a tough economic environment, which is characterised by a lack of growth and a high unemployment rate. This leads to socio-economic challenges such as generational poverty and deep-rooted inequalities, which, in turn, spark protests that can be costly to both life and property.

All stakeholders, government, business, labour and the community will need to work together to improve these conditions.

Sasria's achievements

Within the context of the current environment, we are pleased with Sasria's performance in the past five years:

- Sasria achieved financial sustainability with its assets and is able to withstand very high demands in terms of the special risks it covers. Despite record claims, Sasria has consistently delivered strong financial results compared to the insurance industry over the years, safeguarding and growing its financial assets;
- It has not burdened the fiscus and has instead made a valuable contribution through its socio-economic development initiatives, taxes and dividends paid to the shareholder;
- At a time when many state-owned enterprises were faltering, it has established robust governance structures and a commitment to high levels of compliance in conducting its business, therefore ensuring unqualified audit reports;
- Sasria has continued to deliver on its mandate in placing policyholders in a position where they were before by promptly paying claims or restoring their businesses. We encourage it to continue on its mission to extend the cover beyond its current customer base to become more inclusive to more communities, including small, medium and micro-sized enterprises (SMMEs);
- It has achieved its non-financial targets, including procurement from black-owned businesses, thereby stimulating inclusive economic growth.

Going forward, we would like to see Sasria evolve even further by continuing to explore new markets, develop new and enhance existing products, within the prescripts of its mandate.

Five goals the state aims to achieve by 2030

In his recent state of the nation address, President Cyril Ramaphosa identified seven areas as priorities in the next five years:

- Economic transformation and job creation;
- Education, skills and health;
- Consolidating the social wage through reliable and quality basic services;
- Spatial integration, human settlements and local government;
- Social cohesion and safe communities;
- A capable, ethical and developmental state; and
- A better Africa and world.

With ten years to 2030, a heroic effort is required to achieve the goals set out by the National Development Plan (NDP), which are due to be achieved by then.



Refer to page 86 for Sasria's strategy to achieve the goals of the NDP.

To ensure the state's interventions are directed, **it adopted five goals to achieve within the next ten years:**

1. No person in South Africa will go hungry;
2. The economy will grow at a much faster rate than the population;
3. Two million more young people will be in employment;
4. Schools will have better educational outcomes and every ten-year-old will be able to read for meaning; and
5. Violent crime will be halved or better.

In addition, international tourist arrivals are targeted to double to 21 million by 2030 through the renewal of the country's brand, which can only be achieved if tourists who come to our country feel safe.

Sasria's role

Sasria has a distinctive role to play in resolving the challenges facing our nation by:

- Protecting the assets of all in South Africa in the case of strikes, riots, civil commotion, public disorder and terrorism;
- Contributing to financial inclusivity by ensuring that its products remain relevant and offer protection to more people in South Africa; and
- Advocating the advancement of continued learning in the financial sector.

Gratitude

I am grateful to the Sasria Board for its continued commitment, dedication and guidance to Sasria management. I would also like to thank Cedric Masondo, his executive team and all Sasria employees for their extra effort during a challenging year.

TT Mboweni, MP
Minister of Finance



Chairperson's review



Norman Baloyi
Chairperson of the Board

In this, my first year as Chairperson, I am proud to look back on Sasria's successful first 40 years of existence.


Reflecting on Sasria's performance

Sasria has delivered on its five-year strategy to become and continue to be a mature, professional and financially sustainable organisation in terms of its legislative mandate.

This year's results were achieved amidst a sharp increase in both the severity and frequency of claims due to the increase in turmoil and civil unrest in South Africa. This increase in civil unrest underlines the importance and relevance of Sasria to our economy.

The Board is committed to stretching our strategic goals to deliver on the transformation mandate, while continuing to provide cover against special risks which have the potential of catastrophic losses. We are grateful for the support we have from our shareholder through National Treasury.

We embarked on a strategy for 2015 to 2019 which was aimed at delivering a financially sustainable organisation. Sasria has continually delivered against the stretch targets that were set within the parameters of the well-defined strategic focus areas and underpinning strategic objectives. It has grown consistently and been profitable overall.

 Refer to page 38 for a detailed review of Sasria's performance against its 2015 to 2019 strategy.

Sound governance

At a time when state-owned companies are under ever-increasing scrutiny for both performance and integrity, I am confident that Sasria's strong and clear governance structures will help it deliver on its strategy and achieve the desired outcomes as contemplated in King IV.

 Refer to page 52 for a detailed overview of Sasria's governance structures and activities.

The Board remains sufficiently populated in terms of the requisite core and critical skills, including insurance, risk, human capital, leadership, actuarial, financial and investment skills. The Board is suitably balanced in terms of diversity and demographics.

It is gratifying that Sasria received an unqualified audit report in each year of the completed five-year strategic cycle.

Sasria's commitment to sound governance structures contributed to its integrated report being named the winner in the small state-owned company category of the Chartered Secretaries Southern Africa's Integrated Reporting Awards in both 2016 and 2017. In 2018, it was the runner-up in the combined category for all state-owned entities.

The environment that Sasria operates in

Since its inception, Sasria has always been directly affected by external pressures. Historically, the emphasis has been on pressures of a political, economic, policy and legislative nature. However, in light of significant recent developments, technology and the environment must now be added to this list of key drivers.

The political perspective

Political risk is heightened amidst ongoing industrial unrest in the mining and agricultural sectors, in particular. South Africa's political environment still has several weak spots that could disrupt the relative stability that has prevailed recently. These risks include growing inequality, high levels of unemployment, poverty and unrealistically high expectations of economic improvement.

The socio-economic perspective

Constrained economic growth is a key impediment to sectoral growth, and high levels of unemployment result in the exclusion of many households from traditional insurance cover. Youth are particularly vulnerable to unemployment; in part, this is a reflection of lower economic growth, a lack of jobs, an education system that fails to prepare graduates into the workforce, and a lack of implementation of the Skills Development Plan and National Development Plan. Any combination of these has a compounding effect on skills shortages and low productivity.

The outlook for investment is cautiously positive but may rapidly be disrupted by a range of presently unpredictable factors in the political and economic spheres. Given the open nature of the South African economy, it is highly vulnerable to externally driven economic shocks.

Inflation is expected to remain within the Reserve Bank's target range. The Rand, however, remains volatile, potentially undermining this view.

Other key internal risks include those driven by structural challenges facing the country, such as electricity provision and water management.

The technological perspective

New technologies and the fourth industrial revolution are changing the nature of risk and enabling new products, services and channels. Digitalisation has reached every level of the competitive landscape. Society's growing reliance on technology is reshaping customer expectations and redefining industry boundaries. Insurance companies are not immune to this phenomenon. New insurers are emerging, with disruptive technologically-enabled business models, offerings and platforms and are unencumbered by legacy products and thinking. All short-term insurers will need to develop new roles, positioning and products to remain relevant. This may result in cross-sectoral convergence and the emergence of new ecosystems that redefine the insurance industry and challenge incumbents' thinking and behaviours.

The legal and environmental perspective

Policy decisions in key developing markets are expected to emerge as key growth drivers for non-life insurance. The promotion of mandatory auto insurance in the Cooperation Council for the Arab States of the Gulf region and crop insurance in the Indian market in recent years are some key examples.

The growing impact of climate change will continue, and insurers must consequently adapt by building appropriate capabilities and capacities to meet the attached needs and incentivise risk prevention among customers.

These perspectives have guided our deliberations on Sasria's strategic future.

Delivering on our strategic mandate going forward

We look forward to the next phase of Sasria's development and the strategy for the next five years. Our strategic focus will be on accelerating our business transformation journey of the Company and making it sustainable and future-proof.

We have adopted four key strategic focus areas which we will concentrate on. They are:

**Digitalisation**

Sasria will make substantial further investments in information and communication technology (ICT) to grow the business and customer base. This will be done cost-effectively to protect the Company's lean and efficient operating structure while leveraging the significant capabilities of emerging technologies.

In tandem with investment in ICT comes investment in the right people with the right skills. Sasria has a proven track record and ability to attract, develop and retain top talent in areas where there are skills shortages.

**Customer-centricity**

Significant strides have been made in developing a phased roll-out of new products to a broader customer base to achieve greater financial inclusion of the South African public. The project is aimed at reaching the currently uninsured market and making the current and future products more accessible, especially to under-served communities, through both existing and new channels. Technology will play a significant role in facilitating the delivery of aligned customer products in an efficient way.

**Socio-economic impact**

The Sasria strategic mandate is to make a positive contribution to transforming the financial services industry and to creating a better, sustainable economic environment for all in South Africa. This requires reaching a balance between profitability and affordability of our products to ensure inclusivity as much as possible.

**Sustainability**

Despite the low growth of the economy and increased social unrest, Sasria's products remain affordable and valuable to the growing customer base with increasing confidence that there will be continuous growth.

Although claims have increased dramatically, capital management remains prudent with a strong statement of financial position, and a regulatory solvency capital requirement to support future commitments in claims and growth initiatives.

In a challenging macro-environment, Sasria remains deeply committed to good governance.

Sasria's unique positioning in the insurance industry enables it to make a meaningful contribution to the NDP and its aim to reduce poverty, unemployment and inequality by 2030 by growing an inclusive economy, building capabilities and enhancing the capacity of the state.

Appreciation

I thank the committed Sasria team for their consistent effort in turbulent times, especially Cedric Masondo and his Executive Committee, for their dedication to extending the organisation's reach and impact. Thank you to all the Board members for their support and valuable insight. My appreciation extends to our shareholder, for strategic leadership and the team at National Treasury. Last, but not least, I thank our customers and agents for their trust in us.

It is this collective contribution that has made the first 40 years of Sasria successful.


Norman Baloyi
 Chairperson of the Board

16 August 2019





Our purpose – Value creation

In this chapter we tell you more about Sasria, its affordable products and how it is geared for **growth** towards meeting its obligation in terms of its dual mandate.

We elaborate on the capitals we have at our disposal and how we **add value** by using these capitals for impact in a responsible way. This is influenced by our relationships with stakeholders and the material issues and risks we face.

We emphasise our most valuable asset, our people and pay tribute to our customers, who give us **purpose**.

Dual mandate

Sasria is wholly-owned by the state. We are the only short-term insurer in South Africa that provides cover against special risks such as civil commotion, public disorder, strikes, riots and terrorism.

We are accountable to the Minister of Finance via National Treasury. As with all other insurance companies in South Africa, we operate within a well-developed framework outlined in the FSRA, which:

- Gives the South African Reserve Bank (SARB) an explicit mandate to maintain and enhance financial stability through the establishment of the Prudential Authority to regulate the financial sector; and
- Established the Financial Sector Conduct Authority (FSCA) as a market conduct regulator outside the SARB, replacing the Financial Services Board (FSB) on 1 April 2018.

Sasria is a member of the SAIA and the International Forum for Terrorism Risk (Re)Insurance Pools.

Sasria has a dual mandate:

Our **legislative mandate** as a short-term insurance company is to provide cover for special risk events in terms of the Sasria Act. In addition, it is the purpose of Sasria to research and investigate coverage for any special risk that can be considered to be of national interest.

Our broader **strategic mandate** as a state-owned entity is to make a positive contribution to transforming the financial services industry in line with the NDP in order to create a better, sustainable economic environment for all in South Africa.



Refer to page 86 for more information on Sasria's contribution to the NDP.

We do business in a responsible, disciplined, professional and well-governed manner. As a state-owned entity, we also play a meaningful role in our society by offering products that will assist in the protection of assets in South Africa against potentially catastrophic special risk events. We are proudly South African and passionately committed to accelerating our Company's growth and business transformation goals.



Refer to page 18 for more information on Sasria's corporate social investment.

Our core values

In all our dealings, we endeavour to live up to our core values, which are:

Fairness	We treat all our stakeholders impartially and with respect, recognising our accountability to them.
Ethics	We conduct ourselves in a manner that is transparent and ethical: courageously doing what is right, honouring our commitments and communicating honestly.
Service excellence	In the performance of our work, we consistently apply our knowledge, experience and best efforts to deliver a relevant and professional service of an exceptional standard.
Collaboration	We engage with our stakeholders, assuming positive intent, respecting diversity and working together to create uniformly positive outcomes.
Innovation	We apply thought and creativity to the application of new solutions.



Strategy

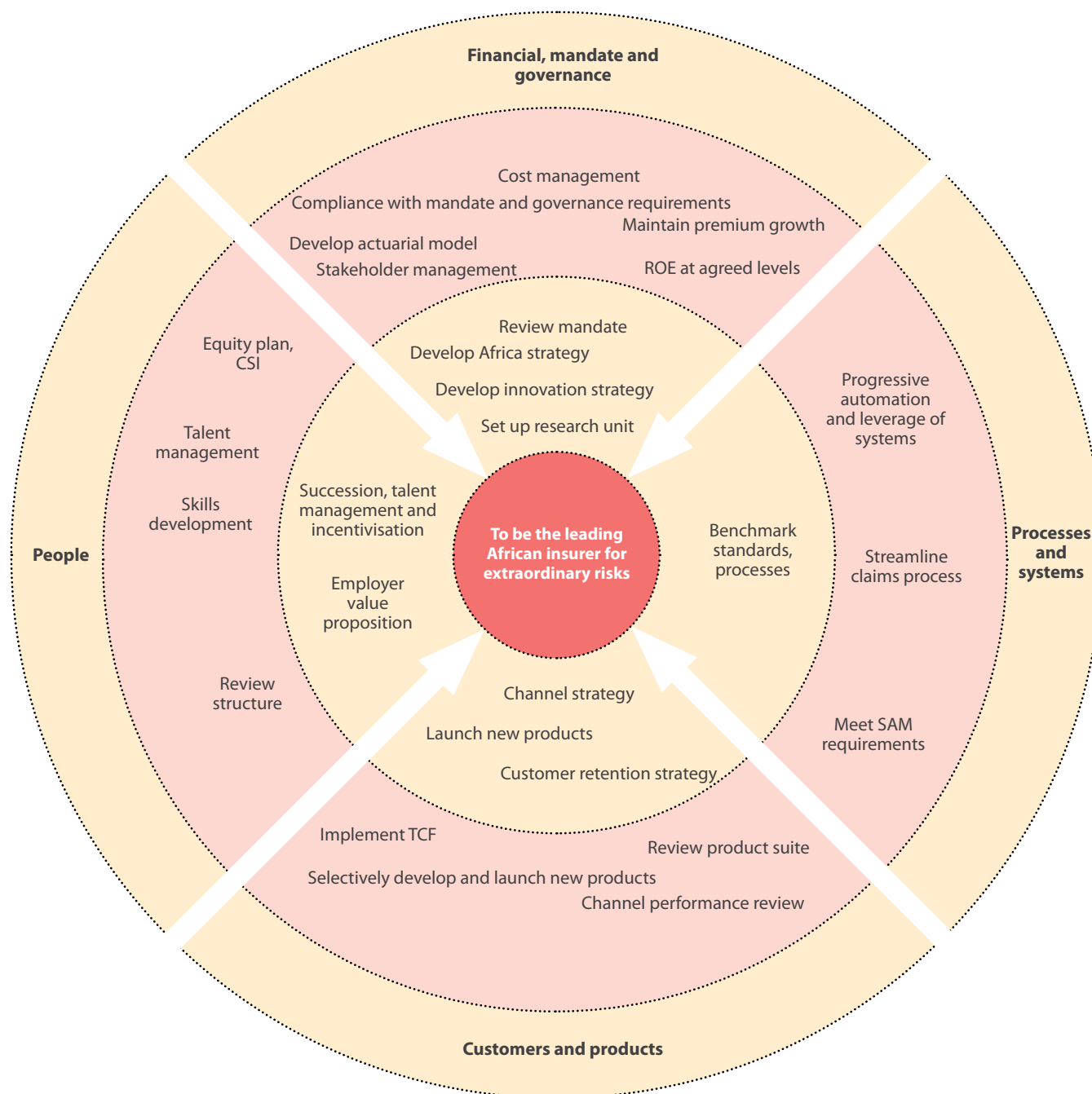
A clear and measured approach

The executive has seen strategy as a journey, rather than as an event, and this view remains. We embarked on the cycle with the intention of delivering on our vision of **protecting the assets of all in South Africa against extraordinary risk** by mapping the clear growth path below:



Balanced scorecard

The underlying balanced scorecard approach considered the business in four quadrants, rather than on a purely functional basis, and provided a systematic process to be followed:




The four quadrants of the roadmap converge on (delivery of) the vision over a five-year period.

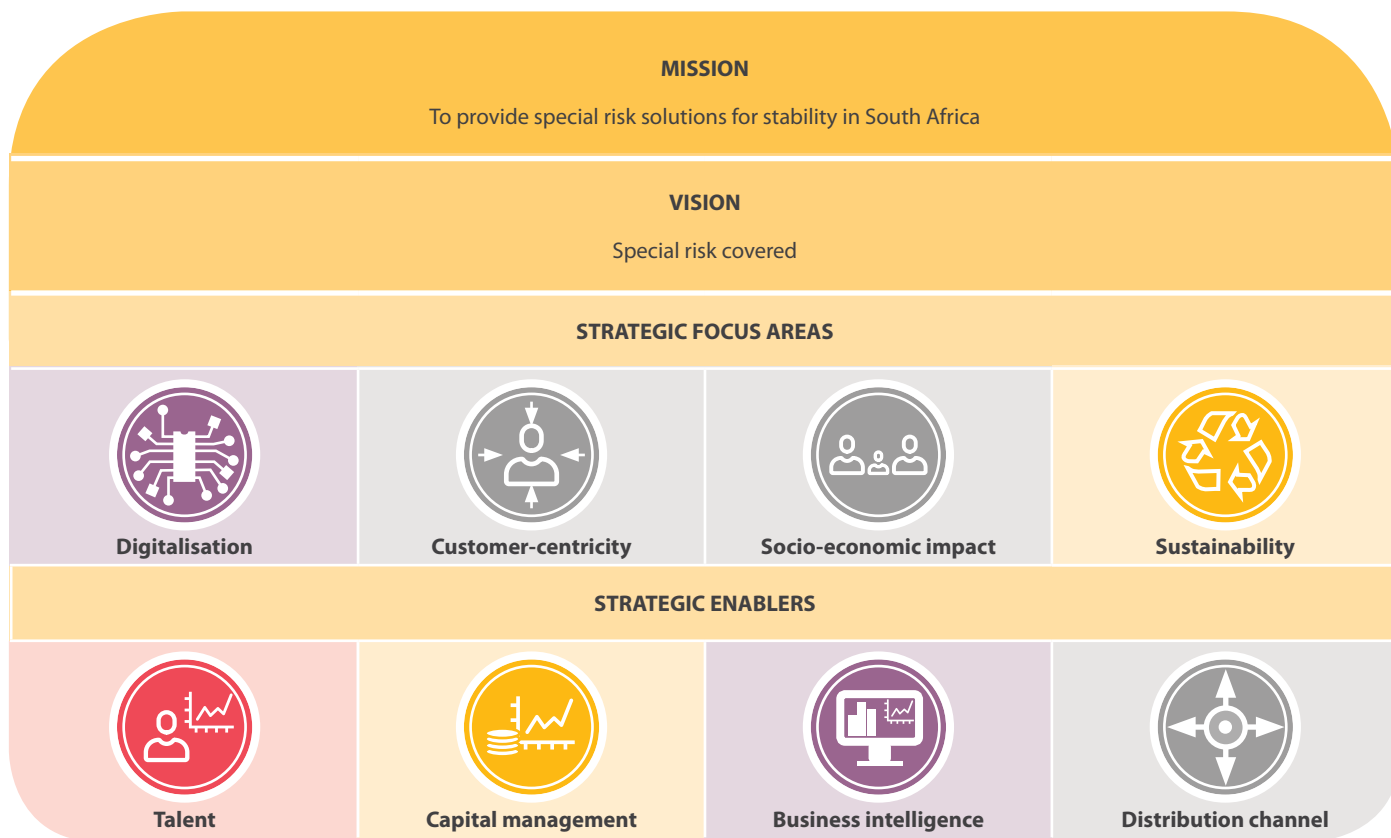


Strategic framework

Sasria's strategy is a continuation of the strategy started in 2009, which aimed to transform the organisation into a well-governed, self-sustainable, efficient, innovative special risk company for the citizens of South Africa.

 Refer to page 38 for more a detailed review of our performance against the strategy for 2015 to 2019.

Sasria's updated strategic framework for the period 2020 to 2024 is portrayed below and illustrates the inter-relationship between vision, mission and strategic focus areas:



Our mission is to provide special risk solutions for stability in South Africa.

Our vision is to have special risk covered in South Africa.

The vision will be achieved by addressing each of the strategic objectives under the **strategic focus areas**, assisted by the **strategic enablers**.

 Refer to page 72 for more information on our strategy for 2020 to 2024 and each of these key strategic focus areas and their underpinning objectives.

Our products

Sasria is the primary short-term insurer in South Africa that provides affordable, voluntary cover against special risks such as civil commotion, public disorder, strikes, riots and terrorism available to any individual, business, government or corporate entity that has assets in South Africa. We work through a network of agent companies and intermediaries who distribute our products on our behalf.

The need for our products is reinforced by the recent service delivery protests, student protests and labour strikes and the increase in international terror incidents.

Affordable	We charge a set premium rate per class of business. For example, Sasria cover on a private motor vehicle costs only R2 a month or R20 per annum, regardless of the car's value. If the car is destroyed in a special risk event such as a protest, Sasria pays out the retail value of the vehicle.
Voluntary	Our cover for special risk is not compulsory and is available to all customers who require it.
Cover	Our current product range offers R500 million primary cover at set rates in the following classes of insurance business: material damage (including motor and money), business interruption, construction and goods-in-transit. On request, we also provide our corporate customers with additional cover of up to R1 billion, called Sasria Wrap, which is subject to a separate rating structure.
In South Africa	The special risk insurance cover is only applicable within South Africa's borders on both land and water. As the only insurer in South Africa that provides special risk cover, we are not allowed to cancel or reject or decline cover, irrespective of the claims.

Financial inclusivity

As part of our strategic mandate, we are investigating alternative products and distribution channels to reach the uninsured market and thereby enhance financial inclusivity. We plan to start introducing some of these products, tailor-made for this market, in the near future.

This product is aimed at small businesses that are not currently buying short-term insurance. We want to give these clients options to access the Sasria product without being compelled to buy other short-term insurance products.

This is part of our contribution towards making insurance inclusive by offering relevant, affordable Sasria insurance using distribution channels that are accessible to these potential clients.



See more about our new products and customers on page 75.

Operating principles

We conduct business in a responsible, disciplined, professional and well-governed way. Our operating principles are to:

- Operate with a core staff complement;
- Operate via an outsourced distribution network comprising agents and intermediaries;
- Have sufficient reinsurance cover in place; and
- Strive to achieve optimal investment returns.

We also:

- Identify the insurance needs of the public through research and development;
- Conduct ourselves in a manner that promotes cooperation, mutual understanding and fosters good relations with relevant third parties, agents, brokers and customers;
- Develop and maintain a work environment that encourages employment equity and skills development; and
- Establish a cooperative relationship with employees to achieve common goals of profitability and high performance.



For further details on our product range, visit our website, www.sasria.co.za.



The capitals we employ

We define the capitals that we employ in our value creation process as follows:



Financial capital

The pool of funds available to Sasria to finance our business activities such as settling claims, paying suppliers, investing in technology, providing socio-economic development, paying dividends to our shareholder, making investments and maintaining adequate levels of capital to meet our current and future liabilities, as required by the regulator. We generate our own financial capital through gross written premiums and investment returns.



Human capital

Our people's competencies and capabilities, and their motivation to innovate allow them to utilise their skills, knowledge, diversity and experience to improve our products, processes and customer-centric service delivery, as well as contribute to fulfilling our strategic mandate. The selection, management and development of our people indicates the value we place on human capital.



Intellectual capital

Our intangible infrastructure that we use to conduct our business and to create value. This includes intangibles such as brand value, reputation, software, rights and licences as well as our tacit knowledge, systems, procedures and protocols. Our knowledge includes our ability to price and manage risk and our understanding of underwriting.



Social and relationship capital

The collaborative and transformative relationships that we have with our stakeholders, such as our shareholder, customers, agents, intermediaries, regulators, suppliers and the general population, enable us to deliver on our legislative and strategic transformation mandates. Our relationship with our stakeholders is based on mutual respect, shared norms and values, trust, transparency and upliftment.



Manufactured capital

Our own infrastructure and the physical assets of our clients, which we insure against special risks. We aim to protect those assets from peril and maintain them in the case of insurable events occurring.







Natural capital

The natural resources which we impact through our investment, risks insurance, claims settlement and procurement activities. We are also dependent on natural capital and ecosystem service flows for our investment risk and returns. Climate risk and extreme weather events present opportunities to expand our mandate for common good.

We recognise that we will only remain relevant as a state-owned entity when we meet our shareholder's primary expectation, which is for us to make a positive difference in South Africa. In order to remain relevant, we strive to strengthen our relationships to enhance the trust that our stakeholders have in our Company.

Our value-creating business model

Our business model draws on the capitals as inputs and, through our business activities, converts them to outputs in the fairest way. Our activities and outputs lead to outcomes in terms of the effects on the capitals. We have identified risks and opportunities relevant to our strategy and business model. Our strategy is aimed at mitigating or managing the risks and maximising the opportunities, while satisfying the legitimate needs of all of our stakeholders.

Inputs	Business activities	Trade-offs made	Outputs
 Gross written premiums R2 169 million (2018: R1 994 million) Investment income R271 million (2018: R834 million)	<ul style="list-style-type: none"> • Sell products • Collect premiums • Pay commissions • Reinsure • Pay claims • Pay suppliers • Manage investments 	Preserve capital or invest in:	Equity R6 625 million (2018: R6 627 million) Assets under management R8 122 million (2018: R7 610 million)
 Remuneration R91 million (2018: R79 million) Training R4.2 million (2018: R5.8 million)	<ul style="list-style-type: none"> • Recruit • Train • Develop • Reward 	<ul style="list-style-type: none"> • Recruitment • Training • Remuneration 	Staff complement 99 (2018: 87)
 New product development R1.8 million (2018: R nil)	<ul style="list-style-type: none"> • Research • Manage risk • Manage investments • Marketing 	<ul style="list-style-type: none"> • Knowledge • Customer satisfaction • Innovation • Brand value 	Intangible assets R4 million (2018: R2 million)
 Socio-economic development R27 million (2018: R25 million) Dividend paid R nil (2018: R163 million)	<ul style="list-style-type: none"> • Invest in corporate social activities • Improve financial literacy • Develop enterprises and suppliers • Pay taxes • Pay dividends 	<ul style="list-style-type: none"> • Financial skills • Transformation • Delivering on the mandate • Compliance 	Claims paid R1 579 million (2018: R663 million)
 Capital expenditure R12 million (2018: R2 million)		<ul style="list-style-type: none"> • Systems 	Property and equipment R12 million (2018: R6 million)
 Carbon footprint Paper, water, electricity R823 thousand (2018: R700 thousand)		<ul style="list-style-type: none"> • The environment 	Paper, water and electricity consumption R740 thousand (2018: R630 thousand)



Our top risks are discussed in more detail on page 28.



Our key stakeholder relationships are outlined on page 24.



The strategic focus areas and enablers of our 2020 to 2024 strategy are described on page 72.

Desired outcomes	Key risks	Stakeholders affected	Strategic focus areas	Strategic enablers
<ul style="list-style-type: none"> Financial stability Sasria is self-funded Contribute to growth, development and transformation Increased shareholder value 	<ul style="list-style-type: none"> Incomplete and inaccurate revenue Inaccurate VAT calculations Increased special risks Deterioration of investment markets 	<ul style="list-style-type: none"> Customers Agents Reinsurers Suppliers Employees Regulatory bodies Shareholder 		
<ul style="list-style-type: none"> Qualified and content employees Strategic business objectives met 	<ul style="list-style-type: none"> Inability to attract and retain critical skills 	<ul style="list-style-type: none"> Agents Employees Asset managers Industry bodies 		
<ul style="list-style-type: none"> Improved customer satisfaction and increased revenue Responsible corporate citizenship Brand and social relevance Asset growth 	<ul style="list-style-type: none"> Core system failure Non-compliance with claims manual and procedures Market risk Credit risk Cybersecurity risk 	<ul style="list-style-type: none"> Customers Agents Employees Asset managers Industry bodies Media 		
<ul style="list-style-type: none"> Relationship with key stakeholders is improved An efficient state-owned entity that delivers on its mandate 	<ul style="list-style-type: none"> Lack of policyholder data Failure to comply with regulatory requirements and governance codes 	<ul style="list-style-type: none"> Customers Agents Industry bodies Regulatory bodies Media SMMs Shareholder 		
<ul style="list-style-type: none"> Protecting policyholder assets Speedy restitution 	<ul style="list-style-type: none"> Core system failure 	<ul style="list-style-type: none"> Customers Agents Employees 		
<ul style="list-style-type: none"> Doing no harm 	<ul style="list-style-type: none"> Increased special risks 	<ul style="list-style-type: none"> Customers Agents Employees Shareholder 		

Our customers

STRATEGIC FOCUS



**Customer-
centricity**



**Socio-economic
impact**

Sasria values its customers.

We offer cover against extraordinary risk to anyone in South Africa. Our customers are therefore potentially all individuals, businesses and government institutions with assets in South Africa.

In return for paid-up premiums, we cover losses and damages to:

- Motor vehicles and trucks;
- Property, plant and equipment;
- Inventory; and
- Income

as a result of special risk events such as protests or riots.

By covering some losses and damages after volatile and disruptive events, Sasria is restoring the liquidity of its customers, often to the extent of protecting the economy from further job losses.

The real value that Sasria provides is bringing peace of mind to our customers to enable them to concentrate on their core business and restoring businesses by paying their claims, thereby contributing to economic and social stability in the country.

How we distribute value

We distribute value:



To our employees, by providing job security, professional growth and career opportunities.



To the broader South African community, through our socio-economic development activities;

To the government and its people, through the payment of taxes; and

To our shareholder, through payment of a dividend.



We use the remaining profits to reinvest into the business to ensure that we can deliver on our legislative mandate and continue to create and distribute value.



Value added statement

for the year ended 31 March 2019

Figures in Rand thousand	2019	2018
Value added		
Gross written insurance premium	2 168 955	1 994 199
Claims paid and cost of other services	(2 360 160)	(1 324 344)
	(191 205)	699 855
Investment income net of fees	245 664	811 734
	54 459	1 481 589
Value distributed		
Employees	91 114	78 760
Broader community	26 874	25 446
Government: Income tax	(71 135)	342 260
Government: Shareholder dividend	-	162 979
Retained for reinvesting and future support of the business	7 606	872 144
- Depreciation, amortisation and maintenance	4 871	4 959
- Retained income before transfer to reserves	2 735	867 185
	54 459	1 481 589

Timeline
1989

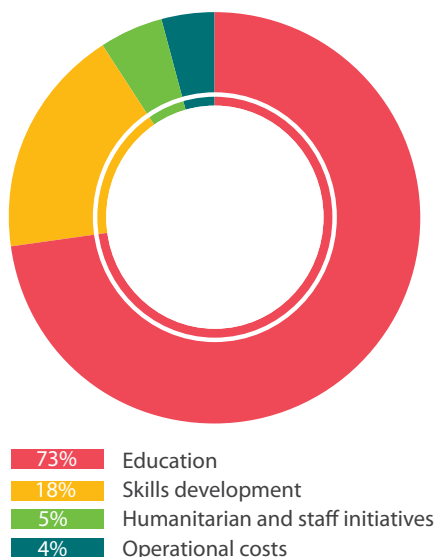
Cover introduced for low income group home loan guarantees
One insured loss limit increased to R200 million
Sasria-specific strategic mandate prescribed by the Reinsurance of Damage and Losses Act of 1989

Socio-economic development (SED)

Our SED activities are integral to our value creation process and assist Sasria in contributing to employment, reducing poverty and capacity building in the financial industry. For the past five years, R117.7 million has been invested in social responsibility initiatives in line with our strategic objectives.

In 2019, R26.7 million was invested in social responsibility initiatives. Below are some details of the investments made in different projects and the achievements that we value:

Corporate social investment spend 2019



Education

In support of the NDP, 73% of our SED budget is directed towards education. We allocated resources to build more school facilities such as classrooms, a library, computer labs and ablution facilities. For the past five years, our focus on tertiary education led to an increase in our bursaries granted, creating a talent pipeline and contributing to other bursary schemes.

STRATEGIC FOCUS



Socio-economic impact

The following are notable achievements:

South African Actuaries Development Programme (SAADP)

Sasria has supported the programme, set to address the problem of the acute shortage of actuarial skills in the black community in South Africa, since inception. For the past five years, a total of 32 students qualified, with more to follow.

Sasria bursary scheme

Sasria's bursary scheme provides funding for tertiary education to matriculants, especially those from disadvantaged backgrounds. This is done in line with our strategic objective to be a good corporate citizen and to support the objective of the NDP. Twenty students have graduated since its inception five years ago and have moved on to work for other companies.

The bursary scheme has changed the lives of many underprivileged students. Many of them had to leave their homes in deep rural areas to live and study in unfamiliar environments in big cities where most universities are located.

With the introduction of free education for certain students, our bursary scheme was amended to focus on creating a talent pipeline for Sasria. This means we focus on students studying in the fields of insurance, risk and ICT. The scheme also covers the 'missing middle', being students whose parents have a combined income between R350 000 and R700 000 per annum.



Mathematics and science programme

As a socially responsible organisation, Sasria invests in mathematics and science programmes and initiatives in an endeavour to stimulate and encourage growth of engineers and scientists in the country. This programme is aimed at providing examination-focused support to Grade 12 learners from underprivileged communities in preparation for the final matriculation examinations and is done through our partnership with Primestars, a youth development programme for high school learners from under-served communities, with the support of the Department of Education. The programme uses Ster Kinekor cinemas nationally as 'Educational Theatres of Learning'. The table below reflects the number of beneficiaries since the inception of the programme:

	2016	2017	2018
Number of learners attended	30 561	30 107	30 263
Number of teachers reached	788	713	721
Number of schools reached	127	131	119

Our students were asked about their experience with the programme. The following are three of the responses:



"My experience with the Sasria bursary programme has been nothing short of amazing. The speakers at the bootcamps contributed to our decision-making skills and how we function as individuals at school and socially."

Mhlongo Philile

(final year Medicine at the University of KwaZulu-Natal)



"The Sasria bursary programme is a student's best friend."

Karabo Thema

(final year, Bachelor's in accounting science (CA-stream) at the University of the Witwatersrand)



"Living in a city as vibrant as Johannesburg has remained one of the best experiences of my life. Thanks to the Sasria bursary programme. I was able to concentrate fully on my academic studies and my education did not put a financial burden to my family."

Sonto Nkala

(Financial accounting)

Infrastructure development

In order to contribute towards the improvement of the quality of life, dignity and education in our communities, Sasria participated in a number of building projects, including a new library in KwaZulu-Natal, school renovations in Limpopo and a new school hall in Mpumalanga. We purchased equipment for five computer labs at disadvantaged schools to ensure computer literacy and enhance the employability of our youth.

Consumer relations

For the past five years, as a SAIA member, we have complied with the FSC by spending at least 0.4% of our after-tax profit on consumer education. Consumer education leads to an informed community that makes better financial choices, thus positively contributing to the economic welfare of the society and allowing consumers to use insurance products more appropriately.



One of the computer labs built and equipped in the Eastern Cape



New school hall built in Mpumalanga

Skills development

As part of our contribution to growing and developing skilled professionals in the insurance sector, we have embarked on various programmes over the past five years, which include:

Insurance Leadership Development Programme

The Insurance Leadership Development Programme was launched in 2016 by the Insurance Institute of Gauteng (IIG), Gordon Institute of Business (GIBS) and Sasria to respond to the skills challenge within the short-term insurance industry, particularly the challenges around historically disadvantaged individuals at senior level.

Delegates have the unique opportunity to engage with their peers from a cross-section of the industry and, in doing so, enhance their learning experience. 74 young people have benefited from this NQF level 6 qualification since the programme started three years ago.

Industry skills development programmes

We have partnered with the Insurance Institute of South Africa (IISA) to upskill insurance practitioners by conducting training on various topics. Over the past five years, 1 064 insurance practitioners were reached through training sessions at various institutes across the country.

Sasria graduate programme

The objective of the two-year programme is to provide young people with the professional practice skills they need and to expose them to the corporate business environment. Since inception in 2015, seven interns were absorbed internally and nine others have found permanent employment outside of Sasria, in the financial sector. They are contributors to the economy.

Humanitarian/employee initiatives

The staff initiative and volunteer programme allows our employees to feel part of something worthwhile and make a difference in their communities. We have seen an increase in staff participation in these initiatives. Their good work includes:

- **Back to school initiative** – Our employees personally donated school uniforms to learners in KwaZulu-Natal and Gauteng.
- **Mandela Day** – In conjunction with Amor and the IIG, they assisted in building 16 houses in the community of Delmas.
- **Sanitary pads drive** – Our staff members personally donated sanitary pads to a school in Gauteng.

Community upliftment

Sasria believes that, in its journey of creating value, growth and creating impact, it must take its communities along – hence our community upliftment programmes. Our initiatives support a better understanding and proactive mitigation of social and business risk in identified communities. Through these programmes, we educate and bring awareness to the inhabitants of the district municipalities regarding the prevention and mitigation of risk incidents. We also promote a broad-based culture of risk avoidance in the communities through detailed and comprehensive campaigns. The following highlights are notable:

Santam/SALGA/Sasria initiative

The Ehlanzeni District Municipality embarked on a study to understand the various facets of disaster and disaster risk management in the area. Through our partnership with Santam, we aim to impact and reduce the number of service delivery protests.

Sack farming

Sasria partnered with Enactus students to increase the availability and accessibility of nutritious food in communities through the establishment of permaculture food gardens in schools. Schools are encouraged to grow their own food to supplement their school feeding schemes and generate income. The project has already expanded from KwaZulu-Natal to the Eastern Cape.

Our people

Sasria's talent strategy

At Sasria, all of our employees are regarded as talent.

Over the past five years, we have built a strong talent base with the right attitude and enthusiasm that will allow Sasria to fulfil its mandate. We manage our talent to ensure that we have the right people in the right numbers at the right time in the right place, able, willing, wanting and being allowed to perform, thereby enabling Sasria to deliver excellent value to all its stakeholders.

Talent as strategic enabler

As part of Sasria's journey of growing into becoming a solid employer in the insurance industry, our employee value proposition (EVP) was developed in 2017. It has helped us address our strategic business objective of attracting, developing and retaining critical and top talent. With the EVP, we have formulated a competitive remuneration philosophy, made learning and development accessible to all staff, provided fulfilling, meaningful work that is impactful and expanding opportunities for development and career advancement. This EVP has allowed us to maintain a healthy, high-performing staff complement as well as low vacancy and turnover rates.

How we attract top talent

Sasria's clean audits over the years, awards that we have won and the high-performance culture has improved the way that the labour market sees Sasria. This is demonstrated by our vacancy rate, which has moved from 16.0% in 2016 to 3.7% in March 2019.

Our Total Rewards philosophy is fair and competitive. It allows us to pay people who are proficient in their field at the 50th percentile. Those in critical or scarce roles can be paid between the 75th and 90th percentile. Our Executive Managers were previously paid below the market rates and we experienced four resignations in two years. This posed a risk to Sasria achieving its strategic objectives. With the approval of the Minister of Finance, the salaries of the Executive Management were reviewed and adjusted to the 75th percentile, allowing Sasria to attract the necessary skills and experience from top insurance companies and other corporates.

Our EVP promises the following to potential employees:

- Competitive rewards and benefits;
- Meaningful work;
- Affiliation;
- Flexible work practices;
- Development and career opportunities; and
- A stimulating and supportive work environment.

The EVP has enabled Sasria to attract Information and communications technology skills for security, governance and projects.

STRATEGIC ENABLER



Talent

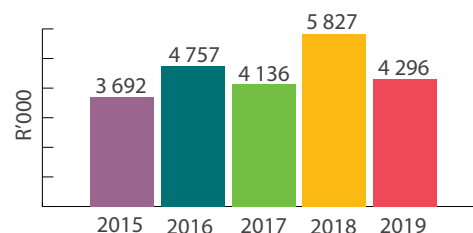
How we develop our employees

Every year, Sasria allocates approximately R5 million towards learning and development in the organisation. We have attracted professionals who want to upskill themselves on an ongoing basis and keep up to date with their continuous professional development. We have also helped our employees to achieve formal qualification in order to maintain a professional and high-performance culture.

Learning and development

Since 2015, Sasria has invested more than R22 million into learning and development, including R4.3 million in the last year. This investment was primarily focused on the ICT skills required to prepare Sasria to meet the demands of digitalisation in the new strategic cycle.

Learning and development





How we retain employees

Over and above Sasria's competitive salaries, benefits and performance incentive, there are a number of initiatives that help the retention of skills:

- **Learning and development:** Employees are engaged in learning and development initiatives as learning agility is an important competence in the future of work;
- **Talent management is a strategic focus:** Talent conversations are held with each of our employees to ensure that the right skills are being developed. A personal development plan is drawn up for each employee to ensure a steady flow of skilled people and viable succession plans for all critical roles;
- **Flexible work practices:** Sasria strives to achieve flexibility between work and family, which will be reinforced by the digitalisation strategy;
- **Affiliation:** As employees, especially millennials, want to work for organisations that match their value systems, we partner with our employees to implement CSI-related projects such as the Mandela Day programme, which has built 16 houses over last five years for the less-privileged.

Sasria views talent as a vital enabler in meeting its strategy. Our objective remains to attract, develop and retain the right talent:

Attract	<ul style="list-style-type: none"> • A dynamic workforce • People with similar values • New skills and functions • To match Company growth • To meet the digitalisation and other demands of our strategy • Contribute to transformation
Develop	<ul style="list-style-type: none"> • Career opportunities • New skills • Professionals • Leadership and behavioural competencies
Retain	<ul style="list-style-type: none"> • Challenging and meaningful work • Fair, competitive rewards • Affiliation • Flexibility

Value delivered through talent

Sasria has delivered an EVP that has attracted the right skills and enabled diversity. While growing the staff complement by an average of 15% over the past five years, a high-performance culture was inculcated. The culture and willingness to develop our people has contributed to the retention of critical and core skills.

In the last year, we have staffed the organisation for its renewal and growth and focused on digital learning in the development of our people.

Future focus

Our people will be a critical element and enabler to achieving our strategy for the next five years.

In the next year we will focus on ensuring that we are geared for the growth of Sasria with an agile workforce and work environment. This will aid the strategic focus on digitalisation.

Ultimately, we are striving towards having a workforce with a mindset capable of meeting Sasria's future challenges.




Our key relationships

Sasria depends on healthy relationships. Our inclusive approach towards all our stakeholders is based on understanding their needs, interests and expectations. This allows us to create value for both the organisation and our stakeholders.

The approach also helps us understand and respond to their material needs and identify the key risks to delivery.

The results of the 2019 stakeholder management survey indicated an 84% achievement in overall stakeholder satisfaction. It represents a satisfactory achievement against our target satisfaction level of at least 60% per stakeholder. We are actively working to improve our results even further.

Below is an overview of our key stakeholders and their material needs together with our interaction and strategic responses thereto:

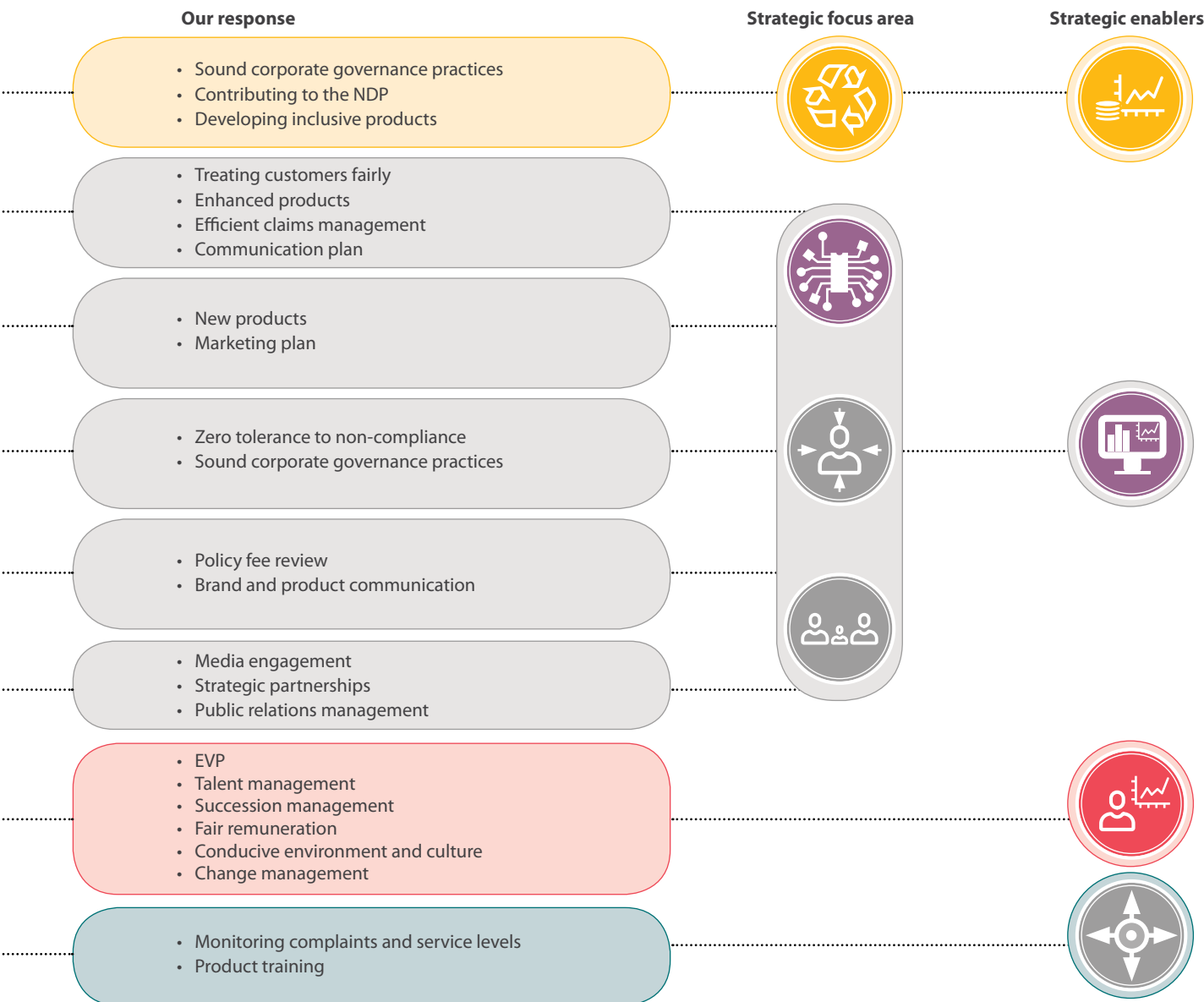
Stakeholder	Material matters	How we engage
Shareholder	<ul style="list-style-type: none"> • Good corporate governance • Sasria's sustainability • The NDP • Transformation 	<ul style="list-style-type: none"> • Regular engagement • Reporting against strategic plans • Participation in public sector forums
Customers  Also refer page 16.	<ul style="list-style-type: none"> • Brand awareness • Product satisfaction • Prompt claims settlement 	<ul style="list-style-type: none"> • Engage commercial customers • Consumer education • Monitor complaints • Monitor ombudsman cases
Future customers  Also refer page 75.	<ul style="list-style-type: none"> • Access • Prompt claims settlement 	<ul style="list-style-type: none"> • Market research • Consumer education
Regulators (including Prudential Authority (PA), and FSCA)	<ul style="list-style-type: none"> • Compliance • Solvency • Market conduct 	<ul style="list-style-type: none"> • Strategic engagement • Regular meetings with the PA and FSCA
Insurance industry bodies (including FIA and SAIA)	<ul style="list-style-type: none"> • Policy fees • Brand awareness • Product knowledge • Service 	<ul style="list-style-type: none"> • Obtain feedback on products and services • Participate in industry forums
Media	<ul style="list-style-type: none"> • Information • Reputation 	<ul style="list-style-type: none"> • Ad hoc interactions • Television and radio interviews • Articles on special risk
Employees  Also refer to page 22.	<ul style="list-style-type: none"> • Sasria's sustainability • Development • Well-being • Retention • Reward 	<ul style="list-style-type: none"> • Daily interaction • Talent management • Performance management • Wellness programme • Climate and 360° surveys
Agents and intermediaries	<ul style="list-style-type: none"> • Regulatory changes • Brand awareness • Product knowledge • Service 	<ul style="list-style-type: none"> • Engage with FIA and SAIA • Electronic and face-to-face interaction



Other significant stakeholders that we interact with include asset managers, banks, reinsurers, our SED partners and the general South African public. The stakeholders included below are those we believe are key and have a more direct impact on our business.



The strategic focus areas and enablers of our 2020 to 2024 strategy are described on page 72.



Sasria's response to South African challenges

Our Executive Committee takes responsibility for managing Sasria's key material issues and its members follow a structured approach every year to revisit and determine the relevant material matters that could affect Sasria's ability to create value. Our Audit Committee and Risk Committee assume the oversight responsibility in this regard. They consider and approve the material issues prior to presenting them to the Sasria Board for endorsement.

Material matters are those matters of relevance we address and report on, considering their significance to both the business and our stakeholders and their potential to affect Sasria's ability to create value over the short, medium and long term. This allows us to evolve our strategy and tailor our reporting to ensure it is aligned with the interests and needs of our audiences, as well as those of the Company.

Determining our material issues

We periodically review our material issues against the changing context of the business, stakeholder feedback and emerging issues.

An external party was engaged to facilitate a process to enable us to update our material issues assessment for the current year. This process centred on a materiality workshop attended by the Executive Committee and key internal stakeholders to review Sasria's most critical issues.

The materiality processes followed were:

Research and analysis	<p>A list of potential issues was developed based on the review of:</p> <ul style="list-style-type: none"> • Previously identified material issues • Risks and opportunities • Stakeholder engagement • Peer reports • Prevalent industry issues • Discussions with executive management
Evaluate and review	<p>A materiality workshop was held with Sasria executive management and key internal stakeholders to analyse and evaluate the risks and impact these material issues will have on Sasria.</p> <p>As part of the workshop, a cross-check was performed against Sasria's strategic objectives, stakeholder issues, risks and capitals used to create value over the short, medium and long term.</p>
Confirm the key issues	<p>All the material issues identified were challenged and distilled into the most material issues that currently impact Sasria's ability to create or destroy value over time.</p>
Disclose	<p>Apply and disclose the identified material issues in the integrated report.</p>



Material issues

Based on the discussions at the workshop the following material issues were identified and agreed upon. In this table, we also show which of our stakeholders are affected by these issues and how we have taken cognisance of these issues in determining our key focus areas in the next strategic cycle.



Our top risks are discussed in more detail on page 28.



Our key stakeholder relationships are outlined on page 24.



The strategic focus areas of our 2020 to 2024 strategy are described on page 72.

Material issues	Other issues identified	Stakeholders affected	Strategic focus areas	Strategic enablers
<ul style="list-style-type: none"> Poor service delivery in South Africa 	<ul style="list-style-type: none"> Socio-economic instability Product demand Solid investment portfolio Underwriting risks Transformation of business and industry 	<ul style="list-style-type: none"> Customers Agents Reinsurers Employees Regulatory bodies Shareholder 		
<ul style="list-style-type: none"> Specialist skills shortage in the country 	<ul style="list-style-type: none"> Acquire, train and retain new skills Provide a great employee experience and place to work with technology 	<ul style="list-style-type: none"> Agents Employees Industry bodies 		
<ul style="list-style-type: none"> Rapid change in technology 	<ul style="list-style-type: none"> Claims processing, response and customer satisfaction 	<ul style="list-style-type: none"> Customers Agents Employees Board Industry bodies Media 		
<ul style="list-style-type: none"> Expanding and exploring other opportunities in the special risk area Compliance and good governance Financial inclusivity of the population 	<ul style="list-style-type: none"> Data access High unemployment rate Regulatory changes Bad reputation Labour unrest Alignment to the NDP Brand awareness Insurance gap 	<ul style="list-style-type: none"> Customers Agents Industry bodies Regulatory bodies Media Shareholder 		
<ul style="list-style-type: none"> Relationship with the distribution channels (including treating customers fairly, train, support and pay fair fees) 	<ul style="list-style-type: none"> Become relevant to customers, stakeholders and the industry 	<ul style="list-style-type: none"> Customers Agents Employees 		

The list has guided the overall content of this integrated report.

Timeline
1994

Gross written premium exceeds R500 million for the first time
High increase in claims due to riots before the national election
Sasria consistently reduces rates year-on-year from 1994 to 1999
Total assets exceed R6 billion

Our top risks and how we manage them

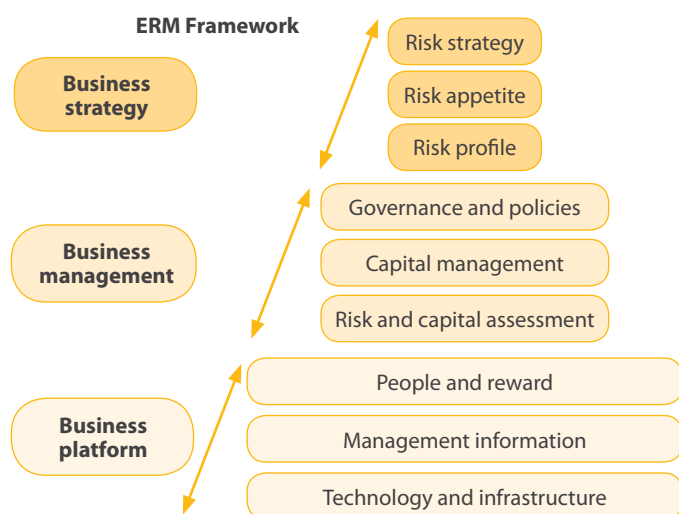
Enterprise risk management (ERM)

Over the past five years, Sasria has developed a respected and effective Risk department. Sasria has adopted a strategic, consistent and structured approach to ERM to achieve an appropriate balance between realising opportunities for gains and minimising losses. In addition, it has built strong risk and actuarial skills, which have assisted in implementing the major changes in regulation in the financial services industry. As an insurer, we are in the business of risk, however, we need to be able to absorb these risks from the economy and manage them within the set risk appetite and tolerance levels. Through our effective risk management, it is critical to be able to honour our promises to policyholders.

The implementation of SAM played a significant role in the evolution of risk management in the organisation in the past five years and as Sasria we incorporated SAM as part of our business and business strategy. During the past five years, we have incorporated clearly defined risk appetite measures in line with our risk management strategy, risk profile and business strategy. Our first Own Risk and Solvency Assessment (ORSA) report was approved by the Board and submitted to the regulator in 2017. The ORSA process assisted Sasria to obtain a detailed understanding on risk exposures that Sasria faces in the short and long term and helped us ensure that appropriate mitigating strategies are incorporated as part of our decision-making during our business strategy. The ORSA is now embedded in Sasria's decision-making processes, plays an important role in our governance system (Board is ultimately responsible for the end-to-end process of risk management) and informs strategic decisions with respect to business and capital management.

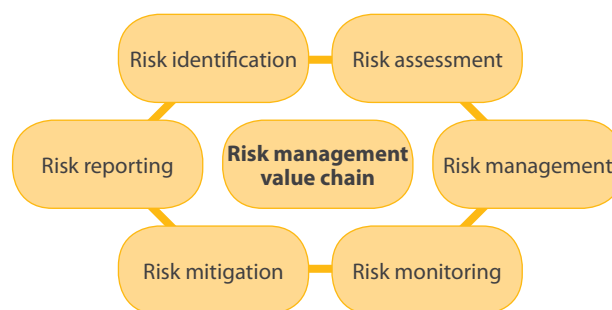
Our ERM process is mature and market leading in South Africa, given our size and complexity. The Board is confident that ERM is adequate in identifying current and emerging risks and ensuring that these risks are managed appropriately.

Risk governance



Taxonomy:

- Underwriting risk
- Credit risk
- Market risk (including liquidity risk)
- Operational risk
- Strategic and reputational risk



STRATEGIC
FOCUS



Sustainability

STRATEGIC
ENABLER



Business
intelligence



Our top risks

Management has identified the top risks that pose a potential threat to the execution of the business and its strategy. The risks were identified and assessed based on their impact or severity of the risk event and the likelihood of the risk occurring.

The table below details the top three risks per inherent risk rating. The register also includes the control effectiveness and the residual risk rating.

2019	2018	Risk	Classification	Inherent risk*	Control rating	Residual risk**
1	1	Increased insurance risk as a result of volatile strikes, protests and other special risks.	Underwriting risk	Very high	Fair	High
2	-	Core system failure.	Operational risk	Very high	Fair	Medium
3	7	Inability to attract and retain critical skills in the Company.	Operational risk	Very high	Poor	High

* **Inherent risk** is an assessed level of untreated risk i.e. the natural level of risk inherent in a business process/activity without doing anything to mitigate the likelihood or reduce the impact of the risk.

** **Residual risk** refers to the risk that remains given the mitigating controls that have been implemented and the adequacy and effectiveness of these controls.

Increased insurance risk as a result of volatile strikes, protests and other special risks

Sasria's claims are extremely volatile and are inter-connected to various risks facing the country. In the past few years, and especially the past year, Sasria has experienced high and increasing loss ratios due to increases in service delivery, student issues and strikes. We have also put various mitigating strategies in place as a result of the increase in claims volume. More information can be found in our five-year performance review on page 38. The deterioration of the underwriting profits had a significant impact on our available capital and our solvency cover in the year. However, throughout the period we were adequately capitalised and did not breach our capital at risk appetite target measure.

Core system failure

Top executives around the world are increasingly concerned about their existing operations and legacy IT infrastructure not being able to meet performance expectations related to quality, time to market, cost and innovation. Our claims management system is a legacy system but also core to Sasria and was not built for the increased number of claims that we are currently experiencing. We have embarked on a journey of automation and we are currently in the process of sourcing a new system.

Inability to attract and retain critical skills in the Company

Retaining trained and experienced staff is key to excellent risk management. Currently, there is a shortage of strategists, specialised skills and underwriters within the short-term insurance market. We are managing this risk through our EVP by analysing the current and future workforce and we plan to address any shortages. More can be found in this integrated report relating to our people.

Risk appetite

The formulation and development of the risk appetite limits has been delegated to the Risk Committee by the Board. The risk appetite limits are reviewed on an annual basis in line with the strategy setting of the Company. Sasria has three risk appetite measures: capital at risk, earnings at risk and operational risk.

Capital at risk

Sasria has not breached its capital at risk measure in the past five years. Sasria is currently adequately capitalised.

During the year, Sasria revisited the threshold and limit percentages for the capital at risk measure. For the capital at risk target, the approach has been to determine what size of catastrophe Sasria will be able to withstand. The worst-case scenarios or catastrophes have been calculated as part of Sasria's own risk and solvency assessment and therefore our target is set at 230%.

Earnings at risk

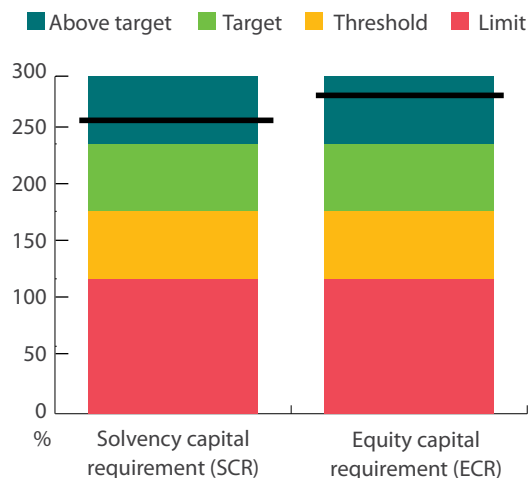
For the first time in the past five years, our earnings at risk measure relating to budgeted numbers versus actual numbers, breached the set limits. This was mainly due to the deterioration of our underwriting results as a result of the increase in claims.

We added an additional measure in December 2018 relating to underwriting loss probability to our earnings at risk measure. Our probability of underwriting losses was estimated at 14% at year-end and was within the set targeted range.

Operational risk

We considered various elements to assist with quantifying the operational risk losses. Sasria has breached its operational risk measure due to the irregular and fruitless and wasteful expenditure incurred in the year. The total irregular and fruitless and wasteful expenditure incurred in the year ending 31 March 2019 amounted to R2.4 million. The annual unrecovered amount of irregular and fruitless and wasteful expenditure is R1.9 million. The majority of the unrecovered amount (R1.3 million) related to interest on taxes.

Capital at risk





Our journey – Five-year performance review

Sasria concluded its five-year strategic cycle on 31 March 2019. In this chapter, we look back at our performance over this period, focusing extra attention on the last year. We show Sasria's significant **growth** during that period and the **value added** to the South African economy in general and our stakeholders in particular.

We also outline the **impact** of the organisation on transformation and making a positive contribution to the NDP.

Managing Director's report



Cedric Masondo
Managing Director

Sasria is a perfect example of how government and private sector can collaborate to solve problems on a national scale.

Learning from history

To successfully bring the insurance industry and government together to provide special risks cover was a monumental feat. By 1977, South Africa's socio-political environment had become so volatile that private sector insurance organisations, including reinsurers, were no longer prepared to cover risks associated with political riots, later defined as special risks.

However, for the country's economy to continue to be viable, a solution around these challenges had to

be found because there was a real possibility that the cost of doing business in South Africa, even by South African-based companies, would become prohibitive.

Initially, a joint venture between government and the private sector, as Sasria began to find its feet, government became less involved and collaborating in its day-to-day operations. SAIA was allowed to take the lead in managing Sasria.

From the beginning, Sasria was not established to compete with the industry, but rather to enhance the overall sector offering. This principle of complementary short-term insurance has been the cornerstone of our business for the past 40 years. The Company set up shop in 1979, with a modest capital injection of R50 million, initially covering only political risks. During the 1980s and 90s, the organisation's mandate was expanded to include damage resulting from labour union activities and other social unrest.

The private sector and government combined resources to form a viable special risks insurer that 40 years later is shaping itself to be an intellectual capital hub on how to manage special risks in sub-Saharan Africa.

When I joined Sasria, the Board of Directors at the time felt that the organisation needed to be run like any other competently managed short-term insurer. Sasria had to become better at understanding and managing risk, introducing actuarial models to better anticipate and manage risks while maintaining an adequate capital structure to ensure financial sustainability.

Sasria started to benchmark its operations against international best practice. This remained the major preoccupation of Sasria's management for several years. To a large degree, Sasria did achieve this vision because the Company was not only self-sufficient, but also a contributor to the fiscus. In the past seven years, Sasria has paid a substantial dividend to the sole shareholder, the state, of R1 billion.

We have not been a burden to the state, instead we became a pillar of social and economic strength.

As the economy grew and the participants became more diverse, Sasria took on more risks (size and number) but also realised higher premium income, allowing the organisation to create employment and expand its social mandate. The organisation now contributes R27 million to various social causes including education, housing and food security in a single year.

Sasria tripled its assets under management from 2009 to 2019 to R8.1 billion.

I am acutely aware that, while Sasria has done very well in the past – both financially and in delivering on its economic strategic intent as well as its social mandate, the only constant in life and in business is change. For Sasria to remain relevant, it needs to aim for a new, bolder vision.

Sasria's growth over the past five years

Sasria has just successfully completed the final year of its 2015 to 2019 strategy. Over the past five years, we have achieved most of our strategic objectives and performance targets. Strategic objectives often extend beyond a five-year horizon and many of Sasria's objectives fall into this category.





Taking the macro-economic environment into account, during the past five years, we have delivered an excellent performance. This is largely the result of a clear plan and direction, driven by a committed executive team. Our impact was not only financial but also social, with Sasria playing a growing role as a corporate citizen in transforming the short-term insurance industry through education, skills development, broadening inclusion and bringing new and relevant products to market. Our social responsibility stems from our dual mandate, even if it is often unprofitable and unpredictable.




Refer to page 38 for more information on Sasria's performance for 2015 to 2019.



During the past five years, we were able to make a significant impact to society with the value we created by targeting our clearly-defined strategic focus areas:

		VALUE DELIVERED	
Strategic focus areas		In the past five years (2015 to 2019)	In the past year (2019)
 Financial capital	Sustainable revenue growth	<ul style="list-style-type: none"> Gross written insurance premium (GWP) growth above inflation and industry Expenses within 6% - 8% of GWP Investment returns of CPI +2% Cumulative underwriting profit achieved Cumulative net profit targets were achieved 	<ul style="list-style-type: none"> GWP up 8.8% to R2 169 million Claims up 138.1% Number of claims received up 32.4% Net investment income – R246 million
	Capital management	<ul style="list-style-type: none"> Assets under management grew from R5.1 billion to R8.12 billion 	<ul style="list-style-type: none"> Assets under management up 5.8% to R8.12 billion
 Human Capital	People, capacity and capability	<ul style="list-style-type: none"> Vacancy rate down from 16.0% to 3.7% Employee value proposition attracts top talent and fills vacancies promptly Turnover rate below 10% Achieved performance targets 	<ul style="list-style-type: none"> Workforce grew 13.8% Vacancy rate 3.7% Average turnover rate 10.1% Achieved 3.6 performance rating Skills development targets achieved
 Intellectual capital	Innovation (products and services)	<ul style="list-style-type: none"> SMME strategy developed and approved by Board for implementation 	
 Social and relationship capital	Customer-centricity	<ul style="list-style-type: none"> Increased product awareness Increased brand awareness Reduced claims turnaround time 	<ul style="list-style-type: none"> Information technology strategy roll-out commenced R2.7 million spent on CSI R4.2 million spent on learning and development SCR – 270%
	Infrastructure and cost management	<ul style="list-style-type: none"> Internal structures improved Efficiencies gained by automation Remained lean despite growth 	
	Brand development	<ul style="list-style-type: none"> Achieved relevance by contributing to the NDP Financial education Skills development in the industry Increased employee participation Risk mitigation of riots and protests 	
	Regulatory environment	<ul style="list-style-type: none"> Self-funded, no government guarantees Dividends contributed to the fiscus Met the transformation agenda Brought hope to the people of South Africa 	

 Refer to page 38 for a detailed review of our performance over the past five years.

Review of past performance

Sasria received record claims in the past year, resulting in a loss for the Company and therefore failing to meet many of our KPIs. We can, however, assure stakeholders that we have made the necessary changes to ensure that the business is on the right track. As a business, we cannot stop claims. In fact, this is the reason of our existence. Our goal should always be to be ready both financially and operationally to deal with any types of claims.

We have learned a lot in the past year and we are grateful that, despite suffering a net loss for the first time, we are still well capitalised, with healthy liquidity and good governance.

In resolving and returning to profitability, we have implemented the following to ensure good governance and efficiency:

- Reviewing processes in some functions;
- Training our employees on technical and governance matters;
- Reviewing rates and increasing rates in loss-making classes;
- Reviewing the investment strategy and move assets to cash;
- Increasing the number of Claims staff; and
- Invested in technology, especially in our core system.

Over the last strategic cycle, Sasria has achieved full financial sustainability with its assets, able to withstand high demands in terms of the special risks it covers. Despite the difficult economic landscape, Sasria has consistently delivered excellent financial results compared to the wider insurance industry, safeguarding and growing its financial assets beyond CPI, generating positive cash flows and achieving profitability for the cycle.

Sasria has also made a valuable contribution to the fiscus through its socio-economic development and investment initiatives, dividends to the shareholder and taxes.

We established robust structures to ensure overall sound governance in our present dealings and as a basis for future endeavours. Over the 2015 to 2019 strategy cycle, Sasria routinely achieved unqualified audit reports as a vindication of its pursuit of excellence and commitment to upholding high levels of governance and compliance in conducting its business.

We are happy with our contribution to the transformation agenda – we have achieved and exceeded our targets on procurement and employment equity.

The winds of change

Planning for the future has become increasingly complex. Despite our repeatedly strong performances, there is a growing imperative to effect major changes or risk irrelevance.

During our last strategic cycle, South Africa was not able to take advantage of the upturn in global growth. The situation has remained volatile and unsettling to the majority of citizens. Our unemployment rate remains high and several economic sectors are under significant stress.

Increased unemployment and poverty have an impact on government services such as education, healthcare, sanitation, water and social grants, and put additional pressure on existing government infrastructure and capacity to provide services efficiently and effectively. As a consequence, a high number of strikes and protests relating to service delivery and political disenchantment have been experienced and, while poverty rates have declined, inequality levels have soared, making South Africa one of the most unequal societies in the world.

There is a clear and pressing need for progressive social and economic transformation that is pragmatic and level-headed, and Sasria will continue to provide for the potential liabilities that may arise in the course of this transformation.

The socio-economic environment is not our only reason to drive change, however, recent or emerging developments in the technological and environmental spheres are becoming progressively more important and demand appropriate responses.

We will not be able to maintain our trajectory of high performance if we apply the principles of 'business as usual'. Our business environment has changed significantly over the past five years and the rate of change is increasing, and to ignore or trivialise change is to precipitate our own irrelevance.



Embracing change

At Sasria, we have decided to embrace change as much for the opportunities it brings as in responding to the clear need for change, even if the process is sometimes uncomfortable.

Simply, it is our view that, to be sustainably successful, we need to:

- Respond to the changing dynamics of our markets;
- Continue to deliver excellent operational performance; and
- Deliver on our strategic mandate.

These, in effect, are our three primary strategic deliverables. To achieve them will require wide-ranging changes within our business in terms of our markets, product portfolio, customer profiles, distribution channels, internal processes, partnerships, skills and competencies, structure, culture, systems and tools, as well as in our interactions with society.

This, then, is Sasria's strategic challenge: to remain a sustainable and relevant industry partner to insure special risks through innovation, embracing change with new products and flexible business models while balancing growth and profitability against our investment in social transformation.

The future – Vision 2024

Sasria's Vision 2024 will lay the foundation of putting Sasria on the path to future-proofing the business. Sasria aims to be a leader in identifying and managing special risks. We want to expand the scope of special risks to include acts of God such as drought. We are preparing to become the intellectual hub for special risks management, assisting both government and the private sector to better anticipate and manage such risks.

Sasria, currently with only one route to market through other insurers, also wants to expand its distribution channels to reach more vulnerable communities who are most in need of its services, becoming a leader in harnessing efficiencies through technological innovations and building a new and enhanced customer experience.

Through our efforts, we will ensure that Sasria continues to evolve in tune with the economy and the needs of our end-customers, making a transformational impact on society and embracing the change that accompanies the challenge of delivering on opportunities.

We have set Sasria's new 2020 to 2024 strategy to meet the challenges of our time and will continue adding value for our stakeholders in the short, medium and long term.

STRATEGIC FOCUS AREAS



Sustainability

Despite the low growth in our economy and increased social unrest, our product remains affordable and valuable for our growing customer base and we are confident that we will continue to grow. Although claims have increased dramatically, our capital management remains prudent and we have a strong statement of financial position, with the regulatory solvency capital requirement cover ratio at 270%, to support our future commitments in claims and growth initiatives.



Customer-centricity

We continue to improve our operational efficiencies with the purpose of increasing customer satisfaction. Despite a dramatic increase in the frequency and severity of claims, the claims rejection ratio remains negligible and turnaround times continue to improve, rendering a positive experience for the customer.



Socio-economic impact

We have made significant strides in developing our phased roll-out of new products to a broader customer base to achieve greater financial inclusivity of the South African public through existing and new channels. Technology will play a significant role in making sure that we deliver this product in an efficient way.



Digitalisation

We will make substantial investments in technology and information to grow our business and its customer base. This will be done cost-effectively to protect our lean and efficient structure.

With investment in technology and information comes investment in the right people with the right skills. We have proved our ability to attract, develop and retain top talent in areas where there is a skills shortage.



Refer to page 72 for a detailed description of our strategy for the next five years.

Sound governance


The need for sound governance remains a constant that Sasria is deeply committed to. With many state-owned entities under scrutiny, this commitment has paid dividends. We remain well-governed and profitable, reliable and predictable with a healthy balance sheet and a continuing positive contribution to the fiscus.

We provide an important service to our policyholders and to our country. Our sustainability is important far beyond the continued employment of our management and staff. Our emphasis over the next five years will be on protecting the business through the application of good governance and good business practices.

Management changes

Our new Finance Director, Bajabulile Mthiyane, was appointed with effect from May 2018.

Tshepiso Chocho became Executive Manager: People Management from February 2019 after acting in that capacity since last year.

 Refer to page 58 for biographical information on all of Sasria's Executive Committee members.

Gratitude

I am grateful to our customers, agent companies and intermediaries for helping us grow the business and my Executive Committee and all Sasria employees for their ongoing enthusiasm and dedication to continue delivering on our customers' needs.

I want to thank our colleagues at National Treasury for their valuable input and the Board for their mature and unwavering support.

The collective effort will continue to enable Sasria to deliver on its mandate.



Cedric Masondo
Managing Director

16 August 2019

Key and significant events

During the past five years, Sasria experienced a marked increase in claims, culminating in new record levels in 2019. The most significant events that influenced this trend were:

#FeesMustFall was a student-led protest movement that began in mid-October 2015. The goals of the movement were to stop increases in student fees as well as to increase government funding of universities. Protests started at the University of Witwatersrand and spread to the University of Cape Town and Rhodes University before rapidly spreading to other universities across the country.

The 2015 protest ended when it was announced by the South African government that there would be no tuition fee increases for 2016. The protest in 2016 began when the South African Minister of Higher Education announced that there would be fee increases capped at 8% for 2017, however, each institution was given the freedom to decide by how much their tuition would increase.

By October 2016, the Department of Education estimated that the total cost in property damage due to the protest since 2015 had amounted to R600 million.

Mooi River protests

Since 2015, 40 long-distance haulage trucks have been destroyed in KwaZulu-Natal. In April 2018, 35 trucks were damaged along the N3 in Mooi River. Trucks were also looted.

In March 2018, 11 trucks were set alight on the N3 between Mooi River and Estcourt. Four of the trucks were petrol bombed in the early hours of 21 March 2018, and a truck driver was badly beaten. In another incident also in March, the N3 was blocked at Cliffdale by a group who were reportedly asking truck drivers for their licences.

North West violent protests

Violent protests took place in Mahikeng and Delareyville in the North West in April and May 2018, with at least one person killed and substantial property damage. The province was also affected by a two-month healthcare services strike. The protests were linked to demands for the delivery of basic services such as housing and sanitation, including concerns about the closure of health clinics. Other protests have focused on corruption-related issues and called for the removal of the provincial Premier, Supra Mahumapelo.

In July 2018, protests flared up again in Letsopa and Tswaing, near Ottosdal. During the protest, municipal offices and a library were damaged and two municipal trucks and a tractor were burnt. Members of the community barricaded roads with burning tyres, stones and other objects as they complained about a lack of service delivery. The protest affected schooling and workers could not go to work, while it also led to the closure of businesses. Traffic flow was affected by sporadic stone throwing incidents.

An inter-ministerial task team was appointed to investigate the violent protests, which revealed a range of weaknesses across the provincial government and in municipalities. These included poor governance practices, skills shortages, incompetence, corruption and questionable supply chain management practices. Mahumapelo resigned as Premier.



2019 highlights



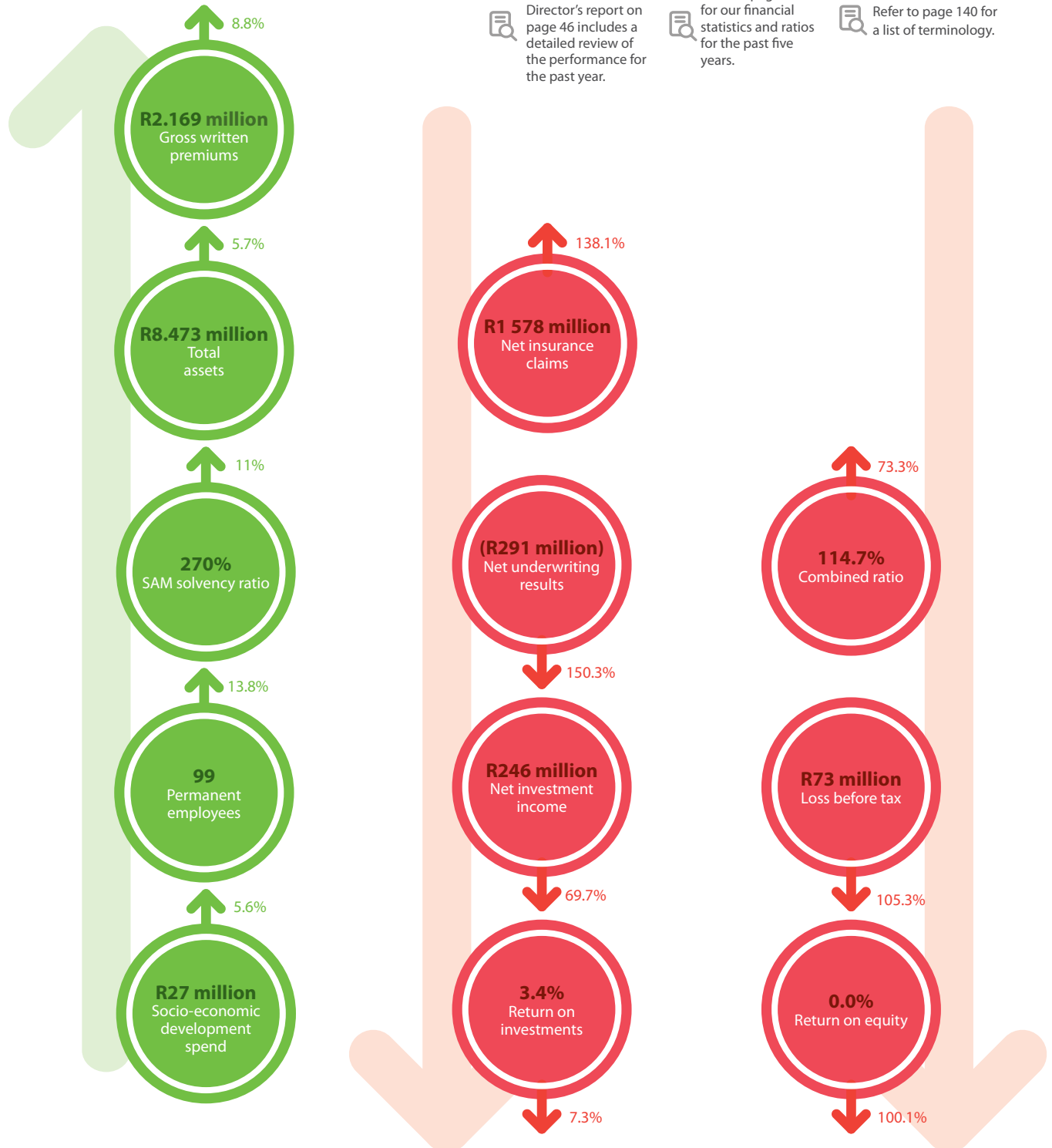
The Finance Director's report on page 46 includes a detailed review of the performance for the past year.



Refer to page 38 for our financial statistics and ratios for the past five years.



Refer to page 140 for a list of terminology.



Timeline
1998

Sasria converted to a limited company, Sasria SOC Limited, wholly owned by the SA government
Mandate informed by the Conversion of Sasria Act of 1998
Member companies become Sasria agents
Perils extended to include non-political elements such as strikes and labour disturbance

The capitals realised

Five-year review of our 2015 to 2019 strategy

Figures in Rand thousand	2015	2016	2017	2018	2019	Note
Summarised financial performance						
Gross written insurance premiums	1 522 866	1 683 895	1 843 402	1 994 199	2 168 955	1
Insurance premiums ceded to reinsurers	(140 994)	(139 084)	(145 246)	(148 802)	(185 865)	
Net insurance premiums income	1 381 872	1 544 811	1 698 156	1 845 397	1 983 090	
Net insurance premiums earned	1 358 649	1 506 649	1 659 405	1 824 025	1 986 189	
Net insurance claims	(440 559)	(587 056)	(766 681)	(662 891)	(1 578 424)	2
Net commission paid	(152 683)	(179 392)	(208 397)	(209 128)	(281 537)	
Expenses for administration and marketing	(276 080)	(308 528)	(326 787)	(371 945)	(417 727)	4
Net underwriting results	489 327	431 673	357 540	580 061	(291 499)	3
Net investment income	366 379	294 198	413 339	811 734	245 664	5
Other income	129	124	568	1 116	191	
Corporate social investment	(21 695)	(16 627)	(27 098)	(25 446)	(26 874)	
Profit before tax	834 140	709 368	744 349	1 367 465	(72 518)	6
Income tax expense	(223 456)	(205 250)	(201 095)	(342 260)	71 135	
Profit for the year	610 684	504 118	543 254	1 025 205	(1 383)	
Dividends paid	(205 778)	(183 205)	(151 236)	(162 979)	-	
Underwriting ratios (%)						
(Activities expressed as a % of earned premium)						
Claims ratio	32.4%	39.0%	46.2%	33.6%	79.5%	
Cost of acquisition ratio	31.5%	32.4%	32.3%	32.6%	35.2%	
Management expenses ratio	20.3%	20.5%	19.7%	18.9%	21.0%	
Commission ratio	11.2%	11.9%	12.6%	13.7%	14.2%	
Combined ratio	63.9%	71.4%	78.5%	66.2%	114.7%	
Underwriting ratio	36.1%	28.6%	21.5%	33.8%	(14.7%)	
Earned premium	100.0%	100.0%	100.0%	100.0%	100.0%	
Other financial performance ratios						
Effective tax rate	26.0%	29.0%	27.0%	25.0%	(98.1%)	
Gross written insurance premiums growth year-on-year	10.0%	11.0%	9.0%	8.2%	8.8%	
Net underwriting profit growth year-on-year	(9.0%)	(12.0%)	(17.0%)	62.2%	(150.2%)	



1. Premium income

Gross written premiums have over the previous five years grown at an average of 8.5%, higher than the industry growth rate.

GWP for the year ending 31 March 2019 is R2 169 million, which represents 8.8% growth on the previous year.

Sasria's biggest line of business continues to be **Property**, which grew by only 7% due to the slow economic growth especially in the agriculture, construction and mining sectors.

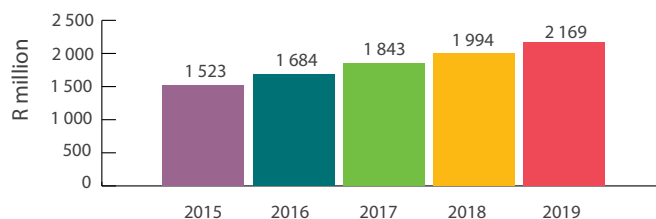
We are pleased that the market responds positively to our products, reflecting the growing need and relevance of Sasria cover.

2. Claims

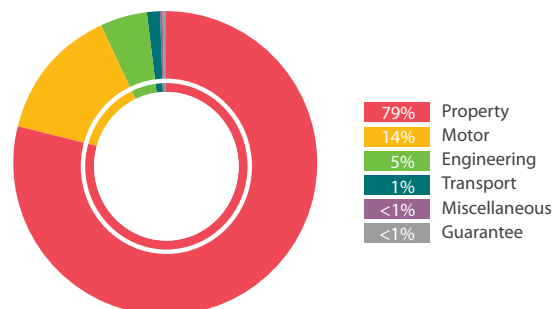
The increase in service delivery protests this financial year is clearly reflected in the claim numbers. All nine provinces were impacted by the protest actions. These protests continue to dominate the media.

We closed the year with 5 443 claims, a 50% increase compared to the previous financial year. This trend started with an influx of claims from the North West, followed by a few episodes of large claims. Service delivery protests in the Eastern Cape, Kimberley, Midvaal and Mooi River increased claim numbers to approximately 700 a month. Service delivery protests nationwide were reflected in our numbers as we recorded the highest number of claims in Sasria's history and the highest number of service delivery protests in the history of the democracy.

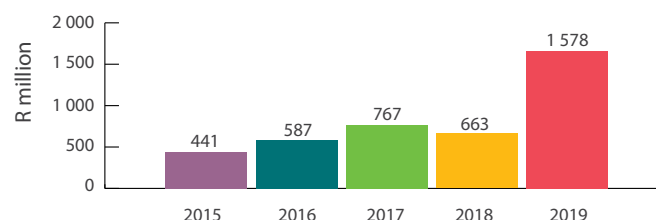
Gross written premium growth



Premium breakdown by class



Net insurance claims



Description	2015	2016	2017	2018	2019
Number of claims	2 263	2 252	2 748	3 639	5 443
Claims incurred (R'000)	476 017	581 863	810 217	680 296	1 537 283
New claims severity (R'000)	490 355	650 842	915 821	828 575	1 752 786

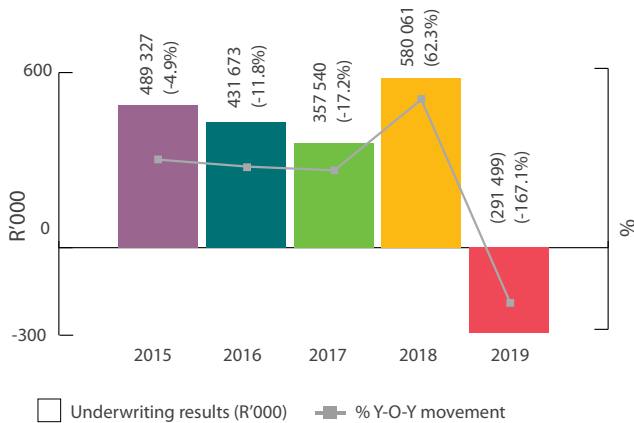
The increase in claims resulted in Sasria's first underwriting loss. The loss ratio was 79.5%, and combined loss ratio 114.7%. The Underwriting department has implemented changes as a result. Trucks have been rerated and new rates were introduced in February 2019. Rates increases for commercial property and goods-in-transit were announced for implementation in October 2019. Risk mitigation measures were introduced aimed at helping municipalities deal with conflict.

Service delivery protests throughout the country are the major driver of claims over the past five years. Service delivery protests account for 80% of claims, while labour strikes account for the balance.

3. Underwriting

Sasria is satisfied with the overall net underwriting performance achieved over the past five years. While Sasria is posting net underwriting losses for the current period, it achieved budgeted cumulative net underwriting profit for the five-year period.

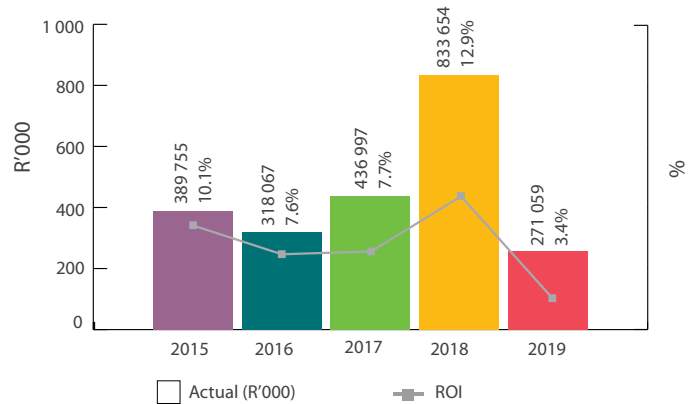
Underwriting performance



5. Investment income

The achieved investment return is -1.22% below CPI on a year-to-date basis. On a rolling 12-month basis, the portfolio yielded a return of 3.28% compared to the benchmark of 6.52%.

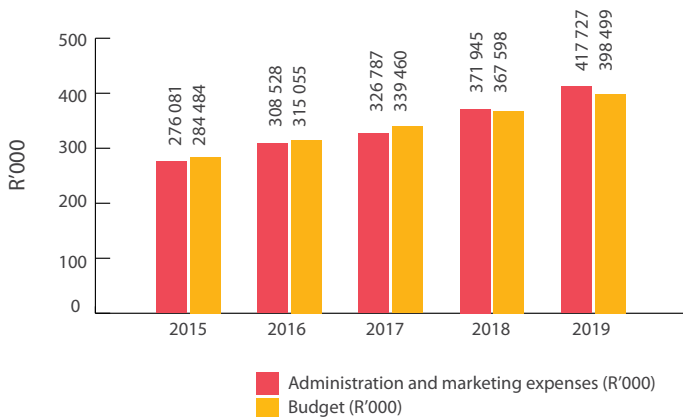
Investment income and ROI



4. Administration and marketing expenses

Sasria has a budgeted expense ratio as a percentage of earned premium of 21.8% and an average actual expense ratio of 20.3% over the past five years. Administration and marketing expenses have been kept under 21%. This figure includes fixed cost of 12.5% paid to agent companies performing functions outsourced to them. It excludes intermediary cost (brokerage) of 12.5% for motor premiums and 15% for non-motor premiums paid to brokers and intermediaries for selling Sasria's product.

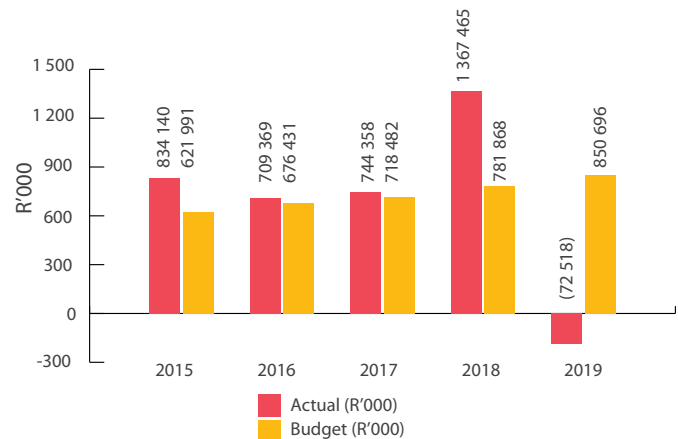
Administration and marketing expenses



6. Profit before tax

Sasria is satisfied with net profit before tax and return on equity that has been achieved for the years ending 31 March 2015 to 31 March 2019.

Net profit before tax



Figures in Rand thousand	2015	2016	2017	2018	2019	Note
Summarised financial position						
Property, equipment and intangibles	16 530	14 624	8 946	7 299	15 522	1
Deferred acquisition costs	37 668	45 428	53 269	59 498	61 325	
Financial assets at fair value through profit and loss	4 347 666	4 390 597	3 890 058	5 644 715	3 842 110	2
Reinsurance contracts	19 618	20 717	24 202	24 830	29 509	
Cash and cash equivalents	1 344 566	1 767 111	2 790 334	1 940 774	4 162 225	2
Other assets	292 850	359 448	330 307	339 269	362 070	
Total assets	6 058 898	6 597 925	7 097 116	8 016 385	8 472 761	
Total equity	5 051 622	5 372 536	5 764 563	6 626 789	6 625 406	
Deferred income	5 146	5 968	7 219	4 321	8 850	
Insurance contract liabilities	839 586	1 044 395	1 202 314	1 179 404	1 680 839	
Other liabilities	162 544	175 026	123 020	205 871	157 666	
Total equity and liabilities	6 058 898	6 597 925	7 097 116	8 016 385	8 472 761	
Financial position ratios						
Return on equity	12.7%	9.7%	9.8%	9.8%	0.0%	
Consumer price index	4.6%	6.4%	6.1%	3.8%	4.5%	
Summarised cash flow						
Cash generated from operations	556 261	520 258	542 427	517 462	(866 093)	
Dividends and interest income	310 060	367 332	436 646	470 340	522 721	
Net realised gain/(loss) on investments	65 926	111 160	(16 018)	21 889	(23 491)	
Income tax (paid)/received	(210 722)	(180 348)	(304 034)	(279 796)	24 128	
Net cash from operating activities	721 525	818 402	659 021	729 895	(342 735)	
Net (purchase)/sale of investments	(422 560)	(207 463)	516 913	(1 413 231)	2 580 498	
Other (purchases)/disposals	11 091	(5 189)	(1 475)	(3 245)	(16 312)	
Net cash (used)/from investing activities	(411 469)	(212 652)	515 438	(1 416 476)	2 564 186	
Dividends paid	(205 778)	(183 205)	(151 236)	(162 979)	-	
Net cash flows from financing activities	(205 778)	(183 205)	(151 236)	(162 979)	-	
Net movement in cash and cash equivalents	104 278	422 545	1 023 223	(849 560)	2 221 451	
Cash and cash equivalents at the beginning of the year	1 240 288	1 344 566	1 767 111	2 790 334	1 940 774	
Cash and cash equivalents at the end of the year	1 344 566	1 767 111	2 790 334	1 940 774	4 162 225	

1. Property plant and equipment

The period under review has seen leasehold improvements for an expansion of the Sasria building at 34 Fricker Road being undertaken, along with office equipment and computer software acquisitions due to the increase in staff complement.

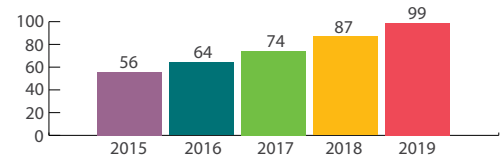
2. Assets under management

Sasria has R8.12 billion in assets under management as at 31 March 2019. This figure increased by R0.66 billion for the year to date 31 March 2019. The achieved investment return is -1.22% below CPI on a year-to-date basis. On a rolling 12-month basis, the portfolio yielded a return of 3.28% compared to the benchmark of 6.52%.

Workforce

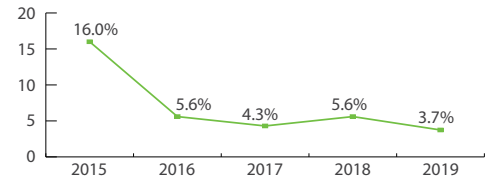
Staff complement

Our workforce has grown steadily and in line with our workforce plans, especially in the Insurance Operations and the Business Change and Technology divisions. The staff complement has increased by an average of 15% over the last five years. This growth represents maturity in most functions of the business, such as IT, underwriting and procurement.



Vacancy rate

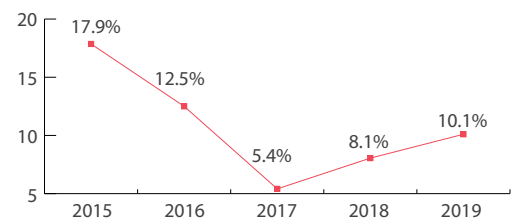
The vacancy rate as at 31 March 2019 was 3.7%. This has reduced significantly since 2015 when the rate was 16%. Sasria is a sought-after employer, able to attract direct applications on its website and fill positions quickly. The lower vacancy rate allows Sasria to plan longer term and see it through by holding the same employees accountable and measuring them against strategic focus areas.



Staff turnover

Staff turnover has declined over the past five years as a result of our efforts to understand our diverse workforce and address their needs. This includes:

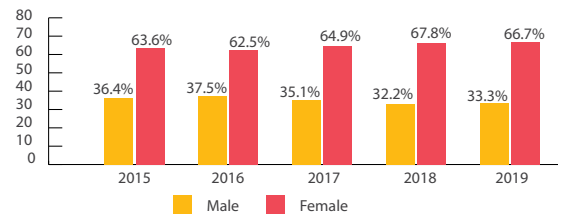
- In 2017, the Minister of Finance approved salary adjustments for critical positions as part of our retention strategy;
- 100% of our workforce is involved in learning and development;
- More and more of our employees are participating in community-uplifting initiatives through our CSI, increasing their sense of affiliation with the organisation;
- We run an annual wellness programme to ensure employee well-being;
- Annual salary benchmarking to ensure competitive remuneration and benefits; and
- We have flexible work practices.



We hold exit interviews with every employee who resigns to understand how we can improve the employee experience.

Gender profile

We have appointed and promoted women in senior positions in the organisation. 38% of appointments and promotions made in 2019 were African women in middle and executive management positions.



Race profile

There has been an evident increase in the number of African employees over the past five years, in line with our workforce, talent management and employment equity plans. We have contributed to transformation in the country and in the insurance industry through our efforts to attract, develop and retain young African professionals.



FSC Employment Equity Scorecard

We continue to promote equal opportunity and fair treatment in the workplace by ensuring we implement employment programmes that drive equitable representation in all occupational levels of our workforce. These interventions have borne fruit as we have over-achieved on targets to date.

In 2019, Sasria achieved an overall score of 14.84 on its FSC Employment Equity Scorecard, which is well above the set target of 13 out of 15 points. To demonstrate Sasria's commitment to achieving progress in the area of employment equity, we appointed two graduates with disabilities in 2019.

Scorecard item	Weighting	Target	Achieved 2015	Achieved 2016	Achieved 2017	Achieved 2018	Achieved 2019
Black disabled employees as a percentage of all employees	0.5	3.0%	0.30	0.26	0.23	0.36	0.34
Black women disabled employees as a percentage of all employees	0.5	1.5%	0.56	0.50	0.45	0.50	0.50
Black senior management as a percentage of all senior management	3	60.0%	3.00	3.00	3.00	3.00	3.00
Black women senior management as a percentage of all senior management	2	30.0%	2.00	2.00	2.00	2.00	2.00
Black middle management as a percentage of all middle management	3	75.0%	3.00	3.00	3.00	3.00	3.00
Black women middle management as a percentage of all middle management	2	37.5%	2.00	2.00	2.00	2.00	2.00
Black junior management as a percentage of all junior management	2	80.0%	2.00	2.00	2.00	2.00	2.00
Black women junior management as a percentage of all junior management	2	40.0%	2.00	2.00	2.00	2.00	2.00
TOTAL	15		14.86	14.76	14.68	14.86	14.84




Organisational climate


Climate surveys were conducted in 2016 and 2018 to gauge the level of employee engagement. In 2018, the score decreased from 3.7 in 2016 to 3.4 in 2018 due to factors relating to organisational change, such as changes to the Board, new strategic direction and new IT strategy. It is our aim to improve the score in 2020.

Key performance indicators

The summary of key performance indicators (KPIs) for Sasria for the period 1 April 2014 to 31 March 2019 is presented below:

			2015			2016		
Strategic objective		KPI	Target	Actual		Target	Actual	
Sustainable revenue growth	Outperform industry premium growth	Gross written premium (R'000)	R1 483 422	R1 522 866	●	R1 622 156	R1 683 895	●
	ROE government bond yield	Net underwriting profit (R'000)	R249 498	R489 327	●	R339 683	R431 674	●
Regulatory environment	Proactively manage compliance	SAM phase III project plan	100%	100%	●			
		Embed ORSA process - training						
		FSC code score - Transformation						
		FSC code score – Preferential Procurement						
		FSC code score – Supplier Development						
		FSC code score – Enterprise Development						
		Irregular, fruitless, wasteful and unauthorised expenditure						
		Implementation of new IT strategy plan						
Customer-centricity	Provide superior customer service	Claim turnaround – % of fast-track claims settled within 30 days	85%	74%	●	85%	86.5%	●
		% of large loss claims finalised within 60 days	60%	65%	●	60%	68.1%	●
People, capacity and capability	Attract, retain and develop skills that support our aspirations	% of new and vacant positions filled	100%	75.8%	●			
		Reduce reliance on external consultants by	20%	56%	●	20%	22.5%	●
		Overall staff IPM survey score						
Brand development	To create a trusted brand that resonates with all our customers	Conduct customer and market analysis	100%	100%	●			
		% increase in brand awareness over 2012				60%	100%	●
		% brand awareness in distribution channel (survey)						
		% brand awareness with end-customer (survey)						

 KPI met fully
  KPI met partially
  KPI not met

	2017			2018			2019		
	Target	Actual		Target	Actual		Target	Actual	
	R1 743 241	R1 843 402		R2 002 614	R1 994 200		R2 182 320	R2 168 955	
	R458 940	R357 549		R413 282	R580 061		R374 312	(R291 499)	
	100%	100%							
	15	14.68		12	14.86		13	14.84	
							5 targets	4 met	
							70%	-	
							30%	4.1%	
							0%	R2.1 million	
				100%	100%		75%	70%	
	85%	87.2%		85%	86.5%		90%	71.1%	
	60%	79.1%		60%	88.7%		70%	85.6%	
	20%	71.8%							
	3.5	3.77					3.8	3.39	
	80%	100%		90%	Agents 100% Brokers 94%		95%	Agents 80% Brokers 82%	
				30%	80%		40%	76%	

Finance Director's report



Bajabulile Mthiyane
Finance Director

Eskom's unexpected implementation of load shedding was a major disruptor to business, particularly to SMMEs. StatsSA consequently reduced its outlook for 2019 economic growth, and fears of a Moody's ratings downgrade were exacerbated.

Domestically, electricity constraints, combined with weakness in business and consumer confidence, weigh on the outlook. While inflation continues to show near-term downside surprises, the medium-term outlook is impacted by higher energy tariffs and rising food and fuel prices.

2019 financial performance

Sasria increased premium income by 8.8% to R2 169 million (2018: R1 994 million), thereby outstripping both industry growth and CPI inflation of 4.5% and breaking through R2 billion for the first time.

In the past year, the economic pressures in South Africa have translated into widespread dissatisfaction and, ultimately, violent expression of disapproval in large parts of the country. This translated into a record number of claims totalling R1 578 million for the year (2018: R663 million). This negatively affected this year's financial performance, translating into a negative net underwriting result of R291 million (2018: positive R580 million).

Economic outlook

South Africa's economy has, slowly but surely, been on the mend since last year's short-lived recession, but a number of potential setbacks threaten its further recovery. Lacklustre growth is expected to persist this year. Policy uncertainty in the aftermath of the 8 May general election could hinder the short-term economic recovery.

Ratings agency Moody's maintained South Africa's sovereign credit rating at investment grade, but on a negative watch. Key risks remain in place and are likely to add volatility to the market, these being the deteriorating state of the fiscus and the state-owned enterprise/Eskom/SABC bailout risk.

The investment portfolio continues to be impacted by weak business confidence, which is driven by low growth. Net investment income reversed most of the increase of the prior year. Administrative and marketing expenses were managed within budget.

The Company posted a net loss before tax of R73 million (2018: profit of R1 367 million). Despite the financial loss, we remain proud to be able to pay claims, suppliers, government and our employees, as well as make a social contribution. Through prevention and appropriate rate adjustments we plan to return to profitability.

Sasria was able to deliver on its mandate and protected its policyholders from damages or assisted them in rebuilding after suffering misfortune. Our strong financial performance assisted our customers in getting their lives back on track after suffering at the hands of riots and strikes, by us paying their claims and our suppliers timeously. Even at record claims levels, our reserves were able to absorb the full impact.

The Company's financial position has remained strong over the years, providing a solid base from which to achieve our future five-year strategic objectives.

2019 underwriting results

We received 5 443 claims, which is a 50% increase over the 3 639 claims received in 2018. The year started with an influx of claims from the North West, followed by a few episodes of large protest claims. Service delivery protests in the Eastern Cape, Kimberley, Midvaal and Mooi River resulted in up to 700 claims a month. Service delivery protests nationwide meant that we recorded the highest number of claims in the history of Sasria and highest number of service delivery protests in the history of our democracy. Service-related issues escalated beyond demands for basic services, with housing protests developing as law makers battle with land issues. During the fourth quarter, a dozen universities experienced episodes of protests.

Procurement

Sasria is committed to ensuring that procurement of goods and services is done in a manner that is fair, equitable, transparent, competitive and cost-effective as enshrined in section 217 of the Constitution of the Republic of South Africa. Sasria also uses procurement to advance transformation through preferential procurement by targeting black female-owned businesses, Exempt Micro Enterprises and Qualifying Small Enterprises with a B-BBEE Level 4 as a minimum. Through our established governance structures, we strive to uphold the highest ethical standards in all our procurement transactions.



Summarised financial performance

Figures in Rand thousand	2017	Variance	2018	Variance	2019	Note	2020 Target
Gross written insurance premiums	1 843 402	8.2%	1 994 199	8.8%	2 168 955	1	2 352 428
Unearned premium reserve movement	(38 751)	(44.8%)	(21 372)	(114.5%)	3 099		(37 573)
Acquisition of insurance contracts expenses	(236 850)	14.5%	(271 091)	18.0%	(319 814)		(339 311)
Administration and marketing expenses	(326 787)	13.8%	(371 945)	12.3%	(417 727)	2	(482 246)
Gross insurance claims and loss adjustment expenses	(765 994)	(13.5%)	(662 881)	138.2%	(1 578 805)	3	(1 041 685)
Gross underwriting results	475 020	40.4%	666 910	(121.6%)	(144 292)		451 613
Insurance premiums ceded to reinsurers	(145 246)	2.4%	(148 802)	24.9%	(185 865)		(199 774)
Reinsurance portion of claims incurred	(687)	(98.5%)	(10)	(3 910.0%)	381		-
Commission earned from reinsurers	28 453	117.8%	61 963	(38.2%)	38 277		26 545
Net reinsurance expense	(117 480)	(26.1%)	(86 849)	69.5%	(147 207)	4	(173 229)
Net underwriting results	357 540	62.2%	580 061	(150.3%)	(291 499)		278 384
Net investment income	413 339	96.4%	811 734	(69.7%)	245 664	5	592 030
Other income	568	96.5%	1 116	(82.9%)	191		-
Corporate social investment	(27 089)	(6.1%)	(25 446)	5.6%	(26 874)	6	(33 465)
Total investment and other income	386 818	103.6%	787 404	(72.2%)	218 981		558 385
Profit/(loss) before tax	744 349	83.7%	1 367 465	(105.3%)	(72 518)		836 950
Ratios						7	
Claims ratio	42%		33.6%		72.8%		45.0%
Management expenses ratio	18%		18.9%		19.3%		20.5%
Cost of acquisition ratio	13%		13.7%		14.8%		14.4%
Underwriting ratio	26%		34%		(6.9%)		21%
GWP per employee	24 911		22 922		21 909		22 839
CSI % of net profit after tax	5%		2%		37%		6%
Effective tax rate	27.0%		25.0%		(98.5%)		28%
Reinsurance as a % of gross	8%		7%		9%		9%

Notes:

- Gross written premium has grown due largely to growth in the market.
- Administrative and marketing expenses increased due to an increase in binder fees as a result of the increase in gross written premium and employee benefits due to an increase in staff numbers and senior/middle management.
- Claims increased in frequency and in severity. There was a significant reduction in student protests. However, service delivery protests are on the rise. This has an impact on the increase in net underwriting results.
- There were no amendments to the reinsurance structure in 2019. The movement was as a result of profit commission received in 2018.

- The achieved investment return is -1.22% below CPI on a year-to-date basis. On a rolling 12-month basis, the portfolio yielded a return of 3.28% compared to the benchmark of 6.52%.
- The socio-economic development expense of R27 million was used largely on education.



Refer to page 18 for further information.

- In total, 35.2% of net premiums were applied to claims (2018: 32.6%), the cost of acquisition changed marginally (14.2%: 13.7%) and the management expenses ratio increased from 18.9% to 21.0%, giving Sasria an underwriting ratio of (14.7%) (2018: 33.8%).

Summarised financial position

The Company's balance sheet also remains strong, providing a solid base from which to achieve our future five-year strategic objectives.

Figures in Rand thousand	2017	Variance	2018	Variance	2019	Note	2020 Target
Assets							
Property, equipment and intangibles	8 946	(18.4%)	7 299	112.7%	15 522	1	81 709
Deferred acquisition costs	53 269	11.7%	59 498	3.1%	61 325		72 149
Financial assets at fair value through profit and loss	3 890 058	45.1%	5 644 715	(31.9%)	3 842 110	2	6 719 215
Reinsurance contracts	24 202	2.6%	24 830	18.8%	29 509		14 597
Cash and cash equivalents	2 790 334	(30.4%)	1 940 774	114.5%	4 162 225	2	1 742 279
Other assets	330 307	2.7%	339 269	6.7%	362 070		308 831
Total assets	7 097 116	13.0%	8 016 385	5.7%	8 472 761		8 938 780
Equity	5 764 563	15.0%	6 626 789		6 625 406		7 209 709
Liabilities							
Deferred income	7 219	(40.1%)	4 321	104.8%	8 850		4 379
Deferred income tax	18 159	405.9%	91 860	(23.7%)	70 112	3	(215 543)
Insurance contract liabilities	1 202 314	(1.9%)	1 179 404	42.5%	1 680 839	4	1 565 687
Other liabilities	104 861	8.7%	114 011	(23.2%)	87 554		374 647
Total liabilities	1 332 553	4.3%	1 389 596	32.9%	1 847 355		1 729 071
Total equity and liabilities	7 097 116	13.0%	8 016 385	5.7%	8 472 761		8 938 780

Notes:

1. New equipment and software to the value of R16.4 million were purchased, including leasehold improvements to the extended premises and computer hardware and software.
2. Sasria currently has R8.12 billion in assets under management. The financial assets at fair value through profit and loss decreased and the cash increased due to the allocation of new investment mandates and rebalancing of our investments to be in line with our strategic asset allocation. Sasria's investments are predominantly short term. We also monitor our assets/liability matching, which ensures we have sufficient funding to meet the Company's insurance liabilities, pay claims and suppliers and ensure the shareholder's fund is not unduly exposed to investment risk.
3. The deferred tax liability remains high due to the high losses before tax.
4. Insurance contract liabilities consist of claims reported, claims incurred but not yet reported (IBNR) and unearned premiums. The increase is in line with the change in IBNR and the increase in claims reported in 2019.

Capital management

Sasria's capital management philosophy is to maximise the return on our shareholder's capital within an appropriate risk management framework and to ensure that our policyholders' assets are protected against special and catastrophic risks through a high standard of governance and financial control. Management continuously monitors Sasria's solvency levels and required solvency range in light of industry changes, regulatory requirements and the new Insurance Act.

Risk management

Sasria is exposed to several financial and other related risks, namely market risk, credit risk, insurance risk, liquidity risk, operational risk and legal risk. These risks are discussed in the risk management section and also in the annual financial statements included in this integrated report. Further information on risk management can be found in the risk section of the integrated report on page 28.



Summarised cash flow

Sasria used R343 million in its operating activities, compared to generating R730 million in the prior year. This decrease is due to lower investment income, higher liabilities and a loss before tax.

Figures in Rand thousand	2017	Variance	2018	Variance	2019	Note
Operating activities						
Cash generated from operations	542 427	(4.6%)	517 462	(267.4%)	(866 093)	
Dividend income	48 921	7.0%	52 337	22.0%	63 869	
Interest income	387 725	7.8%	418 003	9.8%	458 852	
Realised gains/(losses) on investments	(16 018)	236.7%	21 889	(207.3%)	(23 491)	
Income tax paid	(304 034)	(8.0%)	(279 796)	(108.6%)	24 128	
Net cash from/(used in) operating activities	659 021	10.8%	729 895	(147.0%)	(342 735)	1
Investing activities						
Purchase of property and equipment	(1 248)	64.2%	(2 049)	487.3%	(12 033)	
Proceeds on disposal of property, equipment and intangibles	55	56.4%	86	(31.4%)	59	
Purchases relating to intangible assets	(282)	354.6%	(1 282)	238.4%	(4 338)	
Net sale/(purchase) of investments	516 913	373.4%	(1 413 231)	(282.6%)	2 580 498	
Cash from/(used in) investing activities	515 438	(374.8%)	(1 416 476)	(281.0%)	2 564 186	2
Financing activities						
Dividends paid	(151 236)	7.8%	(162 979)	(100.0%)	-	
Cash used in financing activities	(151 236)	7.8%	(162 979)	(100.0%)	-	3
Net movement in cash	1 023 223	(183.0%)	(849 560)	(361.5%)	2 221 451	
Cash and cash equivalents at the beginning of the year	1 767 111	57.9%	2 790 334	(30.4%)	1 940 774	
Cash and cash equivalents at the end of the year	2 790 334	(30.4%)	1 940 774	114.5%	4 162 225	4

Notes:

1. The movement in cash from operating activities is due mainly to claims expenses in 2019, realised losses on investments in 2019 versus gains in 2018, as well as a reduction in taxation paid in 2019.
2. The large increased movement in cash from investing activities is due to the purchase of investments at year-end after altering the Company's investment strategy.
3. In 2018, Sasria paid a dividend to its shareholder in line with the dividend policy and per the capital management policy. No dividend was paid in 2019.
4. Cash increased as a result of the liquidation of certain investment mandates at the end of 2019 and the reallocation into cash in line with the new investment strategy.

Principles for responsible investing

Sasria continues to be a proud signatory of the United Nations Principles for Responsible Investments (UNPRI) and has supported the Code for Responsible Investing in South Africa (CRISA) since 2012. We recognise that the generation of long-term sustainable returns is dependent on stable, well-functioning and well-governed social, environmental and economic systems. Responsible investing is an approach to investments that explicitly acknowledges the relevance to the investor of environmental, social and governance (ESG) factors, and the long-term health and stability of the market as a whole. Sasria has lived up to the principles in the following ways:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Our external investment managers undergo a rigorous appointment process, which incorporates the review of their investment philosophy and processes. We encourage academic enrolment.

Principle 2: We will be active owners and incorporate ESG issues into ownership policies and practices.

Asset managers act in a fiduciary capacity, upholding a stewardship role for the assets they manage on our behalf. We monitor the proxy voting activity on the portfolio.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Asset managers vote on proxies and some of our managers disclose results directly to the public.

Principle 4: We will promote acceptance and implementation of the principles within the investment industry.

We include a mandatory requirement in requests for proposals for bidders to be signatories of the UNPRI, encouraging them to adhere to the UNPRI standards. We engage with our external managers on various ESG issues to ensure a responsible approach to asset stewardship.

Principle 5: We will work together to enhance our effectiveness in implementing the principles.

Sasria is an active member of the UNPRI South Africa network, having participated in both local and global conferences. Some of our external managers are founding members of CRISA.

Principle 6: We will report on our activities and progress towards implementing the principles.

We engage with asset consultants to perform a benchmarking exercise on the investment portfolio. This is used as a tool to engage with the managers.

Proxy voting

During 2019, Sasria's external equity managers voted on 5 461 resolutions. They opposed 6.34% of the resolutions, abstained from voting on 0.16% and supported management in 93.5% of the instances.

Looking ahead

Due to the strong balance sheet and stable corporate structure, Sasria has a sustainable level of capital as it embarks on the next five-year strategy. This capital can be used as the following enablers of our strategic focus areas:



Talent

Employing new capable employees to cater for our growth and expansion, training them and empowering them for the five-year road ahead.



Capital management

Managing our capital and investments in a prudent way in order to maintain capital, reflecting leading SOE governance.



Business intelligence

Investing in the tools required to know and serve our existing and new customers better by providing meaningful reports to those parties requiring them in a timeous and efficient way.



Distribution channel

Developing our channel in a modern but cost-efficient way.

IFRS 17: Insurance Contracts

Sasria continues to monitor developments regarding IFRS 17, a comprehensive new accounting standard covering recognition, measurement, presentation and disclosure of insurance contracts, and acts accordingly.

Bajabulile Mthiyane
Finance Director

16 August 2019



Our leadership and governance

Sasria is justifiably proud of its governance record, especially seen in the context of pressure bearing on other SOEs.

In this chapter, we introduce our experienced and diverse Board of Directors and our competent Executive Committee who are responsible for Sasria's **growth** and **adding value** for all our stakeholders.

We include concise reports on the activities of the Board's committees in the past year and their plans for the ensuing year to continue delivering maximum **impact** and making a positive contribution to the NDP.

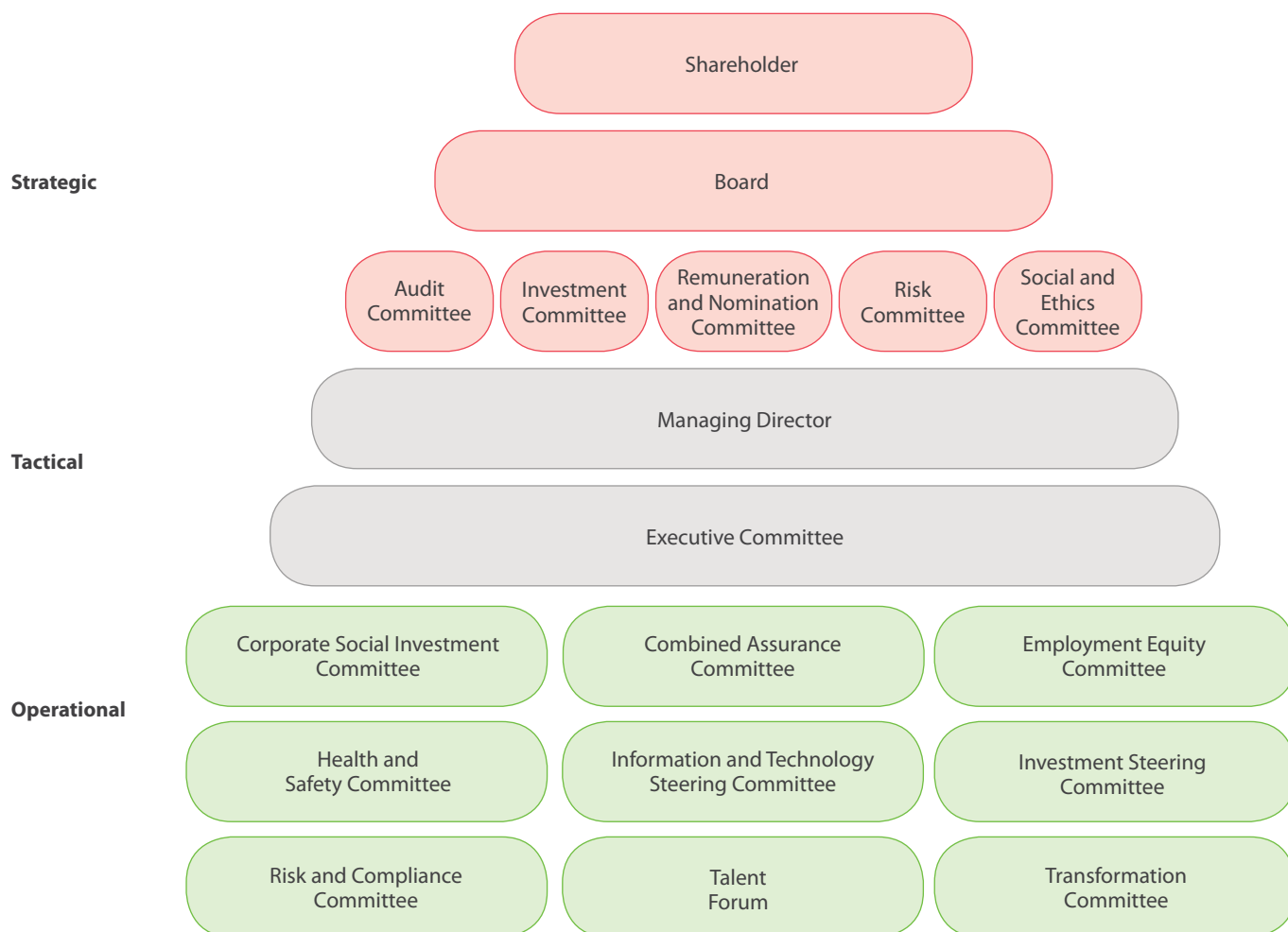


Corporate governance framework

Sasria continued its practice of applying sound governance structures, procedures and processes during the period under review. We consider these as fundamental to the effective delivery of our dual mandate, and to ensure our Company's long-term sustainability.

The Board, as the accounting authority, is committed to the principles of openness, transparency, integrity and accountability as advocated in King IV. This commitment to good governance is formalised in our Company's charters, policies and procedures.

To achieve the principles of corporate governance, and to ensure that these are embedded throughout strategic and operational processes, four statutory committees, namely the Audit Committee, Remuneration and Nomination Committee, Risk Committee and the Social and Ethics Committee, as well as the Investment Committee, were established as Board sub-committees. The roles of the committees are embedded in their charters.



Board of Directors

The Board is responsible for Sasria's strategic direction and adherence to sound ethical business practices and governance processes while safeguarding the interests of the stakeholder. The Board provides the strategic direction, while our Managing Director, who is assisted by the Executive Committee, is accountable to the Board for implementing the strategy.

Sasria has a delegation of authority which provides an approval framework to ensure that it is optimally managed within a decentralised management environment. The Board delegates the power to run the day-to-day affairs of the Company to the Managing Director, who may delegate some of these powers. The delegation of authority document codifies and regulates any such delegation of authority within the Company.

The majority of the Board members are non-executive directors, namely eight, of whom seven are independent. At year-end, there were two executive directors, the Managing Director and the Finance Director.

Three Board members' terms ended on 30 November 2017 and were extended to 31 May 2018 in terms of the Memorandum of Incorporation. These are the Chairperson, Deputy Chairperson of the Board and Chairperson of the Risk Committee. They retired by rotation on 31 May 2018 and three new members were appointed to the Board.

Two Board members' terms ended on 30 November 2018 and were extended to 31 May 2019. When the Managing Director's term ended on 30 April 2017, he was reappointed for a further five-year term.

The Board is appropriately balanced in terms of gender, race, age distribution and experience. During the period under review, the Board was sufficiently capitalised in terms of core and critical skills. These include insurance, reinsurance, financial, risk, actuarial, investment, leadership, governance and human capital. To facilitate an orderly rotation of directors that preserves the core skills required on the Board at any given time, the Remuneration and Nomination Committee adopted a Board succession plan in 2014. The plan calls for early identification of suitable candidates, on-boarding a mix of youth and experienced directors to the Board and rotation of responsibilities in the committees to develop and enhance directors' experience and exposure. The Board is also satisfied with the succession plan for the Managing Director and the Finance Director.

The Board has delegated specific functions to committees to assist it in meeting its oversight responsibilities. This ensures that Sasria's activities are managed in a manner consistent with its ethical leadership and values. All committees are chaired by independent non-executive directors.

During the past year, the Board:

- Approved and recommended the dividend methodology to the shareholder;

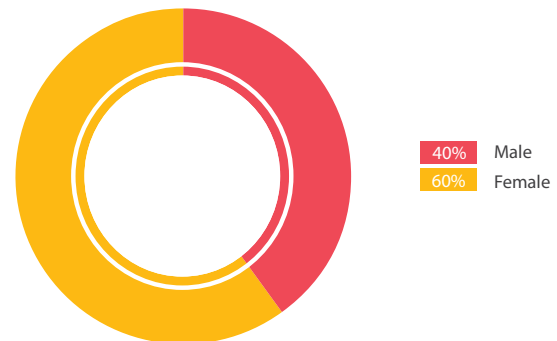
- Approved new and revised policies reserved for Board approval;
- Approved the proposed Long-Term Incentive (LTI) Scheme policy, subject to shareholder approval;
- Approved the going concern statement contained in the 2018 integrated report;
- Approved the ORSA results;
- Approved the 2020 annual salary review mandate; and
- Approved the 2020 to 2024 plan.

During the coming year, the Board will be focusing on the new five-year strategy of the Company. This will permeate through to the work of the Board committees and to the key focus areas of the management team.

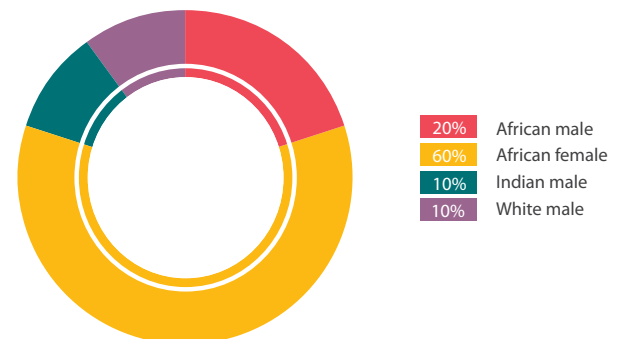
Board demographics

Our directors have diverse skills and business experience in the areas of insurance, risk management, actuarial, financial, human capital and strategic leadership. The composition of the Board of Directors is based on principles of transformation and gender representation and also takes into consideration South Africa's diverse society. The Board of Directors includes eight non-executive directors of which three are male and five are female. A breakdown at year-end is outlined below:

Ratio of male and female Board members



Ratio of Board members by race



At the date of this report, our Board of Directors comprises



Chairperson and independent non-executive director

Norman Baloyi *BCom MSc MBA MPhil*

Norman has extensive knowledge, education, experience and expertise in research and the finance sector. He has filled positions such as Chief Operations Officer, General Manager, Director and Senior Manager in a number of organisations in South Africa. He is qualified in commerce, business, engineering, and management and his skill set includes but is not limited to accounting, financial management, development finance, human resources, investment, information technology, auditing and risk management. He also has extensive experience in corporate governance, having been a board member of various companies.



Deputy Chairperson and independent non-executive director

Onkgodisitse Mokonyane *BSc (Hons) MCom Actuarial Science AMASSA*

Onkgodisitse is a board member of the Nelson Mandela Children's Fund. She also sits on the Seriti Institute's Audit, Finance and Risk Committee. She is a former trustee on the boards of the Momentum Retirement Annuity Fund, Momentum Pension Preservation Fund, Momentum Provident Preservation Fund and the Self-Financed Retirement Annuity Fund. She is the former President of the Association of South African Black Actuarial Professionals (ASABA) and founding Chair of ASABA's Actuarial Women's Committee. Onkgodisitse has held several leadership and actuarial specialist roles within the financial services industry, including at Absa Insurance Company, Liberty Holdings, Momentum Retail and currently at Discovery Insure. Her experience in financial services spans across life insurance, general insurance, investments, pensions, healthcare, enterprise risk management and strategy.



Independent non-executive directors

Tando Mbatsha *BCom MBL*

Tando is a member of both the Audit Committee and the Social and Ethics Committee and is also the Chairperson of the Investment Committee. Tando has been reappointed to the Board for a further term ending March 2020. She is also a director at Nexia SAB&T.



Tshwarelo Moutlane *BCom Information Systems BCompt Honours CA(SA)*

Tshwarelo serves as the Chairperson of the Audit Committee and member of the Risk Committee. She was reappointed to the Board for a further term ending March 2020. She has extensive experience in audit, advisory, risk management and governance, as well as banking experience acquired locally and internationally with Standard Bank Group and Deloitte.





Christiaan van Dyk BSc Actuarial Science FFA FASSA

Christiaan's career spans three decades. He is a Fellow of the Faculty of Actuaries in Scotland as well as of the Actuarial Society of South Africa. He has worked with Natsure, Momentum Wealth and Metropolitan Life. He is currently the Group CEO of Assupol.



Non-executive director

Jayaseelan Nair BCom NDip (Government Finance)

Jayaseelan serves on the Board in his capacity as an employee of the National Treasury. He has been appointed as a director until 30 September 2019. He is a member of both the Audit Committee and the Social and Ethics Committee. He was appointed as Acting Accountant General at the Department of National Treasury in October 2015.



Executive directors

Cedric Masondo BCom FIISA AMLP (Oxford, Saïd Business School)
Managing Director

Sasria's Managing Director, Cedric Masondo, was appointed in 2011 and reappointed in May 2018 for a further five-year term, ending April 2022. He is also the Chairperson of the South African Actuaries Development Programme and non-executive director of the South African Insurance Association.



Bajabulile Mthiyane BCom Hons CA(SA)
Finance Director

Bajabulile joined Sasria in May 2018 and was appointed executive director in June 2018. Bajabulile is a highly-achieved business leader with over 20 years of progressively diverse experience in finance and business operations. She has served on various boards, including as a non-executive director and Audit and Risk Committee Chairperson at ACSA, Eskom, Union Life and Westlife. Her current responsibilities include statutory reporting, investments, capital management and procurement.

Two directors retired by rotation on 31 May 2019. They were:

Baba Mkangisa *Diplomas in General Nursing, Midwifery, HR MEd Primary Healthcare*

Former independent non-executive director, Chairperson of the Social and Ethics Committee and Deputy Chairperson of the Remuneration and Nomination Committee. She holds a directorship in Vulisango Holdings.

Maki Ndlovu *BA Management Programme (Lincoln)*

Former independent non-executive director, Chairperson of the Remuneration and Nomination Committee, Deputy Chairperson of the Social and Ethics Committee and member of the Investment Committee. Her previous directorships include Simmer and Jack Mines, Zibula Exploration, Barloworld Equipment RSA, a division of Barloworld (Pty) Ltd, and Kagiso Solutions.

Attendance at meetings

	Field of expertise	Board	Audit Committee	Investment Committee	Remuneration and Nomination Committee	Risk Committee	Social and Ethics Committee	Annual general meeting
Number of meetings		5	4	4	6	4	3	1
Norman Baloyi ~	Research and finance	* 5		2	6	3		1
Onkgodisitse Mokonyane ~	Financial services	5		3	6	3		1
Tando Mbatsha	Finance and auditing	5	4	* 4			3	
Baba Mkangisa	Healthcare	5			6		* 3	1
Tshwarelo Moutlane	Financial services	5	* 4			4		
Jayaseelan Nair	Government finance	5	3				2	1
Maki Ndlovu	Human relations	5		4	* 6		3	1
Christiaan van Dyk ~	Financial services	4	2			* 3		
Adam Samie ^R	Insurance			1		1		
Ranti Mothapo ^R	Actuarial			* 1		1		
Herman Schoeman ^R	Insurance		1			* 1		

* Chairperson

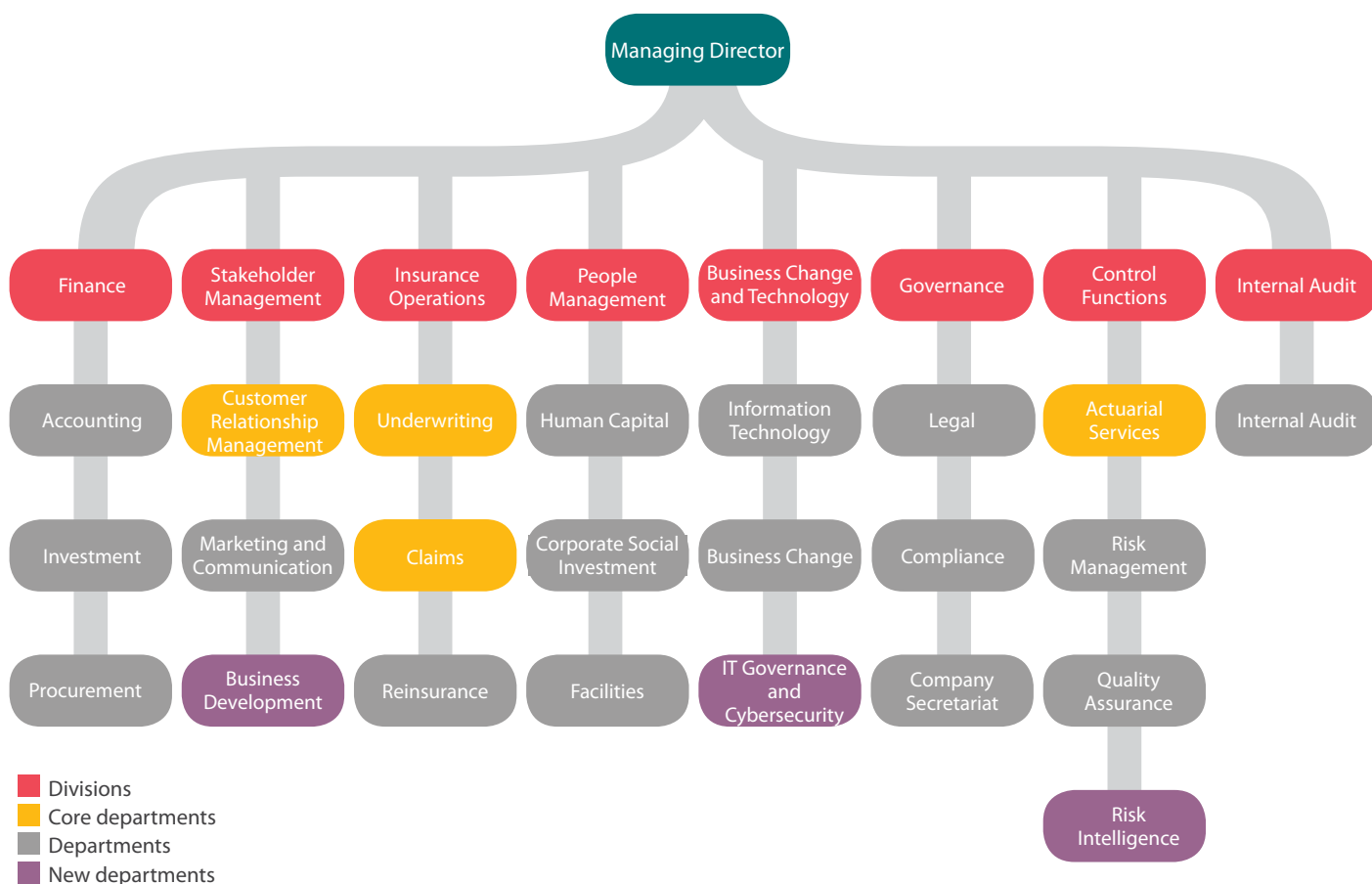
^R Retired by rotation on 31 May 2018

~ Appointed effective 1 June 2018



Operational structure

Sasria has established a clear and comprehensive structure to deliver on its strategy:



Executive Committee




Cedric Masondo BCom, FIISA, AMLP (Oxford University, Saïd Business School)

Managing Director

Cedric was promoted to the position of Managing Director in July 2011, after serving as Executive Manager: Underwriting. Prior to joining Sasria, he was responsible for all public enterprise business at Alexander Forbes Cre8. Cedric has more than 26 years' experience, both locally and internationally, in the short-term insurance industry.

Role: Short-term insurance and implementation of strategy.

 Refer to page 32 for the Managing Director's report.




Bajabulile Mthiyane BCom Hons CA(SA)

Finance Director

Bajabulile kick-started her career at Deloitte. In her CFO and financial leadership roles in South African Port Operations, Unilever SA and Hewlett Packard SA, she demonstrated her ability to increase efficiencies while improving profitability and cash flows. She has served on various boards, including as a non-executive director and Audit and Risk Committee Chairperson for ACSA and Eskom.

Role: Finance, Investment and Procurement.

 Refer to page 46 for the Finance Director's report.




Fareedah Benjamin

Executive Manager: Insurance Operations

Fareedah joined Sasria as the Executive Manager: Insurance Operations in March 2017. She has over 19 years' experience in the short-term insurance industry.

Role: Claims, Underwriting and Reinsurance.

 Refer to page 75 for more detail about Sasria's future products.




Mziwoxolo Mavuso BProc LLB GMP GEDP

Executive Manager: Governance and Company Secretariat

Mzi was promoted to the position of Executive Manager: Governance in December 2014, from his position as Senior Manager: Governance and Company Secretary, which he held since June 2011. Previously he was the Company Secretary for the Eastern Cape Development Corporation.

Role: Legal, Compliance and Company Secretariat.

 Refer to page 52 for more information about governance at Sasria.





Sam Nkosi *Digital Transformation and Strategy (HBS) CIO Academy (Saïd Business School) ITIL (BCS) HDip BS (IBS) MSc IS (Leeds Beckett University)*

Executive Manager: Business Change and Technology

Sam joined Sasria in July 2017 from the Auditor-General of South Africa where he was a Chief Information Officer (CIO). His extensive experience was gained at Barclays Africa Group (Absa), Fujitsu, the South African Revenue Services, Wincor Nixdorf in the United Kingdom and the State Information Technology Agency. He commenced his career at Investec.

Role: Information systems and technology.



Refer to page 77 for more information about technology at Sasria.



Suzanne Harrop-Allin *BCom Hons (RAU) CA(SA) SEPA (Harvard Business School)*

Chief Risk Officer

Suzanne joined Sasria in October 2013 from PricewaterhouseCoopers, where she was a senior manager in the Financial Services Insurance and Investment Management division.

Role: Risk Management, Quality Assurance, Actuarial Services and Risk Intelligence.



Refer to page 28 for more information about risk management at Sasria.



Tshepiso Chocho *BA Hons MMDP*

Executive Manager: People Management

Tshepiso was appointed as the Executive Manager: People Management on 1 February 2019 after having worked as a senior manager at Sasria since May 2015.




Role: Human Capital, Corporate Social Investment and Facilities.






Refer to page 22 for more information about people management at Sasria.

King IV

Sasria has benchmarked its practices against the principles of the King IV Report on Corporate Governance for South Africa 2016 (King IV). Below is a summary of our progress towards achieving the 16 principles and desired governance outcomes. The Board is satisfied that Sasria has applied the requisite principles.

Principles	Compliant	Brief explanation
Governance outcome: Ethical culture		
1. The Accounting Authority should lead ethically and effectively	Yes	Sasria's directors hold one another accountable for decision-making and act in a way that displays the ethical characteristics stated in King IV.
2. The Accounting Authority should govern the ethics of the SOE in a way that supports the establishment of an ethical culture	Yes	Sasria has an Ethics Policy in place which applies to Board members and employees.
3. The Accounting Authority should ensure that the SOE is and is seen to be a responsible corporate citizen	Yes	The Board has delegated to the Social and Ethics Committee, amongst others, the responsibility for monitoring the overall responsible corporate citizenship performance of Sasria.  For more detail on how Sasria addresses responsible citizenship, refer to the Social and Ethics Committee report on page 68.
Governance outcome: Performance and value creation		
4. The Accounting Authority should appreciate that the SOE's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process	Yes	The Board assesses, on a continual basis, the positive and negative outcomes resulting from its business model and responds to it as highlighted in this integrated report.
5. The Accounting Authority should ensure that reports issued by the SOE enable stakeholders to make informed assessments of the SOE's performance and its short-, medium- and long-term prospects	Yes	This integrated report provides users with a holistic, clear, concise and understandable presentation of Sasria's performance in terms of sustainable value creation in the economic, social and environmental context within which it operates.
Governance outcome: Adequate and effective control		
6. The Accounting Authority should serve as the focal point and custodian of corporate governance in the SOE	Yes	The role and responsibilities of the Board are set out under principle 6 of King IV. These roles and responsibilities are articulated in the Board Charter.
7. The Accounting Authority should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively	Yes	The Board is satisfied that there is a balance of skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities.  For more detail on the composition of the Board of Directors, refer to page 53.
8. The Accounting Authority should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with the balance of power and the effective discharge of its duties	Yes	The composition of the Board committees and the distribution of authority between the Chairperson and other directors is balanced and does not lead to instances where an individual(s) dominates decision-making within governance structures or where undue dependency is caused.  For more detail on the composition of the Board's committees, refer to page 56.
9. The Accounting Authority should ensure that the evaluation of its own performance and that of its committees, its Chairperson and its individual members, support continued improvement in its performance and effectiveness	Yes	The evaluations of the performance of the Board structures and its members are conducted simultaneously every three years.
10. The Accounting Authority should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities	Yes	A detailed delegation of authority is in place. The Board is satisfied that Sasria is appropriately resourced and that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.



Principles	Compliant	Brief explanation
11. The Accounting Authority should govern risk in a way that supports the SOE in setting and achieving its strategic objectives	Yes	The Board adopted an ERM framework and approach to managing risk. The Risk Committee assists the Board with the governance of risk.  Refer to the section Our top risks and how we manage them on page 28.
12. The Accounting Authority should govern technology and information in a way that supports the SOE setting and achieving its strategic objectives	Yes	The Board is aware of the importance of technology and information as it is interrelated to the strategy, performance and sustainability of Sasria. The Audit Committee assists the Board with the governance of information technology.
13. The Accounting Authority should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the SOE being ethical and a good corporate citizen	Yes	There were no material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations.
14. The Accounting Authority should ensure that the SOE remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term	Yes	Sasria remunerates fairly, responsibly and transparently to deliver on its strategic initiatives and to promote the creation of value in a sustainable manner.  Refer to the Remuneration and Nomination Committee report on page 64.
15. The Accounting Authority should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the SOE's external reports	Yes	The Board is satisfied that the combined risk assurance model results in an adequate and effective control environment and integrity of reports for better decision-making.
Governance outcome: Trust, good reputation and legitimacy		
16. In the execution of its governance role and responsibilities, the Accounting Authority should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the SOE over time	Yes	Sasria has identified key stakeholder groupings and their legitimate and reasonable needs, interests and expectations.  Refer to the section Our key relationships on page 24.

Compliance with laws

Sasria is driven by prescribed legislative and regulatory frameworks and standards, including its own regulatory framework aligned with the overarching policies. During the period under review, the Board and its committees continued to monitor the implementation of Sasria's compliance policy and legal compliance processes. The Board is comfortable that we have achieved a satisfactory level of compliance throughout the year including submission of compliance reports to all regulatory structures.

Disclosure in terms of section 55(2)(b) of the PFMA

During the year under review there was:

- No material loss suffered through criminal conduct;

- No criminal step taken as a consequence of such losses or expenditure; and
- No financial assistance received from the state nor any commitments made by the state on its behalf.

We have a zero-tolerance policy regarding fraud and corruption. Employees are made aware of the latest trends. The Code of Ethics is applicable to all employees.

Incidents of irregular, fruitless and wasteful expenditure during the reporting period were identified. This is reported as part of the annual financial statements (note 29). The necessary disciplinary procedures against the relevant individuals were implemented.

Investment Committee report

Membership



The Investment Committee members and their attendance of meetings during the year are reflected on page 56. The Chairperson is a non-executive director.

The investment function

The Board of Directors has delegated the responsibility for the management of investments at Sasria to the Investment Committee, supported by an Investment Steering Committee, the Finance Director and Investment Manager within the finance function. The Committee guides the Board as per the investment policy on the mandate of asset managers and makes recommendations regarding the investment philosophy of the Company and future investment strategies.

The Investment Committee provides oversight in respect of investment activities within Sasria.

What guides us

The Investment Committee has adopted appropriate formal terms of reference as its Charter, has regulated its affairs in compliance with this Charter and has discharged its responsibilities as contained therein.

Highlights

- Board approval of the new Investment Committee strategy was implemented on 1 April 2019.
- Approval of the Protected Equity Risk Mitigation Policy, as Sasria's primary goal regarding its investments, is to protect the capital base and provide real growth (nominal growth that exceeds inflation) over the medium to long term.
- Spiralling the transformation of asset managers through an incubation process with emphasis on the appointment of black females across all asset managers.

Our emphasis

Ensuring that Sasria's investments are managed within the investment objectives and risk appetite as set by the Board committees.

Philosophy

Sasria's philosophy is centred on an asset-liability-matched investment approach and is based on principles of the South African Solvency Assessment and Management Framework, which ensures that the underlying assets that the funds are invested in are matched to the duration and Rand value of the liabilities at any given point in time. When a suitable asset-liability-matched position is achieved, Sasria will optimise returns on the non-liability matching asset within the risk appetite. A significant portion of Sasria's portfolio is therefore invested in cash and near cash (short-dated bond) instruments.

Sasria engages asset managers to invest available funds on its behalf.

Our commitment

As a procurer of asset management services, Sasria is committed to creating opportunities for emerging black asset managers within the sector to build track records, develop scale and grow into credible financial institutions. As such, Sasria is in the process of establishing a Black Asset Manager Incubator. The purpose of the Incubator is to build on the current low levels of black participation in the investment management sector in South Africa, thereby stimulating growth and development within the sector and the broader economy. Sasria will be diverting a portion of its externally managed assets to black-owned money market asset management firms. The initial allocation is approximately R400 million, which is envisaged to grow over time.

The qualifying asset managers are to be incubated and will also qualify for enterprise development and supplier development contributions.



Activities in 2019	Additional priorities for 2020
Monitored the overall performance of the investment portfolio and updated the Board quarterly on the performance and any material deviations from return objectives.	Monitor and provide guidance on the transformation of the asset management industry.
Reassessed and amended the investment strategy and policy resulting in changes being implemented in April 2019.	
Reviewed and monitored the investment strategy, policy, asset allocation, investment goals and objectives.	
Monitored adherence to credit and market risk limits.	
Reviewed the implementation of Principles for Responsible Investments (PRI) and the integrated report to the PRI.	
Reviewed and provided feedback on the investment income and expenses budget.	
Reviewed the ORSA scenarios.	

Outlook

Although Sasria has been closely monitoring some of the instruments that might expose Sasria negatively, the actual performance in 2019 was below the benchmark. The action to mitigate this risk is the implementation of the new strategy.

The committee is satisfied that it has complied in all material respects with its responsibilities and has assisted the Board on oversight of the investment portfolio.



Tando Mbatsha

Chairperson of the Investment Committee

16 August 2019


Remuneration and Nomination Committee report

We are pleased to present our report for the year ended 31 March 2019.

The Remuneration and Nomination Committee has adopted a Charter which is subject to the provisions of the Companies Act, Sasria's Memorandum of Incorporation, founding legislation and all other applicable laws and regulatory provisions. The committee regulates its affairs in compliance with this Charter, and has discharged its responsibilities as contained therein.

Primarily, the committee oversees the human resource requirements necessary to achieve Sasria's strategic objectives, in the interest of all stakeholders. The committee also makes recommendations relating to the nomination of directors.

Membership

 The Remuneration and Nomination Committee members and attendance are reflected on page 56.

Remuneration

Over the past five years, the committee has driven its committed oversight on the Sasria EVP. Sasria offers fair and competitive remuneration and benefits in order to attract and retain valued employees. Sasria recognises that rewards have a direct link to performance and retention.

Remuneration approach

Sasria's remuneration approach is aligned to its Total Rewards framework thereby ensuring that the remuneration practices support the business objectives. The Remuneration Policy is applicable to the Managing Director, Finance Director, executives and all employees. This policy has also been aligned with the requirements of the State-owned Enterprises Remuneration Guidelines, Financial Services Board and King IV to ensure that directors and executives are remunerated fairly and responsibly. The remuneration of the Managing Director and the Executive Managers is approved by the Minister of Finance.

All salaries are managed by salary bands and are benchmarked annually against industry standards and participation in salary surveys conducted in the national and short-term insurance labour market. This ensures that employees receive market-related remuneration in terms of their grade, role and level of experience. The annual remuneration and benefit benchmark review is conducted in November of every year. The 50th percentile is regarded as the most appropriate market reference point for Sasria, however, the 75th percentile is used to attract and retain rare and critical skills.

Salary increases for 2019

The salary increase process for 2019 was concluded, providing an average increase of 7% for the skilled professionals and middle management and 8% for the semi-skilled levels. This process was based on and informed by a number of factors, such as affordability and individual employees' performance. Executive Managers' salaries were increased by 5% and the Managing Director received an increase of 4.5% as part of our conscious effort to reduce the gap between the highest and lowest paid.

Salary increases of 5.5% for Executive Managers and 4.5% for the Managing Director were proposed to the shareholder in respect of 2019.

The table below reflects the ongoing effort of the Executive Management team over the past five years to reduce the gap between the highest and lowest paid:

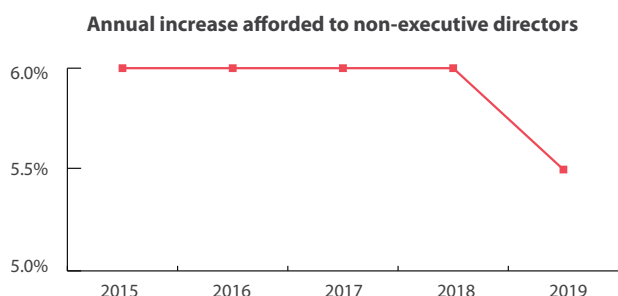
Staff categories	Average salary increase			
	2016	2017	2018	2019
Top management – Directors	5%	New contract salary offered	4.5%	4.5% (awaiting Minister of Finance approval)
Senior management – Executives	5.5%	Adjustment to 75 th percentile	5%	5.5% (awaiting Minister of Finance approval)
Middle management	6%	5.5%	6%	7%
Specialists	6%	5.5%	6%	7%
Skilled technically/ junior management	6%	5.5%	6%	7%
Semi-skilled	7%	7%	7%	8%
Unskilled	7%	7%	7%	8%



Board remuneration

Directors' remuneration is reviewed annually by the shareholder and approved at the annual general meeting. In considering the revision of Board remuneration, the shareholder takes into account the Board's performance against the strategy and Corporate Plan of the Company, as well as the effectiveness of the Board in executing the strategy, board annual assessment results and meeting attendance by each director.

The increase is effective in January of every year. The graph below shows the annual increase afforded to non-executive directors since 2015:



Nominations

During 2019, the Remunerations and Nominations Committee recommended the appointment of the Finance Director and two non-executive directors to the Minister of Finance. The appointment of the Finance Director was approved. We await the Minister's response to the recommendation to replace the two non-executive directors whose terms ended in May 2019.

Company and individual performance

Short-term incentives (STI) of 2018 administered in 2019

The approved Total Rewards Policy focuses on two key elements when determining individual STI payments, namely business and personal performance metrics. The business metric is based on the following KPIs which are critical to the achievement of our business objectives:

- Measures of underwriting profit;
- Gross written premium growth;
- Reducing claims turnaround times;
- Driving employee engagement;
- Increasing brand awareness;
- Implementing a new ICT strategy; and
- Improving transformation scores against the targets set by the Financial Sector Code.

It is important to note that the payout of short-term incentives is dependent on a clean external audit outcome. The personal metric

focuses on an individual employee's performance, as determined through the performance management process. The implementation of incentive schemes takes into account the different hierarchical levels informed by complexity, decision-making and judgement. This results in a higher weighting towards financial outcomes and is applied to the most senior management individuals, who have a more significant influence on these outcomes. Individuals in the lower levels of the organisation, with limited ability to influence such outcomes, have little or no weighting assigned to financial achievements.

Weightings for business and personal performance metrics to determine STIs were:

Participants	Business (%)	Personal (%)
Executives (levels 8–9)	50	20
Senior management (level 7)	35	25
Middle management (level 7)	20	30
Employees (levels 1–6)	0	40

Performance bonuses

The bonus pool for the year ending 31 March 2019 is capped at a maximum of 2.5% of the budgeted net profit after tax for the year. (Actual 2018: 2.8%, actual 2017: 1.9%, actual 2016: 2.2%). The bonus pool for the year ending 31 March 2019 is capped at 20% of the total employee expenditure, including bonuses. (Actual 2018: 27%, actual 2017: 16.8%, actual 2016: 27.7%).

The bonus pool will only be paid once three gatekeepers have been met as per the Sasria Total Rewards Policy. The gatekeepers are:

- Achievement of an unqualified audit report;
- Achievement of 60% of the Company's KPIs as per the corporate plan; and
- Achievement of 70% of the forecast underwriting profit.

Other benefits that form Sasria's Employee Value Proposition

In addition to benefits related to Sasria's competitive remuneration, Sasria also offers its employees a number of other comprehensive benefits.

The Sasria pension fund is administered by Momentum and currently has assets of more than R53 million as at 31 March 2019. The performance of the fund is monitored by the advisory body within Sasria, which meets quarterly. 100 people are registered on the fund. Eight withdrawals and two disability claims were recorded during the year. The pension fund covers group life, dread disease, temporary- and permanent disability and funerals.

Learning and development

Total spend on learning and development interventions amounted to R4.3 million in 2019. More than R22 million has been spent in the past five years. In line with the demands of the fourth industrial revolution, the focus for skills development was on ICT skills. Sasria now has built capability in the fields of cybersecurity, IT governance, infrastructure management, project management and records management. We are also proud to report that 12 employees completed their formal qualifications, which were mainly in general management, internal audit and short-term insurance.

In line with the employment equity guidelines on skills development, our focus on learning and development spend is represented in the graphs alongside.

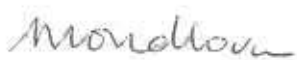
Succession planning

Succession planning and identification of successors for the critical roles and leadership roles were achieved. Since 2017, we have:

- Approved the Talent and Succession Management Policy;
- Defined core functions and critical roles in the business;
- Conducted a skills gap analysis for identified potential; and
- Developed growth plans for those identified.

We have also formalised the graduate programme to provide a talent pipeline at specialist and skilled levels.

Efforts are continuing to support talent management in the organisation. The successors for all the critical roles have been identified internally for most roles. We will, however, continue to tap into available skills in the labour market when we cannot find an internal replacement.

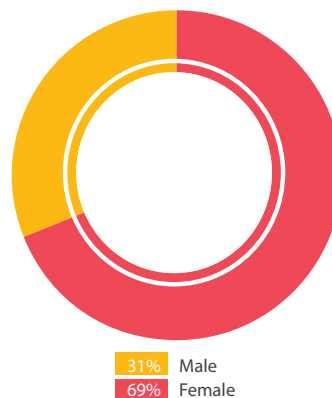


Maki Ndlovu

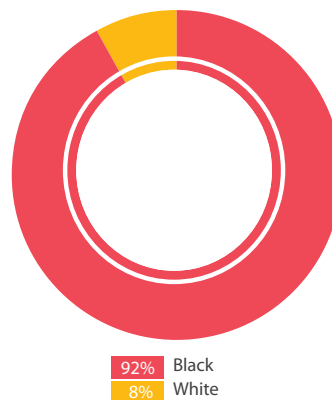
Chairperson of the Remuneration and Nomination Committee

16 August 2019

Learning and development spend by gender



Learning and development spend per employment equity demographics





Risk Committee report

We are pleased to present our report for the year ended 31 March 2019.

The Risk Committee has adopted appropriate formal terms of reference as its Risk Committee Charter, has regulated its affairs in compliance with this Charter and has discharged its responsibilities as contained therein.

Membership

 The Risk Committee members and attendance are reflected on page 56.

 Our significant risks are detailed in the section Our top risks and how we manage them on page 28.

Activities during the year and priorities for the year ahead

Activities in 2019	Additional priorities for 2020
Approved the 2020 strategic risks.	Monitor the progress of the data acquisition project.
Approved the technical valuation methodology and results.	Appointment of the Head of Actuarial Function on 1 July 2019.
Reviewed and recommended the extension of the reinsurance broker tender to the Board for approval.	Monitor the progress of the business intelligence unit within Sasria.
Exercised oversight over the Risk, Compliance and Insurance Operations reports during the year and made recommendations for improvements where relevant.	
Recommended the 2019 risk appetite limits for Board approval.	
Recommended an unaltered 2019 reinsurance treaty renewal for Board approval.	
Reviewed and recommended the 2019 underwriting budget for Audit Committee approval.	
Recommended the ORSA report for Board approval.	
Reviewed and approved all risk policies within its mandate and recommended others to the Board for approval as part of a periodic review of policies.	
Approved the 2019 key risk indicators.	
Ensured that risk governance encompasses: <ul style="list-style-type: none"> • The opportunities and associated risks to be considered when developing strategy; and • The potential positive and negative effects of the same risks in the achievement of organisational objectives. 	

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.



Christiaan van Dyk
Chairperson of the Risk Committee

16 August 2019

Timeline
2013


Gross claims exceed R600 million with a 52.6% loss ratio
Total assets exceed R5 billion
Product enhancement: free cover for extensions on personal line policies

Social and Ethics Committee report

We are pleased to present our report for the year ended 31 March 2019.

The Social and Ethics Committee is constituted as a committee of the Board of Sasria SOC Ltd (Sasria) in terms of section 72(4) of the Companies Act 71 of 2008 read with Regulation 43 of the Companies Regulations, 2011. Regulation 43 applies to all state-owned companies and is therefore applicable to Sasria. The committee is one of the statutory committees of the Board and has an independent role with accountability to the Board.

Membership

 The Social and Ethics Committee members and attendance are reflected on page 56.

Activities during the year

During the period under review, the committee assisted the Board in monitoring Sasria's activities in terms of legislation, regulation and codes of best practice relating to ethics, transformation, empowerment, corporate social responsibility and stakeholder engagement. The committee also assists the Board in ensuring that the sustainability strategy and objectives are effectively integrated into the business.

The responsibilities of the committee include monitoring Sasria's activities relating to social and economic development, broad-based black economic empowerment and employment equity, and monitoring good corporate citizenship, including the promotion of equality, corporate social responsibility, ethical behaviour, managing environmental impact as well as monitoring compliance and adherence to the principles of treating the customer fairly.

During the year, the committee made the following key decisions and recommendations to the Board:

- Reviewed and approved the Corporate Social Investment Policy;
- Recommended the Conflict of Interest Management Policy and Information and Records Management Policy to the Board for approval;
- Established oversight on matters relating to company investments;
- Exercised oversight over the ethics culture in the Company;
- Approved the Procurement Strategy and monitored the implementation of the Procurement Policy to address all socio-economic aspects;
- Oversaw the implementation of Sasria's corporate social investment initiatives for the reporting period; and
- Exercised oversight on fraud and illegal activities through the independent fraud line which is managed by Deloitte.

Impact of King IV

King IV recommends that the committee should "uphold, monitor and report on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder-inclusivity beyond mere compliance".

The committee has reassessed its composition to ensure that the requisite skills and experience are present to fulfil the requirement of the oversight of ethics management including the social aspects of the Remuneration Policy. The composition was aligned with the requirements of King IV and the Committee Charter was updated accordingly. The committee also reviewed its functioning and focus areas. This resulted in the committee agreeing that there was a need for it, amongst others, to:

- Submit a formal written report on its work to all the committees;
- Review its work plan, agenda and policies;
- Oversee the development of a social and ethics strategy;
- Oversee the development of an overarching Transformation Policy;
- Oversee the implementation of the Procurement Policy; and
- Oversee the implementation of community upliftment projects.

All of these will be implemented in the next financial year.



Baba Mkangisa

Chairperson of the Social and Ethics Committee

16 August 2019





Our future – Vision 2024

Our next five-year strategic cycle covers the years 2020 to 2024, as per National Treasury guidelines.

Sasria has set clear focus areas to continue its **growth** trajectory within the risks and opportunities of the marketplace. We will continue in our endeavour to **add value** to an extending array of stakeholders.

We hope to increase the ambit of our mandate further and the **impact** on the NDP even further.

Our future journey

In our ongoing pursuit of excellence, we want to understand our customers' needs better, explore new market opportunities, continuously improve our processes, systems and responsiveness, and attract, retain, develop and support people of the highest calibre.

Through our efforts, we will ensure that Sasria continues to evolve in tune with the economy and the needs of our customers, having an increasing positive transformational impact on society and embracing the change that accompanies the challenge of delivering on identified opportunities.

Evolution – the next five years

The next five years will consolidate and continue the good work that has kept Sasria profitable for the first 39 years of its existence, while at the same time exploring new avenues and activities. We will, as before, ensure that Sasria is sustainable beyond its relatively comfortable position as a monopoly with predictable organic growth. To do this means that we have to become increasingly strategically-driven, be responsive to international industry trends and constantly measure ourselves against the best industry performers.

Continuity

Sasria's new strategy should best be seen as a continuation of what has gone before: the apparent contradiction is explained by a change in emphasis rather than direction. It reflects a long-term consistency of focus while reframing shorter-term responses in the context of a changing environment.

We review our strategy on an annual basis. The most recent sessions yielded outputs aimed at actively growing the business through new products and services as well as retaining a strong and continuing emphasis on cost management, process efficiency and customer-centricity. These emphases are reflected in our strategic objectives and plans and represent a direct response to the changing dynamics of the South African market.

Above all, we will continue to pursue our mandate to cover all South Africans against the special risks of civil commotion, public disorder, strikes, riots and terrorism as well as pay all valid claims promptly in line with our status as a financial safeguard against these potentially catastrophic events. In doing so, we will contribute to the financial stability of the country.

Our strategic focus for the next five years



Sustainability



Customer-centricity



Socio-economic impact



Digitalisation



We expand on these areas on page 73.



SWOT analysis

Sasria's ability to deliver special risk insurance in terms of our mandate depends, in part, on understanding relevant market dynamics, customer needs and the regulatory environment while balancing these drivers against our internal capacity and capability in the context of acceptable levels of risk and shareholder value expectations.

To review our positioning against these requirements, we routinely perform SWOT (strengths, weaknesses, opportunities and threats) analyses at both a departmental and consolidated level.

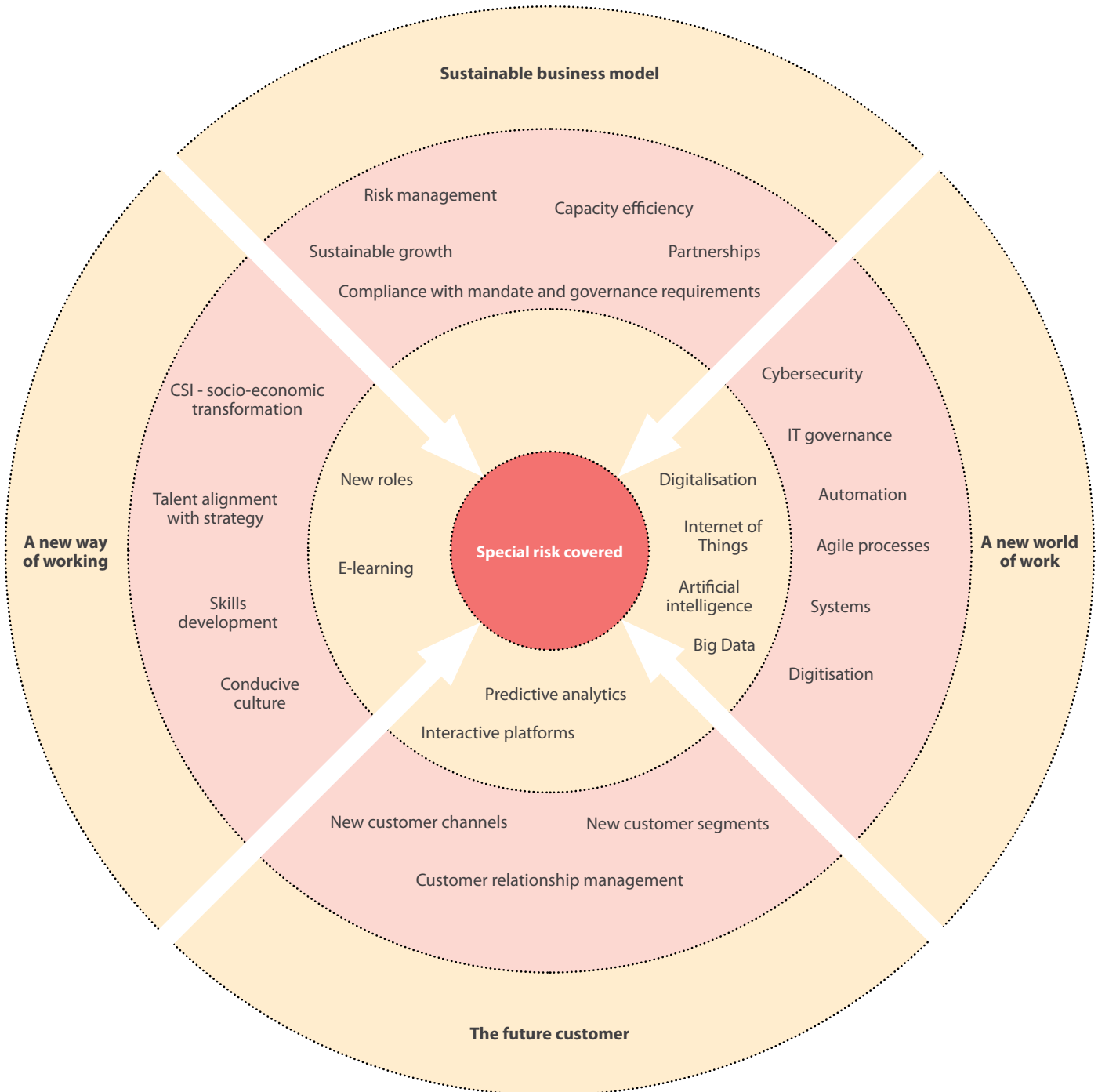
Our most recent SWOT analysis is reflected below:

<p>Strengths</p> <ul style="list-style-type: none"> • Special risk cover product and service offering • Efficient distribution model and channels • Business leadership • Corporate governance • Stakeholder relationship management • Corporate social investment • Strategic leadership (strategic positioning, direction, business performance management) • Resource management • Financial management • Capital management 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Special risk cover product and service offering • Product development • Product branding, corporate communication and marketing • Customer service delivery • Cultural development • Human capital management • Information and knowledge management
<p>Opportunities</p> <ul style="list-style-type: none"> • Utilising ICT for greater efficacy • Increasing government need to deal with special risks • Process re-engineering for greater efficacy • Alternative distribution channels • Additional income generation • Increase in natural disasters due to climate change • Data sources (information for strategic advantage) • Public-private partnerships to mitigate systemic risk • Supportive industry structure • Increasing brand and product awareness • Enterprise and Supplier Development support 	<p>Threats</p> <ul style="list-style-type: none"> • Unstable socio-economic climate (unemployment, poverty, inequality) • Potential loss of monopoly/competition • Market volatility • Poor economic growth • Cybersecurity threats • Reliance on third-party distribution channels • Lack of transformation in the short-term insurance industry • Legislative constraints • Inadequate risk profile data

Beyond 2020

In the five-year strategic plan, Sasria has started its journey to identify areas of focus for the strategy beyond 2020. These areas of focus provide opportunities to various stakeholders and specifically address the risks that the government, insurers and Sasria face.

The process of identifying areas of focus or opportunities was based on the risks that are currently faced by the organisation, risks which the industry is facing and risks the government is facing. A high-level map of focus area and opportunities is depicted below:







Drivers of change

South Africa continues to experience a tough economic environment, which is characterised by low growth, high unemployment, rising inequality and low business confidence. This is compounded by a growing incidence of natural disasters and growing competition. To add to the complexity, significant technological developments will enable new and potentially disruptive business models and new, non-traditional competitors.

While our previous focus areas have remained relevant, our emphasis has necessarily changed and Sasria's updated strategic drivers and responses are summarised below.





Strategic outcome-oriented goals

The most important considerations under Sasria's control are likely to be the following, which were adopted as our strategic focus areas and underpinning strategic goals for the next five years:

Key drivers of change	Strategic focus areas	Strategic goals
<ul style="list-style-type: none"> Threat of new (non-traditional) entrants National economic underperformance Need for transformation Need for Enterprise and Supplier Development 	 <p>Sustainability</p> <p>Ensuring sustainable growth by:</p> <ul style="list-style-type: none"> Creating cross-sectoral partnerships and collaboration to exploit synergies and new opportunities in previously under-served segments; Potentially outsourcing non-strategic and sub-scale functions; and Creating new distribution channels. 	<ul style="list-style-type: none"> Ensure sustainable growth Ensure capital efficiency Ensure sound corporate governance Maintain existing partnerships Create new distribution channels Mitigate risk through partnerships
<ul style="list-style-type: none"> Cross-sectoral customer demands Increasing competition Demand for new products from SMMEs and agriculture 	 <p>Customer-centricity</p> <ul style="list-style-type: none"> The development of a segmented portfolio of relevant, affordable and accessible products, incorporating dynamic pricing models and bundled offerings, as well as relevant products for new sectors (e.g. agriculture). Ensuring that Sasria's people are aligned with customer needs within an enabling organisation structure and culture. 	<ul style="list-style-type: none"> Create a conducive culture Align talent with strategy Ensure a value-adding portfolio
<ul style="list-style-type: none"> Increasing social pressure Financial services skills and capacity shortfall High unemployment and growing inequality 	 <p>Socio-economic impact</p> <p>Sasria can have a significant socio-economic impact by:</p> <ul style="list-style-type: none"> Balancing premium growth against affordability and inclusion; Contributing to Enterprise and Supplier Development; and Building extended capacity and capability in the financial sector. 	<ul style="list-style-type: none"> Enterprise development Supplier development FS capacity-building Contribute to social transformation Develop solutions to meet shareholder needs
<ul style="list-style-type: none"> Increasing claims volumes Efficiency gains through technology Data analytics opportunities New business models, channels and platforms 	 <p>Digitalisation</p> <p>The adoption and leveraging of fit-for-purpose technologies to:</p> <ul style="list-style-type: none"> Manage or reduce costs through the automation of repetitive processes; Create a sound basis for analytical and predictive capabilities; Explore new data monetisation opportunities; Create targeted distribution platforms; and Mitigate risk. 	<ul style="list-style-type: none"> Ensure fit-for-purpose digitalisation Create a business intelligence capability Ensure internal and external operational excellence Expand distribution capability

Key performance indicators

The top-level KPIs for the next three years are as follows:

Strategic objective	KPI	Performance target			Weighting		
		2020	2021	2022	2020	2021*	2022*
 Sustainability	Gross written premium	R2 352 million	R2 552 million	R2 769 million	10%	10%	10%
	Premium income from alternative distribution channel	R2 million	R5 million	R10 million	5%	5%	5%
	% Operational expense ratio excluding binder fees, CSI and bonus provision	≤9%	≤8.5%	≤8%	5%	5%	5%
	Profitability/return on underwriting capital	Gross incurred loss ratio % ≤46% (three-year rolling)			5%	5%	5%
	Ensure sound corporate governance	Irregular, fruitless, unauthorised or wasteful expenditure 0% of expenditure			5%	5%	5%
	Ethical behaviour	No findings of unethical behaviour			5%	5%	5%
	PFMA submissions	All submissions on time			5%	5%	5%
	Audit opinion	Unqualified, without matter of emphasis			5%	5%	5%
	Ensure talent aligns with business strategy	Succession plans for critical roles Approved, development plans in place, monitored and reported on			5%	5%	5%
 Customer-centricity	Customer service	Fast-track claims turnaround	90% settled within 25 days		10%	10%	10%
		Large loss claims turnaround	70% settled within 50 days		10%	10%	10%
	Customer satisfaction	Claims reported to the short-term insurance Ombudsman	<0.1% of all claims		5%	5%	5%
		Complaints related to poor customer service	>50% reduction		5%	5%	5%
 Socio-economic impact	Social transformation	Financial Sector Charter	23 out of 25		5%	5%	5%
 Digitalisation	Fit-for-purpose	ERP system project – technology integration (Finance, Procurement, HR)	100% completion of the project		5%		
	Operational excellence	% automation of claims and accounting management	100% completion of the project		5%		
	Distribution capability	Expand digital reach/ footprint (%)	25% website traffic increase to social media footprint		5%	5%	5%

* Weighting to be revised in light of digitalisation projects.



New products

Growing sustainably

Despite the low growth of the economy and increased social unrest, the Sasria product remains affordable and valuable to the growing customer base with increasing confidence that there will be continuous growth.

Although claims have increased dramatically, capital management remains prudent with a strong statement of financial position, with the regulatory solvency capital requirement to support future commitments in claims and growth initiatives.

In a challenging macro-environment, Sasria remains deeply committed to good governance. With many state-owned entities under scrutiny, this commitment has paid dividends, with Sasria remaining well-governed and profitable, with a healthy balance sheet and a continuing contribution to the fiscus.

Focusing on more customers to make real impact

The Sasria strategic mandate is to make a positive contribution to transforming the financial services industry in line with the NDP to create a better, sustainable economic environment for all in South Africa. This requires reaching a balance between profitability and affordability of our products to ensure inclusivity as much as possible.

STRATEGIC FOCUS



**Customer-
centricity**



Sustainability



**Socio-
economic
impact**



**Distribution
channel**

STRATEGIC ENABLER

Significant strides have been made in developing a phased roll-out of new products to a broader customer base to achieve greater financial inclusion of the South African public. The project is aimed at reaching the currently uninsured market and making the current and future products more accessible, especially to under-served communities, through both existing and new channels. Technology will play a significant role in making sure that this product is delivered in an efficient way to align products with customer needs.

The private sector does not respond to all disasters facing the people of South Africa and the losses not covered by the private sector are falling back onto governments. The recent fires in Knysna and the earth tremor in the Orkney mining area are proof that South Africa is not immune to natural disasters. The majority of people affected in those two instances did not have the necessary insurance.

The state faces a wide range of risks, which include:

Sovereign disaster risks

- Pandemic disasters against infrastructure; road, bridges, etc.
- Natural disasters involving national and provincial properties
- Major disasters; cyber risk, terrorism, grid failure, etc.

Market failure risks

- Market failure in providing access to cover for lower LSM and SMMEs
- Gaps in insurance policy for some natural perils; absence of subsidence and landslip cover in some areas

Uninsurable risks

- Drought – commercial farmers/emerging farmers
- Man-made earthquakes around old mine towns
- Acid mine drainage claims by affected communities

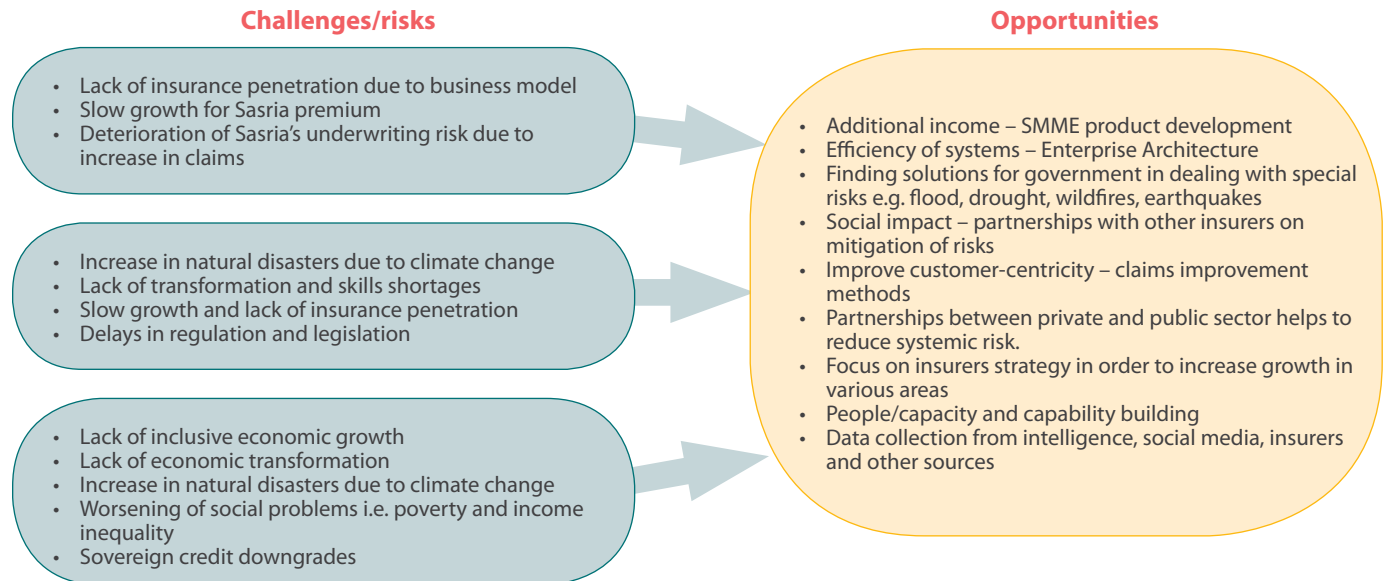
Social risks

- Drought risk affecting subsistence farmers
- Natural disasters affecting poor communities living in informal settlements and in rural areas

Timeline
2015

Gross written premium exceeds R1.5 billion for the first time
Sasria pays dividend to shareholder
First actuary employed

Over the next five years, we will be working with the short-term insurance industry, through the SAIA, Regulators (PA and FSCA) and National Treasury, to enhance our mandates. We believe that Sasria can help the country respond appropriately to climate change challenges. With the challenges and risks come opportunities, as shown below:



There is a need for Sasria to develop a special risk product for the target audience. A phased approach will be adopted:

	Phase 1 – SMMEs	Phase 2 – Vulnerable communities
Product design	<ul style="list-style-type: none"> • Sasria 'limited' commercial product 	<ul style="list-style-type: none"> • Disaster cover for floods and fire and including Sasria standard cover
Distribution	<ul style="list-style-type: none"> • Digital application promoted by field agents 	<ul style="list-style-type: none"> • Master policy linked to social grants as identifier of vulnerable communities
Product principles	<ul style="list-style-type: none"> • Affordability • Accessibility • Consumer education 	<ul style="list-style-type: none"> • Sustainability

Phase 1 of the project does not require any additional mandate or changes to the existing mandate. In order to proceed with Phase 2, an additional mandate will be required to allow Sasria to offer natural disaster cover to the vulnerable communities.

The tasks entrusted to the Claims department are:

- Establish claims centre of excellence in special risks;
- Work closely with partners in Partnership for Risk and Resilience (P4RR) identifying claims mitigation opportunities;
- Establish claims working group within industry with agent companies; and
- Establish claims service provider lists in order to facilitate transformation in support of enterprise development projects.

Sasria's Underwriting department will contribute the following:

- Work with Claims on risk mitigation identified via the P4RR in partnership with Santam to reduce risk areas in identified municipalities;
- Establish working groups with various agent companies' underwriting and risk departments;
- Establish stronger working relationships with other government entities such as, but not limited to, Police and Intelligence services to identify risks;
- Entrench concept of centre of excellence on all special risk insurance aspects current and future identified by above; and
- Explore new product offerings as to facilitate risks identified by the above.



Role of technology

In the next strategic cycle, Sasria will make further substantial investments in technology and information to grow the business and customer base. This will be done cost-effectively to protect the Company's lean and efficient structure and will be built while leveraging the significant capabilities of emerging technologies.

In the short term, the focus is on the necessary information and technology capacity and infrastructure to deal with the demands of the fourth industrial revolution and the need to utilise big data for leading-edge data analytics.

The initial focus will be on automation, access to and better communication with the customer.

Progress made in 2019

The IT landscape has shifted from industrialisation into ever-accelerating digitalisation, pushing boundaries and forcing us to relook at how we do things.

We have made great strides in aligning and integrating Sasria's systems to drive better collaboration and ensure efficiencies and effectiveness. In 2019, we maintained and upgraded aged infrastructure and replaced it with systems in line with emerging technologies, bearing in mind that old infrastructure is costly and can be a big hindrance to innovation and digital transformation.

Sasria customers are increasingly demanding simplicity and speed in their transactions. Automation and orchestration have therefore become mandatory. We streamlined some processes to ensure quick turnaround times. We have introduced some efficiencies such as remote access management that allow IT personnel to provide services without physical interaction with the user. These achievements demonstrate our commitment towards the journey of digital transformation.

The threat of cybercrime to businesses is rising fast and putting organisations at risk. With an increase in cybercrime and large-scale data breaches worldwide, the Business Change and Technology team invested time and resources in strengthening Sasria's digital frontiers and security protocols.

The strength of our strategy is our people. Our focus is not only on attraction, retention and development of top talent, it is also ensuring that they are equipped with the skills and knowledge to accelerate career growth. We have done well with our succession planning and developing and promoting our people.

Change is difficult and can sometimes be perceived as disruptive, requiring the support of management.

STRATEGIC FOCUS



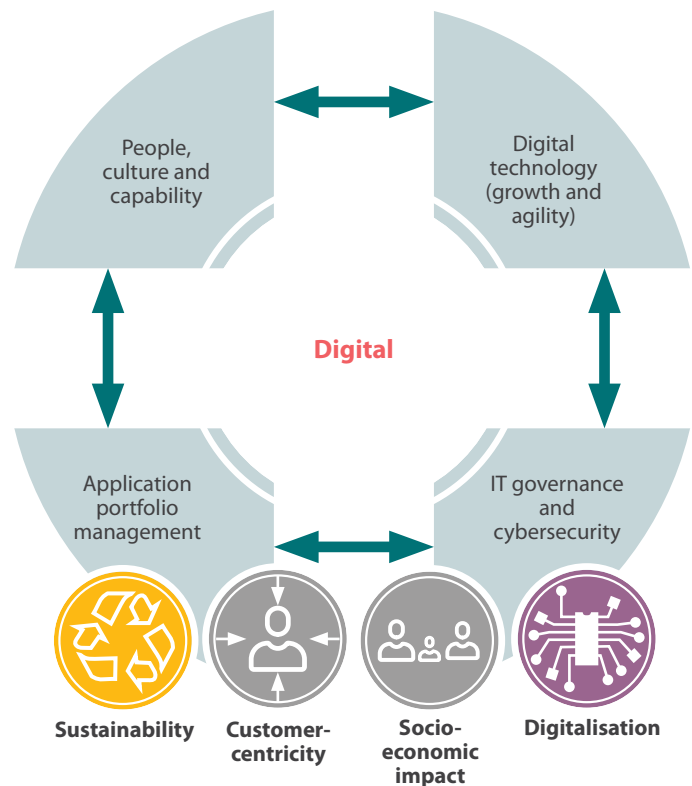
Digitalisation

IT digital strategy

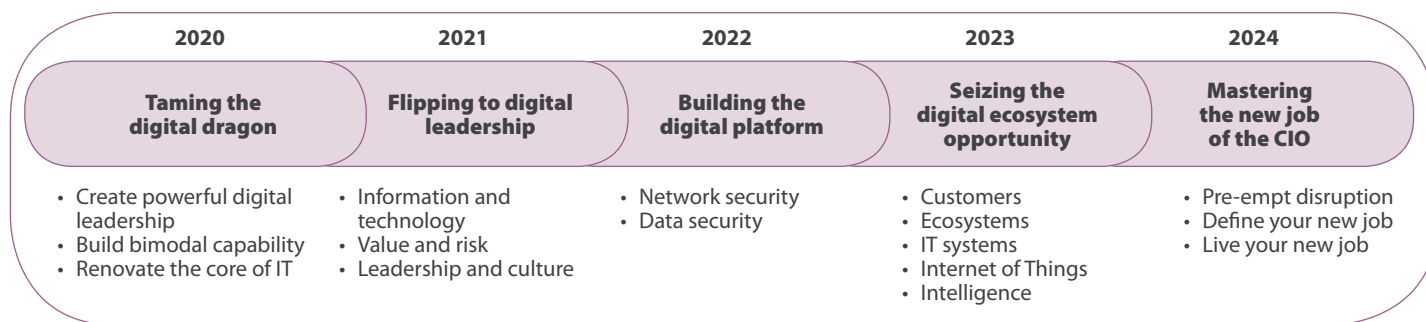
We are actively pursuing digitalisation (the transition from analogue/paper to digital processes and systems – creating usable Big Data) that will be the basis for subsequent digitalisation (the application of analytical tools to the data-generated).

Five-year IT digital strategy framework

Delivering on the organisational business strategy is embodied in and fully supportive of the five-year IT digital strategy framework:



Digital transformation roadmap



Source: Gartner 2018

IT governance and cybersecurity

It is the collective responsibility of employees to ensure they are empowered and understand their role in preventing cyberattacks and protecting personal data. With scammers and the dark web increasingly using more sophisticated methods, we embarked on a series of security awareness campaigns, designed to improve user education and awareness.

It is important to highlight that it is peoples' daily habits that lead to organisations being prone and vulnerable to cyberattacks. In the 2016 Cybersecurity Intelligence Index, IBM found that 60% of all attacks were carried out by insiders (employees). We have therefore taken critical steps to protect our environment. We have installed intelligent security systems that are proactive and highly regarded in the IT security industry so as to ensure that customer and staff data is secured.

Cyber awareness

Two phishing exercises were launched to highlight the existence of many cybersecurity threats that employees and organisations such as Sasria face. It is pleasing to note that the level of awareness at Sasria was 36.4%, which is above the insurance industry benchmark of 35.5%, based on an external assessment.

Customer-centricity

The digitalisation era has resulted in technology that is faster and can accomplish more. This requires major investments in smart innovation and efficient business management. Part of our task was to ensure that our colleagues are equipped with these innovative, simple, yet responsive solutions.



Process efficiency and automation

We have embarked on a journey of automation and have made progress towards automating some of the mundane and manual tasks as these are time-consuming and prone to errors. With automation, the organisation stands to save on operational costs while employees have an opportunity to focus more on creative pursuits and complex tasks.

New service management platform that integrates the organisational value of service and efficiency	Service management is designed to provide internal users with an informed single point of contact for all service requirements within the organisation. Service management provides operational efficiency, which ultimately results in improved external customer service.
Automated Patch Management and Remote Access Microsoft System Centre Configuration Manager (SCCM) – reducing manual intervention and overtime, while reducing security vulnerabilities	The SCCM tool provides remote control access, patch management, software distribution, operating system deployment, network access protection and hardware and software inventory.
Integrated outlook and internet, for seamless access through VPN	<ul style="list-style-type: none"> • Users can access both the Sasria network and cloud-based applications, improves seamless access. • Improved security and reduced login time. • Improved user experience. • Convenience and time saving.
New Mobile Performance Management system (360 reviews)	The system was launched in December 2018 and is automated and mobile enabled.

Strengthening infrastructure

The Business Change and Technology team successfully completed the below initiatives to strengthen core technology infrastructure and provide Sasria with improved business processes through faster systems. Closing the infrastructure gap is also key in de-risking the organisation from cyber vulnerabilities and preventing total failure of systems.

- Infrastructure upgrades
- New printing solutions
- Office 365 and unified communication
- New service management
- VPN upgrade (Internet and email integration)
- New switches installed
- New firewall installed
- Wi-Fi – guest and SOC segregation done and extended

People focus

Staff are key to the delivery of our digital strategy. We therefore need to ensure that our succession planning, talent management and staff development is on point. Enhancing the learning culture by supporting our team with skills and tools to grow and develop professionally and personally is a priority.

Short-term focus

Replatforming (infrastructure)	Infrastructure replatforming will allow Sasria to sustain its current infrastructure requirements and provide scalability for future needs. The platform provides 'cloud on premise' infrastructure, which enables the organisation to embrace a better experience on both on-premises and cloud applications.
SharePoint online	SharePoint will provide many benefits to our business, including improved scalability, easier patching, durable links and the agility of a hybrid environment that embraces both on-premises and cloud content. The objective for this new system is to improve customer experience and seamless flow of information and management of our operations.
Business Intelligence - Big Data	The Big Data platform will build the capability for Sasria to gain customer, risk and industry insights that will drive informed decision-making.
Enterprise resource planning (ERP)	Post-modern ERP will enable the organisation to streamline its business support processes to promote organisational collaboration and increase business operations efficiency.

Identified risks

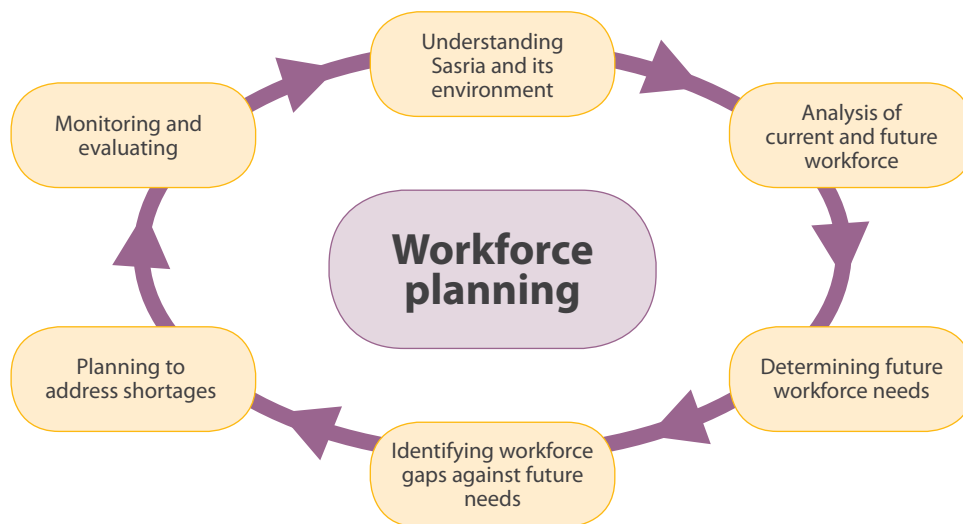
- Lack of skills to support emerging technologies
- Project management – time, scope and budget
- Project and operations resources are the same
- Cybersecurity data loss – security control and monitoring
- System adoption
- Organisation change maturity



Workforce planning

In tandem with investment in technology and information, as indicated above, comes investment in the right people with the right skills. Sasria has a proven track record and ability to attract, develop and retain top talent in areas where there is a skills shortage. This will continue to be a priority.

The workforce plan for the strategy period 2020 to 2024 aims to enable the management of Sasria to build an increasingly strong talent base with the right attitude and enthusiasm which will allow Sasria to achieve its objectives over the next five years. Our workforce planning process involves the following:



Understanding Sasria and its environment

Talent is a critical enabler of Sasria's vision. Managing this talent ensures that we have the right people in the right numbers at the right time in the right place, able, willing, wanting and being allowed to perform, thereby giving us an edge that allows us to deliver value in our market.

A 2017 Inseta study listed six key drivers that will continue to affect the industry in the foreseeable future:

- Increasing regulation and the rising cost of compliance will put pressure on the need for qualified, skilled compliance officers;
- A shift towards greater use of technology and social media, as well as direct selling in the personal lines market;
- As new technologies emerge and Big Data takes on greater significance, more innovative companies will gain a competitive edge;
- The need to develop and retain specialised professional and management skills within the industry will be an ongoing challenge;
- The revised B-BBEE scorecard will intensify pressure on companies to meet the demand for social and economic transformation; and
- The loss of skills due to an ageing workforce, as well as increasing consumer awareness.

We explore strategies to enable Sasria to be proactive in its talent plan and to continue flourishing in this environment.

STRATEGIC ENABLER



Talent

Analysis of the current and future workforce

Our workforce is diverse, made up of old and young, different race and culture groups as well as different skill sets and experience. Our talent must embody the Sasria values and seek to develop our behavioural competencies. They must be ambitious and seek to continuously improve themselves in their work and in their careers.

The following behavioural competencies must be displayed by existing and potential employees for any role that they may take on in the organisation:

- Solving problems;
- Impacting people;
- Adapting and responding to change (with an emphasis on transformation);
- Delivering efficiently; and
- Learning agility.

Determining future workforce needs

The National Skills Development Strategy III Transformation Imperatives set the skills development guidelines as follows:

- Blacks – 85%
- Disabled – 4%
- Women – 54%

We are satisfied that we perform well against the guidelines. Sasria is a proud promoter of women in the workplace. We aim to maintain this representation and we will focus recruitment opportunities as well as internal promotions on women.

The next five years require the attraction and development of skills in ICT, analytics/data scientists, claims, underwriting, business development, agricultural and finance. The shortage of these skills is prevalent in Sasria and in the labour market as a whole. Based on this, we plan to recruit young ambitious top graduates from various institutions and sector programmes and develop them internally.

Identifying workforce gaps against future needs

The following strategies will help us address change:

- Accelerate reskilling people - this will be done from the top, building on what we have, using digital platforms and ultimately changing the mindset to learning as a way of life;
- Redesign work to unlock human potential – this involves creating a more flexible workforce model, forming agile teams, enabling change through learning ecosystems and platforms and coaching; and
- Strengthen the talent pipeline from its source by collaborating with academia, bringing personal influence to bear on industry groups (e.g. SAIA, IIG, IISA, etc.) and fostering national programmes (e.g. SAADP, STEM (Science, Technology, Engineering and Mathematics) initiatives, etc.).

Planning to address shortages

We will source, develop or outsource the required skills. Internally, we rely on our solid citizens who have performed consistently over time to contribute expertise in strategic projects and train new entrants, whereas high-potential employees are good candidates for succession into critical and senior roles. Where skills are not available internally, we will source externally from the insurance sector, skills development programmes in the insurance industry, the Sasria internship programme and our alumni.

We will use the Sasria website and social media platforms to advertise our positions that require a high level of skills and expertise, where they don't exist internally. We will engage recruitment partners only where the skills require headhunting.

Monitoring and evaluating

We continue to monitor our progress constantly.



Future risks and opportunities and how we will manage them

Implementation of opportunity management framework

During 2018, Sasria identified the need to ensure that a formal procedure is followed within the business for opportunities management. For this reason, we have implemented an opportunity management framework.

The opportunities management process is a source of competitive advantage and a way to successfully navigate chartered and unchartered waters to drive new organisational innovation.

It further expands the risk management framework, measures and manages processes to capture opportunities and gain competitive advantage.

The process includes:

- Effective identification of opportunities and sources of opportunities;
- Effective management of opportunities, including:
 - Assessing and/or altering risk appetite;
 - Assessing opportunities;
 - Managing opportunities;
 - Monitoring of opportunities; and
- Effective evaluation of opportunities through return on investment coupled with real options analysis and/or scenario analysis.

Opportunities are sourced from both within Sasria and externally, as indicated in the graphic alongside. During the year, several data analytics were incorporated within the organisation to obtain and identify risk intelligence.

The Risk department assisted management in the approach and strategy concerning risks relating to investments. In addition, it provided management and the Investment Committee with a full set of key risk indicators relating to investments, including escalation and possible mitigating actions in the event of breaches.

STRATEGIC FOCUS

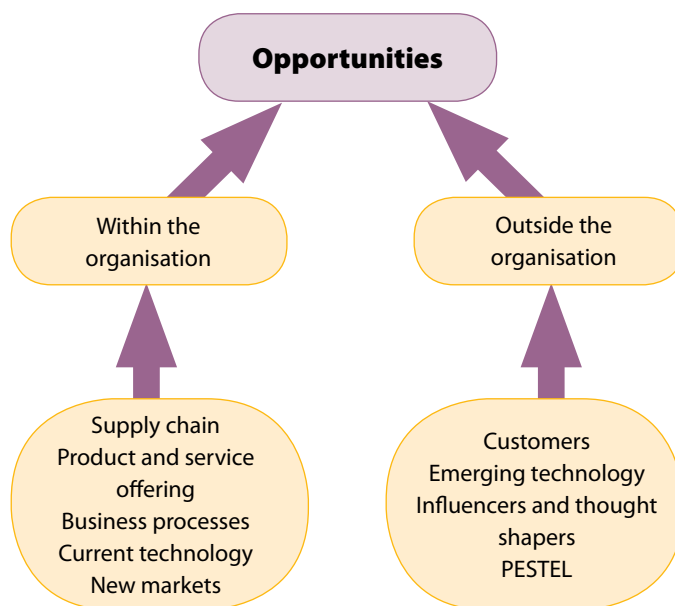


Sustainability

STRATEGIC ENABLER



Business intelligence



Key strategic opportunities

The following two key strategic opportunities were identified in the current year:

Key opportunities	Upside and downside risk
<p>1. Inclusive insurance project/SMME project The market failure in delivery of insurance products to the vulnerable communities in South Africa, present one of the highest risks facing government in terms of risk exposure.</p> <p>Coupled with the high unemployment rate, lack of basic services and poverty facing many, the tension gives rise to incidents of protests and violence that might lead to further losses which are not covered by general insurance. These losses place an additional burden on the local municipalities and government.</p> <p>It can be concluded that there is a need for Sasria to develop a product for the target audience.</p>	<p>Upside risks</p> <ul style="list-style-type: none"> • Opportunity to reach the uninsured in a cost-effective manner and to ensure access to Sasria. That will increase Sasria's GWP. • Lessening the additional burden on local municipalities and government. • Increased Sasria brand awareness. <p>Downside risks</p> <ul style="list-style-type: none"> • Providing expensive products. • Lack of digital application to allow for instant access. • Increased capital requirements.
<p>2. Agriculture insurance administration project There are certain uninsurable risks that are facing government which are also very volatile. In the past year, South Africa has experienced its worst drought followed by floods in various regions.</p> <p>These are expected to continue. Drought is especially affecting commercial farmers and subsistence farmers. The risk of market failure for the government is therefore high.</p> <p>The government of South Africa has recognised the impact of weather and climate shocks on agricultural producers and the challenges they pose to the country's development objectives in terms of food security and rural development.</p>	<p>Upside risks</p> <ul style="list-style-type: none"> • Reduced risk of market failure for the government. • Improved food security and rural development. • Reduced systemic risk for South African banks. • Increased insurance penetration. • Sustainability of insurers and agriculture sector. • Increased income for Sasria (management fees). <p>Downside risks</p> <ul style="list-style-type: none"> • Land expropriation without compensation. • Failed public-private partnership (PPP). • Identifying the wrong partners in the PPP i.e. partners who do not share the same vision and goal. • Insufficient capital. • Frequency of claims (floods, droughts) increasing at a higher rate than the allocated capital.

Risk Management Plan 2020

In addition to its regular operations, the Risk department will specifically focus on the following areas:

- Modelling of operational risk – we will look at different ways of modelling operational risk; and
- Enhance the project risk management framework, which is aligned to Sasria's risk appetite and strategic objectives. With the increase in the number of significant contracts, it became more important to ensure that risks relating to the projects are appropriately identified from the beginning and are to be mitigated.

The new business intelligence unit will focus on the following areas:

Key elements	Description
Data analysis and data acquisition	Ad hoc data analysis on all available and relevant data in the Company. This will include claims analysis, risk exposure, benchmarking of departments to other organisations and underwriting.
Terror and unrest intelligence	Research into Sasria terrorism risk and indicators for political, non-political and labour unrest. Connection to government intelligence agencies and SAPS.
Benchmarking of special risk (re)insurers	Benchmarking to other similar special risk organisations in the world to identify additional opportunities.
Research on solutions	Additional research to identify solutions for the government and Sasria regarding special risk and insurance solutions and Sasria clients.
Industry data analysis	Benchmarking to other insurers – local and international. Analysis of industry reports.



Marketing

Enhancing brand and product awareness with agents and brokers, as well as existing and potential customers, remains a critical component and contributor to Sasria's stability and growth.

The elevation of the Sasria brand will continue to focus on the biggest income-generating agents and brokers, corporate and commercial customers, as well as on creating internal brand engagement and appreciation. Further brand building to customers will be enhanced via consumer education and awareness initiatives. This will be achieved through the following:

- Keeping abreast with market trends and developments within the environment in which we operate;
- Collaborative and relationship marketing with all strategic stakeholders;
- Elevation of the brand and product awareness to customers;
- Developing sustainable relations with media partners; and
- Effective communication with all stakeholders.

An integrated marketing and communications approach will be utilised to achieve the above via an 'always on' media approach. This will be done through a combination of wide reach and niche media in selected business sectors in order to make visible inroads in these industries. This, together with clearly defined brand positioning, will enable the Sasria brand to move from an indifferent brand to becoming a top-of-mind brand within the stakeholder segments.

To create a trusted brand that resonates with all our stakeholders

This is done through:

Effective communication with stakeholders	<ul style="list-style-type: none"> • Communiques • Circulars • Newsletters • Website • Social media
Keeping abreast of market trends and developments	<ul style="list-style-type: none"> • Media monitoring • Industry events • Relevant business/industry reports
Sustainable media relations	<ul style="list-style-type: none"> • Public relations • Media releases • Editor/journalist meet and greets • Thought leadership/opinion pieces
Collaborative relationships	<ul style="list-style-type: none"> • Agent companies • Brokers • Industry institutes • Business associations
Brand awareness	<ul style="list-style-type: none"> • Agent companies • Brokers • End-customers • Sasria – internal

STRATEGIC ENABLER



Distribution channel

Internal marketing and communication

Internal marketing aims to build trust, camaraderie, ownership and promotion of the brand with all employees with the ultimate goal of building brand ambassadors. This translates into retention and attraction of employees. It is done through divisional campaigns and marketing support for strategic projects.






Our long-term contribution to the NDP and the SDGs

Sasria's objective is to deliver on its mandate which is to protect the assets of all in South Africa against special risk. This is done through the provision of guaranteed special risk insurance cover at reasonable cost, irrespective of the political risk in South Africa. Insurance is the backbone of every industrial economy and without the guarantees of assets protection for investors, the country will have difficulty attracting and retaining foreign investors.

South Africa's **National Development Plan**, launched in 2012, is a detailed blueprint for how the country can eliminate poverty and reduce inequality by the year 2030. It is a plan to unite South Africans, unleash the energy of its citizens, grow an inclusive economy, build capabilities and enhance the capability of the state and leaders working together to solve complex problems.






Introduced in 2015, the 2030 Agenda for Sustainable Development and associated **Sustainable Development Goals (SDGs)** provide opportunities through a powerful agenda for achieving peace and prosperity on a healthy planet. The 17 SDGs balance the three dimensions of sustainable development: the economic, social and environmental. This distillation of challenges makes them actionable for business leaders. Sasria has identified the nine SDGs shaded below as its main long-term priorities.


The table below indicates the specific contribution that Sasria makes to government's NDP priorities and how it contributes to meeting the SDGs:

SDG outcomes		NDP outcomes	Sasria's contribution (where applicable)
Basic Needs			
	End poverty in all its forms everywhere	<ul style="list-style-type: none"> Sustainable human settlements and improved quality of household life 	
	End hunger, achieve food security and improved nutrition and promote sustainable agriculture	<ul style="list-style-type: none"> Vibrant, equitable and sustainable rural communities contributing to food security for all 	<ul style="list-style-type: none"> CSI projects, including sack farming
	Ensure healthy lives and promote well-being for all at all ages	<ul style="list-style-type: none"> A long and healthy life for all South Africans 	
	Ensure availability and sustainable management of water and sanitation for all		<ul style="list-style-type: none"> CSI projects, including sanitation and ablution
	Make cities and human settlements inclusive, safe, resilient and sustainable	<ul style="list-style-type: none"> Create a better South Africa, contribute to a better and safer Africa in a better world All people in South Africa are and feel safe 	<ul style="list-style-type: none"> Instilling investor confidence Guaranteeing that all claims will be paid Instilling an ethical culture in Sasria



SDG outcomes	NDP outcomes	Sasria's contribution (where applicable)
Empowerment		
 4 QUALITY EDUCATION Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	<ul style="list-style-type: none"> • Quality basic education • A skilled and capable workforce to support an inclusive growth path 	<ul style="list-style-type: none"> • Learnership programmes • SAADP Programme • Graduates and interns • Consumer education on the benefits of financial inclusion and insurance
 5 GENDER EQUALITY Achieve gender equality and empower all women and girls		<ul style="list-style-type: none"> • Attracting and promoting women and supporting businesses owned by women
 8 DECENT WORK AND ECONOMIC GROWTH Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	<ul style="list-style-type: none"> • Decent employment through inclusive economic growth 	<p>Ensuring job continuity:</p> <ul style="list-style-type: none"> • Paying loss of income claims • Restoring liquidity <p>Developing financial sector skills:</p> <ul style="list-style-type: none"> • 4% of after-tax profit in SED initiatives • Talent management strategy
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	<ul style="list-style-type: none"> • An efficient, competitive and responsive economic infrastructure network 	<p>Investing profits responsibly, developing infrastructure:</p> <ul style="list-style-type: none"> • Special construction risk insurance • Investing profits responsibly • Schools development programmes
 10 REDUCED INEQUALITIES Reduce inequality within and among countries		<p>Contributing to transformation:</p> <ul style="list-style-type: none"> • Enterprise development • B-BBEE procurement
Environment		
 7 AFFORDABLE AND CLEAN ENERGY Ensure access to affordable, reliable, sustainable and modern energy for all		
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> • Protecting and enhancing our environmental assets and natural resources 	<ul style="list-style-type: none"> • CSI projects, including sack farming

	SDG outcomes	NDP outcomes	Sasria's contribution (where applicable)
	Take urgent action to combat climate change and its impacts		Research into climate-related perils
	Conserve and sustainably use the oceans, seas and marine resources for sustainable development		
	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss		
Governance			
	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	<ul style="list-style-type: none"> • An efficient, effective and development-oriented public service • A responsive, accountable, effective and efficient developmental local government system 	Contributing to the fiscus of South Africa <ul style="list-style-type: none"> • Dividends • Disciplined SOE • Delivering on the mandate profitably • Researching special perils • Strong governance culture
	Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development	<ul style="list-style-type: none"> • An inclusive and responsive social protection system • A diverse, socially cohesive society with a common national identity 	Affordable short-term insurance <ul style="list-style-type: none"> • Contributing to growth and transformation • Research

 More details regarding the NDP can be found online at www.gov.za/issues/national-development-plan-2030.

 More details regarding the SDGs can be found online at www.un.org/sustainabledevelopment/sustainable-development-goals.




Annual financial statements

for the year ended 31 March 2019

The annual financial statements were prepared by:
Philippa Viljoen CA(SA)

The annual financial statements were reviewed by:
Bajabulile Mthiyane CA(SA)

The annual financial statements have been audited in compliance with section 30 of the Companies Act 71 of 2008, of South Africa.



Approval of the annual financial statements

The Board, assisted by its Audit Committee, is responsible for the preparation, integrity and fair presentation of the annual financial statements. The external auditor is responsible for independently reviewing and reporting on the annual financial statements.

The annual financial statements set out in this report have been prepared by management in accordance with the provisions of the Companies Act and the PFMA and comply with International Financial Reporting Standards. They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgements and estimates.

The going concern basis was adopted in preparing the annual financial statements. The directors have no reason to believe that the Company will not be a going concern in the foreseeable future based on forecasts and available cash resources. The Company's viability is supported by the annual financial statements.

The Company's internal controls and systems are designed to provide reasonable assurance on the integrity and reliability of the annual financial statements and to adequately safeguard, verify and maintain accountability of assets. Such controls are based on established written policies and procedures that are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring that the Company's business practices are conducted in a manner that, in all reasonable circumstances, is above reproach.

Sasria's 2019 annual financial statements were audited by the independent auditor SizweNtsalubaGobodo Grant Thornton Inc. The auditor was given unrestricted access to all financial records and related data, including minutes of meetings with the shareholder, the Board and Board committees. The Board is comfortable with the integrity of all information and representations made to the

independent auditor during their audit. The unqualified audit report is presented on page 94.

The Board, assisted by its sub-committees, has also considered and approved the issues material to Sasria's continued sustainability, which included key non-financial outcomes attributable to or associated with stakeholders other than the shareholder. It has considered the risks, opportunities and material matters. The directors have not noted anything to indicate that there was any material breakdown in the functioning of internal controls, systems and procedures during the year under review. The directors are of the opinion that Sasria's risk management process is effective.

The Company's 2019 integrated report and its annual financial statements, set out on pages 94 to 139, were approved by the Board of Directors in accordance with their responsibilities and were signed on their behalf by:



Norman Baloyi
Chairperson

16 August 2019



Cedric Masondo
Managing Director

16 August 2019

Company Secretary certificate

In accordance with section 88(2)(e) of the Companies Act 71 of 2008 as amended (the Act), it is hereby certified that the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act and that such returns are true, correct and up to date.



Mziwoxolo Mavuso
Company Secretary

16 August 2019

Directors' report

The directors have pleasure in submitting the annual financial statements of Sasria SOC Limited (Sasria) for the year ended 31 March 2019.

Nature of the business

Sasria is the only short-term insurer that offers special risk cover to all individuals and businesses that own assets in South Africa, as well as government entities.

This is unique cover against risks such as civil commotion, public disorder, strikes, riots and terrorism, making South Africa one of the few countries in the world that provides this insurance, particularly at affordable premiums.

By enabling businesses to restore their liquidity or operations quickly and efficiently after experiencing loss or damage due to special risk events, Sasria plays a significant role in preventing job losses, maintaining livelihoods, restoring pride and dignity and facilitating economic stability.

A state-owned entity, Sasria has a legislative mandate that governs day-to-day business operations and a broader strategic mandate to make a positive contribution to transformation within the industry and South Africa.

There have been no material changes to the nature of the Company's business during the year.

Financial affairs

The statement of comprehensive income of the Company shows a loss of R1.4 million for the year ended 31 March 2019 compared to a profit of R1 025 million for the prior year.

The annual financial statements for the year ended 31 March 2019 appear on pages 96 to 139 and comply with International Financial Reporting Standards and the requirements of the South African Companies Act.

Dividends

An ordinary dividend of R163 million was declared and paid in respect of the previous financial year.

Sasria has adopted a steady, consistent and transparent dividend policy that will not place undue strain on the cash resources and liquidity of the Company, or result in inadequate cash reserves to meet future growth requirements.

Based on that policy, it was determined that no dividend would be paid in respect of the year ending 31 March 2019.

Share capital

There were no changes to the authorised or issued share capital. Further details regarding the authorised and issued share capital appear in note 12 to the annual financial statements.

Directors and Company Secretary

Directors retiring in terms of the Company's Memorandum of Incorporation on 31 May 2018, all of whom were not eligible for re-election, were:

Adam Samie, the independent Chairperson of the Board, Ranti Mothapo (Deputy Chairperson of the Board and Investment Committee Chairperson) and Herman Schoeman (Risk Committee Chairperson), who all retired on 31 May 2018. New Board committee members were appointed on 6 June 2018.

During the year under review, no contracts were entered into in which directors of the Company had an interest.

The Finance Director position, which had been vacant since November 2016, was filled on 1 June 2018 with the approval of National Treasury.

As at 31 March 2019, the directors of the Company were as follows:

Chairperson and independent non-executive director

Norman Baloyi

Deputy Chairperson and independent non-executive director

Onkgodisitse Mokonyane

Independent non-executive directors

Tando Mbatsha

Baba Mkangisa

Tshwarelo Moutlane

Maki Ndlovu

Christiaan van Dyk

Non-executive director

Jayaseelan Nair

Executive directors

Cedric Masondo (Managing Director)

Bajabulile Mthiyane (Finance Director)

The Company Secretary is Mziwoxolo Mavuso and his business and postal addresses appear on the inside back cover (IBC) of this integrated report.

Special resolutions

The following special resolutions were passed by the Company during the year:

- Approval of remuneration of executive directors and executive managers of Sasria SOC Limited; and
- Approval of annual inflationary adjustment remuneration of non-executive directors.

Regulatory matters

The Audit Committee and Risk Committee discharged all functions delegated to them in terms of their mandate and section 94(7) of the Companies Act. Further details on the roles and functions of the committees may be found in the reports of the Risk Committee on page 67 and the Audit Committee on page 92.

Auditor

SizweNtsalubaGobodo Grant Thornton Inc. was appointed as Sasria's external auditor for the year ended 31 March 2019. Refer to the inside back cover for further details. They were assisted by AM PhakaMalele.

Events after balance sheet date

No event material to the understanding of this report has occurred between the reporting date and the date of this report. Refer to note 31 to the annual financial statements.

Going concern

The Board believes that the Company will continue to be a going concern in the year ahead. For this reason, the Board continues to adopt the going concern basis in preparing the annual financial statements.

Audit Committee report

for the year ended 31 March 2019

We are pleased to present our report for the financial year ended 31 March 2019.

Audit Committee responsibility

The Audit Committee has complied with its responsibilities arising from the Board and section 51 of the PFMA, Treasury Regulation 27.1 and the Companies Act. In addition, the Audit Committee has adopted appropriate formal terms of reference as its Audit Committee Charter, which have been approved by Sasria's Board. It has also regulated its affairs in compliance with this Charter and it has discharged its responsibilities contained in the Charter.

Membership

The Audit Committee is an independent statutory committee whose members are appointed at the annual general meeting by the shareholder. Members and their attendance of meetings during the year are reflected on pages 56.

The impact of King IV

King IV recommends a combined assurance model to enable an effective control environment to strengthen decision-making. This has been addressed within Sasria. Horizontal assurance includes internal audit, risk and compliance while vertical assurance consists of line managers. Internal audit remains a pivotal part of governance relating to assurance and is tested through an external quality assessment review of the Internal Audit Charter, in line with the international standards for the professional practice of internal auditing. The Internal Audit function is relied on to not only contribute insight into the organisation, but also to provide foresight through the use of pattern recognition, trend assessment, analysis and scenarios. As more reliance will be placed on Internal Audit, the committee and the Board will apply its mind to the assurance standards expected from Internal Audit. The committee is responsible for the statutory auditor oversight.

Effectiveness of internal control

The effectiveness of internal controls was reviewed principally through a process of management self-assessment, including formal confirmation per representation letters by executive management. Other relevant input to the review included reports from Sasria's internal and external auditors, as well as its compliance and the ERM processes. Where necessary, programmes for corrective action have been initiated. Nothing material has come to the attention of the Audit Committee, or to the attention of the external or internal auditors, to indicate that any material breakdown in the functioning of the internal controls and systems (which includes the internal financial controls) occurred during the period under review.

Quality of monthly and quarterly reports

The Audit Committee is satisfied with the content and quality of the reports prepared and submitted to it by Sasria management. The committee reviewed the integrated report for the year ended 31 March 2019 and submits that management is presenting an appropriate view of the Company's position and performance.

To this effect, the committee is of the opinion, based on the information provided by management and the results of audits performed by internal and external auditors, that the financial information provided by management to the users of such information is adequate, reliable and accurate.

Annual review of the Finance Director and the finance function

We believe that Bajabulile Mthiyane CA(SA), has the appropriate expertise and experience to meet the responsibilities of the role. Furthermore, the committee has considered and satisfied itself of the appropriateness, adequacy and effectiveness of the resources of the finance function.

We are satisfied with the adequacy and effectiveness of the resources within the finance function.

Based on the processes and assurance obtained, we believe that the accounting practices applied in the period under review are effective.

Regulatory compliance

The Audit Committee complied with all applicable legal, regulatory and other responsibilities.

Independent external audit

The auditor was appointed as external auditor for a five-year period after a decision taken by the Minister of Finance to appoint them at the annual general meeting on 4 December 2018. Each year, the auditors are assessed and formally reappointed within their five-year term. A consortium of AM PhakaMalele and SizweNtsalubaGobodo Grant Thornton Inc. was reappointed.

In line with the Companies Act, the Audit Committee reviewed and is satisfied with the independence, skills and competence of the new external auditor.

To assess the effectiveness of the external auditor, the committee reviewed:

- The fulfilment of the agreed audit plan and variations from the plan; and
- The robustness of the external auditor in its handling of the key accounting and audit judgements.

Regarding the oversight of the external audit process, the committee reviewed:

- The areas of responsibility and scope of the audit;
- Issues that arose from the audit and their resolution;
- Key accounting and audit judgements; and
- Recommendations made by the external auditor and management's response.

The Audit Committee is satisfied with the audit work of SizweNtsalubaGobodo Grant Thornton Inc.

Evaluation of annual financial statements in accordance with the framework

The Audit Committee has assessed the functionality of the finance function as well as the external auditor who participated in preparing and reviewing the annual financial statements respectively. The committee has reviewed and discussed queries relating to the audited annual financial statements to be included in the integrated report with the external auditor and the Finance Director.

The Audit Committee concurs with and accepts the opinion of the external auditor regarding the annual financial statements and is of the opinion that the audited annual financial statements should be accepted and read together with the report of the independent auditor.

Review of the integrated report

The committee reviewed the integrated report for the year ended 31 March 2019 and submits that management is presenting an appropriate view of the Company's position and performance. To this effect, the committee is of the opinion, based on the information provided by management and the results of audits performed by internal and external auditors, that the financial information provided by management to the users of such information is adequate, reliable and accurate.

IT governance

The Audit Committee provides oversight over the IT systems and controls. The committee ensures that the IT framework is up to date, a business recovery plan and off-site disaster recovery plan is in place and daily backups and testing occurs.

Activities during the year and priorities for the year ahead

Activities in 2019	Additional priorities for 2020
Recommended the appointment of the new external auditor for the year ended 31 March 2019 to the Board.	Review of reappointment of external auditor.
Reviewed the combined assurance model.	Assess the progress of the IFRS 17 implementation project.
Assessed the performance and effectiveness of the internal audit function, external audit function, finance function and the Finance Director.	Assess the implementation and progress of the IT strategy.
Reviewed and approved the external audit plan and fees for the year ended 31 March 2019.	
Reviewed the external audit opinion in respect of the year ended 31 March 2018.	
Reviewed IT, technology, tax and legal proceedings, strategy and governance.	
In consultation with other committees, dealt with any internal and external audit matters.	
Liaised with other committees to exchange information relating to investments and underwriting results.	
Reviewed the ORSA scenarios.	
Approved the internal audit plan and reviewed and discussed the internal audit reports.	
Reviewed and recommended the 2020 budget to the Board.	
Reviewed and approved all policies within its mandate and recommended to the Board for approval as part of a periodic review of policies.	

Conclusion

Based on information provided by management, the internal and external audit, the committee considers that these statements comply, in all material respects, with the requirements of the PFMA, and the basis of preparation as set out in the accounting policies in note 1.2 to the annual financial statements. The committee concurs that adopting the going concern assertion in preparing the annual financial statements is appropriate.

The committee recommended the approval of the annual financial statements to the Board.

Signed on behalf of the Audit Committee.



Tshwarelo Moutlane
Audit Committee Chairperson

16 August 2019

Independent auditor's report to Parliament on Sasria SOC Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sasria SOC Limited (Sasria / the Company), as set out on pages 96 to 139, which comprise the statement of financial position as at 31 March 2019, the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sasria SOC Limited as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) and the Companies Act of South Africa, No 71 of 2008 (Companies Act of South Africa).

Basis of opinion

We have conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Accounting authority's responsibilities for the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE PERFORMANCE REPORT

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the General Notice issued in terms thereof, we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected key performance areas presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

Our procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. We have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of the future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2019:

Key performance area	Page
Sustainable revenue growth: To consistently outperform the industry average in premium growth	44
Capital management: To target a return on equity greater than the government bond yield	44
Customer-centricity: To provide superior customer service	44
Regulatory environment : To proactively manage compliance	44

We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objectives indicated above.

Other matters

We draw attention to the matters below. Our opinions are not modified in respect of these matters.

Achievement of planned targets

Refer to the annual performance report on pages 44 to 45 for information on the achievement of planned targets for the year.

REPORT ON COMPLIANCE WITH LEGISLATION

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance. We performed procedures to obtain evidence that the Company had complied with applicable laws and regulations regarding financial matters, financial management and other related matters. There were no significant findings on instances of non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA.

Other information

The accounting authority is responsible for the other information. The other information comprises the information included in the integrated report, which includes the Directors' report, the Audit Committee report and the Company's Secretary's certificate as required by the Companies Act of South Africa. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

Our opinion of the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

We considered internal control relevant to our audit of the financial statements, reported performance information with applicable legislation, however, our objective was not to express any form of assurance on it. We did not identify any significant deficiencies in internal control.

OTHER REPORTS

We draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of our opinion on the financial statements or our findings on the reported performance information or compliance with legislation. We were engaged to perform the following audit-related services:

- Qualitative Regulatory Template in compliance with the Insurance Act 2017, (the Act) for the year ended 31 March 2019.

AUDITOR TENURE

Auditor tenure In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that SizweNtsalubaGobodo Grant Thornton Incorporated has been the auditor of Sasria SOC Ltd for two (2) years.

Annexure – Auditor's responsibility for the audit

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the Company's compliance with respect to the selected subject matters.

Financial statements

In addition to our responsibility for the audit of the financial statements as described in this auditor's report, we also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority;
- Conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sasria SOC Limited's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a Company to cease continuing as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, related safeguards.



SizweNtsalubaGobodo Grant Thornton Inc.

Director: Nhlanhla Sigasa

Chartered Accountant (SA), Registered Auditor

20 Morris Street East, Woodmead, 2191

16 August 2019

Statement of financial position

as at 31 March 2019

Figures in Rand thousand	Note	2019	2018
Assets			
Property and equipment	5	11 854	5 754
Intangible assets	6	3 668	1 545
Deferred acquisition costs	7	61 325	59 498
Financial assets			
- at fair value through profit or loss – designated	8.1	3 842 110	5 644 715
- loans and receivables	8.2	111 230	124 736
Insurance receivables	9	187 514	176 465
Reinsurance contracts	10	29 509	24 830
Deferred income tax	16	49 387	-
Current income tax receivable		13 939	38 068
Cash and cash equivalents	11	4 162 225	1 940 774
Total assets		8 472 761	8 016 385
Equity			
Share capital	12	-	-
Capital adequacy reserve		-	529 709
Retained earnings		6 625 406	6 097 080
Total equity		6 625 406	6 626 789
Liabilities			
Deferred income tax	16	70 112	91 860
Deferred income	15	8 850	4 321
Employee benefit liability	14	14 329	19 173
Insurance contract liabilities	10	1 680 839	1 179 404
Payables	13	73 225	94 838
Total liabilities		1 847 355	1 389 596
Total equity and liabilities		8 472 761	8 016 385

Statement of comprehensive income

for the year ended 31 March 2019

Figures in Rand thousand	Note	2019	2018
Gross insurance premiums written	17	2 168 955	1 994 199
Insurance premiums ceded to reinsurers	17	(185 865)	(148 802)
Net insurance premiums income		1 983 090	1 845 397
Change in gross unearned premiums provision	17	(1 680)	(22 029)
Change in reinsurers' share of unearned premiums provision	17	4 779	657
Net insurance premiums earned	17	1 986 189	1 824 025
Commission earned from reinsurers		38 277	61 963
Investment income	18	271 059	833 654
Other income		191	1 116
Net income		2 295 716	2 720 758
Gross insurance claims and loss adjustment expenses	19	(1 578 805)	(662 881)
Claims and loss adjustment expenses recovered from reinsurers	19	381	(10)
Net insurance claims		(1 578 424)	(662 891)
Expenses for the acquisition of insurance contracts	20	(319 814)	(271 091)
Expenses for administration and marketing	21	(469 996)	(419 311)
Total expenses		(789 810)	(690 402)
(Loss)/profit before tax		(72 518)	1 367 465
Income tax expense	23	71 135	(342 260)
(Loss)/profit for the year		(1 383)	1 025 205
Total comprehensive income attributable to:			
Ordinary shareholder		(1 383)	1 025 205

Statement of changes in equity

for the year ended 31 March 2019

Figures in Rand thousand

	Share capital	Capital adequacy reserve*	Retained earnings*	Total equity
Balance as at 1 April 2017	-	480 286	5 284 277	5 764 563
Changes in equity	-	-	-	-
Comprehensive income for the year	-	-	1 025 205	1 025 205
Transfer to capital adequacy reserve	-	49 423	(49 423)	-
Dividends paid	-	-	(162 979)	(162 979)
Total changes	-	49 423	812 803	862 226
Balance as at 1 April 2018	-	529 709	6 097 080	6 626 789
Comprehensive loss for the year	-	-	(1 383)	(1 383)
Transfer to retained earnings	-	(529 709)	529 709	-
Total changes	-	(529 709)	528 326	(1 383)
Balance as at 31 March 2019	-	-	6 625 406	6 625 406

Note 12

* The capital adequacy reserve has been included in the retained earnings as there is no requirement for a separate reserve in the Insurance Act 18 of 2017.

Statement of cash flows

for the year ended 31 March 2019

Figures in Rand thousand

	Note	2019	2018
Cash flows from operating activities			
Cash generated from operations	26	(866 093)	517 462
Dividend income	18	63 869	52 337
Interest income	18	458 852	418 003
Realised gains on investments	18	(23 491)	21 889
Income tax received/(paid)	28	24 128	(279 796)
Net cash from operating activities		(342 735)	729 895
Cash flows from investing activities			
Purchase of property and equipment	5	(12 033)	(2 049)
Proceeds on disposal of property and equipment and intangible assets		59	86
Purchases relating to intangible assets	6	(4 338)	(1 282)
Net sale/(purchase) of financial assets		2 580 498	(1 413 231)
Net cash used in investing activities		2 564 186	(1 416 476)
Cash flows from financing activities			
Dividends paid		-	(162 979)
Net increase in cash and cash equivalents		2 221 451	(849 560)
Cash and cash equivalents at the beginning of the year	11	1 940 774	2 790 334
Cash and cash equivalents at the end of the year	11	4 162 225	1 940 774

Accounting policies and critical accounting estimates and judgements in applying accounting policies

1. Introduction

Sasria SOC Limited (Sasria or 'the Company') underwrites short-term insurance risks generally not covered by a traditional insurance company. These risks include loss of or damage to property, directly related to or caused by:

- Any act (whether on behalf of any organisation, body or person, or group of persons) calculated or directed to overthrow or influence any state or government, or any provincial, local or tribal authority with force, or by means of fear, terrorism or violence;
- Any act which is calculated or directed to bring about loss or damage in order to further any political aim, objective or cause, or to bring about any social or economic change, or in protest against any state or government, or any provincial, local or tribal authority, or for the purpose of inspiring fear in the public, or any section thereof; or
- Any riot, strike or public disorder, or any act or activity which is calculated or directed to bring about a riot, strike or public disorder.

These products are offered only to the domestic market.

Sasria is a state-owned company incorporated and domiciled in the Republic of South Africa.

1.1 Statement of compliance

The financial statements are prepared in accordance with the requirements of the Companies Act of South Africa, the Public Finance Management Act 1 of 1999 (PFMA) and International Financial Reporting Standards (IFRS).

1.2 Basis of presentation

The financial statements have been prepared under the historical cost convention, on a going concern basis in compliance with IFRS, modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss. The exception lies with insurance contracts liabilities which are valued in terms of the Financial Soundness Valuation basis contained in the Standards of Actuarial Practice 104, issued by the Actuarial Society of South Africa.

Sasria prepares and reports its financial statement in Rands (R). Due to rounding, numbers presented may not add up precisely to totals provided.

The Company's statement of financial position is not presented using a current/non-current classification.

The following asset balances are current: cash and cash equivalents, insurance receivables, deferred acquisition costs, current income tax receivable and reinsurance contracts.

The following asset balances are generally considered to be non-current: property and equipment, intangible assets.

The following asset balances are a mixture of current and non-current: Financial assets at fair value through profit or loss and loans and receivables.

The following liabilities balances are current: current income tax payables, payables, employee benefit liabilities and deferred income.

The following liability balance is generally considered to be non-current: deferred income tax.

1.3 Use of estimates and judgements

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates of certain assets and liabilities. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. This is specifically true for the estimation of liabilities from insurance contracts, including the estimate of the provision for claims incurred but not reported (IBNR). The estimates and assumptions are based on historical experience and various factors that may be relevant at the time. Actual results may subsequently be different from the estimates. Estimates and judgements are annually evaluated and based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.14.

2. Accounting policies

2.1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except as noted below.

a) New and amended standards adopted by Sasria effective in the current financial year and have an impact on Sasria

No new standards, amendments to standards and interpretations have been adopted by the Company for the first time in the current financial year.

b) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are available but neither effective nor early adopted. These have not been applied in preparing the financial statements for the year ended 31 March 2019. None of these are expected to have a significant effect on the financial statements of the Company, except the ones set out below:

IASB effective date	Standards
1 January 2019	IFRS 3: Business combinations Amendments resulting from annual improvements 2015 to 2017 cycle (remeasurements of previously held interest). This does not impact Sasria.
1 January 2020	Amendments to clarify the definition of a business. This does not impact Sasria.
1 January 2019	IFRS 11: Joint Arrangements Amendments resulting from annual improvements 2015 to 2017 cycle (remeasurement of previously held interest). This does not impact Sasria.
1 January 2022	IFRS 17: Insurance Contracts The standard supersedes IFRS 4 Insurance Contracts. IFRS 17 addresses the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features. The standard contains guidance on when to separate components in an insurance contract and account for them in terms of another standard. The components that have to be separated (subject to certain criteria) are embedded derivatives, distinct investment components and distinct goods and non-insurance services. The standard requires an entity to identify portfolios of insurance contracts and to group them into the following groups at initial recognition: <ul style="list-style-type: none"> • Contracts that are onerous; • Contracts that have no significant possibility of becoming onerous subsequently; and • The remaining contracts in the portfolio. An entity may simplify the measurement of a group of insurance contracts using the premium allocation approach if certain criteria are met. The new standard will have a significant impact on Sasria's recognition, measurement, presentation and disclosure in the financial statements of insurance contracts issued. Management has started to assess the impact of this standard on Sasria. The standard is effective for annual periods beginning on or after 1 January 2022 and has to be applied retrospectively. Early adoption is permitted. Sasria is expecting to adopt IFRS 17 in its financial statements for the year ending 31 March 2022.
1 January 2019	IFRS 9: Financial instruments On 24 July 2014, the IASB issued the final IFRS 9: Financial Instruments standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39: Financial Instruments: Recognition and measurement. This standard could have a significant impact on the Company which may include changes in the measurement bases of the Sasria's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been amended from an 'incurred loss' model from IAS 39 to an 'expected credit loss' model. Sasria is assessing the impact of this change.
1 January 2019	IFRS 16: Leases This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('Lessee'), and the supplier ('Lessor'). IFRS 16 replaces the previous leases standard, IAS 17: Leases and the related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors. Management has assessed the impact of the standard on Sasria and will implement IFRS 16 from the year ended 31 March 2020.

Accounting policies and critical accounting estimates and judgements in applying accounting policies (continued)

2.2 Property and equipment

The cost of an item of property and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Company; and
- the cost of the item can be measured reliably.

Property and equipment is initially recognised and measured at cost.

Costs include costs incurred initially to acquire or construct an item of property and equipment and costs incurred subsequently to add to, or replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property and equipment, the carrying amount of the replaced part is derecognised. Property and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. Property and equipment is carried at cost less accumulated depreciation and any impairment losses. Subsequent expenditure is capitalised when it is probable that it will give rise to future economic benefits.

The useful lives of items of property and equipment have been assessed as follows:

Item	Average useful life
Computer equipment	3 years
Furniture and fittings	10 years
Leasehold improvements	5 years
Motor vehicles	5 years
Office equipment	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset. The gain or loss arising from derecognition of an item of property and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from derecognition of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The gain or loss on disposal is the difference between the net proceeds received and the carrying amount of the assets. The carrying amount of an item of property and equipment shall be derecognised on disposal, or no future economic benefits are expected from its use or disposal.

2.3 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from

development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of directly attributable overheads. Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. To the extent that subsequent costs are incurred in the development phase, these are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. All other repairs and maintenance expenditure is charged to profit or loss during the financial period in which it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Computer software	3 to 5 years

2.4 Financial assets and liabilities

2.4.1 Classification

The Company classifies its financial assets into the following categories: financial assets held at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

2.4.1.1 Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated as at fair value through profit or loss at inception. A financial asset is classified as a trading instrument if acquired principally for selling in the short term and/or forms part of the portfolio of financial assets in which there is evidence of profit-taking, or if so designated by management. Derivatives are also categorised as held for trading.

Financial assets designated as at fair value through profit or loss at inception are the following:

- **Financial assets that are managed and their performance is evaluated on a fair value basis**

Information about these financial assets is provided internally on a fair value basis to Sasria's key management personnel. Sasria's investment strategy is to invest in equity and debt securities, and to evaluate them with reference to their fair values. Assets included in these portfolios are designated upon initial recognition as at fair value through profit or loss.

Recognition and measurement of financial asset purchases and disposals are recognised on trade date – the date on which Sasria commits to purchase or sell the asset. Financial assets are initially recognised at fair value. Transaction costs are recognised in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and Sasria has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Unrealised movements arising from changes in the fair value of financial assets at fair value through profit or loss are included in the statement of comprehensive income in the period in which they arise. Dividend income and interest accrued from financial assets at fair value through profit or loss are recognised in the statement of comprehensive income as part of investment income when Sasria's right to receive payments is established. Realised gains on financial assets at fair value through profit or loss are calculated as the difference between proceeds received and cost. Realised gains are recognised as part of net loss/gain on financial assets and liabilities at fair value through profit or loss in investment income.

The fair values of quoted investments are based on current stock exchange closing prices at the close of business on the reporting date. If the market for a financial asset is not active or if it is unquoted, Sasria establishes fair value by using valuation techniques. These include discounted cash flow analysis, recent arm's length transactions, premium/discount to net asset value and price-earnings techniques. Sasria's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data. Debt securities are measured at fair value based on the market rate of an equivalent non-convertible bond. Unit trusts are measured at fair value based on the quoted repurchase prices.

- **Derivatives**

Derivative financial instruments which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss. Derivatives are classified as financial assets at fair value through profit or loss.

2.4.1.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short-term or that it has designated as held at fair value through profit and loss.

- **Trade receivables and payables**

The carrying values of trade receivables (less impairment provision) and payables are assumed to approximate their fair values. These spreads are internally reviewed by the committees of the respective asset managers. Subsequent changes to these valuations would result in fair value adjustments.

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method.

Trade and other payables are recognised when Sasria has a present obligation arising from past events, settlement of which is expected to result in an outflow of economic benefits from Sasria. Trade and other payables are initially recorded at fair value plus transaction costs and subsequent to initial recognition they are carried at amortised cost.

- **Cash and cash equivalents**

Cash and cash equivalents are measured at initial recognition at fair value plus transactional costs.

Cash and cash equivalents comprise cash on hand and deposits held on call with banks. Cash equivalents comprise highly liquid investments that are convertible to cash with insignificant risk of changes in value and with original maturities of less than three months and are held at amortised cost.

2.4.2 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention and ability to settle on a net basis, or to realise and settle the asset and liability simultaneously.

2.4.3 Derecognition of financial assets and financial liabilities

The entity shall derecognise a financial asset when the contractual rights to the cash flow from the financial assets expire or it transfers the financial assets and the transfer qualifies for derecognition. An entity shall de-recognise a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

2.4.4 Insurance contracts

The following two amendments have been made to IFRS 4 to address the interaction between IFRS 4 and IFRS 9:

- A temporary exemption from IFRS 9 has been granted to insurers that meet specified criteria; and
- An optional accounting policy choice has been introduced to allow an insurer to apply the overlay approach to designated financial assets when it first applies IFRS 9.

Accounting policies and critical accounting estimates and judgements in applying accounting policies (continued)

IFRS 9: Financial Instruments: It is expected that IFRS 9 will change the classification of financial assets to either amortised cost, fair value through profit or loss or fair value through other comprehensive income. In addition, IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The Company has elected to defer the implementation of IFRS 9 to January 2022, when IFRS 17 is expected to be effective. A detailed assessment of the impact has not yet been made. IFRS 9 provides a temporary exemption that permits the Company to apply IAS 39 rather than IFRS 9 when accounting for financial instruments for annual periods beginning before 1 January 2022. The Company is eligible to apply the temporary exemption from IFRS 9 due to the following criteria:

- It has not previously applied any version of IFRS 9; and
- Its activities are predominantly connected with insurance.

2.5 Impairment of financial assets

The carrying amounts of all Sasria's assets, other than those classified as fair value through profit and loss, are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, the carrying value is reduced to the estimated recoverable amount by means of a charge to the statement of comprehensive income.

2.5.1 Receivables including insurance-related receivables

Receivables including insurance-related receivables are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that receivables including insurance-related receivables are impaired includes observable data that comes to the attention of Sasria about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the financial asset because of financial difficulties; and/or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual assets in the company, including:
 - adverse changes in the payment status of issuers of debtors in the company; and/or
 - national or local economic conditions that correlate with defaults on the assets in the company.

Sasria first assesses whether objective evidence of impairment exists individually for assets that are individually significant. If Sasria determines that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, it includes the asset in a group of assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually

assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised through profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, Sasria may measure impairment on the basis of an instrument's fair value using an observable market price. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed. The amount of the reversal is recognised through profit or loss.

2.5.2 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. In the case of non-financial assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The reversal is taken through profit or loss unless the asset is carried at revalued amount in accordance with another standard. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.6 Insurance classification

Sasria issues contracts which transfer insurance risk or financial risk or, in some cases, both. Insurance contracts are those contracts under

which Sasria (as insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects them. Such contracts may also transfer financial risk. Receipts and payments under insurance contracts are accounted for in the statement of comprehensive income in accordance with the requirements of IFRS 4: Insurance Contracts. The insurance contracts that Sasria underwrites are classified and described below:

2.6.1 Short-term insurance

Short-term insurance provides benefits under short-term policies, which include special risk cover for engineering, fire, transportation, motor and guarantee or a contract comprising a combination of any of those policies. Short-term insurance contracts are further classified into the following categories:

- Personal insurance, consisting of insurance provided to individuals and their personal property; and
- Commercial insurance, providing cover on the assets of business enterprises.

2.7 Recognition and measurement of insurance contracts

2.7.1 Gross written premiums and outward reinsurance premium

Gross written insurance premiums exclude Value Added Tax and comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period and are disclosed gross of commission payable to intermediaries. Gross written insurance premiums include adjustments to premiums written in prior accounting periods. Premiums are earned from the date the risk attaches, over the indemnity period, based on the pattern of the risk underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the risk pattern of cover ceded.

2.7.2 Provision for unearned premiums

The provision for unearned premiums represents the portion of the current year's premiums that relate to risk periods extending into the following year. As the majority of the underwriting risks are incurred uniformly over the term of the contract, the unearned premium liability is calculated on the straight-line basis, using the 365th method.

2.7.3 Deferred acquisition costs (DAC) and deferred income

The costs of acquiring new and renewal insurance business that are primarily related to the production of that business are deferred and recognised when they can be identified and measured reliably, and it is probable that they will be recovered. The costs are subsequently amortised to the income statement as the premium income is earned. Deferred income relates to the deferred reinsurance acquisition revenue. This is recognised in respect of fees paid at inception of the contract by the policyholder that are directly attributable to a contract. A liability is raised and released to revenue as the services are provided over the expected duration of the contract.

2.7.4 Commission paid

Commissions paid to intermediaries are accounted for over the risk period of the policy to which they relate. The portion of the commission which is deferred to subsequent accounting periods is termed deferred acquisition revenue.

2.7.5 Liability adequacy test

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Any DAC written off as a result of this test cannot subsequently be reinstated.

2.7.6 Claims incurred

Claims incurred exclude Value Added Tax and consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims and provision for claims incurred but not reported. Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to Sasria.

2.7.7 Provision for outstanding claims and reinsurance recoveries

Provision is made on a prudent basis for the estimated final cost of all claims that had not been settled on the accounting date, less amounts already paid. Sasria's own assessors or contracted external assessors individually assess claims. The claims provision includes an estimated portion of the direct expenses of the claims and internal and external handling expenses. Claims provisions are not discounted.

Claims provisions are determined based upon previous claims experience, knowledge of events, the terms and conditions of the relevant policies and on the interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions. Sasria employs individuals experienced in claims handling and rigorously applies standardised policies and procedures to claims assessments. The ultimate cost of reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Therefore, case estimates are reviewed regularly and updated when new information becomes available.

Accounting policies and critical accounting estimates and judgements in applying accounting policies (continued)

The provision for outstanding claims is initially estimated at a gross level. A separate calculation is carried out to estimate reinsurance recoveries. The calculation of reinsurance recoveries considers the type of risk underwritten, the year in which the loss claim occurred and under which reinsurance programme the recovery will be made, the size of the claim and whether the claim was an isolated incident or formed part of a catastrophe reinsurance claim.

2.7.8 Provision for claims incurred but not reported

Provision is also made for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to Sasria at that date. This provision is calculated using actuarial modelling with at least five years' historical claims experience where possible. Sasria adopts multiple techniques to estimate the required level of provisions. This assists in developing a greater understanding of the trends inherent in the data being projected. Sasria does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to Sasria and statistical analyses for the IBNR claims, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

2.7.8.1 *The basic chain-ladder methodology, Bornhuetter-Ferguson and average cost per claim methods*

Sasria uses the basic chain-ladder, Bornhuetter-Ferguson and the average cost per claim methods to estimate the ultimate cost of claims. The basic technique involves analysing historical claims development factors, net of reinsurance, and selecting estimated development factors based on this historical pattern. The selected development factors are applied to cumulative internal claims data for each incident year that is not yet fully developed to produce an estimated ultimate claims cost for each incident year.

A stochastic process is applied to the choice of development factors for each incident year in accordance with standard statistical practices. Numerous simulations are performed to obtain a distribution of the ultimate claims cost.

The claims provisions are subject to close scrutiny within Sasria. In addition, for major classes where the risks and uncertainties inherent in the provisions are the greatest, regular and ad hoc detailed reviews are undertaken by advisers who are able to draw upon their specialist expertise and a broader knowledge of current industry trends in claims development. The results of these reviews are considered when establishing the appropriate levels of provisions for the outstanding claims and unexpired periods of risk.

2.7.8.2 *IBNR provision is held so as to be at least sufficient at the 75th percentile*

As this method uses historical claims development information, it assumes that the historical claims development pattern will occur again in future. There are reasons why this may not be the case. Such reasons include:

- change in processes that affect the development/recording of claims paid and incurred;

- economic, legal, political and social trends;
- changes in mix of business; and
- random fluctuations, including the impact of large losses.

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks and the cost of a claim will be determined by the actual loss suffered by the policyholder. There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to Sasria. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim. The establishment of insurance liabilities is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims can vary substantially from the initial estimates. Sasria seeks to provide appropriate levels of claims provisions taking the known facts and experience into account.

2.7.9 Reinsurance contracts held

Reinsurance arrangements do not relieve Sasria of its direct obligations to its policyholders. Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that Sasria may not recover all amounts due and there is a reliably measurable impact on the amounts that Sasria will recover from a reinsurer. Impairment losses are recognised through the statement of comprehensive income.

Reinsurance contracts are only recognised as such when they give rise to significant transfer of insurance risk from Sasria to the reinsurers. These reinsurance contracts meet the definition of an insurance contract as defined above. Contracts that do not meet these classification requirements are classified as financial assets. Claims that are recoverable under such contracts are recognised in the same year as the related claims. The benefits to which Sasria is entitled under its reinsurance contracts held are recognised as reinsurance assets.

These assets consist of short-term balances due from reinsurers on settled claims, as well as estimates that are dependent on the outcome of claims experiences related to the reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when incurred. The reinsurer's share of unearned premiums represents the portion of the current year's reinsurance premiums that relate to risk periods covered by the related reinsurance contracts extending into the following year. The reinsurers' share of unearned premium is calculated using the 365th method.

2.7.10 Reinsurance commission

Reinsurance commission is deferred in line with the reinsurance premium expense. Profit commissions receivable should be taken into account when they are likely to be realised and are measurable.

2.7.11 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from intermediaries.

2.7.12 Salvage reimbursements

Some insurance contracts permit Sasria to sell (usually damaged) property acquired in settling a claim (i.e. salvage). Sasria may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims. The allowance is the amount that can reasonably be recovered from the disposal of the property. Subrogation reimbursements are also considered as an allowance in determining the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

2.8 Taxation

Income taxation expense comprises current and deferred taxation, it is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.

2.8.1 Current income tax

The current income tax charge is calculated on the basis of the South African tax laws enacted or substantively enacted at the statement of financial position date, and any tax payable in respect of prior years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

2.8.2 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred income tax is provided on temporary differences arising, except where Sasria controls the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and deferred tax liabilities relate to

income taxes levied by the same taxation authority. The tax effects of unused losses carried forward or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

2.9 Employee benefits**2.9.1 Pension obligations**

Sasria provides for the retirement benefits of its employees through a defined contribution plan. The assets are held in separate trustee administered funds. Sasria pays defined contributions into these funds and thereafter, Sasria has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all the employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is assured.

2.9.2 Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Sasria recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

2.9.3 Bonus plan

Sasria recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to Sasria's shareholder after certain adjustments. Sasria recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.9.4 Leave pay

Employees' entitlement to annual leave and long-service leave are recognised when they accrue to employees. Provision is made for the estimated liability of this leave as a result of services rendered by employees up to the statement of financial position date.

2.10 Provisions

Provisions are recognised when Sasria has a present legal or constructive obligation of uncertain timing or amount as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured as the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. When the effect of discounting is material, provisions are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Accounting policies and critical accounting estimates and judgements in applying accounting policies (continued)

Provisions are not recognised for future operating losses. When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Claims benefits payable and the provision for claims that have occurred but have not yet been reported as at the reporting date are disclosed under insurance liabilities.

2.11 Revenue recognition

The accounting policy relating to the recognition of revenue from insurance contracts is disclosed as part of 2.7 above, which describes the recognition and measurement of insurance contracts in detail.

2.11.1 Interest income and expenditure

Interest income and expenditure for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, is recognised within investment income and finance costs in the profit and loss using the effective interest method.

2.11.2 Dividend income

Dividend income for equities is recognised when the right to receive payment is established, which is the last day of trade in respect of quoted shares, and when declared in respect of unquoted shares. Dividends include shares received in terms of capitalisation issues, irrespective of whether there is an option to receive cash in lieu of the shares.

2.12 Operating leases – Lessee

The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

2.13 Dividend distribution

Dividend distributions to the Company's shareholder are recognised as a liability in Sasria's financial statements in the period in which they are approved by the Company's Board of Directors.

2.14 Critical accounting estimates and judgements in applying accounting policies

2.14.1 Ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is Sasria's most critical accounting estimate. Several sources of uncertainty have to be considered in estimating the liability that Sasria will ultimately be exposed to for such claims. The risk environment can change quickly and unexpectedly owing to a wide range of events or influences. Sasria is constantly refining the tools with which it monitors and manages risks to place the Company in a position to assess risk situations appropriately, despite the greatly increased pace of global changes. The growing complexity and dynamism of the environment in which we operate, however, means that there are natural limits. There cannot and never will be absolute security when it comes to identifying risks at an early stage, measuring them sufficiently, or correctly estimating their real hazard potential. Refer to notes 3 and 4 – Management of insurance and financial risks for further detail on the estimation of the claims liability.

2.14.2 Valuation of unlisted investments

The unlisted equity investment is reviewed by management for reasonableness on an annual basis. Sasria accounts for its share of the fair value movements as described in 2.3. The unlisted bond investments, which are held through appointed asset managers, are valued based on market observable data and expert judgement. The valuations are also reviewed by management for reasonableness. The market observable data would be the interest rate at which a listed liquid government bond will trade. To determine the spread at which the unlisted bond should be valued requires the use of an expert. These spreads are internally reviewed by the credit committees of the respective asset managers. Subsequent changes to these valuations would result in changes to fair values.

Notes to the annual financial statements

for the year ended 31 March 2019

3. Management of underwriting risk

Underwriting risk is the risk that claims and related expense experience is worse than anticipated in the pricing and reserving of the underlying products. For Sasria the drivers of underwriting risk include changes in the political, social and labour climate of South Africa, as well as economic changes such as higher than expected inflation.

The Company manages underwriting risks through its underwriting strategy, appropriate pricing, adequate reinsurance arrangements and proactive claims handling.

3.1 Exposure to underwriting risk

The Company underwrites risks that natural persons, corporate or other entities wish to transfer to an insurer. While the Company provides cover relating to conventional fire, motor and engineering, the specific risks covered are restricted to material damage arising from riots, strikes, labour disturbances and terrorism.

As such the Company is exposed to uncertainty surrounding the timing and severity of claims under insurance contracts which would be impacted by circumstances such as political unrest, downturn in the state of the economy and organised labour issues. These insurance events are, by their nature, random and given the type of risks that the Company underwrites, the actual number and size of events during any one year may vary from those estimated. The actual amounts in any one year may be greater than have been provided for.

In accordance with Sasria's business model, the administration is outsourced to Sasria's agents. This includes the issue of Sasria coupons, as well as the collection of Sasria premiums. The Sasria agents allow the Sasria coupons to attach to their policies. A Sasria agent is typically a registered conventional short-term insurer or short-term insurer underwriter who has entered into an agreement with the Company. The agent agreement clearly sets out the manner in which the agent Company should administer the Sasria business. The agents are also provided with a comprehensive set of guidelines detailing the processes and procedures relating to the issue of the Sasria's coupons, the collection of premiums and reporting of claims on its behalf, and the method of payment of the premiums to Sasria.

The Company underwrites primarily short-tail risks, which means that the majority of claims are typically settled within one year of the occurrence of the event/s giving rise to the claims. Risks that are long-tail in nature represent an insignificant portion of the Company's insurance portfolio.

The product features of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts underwritten by the Company are set out below:

Fire – provides indemnity for loss of or damage to immovable property. This includes commercial and residential properties.

Transportation – provides indemnity for loss of or damage to goods-in-transit, marine cargo and marine hull, which includes ships and small craft as well as the marine or inland transit of cargo.

Motor – provides indemnity for loss of or damage to all types of motor vehicles.

Guarantee – provides indemnity to banks for default by their clients due to the occurrence of a Sasria peril and is sold by the Home Loan Guarantee Company.

Engineering – provides indemnity for loss of or damage sustained to machinery and equipment or damage to buildings or structures during the course of construction.

3.2 Limiting exposure to underwriting risk

Due to the business model followed by Sasria, there is no direct underwriting performed on the coupons up to R500 million. Sasria directly underwrites all the coupons in excess of R500 million but not exceeding R1.5 billion. Sasria offers cover on a non-refusable basis. The premium rates that the agent companies use are set by Sasria in its underwriting guidelines. The underwriting risk is mitigated by the fact that the Sasria cover, being a coupon policy, attaches to a conventional insurer's underlying policy. If no cover is provided by the Sasria agent, then no Sasria cover attaches.

The insured have an option of taking up the Sasria cover at the holding company level or at subsidiary level. Adequate reinsurance has been arranged to mitigate the increased exposure.

3.3 Underwriting strategy and limits and policies for mitigating underwriting risk

The legislated monopoly enjoyed by Sasria, as well as the underwriting philosophy of the Company, results in the Company underwriting a large number of diverse risks, resulting in a balanced portfolio spread across personal and commercial policyholders.

By using gross written premiums in each class as an indicator, the table below illustrates the Company's distribution of risks underwritten:

Category of risk policy	2019 %	2018 %
Property	79.10	80.33
Motor	14.21	13.65
Engineering	4.99	4.20
Other	1.70	1.82
Total for all categories	100.00	100.00

Notes to the annual financial statements

for the year ended 31 March 2019 (continued)

3.4 Concentration of insurance risks

The Company has a diversified insurance portfolio of risks across South Africa's geography, and across all types of industrial and commercial enterprises as well as personal lines. However, as a result of Sasria's predominant presence in this particular market and the types of risks covered, any single event could result in a large number of claims. The maximum any one insured can claim is R1.5 billion. Losses arising from an event (where more than one insured is affected by the same event) in excess of R500 million will trigger Sasria's catastrophe reinsurance.

By using gross written premiums as an indicator, the Company's insurance portfolio could also be divided between personal and commercial (all insureds other than natural persons) policies as follows:

Split by type of policyholder	2019 %	2018 %
Personal policies	27.98	20.85
Commercial policies	72.02	79.15
Total personal and commercial policies	100.00	100.00

The Company ensures that agent companies adhere to the set underwriting guidelines through bi-annual audits conducted at each agent company. In addition, the Company's own Internal Audit department conducts reviews of the Sasria process carried out on the Company's behalf by agent companies, their underwriting managers and brokers. Follow-up reviews are performed by the Quality Assurance department to ensure that findings are resolved and closed within a reasonable time and no additional risks are encountered.

During the past year, quality assurance performed proactive reviews on agents in addition to their follow-up reviews.

Any changes to the guidelines are communicated to all agent companies and their underwriting managers by way of written circulars. The ability to adjust rates, either for monthly or annual business (depending on the contract term), allows the Company to mitigate the risk of underwriting losses. These adjustments would be from renewal date on annual policies and over a period of a few months on monthly policies. The Company monitors the incidence of claims per insured, class and sector and, if necessary, has the ability to impose deductibles where necessary.

Pricing is based on historical claims, frequency and severity and includes catastrophe modelling. The methodology used estimates the anticipated cost per policy. Claims remain the Company's most significant cost. Further adjustments are made in the pricing estimate for expenses, commission, cost of capital and profit allowance, investment income and expenses and reinsurance allowance.

Catastrophe risk is managed and mitigated through the use of reinsurance.

The split between annual and monthly premiums written is as follows:

Split by type of policy	2019 %	2018 %
Annual policies	48.68	49.03
Monthly policies	51.32	50.97
Total annual and monthly policies	100.00	100.00

The incidence of fraud is reduced by robust claims handling processes and regular review of these processes. The Company's Internal Audit department conducts annual reviews of the in-house Claims department to ensure adherence to the Company's internal controls procedures. On a monthly basis the underwriting results per class of business are monitored against predetermined budgets. The premium income and reversals are also monitored for each agent on a monthly basis and compared to the previous period. Any major fluctuations are investigated.

3.5 Reinsurance strategy

Sasria's reinsurance strategy is driven by the desire to use capital efficiently, protect the statement of financial position and hence ensure a sustainable business. The strategy is to retain as much premium as possible subject to a solvency ratio target.

Reinsurance is placed on the local and international reinsurance markets. Reinsurance arrangements in place include proportional and non-proportional reinsurance which include catastrophe cover. The reinsurance programme is aimed at reducing the volatility of the Company's underwriting results and protecting its capital. The Company purchases catastrophe reinsurance to protect itself against losses arising from major catastrophes. The level of catastrophe reinsurance purchased is based on the Company's maximum probable loss and capital adequacy exercise, which is performed annually. Sasria evaluates and monitors the type and amount of reinsurance to be purchased within the Company's risk appetite framework and measures.

3.6 Claims management

The Claims department monitors most of the media on a daily basis to consider all events likely to result in claims against the Company. The outstanding claims provision is monitored on a monthly basis by management. No provision for an outstanding claim estimate is reversed until the Company is reasonably assured that no litigation will occur. The outstanding claims provision is annually tested for adequacy as part of the liability adequacy test noted in 2.7.5 above. The process regarding the claims development is discussed in note 10 which includes sensitivities.

4. Management of financial risk

The Company is exposed to financial risk through its financial assets, reinsurance assets, financial liabilities and insurance liabilities. The most important components of this financial risk are market risk, credit risk and liquidity risk. These risks arise from investments in various asset classes whose values are exposed to the current macro-economic environment resulting in market price movements.

For the discussions below, the following financial instruments and insurance balances excluding reinsurance contracts and insurance contract liability are disclosed in classes based on their similar characteristics:

Figures in Rand thousand	2019	2018
Financial and insurance assets		
Listed and quoted equity securities	1 843 450	1 878 619
Unlisted and unquoted equity securities	6 300	6 300
Total equity securities	1 849 750	1 884 919
Unitised linked investments	1 354	248 324
Money market fund (>3 months)	1 172 625	409 653
Government and semi-government bonds	812 235	2 452 798
Other bills and bonds (fixed rate)	6 146	649 021
Total debt and money market securities	1 992 360	3 759 796
Total financial assets at fair value through profit or loss	3 842 110	5 644 715
Insurance receivables	187 514	176 465
Loans and receivables	111 230	120 616
Total loans and receivables including insurance receivables	298 744	297 081
Reinsurance assets	29 509	24 830
Cash and cash equivalents	4 162 225	1 940 774
Total financial and insurance assets	4 191 734	1 965 604
Financial and insurance liabilities		
Deferred income	8 850	4 321
Insurance contracts	1 680 839	1 179 404
Payables	73 225	84 595
Total financial and insurance liabilities	1 762 914	1 268 320

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for the year ended 31 March 2019 (continued)

4.1 Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices and foreign currency exchange rates.

Market risk arises due to fluctuations in both the value of financial liabilities and the value of investments held. The management of the Company is tasked with the responsibility of managing key market risks to which the Company is exposed. Sasria's investment portfolio is structured to withstand shocks such as the credit rating downgrade through its strategic asset allocation which allows for diversification and flexibility to reduce a significant drag on relative performance. Sasria's investment philosophy is centred on an asset-liability matched investment approach which ensures that the underlying assets into which the funds are invested are matched to meet the duration and Rand value of the liabilities at a given point in time. When a suitable asset-liability matched position is achieved, Sasria will optimise returns on the non-liability matching assets within the risk appetite limits. The investments market positions are monitored daily by the external investment managers and reviewed monthly by the Finance Director, the Risk department and quarterly by the Investment Committee. For each of the major components of market risk, described in more detail below, the Company's Board has put in place policies and procedures to set out how each risk should be managed and monitored, and the approach to setting an appropriate risk appetite.

4.2 Interest rate risk

The Company does not have any borrowings. The Company is exposed to interest rate risk on its investments due to the fixed rate instruments such as other bills and bonds, which exposes the Company to the fair value risk, and other interest-bearing securities such as cash on fixed deposits, call accounts and other money market instruments, which exposes the Company to interest rate risk. These interest-bearing instruments are exposed to the interest rate risk as result of the sovereign credit rating downgrade which is an indication of the government's ability to meet its debt obligation and also increases its cost of borrowing when issuing new interest-bearing instruments or servicing the current debt. This risk is limited through a well-diversified portfolio which allows for flexibility to ensure that managers can adopt a defensive stance in the current environment.

The risk is furthermore limited by regular trading of the portfolio, providing diversification in terms of yield profiles and an asset and liability matching strategy.

A hypothetical 1% decline or increase in the interest rate relating to cash and interest-bearing securities would result in an increase/decrease in interest earned of R18.6 million (2018: R53.2 million) or an increase/decrease in profit before tax of R18.6 million (2018: R53.2 million) respectively. A 1% increase in interest rates would expose the Company to the risk of losing value in other bills and bonds by R59 million (2018: R194 million), while a decrease would expose the Company to the risk of gaining value by R67 million (2018: R221 million).

The loans and receivables and trade and payables are not sensitive to interest rate fluctuations as they are expected to be settled within three months when they fall due. Exposure to interest rate risk is monitored and managed by management.

4.3 Equity price risk

The Company's objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively monitored and managed by management.

Investments in listed equities, which are carried at fair value on the reporting date, have exposure to price risk, being a potential loss of market value resulting from adverse change in prices. Investments in marketable securities are valued at fair value and are therefore susceptible to market fluctuations.

All of the Company's investments are managed through outsourced reputable investment managers. Each of these managers is given a mandate to ensure that market risk is mitigated through diversification and investing in reputable companies and institutions.

Investment decisions are made by the Board's Investment Committee, which has ultimate responsibility for determining the investment portfolio's strategy and take investment decisions within the risk profile and risk appetite.

As at 31 March 2019, the Company had quoted ordinary share investments which have been disclosed at their fair values. A hypothetical 10% decline or increase in quoted investments would result in a decrease/increase in profit before tax by R184.3 million (2018: R187.9 million). A hypothetical 10% was used during the current financial year due to the expected movements in the equity market. The full impact of a decrease or increase in individual prices of instruments would affect the Company's profit or loss since these investments are in the Company's capital portfolio. The table below clearly illustrates the impact of the assumptions used above.

Figures in Rand thousand

	2019	2018
Quoted investments		
Effect on profit before tax at 10% (fluctuation)	184 345	187 862
Effect on profit before tax at 15% (fluctuation)	276 518	281 793

4.4 Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will default on debt failing to make payments when due. The key areas which give rise to credit risk exposure for the Company are:

- reinsurers' share of insurance liabilities that have not yet been paid;
- reinsurers' share of claims already paid;
- amounts due from insurance contract holders;
- premiums and other amounts due from agent companies; and
- amounts invested with investment counterparties.

The Company only conducts its business with reputable reinsurers rated above a certain level as shown in the ratings table below. The credit risk exposure of agent companies is managed by only conducting business with approved agents. Such risks are subject to an annual review and ongoing monitoring.

Reinsurance is used to manage underwriting risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on a monthly basis, along with their external ratings as indicated below.

4.4.1 Credit risk on reinsurance contracts

Reinsurance risk arises due to uncertainty regarding the timing and amount of future cash flows from reinsurance contracts. This could be due to the financial standing of the reinsurer, or due to changes in the appropriateness of cover in the future.

The credit risk that originates from the reinsurance transactions is managed as follows:

Independent credit ratings of all existing and prospective reinsurers are monitored prior to entering into reinsurance transactions. The credit ratings of all existing reinsurers are also monitored on an ongoing basis throughout the year and remedial action taken if required. In addition, reinsurance contracts make allowance to replace reinsurers in the case of a downgrade of the reinsurers rating, below A-. The table below shows the credit ratings of the Company's five largest reinsurers on the reinsurance programme.

2019 Reinsurer	% of total cover provided	S&P rating*
Swiss Reinsurance Company Limited, Switzerland	21.83	A-
Lloyd's Underwriters	14.24	A+
Hannover Reinsurance Africa Limited, South Africa	14.37	A-
Munich Reinsurance Company of Africa Limited, South Africa	11.97	A-
SCOR Africa Limited	11.15	A-
2018 Reinsurer	% of total cover provided	S&P rating*
Swiss Reinsurance Company Limited, Switzerland	21.83	AA-
Lloyd's Underwriters	14.95	A+
Hannover Reinsurance Africa Limited, South Africa	14.37	A-
Munich Reinsurance Company of Africa Limited, South Africa	11.97	A-
SCOR Africa Limited	11.15	A-

* The Company does not have any foreign currency risk exposure as the reinsurance contracts are denominated in Rand.

Notes to the annual financial statements

for the year ended 31 March 2019 (continued)

4.4.2 Credit risk of financial assets

The Company does not have collateral, credit enhancements or renegotiated financial assets.

Sasria had exposure to Steinhoff International Holdings, which was impacted negatively by the independent investigation being conducted into potential accounting irregularities. Sasria incurred unrealised losses estimated at R35.8 million and incurred a realised loss of R8.3 million in this regard. The exposure Sasria has as at 31 March 2019 is R2.1 million in assets under management. Bonds were all sold in February 2018, with a market value of R4 million nominal loss. Steinhoff shares were sold in March 2019, with a realised loss of R20 million.

The credit rating of an individual instrument is an indication of the issuer's ability to meet its debt obligation; a lowered rating will affect the cost of borrowing (interest rates) as well as the cost of serving its debt, which therefore poses constrain on the ability to borrow. Sasria's investment portfolio is impacted by South Africa's sovereign credit rating downgrade as government's ability to borrow money to fund projects has been constrained. This risk is mitigated by the investment mandates managed through outsourced reputable investment managers, mandates include credit rating exposure limits, duration limits and the use of derivative instruments to hedge the portfolio without having to dispose of the underlining instruments. Each of these managers is given a mandate to ensure that credit risk is mitigated through diversification and flexibility, which allows for a defensive strategy in the current economic environment.

Credit risk from balances with banks and financial institutions is managed by the Investment Committee in accordance with the Company's investment policy. Investments in surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Board of Directors on an annual basis and may be updated throughout the year subject to approval of the Investment Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Company's maximum exposure to credit risk for the components of the statement of financial position as at 31 March 2019 and 2018 is the carrying amounts as illustrated on the table below:

2019							
Financial and insurance assets							
Figures in Rand thousand	AAA	AA	A	BBB	BB	Not rated	Total
Government bonds	722 524	8 054	-	35 557	46 100	-	812 235
Other bills and bonds	-	5 500	-	646	-	-	6 146
Money market fund	-	1 158 395	-	2 230	-	12 000	1 172 625
Unitised linked investments	-	1 354	-	-	-	-	1 354
Insurance receivables	-	-	-	-	-	187 514	187 514
Loans and receivables	-	-	-	-	-	109 152	109 152
Cash and cash equivalents	929 306	3 120 058	-	-	-	112 861	4 162 225
	1 651 830	4 293 361	-	38 433	46 100	421 527	6 451 251

2018
Financial and insurance assets

Figures in Rand thousand	AAA	AA	A	BBB	BB	Not rated	Total
Government bonds	2 325 521	35 313	-	54 479	33 405	4 080	2 452 798
Other bills and bonds	49 189	537 078	15 322	36 425	-	11 007	649 021
Money market fund	-	336 879	-	26 604	-	46 170	409 653
Unitised linked investments	-	248 324	-	-	-	-	248 324
Insurance receivables	-	-	-	-	-	176 465	176 465
Loans and receivables	-	5 104	-	-	-	115 512	120 616
Cash and cash equivalents	831 587	1 100 386	-	5 600	-	3 201	1 940 774
	3 206 297	2 263 084	15 322	123 108	33 405	356 435	5 997 651

The financial assets analysed above are based on external credit ratings obtained from various reputable rating agencies. The ratings used above are based on Standard & Poor's national scale ratings which are comparable to prior year.

The rating scales are based on long-term investment horizons under the following broad investment grade definitions:

- AAA: Highest quality with minimal credit risk;
- AA: Very good quality and is subject to very low credit risk;
- A: Good quality with a low credit risk although certain conditions can affect the asset more adversely than those rated AAA and AA;
- BBB: Medium quality with moderate credit risk;
- BB: Low quality with higher credit risk; and
- Not rated: Amounts falling within the not rated category are managed by the Finance department on a daily basis to ensure recoverability of amounts.

The Company has an Investment Committee that reviews the credit risk on all the financial instruments and measures are put in place to minimise the credit risk. The risk on our investments is further minimised through limiting the dependency of the Company on any one investment manager and through requiring depth and breadth of resources and financial stability in respect of any investment manager appointed by the Company.

The Company monitors its exposure to its counterparties for regulatory reporting and policy adherence purposes. The credit risks are further monitored to ensure that there are no risk appetite breaches. Reporting is provided to the Executive Committee and the Risk Committee on a quarterly basis.

4.5 Liquidity risk

The Company is exposed to daily calls on its available cash resources mainly from claims arising from short-term insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The majority of the Company's investments are maintained in short-term liquid investments that can be converted into cash at short notice with insignificant risk of changes in value and would be available to match liabilities which are short-term in nature.

For the purposes of the liquidity analysis below, financial instruments are presented on an undiscounted, contractual and worse case basis while insurance assets and liabilities are presented based on expected cash flows.

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The following liquidity analysis provides details on the expected settlement of the financial and insurance liabilities recognised at reporting date:

2019 Figures in Rand thousand	Within 0 to 3 months	3 months to 1 year	1 to 2 years	More than 2 years	Total
Deferred income*	8 850	-	-	-	8 850
Payables	70 145	-	-	-	70 145
Total	78 995	-	-	-	78 995

2018 Figures in Rand thousand	Within 0 to 3 months	3 months to 1 year	1 to 2 years	More than 2 years	Total
Deferred income*	4 321	-	-	-	4 321
Payables	84 146	-	-	-	84 146
Total	88 467	-	-	-	88 467

* The unearned premiums and the deferred revenue are being realised on a straight-line basis over the period of one year.

The following maturity analysis provides details on the expected maturities of the financial and insurance assets held at reporting date:

2019 Figures in Rand thousand	Within 0 to 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Financial assets at fair value through profit or loss	1 849 751	1 178 125	27 122	787 112	3 842 110
Loans and receivables	55 822	-	53 330	-	109 152
Insurance receivables	187 514	-	-	-	187 514
Reinsurance contracts	29 509	-	-	-	29 509
Cash and cash equivalents	4 162 225	-	-	-	4 162 225
Total	6 284 821	1 178 125	80 452	787 112	8 330 510

2018 Figures in Rand thousand	Within 0 to 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Financial assets at fair value through profit or loss	1 889 582	406 064	173 933	3 175 136	5 644 715
Loans and receivables	67 457	-	53 159	-	120 616
Insurance receivables	176 465	-	-	-	176 465
Reinsurance contracts	24 830	-	-	-	24 830
Cash and cash equivalents	1 940 774	-	-	-	1 940 774
Total	4 099 108	406 064	227 092	3 175 136	7 907 400

The above maturity analysis is based on the original contract maturity, however we have moved ABIL exposure from the 0 to 3 months category to the 1 to 3 years category due to the uncertainty on when payment may be expected.

4.6 Operational risk

Operational risk arises as a result of inadequate or failed internal processes, people and systems, or from external events. These risks are mitigated through a comprehensive system of internal controls, comprising policies and standards, procedures, systems and information to assist in achieving established objectives and goals.

Sasria manages operational risk using a range of techniques and tools to identify, monitor and mitigate its operational risk in accordance with the risk appetite. These tools include risk and control self-assessments and questionnaires, Key Risk Indicators, scenario and sensitivity analyses and loss data collection/notification. In addition, Sasria has developed a number of contingency plans including incident/loss notification and a business continuity management (BCM) plan which is tested on a regular basis. The BCM is reviewed by Internal Audit every three years.

4.7 Capital management

Sasria's capital management philosophy is to maximise the return on the shareholder's capital within an appropriate risk management framework and ensure that our policyholders' assets are protected against special and catastrophic risks. Management will continue to monitor Sasria's solvency levels and required solvency range in light of industry changes and regulatory requirements. Sasria is committed to efficient capital management and a decision was taken by the Board to maintain an appropriate level of capital with the balance of the required capacity being made up of reinsurance in line with the Company's risk appetite.

Sasria manages its capital through different methods or tools which include the following:

4.7.1 Own risk and solvency assessment

Solvency assessment and management (SAM) introduces a requirement for general insurers to conduct an ORSA. ORSA is "the entirety of the processes and procedures employed to: identify, assess, monitor, manage and report the short and long-term risks an insurance undertaking faces or may face and determine the own funds necessary to ensure that the undertaking's solvency needs are met at all times".

ORSA is one of the primary tools used to test whether the Company operates within or outside of the risk appetite over the business planning horizon. Part of the ORSA includes carrying out stress and scenario testing over the business planning horizon. The ORSA process requires Sasria to identify the most significant risks facing the organisation, quantifying the capital requirements for these risks and finally compare the capital requirement to the own funds available on its statement of financial position. The ORSA process allows management to identify appropriate management actions and embed these actions in the event of a specific event realising.

Sasria performed an ORSA report of the business over the planning horizon and presented the results to its executive management, Risk Committee and the Board. Stress scenarios include economic stresses, demographic stresses and stresses resulting from operational risk.

4.7.2 Capital at risk

Sasria will at all times hold sufficient eligible financial resources to ensure it meets the relevant SCR, as well as its internal (economic) assessment of the capital required to deliver on its business plans, reasonable policyholder expectations and claim payments as they fall due.

The Company has established risk appetite measures for the capital at risk as well as limit and threshold allocations to manage the key risk (non-life underwriting risk, credit risk and market risk) identified within the organisation. The establishment of the risk appetite measure is to ensure that the directors have appropriate risk management practices in place. The management of risk within the organisation is governed by the Board and overseen by the Risk Committee.

When determining capital requirements, the Company uses a risk appetite measure of capital at risk over a one-year time period. The Company's capital at risk measurement is based on the higher of the SCR or the ECR. The Company aims to hold adequate capital to remain solvent in the event of substantial deviations, such as a 1-in-200-year event.

4.8 Internal used – ECR

The Company has developed tools for the purpose of calculating an internal economic view of risk and capital requirements as well as capital projections. The Company has therefore aligned itself to a more appropriate calculation of capital through the development of an economic capital model.

The economic capital model is used to support, inform and improve the Company's decision-making. It is used to determine the optimum capital structure, the investment strategy and its reinsurance programme.

4.9 Solvency Capital Requirement (SCR)

SCR is a formula-based figure calibrated by the FSB to ensure that all quantifiable risks are taken into account, including non-life underwriting, market, credit, operational and counterparty risks. Insurers are required to maintain minimum required capital at all times throughout the year.

Sasria's Board of Directors targets an economic capital coverage ratio of between 180% and 230%. In addition, the regulatory capital coverage ratio must exceed predefined threshold levels.

The Company reports to the FSB only on the SCR and not on the ECR.

Notes to the annual financial statements

for the year ended 31 March 2019 (continued)

4.10 Fair value hierarchy

This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1

Quoted prices (unadjusted in active markets for identical assets or liabilities that an entity can access at the measurement date);

Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses the fair value hierarchy of the Company's financial assets (by class) measured at fair value as at 31 March 2019.

2019 Asset Figures in Rand thousand				
	Level 1	Level 2	Level 3	Total
Equity securities – listed and quoted	1 843 450	-	-	1 843 450
Equity securities – unlisted and unquoted	-	-	6 300	6 300
Debt securities	793 431	24 950	-	818 381
Money market fund	-	1 172 625	-	1 172 625
Unitised linked investments – unlisted and unquoted	-	303	1 051	1 354
Total financial assets designated at fair value through profit or loss	2 636 881	1 197 878	7 351	3 842 110

2018 Asset Figures in Rand thousand				
	Level 1	Level 2	Level 3	Total
Equity securities – listed and quoted	1 878 619	-	-	1 878 619
Equity securities – unlisted and unquoted	-	-	6 300	6 300
Debt securities	951 746	2 150 073	-	3 101 819
Money market fund	-	409 653	-	409 653
Unitised linked investments – unlisted and unquoted	-	145 961	102 363	248 324
Total financial assets designated at fair value through profit or loss	2 830 365	2 705 687	108 663	5 644 715

Level 1 – The fair value of financial instruments traded in an active market is based on quoted market prices at reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on arm's length basis.

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include active listed equities. The money market fund does not adjust the quoted price for these instruments.

Level 2 – Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include investment-grade corporate bonds, money market instruments and over-the-counter derivatives. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Level 3 – Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include private equity and corporate debt securities. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value. The Level 3 equity amount consists of a single private equity position. The main inputs into the Fund's valuation model for these investments include earnings multiples (based on the historical earnings of the issuer over the past decade) and discounted cash flows. The Company also considers original transaction price, recent transactions in the same or similar instruments and completed third party transactions in comparable instruments. It adjusts the model as deemed necessary. The Company also considers other liquidity, credit and market risk factors. It adjusts the model as deemed necessary. Discounted cash flows are calculated using the average rate of inflation during the financial year.

The following table presents the movements in Level 3 instruments for the year ended 31 March 2019 and 2018 by class of financial instrument.

Asset Figures in Rand thousand	Unitised linked investments	Equity securities	Total
Opening balance	102 363	6 300	108 663
Additional investment made	-	-	-
Movement in Investments	(101 312)	-	(101 312)
Dividends received	-	-	-
Closing balance	1 051	6 300	7 351

The following table shows the sensitivity of Level 3 measurements to reasonably possible favourable and unfavourable changes in the assumptions used to determine the fair value of the financial assets.

Figures in Rand thousand	2019	2018
Level 3 investments		
Effect on profit before tax at 10% (fluctuation)	184	10 866
Effect on profit before tax at 15% (fluctuation)	277	16 299

The Level 3 investments are valued by determining Sasria's portion of the underlying investment that is held through unlisted equity instruments. The investments are fair valued using the discounted cash flow technique, refer to note 2.14 – Critical accounting estimates and judgements for detail.

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for the year ended 31 March 2019 (continued)

5. Property and equipment

Figures in Rand thousand	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer equipment	12 019	(7 729)	4 290	8 457	(6 859)	1 598
Furniture and fittings	4 344	(2 290)	2 054	3 764	(2 033)	1 731
Motor vehicles	594	(594)	-	594	(556)	38
Office equipment	2 540	(2 151)	389	2 563	(1 952)	611
Leasehold improvements	16 289	(11 168)	5 121	11 567	(9 791)	1 776
Total	35 786	(23 932)	11 854	26 945	(21 191)	5 754

Reconciliation 2019 Figures in Rand thousand	Opening net book amount	Additions	Disposals	Depreciation charge	Total
Computer equipment	1 598	6 616	(2 505)	(1 419)	4 290
Furniture and fittings	1 731	657	(38)	(296)	2 054
Motor vehicles	38	-	-	(38)	-
Office equipment	611	39	(1)	(260)	389
Leasehold improvements	1 776	4 721	-	(1 376)	5 121
	5 754	12 033	(2 544)	(3 389)	11 854

Reconciliation of property and equipment – 2018

Figures in Rand thousand	Opening net book amount	Additions	Disposals	Depreciation charge	Total
Computer equipment	1 271	1 206	(19)	(860)	1 598
Furniture and fittings	1 511	542	-	(322)	1 731
Motor vehicles	116	-	-	(78)	38
Office equipment	556	301	-	(246)	611
Leasehold improvements	4 088	-	-	(2 312)	1 776
	7 542	2 049	(19)	(3 818)	5 754

Depreciation expense of R3.39 million (2018: R3.82 million) has been included in expenses for administration and marketing.

6. Intangible assets

Figures in Rand thousand	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Software	26 320	(22 652)	3 668	22 717	(21 172)	1 545
Total	26 320	(22 652)	3 668	22 717	(21 172)	1 545

Reconciliation of intangible assets – 2019 Figures in Rand thousand	Opening net book amount	Additions	Disposals	Amortisation charge	Total
Software	1 545	4 338	(733)	(1 482)	3 668
Total	1 545	4 338	(733)	(1 482)	3 668

Reconciliation of intangible assets – 2018 Figures in Rand thousand	Opening net book amount	Additions	Disposals	Amortisation charge	Total
Software	1404	1 282	-	(1 141)	1 545
Total	1404	1 282	-	(1 141)	1 545

Amortisation expense of R1.5 million (2018: R1.1 million) has been included in expenses for administration and marketing.

7. Deferred acquisition costs

Figures in Rand thousand	2019	2018
Balance at the beginning of the year	59 498	53 269
Acquisition cost deferred during the year	318 939	286 448
Acquisition cost expensed during the year	(317 112)	(280 219)
Balance at the end of the year	61 325	59 498

8. Financial assets

The Company's financial assets are summarised by measurement category in the table below:

Figures in Rand thousand	Note	2019	2018
Fair value through profit or loss	8.1	3 842 110	5 644 715
Loans and receivables	8.2	111 230	124 736
Total financial assets		3 953 340	5 769 451

Notes to the annual financial statements

for the year ended 31 March 2019 (continued)

The assets classified as held at fair value through profit or loss are detailed in the tables below:

8.1 Fair value through profit or loss

Figures in Rand thousand	2019	2018
At fair value through profit or loss – designated		
Equity securities		
Listed and quoted	1 843 450	1 878 619
Unlisted and unquoted	6 300	6 300
	1 849 750	1 884 919
Unitised linked investments		
Listed and quoted	-	-
Unlisted and unquoted		
- Infrastructure development bond fund	1 354	248 324
	1 354	248 324
Money market fund		
Money market fund	1 172 625	409 653
Other bills and bonds		
Debt securities – fixed interest rate:		
Other bills and bonds	6 146	649 021
Government and semi-government bonds	812 235	2 452 798
	818 381	3 101 819
Total financial assets at fair value through profit or loss	3 842 110	5 644 715

All the above assets have been designated by the Company as held at fair value through profit or loss.

Figures in Rand thousand	2019	2018
Movement in financial assets at fair value through profit or loss		
Balance at the beginning of the year	5 644 715	3 890 058
Transfer to cash and cash equivalents	(1 952 080)	1 024 506
Interest received	362 663	336 420
Dividends received	63 869	52 337
Realised net fair value gains/(losses)	(23 491)	21 889
Unrealised net fair value gains/(losses)	(228 171)	341 425
Investment administration expense	(25 395)	(21 920)
	3 842 110	5 644 715

8.2 Loans and receivables

Figures in Rand thousand	2019	2018
Other loans and receivables	109 150	120 616
Prepayments	2 080	4 120
Total loans and receivables	111 230	124 736

The above balances are receivable within 12 months. Fair values therefore largely approximate carrying values. Interest accrued of R47.6 million (2018: R55.8 million) is included.

8.3 Derivative assets/(liabilities)

Figures in Rand thousand	2019	2018
Derivative assets		
Financial assets at fair value through profit or loss – Exchange traded option contracts	58 784	-
	58 784	
Derivative liabilities		
Financial liabilities at fair value through profit or loss – Exchange traded option contracts	(58 784)	-
	(58 784)	-

9. Insurance receivables

Figures in Rand thousand	2019	2018
Profit commission	30 708	27 417
Outstanding premiums	156 806	149 048
Total insurance receivables	187 514	176 465

Figures in Rand thousand	2019		2018	
	Gross	Impairment	Gross	Impairment
The trade receivables due from agents at reporting date was:				
Not past due	156 806	-	139 477	-
Past due	-	-	9 571	-
	156 806	-	149 048	-

The above balances are receivable within 12 months. Fair value therefore approximates carrying value. The outstanding premiums past due are premiums not yet received from agents a month after being raised. The outstanding premiums have been received after year-end therefore the Company does not deem it necessary to provide for impairment.

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for the year ended 31 March 2019 (continued)

10. Insurance contract liabilities and reinsurance contracts

Figures in Rand thousand	2019	2018
Gross		
Claims reported and loss adjustment expenses	1 193 949	729 529
Claims incurred but not yet reported	69 902	34 566
Unearned premium provision	416 988	413 964
Unexpired risk provision	-	1 345
Total insurance contract liabilities	1 680 839	1 179 404
Recoverable from reinsurers		
Claims reported and loss adjustment expenses	8	108
Claims incurred but not yet reported	-	-
Unearned premium provision	29 501	24 722
Total reinsurers' share of insurance liabilities	29 509	24 830
Net insurance contract liabilities		
Claims reported and loss adjustment expenses	1 193 941	729 421
Claims incurred but not yet reported	69 902	34 566
Unearned premium provision	387 487	389 242
Unexpired risk provision	-	1 345
Total insurance contract liabilities (net)	1 651 330	1 154 574

The 'outstanding claims and loss adjustment expenses' and the 'claims incurred but not yet reported' above are net of expected recoveries from salvage and subrogation. The amounts for salvage and subrogation as at 31 March 2019 are R1.58 million and for 31 March 2018 are R2.78 million. These are not material and therefore are not separately disclosed.

Movements in insurance liabilities and reinsurance assets

The movements for the year are summarised below:

a) Claims reported and loss adjustment expenses

Figures in Rand thousand	2019			2018		
	Gross	Reinsurance Asset	Net	Gross	Reinsurance Asset	Net
Balance at the beginning of the year	729 529	108	729 421	759 682	137	759 545
Claims paid	(1 661 119)	(481)	(1 660 638)	(708 218)	(363)	(707 855)
Claims raised	2 125 539	381	2 125 158	678 065	334	677 731
Balance at the end of the year	1 193 949	8	1 193 941	729 529	108	729 421

b) Claims incurred but not yet reported

Figures in Rand thousand	2019			2018		
	Gross	Reinsurance Asset	Net	Gross	Reinsurance Asset	Net
Balance at the beginning of the year	34 566	-	34 566	49 352	-	49 352
Movements for the year	35 336	-	35 336	(14 786)	-	(14 786)
Claims raised	-	-	-	-	-	-
Balance at the end of the year	69 902	-	69 902	34 566	-	34 566

c) Unearned premium provision

Figures in Rand thousand	2019			2018		
	Gross	Reinsurance Asset	Net	Gross	Reinsurance Asset	Net
Balance at the beginning of the year	413 964	24 722	389 242	393 280	24 065	369 215
Premiums written during the year	2 168 955	185 865	1 983 090	1 994 199	148 802	1 845 397
Less: Premiums earned during the year	(2 165 931)	(181 086)	(1 984 845)	(1 973 515)	(148 145)	(1 825 370)
Balance at the end of the year	416 988	29 501	387 487	413 964	24 722	389 242

d) Unexpired risk provision

Figures in Rand thousand	2019			2018		
	Gross	Reinsurance Asset	Net	Gross	Reinsurance Asset	Net
Balance at the beginning of the year	1 345	-	1 345	-	-	-
Movement during the year	(1 345)	-	(1 345)	1 345	-	1 345
Balance at the end of the year	-	-	-	1 345	-	1 345

These provisions represent the liability for short-term insurance contracts for which the Company's obligations are not expired at year-end.

Short-term insurance contracts – assumptions, change in assumptions and sensitivity*e) Process used to decide on assumptions*

Underwriting insurance risks incorporate unpredictability and the Company recognises that it is impossible to predict future claims payable under existing insurance contracts with absolute certainty. To this end, the Company has over time, developed a methodology that is aimed at establishing insurance provisions that have a reasonable likelihood of being adequate to settle all its insurance obligations.

Notes to the annual financial statements

for the year ended 31 March 2019 (continued)

10.1 Claim provisions

The Company's outstanding claims provisions include notified claims, IBNR claims as well as ULAE.

The claims provisions:

- Reflect the 'best estimate' of likely future claims experience;
- Include an allowance for 'pure IBNR' (late reported claims) and 'IBNER' (development of known claims);
- Implicitly allow for claims inflation; and
- Include allowance for direct claims handling expenses (e.g. loss adjuster fees).

In addition to the best estimate, a risk margin is included to bring the claims provision up to the 75% probability of sufficiency level. In other words, a provision is held against the worst outcome expected in any one year over a four-year period.

Notified claims

Each notified claim is assessed on a separate, case-by-case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar claims. The Company employs staff experienced in claims handling and rigorously applies standardised policies and procedures around claims assessment. The provision for each notified claim includes an estimate of the associated claims handling costs but excludes Value Added Tax.

The ultimate cost of the reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Case estimates are therefore reviewed and updated as new information becomes available.

IBNR claims

Assumptions for each line of business are determined based on historic data. The expected claims liabilities are estimated for specific lines of business.

For motor, property and engineering classes, there was sufficient data to enable the valuation of the claims provisions using actuarial methods, gross and net of reinsurance claims data.

The provisions for notified claims and IBNR are initially estimated at a gross level. A separate calculation is then carried out to determine the estimated reinsurance recoveries. The calculation of the reinsurance recoveries considers the type of the risk underwritten, which year the gross claim occurred and therefore under which reinsurance programme the recovery will be made, the size of the claim and whether or not the claim was an isolated incident or forms part of a catastrophe reinsurance claim. A liability adequacy test was performed where the gross insurance premiums were compared to the claims incurred and an additional provision was deemed unnecessary.

10.2 Assumptions

The assumptions that have the greatest effect on the measurement of insurance contract provisions are:

- The selected development factors for the basic chain-ladder and Bornhuetter-Ferguson methods;
- Loss ratios used in the Bornhuetter-Ferguson method;
- Large loss frequency and severity; and
- Risk margin assumptions.

10.3 Changes in assumptions and sensitivity analysis

Large losses were analysed separately from attritional losses during the current year. Sasria's experience shows that large losses develop at a different rate to attritional claims.

The reasonableness of the estimation process is tested by management and reviewed on an annual basis. The source data used in the estimation process is the past claims experience. The Company believes that the liability for claims carried at period-end is adequate.

As part of the process of estimating the provision for outstanding claims, the Company prepares a sensitivity analysis. The analysis provides an indication of the adequacy of the Company's claims estimation process. During the current financial period an analysis was done to determine the sensitivity of profit assuming an additional 25% in outstanding claims including IBNR. The gross impact on profit before tax would be a reduction of R317 million (2018: R191 million). The net impact after reinsurance on profit before tax would be R317 million (2018: R191 million).

Due to there being no specific claims trends, an assumption of 25% was used.

In addition, the sensitivity of IBNR was calculated based on the loss ratios for the motor and property classes.

The sensitivity was based on the following:

- The loss ratios are 10% higher than those chosen in the base, i.e. multiplied by 1.1 (Sensitivity 1); and
- The loss ratios are 10% lower than those chosen in the base, i.e. multiplied by 0.9 (Sensitivity 2).

The following table shows the sensitivity by class of business, gross of reinsurance:

Sensitivity analysis – gross

Class of business Figures in Rand thousand	Base (recommended)	Sensitivity 1 (LR – 10% higher)			Sensitivity 2 (LR – 10% lower)		
	IBNR	IBNR	Change	% change	IBNR	Change	% change
Engineering	4 680	4 215	465	10.0	5 145	465	10.0
Motor	17 497	11 274	6 224	(36.0)	23 721	6 224	36.0
Property	43 280	3 417	39 864	(92.0)	83 144	39 864	92.0
Other	227	206	(21)	(9.3)	248	21	9.3

10.4 Claims development tables

The presentation of the claims development tables is based on the actual date of the event that caused the claim (accident year basis). The claims development tables represent the development of actual claims paid.

Payment development – gross

	Total R million	2019 R million	2018 R million	2017 R million	2016 R million	2015 R million	2014 R million	2013 R million	2012 R million	2011 and prior R million
Reporting year										
Actual claims costs										
2019	1 079 050	668 217	284 988	101 177	21 225	769	-	2 674	-	-
2018	708 218	-	263 403	262 700	171 440	8 361	498	1 816	-	-
2017	650 996	-	-	297 447	290 826	55 871	6 109	771	(28)	-
2016	421 884	-	-	-	196 415	179 076	38 255	6 848	1 124	166
2015	300 156	-	-	-	-	162 141	105 950	31 932	11	122
2014	506 775	-	-	-	-	-	139 265	305 987	55 716	5 807
2013	252 373	-	-	-	-	-	-	149 387	71 787	31 199
2012	167 377	-	-	-	-	-	-	-	91 327	76 050
2011	148 788	-	-	-	-	-	-	-	-	148 788
2010	87 425	-	-	-	-	-	-	-	-	87 425
Cumulative payments to date	-	668 217	548 391	661 324	679 906	406 218	290 077	499 415	219 937	349 557

Notes to the annual financial statements

for the year ended 31 March 2019 (continued)

Payment development – net

	Total	2019	2018	2017	2016	2015	2014	2013	2012	2011 and prior
	R million	R million	R million	R million	R million	R million	R million	R million	R million	R million
Reporting year										
Actual claims costs										
2019	1 078 515	668 217	284 988	101 177	21 225	769	-	2 139	-	-
2018	707 855	-	263 403	262 700	171 440	8 361	498	1 453	-	-
2017	650 847	-	-	297 447	290 826	55 871	6 109	617	(23)	-
2016	420 239	-	-	-	196 415	179 076	38 255	5 478	899	116
2015	293 731	-	-	-	-	162 141	105 950	25 545	9	86
2014	432 692	-	-	-	-	-	139 265	244 789	44 573	4 065
2013	198 778	-	-	-	-	-	-	119 509	57 430	21 839
2012	126 297	-	-	-	-	-	-	-	73 062	53 235
2011	99 899	-	-	-	-	-	-	-	-	99 899
2010	16 634	-	-	-	-	-	-	-	-	16 634
Cumulative payments to date	-	668 217	548 391	661 324	679 906	406 218	290 077	399 530	175 950	195 874

Reporting development – gross

	Total	2019	2018	2017	2016	2015	2014	2013	2012	2011 and prior
	R million	R million	R million	R million	R million	R million	R million	R million	R million	R million
Reporting year										
Provision raised										
2019	1 178 163	777 443	330 480	56 710	12 400	1 088	-	42	-	-
2018	719 295	-	436 768	216 659	62 017	3 184	126	541	-	-
2017	747 216	-	-	438 264	269 667	36 951	1 647	687	-	-
2016	587 989	-	-	-	460 855	107 702	15 380	4 052	-	-
2015	427 936	-	-	-	-	307 060	109 772	11 104	-	-
2014	252 070	-	-	-	-	-	205 665	45 126	1 090	189
2013	476 576	-	-	-	-	-	-	381 369	91 926	3 281
2012	174 093	-	-	-	-	-	-	-	138 881	35 212
2011	121 647	-	-	-	-	-	-	-	-	121 647
2010	50 492	-	-	-	-	-	-	-	-	50 492
Cumulative payments to date	-	777 443	767 248	711 633	804 939	455 985	332 590	442 921	231 897	210 821

Reporting development – net

	Total R million	2019 R million	2018 R million	2017 R million	2016 R million	2015 R million	2014 R million	2013 R million	2012 R million	2011 and prior R million
Reporting year										
Provision raised										
2019	1 178 154	777 443	330 480	56 710	12 400	1 088	-	33	-	-
2018	719 187	-	436 768	216 659	62 017	3 184	126	433	-	-
2017	747 079	-	-	438 264	269 667	36 951	1 647	550	-	-
2016	587 179	-	-	-	460 855	107 702	15 380	3 242	-	-
2015	425 715	-	-	-	-	307 060	109 772	8 883	-	-
2014	242 770	-	-	-	-	-	205 665	36 101	872	132
2013	380 934	-	-	-	-	-	-	305 096	73 541	2 297
2012	135 753	-	-	-	-	-	-	-	111 105	24 648
2011	85 153	-	-	-	-	-	-	-	-	85 153
2010	35 344	-	-	-	-	-	-	-	-	35 344
Cumulative payments to date	-	777 443	767 248	711 633	804 939	455 985	332 590	354 338	185 518	147 574

11. Cash and cash equivalents

Figures in Rand thousand	2019	2018
Cash and cash equivalents comprise:		
Call account	2 044 697	1 238 081
Money market instruments with maturities of less than three months	690 734	529 948
Bank and cash balances	1 426 794	172 745
	4 162 225	1 940 774

The effective interest rate on short-term bank deposits with maturities of less than three months ranges between 7.79% and 8.53% (2018: 7.20% and 8.40%). The effective interest rate on the call account at the reporting date ranges between 6.25% and 6.50% (2018: 6.75% and 6.25%) and on the Reserve Bank account between 5.55% and 6.37% (2018: 7.07% and 7.65%).

Notes to the annual financial statements

for the year ended 31 March 2019 (continued)

12. Share capital

Figures in Rand thousand	2019	2018
Authorised		
1 ordinary share of 100 cents	-	-
Issued		
1 ordinary share of 100 cents	-	-

The issued share capital consists of one ordinary share with a par value of 100 cents, and is unchanged from previous financial year. The share is fully paid for.

13. Payables

Figures in Rand thousand	2019	2018
Trade payables and accrued expenses	47 599	70 445
Value Added Tax	3 081	10 692
Amounts due to reinsurers	22 545	13 701
Total	73 225	94 838

All payables are current liabilities. Fair values therefore largely approximate carrying values.

14. Employee benefit liability

2019 Figures in Rand thousand	Opening balance	Additions	Utilised during the year	Reversed/ forfeited during the year	Total
Leave pay	2 109	1 916	(1 746)	-	2 279
Bonus	17 064	10 334	(15 349)	-	12 049
	19 173	12 250	(17 095)	-	14 329

2018 Figures in Rand thousand	Opening balance	Additions	Utilised during the year	Reversed/ forfeited during the year	Total
Leave pay	1 611	710	(109)	(103)	2 109
Bonus	9 617	17 137	(9 690)	-	17 064
	11 228	17 847	(9 799)	(103)	19 173

The leave pay provision relates to vested leave pay which employees may become entitled to when they leave the employment of the Company or utilise as accrued leave.

The bonus provision consists of a performance bonus accrual based on the achievement, prior to year-end, of predetermined financial and qualitative targets.

15. Deferred income

Figures in Rand thousand	2019	2018
Balance at the beginning of the year	4 321	7 219
Movement in income statement	4 529	(2 898)
	8 850	4 321

16. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The gross movement on the deferred income tax account is as follows:

Figures in Rand thousand	2019	2018
At the beginning of the year	(91 860)	(18 159)
Income statement charge	71 135	(73 701)
	(20 725)	(91 860)

Figures in Rand thousand	Balance as at 31 March 2018	(Charged)/credited to the income statement	Balance as at 31 March 2019
Provisions	6 317	(1 684)	4 633
DAC and other intangible assets	(30 024)	657	(29 367)
Tax value of losses carried forward	-	49 387	49 387
Unrealised appreciation of investments	(68 153)	22 775	(45 378)
Total	(91 860)	71 135	(20 725)

Figures in Rand thousand	2019	2018
Deferred income tax assets	49 387	6 317
Deferred income tax liabilities	(70 112)	(98 177)
Net deferred tax balance	(20 725)	(91 860)

Notes to the annual financial statements

for the year ended 31 March 2019 (continued)

17. Net insurance premium earned

Figures in Rand thousand	2019	2018
Insurance contracts		
Gross insurance premium written	2 168 955	1 994 199
Change in gross unearned premium provision	(1 680)	(22 029)
Premium revenue arising from insurance contracts	2 167 275	1 972 170
Reinsurance contract		
Insurance premium ceded to reinsurers	(185 865)	(148 802)
Change in reinsurers' share of unearned premium provision	4 779	657
Premium revenue ceded to reinsurers	(181 086)	(148 145)
Net insurance premium earned	1 986 189	1 824 025

Excess of loss reinsurance cover was purchased for 2019 at a cost of R107.19 million (2018: R85.15 million). There were no events in either 2019 or 2018 that prompted losses of sufficient size to trigger a recovery from these contracts.

18. Investment income

Figures in Rand thousand	2019	2018
Interest income	458 852	418 003
Dividend income	63 869	52 337
Unrealised net fair value (losses)/gains	(228 171)	341 425
Realised net fair value (losses)/gains	(23 491)	21 889
	(187 793)	415 651
	271 059	833 654

19. Insurance claims and loss adjustment expenses

Figures in Rand thousand	2019	2018
Gross		
Gross insurance claims and loss adjustment expenses	(1 661 119)	(707 820)
Movement in outstanding claims and IBNR	82 314	44 939
	(1 578 805)	(662 881)
Reinsurers' share		
Reinsurers' share of gross insurance claims and loss adjustment expenses	481	(39)
Movement in outstanding claims and IBNR and loss adjustment expenses recovered from reinsurers	(100)	29
	381	(10)

20. Expenses for the acquisition of insurance contracts

Figures in Rand thousand	2019	2018
Gross commission paid	317 112	280 219
Movement in net deferred acquisition cost	2 702	(9 128)
	319 814	271 091

21. Expenses for administration and marketing

Figures in Rand thousand	Note	2019	2018
Expenses for administration and marketing include:			
Advertising expenses		7 291	5 384
Auditor remuneration: statutory audit		2 362	1 922
Auditor remuneration: other services (training)		-	438
Total auditor remuneration		2 362	2 360
Depreciation – property and equipment	5	3 389	3 818
Investment administration expenses		25 395	21 920
Employee benefit expense	22	91 114	78 760
Social responsibility allocation		26 874	25 446
Loss/(profit) on sale of property and equipment and intangible assets		25	(67)
Consulting and professional fees		4 319	1 663
Policy administration fees		271 129	247 538
Operating lease expense		7 794	4 410
Amortisation – intangible assets	6	1 482	1 141

22. Employee benefit expense

Figures in Rand thousand	2019	2018
Wages, salaries and bonuses	75 949	66 303
Medical aid	2 661	2 304
Leave pay accrual	171	607
Post-employment benefits: Pension – Defined contribution plan	12 333	9 546
	91 114	78 760
Number of employees (full-time)	99	87

Notes to the annual financial statements

for the year ended 31 March 2019 (continued)

23. Income tax expense

Figures in Rand thousand	2019	2018
Current		
Current year normal tax	-	293 894
Prior year adjustment	-	(25 335)
	-	268 559
Deferred		
Deferred income tax (note 16)	(71 135)	73 701
	(71 135)	342 260
Reconciliation of the taxation		
(Loss)/profit before tax	(72 518)	1 367 465
Tax at the applicable tax rate of 28% (2018: 28%)	(20 305)	382 889
Effects of: Income not subject to tax:		
Other income exempt/expenses not allowable	79 032	(14 897)
Prior year adjustment – Income tax	-	(25 335)
Prior period over provision – Deferred tax	-	(401)
Capital gains taxation	-	4
Deductible temporary differences	(129 862)	-
Tax charge for the period	(71 135)	342 260
Effective rate (%)	(98.09)	25.03

24. Related party transactions and balances

Relationships

The Company is 100% owned by its shareholder, the government of the Republic of South Africa, represented by the National Treasury.

Sasria is a schedule 3B public entity in terms of the PFMA, 1999, as amended. The related party disclosure is in terms of the requirements of IAS 24: Related Party Disclosures.

The related parties of Sasria consist mainly of government departments, state-owned enterprises, and other public entities in the national sphere of government and key management personnel of Sasria or its shareholder and close family members of these related parties. The list of public entities in the national sphere of government was provided by National Treasury on their website www.treasury.gov.za. They also provided the names of subsidiaries of public entities.

Sasria does not have any Prescribed Officers as defined per IAS 24: Related Party Disclosures.

The comparative information has been based on the list of public entities and their subsidiaries effective as at 31 March 2019.

The following transactions were carried out with related parties:

Sales of goods and services

Sasria does not make any direct sales to related parties. All sales are made indirectly through the agents and passed on to Sasria in total through a bordereau without disclosing the identities of the individual insureds. Sasria would only interact with individual insureds in the event of a claim being presented through the agents.

Figures in Rand thousand

	2019	2018
Purchase of goods and services		
Shareholder, including government departments	27 960	217 471
South African Revenue Services (SARS)		
Taxation paid to SARS (Income Tax, VAT and PAYE)	69 445	278 923
Financial Sector Conduct Authority (FSCA)/FSB		
Fees paid to FSCA/FSB	1 071	1 192
Interest and refunds received (SARB and Inseta)	58 247	55 384

Year-end balances arising from transactions

Figures in Rand thousand

	2019	2018
Assets included in the statement of financial position		
Bonds issued by government and semi-government	812 235	2 454 790
Money market instruments issued by government and semi-government	2 231	2 400
Cash held at government and semi-government	929 306	871 770
Closing balance	1 743 772	3 328 960

Dividend payment

A dividend of R nil million (2018: R162.9 million) was declared and paid to the shareholder during the year.

Key management compensation

Key management is defined as those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Please refer to note 25, for Directors and executive management emoluments.

Notes to the annual financial statements

for the year ended 31 March 2019 (continued)

25. Directors and executive management emoluments

Non-executive directors

2019 Figures in Rand thousand		Salary/fees	Total
MA Samie*		227	227
BJ Mkgangisa		480	480
SH Schoeman*		106	106
R Mothapo*		452	452
MO Ndlovu		605	605
T Mbatsha		501	501
MT Moutlane		447	447
JM Nair***		374	374
T Baloyi**		755	755
O Mokonyane**		401	401
C van Dyk**		299	299
		4 647	4 647

* Resigned by rotation 31 May 2018

** Appointed effective 1 June 2018

*** Fees paid to National Treasury

2018 Figures in Rand thousand		Salary/fees	Total
MA Samie		725	725
BJ Mkgangisa		337	337
SH Schoeman		387	387
R Mothapo		425	425
MO Ndlovu		408	408
T Mbatsha		386	386
MT Moutlane		405	405
JM Nair*		281	281
		3 354	3 354

* Fees paid to National Treasury

No bonus and retention, contribution or car allowances were paid to non-executive directors.

Executive directors

2019 Figures in Rand thousand	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
CM Masondo	3 399	1 447	403	76	5 325
B Mthiyane*	1 921	-	156	-	2 077
	5 320	1 447	559	76	7 402

* Started 1 May, became director 1 June 2018

2018 Figures in Rand thousand	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
CM Masondo	2 844	498	237	76	3 655
	2 844	498	237	76	3 655

Executive management

2019 Figures in Rand thousand	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
T Chocho*	282	-	37	-	319
S Harrop-Allin	2 060	615	169	21	2 865
M Mavuso	1 924	600	325	-	2 849
F Benjamin	1 996	570	254	-	2 820
AS Nkosi	2 597	533	210	-	3 340
	8 859	2 318	995	21	12 193

* Started 1 February 2019

2018 Figures in Rand thousand	Salary/fees	Bonus and retention	Contributions	Car allowance	Total
TC Mahlangu*	293	328	27	17	665
S Harrop-Allin	1 629	342	134	21	2 126
M Mavuso	1 650	328	134	-	2 112
R Mathafena**	537	299	44	-	880
F Benjamin	1 536	-	125	-	1 661
AS Nkosi ***	1 714	-	139	-	1 853
	7 358	1 297	603	38	9 293

* Resigned 30 June 2017

** Resigned 31 August 2017

*** Started 1 July 2017

Notes to the annual financial statements

for the year ended 31 March 2019 (continued)

26. Cash generated from operations

Figures in Rand thousand	2019	2018
(Loss)/profit before tax	(72 518)	1 367 465
Adjustments for:		
Investment income	(271 059)	(833 654)
Depreciation	3 389	3 818
Amortisation of intangible assets	1 482	1 141
Loss/(profit) on sale of assets	25	(67)
Movements in employee benefit liabilities	(4 844)	7 945
Operating profit before working capital changes	(343 525)	546 648
Reinsurance contracts	(4 679)	(628)
Deferred acquisition costs	(1 827)	(6 229)
Insurance receivables	(11 049)	(14 487)
Loans and receivables	13 506	16 761
Insurance contract liabilities	(501 435)	(22 910)
Deferred income	4 529	(2 898)
Payables	(21 613)	1 205
	(866 093)	517 462

The Company classifies the cash flows for the purchase and disposal of financial assets in its operating cash flows, as the purchases are funded from the cash flows associated with the origination of insurance contracts, net of the cash flows for payments of insurance benefits and claims.

27. Capital commitments

Figures in Rand thousand	2019	2018
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	7 155	6 625
- one year to five years	25 087	32 243
	32 242	38 868

Operating lease payments represent rentals payable by the Company for its office properties. Leases are negotiated for an average term of five years and rentals are fixed also for an average of five years. No contingent rent is payable.

28. Tax paid

Figures in Rand thousand	2019	2018
Balance at the beginning of the year	38 068	26 832
Current tax for the year recognised in profit or loss	-	(268 560)
Balance at the end of the year	(13 940)	(38 068)
	24 128	(279 796)

29. Fruitless and wasteful and irregular expenditure

29.1 Irregular expenditure

Irregular expenditure is recorded in the notes to the financial statements when it is confirmed. The amount recorded equals the value of the irregular expenditure incurred.

Irregular expenditure is defined in section 1 of the PFMA as “expenditure other than unauthorised expenditure incurred in contravention of or that is not in accordance with a requirement of any applicable legislation including:

- This Act; or
- The State Tender Board Act 86 of 1968 or any regulations made in terms of this Act.”

Figures in Rand thousand	2019	2018
Balance at the beginning of the year	449	-
Current year expenditure	114	449
Amounts recovered	-	-
Balance at the end of the year	563	449

The irregular expenditure identified relates to various incidences reported.

29.2 Fruitless and wasteful expenditure

Section 1 of the PFMA defines fruitless and wasteful expenditure as “expenditure which was made in vain and would have been avoided had reasonable care been exercised”.

Figures in Rand thousand	2019	2018
Balance at the beginning of the year	-	-
Current year expenditure	1 997	55
Amounts recovered	(667)	(55)
Balance at the end of the year	1 330	-

The fruitless and wasteful expenditure identified relates to various incidences reported.

In all instances, management has instituted preventative and corrective measures, including disciplinary action, as considered appropriate.

30. Contingencies

The Company, like all other insurers, is subject to litigation in the normal course of business. The Company does not believe that such litigation will have a material effect on its profit or loss and the financial condition at year-end. However, it is difficult to assess the ultimate outcome of such litigation.

31. Events after the statement of financial position date

No issues have arisen after the date of statement of financial position and the date of financial statement sign off that are significant and need reporting in the financial statements.

32. Going concern

The Board believes that the Company will continue to be a going concern in the year ahead. For this reason, the Board continues to adopt the going concern basis in preparing the annual financial statements.

33. Approval of annual financial statements

The annual financial statements were authorised for issue by the Company's Board of Directors on 16 August 2019.

Terminology

Term	Description
Acquisition cost	Costs primarily related to the acquisition of new or renewal of insurance contracts e.g. commissions and management expenses. Acquisition costs are often expressed as a percentage of earned premiums and referred to as the acquisition cost ratio.
Agent	A registered short-term insurer or underwriter which has entered into an agreement with Sasria to sell its products, collect premiums on its behalf and perform certain administrative duties.
Binder	An authority issued by an insurer to another party to enter into, vary or renew a short-term policy on behalf of that insurer; to determine the wording of a short-term policy; to determine premiums under a short-term policy; to determine the value of policy benefits under a short-term policy; or to settle claims under a short-term policy.
Bordereau	A bordereau (plural – bordereaux) is a report providing premium or loss data with identified specific risks. Bordereaux are prepared submissions to reinsurers by the ceding insurers or reinsurers.
Claim	A demand on the insurer for indemnification for a loss incurred from an insured peril.
Claims incurred	Claims cost for an accounting period made up of: <ul style="list-style-type: none"> • Claims paid for the period, including claims handling expenses; • Less outstanding claims provision at the end of the preceding accounting period, including IBNR provision; • Plus outstanding claims at the end of the current accounting period, including IBNR.
Claims incurred but not reported (IBNR)	Claims resulting from loss events that occurred prior to year-end, for which the insurer has not yet received notices or reports of loss by the end of the accounting period. An estimate is made of the amount of these claims based on previous experience.
Claims ratio (Loss ratio)	The ratio which expresses the relationship between claims and premiums. <ul style="list-style-type: none"> • The net claims ratio expresses claims net of recoveries from reinsurers as a percentage of premiums net of premiums ceded to reinsurance. • The gross claims ratio reflects the position before reinsurance is taken into account. • This is also referred to as the loss ratio.
Combined ratio	The combined ratio is a measure of performance used by underwriters/insurance companies. A combined ratio of less than 100% indicates underwriting profitability, while anything over 100% indicates an underwriting loss. To calculate the combined ratio, the loss ratio (claims ratio) is added to the expense ratio.
Companies Act	Companies Act 71 of 2008
Deferred acquisition costs (DAC)	Acquisition costs relating to unearned premiums, disclosed as a separate asset on an insurer's balance sheet.
Earned premium	The proportions of premium attributable to the period of risk that relate to the current accounting period. It represents written premium adjusted by the unearned premium provision at the beginning and end of the accounting period.
Expense ratio	The percentage of premium used to pay all the costs of acquiring, writing and servicing insurance and reinsurance.
Gross written premium (GWP) or gross written insurance premium	The premium that an insurer has received from the insured party in relation to contracts of insurance or from other insurers in relation to inwards reinsurance contracts. These are premiums on contracts entered into during the accounting period or adjustments from prior years. Also defined as premiums written and received but before deduction of reinsurance ceded.
King IV	King IV Report on Corporate Governance for South Africa 2016

Term	Description
Insurance Act	Insurance Act 18 of 2017
Intermediary	A person who negotiates contracts of insurance or reinsurance with the insurer or reinsurer on behalf of the insured or reinsured.
Outstanding claims provision	A provision for claims resulting from loss events that occurred prior to year-end that have not been paid by the insurer by the end of the accounting period.
Prudential Authority (PA)	Regulating authority for the financial sector established by the Financial Sector Regulation Act 9 of 2017.
Reinsurance premium	The premium paid by the ceding company to the reinsurer in consideration for the liability assumed by the reinsurer.
Salvage	The amount received by an insurer from the sale of (usually damaged) property on which the insurer has paid a total loss to the insured.
Sasria Act	Conversion of Sasria Act 134 of 1998
Short-term insurance	Defined in the Short-Term Insurance Act 53 of 1998 as providing benefits under short-term policies, which means engineering policies, guarantee policies, liability policies, miscellaneous policies, motor policies, accident and health policies, property policies or transportation policies or a contract comprising a combination of any of those policies.
Solvency assessment and management (SAM)	The project launched to develop a new solvency regime for the South African long- and short-term insurance industries, in order to align these industries with international standards; specifically, the Solvency II initiative underway in Europe.
SAM solvency capital requirement cover ratio	The anticipated solvency capital requirements (SCR) expected under the eventual SAM regime. It is calibrated to ensure that an insurer could withstand a 1-in-200-year stress event. It represents the actual capital held, expressed as a percentage of the SCR.
Unallocated loss adjustment expenses (ULAE)	Expenses that are not attributed to the processing of a specific insurance claims. Unallocated loss adjustment expenses are part of an insurer's expense reserves.
Underwriting	The process of examining, accepting or rejecting insurance risks, and classifying or segmenting those selected, in order to charge the proper premium for each.
Underwriting result	The underwriting profit or loss calculated by deducting claims incurred, net of commission and management expenses, from premium earned.
Unearned premium provision	The portion of premium attributable to the periods of risk that relate to subsequent accounting periods and which are carried forward to such subsequent accounting periods.

Abbreviations

Abbreviation	Description
BCM	Business continuity management
B-BBEE	Broad-Based Black Economic Empowerment
CRISA	Code for Responsible Investing in South Africa
CSI	Corporate social investment
ECR	Equity capital requirement
ERM	Enterprise risk management
ESG	Environmental, social and governance
ERP	Enterprise resource planning
EVP	Employee value proposition
FIA	Financial Intermediaries Association of Southern Africa
FSB	The Financial Services Board – the regulator of insurance companies in South Africa up to 31 March 2018. Superseded by FSCA on 1 April 2018.
FSC	Financial Sector Charter
FSCA	The Financial Sector Conduct Authority is the market conduct regulator of financial institutions which superseded the FSB on 1 April 2018.
FSRA	Financial Sector Regulation Act 9 of 2017
IAS	International Accounting Standards
ICT	Information and communications technology
IFRS	International Financial Reporting Standards
IIG	Insurance Institute of Gauteng
IISA	Insurance Institute of South Africa
IRBA Code	Independent Regulatory Board for Auditors (IRBA) Code of Professional Conduct for Registered Auditors
ISAs	International Standards on Auditing
KPI	Key performance indicator
LSM	Living standards measure
NDP	National Development Plan
ORSA	Own risk and solvency assessment
P4RR	Partnership for Risk and Resilience
PAA	Public Audit Act of South Africa 25 of 2004
PFMA	Public Finance Management Act 1 of 1999
PPP	Public-private partnership

Abbreviation	Description
PRI	Principles for Responsible Investments
ROE	Return on equity
ROI	Return on investment
SAADP	South African Actuaries Development Programme
SAIA	South African Insurance Association
SARB	South African Reserve Bank
SARS	South African Revenue Services
SCR	Solvency capital requirement
SED	Socio-economic development
SITA	State Information Technology Agency
SMME	Small, medium and micro-sized enterprise
STI	Short-term Incentive
SOE	State-owned enterprise/entity
TCF	Treating customers fairly
UNPRI	United Nations Principles for Responsible Investments

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Company information

Registration number	1979/000287/06
Authorised Financial Services Provider	FSP No. 39117
Company Secretary	M Mavuso +27 11 214 0800
Legal and Compliance Officer	M Mavuso +27 11 214 0800
Registered office	36 Fricker Road, Illovo, 2196
Postal address	PO Box 653367, Benmore, 2010
Contact numbers	+27 (0)11 214 0800 (Telephone) +27 (0)11 447 8630 (Fax)
Bankers	Nedbank Limited 81 Main Street, Johannesburg, 2001
External auditor	SizweNtsalubaGobodo Grant Thornton Inc. 20 Morris Street East, Woodmead, 2191
Website	www.sasria.co.za
Email address	contactus@sasria.co.za



Physical address: 36 Fricker Road, Illovo, 2196
Postal address: PO Box 653367, Benmore, 2010
Tel: +27 11 214 0800
Fax: +27 11 447 8630
Email: contactus@sasria.co.za
Website: www.sasria.co.za