



2014

INTEGRATED REPORT

THE KEY



Cross-reference to relevant sections within this report



View more information on our website: www.santam.co.za

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About this report

Santam Ltd (Santam or the group) is a South African company listed on the JSE under the insurance (non-life) sector. This integrated report reviews the financial year for the 12 months ended 31 December 2014 and covers insurance and investment operations in South Africa, the rest of Africa, India and Southeast Asia.

The report is aimed at all stakeholders with specific focus on providers of capital. The report content has been determined through the following complementary processes aimed at defining and confirming materiality:

- Leadership consideration of the aspects most material to the business
- A continuous and robust strategic review process
- Investor feedback and analysis of the 2013 integrated report
- An externally facilitated Global Reporting Initiative (GRI) G4 materiality workshop to identify and link material non-financial aspects to the group's strategy dashboard

Materiality is defined as those aspects that can substantively influence the assessments and decisions of stakeholders, and can significantly impact Santam's ability to create value over the short, medium and long term.

All financial and non-financial data are comparable to previous reports. In previous years, the group reported according to its operational structure in support of the strategy. This report has evolved to be an integrated Santam group strategy report. By reporting on progress and the group's ability to deliver on the strategy, the report aims to address all social, economic, environmental, risk and governance aspects that enable Santam to create value over the short, medium and long term.

The content of Santam's integrated report is based on the following reporting requirements and principles:

- King Report on Governance for South Africa (King III)
- International Financial Reporting Standards (IFRS)

- South African Companies Act, 71 of 2008, as amended
- JSE Listings Requirements
- GRI G4 sustainability reporting guidelines
- United Nations Environment Programme Finance Initiative: Principles for Sustainable Insurance (PSI)
- International Integrated Reporting Council's (IIRC) <IR> Framework

This report was prepared "in accordance" with the G4 guidelines' "core" option, which contains the essential elements of a sustainability report. Santam intends to extend its measurement and disclosure over the medium term towards "comprehensive" reporting. Aspects that are not included in the integrated report are disclosed on the website, which includes a G4 content index.



Reporting boundaries

Unless otherwise indicated, all non-financial data relate to Santam Ltd excluding subsidiaries. Santam reports its broad-based black economic empowerment verification as part of the Santam group.

All references to the Santam branded business relates to Santam Commercial and Personal, Santam Specialist and Santam Re. MiWay, the specialist subsidiaries and international partner businesses operate under their own brands.

Cross-references to notes in this report are made with reference to the full set of the annual financial statements.

Reporting elements

Stakeholders can access the elements of the 2014 annual reporting suite in the following ways:

Element	Print	Online	Target audience
2014 integrated report with summary consolidated financial statements	✓	✓	All stakeholders
Notice and proxy of annual general meeting	✓	✓	Beneficial shareholders
Full annual financial statements	✓	✓	Shareholders, analysts and investors
Sustainability-related information and downloads	✗	✓	All stakeholders



Requests for printed copies of elements, supplementary documents and feedback can be submitted to the company secretary, Masood Allie at masood.allie@santam.co.za or +27 21 915 7000.

Forward-looking statements

In this report, certain statements are made that are not historical facts and relate to analyses and other information based on forecasts of future results not yet determinable, relating, among others, to gross premium growth levels, underwriting margins and investment returns. These are forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995. Words such as “believe”, “anticipate”, “intend”, “seek”, “will”, “plan”, “could”, “may”, “endeavour” and “project” and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements.

Forward-looking statements involve inherent risks and uncertainties and, if one or more of these risks materialise, or should the underlying assumptions prove incorrect, actual results may differ from those that were anticipated. Forward-looking statements apply only as of the date on which they are made, and Santam does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Approval and assurance

Santam's 2014 integrated report is the result of combined input from all the different business units reporting on their activities and achievements for the year.

PricewaterhouseCoopers Inc provided assurance over the summary consolidated financial statements included in this report. Data relating to transformation and broad-based black economic empowerment (BBBEE) have been verified by AQRate (see www.santam.co.za for the certificate).



Scope 1 and 2 of Santam's 2014 carbon footprint will be verified by Ernst & Young and the assurance statement will be available on www.santam.co.za by 31 March 2015.



Non-financial indicators were reviewed by an internal process that includes approval by management and the executive committee.

The 2014 integrated report was reviewed by the audit and the social, ethics and sustainability committees and recommended for approval to the board that provided final approval on 2 March 2015. On this basis, the board is satisfied that the 2014 report offers stakeholders the necessary substance to make considered evaluations about the performance and sustainability of the group.

2014 at a glance

Key facts

	2014	2013
Gross written premium	R22.7 billion	R20.6 billion
South African market share	>22%	>22%
Claims ratio	63.1%	69.3%
Return on shareholders' funds	24.7%	20%
Headline earnings per share	1 446 cents	1 033 cents
Number of group employees	5 163	4 779
Sanlam BBEE level	2	3
Black ownership percentage	30.0%	31.3%
Global Credit Rating	AAA claims paid ability	AAA claims paid ability
Fitch rating	AA+ national insurer financial strength	AA+ national insurer financial strength
Standard & Poor's rating	*BBB+ international rating AA+ national scale rating	A- international rating AA+ national scale rating
Value of claims incurred	R10.9 billion	R11.6 billion

* International rating lower due to sovereign downgrade

Key financial goals

	Achieved in 2014	Long-term goal
Return on capital	24.7%	22.5%
Gross written premium growth (including cell insurance)	10.0%	Real GDP growth
Gross written premium growth (excluding cell insurance)	12.0%	
Acquisition cost ratio	28.2%	27%
Underwriting margin	8.7%	4 – 6% through the cycles
Investment return on insurance funds	2.5%	2.5% of NEP through the cycles
Solvency ratio	46%	35 – 45%

GDP = Gross domestic product

NEP = Net earned premium

This is the Santam group

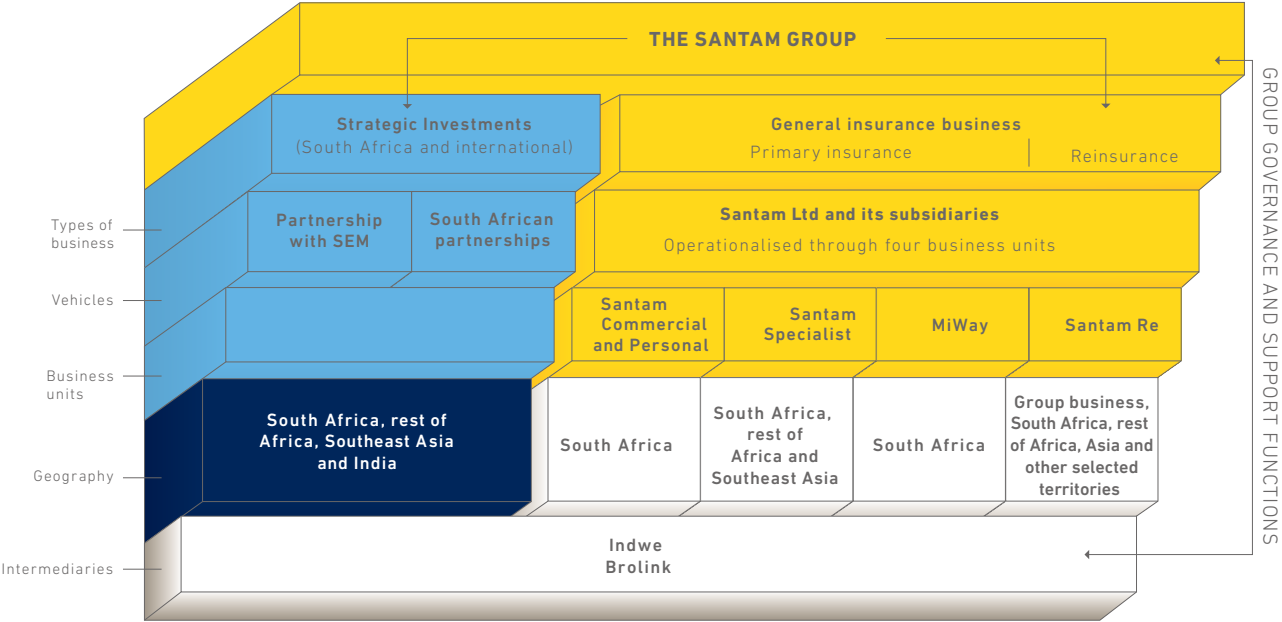
Santam is the leading general insurer in South Africa with a market share in excess of 22%. The group provides a diversified range of general insurance products and services in southern Africa and internationally through a network of more than 2 700 intermediaries and direct channels. The group's more than 1 million policyholders range from individuals to commercial and specialist business owners and institutions.

The group derives revenue from insurance activities and investments. Insurance activities include commercial and personal insurance and alternative risk cover. The performance of insurance activities is based on gross written premium as a measure of growth with net underwriting results and net insurance result as measures of profitability.

The group consists of the Santam branded business units (Santam Commercial and Personal, Santam Specialist and Santam Re) and wholly owned subsidiaries – MiWay and Centriq. Included in Santam Specialist is a number of specialist underwriting managers. The group also holds a 100% interest in Indwe, an independently managed insurance intermediary business with individual, commercial and corporate clients. During the year, the group acquired a 100% interest in Brolink, an independently managed insurance administration business. The group holds economic participation in general insurance

businesses in Africa, India and Southeast Asia. The group's significant associate companies include:

- 34% interest in Credit Guarantee Insurance Company (credit insurer).
- 40% interest in Western National Holdings (personal and commercial insurer).



The business units are responsible for implementing their market strategies that collectively contribute to the value creation of the group. The business units share various group governance and support functions for consistency and efficiency.

Santam creates value by contributing to a robust, inclusive and responsible general insurance industry that offers policyholders value and stability. This supports a healthy South African economy.

Santam's long-term sustainability relies on the group's ability to manage systemic risk, to diversify its product and service

offering and to improve operating efficiency. In addition, Santam is committed to consumer education and increasing access to insurance for emerging and uninsured communities and individuals.

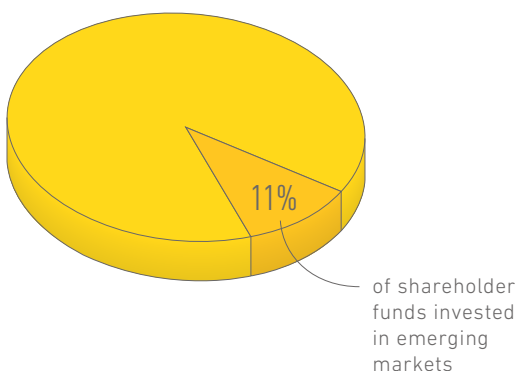
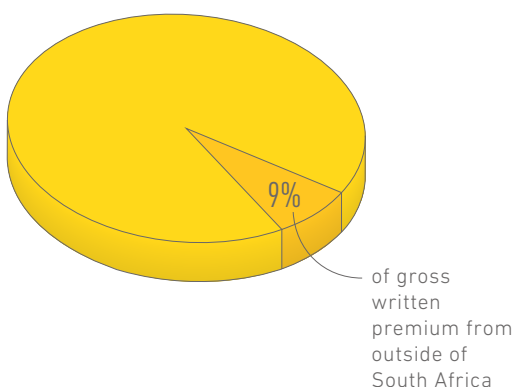
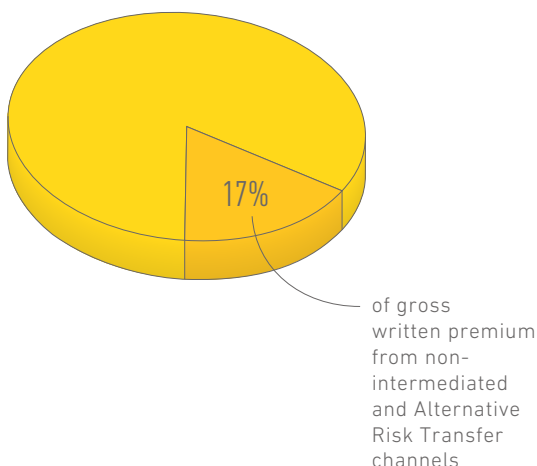
Santam is a subsidiary of South African life insurer, Sanlam, which holds 59.2% of Santam's shares.

The company was founded in 1918 and is headquartered in Cape Town, South Africa. It is an authorised financial services provider (licence number 3416).

Over the past 10 years, Santam has made several strategic shifts that resulted in the following:

- Gross written premium more than doubling from R9.7 billion to R22.7 billion
- Compound annual growth rate (CAGR) of 8.9%
- Geographic diversification: more than 9% of gross written premium is now generated outside of South Africa compared to none in 2003
- Channel diversification: 17% of gross written premium is now generated beyond the traditional, core intermediated network
- Investment diversification: more than 11% of shareholder funds are now invested in emerging markets compared to South Africa only investments 10 years ago
- Business profile: Santam now constitutes a group of complementary general insurance companies under different brands – it is no longer a single entity operating under the Santam brand

It is a success story attributed to a consistent focus on strategy formulation and disciplined execution.



Investment case

COMPETITIVENESS

Santam's scale, brand, business mix and distribution networks result in a strong competitive position in South Africa, where it has a market share in excess of 22%. The group further benefits from the diversity of its product offering, geographical spread and multiple channel capabilities, which have contributed to sustained underwriting surpluses despite highly adverse operating conditions. It currently insures 80 of the top 100 companies listed on the JSE and has a network of more than 2 700 intermediaries.

CONSISTENCY

Santam has been able to achieve underwriting profits consistently within the targeted long-term range of 4% to 6%, while adapting its business model to the prevailing market conditions and risks. Since its establishment in 1918, the group has diversified its portfolio, focusing on profitability rather than only on increasing market share. The group has enjoyed the benefit of a strong, stable and strategically aligned core shareholder in Sanlam.

Santam continues to be recognised in the market – most recently it has been voted the leading general insurer in South Africa by the intermediary community in the Commercial and Corporate insurance categories at the Financial Intermediaries Association of Southern Africa's (FIA) annual Insurer of the Year awards.

COMPETENCE

Santam has a world-class scientific underwriting capability supported by a strong and experienced management team. Its pool of specialist insurance skills and knowledge is evident in the success of its specialist business, which offers a complex range of insurance cover. Due to its integrated systems and processes, the group is also able to proactively deal with and benefit from regulatory changes, which can constitute high barriers of entry into the industry for new players. Santam has a stringent capital management framework underpinned by an internally developed, risk-based model and embedded enterprise risk management framework, which is integrated into strategic decision-making and capital allocation.

GROWTH PROSPECTS

Santam has a strong international diversification capability through the partnership with Sanlam Emerging Markets (SEM), supported by Santam Re and Santam Specialist. The latter is rapidly gaining traction in Africa whereas MiWay attracts new and previously uninsured policyholders through its online offering and call centre in South Africa. Acquisitive growth opportunities in the local market are limited due to Santam's dominant position, but organic growth remains strong, driven by Santam's well-established intermediary network.

RETURNS

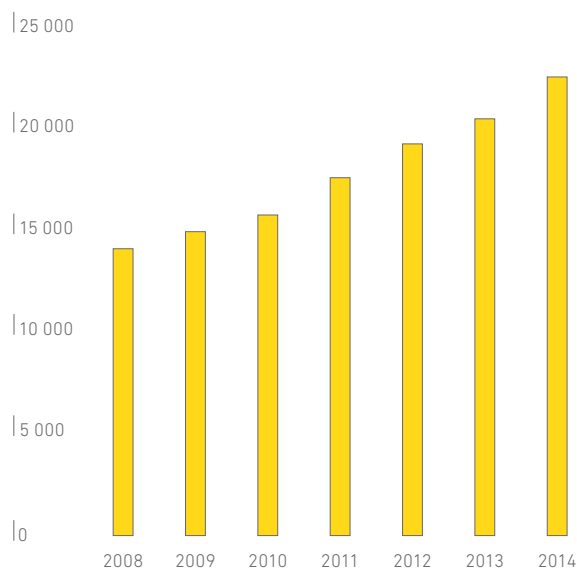
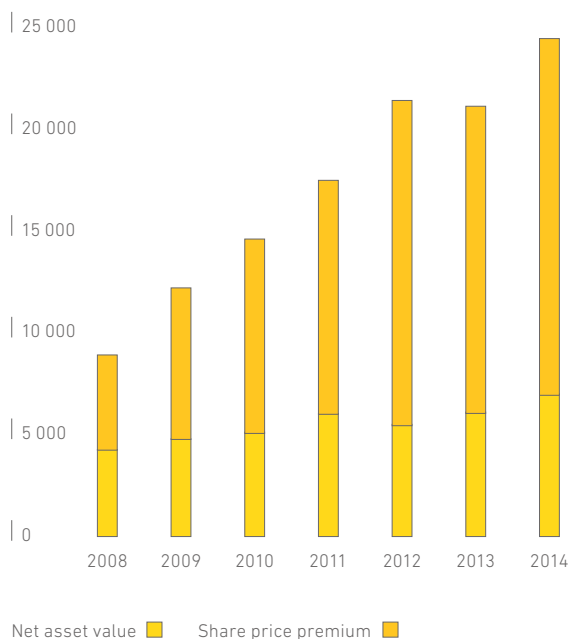
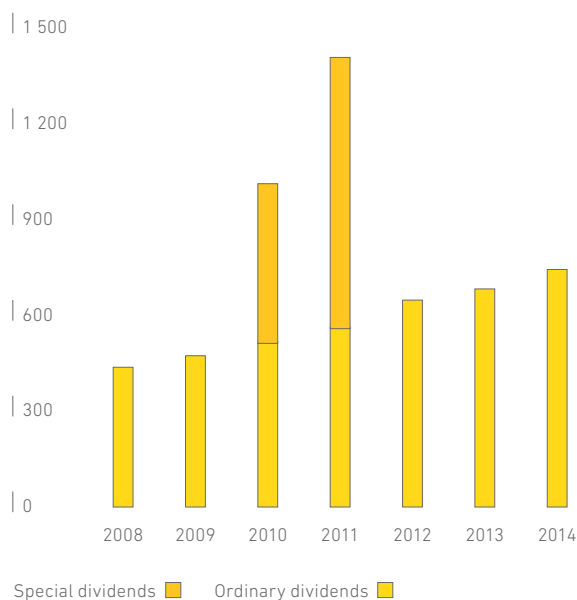
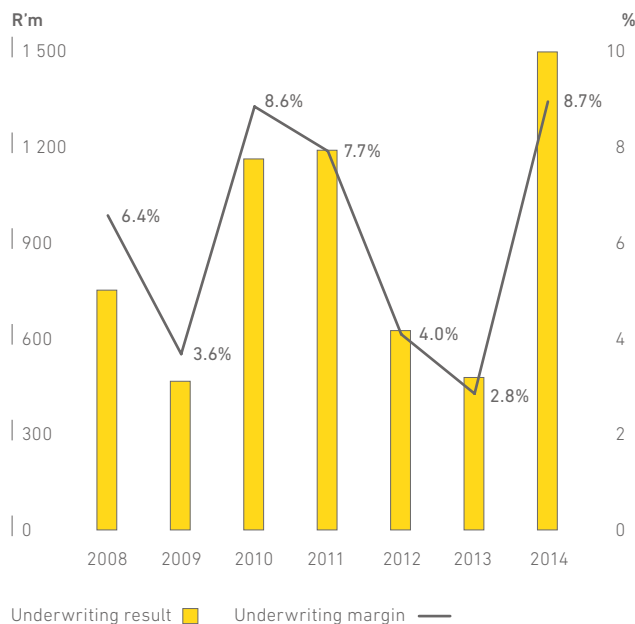
Efficient capital management and a stable dividend policy have enabled Santam to deliver consistent returns. An average return on capital of 25.4% was achieved over the last 10 years and 25.2% over the last five years. Ordinary dividend per share compound growth of 9.2% was achieved over the last 10 years and four special dividends were paid.

The business is highly cash generative. Investment performance has a solid track record.

SUSTAINABLE AND RESPONSIBLE

Santam's integrated approach to managing long-term sustainability through the improved management of systemic risk ensures alignment with the strategic drivers of the business. This is evident from initiatives such as the Business Adopt-a-Municipality (BAAM) programme, which identifies vulnerable municipalities and provides support in addressing disaster management more effectively. Santam's responsible business practices are recognised, for example, in the Ombudsman for short-term insurance's 2014 report that ranked Santam as an industry leader in claims payment and dealing fairly with policyholder complaints.

Santam has been consistently selected as one of the top performers on the JSE's Socially Responsible Investment (SRI) Index.

Gross written premium R'm**Share price premium and net asset value R'm****Dividends R'm****Underwriting result**

Seven-year review

			SEVEN-YEAR COMPOUND GROWTH %/AVERAGE	2014	2013	2012	2011	2010	RESTATED 2009	RESTATED 2008
PERFORMANCE PER ORDINARY SHARE										
Cents per share										
Headline earnings		25.3		1 446	1 033	995	1 216	1 367	906	373
Continuing operations				1 446	1 033	995	1 216	1 367	906	408
Discontinued operations				–	–	–	–	–	–	(35)
Dividends				742	675	640	555	510	466	430
Special dividends				–	–	–	850	500	–	–
Net asset value				6 115	5 360	4 840	5 329	4 535	4 012	3 548
INSURANCE ACTIVITIES*										
Net claims paid and provided (%)	Avg	66.8		63.1	69.3	68.3	64.2	64.1	70.6	68.4
Cost of acquisition (%)	Avg	27.2		28.2	27.9	27.7	28.1	27.3	25.8	25.2
Net commission paid (%)	Avg	13.5		10.9	12.7	13.0	13.7	15.3	14.9	14.3
Management expenses(%)	Avg	13.6		17.3	15.2	14.7	14.4	12.0	10.9	10.9
Combined ratio (%)	Avg	94.0		91.3	97.2	96.0	92.3	91.4	96.4	93.6
Underwriting result(%)	Avg	6.0		8.7	2.8	4.0	7.7	8.6	3.6	6.4
Earned premium (%)				100.0	100.0	100.0	100.0	100.0	100.0	100.0
* Continuing activities expressed as a % of net earned premium										
INVESTMENT ACTIVITIES										
Interest and dividends net of asset management fees				683	635	722	554	484	568	771
Net gain/(loss) on financial assets and liabilities at fair value through income				286	449	480	189	537	479	(721)
RETURN AND PRODUCTIVITY										
Earnings expressed as % of average shareholders' funds (%)	Avg	24.4		24.7	20.0	19.3	25.0	37.1	26.6	18.1
Pre-tax return on total assets (%)	Avg	8.8		9.0	6.5	8.6	10.1	13.7	8.9	5.0
Effective tax rate (%)#	Avg	28.6		28.4	20.4	36.7	25.7	26.3	26.5	36.1
Gross premium per employee (R000)**				4 020	3 913	3 680	3 608	5 116	4 883	4 436
# Continuing activities										
* Alternative Risk Transfer premiums excluded										
SOLVENCY AND LIQUIDITY										
Dividend cover (times)	Avg	2.3		2.1	1.5	3.9	2.2	3.1	2.1	1.5
Solvency margin (%)	Avg	43.6		45.6	42.3	41.4	47.7	44.8	41.7	41.7
OTHER STATISTICS										
Number of permanent employees				5 163	4 779	4 696	4 375	2 757	2 742	2 807
Employee composition (% of black employees)				60.8	59.9	59.8	56.8	54.4	50.8	49.7
Number of shareholders				5 268	5 530	5 565	5 169	4 616	4 303	3 871
Corporate social investment spend (% of NPAT)*				0.8	1.2	1.5	0.8	0.7	0.8	1.0
* Financial Services Sector Charter 2007 to 2008; dti codes from 2009 to 2012; Financial Services Sector Charter 2013										
SANTAM SHARE PERFORMANCE AND RELATED INDICATORS										
Market price per share (cents)										
Closing				21 500	18 628	19 025	14 231	13 050	10 850	7 930
Highest				22 000	19 074	20 112	15 500	13 547	11 000	9 500
Lowest				19 700	18 291	13 950	11 707	9 710	7 000	6 200
Market capitalisation (R million)				24 647	21 306	21 651	17 555	14 750	12 245	8 934
Santam share price index**				2 767	2 384	2 437	1 967	1 640	1 347	957
FTSE – JSE financial index**				1 184	953	821	597	578	506	394
Closing price/earnings (times)				14.9	18.0	19.1	12.7	9.5	12.0	13.5
Closing price/equity per share (times)				3.5	3.5	3.9	2.9	2.9	2.5	2.1
Closing dividend yield (%)				3.5	3.6	5.5	3.6	3.9	4.3	5.4
Number of shares issued (million)				114.6	114.4	113.8	113.3	113.0	112.9	112.7
Number of shares traded (million)				8.6	13.4	12.1	12.6	18.5	21.9	24.4
Number of shares traded as a % of total number of shares in issue				7.5	11.7	10.6	11.1	16.3	19.4	21.7
Value of shares traded (R million)				1 651.2	2 538.8	2 018.6	1 674.4	2 039.5	1 915.6	2 019.8
** Base year 1992										

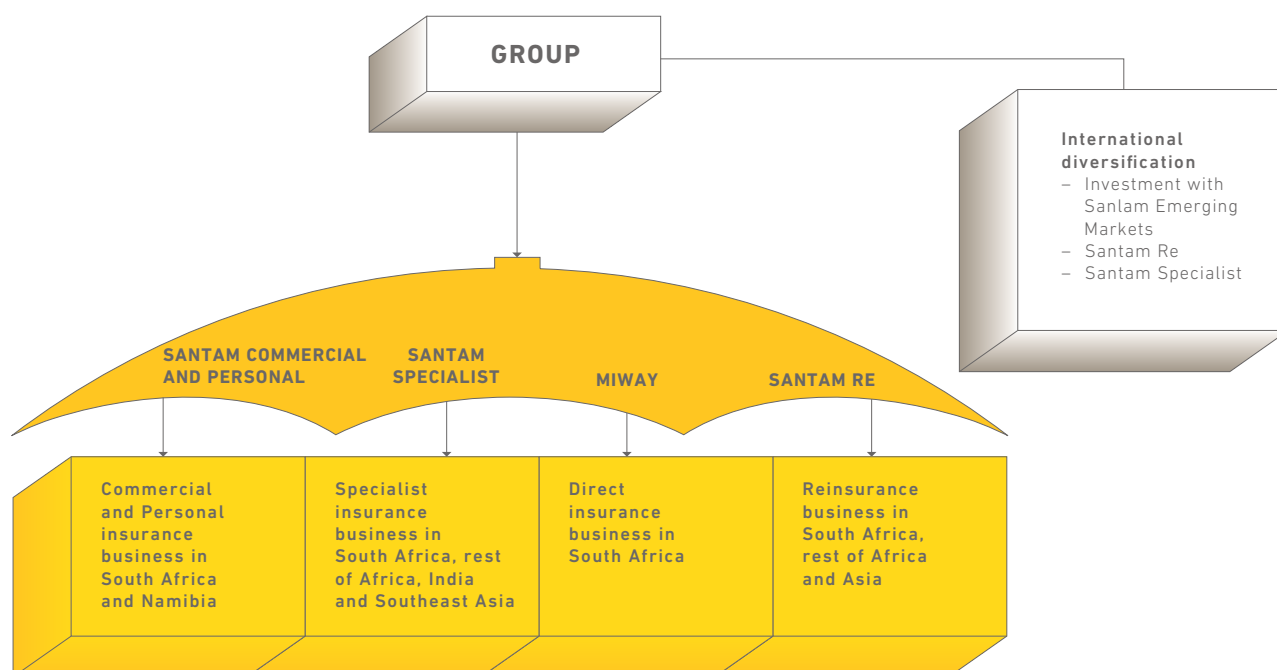
Results for 2008 are shown for continuing operations only.

Restatement for 2009 and 2008 relates to a income tax adjustment.

	SEVEN-YEAR COMPOUND GROWTH %/AVERAGE	2014	2013	2012	2011	2010	RESTATED 2009	RESTATED 2008
STATEMENTS OF COMPREHENSIVE INCOME								
Gross premium income	8.2	22 710	20 631	19 386	17 707	15 855	15 026	14 179
Net premium income	6.8	17 635	16 900	15 822	14 674	13 519	12 894	11 873
Underwriting result	12.1	1 494	477	623	1 186	1 161	466	752
Investment return on insurance funds		425	374	415	388	396	420	540
Net insurance result		1 919	851	1 038	1 574	1 557	886	1 292
Investment income and associated companies		601	752	827	440	915	670	(520)
BEE costs and MiWay deferred bonus plan expense		(82)	(30)	(57)	(55)	(15)	(13)	(13)
Amortisation of intangible asset/Impairment of goodwill		(111)	(100)	(108)	(68)	(29)	(25)	(7)
Income before taxation		2 327	1 473	1 700	1 891	2 428	1 518	752
Taxation		660	300	624	486	639	402	271
Non-controlling interest		88	53	49	29	27	34	21
Net income from continuing operations		1 579	1 120	1 027	1 376	1 762	1 081	460
Results from discontinued operations		—	—	—	—	—	—	25
Net income attributable to equity holders	21.7	1 579	1 120	1 027	1 376	1 762	1 081	485
STATEMENTS OF FINANCIAL POSITION								
Property and equipment		117	95	99	80	88	47	42
Intangible assets		1 086	1 072	990	994	988	143	155
Deferred tax asset		161	188	221	207	251	88	81
Investments in associates		355	318	261	274	211	198	175
Financial assets	14.8	13 634	12 757	10 538	10 057	8 090	6 337	5 955
Technical assets		3 963	2 713	2 095	1 832	1 518	2 070	2 252
Current assets		5 440	5 058	5 533	5 245	6 589	8 199	7 724
Non-current assets held for sale		428	415	—	—	—	—	—
Total assets		25 184	22 616	19 737	18 689	17 735	17 082	16 384
Shareholders' funds	10.3	7 440	6 532	5 617	6 141	5 219	4 672	4 135
Non-current liabilities		2 329	2 252	2 030	1 723	1 787	1 517	1 666
Technical provisions		12 274	10 862	9 805	8 577	7 803	8 316	8 238
Current liabilities, provisions		3 141	2 970	2 285	2 248	2 926	2 577	2 345
Total equity and liabilities		25 184	22 616	19 737	18 689	17 735	17 082	16 384
STATEMENTS OF CASH FLOWS								
Cash generated from operating activities after finance costs	9.3	2 350	1 498	2 256	2 403	2 020	1 725	1 375
Income tax paid		(420)	(221)	(521)	(813)	(755)	(115)	(669)
Net cash from operating activities		1 930	1 277	1 735	1 590	1 265	1 610	706
Cash (utilised)/generated in investment activities		(781)	(945)	935	201	(270)	(1 477)	921
Net disposal/(acquisition) of associated companies		—	(25)	(6)	—	(17)	26	(55)
Acquisition of subsidiaries		(28)	(105)	—	(343)	(357)	(11)	(3)
Cash acquired through acquisition of subsidiaries		3	15	—	3	262	(23)	(1 139)
Cash utilised in additions to property and equipment and intangible assets		(167)	(106)	(93)	(66)	(27)	(36)	(47)
(Acquisition)/disposal of book of business		—	(9)	(81)	—	—	54	51
Capitalisation of associated companies		(16)	—	—	—	—	—	—
Net cash used in investing activities		(989)	(1 175)	755	(205)	(409)	(1 467)	(272)
Proceeds from issuance of ordinary shares		—	—	—	—	—	—	2
Net purchase of treasury shares		(37)	—	—	(33)	(23)	(33)	(19)
Proceeds from issuance of target shares		—	277	—	—	—	—	—
(Decrease)/increase in investment contract liabilities		(21)	29	(17)	(413)	129	(101)	(138)
Increase/(decrease) in collateral guarantee contracts		6	7	(39)	—	—	—	—
Dividends paid		(853)	(782)	(1 674)	(618)	(1 113)	(513)	(476)
Increase in cell owners' interest		110	111	90	26	42	87	111
Purchase of subsidiary from non-controlling interest		—	—	—	—	(90)	—	—
Net cash used in financing activities		(795)	(358)	(1 640)	(1 038)	(1 055)	(560)	(520)
Net increase/(decrease) in cash and cash equivalents		146	(256)	850	347	(199)	(417)	(86)
Cash and cash equivalents at beginning of year		2 343	2 471	1 598	1 143	1 379	1 938	1 983
Translation gains/(losses) on cash and cash equivalents		72	128	23	108	(37)	(142)	41
Cash and cash equivalents at end of year		2 561	2 343	2 471	1 598	1 143	1 379	1 938

Results for 2008 are shown for continuing operations only.

Operational profiles



SANTAM COMMERCIAL AND PERSONAL

For commercial insurance, Santam offers a business portfolio in South Africa and Namibia that serves small to large enterprises by providing commercial insurance solutions that suit the needs of entrepreneurs and businesses.

For personal insurance, Santam offers a multiproduct and multichannel distribution portfolio that provides clients with comprehensive cover through a wide range of products. Policies target each segment's needs profile and can be tailored through flexible excess structures and policy benefits.

Santam Commercial and Personal also offers an independent administration capability through BroLink.

Santam Commercial and Personal lines distribution channels include:

- National and independent intermediaries
- Outsourced portfolio administrators
- Referral business
- Affinity business



Read more...

Business unit performance and strategic focus:

Leadership overview page 17 – 23

Operational progress: Strategic pillars page 37 – 51

SANTAM SPECIALIST

The Santam Specialist business focuses on the insurance of complex and niche market risks. Underwriting these classes requires skilled resources to assess and quantify the risk and exposure as provided through the unit's underwriting managers and niche business units. Products are client-driven and supported by bespoke underwriting criteria to manage and quantify their risks.

The Santam Specialist business unit includes:

- **Underwriting managers and niche business units:**
 - **Associated Marine Underwriting:** Leading marine underwriter in terms of premium and footprint throughout South Africa.
 - **Corporate Sure Underwriting Managers (C-Sure):** Created exclusively for residential and commercial sectional title and share block properties, and designed to give intermediaries and clients comprehensive and innovative insurance solutions.
 - **Emerald Risk Transfer:** Provider of property insurance solutions for large industrial and corporate businesses in South Africa and developing markets.
 - **Echelon Private Client Insurance:** Focused on high net worth personal lines segment of the market.

- **Hospitality and Leisure Underwriters:** Caters for the needs of the hospitality sector, from the smallest to the largest risks including retail businesses such as restaurants and caterers to game lodges and hotels.
- **Mirabilis Engineering Underwriting Managers:** Offers a comprehensive range of engineering insurance solutions in South Africa and other developing markets.
- **Santam Aviation:** Specialises in general aviation for commercial and private sector insurance including hull, third-party and passenger insurance.
- **Santam Bonds and Guarantees:** Provides a wide range of surety solutions including construction guarantees, contract bonds and court bonds.
- **Santam Transport:** The leading heavy commercial vehicle insurer in South Africa offering comprehensive cover to transport contractors.
- **Stalker Hutchison Admiral (SHA):** Provides insurance against broad-form liability, bankers blanket and computer crime, directors' and officers' liability, profession indemnity for traditional and emerging professions, as well as personal accident and motor fleet insurance.
- **Travel Insurance Consultants (TIC):** South Africa's largest travel insurance provider that offers specialised travel insurance solutions, including emergency medical, loss of money or baggage, travel supplier insolvency for leisure and corporate travellers.
- **Vulindlela Underwriting Managers (VUM):** Specialises in providing a range of insurance solutions for owners of minibus, midibus and metered taxis in South Africa. VUM has recently entered the SMME (small, medium and micro enterprises) market to expand the relationship off the taxi base to include other assets and motor vehicles in emerging markets.
- **Centriq:** A specialist cell captive insurer that focuses on alternative risk transfer, underwriting management and affinity insurance sectors.
- **Santam Agriculture:** The leading crop insurer in South Africa, focusing on named peril insurance and multiperil crop insurance.

**Read more...****Business unit performance and strategic focus:**

Leadership overview page 17 – 23

Operational progress: Strategic pillars page 37 – 51**MIWAY**

MiWay is the direct insurer in the group, underwriting predominantly personal lines general insurance business, with a commercial insurance product launched during 2014. MiWay supports Santam's strategy of growth through diversification and enables it to coexist well with, and complement, the intermediary business model within the group.

Current services include:

- general insurance (motor, home owners and home contents)
- motor warranty
- credit life
- accidental death and disability
- other value-added products
- commercial insurance (launched in 2014)
- life insurance (to be launched in 2015)

**Read more...****Business unit performance and strategic focus:**

Leadership overview page 17 – 23

Operational progress: Strategic pillars page 37 – 51**SANTAM RE**

Santam Re is a wholesale reinsurance service provider for Santam/Sanlam group general insurance businesses and independent general insurers in South Africa, Africa, India and Asia including China and South Korea. Santam Re operates on the Santam general insurance licence. Santam Re enables the group to optimise the size, quality and diversity of its overall risk pool, relative to its capital resources and risk appetite.

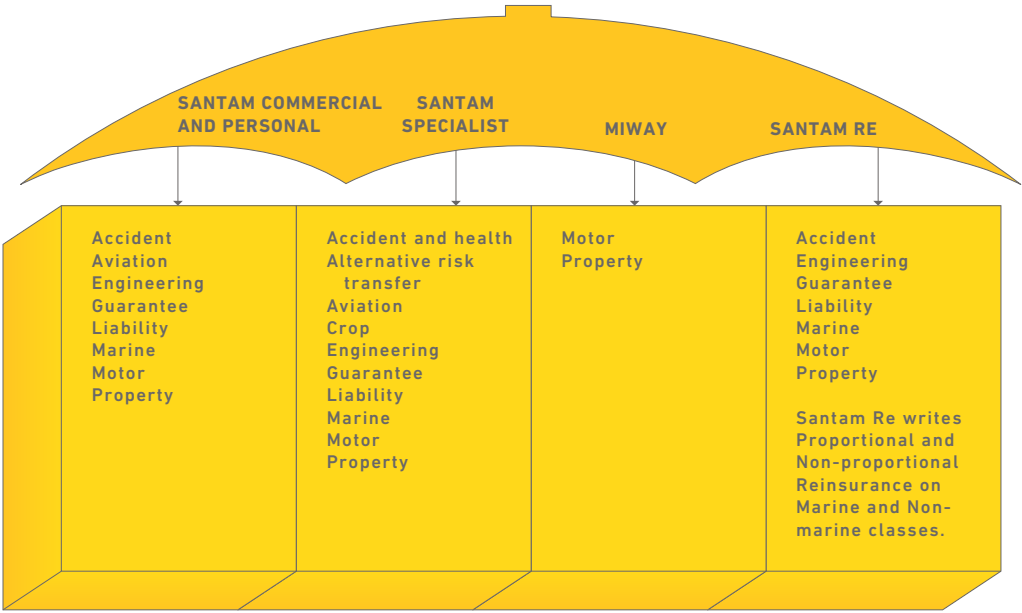
**Read more...****Business unit performance and strategic focus:**

Leadership overview page 17 – 23

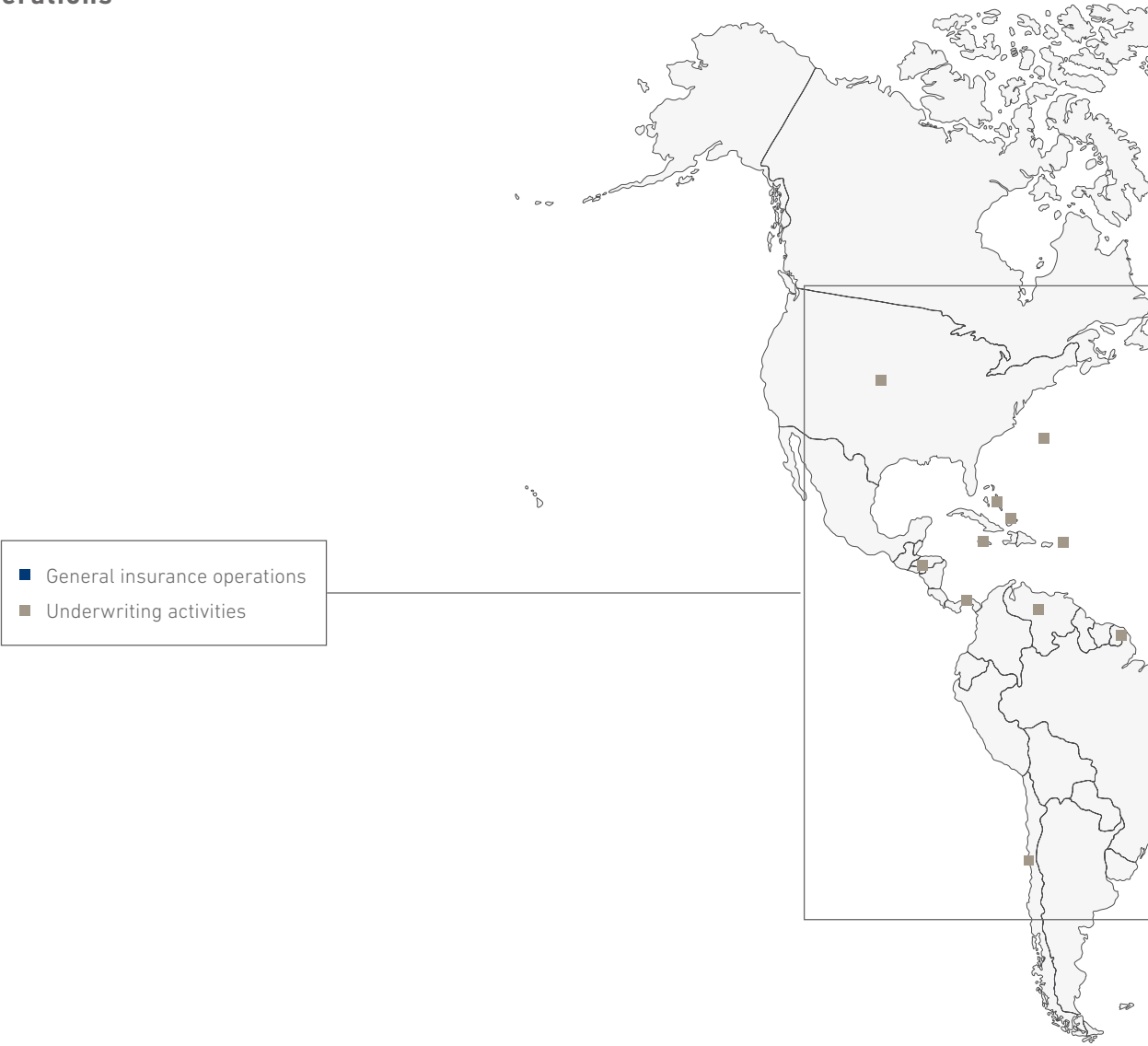
Operational progress: Strategic pillars page 37 – 51**INTERNATIONAL**

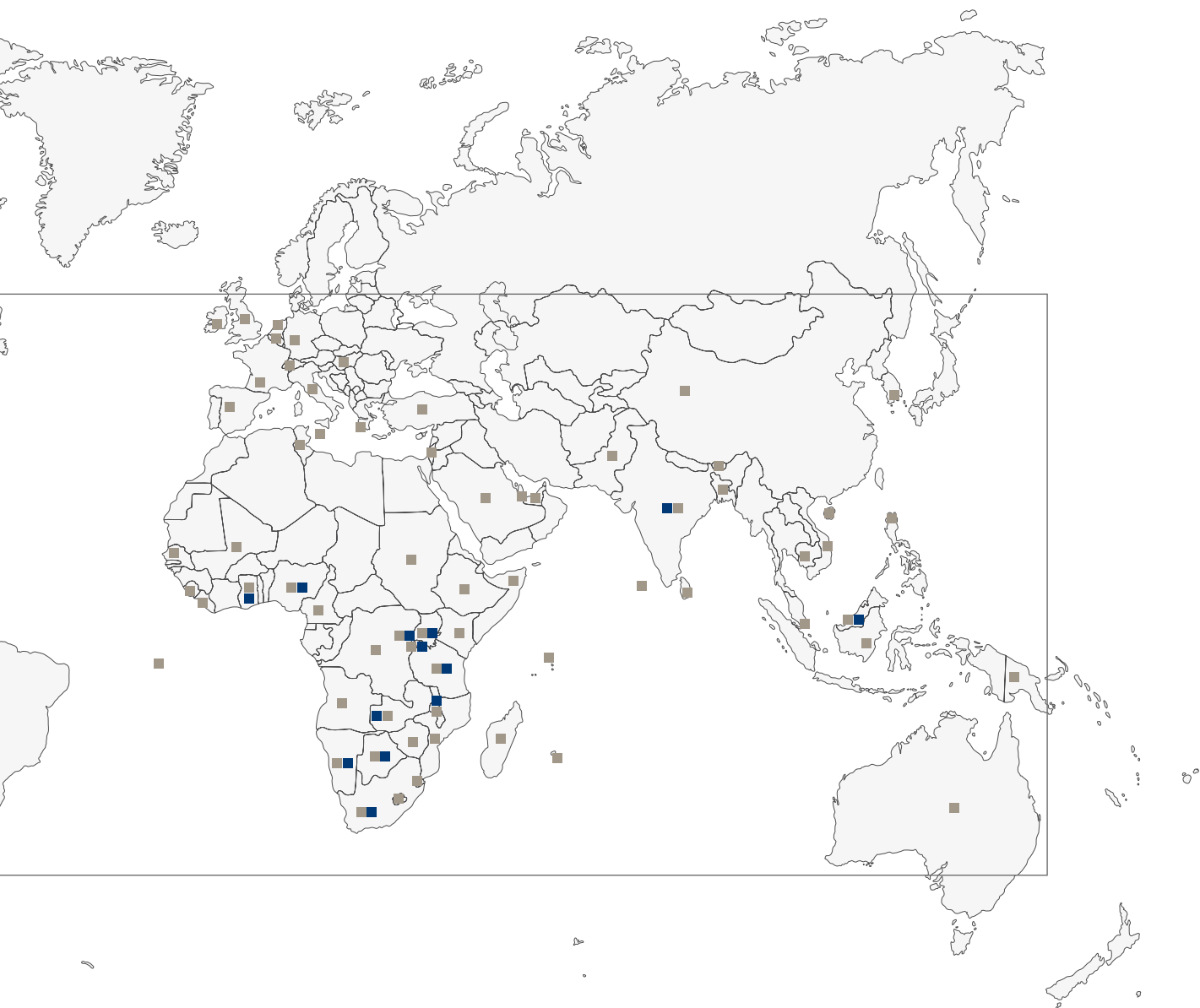
The group's international diversification strategy is driven through its partnership with SEM through which it has economic participation in general insurance businesses in Africa, India and Southeast Asia. Santam acts as the general insurance technical partner for SEM. The international diversification strategy is supported by Santam Re and Santam Specialist. This forms part of the group's multichannel and multiterritory strategy through different business units.

Classes of general insurance products



Santam's operations







The Santam brand

Santam further entrenched its brand in the general insurance market during the past year. Independent brand tracking reaffirmed awareness and affinity, and highlighted high consideration levels across market segments.

The brand association with *Insurance good and proper* is a strong and powerful one. It is all about being there for our clients when they need us most: at claims stage. But it is also about helping them to prevent things from going wrong in the first place.

Building on the successes of previous years, the brand came to life in a series of award-winning television commercials, supported with integrated media and public relations campaigns. It once again conveyed a hard-hitting, relevant message with a dash of the clever, intelligent insight that Santam has become known for.

The value of *Insurance good and proper* was showcased by giving consumers compelling reasons to choose Santam:

- We are South Africa's largest general insurer.
- We pay more money in claims than any other insurer.
- We are there for you 24/7.
- We help you to be safe out there.
- We reward you for living a safer life.

Santam brand and service accolades – 2014

FIA AWARDS

- Short-term insurer of the year – Commercial
- Short-term insurer of the year – Corporate

MIDAS AWARDS

- Awards for the best financial advertising globally

LOERIES AWARDS

- Campaign Silver – PR: Santam Through the Eyes of a Child Campaign
- Bronze – Internet/Mobile: Santam Through the Eyes of a Child Campaign

AFRICAN CRYSTAL AWARDS

- Silver African Crystal Festival awards for Santam Be Safe Out There Campaign "Such a Granny" and "Baby on Board" Film (Financial)

JSE SRI INDEX

- Qualified for 2014 SRI Index

Leadership overview

It is remarkable for a group of Santam's scale to achieve gross written premium growth of 10% and a net underwriting margin of 8.7% within the context of persistently challenging global and local economic conditions in 2014. We ascribe this to our diversified profile (general insurance offering, geographies, brands and channels) that spreads potential catastrophic risk while offering scale and volume efficiencies as well as a benign weather-related claims experience during 2014. Balancing growth with profit remains our first priority.

The general insurance industry continues facing considerable headwinds. Only a handful of insurers of substance are recording underwriting profits on a consistent basis. Market conditions are competitive in the retail, commercial and corporate segments and the main challenges are:

- Increased risk on the ground
- Our ability to reprice in the short term (especially given the rand weakness and unpredictable weather patterns)
- Volatility in equity markets

The long-term sustainability of Santam and the industry requires a deep understanding of those systemic issues that affect our ability to create value for our stakeholders, including emerging trends in legislation, governance, social development and business.

2014 snapshot

The global economic recovery remains on track despite lower growth expectations. South Africa experienced a difficult year, characterised by subdued gross domestic product growth. Consumers continue to feel the pressure resulting from unemployment, rising electricity costs and higher interest rates, with the lower oil prices bringing some relief towards the end of the year. The weaker rand, on the other hand, inflated claims costs for the business.

Despite challenging market conditions, Santam improved its financial performance, largely due to the positive impact of corrective actions introduced in 2013, which included improvements in the claims and risk management processes (see page 77 for more detail).



Weather-related incidents in South Africa were more moderate than the previous year, especially in the last quarter, which further supported an improved underwriting result. A considerable turnaround in the crop insurance business provided further relief following the challenges experienced in 2013.

Nevertheless, underwriting results still experience pressure due to claims costs and incidents such as the widespread floods in the northern parts of the country during March 2014. No significant claims had been submitted following the earthquake in the North West Province on 5 August 2014 despite the fact that Santam provided insurance cover to a number of mining operations situated in the area close to the epicentre of the earthquake.

Regulatory challenges and opportunities

There are a number of regulations currently at play, including Solvency Asset and Management (SAM), binder agreements, treating customers fairly (TCF) and the recently published Retail Distribution Review (RDR). The latter promotes appropriate, affordable and fair advice and intermediary services, while supporting a sustainable business model for financial advice. The RDR will potentially result in significant changes in the intermediated landscape.

Whereas binder agreements increased our acquisition cost in the commercial and personal business, other aspects of new regulations, such as TCF, have benefited Santam by entrenching its leading market position.

Santam's commitment to offering a client-centric experience and its value proposition of *Insurance good and proper* has been the foundation for the TCF rollout in the group (including the Santam intermediary network). The process of alignment to the six fairness outcomes, which are positioned from the perspective of the client, has enabled us to start with the refinement of our reporting system and management information requirements to be able to monitor TCF effectively on a group level. We are now awaiting feedback from the regulator on measurements.

International expansion

International diversification remains Santam's biggest growth opportunity. We have economic participation in 11 general insurance licences across Africa, India and Southeast Asia through SEM. Most of these are currently small but have the potential to grow and expand their insurance operations.

Santam's drive towards international diversification has led the group to assess the potential risks that new territories pose proactively. This is an area that will receive ongoing attention and investment going forward.

Our strategy at a glance

Santam remains committed to its three-pillar strategy, which continues to deliver.

Since the adoption of the three-pillar strategy in 2011, we have refined the pillars and targets in our strategy development and review process, including increased emphasis on client-centricity. The three-pillar strategy focus underwrote Santam's competitiveness and resilience and we believe that it will continue delivering sustainable and positive performance outcomes for our stakeholders.

INSURANCE GOOD AND PROPER



In Africa, SEM has remained committed to partnerships with local players who have an understanding of their markets. The SEM partner businesses are used to leverage the expansion of Santam Specialist and Santam Re in these territories.

We have acquired interests in SEM partner businesses in Nigeria, Rwanda and Ghana during the year.

The full report on our strategy development process and the factors that affect our long-term positioning, are set out in the section starting on page 32. We report on our activities and risks related to each pillar from page 37.



Business unit overview

This section of the report focuses on performance and strategic focus area per business unit. The chief financial officer's report starting on page 24 discusses performance per insurance class in more detail.



SANTAM COMMERCIAL AND PERSONAL

Key strategic focus areas

- Enable a multichannel distribution business with a strong focus on clients
- Drive profitability through proactive risk management, reducing costs and implementing strategic projects
- People enablement strategy – explore opportunities for accelerated transformation

Amid challenging market conditions, Santam Commercial and Personal's profitability improved, mainly as a result of the implementation of appropriate corrective actions introduced in 2013. Furthermore the business benefited from fewer weather-related catastrophe events in 2014. Santam's continued focus on optimising the claims and procurement processes reduced the effect of the volatile exchange rate.



The intermediary network, which remains at the core of the group's business, continued growing, with particular effort to increase black representation (see page 81 for detail).

The 2014 year was difficult for intermediaries who had to implement rate increases while addressing unprofitable clients and weathering strong competitive activity in the South African direct insurance market.



Santam still pays more money in claims than any other insurer, and views its claims capability and philosophy as a competitive advantage. Various initiatives were implemented in the claims area to reduce the cost of claims and enhance service delivery (see detail under "drive system efficiency" on page 45).

The premium increases in motor, contents and buildings classes have not had a negative impact on new business conversion rates this year, most likely due to price hardening in the market.

Claims volumes decreased by 1.4% (registered) year-on-year mainly due to the favourable weather experienced and the low levels of catastrophe claims. The average cost per claim was relatively flat for motor and increased by 4.4% for non-motor claims (2013: 12.3% motor increase and 17.2% non-motor increase). The average cost per claim for motor remained flat

mainly due to various strategic initiatives implemented in the claims services space such as our network solutions initiative, improved direction of spend, increased moderation and third-party assessing to name a few, all of which are bearing fruit. The relative low increase in non-motor is due to moderation implemented for jewellery, buildings and electronic claims, all of which positively affects the cost of the claim.

We have invested almost R1 billion on strategic technology data and system projects over the past seven years, and will continue rolling out current projects over the next two years.

The focus of our strategic projects has been:

- To provide intermediaries, suppliers and business partners with an effective online presence and platform to interact with us. The project, which optimises internal processes and reduces operational and transactional cost was completed in October 2014 and is now firmly entrenched in normal business operations.
- To improve service quality, quote volumes and conversion rates by centralising back-office processing and enhance the regional service structure of the commercial and personal lines contact centres. This project was completed in November 2014.
- To be more responsive to client, intermediary and market demands by implementing a core underwriting and product management technological capability. The migration of the personal lines policies will be completed by the end of 2015, whereas the commercial application is still in a building phase, scheduled for completion in 2016.

The strategic – and related – projects are complex and require significant change management. However, the benefits relating to these projects will drive the achievement of our long-term underwriting profit and expense targets.

Read more...



Business unit profile: This is the Santam group page 5 – 16

Operational progress: Strategic pillars page 37 – 51

SANTAM SPECIALIST

Key strategic focus areas

- Grow business in segments that require specialist skills – increase non-South African business
- Continue attracting and retaining top specialist talent
- Leverage reinsurance expertise and capacity

The Santam Specialist business unit delivered strong underwriting results across various business classes including the liability class. However, the high net worth personal lines business and accident and health class reported a loss due to a softening in market conditions, whereas engineering experienced pressure due to competitive forces. All other segments improved their underwriting results compared to the prior year. Gross claims increased substantially due to an increase in exposure outside of South Africa.

These challenges will increase as the business unit expands its footprint by leveraging the SEM partner businesses in Africa, India and Southeast Asia. The collaboration has contributed to the business' ability to deliver growth above inflation and supported efforts to increase the intermediary distribution network and position new products. During the year, Santam Specialist was able to forge new relationships and apply its technical expertise in new markets. This includes understanding local regulations and identifying the right partners.

The business unit launched a new Seamless Specialist Insurance solution that offers comprehensive risk protection for mega-projects across Africa. This will support the focus on growth in premium income from Africa in the next year, especially in fields such as engineering and construction, with an increasing number of large infrastructure projects, such as dams and renewable energy plants, being launched on the continent.

The ability to attract and retain the best employees in the industry continues to provide a competitive advantage, which is difficult to replicate. Retention is achieved through innovative remuneration models and incentive schemes.

Santam Specialist now has more than 70% of its premium volume on one of three core information technology (IT) platforms, which will improve cost-efficiency in the longer term and enable data sharing with the Santam group. These changes create improved access to and understanding of client data and ensure that the business unit, its intermediaries and suppliers all meet the necessary regulatory requirements.

The crop portfolio benefited from favourable weather conditions, premium increases and improved risk selection. This resulted in a net underwriting result of R251 million compared to a loss of 142 million last year.

The growth of the cell captive insurance business in Centriq was under pressure following the cancellation of a significant book of business. On the upside, there was pleasing progress with the risk financing side of the business in terms of attracting new skills and the resultant increase in deal flows. Centriq also achieved third place in its first year of participation in the Deloitte's Best Company to Work For survey (financial services segment).



Read more...

Business unit profile: This is the Santam group page 5 – 16

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MIWAY

Key strategic focus areas

- Achieve growth targets – organic growth, partnerships, acquisitions and diversification
- Improvements to the risk pool – ongoing rating, underwriting and risk selection enhancements
- Operational efficiency improvements through innovative technological developments

The direct insurance business continues to benefit from the convergence between technology and clients' needs, as well as a tightly managed business model. The business also benefits from richer data and more risk elements to effectively rate policyholders.

MiWay improved on its 2013 performance, achieving a gross written premium contribution of R1.5 billion (up 14% on previous year). The MiWay loss ratio was 57.4% (2013: 62.2%, net of catastrophe reinsurance recoveries) due to ongoing improvements to rating and claims management methodology. The acquisition cost ratio for 2014 improved to 31.7%, compared to 33.7% in 2013 due to scale benefits.

Despite the inflationary impact of the weakening rand and an increase in fraudulent claims as a result of a worsening economic landscape, MiWay managed to contain the cost of claims and claims frequency levels. MiWay ended 2014 with 225 388 clients (2013: 202 740) and 1 240 employees (2013: 1 172). The business unit took top honours in the *Mail & Guardian* Top Companies Reputation Index for 2014.

MiWay continued to grow its retail client base and sold its first commercial insurance policy in November 2014. A direct life insurance initiative will be launched in 2015.



Read more...

Business unit profile: This is the Santam group page 5 – 16

Operational progress: Strategic pillars page 37 – 51

SANTAM RE

Key strategic focus areas

- Strengthen position in selected regions and countries
- Maintain discipline and rigour in underwriting and actuarial processes
- Work with international partners to enhance growth potential and risk pool management

Santam Re's underwriting results improved following lower retrocession costs and corrective action on the South African portfolio. Growth was negatively affected by the cancellation of an unprofitable South African book of business, whereas the international business from Santam Re grew to more than R400 million this year, up from R225 million in 2013.

The African portfolio of Santam Re, excluding South Africa, broke through the R100 million premium income level. Internationally, Santam Re achieved further growth in Southeast Asia and the Middle East. Good growth was also experienced in China and South Korea, with the business achieving solid underwriting margins across most of the portfolio.

Tight exposure management is in place across the business. Due to Santam Re's diversified country risk approach, the overall risk exposure remains within the group's risk appetite.

Santam Re has a team with extensive technical skills and experience in the international reinsurance underwriting and actuarial fields. Recruitment and training is approached from an international perspective to ensure alignment with the key capabilities required by the business.

The Santam Re brand and footprint has been established in our chosen territories and the business unit will continue seeking attractively priced opportunities in these markets.



Read more...

Business unit profile: This is the Santam group page 5 – 16

Operational progress: Strategic pillars page 37 – 51

Strategy through our people

Our people are essential to the successful implementation of Santam's strategy. We are proud of the group's ability to attract and retain talent considering the limited pool of technically qualified executives and specialists available in South Africa. Santam remains committed to growing this pool through our accelerated transformation plan, which includes developing talent by creating opportunities for exposure, shadowing and learnerships. Our leadership development and coaching programme is also gaining traction with positive feedback from all levels in the organisation.

Leadership changes

Santam's Chief Executive Officer, Ian Kirk, has taken up the role of Sanlam deputy group chief executive officer in January 2015 and became a non-executive director on the Santam board. The announcement in September 2014 was followed by a well-managed recruitment process for a new Chief Executive Officer, led by Ian Kirk and the board nominations committee. At the end of November 2014 the appointment of Lizé Lambrechts as new Chief Executive Officer was announced. Lizé joined Santam in January 2015 from the Sanlam group where she was chief executive officer of Sanlam Personal Finance – Sanlam's retail business in South Africa – for the past 12 years. We look forward to a new chapter for Santam under her leadership.

Following the departure of Hennie Nortjé (executive head: operations) and Lindiwe Dlamini-Sebesho (executive head: human resources) we appointed Kevin Wright as executive head: operations and IT and expanded the portfolio of Ebrahim Asmal to executive head: claims and sourcing.

Outlook

The intermediated insurance model in South Africa is under pressure from an underwriting profitability perspective. Direct insurers, with a tighter model and better margins, are in many instances better positioned to use opportunities in commoditised insurance business. The imperative for intermediated insurers is to improve pricing accuracy, manage claims better, reduce acquisition and maintenance costs, improve operating efficiency and generally tighten up on the business model. We are also considering the potential impact of the Retail Distribution Review.

Santam's challenge over the long term will be to maintain its growth momentum in each business. We will continue focusing on the implementation of various underwriting practices and risk management approaches to improve the underwriting margin in the traditional Santam intermediated business. Our long-term underwriting target margin remains at 4% to 6% and we are confident that this is achievable through the insurance cycle.

International diversification will be a focus area for 2015 through our SEM collaboration and opportunities that this present for Santam Specialist and Santam Re.

We continue working with municipalities to reduce risk on the ground and have started to expand our BAAM initiative to a wider selection of municipalities across the country. Santam will explore further opportunities to work with other entities such as NGOs, international donors and other government departments going forward. Our focus is to create support and bring stability to communities that are vulnerable and at risk.

Appreciation

The board would like to express its gratitude to Santam's employees, intermediaries and other business partners for their effort and contributions during the year.

We thank the board for their support and ability to steer the group on its journey. The executive management team has again proven their tenacity and commitment to the group, industry and all our stakeholders. We are proud of what we have achieved in 2014.

GRANT GELINK
Chairman

LIZÉ LAMBRECHTS
Chief Executive Officer

STATEMENT FROM THE OUTGOING CHIEF EXECUTIVE OFFICER



Santam was a great experience for me personally. I never anticipated being part of the group for such a long time, and for the business to develop in the way that it has. Looking back, my personal highlight was probably weathering the 2008 crisis successfully and experiencing the outcome of our transformation efforts. Santam has always been able to adapt well: it is a completely different business today from the one that I joined. We have transformed from a business totally dependent on intermediaries to a group that benefits hugely from entrepreneurship. The Santam group has a solid business strategy in place. I believe that Lizé as incoming Chief Executive Officer has the qualities and vision to build on this and take the group forward into the next stage of its development. With the transition to Sanlam, I will remain in touch and in support of Santam's future growth and success.

– Ian Kirk

STATEMENT FROM THE INCOMING CHIEF EXECUTIVE OFFICER



I am looking forward to the opportunity to be part of the yellow umbrella. It is a privilege to be asked to lead an organisation that has established itself as the leader in the general insurance industry and continues to grow and diversify. Ahead lies the opportunity to build and extend our brand and to build deeper connections with our consumers and intermediaries. I am excited about the road ahead for Santam.

– Lizé Lambrechts

Chief financial officer's report

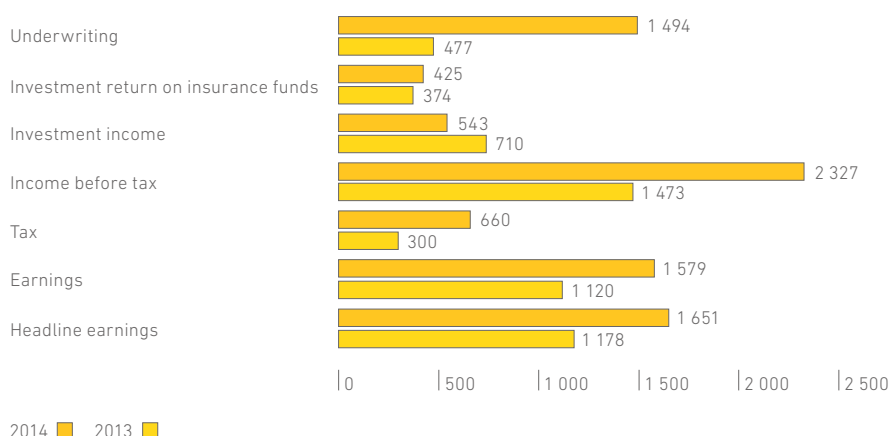
Overview

The Santam group reported strong underwriting results for the 2014 financial year with a net underwriting margin of 8.7% compared to 2.8% in 2013, significantly above the long-term target range of 4% to 6%. The results were positively impacted by improved contributions from all business units including a substantial turnaround in the crop insurance business. In addition, the absence of hail-related catastrophe events during the fourth quarter resulted in a better underwriting performance during the second half of the financial year compared to 2013. Satisfactory gross premium growth of 10% was achieved (12% excluding the cell insurance business) in challenging market conditions.

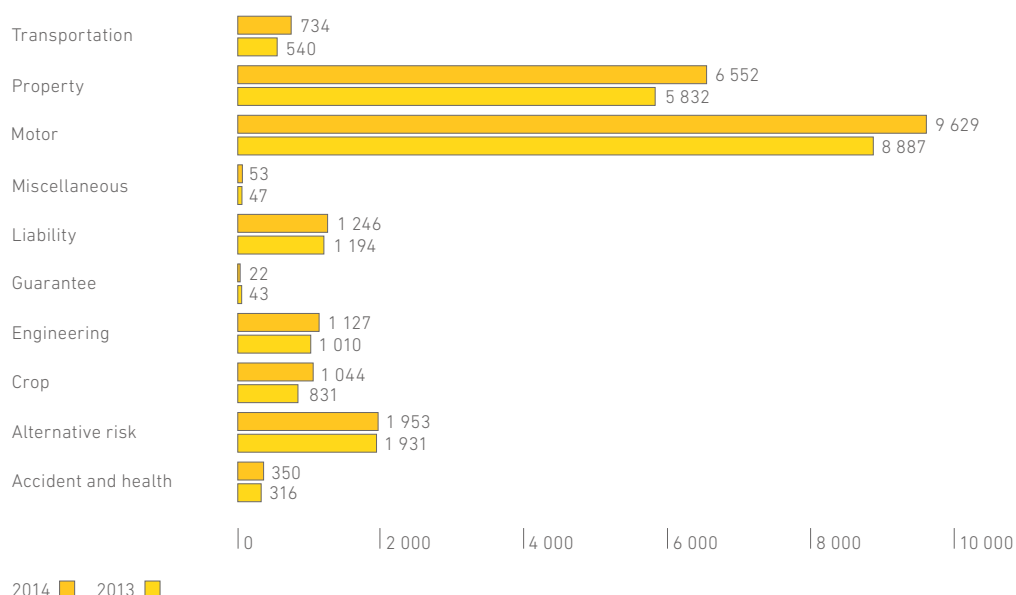
The investment portfolio performance was in line with market movements experienced during 2014, impacted by a positive contribution from the revaluation of Santam's interest in the SEM partner businesses and the negative impact of the fence structure over equities that expired during May 2014.

Headline earnings increased by 40% compared to 2013. Cash generated from operations increased to R2.4 billion (2013: R1.6 billion) on the back of the strong underwriting performance. The solvency margin of 45.6% marginally exceeded our long-term target range of 35% to 45%, while the group achieved a return on capital of 24.7% (2013: 20%).

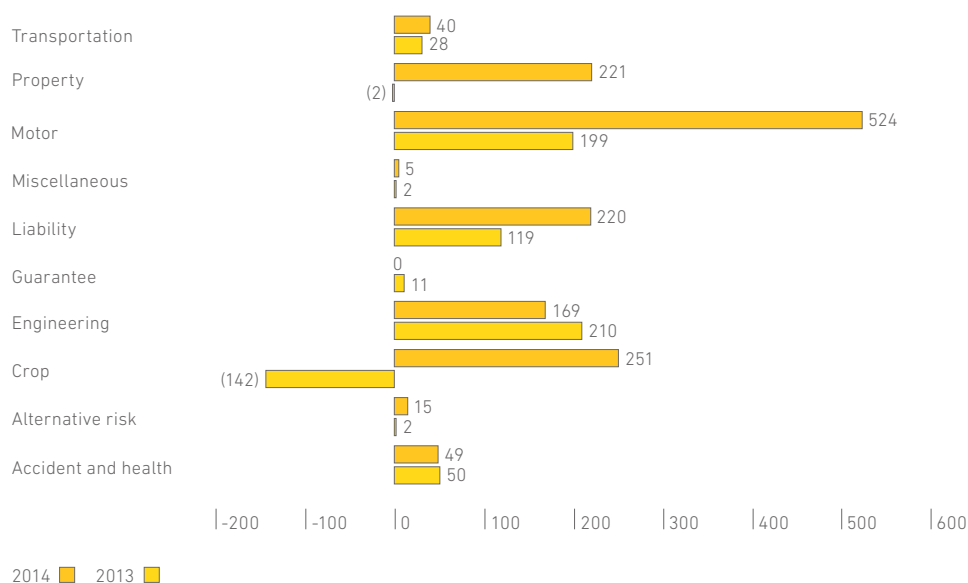
Main variances R'm



Gross written premium per insurance class R'm



Underwriting surplus per insurance class R'm



Financial results

A summary set of financial statements for 2014, prepared in accordance with IAS 34, is included in this integrated report.

The full annual financial statements are available on our website at www.santam.co.za, or in printed format on request from the company secretary.



The key financial statistics are set out on page 4.

Economic environment

Real annual GDP slowed to 1.5% for 2014, which equates to low growth of insurable assets for the insurance industry. The interest rate environment remained relatively stable during 2014, with a 75 basis points increase in the repo rate. This resulted in more pressure on consumers and increased interest income for the group. The rand depreciated by 10% against the US dollar since January 2014, which placed strain on the group's insurance results as the weakened rand directly affects the claims cost (mainly imported motor parts).

Insurance results

UNDERWRITING PERFORMANCE

The net underwriting margin of 8.7% was significantly up compared to the 2013 margin of 2.8%, which was impacted by significant catastrophe events. It also exceeded the seven-year average of 6.0%.

The underwriting results of the motor and property business classes continued to benefit from the impact of corrective actions and segmented premium increases implemented since 2013. Furthermore, the motor and property classes benefited from fewer weather-related catastrophe events with no significant events in the last quarter of 2014. Santam's continued focus on optimising the claims and procurement processes also reduced the effect of the weakening exchange rate on motor claims. Our direct insurer, MiWay, achieved a claims ratio of 57.4% (2013: 62.2%, net of catastrophe reinsurance recoveries), resulting in an underwriting profit of R159 million (2013: R54 million).

The specialist property business delivered a strong performance despite a number of large property claims due to a positive contribution from the reinsurance programme.

Following corrective underwriting actions, with a specific focus on previously underperforming portfolios, liability business showed a significant improvement compared to 2013.

The engineering class was under some pressure due to competitive forces.

The crop insurance business achieved a significant turnaround from a loss-making position of R142 million in 2013 to an underwriting profit of R251 million in 2014. This business benefited from focused underwriting actions and benign weather conditions.

Santam Re achieved good profit growth, following lower retrocession costs and corrective action on the South African portfolio.

Should the volatility in the crop results over the two years be normalised, the net underwriting margins are as follows:

Normalised underwriting margin

	2014	2013
Underwriting margin achieved	8.7%	2.8%
Impact of ART Quota Share reinsurance arrangement	(0.5%)	N/A
Impact of crop results normalisation	(1.3%)	1.0%
Adjusted margin	6.9%	3.8%

This improvement in the 'normalised' underwriting margin is mainly attributed to benign weather-related claims experience in 2014 and a significant focus by management on process enhancements and corrective actions to improve the profitability of all the insurance businesses in the group.

Net catastrophe claims for 2014 amounted to R187 million compared to R280 million in 2013. The soft reinsurance market also provided opportunities to optimise reinsurance placements in 2014.

Net insurance results unpacked

	2014 R'm	% of NEP	2013 R'm	% of NEP	5-year average %	10-year average %
Net earned premium (NEP)	17 222	100.0	16 750	100.0	100.0	100.0
Claims incurred	10 878	63.1	11 607	69.3	65.9	67.1
Acquisition costs	4 850	28.2	4 666	27.9	27.7	26.6
Underwriting surplus	1 494	8.7	477	2.8	6.4	6.3
Investment return on insurance funds	425	2.5	374	2.2	2.6	2.9
Net insurance result	1 919	11.2	851	5.0	9.0	9.2
Combined ratio		91.3		97.2	93.6	93.7

The group achieved strong gross written premium growth of 12%, excluding cell insurance business and 10% inclusive of cells. The group reported strong gross written premium growth of 12% in the property class. Corrective underwriting actions as well as expansion into foreign territories contributed to growth of this class of business. The motor book grew by more than 8%, positively impacted by underwriting actions as well as an increase in MiWay gross written premiums to R1.5 billion (2013: R1.3 billion).

The specialist insurance classes had mixed fortunes with the liability class showing growth of only 4%, following the decision to reduce risk exposure to medical malpractice business as well as certain professional indemnity schemes. In contrast, the engineering and transportation classes achieved good growth, mainly driven by expansion into foreign territories. The crop insurance business also reported growth of 26% through increased exposure and a change in the crop mix. The growth of cell insurance business in the Alternative Risk class was negatively impacted following the cancellation of a book of business as well as the refund of premium on risk financing business. Personal lines and smaller commercial property risks benefited from corrective actions, while business expansion into foreign territories by the Specialist property business and Santam Re also contributed to growth in this business class.

Following South Africa's credit downgrade by global ratings agency Standard & Poor's (S&P) on 13 June 2014, Santam's long-term counterparty credit and insurer financial strength rating was adjusted from A- to BBB+, maintaining its maximum rating of two notches above the sovereign rating. At the same time, S&P affirmed the 'zaAA+' South Africa national scale rating on Santam, leaving our local policyholders and note holders unaffected. Alternative arrangements to support growth in territories outside of South Africa, in situations where this is dependent on Santam's S&P international scale rating, were put in place towards the end of 2013. In terms of these arrangements Santam has the facility to use an international insurer's AA-rated licence for such business. As part of the arrangement with the international insurer, Santam entered into an alternative risk transfer (ART) quota share agreement

effective 1 January 2014, which reduced net earned premiums by R1 billion during this reporting period, reducing growth in net earned premiums to 3%. The agreement will generate dollar-denominated collateral to support Santam's use of the international insurer's AA-rated licence. The agreement also reduces Santam's net catastrophe exposure, resulting in lower catastrophe reinsurance premiums.

The net acquisition cost ratio of 28.2% increased from 27.9% in 2013. On a comparable basis, excluding the impact of the ART reinsurance quota share agreement, the management expense ratio increased by 1.2%. Variable incentive costs increased compared to 2013 following the significant improvement in underwriting performance and were a contributor to the expense ratio increases. Binder fees payable to intermediaries also increased following changes in regulations in 2013. Strategic project costs amounted to 1% of net earned premium and relate to continued investment in strategic projects to improve our online interaction capability, to centralise our back-office processing and to implement a new core underwriting, administration and product management platform for the Santam intermediated business. Development costs of R81 million for the latter project were capitalised in 2014. The project is progressing according to plan.

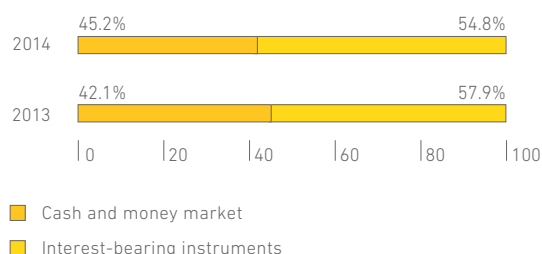
The net commission ratio reduced by 0.6% on a comparable basis. The decrease was mainly due to the higher reinsurance profit commissions and rebates received on specialist and crop insurance business as well as growth at MiWay, where no commission expenses are incurred.

In managing Santam's risk pool, we aim to retain an optimum amount of risk after reinsurance, taking into account the group's risk appetite and the cost of reinsurance. The level of reinsurance earned premium as a percentage of gross earned premium increased from 11.8% in 2013 to 13.7% in 2014 on a comparable basis, excluding the impact of the ART reinsurance arrangement and cell business. Favourable reinsurance terms on specialist business lines, and increased quota share treaties for the crop and Santam Re businesses, were key drivers for the increase.

INVESTMENT RETURN ON INSURANCE FUNDS

The assets backing the net insurance funds increased from R6.4 billion in December 2013 to R6.8 billion as at 31 December 2014. The assets backing the net insurance funds are invested as follows:

Assets backing net insurance funds



The investment return on insurance funds of R425 million increased from the R374 million earned in 2013, supported by a small increase in interest rates as well as a higher average insurance funds balance for the year.

Investment results

INVESTMENT INCOME

The performance of the interest-bearing portfolios on average exceeded the SteFI index while the listed equities marginally underperformed against the SWIX40 benchmark in 2014. The performance of the interest-bearing and equities portfolios continue to exceed the relative benchmarks over the longer term. The group's investment performance was negatively impacted by the 2013 hedge over equities, which expired in May 2014 at a loss of R93 million. The weakening of the rand during 2014 had a positive impact on the valuation of foreign

currency assets held by our local operations of R71 million (2013: R91 million).

Positive fair value movements to the value of R93 million in Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia enhanced the investment performance. A dividend of R21 million from the SEM portfolio was also included in investment income. The investment in the SEM portfolio generated a return of 19% before tax during 2014.

Net earnings from associated companies of R58 million lagged the R86 million reported in 2013 mainly due to the key contributor, Credit Guarantee Insurance Corporation of Africa Ltd reporting lower earnings compared to 2013.

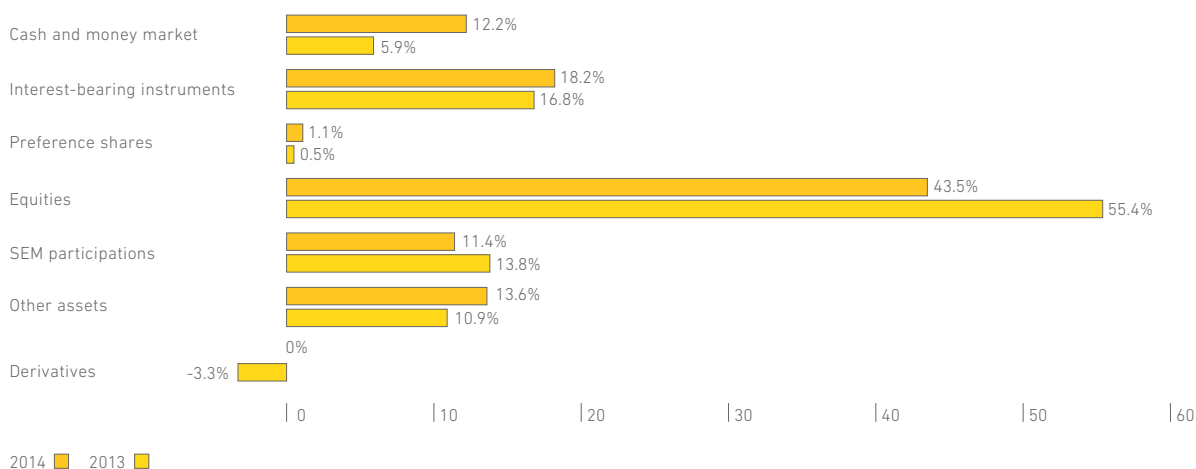
Earnings were negatively impacted by an impairment of R69 million in the investment in the Indwe Broker Holdings Group (Pty) Ltd (Indwe). The impairment was mainly driven by reduced growth projections in competitive market conditions and the reduced income for the Indwe group following the disposal of Original Co-Sourcing SA (Pty) Ltd (Orico) to Brolink (Pty) Ltd (Brolink).

INVESTMENT APPROACH

Santam follows a policy of managing its investment portfolios in a diversified manner. Our aim is to optimise investment income within the approved risk appetite profile. Detail on risk management practices can be found in note 4 to the annual financial statements.

The asset allocation is also managed and monitored from an asset/liability perspective. This ensures that there are sufficient liquid funds available to meet Santam's insurance liabilities, to

Shareholder assets



ensure that the subordinated debt obligations are adequately covered by matching interest-bearing instruments and that the shareholders' funds are not unduly exposed to investment risk.

Investment management is outsourced to Sanlam Investment Management, an external fund manager under predetermined mandates, which consists of a combination of various benchmarks, inter alia, SWIX40 and SteFi. The overall performance of the fund manager against the mandates is monitored and tracked by management and reported to the Santam investment committee and board on a quarterly basis. The mandate guidelines include performance objectives, market risk limitations such as tracking error and duration, asset allocation, credit and exposure limitations, the use of derivative structures and compliance with relevant FSB regulations.

Towards the end of 2014, a portion of the funds (R820 million) backing the insurance liabilities and capital relating to the business written in foreign currency onto the Santam licence was invested in global fixed income portfolios. These funds were previously held in client foreign currency bank accounts,

but dispensation was obtained from SARB to invest these funds in managed portfolios. This enables Santam to improve the investment yield previously earned on these funds.

SEM participation investments

Santam entered into a series of transactions with SEM in December 2013 in terms of which Santam acquired participation interests in SEM's emerging markets short-term insurance. Santam subscribed for shares of separate classes in SEM with each separate class linked to one of the following participation interests:

Santam accounts for these investments as fair value through income financial instruments; the changes in market value are included in the income statement.

The co-investment arrangement positions SEM as a single investor for the Sanlam group's general insurance businesses in emerging markets, while enabling Santam to share in the economic interest of the current and future general insurance

SEM investment holdings

	Incorporated in	Santam effective holding 2014 %	Santam effective holding 2013 %
Pacific & Orient Insurance Co. Berhad	Malaysia	15.4	15.4
Shriram General Insurance Co. Ltd	India	7.0	7.0
BIHL Insurance Company Ltd	Botswana	20.4	18.6
NICO Holdings general insurance subsidiaries	Malawi, Zambia, Uganda	21.6	8.7
NICO Holdings general insurance subsidiaries	Tanzania	14.4	5.7
Soras Assurance Generales Ltd	Rwanda	22.1	–
Socar SA Burundi	Burundi	7.3	–
Oasis Insurance plc	Nigeria	8.7	–
Enterprise Insurance Company Ltd	Ghana	14.0	–

SEM participation investments

Region	2013 R'm	Additions R'm	Fair value movements R'm	2014 R'm
Africa	21	186	2	209
Southeast Asia	301	–	47	348
India	206	–	44	250
	528	186	93	807

expansion in these markets. In principle, SEM and Santam will participate on a 65%/35% basis, respectively, in the Sanlam group's general insurance businesses in emerging markets. Through this participation, Santam obtains exposure to the Indian, Malaysian and African emerging markets, and has the opportunity to participate in the Sanlam group's future emerging markets general insurance investments. Santam renders technical services to the SEM general insurance partner companies.

The SEM investments now account for 11.4% of the Santam group's shareholder funds.

Capital management and solvency

CAPITAL MANAGEMENT PHILOSOPHY

Santam's capital management philosophy is to maximise the return on shareholders' capital within an appropriate risk appetite framework. The aim is to increase shareholder wealth by actively managing the following:

- The amount and sources of capital in the business. This is also linked to the current and future regulatory capital requirements in terms of the existing and the newly formulated SAM requirements.
- The allocation of capital to business units or new business ventures/acquisitions.
- The amount and type of risk that the company is willing to assume in the pursuit of value creation.
- The reinsurance programme and asset allocation to optimise economic capital requirements.

Santam targets a return on capital hurdle rate of 22.5%. Capital is allocated to the various businesses in the group and the returns on these businesses are measured against the required hurdle rate.

DISCRETIONARY CAPITAL AND SOLVENCY LEVEL

Santam's board of directors targets a solvency level between 35% and 45% of net written premium for the group, which is equivalent to a capital coverage ratio of 135% to 170%. The group economic capital based on the internal model currently amounts to R4.7 billion or an economic capital coverage ratio of 167%. Excess capital is maintained for the following reasons:

- To make an allowance for model risk based on the complexity of the underlying business
- To maintain a margin over the current statutory capital requirement
- To maintain Santam's insurer financial strength credit ratings
- To fund business growth and allow for any corporate actions

The group solvency ratio of 45.6% at 31 December 2014 marginally exceeded our targeted solvency range. Net asset value per share increased from 5 360 cents at the end of 2013 to 6 115 cents at the end of 2014 mainly driven by the good insurance and investment earnings generated during the year. We will continue monitoring our solvency levels and required solvency range in light of industry changes and regulatory requirements.

We remain committed to efficient capital management.

REGULATORY SOLVENCY AND CAPITAL REQUIREMENTS

One of the most important regulatory developments is the new solvency regime (SAM) that the FSB is in the process of developing for the South African long-term and general insurance industries to be in line with international standards. SAM will adopt the principles of the Solvency II, adapted to South African-specific circumstances, where necessary. The target date for implementation of the final requirements under the new regime, including the internal model approach for general insurers is 1 January 2016.

As previously reported, Santam operates an internal capital model in line with best practice to assist management with capital management, risk quantification and decision-making.

Santam is in the process of applying to the FSB to use this internal model for determining its capital requirements once SAM is enacted. We expect that capital requirements under this approach will be slightly lower than the current interim measures solvency requirement of 28.5%.

Dividends

The company paid an interim dividend of 262 cents per share, which was 8.3% higher than the 242 cents per share in 2013. Santam declared a final dividend of 480 cents per share for 2014 (2013: 433 cents per share) resulting in a total dividend of 742 cents per share for the year (2013: 675 cents per share). This represents an increase of 9.9%.

Santam's dividend policy aims for stable dividend growth in line with the company's long-term sustainable business growth. When special dividends are being considered, we take into account capital levels (as informed by the solvency margin target range of 35% to 45% and regulatory capital requirements) and potential investment opportunities.

Corporate actions

Santam concluded the acquisition of a 100% interest in Brolink in 2014. Following the acquisition, Santam consolidated its administration businesses. Orico (previously owned by Indwe) and the part of the Riscor Underwriting Managers (Pty) Ltd business not operated on Santam's in-house systems were integrated with Brolink effective 1 October 2014.

Full details of the company's holdings in subsidiaries and associated companies are contained in note 47 to the annual financial statements.

Regulatory environment

The regulatory environment remains dynamic with a number of developments in progress, including the promulgation of Treating Customers Fairly regulations, the recently published Retail Distribution Review and the SAM framework. Our approach to legal compliance and the philosophy is discussed in detail in the corporate governance report and further details on these regulatory developments are included on page 60.



HENNIE NEL

Chief financial officer

Strategy overview

Strategy review process

The group follows a regular and robust strategic review process, involving environmental scanning and research, dialogue and choice-making, goal and target setting, and performance monitoring. Every year the process focuses on material imperatives with increased potential impact in terms of business portfolio longevity and performance success. This year the group level process focused on long-term macro trends, strategic opportunities and business portfolio choice sets that informed the business unit planning processes, which in turn focus on a market, operational and resource allocation level.

The strategic review process covers all the activities of the group with progress against strategic goals now tracked on a quarterly basis through the group integrated performance dashboard, which was developed over the last year against material strategic metrics.

Strategic and operational context

The environmental scanning and analysis conducted during 2014 identified prominent future shaping forces, which have a direct and material impact on the global context within which the group operates. These forces are instrumental in shaping the insurance market, in South Africa and more broadly.

Global market themes	South African market conditions
– The long-lasting soft market cycle – Profitable growth – a major challenge – Not all doom and gloom – opportunities ahead – The increasingly diverse mosaic of distribution – From reactive to proactive risk management – Technology meets humanity and clients' needs – The age of operational excellence and integration – Regulatory advancement is here to stay	– Subdued outlook for economic growth – Real impact of climate change on claims frequency and severity – Increased level of competition – continued competitive rates – personal lines profitability – Regulatory changes (particularly SAM, TCF, and RDR) – Increased efficiencies and improvements in assessing risks – stable insurance market conditions are continuing for well-managed risks

Group strategic rationale

The business ethos of the group – ***Insurance good and proper*** – underscores the group's activities. ***Insurance good and proper*** speaks to the group's commitment to a sustainable and resilient world echoed in our support of the United Nations' Principles for Sustainable Insurance and the ClimateWise principles.

Through our strategic choices, implementation and our participation in global associations and locally with the South African Insurance Association (SAIA) we aim to promote sustainable insurance that is essentially about reducing risk, developing innovative solutions, improving business performance, and contributing to environmental, social and economic sustainability.

Our aspiration is to maximise socio-economic welfare, enhance stakeholders' sustainability and build a more resilient world through the provision of risk solutions to our clients in selected emerging markets. And we will do so by embracing ***Insurance good and proper***.

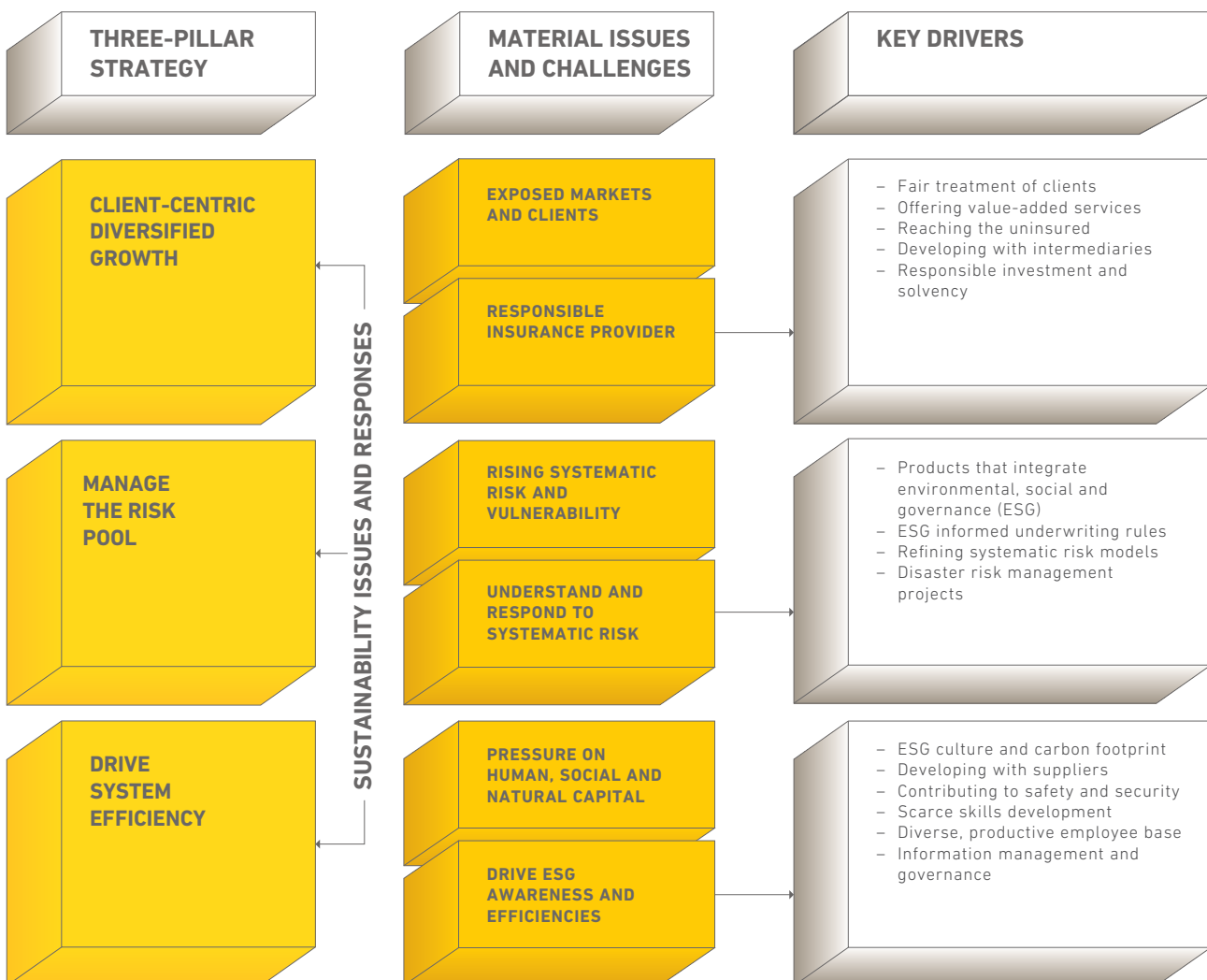
"We do insurance properly; with stature, integrity, certainty, single-minded focus and excellence"

We believe that by focusing on our group strategy, which encompasses these principles and ethos, we will be able to achieve our goal of becoming a leading emerging market general insurance group in Africa, India and Southeast Asia.

Strategic sustainability drivers and framework

The Santam group revised its sustainability framework at the end of 2013 with a three to five-year strategic view of sustainability issues, which have since then been integrated with the group's three-pillar business strategy. The six capitals were considered in developing the framework and identifying three key material issues:

- Exposed markets and clients
- Rising systemic risk and vulnerability
- Pressure on human, social and natural capital



The three Santam responses (see sustainability issues and challenges in table on the previous page) are expanded to 15 key implementation drivers. Each driver has a clear vision and focus. To ensure progress, business unit owners take

responsibility for implementation of these drivers. Initiatives flowing from the implementation drivers are developed, managed, measured and reported on. The following focus areas were prioritised for the 2014 year:

2014 driver focus areas	The rationale for focus	Progress for 2014
Fair treatment of clients	To show Santam's progress in entrenching TCF into the business culture and practices – leveraging off the <i>Insurance good and proper</i> campaigns.	– TCF committee formed and training complete. – TCF management information framework completed and approved by the board. – Performance contracts have been aligned with TCF, where applicable.
Reaching the uninsured	Develop and implement the emerging market strategy through appropriate channels in the business with the aim to drive growth. This includes the potential development of further products to reach this market in alignment with the Financial Services Charter (FSC) targets and criteria.	– Eight products were assessed and deemed to be 75% appropriate for the target market. – In 2014, we sold in excess of 36 000 of these policies.
Responsible investment and solvency	The Santam Resilient Investment (SRI) Fund objective is to target investments based on Santam's ESG needs or focus. It also aims to find investments that are designed to reduce long-term systemic risks for the company, policyholders, fund members and the broader society.	– Since its inception in 2013, R20 million was invested into the SRI fund. – Three companies have benefited from this investment.
Diverse, productive employee base	The retention and development of scarce skills in the business remains a focus for the group in support of our diversity objectives.	– Santam improves on its black representation in the organisation year-on-year (2014: 60.8%; 2013: 59.9%). – The Santam group invested R65 million in black employees for skills development. See page 81 for more detail.
Disaster risk management public-private partnership programmes	Deepen Santam's work with local government through our BAAM programme (five adopted municipalities focusing on disaster risk management). Expanding the ability to manage and reduce our risks by focusing on further district municipalities where Santam has a commercial footprint. Refinement of our underwriting rules.	– We embarked on the second phase of the BAAM disaster risk programme (the focus is on flood management). – At the same time Santam launched the Risk Node project in Ehlanzeni District (Mpumalanga), which will cover further focus on flood management in key municipal districts (10 districts throughout South Africa have been identified).



Our stakeholders

The group shares a business, socio-economic and ecological landscape with a variety of stakeholders. During many years of formal and informal engagement, the group has structured its engagement according to eight main stakeholder groupings:

- Clients
- Shareholders
- Employees
- Suppliers/business partners
- Industry regulators
- Industry networks
- Government
- Communities

Stakeholder engagement aims to build and maintain quality business relationships with all material stakeholders. Through effective dialogue and collaboration, we want to create a more resilient and sustainable business environment in support of our long-term strategy.

A stakeholder relations strategy was approved by the board at the end of 2013 to focus and support stakeholder interaction. Four strategic focus areas were identified:

- Creating a well-entrenched governance framework to build Santam's capacity to effectively engage and provide the required quality of stakeholder reporting.
- Proactive risk management through large-scale formalised collaboration with local government on the drivers of risk within their control.
- Using appropriate platforms to influence and lobby key stakeholders to effectively participate in every phase of public policy formulation.
- Demonstrate responsiveness to key stakeholder expectations by visible alignment with national priorities and transformation of Santam's value chain, supply chain and business offerings.

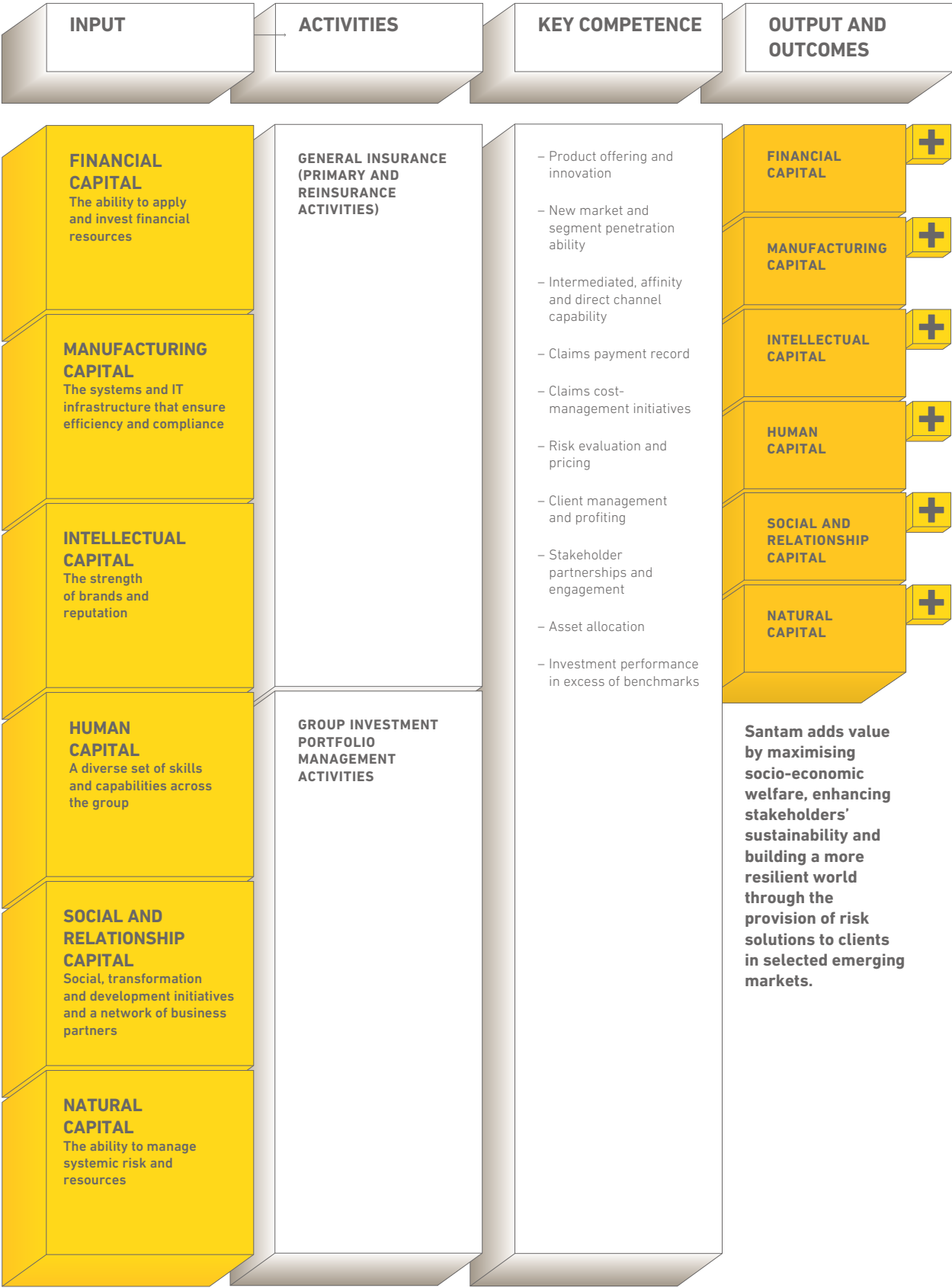
Business model

Santam's business model is based on the group's ability to manage the size, quality and diversity of the risk pool in which it operates. The group's key competence is the differentiators that entrenched Santam's leading position in the local insurance industry and enable it to create value over the short, medium and long term.

A key element of business success in the short, medium and long term is its integration of the six capitals as defined by the International Integrated Reporting Framework. This framework in particular relates to financial, manufacturing, intellectual, human, social and relationships, and natural capitals. It also represents the ability of the business to create 'stores' of value, to transform these 'stores' and the potential impact the business can have on this holistically. The value of these capitals can affect the long-term viability of Santam's business model and therefore, its ability to create value over time.

Through its activities and relationships, the Santam group is able to increase all six capitals:

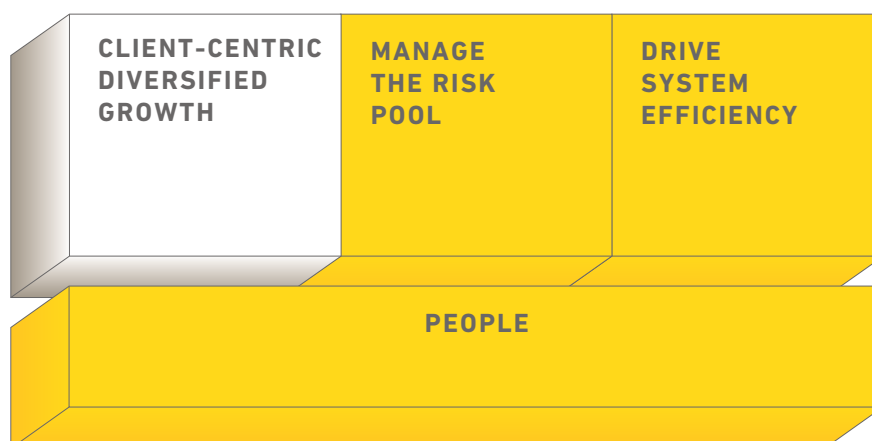
- Increased financial capital through growth in gross written premium, responsible investment and cost savings (efficiency) resulting in increased dividends and higher social and development spend.
- Increased manufacturing capital through expansion and business improvement activities.
- Increased intellectual capital confirmed by consistent awards, brand awareness and the improved ability to price risk.
- Increased human capital through training and development programmes, increased employment and client satisfaction feedback.
- Increased social and relationship capital in BBBEE scorecard improvements, expanded intermediary and supplier network, good governance and safer communities.
- Increased natural capital through effective systemic risk management initiatives such as BAAM and the Risk Node project, improved supplier efficiency and reduced carbon footprint.



Strategic pillar reports

The following sections report on the group's strategy implementation per pillar, as well as performance according to the sustainability focus areas. We have used case studies to highlight specific initiatives or incidents that illustrate the practical application of strategic decision-making in an operational context.

INSURANCE GOOD AND PROPER



Client-centric diversified growth

Through the client-centric diversified growth pillar we aim to achieve responsible, profitable and sustainable growth

Key performance indicators	2014	2013	Long-term target
Gross written premium growth including cell insurance	10%	6%	Real GDP growth
Gross written premium growth excluding cell insurance	12%	9%	N/A
Gross written premium	R22.7 billion	R20.6 billion	N/A
Total number of intermediaries	>2 700	>2 600	N/A

Increase focus on our clients and new segments

CLIENT INTERACTION

Santam's growth strategy is founded on being client-centric. Satisfied clients have a high retention rate and are more likely to refer new clients.

The group creates value for its clients by offering a range of products and services through intermediated, affinity and direct general insurance models. Mechanisms for interacting with clients range from online and self-service to call centres, face-to-face interactions, branches and drive-in assessment centres.

This year, we increased our focus on clients through a digital strategy to engage with consumers and grow our social media footprint. We aim to generate conversations that improve risk behaviour at home and in the car. Our social media campaigns received positive reaction from clients and the success of media exposure was evidenced by increased social media following and engagement rates – all underlining Santam's position as the leader for the insurance category on social media.

A fast-track client feedback process to manage brand complaints on social media is also contributing towards a positive brand sentiment.

- We have reached more than a million views on YouTube – first general insurer in South Africa to reach this milestone.
- More than 65 000 followers on our social media channels.

CLIENT SATISFACTION

Santam measures client satisfaction on three levels:

- Directly with clients after every interaction from quotation through to the claims process. A benchmarking score of 80% must be achieved on a client satisfaction scale.
- A client diagnostic measure of overall satisfaction.
- Through the use of an external credible independent measure called the South African Customer Satisfaction Index (SAcsi).

SAcsi measures the satisfaction of randomly selected clients of the top short-term and life insurers by market share. South African consumers gave the general insurance industry an overall satisfaction score of 78.8 out of 100. The 2014 index identified Santam as the general insurance industry leader again, scoring 2.2% above the industry average.

The 2014 report from the Ombudsman for short-term insurance (relating to the 2013 financial year) confirmed Santam's leading position in claims payment and dealing fairly with policyholder complaints. The number of complaints dealt with is below the industry results. Santam's share of the total number of complaints received reduced from 9.53% in 2012 to 8.36% in 2013. The Ombudsman upheld 71% of the contested Santam claims in favour of Santam, compared to an industry average of 67%. In the case of MiWay, the Ombudsman upheld 84% of contested claims in favour of MiWay.

During 2014, 313 complaints (2013: 308) were referred to Santam's internal arbitrator. The complaints logged with Client Care represents 0.14% of policyholders and 0.82% of claims registered.

ACCESSING ENTRY LEVEL MARKET

Positioning Santam to penetrate the entry level market with a viable and sustainable product set remains a key focus for the group in its efforts to promote access to financial services. This is within the context of government's drive to combat the challenges of poverty, unemployment and inequality but also the understanding that emerging markets arise with specific needs.

Santam has entered this market through a number of products, including "MiWheels limited", "Multihome", taxi and an asset insurance offering. The 2015 focus remains on developing and driving further penetration into this market.

CONSUMER EDUCATION

The education of clients in the emerging market segment is an important growth and responsibility factor. Santam continues to support industry consumer education initiatives through our contribution to the SAIA consumer education fund and Santam's own consumer education initiatives within Santam, MiWay and Centriq.

Within the Centriq environment, educational booklets have been developed to educate potential and existing clients on the need for household and building insurance. Within VUM (Santam's specialist underwriting manager for taxis) and MiWay, educational radio campaigns are featured on local radio stations. These campaigns focus on educating potential and existing clients on the importance of understanding risk, the role of the intermediary and value of financial planning.

Successfully expand outside of South Africa

Santam achieved gross written premium income from outside of South Africa of R2.1 billion. International diversification is achieved through:

- The partnerships with SEM, which now consists of economic participation in 11 general insurance licences across Africa, India and Southeast Asia.
- Santam Specialist, who leverages off its South African client base that expands internationally and the opportunities to develop specialist lines through the SEM partner businesses.
- Santam Re, who focuses on follow line business in Africa and Asia and the reinsurance programmes of the SEM partners.



Read more...

Business unit overview: Leadership overview
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Growth opportunities in the South African intermediated space

CURRENT DEVELOPMENTS

The environment in which the intermediated model operates has changed rapidly over the past five years, particularly through new regulation and disruptive competitive activity from direct and non-traditional insurers. The intermediated model is experiencing further pressure due to the additional cost burden introduced by binder agreements and the potential effects of the recently published retail distribution review.

Approximately 88% of Santam's gross written premium income is generated by its network of more than 2 700 intermediaries.

Santam remains committed to the future growth and development potential of intermediaries. It aims to create a transformed and cost-effective intermediary network that contributes to growth over the long term.

Santam is focused on creating efficiencies in its business processes and systems that educate, support and monitor intermediary performance and compliance to legislation. Significant investments are made through strategic projects (see leadership overview on page 17) to support and improve the intermediated channel.



DIVERSIFYING THE INTERMEDIARY CHANNEL

Santam is committed to contribute to the growth of the intermediary market and the development of future professionals in the industry through diversity. Therefore, the group developed the Santam Black Broker Development Programme (SBBDP), a few years ago and continues to strengthen this objective by providing training for learners and new entrants into the general insurance industry, of which the majority is from previously disadvantaged communities.

The SBBDP programme has produced 100 black intermediary graduates since its inception in 2008 with 72 graduates in the last three years. More than 80% of the learners on the programme (since 2008) were placed with intermediaries afterwards.

The current programme has delivered new business growth of between 14% and 19% at the 19 intermediaries in the Western Cape and Gauteng where graduates have been placed.

The SBBDP for 2015 commenced in July 2014 with intermediary information sessions. Santam, in partnership with the INSETA and the FIA, reached an agreement to dramatically increase the number of learners on the programme from the current 30 to 130 for the 2015 financial year.

Invest in long-term opportunities and innovation

Santam Specialist launched an innovative Santam Specialist Seamless solution product during 2014 aimed at expanding the group's underwriting capacity in Africa. The product targets large infrastructure projects and is structured through partnerships with niche underwriters to enable potential

clients to cover all bases of insurance through a single touchpoint.

MiWay has identified direct commercial insurance as a viable opportunity for future growth within its direct business offering to complement its personal lines insurance offering and leverage its existing book of business. The product was launched in October 2014.

CASE STUDY: Innovation at MiWay

MiWay launched an innovative Quick Hail Claim that allows a client to register a claim 24/7 online. This has dramatically reduced volumes to the call centre. Clients in hail-affected areas are sent an SMS that contains the link for them to capture the claim with the majority of the information already prepopulated, ensuring a quick and simple process.

INSURANCE GOOD AND PROPER



Manage the risk pool

Through managing our risk pool we ensure proactive sustainable risk management while promoting dialogue and collaboration on risk and resilience

Key performance indicators	2014	2013	Long-term target
Claims ratio	63.1%	69.3%	Underwriting margin of 4% to 6% through the cycles
Underwriting margin	8.7%	2.8%	
Value of claims incurred	R10.9 billion	R11.6 billion	
Number of high-risk local municipalities where Santam provides disaster risk management capability support	16	11	54

Maintain risk assessment capability

Since 2012, South Africa's insurance risk pool has been affected by a number of trends and changes that have materially impacted risk profiles and claims patterns. It has been important to adapt underwriting and risk management strategies to take account of these to achieve Santam's targeted underwriting margin.

Some of the more important drivers of change were:

- the slowing of growth in the South African economy and increasing unemployment;
- the weakening rand, resulting in higher motor repair costs;
- a greater incidence of weather-related catastrophes, flooding and hail in particular;
- weakening fire-fighting capacity in certain areas of South Africa as well as weakening standards of fire safety certification for commercial properties; and

- improved availability of information and technologies to prove, track and reward superior risk management.

Santam has responded positively and proactively by:

- improving its risk assessment capabilities, and rewarding clients for low-risk behaviour through its segmented pricing strategy;
- rewarding clients for selecting lower motor repair cost options;
- implementing advanced data analytics to identify clients that pose an excessively high risk to the insurance pool relative to the premium they pay, and aligning the terms on which they are underwritten;
- enhancing its risk surveying capability by automating processing-related activities and enabling access to geospatial information, allowing surveyors to focus on risk assessment and advice;

- implementing a fraud analytics capability to identify fraud efficiently and reduce its impact on the risk pool;
- rolling out an sms weather-alert system to personal lines clients for policies administered on Santam's as well as external platforms;
- geocoding property risks to enhance landscape-based risk assessment;
- providing support to local authorities in the areas of fire and flood risk management;
- driving industry initiatives to set and encourage adherence to appropriate national standards for fire safety; and
- building a client telematics database containing key client driving behaviour data.

A cornerstone of Santam's risk assessment strategy has always been to invest in growing the skills of its underwriters and risk managers, and to attract and retain technically skilled insurance professionals. Therefore, it was pleasing that Santam's employees were again rated as the most technically competent in the 2014 PricewaterhouseCoopers insurance industry executive survey. The increasing complexity of risk in an ever-changing world continues to demand technical and analytical skills of the highest order, to understand and respond to the implications that this has for insurance.

GEOGRAPHIC INFORMATION SYSTEM SUPPORT

A core capability in managing general insurance risk is the accuracy and availability of data. High-quality data enable us to refine our assessment and pricing of risks, thereby improving the group's underwriting margin. Santam has a geographic information system (GIS) that allows the group, for example, to initiate proactive risk measures such as the weather warning sms service to policyholders.

A further benefit of GIS is that it provides location information that maps and matches the addresses of our clients' insured risks with that of our claims.

Furthermore, Santam has a LiveTrack fleet offering that enables fleet owners to manage their risks better. They are provided with important information assisting them with trip management, including pre-planned routes, vehicle location and cost management.



The Santam website also provides clients with tools, such as a risk calculator, to determine the replacement value of their assets such as vehicles, buildings and home contents. This enables clients to better insure their property without the risk

of being under or overinsured. Santam's risk calculators are also used by our claims assessors when determining the total loss involved in a claim, which improves our transparency in the claims fulfilment arena. This is supported by a digital claims assessment function as well as an online claims registration service for intermediaries.

SURVEY OPTIMISATION

Santam's risk assessment capability is supported by an improved survey capability. As a result of a new renewal process and dedicated survey management, survey volumes have increased significantly, especially with commercial risks. A survey optimisation project was launched at the beginning of 2014 featuring an iPad survey application. This application automates the request of surveys and the governance of the risk reduction requirements to enhance efficiency and minimise the risk of human error. It has also improved survey criteria and capacity while driving a higher level of engagement and co-operation by intermediaries.

The group has started rolling out a detailed surveyor training programme to further develop a scarce skill that is increasingly in demand in the business.

Focus on risk management

Santam's approach to risk management seeks to optimise return on capital within its risk appetite. Therefore, Santam's risk appetite, capital levels, reinsurance strategy and asset management strategies are all closely related.

To understand these relationships better, it was necessary to build a dynamic financial risk model of the business, this was completed in 2005. Having used and enhanced this model to assist decision-making in many areas of insurance risk and capital management since then, Santam is now in the process of applying for a portion of the internal model to be approved by the Financial Services Board for the purpose of determining regulatory capital under SAM from 2016 onwards.

Santam also has a risk appetite framework, which initially considered financial risks and was later broadened to include non-financial risks.

The financial risk appetite criteria are specified to assess the probability of achieving return on capital targets (shareholder perspective) and the probability of maintaining adequate solvency levels (policyholder perspective) based on the internal model.

Santam's risk appetite and capital/return modelling framework makes explicit allowance for risk diversity and the degree of correlation that exists within the risk pool across insurance exposure classes, geographies, risk types, perils and currencies. It has been key to framing the group's risk diversification and underwriting strategy.



The risk appetite is reviewed on a continuous basis to reflect the executive management and board's tolerance of risk (see the risk report on page 77 for further detail). It is also important to prevent overly risk-averse decision-making based on recent adverse results.

Santam runs at an average capital coverage ratio in excess of the minimum requirement. This is necessary for a number of reasons:

- To make an allowance for model risk based on the complexity of the underlying business
- To maintain a margin over the current statutory capital requirement
- To maintain Santam's insurer financial strength credit ratings
- To fund business growth and allow for any corporate actions

Earlier this year, S&P conducted a full assessment of Santam's risk management capabilities and concluded that Santam meets the requirements for its so-called "Strong" rating in this respect, resulting in a one notch increase to its standalone credit rating. Based on S&P data, Santam is the only African insurer or reinsurer to have achieved this standard for risk management. Globally, only one in six insurers has been awarded this rating or higher.

Continued focus on real exposure as we globalise

In the last five years, Santam has expanded its footprint, with more than 9% of premiums now generated beyond the borders of South Africa. This has been driven by the Santam Specialist businesses, Santam Re and through its partnerships with SEM.

Santam's underwriting strategy is defined by its risk appetite. Extensive exposure analysis and modelling is undertaken to provide a thorough understanding of its mix of gross and net exposure across geographies, risk classes and risk profiles. Exposure to individual risks and catastrophes is monitored closely and used to determine capacity allocation and optimise the purchase of reinsurance.

Santam Re's recognised skills in this area has enabled it to extend its capacity beyond Santam's own risk appetite this year through a quota share retrocession treaty on its international third-party reinsurance business. This has enabled this business to write larger volumes and exposure at gross level and is an encouraging endorsement of Santam Re's technically focused approach to risk management.

Build on our systemic risk management influence and benefits

Lower occurrence of risk events reduces claims to the insurer and premiums paid by the insured. Therefore, Santam uses its systems and tools for understanding risk and its network of clients and intermediaries to reduce and mitigate risk events.

Through risk modelling, setting appropriate underwriting rules and developing products that mitigate risk, Santam has the ability and influence to significantly impact how systemic risk is managed. Over the medium to longer term it enables Santam to continue improving the management of the group's risk pool.

The first phase of BAAM, which rolled out in 2013-2014, involved the donation of firefighting equipment and training in fire assessments, fire prevention, firefighting and 'train the trainer' education programmes to drive community awareness of fire risk.

The second phase of BAAM addresses flood risk. The objective of the second phase is to understand the drivers of flooding, evaluate the capacity of the municipalities and communities to deal with the impact of floods effectively, and propose recommendations to assist in dealing with these events more effectively. This is currently in process and will extend into 2015.

BAAM was publicly recognised at the 2014 Presidential Local Government Summit, where President Jacob Zuma and Cooperative Governance and Traditional Affairs Minister, Pravin Gordhan, acknowledged Santam's efforts to work with government to mitigate rising systemic risk and to assist in strengthening the capacity of local municipalities through BAAM.

The success of the BAAM programme has encouraged Santam to expand the work to include 10 district municipalities, comprising 54 local municipalities under the Santam Risk Node project (see case study below).

CASE STUDY: Expanding BAAM into the Risk Node project

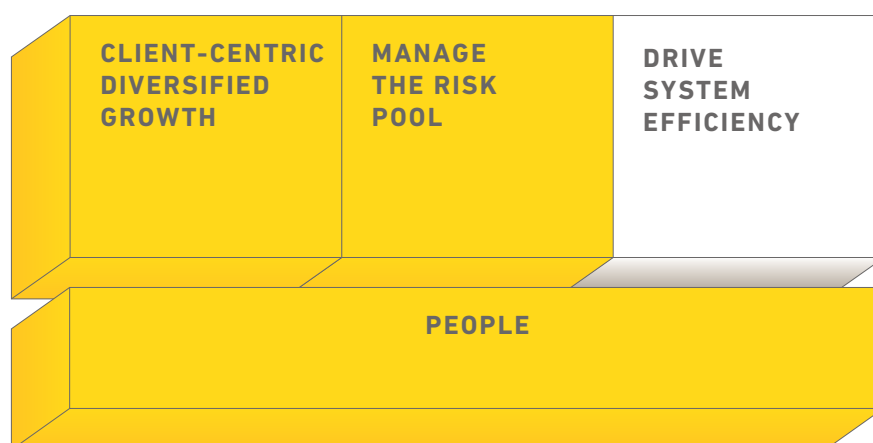
The Santam high-risk node project aims to build on the lessons learnt with BAAM and will focus on flooding as a key risk. We want to identify ways to reduce the potential impact for Santam, while supporting the disaster management structures in each municipality, thereby preventing disasters from occurring. The project was launched this year in the Ehlanzeni District in Mpumalanga. Five local municipalities will participate:

- Bushbuckridge
- Thaba Chewu
- Nkomazi
- Umjindi
- Mbombela

Key performance areas (KPA's) were scoped for the district and local municipalities and have been officially signed off. We have created monitoring and reporting structures. We have created partnerships with the National Disaster Management Centre, the Municipal Infrastructure Support Agency, the Department of Water Affairs and the South African Local Government Agency.

By the end of 2014, we achieved buy-in of the project at district, political and administrative level and project outcomes have been integrated into the district disaster management structures' KPA's. An objective for 2015 is to create a "business lab", bringing together corporate business, local government and environmental agencies in Ehlanzeni to work with the municipality in implementing its KPA's going forward. Our aim is to roll out a further two districts in 2015.

INSURANCE GOOD AND PROPER



Drive system efficiency

By driving system efficiency we maintain high standards of operational efficiency, ultimately creating more robust and sustainable stakeholder outcomes

Key performance indicators	2014	2013	Long-term target
Acquisition cost	28.2%	27.9%	Acquisition cost below 27%
Loss ratio	63.1%	69.3%	N/A

Data and technology

SANTAM'S STRATEGIC PROJECTS

We have embarked on a number of strategic projects over the past decade to transition, upgrade and convert our legacy systems to enable the group to increase the efficiency and scale of claims handling, data capturing and reporting, thereby improving our ability to price and underwrite in future. These projects have used technology to improve transactional capabilities, communication and services to intermediaries.



Read more...

Strategic projects: Leadership overview
page 17 – 23

Following the acquisition, Santam consolidated its intermediary administration businesses. Orico (previously owned by Indwe Broker Holdings) and the part of the Riscor business not operated on Santam's in-house systems with Brolink effective 1 October 2014. The new consolidated business remains under the Brolink brand and Santam will remain uninvolved in operations to ensure independence and parity across insurers.

The combined business offers intermediaries a quality one-stop-administration solution that provides access to quotes from multiple insurers across multiple systems, thereby creating scale that will improve operating costs and efficiency.

THE BROLINK OFFERING

Santam recognised the need from certain larger national intermediaries to have access to a quality independent administration system. Therefore, Santam acquired 100% of Brolink – an independent company that provides information technology and business process outsourcing services to the intermediated industry.

Leverage scale and efficiency as a group

SANTAM'S SUPPLY CHAIN INITIATIVES

Santam's suppliers forms an integral part of the claims management process, with functional elements that include claims assessment, contact centres, drive-in centres, a variety of technical specialists, repairers and the internal arbitrator.

To meet client requirements and improve service levels, Santam has built a sustainable network of suppliers that can service claims reliably and cost-effectively. This enables the group to improve pricing and refine its product offering, which ultimately attracts and retains policyholders.

Some of the improvement focus areas include:

- A sustained drive to improve our BBBEE score. This includes development programmes to invest in and upskill black-owned and black-female-owned suppliers.
- A targeted resilient investment fund to seek and invest in innovative businesses that consider ways to deliver services that have a positive impact on our environment.
- Aggressive strategies to promote the repair versus replace philosophy in the motor repair industry leading to less waste and better profitability. The added benefit to this drive is the resultant skills development in the industry.
- The positive financial impact of our "green buildings". The reduction in water and energy consumption and the promotion of indigenous plants is standard practice.
- Supply chain assessments are conducted regularly and we actively seek alternatives to address economic and environmental challenges facing our business. The promotion of alternative glass and spare parts without compromising the quality and safety of these products will contribute to the sustainability of motor vehicle insurance.
- Adverse weather conditions have a negative impact on our financial performance. We co-operate with our partners in the supply chain to mitigate weather-related risks and enhance our client service in times when hail and flooding catastrophes occur. The supply chain management team proactively developed systems and procedures to improve response capability under such circumstances.

Numerous strategic initiatives helped contain costs and contributed positively to the Santam group's loss ratio:

- The intelligent write-off model, which enables us to make informed choices about the threshold for economic repairs.
- A unique claims cost normalisation programme was developed to refine the evaluation of claims, repair cost and supplier efficiency.
- The certified aftermarket parts strategic initiative addresses the need for alternative vehicle replacement parts without compromising quality and safety. The initiative required the certification of non-safety critical parts according to international standards of manufacturing. These parts are used in out of warranty cars and certain parts can now be used for cars under warranty.
- Santam also promotes partnerships with networks of motor body repairers who are incentivised to repair rather than replace parts. This cuts down on wastage and helps promote skills development in the industry. This initiative has also resulted in improved profitability for repairers.
- In non-motor claims, jewellery and small non-consumables were targeted through moderation in the assessment. For example, we refined the valuation of precious metals and stones with the assistance of jewellery experts.
- The identification and removal of conflict opportunities in the claims process was a major focus area. Santam's approach is to make the claim process as easy as possible for clients when they unfortunately experience traumatic circumstances resulting in a claim.

During 2014, the Competition Commission launched an investigation into collusion by car parts suppliers. They are investigating price fixing, market division and collusive tendering in the car parts industry, which has the potential to benefit insurers as it will lead to a more efficient future market for car parts.

ENTERPRISE AND SUPPLIER DEVELOPMENT

Santam's suppliers are key partners in delivering **Insurance good and proper**. We are committed to building a transformed supplier base that can provide good and cost-efficient client service with low environmental impact. In total, 74.7% of the group's spend is with BBBEE suppliers of which 37.6% is qualifying small enterprises or exempt micro-enterprises.

Santam joined Sanlam in 2013 in its enterprise development partnership with the Association of Savings and Investment South Africa (ASISA). This partnership is aimed at investing in the sustainability of small and medium-sized enterprises in South Africa. This joint initiative supports entrepreneurship, which is central to government's drive for job creation and economic growth.

Five suppliers were originally selected from across the group and a further five are being sourced, based on their growth potential, value chain alignment, commitment to the programme, transformation, need for assistance, entrepreneurial ability, leadership capacity and geography.

CONTRIBUTING TO HEALTH, SAFETY AND SECURITY

By creating safe and well-maintained communities, we create insurance opportunities for those that are currently excluded due to excessive risk or unaffordable premiums. A lack of infrastructure, resources and security-related services currently prevent some communities from breaking the cycle of poverty and socio-economic hardship.

Santam defines the ideal society as one that is characterised by high ethical and safety standards, built on mutual respect, reinforced by the constitution and rule of law, and supported by strong corporate, civil and governmental partnerships.

In its efforts to improve the understanding of safety, Santam commissioned a leading researcher and a psychologist to investigate how South African children understand safety. The report was used to develop a public relations campaign that supported group efforts to drive awareness of Santam's overarching campaign message – *be safe out there*.

Santam is committed to drive change by supporting schools and education programmes and job creation through insurance focused qualifications. Our community involvement is shaped by Santam's corporate social investment (CSI) initiatives, which is formalised in our CSI strategy and aligned with the group's BBBEE requirements. Delivery on our projects takes place through partnerships with non-profit organisations, non-governmental organisations and public benefit organisations. Project management is closely monitored and all beneficiary organisations have signed memoranda of agreement.

During 2014, 0.8% of the net profit after tax (2014: R12 million; 2013: R11 million) was awarded to social corporate investment and consumer education projects, with the following allocations:

- Education
- Arts and culture
- Youth and security
- Environment
- Health
- Overheads
- Other

Santam's CSI partners include UNICEF, NICRO, the City of Cape Town, and Santam employees.



Read more...

Corporate social investment projects:

www.santam.co.za

CARBON FOOTPRINT

The group's most significant environmental impact arises from the activities of employees and suppliers and the resources consumed in our buildings.

For example, our electricity has fluctuated since 2010 (baseline) due to revamping of offices, constructing a new building, greater flexibility of office hours and the better management of air conditioning systems – the latter contributing to a saving in electricity consumption of approximately 20%. In 2014, we focused on adapting the head office with more efficient lighting and moved the Sandton office into a five-star green building.

We continue focusing our efforts on raising employee awareness and deploying green technology into our facilities. We are building a history of resource usage data to be able to accurately monitor the benefits of new initiatives and forecast more effectively.

The Santam group set environmental reduction targets for the 2011 – 2015 period (performance details against the targets are available on the website) and will launch a revised policy and targets as part of the Sanlam group effort at the end of 2015.



CASE STUDY: Enterprise development creates jobs and revenue growth

The growth of the South African economy is dependent on the sustainability of small and medium-sized enterprises (SMEs). Santam engages with a diversity of suppliers and therefore has a responsibility to ensure that it contributes to driving this national agenda.

Santam forms part of the Sanlam Group Enterprise Development Programme that was launched in July 2014 and actively participates through its role as group sourcing function. The programme aims to build high-potential SMEs within the group supply chain and target market. The businesses identified are chosen based on criteria such as growth potential, value chain alignment, commitment to the programme, transformation, need for assistance, entrepreneurial ability, leadership capacity and geography.

Since the inception of the programme five businesses have participated covering a wide array of industries including motor body repair, human resources, IT technology solutions, recycling and office supplies. The results achieved have prompted the group to increase the number of participating SMEs in 2015 to an additional five beneficiaries.

Our strategic intent is to support SME to develop their capabilities to become supply chain ready for any future procurement opportunities within the Sanlam group. In addition to getting valuable business development support, the suppliers also gain insight into our procurement processes, supplier selection criteria and opportunities to engage with various decision-makers.

The success of our enterprise development initiative in 2014 was defined by the creation of 37 new jobs and an average increase of 20% in revenue for our beneficiaries.

INSURANCE GOOD AND PROPER



People

Through our people foundation we retain key skills, develop people and transform

Key performance indicators	2014	2013
CSI spend	R12 million	R11 million
Number of employees	5 163	4 779
Beneficiaries of BBBEE trusts	3 097	2 616

Our employees

Santam relies on the skills, resources and productivity of the group's employees to ensure that it delivers on its brand promise of **Insurance good and proper**. Our employees enable us to provide good client service and to manage our risk pool effectively. Given the reality of a skills shortage in the general insurance industry, there is an increasing need to build and retain a productive and diverse workforce that can respond to changing ways of doing business. Therefore, Santam focuses on the mental, physical and socio-economic wellness of our employees.

The 2014 culture and engagement survey showed that Santam employees (excluding subsidiaries) have an engagement score of 79% (2013: 77%), which reflects high levels of engagement, positivity, enthusiasm and commitment. This score is much

higher than the industry average of 68% and reflects great service delivery to our policyholders, business partners and other stakeholders.

The Santam Ltd manifesto was recently launched as a way to describe the Santam Way – the vital behaviour and attitudes that we expect Santam employees to display, thereby enabling the group to deliver on its promise of **Insurance good and proper**. The campaign aims to create purpose and cohesion around the five pillars of the manifesto:

- Acting with certainty
- Behaving with integrity
- Exercising expertise
- Striving for excellence
- Maintaining humanity

Group employee demographics

Black		White		Total
Female	Male	Female	Male	
1 908	1 275	1 246	734	5 163
37.0%	24.7%	24.1%	14.2%	100%

SKILLS DEVELOPMENT

Scarce skills development is an issue that requires action at national, industry and company level. Only when contributing on all three levels will companies benefit and employees and government be able to achieve success. Therefore, the group focuses on the following:

- The three-tiered leadership development programme
- Sanlam/Santam leadership programme run by the USB-ED (University of Stellenbosch Enterprise Development)
- Sanlam ELP (Enterprise Learning Programme)
- Behavioural skills training
- Technical, underwriting and systems training
- Graduate acceleration programme
- Learnership programme
- Coaching
- Study assistance

The total group investment in skills development for the year was R83 million of which 78% was targeted at black employees.

Santam has 3 learnership programmes, in which 60 learners participated in 2014. These include:

- The Santam general insurance learnership programme
- The Santam motor assessor learnership programme
- The Santam Black Broker development programme

EMPLOYEE VALUE PROPOSITION

The following are the elements of our employee value proposition:

- Careways confidential counselling programme
- bWell online wellness initiative
- Health and wellness days
- Yell for Yellow concierge desk

- Training and development – behavioural, leadership, technical, systems, etc.
- Interventions to foster diversity
- Learnerships and graduate development programmes

Employee wellness is managed under a joint Sanlam and Santam strategy aimed at standardising a core offering to employees. This includes an employee wellness scheme, preventative health screening and HIV/Aids management. Our employee wellness scheme, called Careways, is offered to employees and their families at no cost. As part of the service that Careways provides, Santam received a number of hours per year that can be used for group sessions focusing on areas of concern highlighted in the quarterly Careways reports.

Our bWell programme offers solutions that are tailored to each employee's need to motivate them to improve their lifestyle. A specific site in Gauteng was identified as an area of concern from a wellness perspective and bWell conducted a three-day wellness event and a site assessment to determine the potential health risks. One of the most concerning risks identified were high stress levels. To assist employees with managing stress levels they are, for example, equipped with skills to handle trauma with greater confidence.

PERFORMANCE MANAGEMENT

Employees are required to have a performance contract in place for each year, with clear KPAs, weightings, targets and measurements set for that period. These KPAs must align with the group strategy and the business unit and team focus areas.

In this way, the top-level organisational strategy is driven down into executive and business unit scorecards, and ultimately cascaded into individual performance contracts. Employees are formally appraised twice a year and informally given feedback

on a regular basis. This provides assurance that the individual performance management of employees and the infrastructure of the performance management system are aligned with the group strategy.

The 2014 Chief Executive Officer roadshow for employees took place in June. The message provided an external and internal context for the Santam business and was aimed at creating an evolving understanding of Santam's long-term strategy.

INDUSTRIAL RELATIONS

Santam Ltd engages formally with the recognised union Sasbo in terms of the recognition agreement (for example during annual wage negotiations) and informally for purposes of sharing business updates and developments that affect

employees. These sessions have resulted in a healthy relationship between Santam and Sasbo. Approximately 36.1% (2013: 38.4%) of the employees in the bargaining unit and 30.9% of total Santam Ltd employees are union members.

Santam was not affected by any industrial action during 2014. MiWay has no employees that belong to a trade union.

ANNUAL EMPLOYEE TURNOVER

Employee turnover at Santam was 9.4% (2013: 10.2%) whereas MiWay showed significantly higher turnover in line with call centre operations of a similar nature.

CASE STUDY: Our people approach in Namibia

Santam is the leading general insurer in Namibia with a market share of 31.45%. We have approximately 100 employees in five offices across Namibia, supported by more than 100 intermediaries and six underwriting managers. We achieved gross written premium growth of 29.1% in 2014. To deliver on the Santam brand promise, we create a culture where everyone's voice is heard. Following our first-time win in the Deloitte Best Company to Work For Survey in 2013, we were able to make people improvements that resulted in Santam Namibia winning Best Company to Work For in our category for the second year running. Participation in the survey has raised our employer profile and enhanced our capacity to retain and attract key talent. This directly affects our ability to grow our business profitably and remain the leading general insurer in Namibia.

CASE STUDY: Accelerating our leadership capacity and capability

In order to grow the leadership talent pool within Santam we have launched the Santam Leadership Development Programme, aimed at identifying, investing in and accelerating our leadership talent. The programme takes groups of high-potential junior, middle and senior managers on a developmental journey – to explore the 'me, we, work and world' of leading at Santam and to build a common language and shared competence in a variety of key areas – such as developing influence, managing change, inspiring team performance and understanding personal effectiveness. In total, 64 managers graduated from the programme in December 2014, and the feedback has been overwhelmingly positive. Full 360-degree assessments to measure the shift and improvement in those managers' competence levels will take place next. In 2015, the intake numbers will be increased, with the intention to take more than 80 managers through the programme.

Governance report

Board of directors

at 31 December 2014

Bruce Campbell (64)

Ian Kirk (57)

Monwabisi Fandeso (56)



Johan van Zyl (58)

Yegs Ramiah (47)

Hennie Nel (46)

Dawn Marole (54)

Themba Gamedze (56)

Kobus Möller (55)



Malcolm Dunn (70)

Machiel Reyneke (57)

Grant Gelink (65)

Board profiles

at 2 March 2015

GG GELINK (65)

Independent non-executive chairman

BComm (Hons), CA(SA), HEd, BAcc (Hons)

Appointed 1 June 2012

Director of FirstRand Ltd, Grindrod Ltd, Allied Electronics Corporation Ltd (Altron), Eqstra Holdings Ltd and MTN Zakhele. Chief executive officer of Deloitte Southern Africa from 2006 to 2012.

B CAMPBELL (64)

Independent non-executive director

BA, MBL, ACII & FCII (UK)

Appointed 4 October 2010

Previous managing director of Mutual & Federal Insurance Holdings Ltd and previous group chief executive officer of Alexander Forbes.

MD DUNN (70)

Independent non-executive director

FCA, CA(SA)

Appointed 16 April 2010

Director of Munich Reinsurance Company of Africa Ltd, Munich Mauritius Reinsurance Company Ltd and the Vumelana Advisory Fund NPC.

MP FANDESIO (56)

Independent non-executive director

BSc (Hons), MBA

Appointed 10 October 2011

Director of SA Breweries (Pty) Ltd and SABSA Holdings Ltd. Previous chief executive officer of the Land and Agricultural Development Bank of South Africa.

T FUBU (43)

Independent non-executive director

CA(SA), B Admin (Hons), HDip in Banking Law

Appointed 1 January 2015

Director of Grindrod Ltd, National president of the Association for the Advancement of Black Accountants of Southern Africa (ABASA), former executive partner at KPMG, former director of PetroSA, South African Rail and Commuter Corporation (SARCC).

BTPKM GAMEDZE (56)

Non-executive director

BA (Hons), MSc, FASSA

Appointed 16 October 2006

Director of Sanlam Emerging Markets (Pty) Ltd, Sanlam Investment Management (Pty) Ltd, Exoport 12 (Pty) Ltd, Alt-e Technologies (Pty) Ltd, AE-AMD (Pty) Ltd. Immediate past president of the Actuarial Society of South Africa, trustee of the Government Employees Pension Fund, and chairman of the South African Insurance Association.

IM KIRK (57)

Non-executive director

FCA (Ireland), CA(SA), HDip BDP (Wits)

Appointed 14 June 2007

Deputy chief executive officer of Sanlam Ltd. Director of Beaux Lane (SA) Properties (Pty) Ltd, Channel Life Ltd, Sanlam Developing Markets and Santam Ltd. Previous chief executive officer of Santam Ltd from June 2007 to 31 December 2014. Director of SAIA until 31 December 2014.

L LAMBRECHTS (51)

Chief Executive Officer

BSc (Hons), FIA (1992), EDP (Manchester)

Appointed 1 January 2015

Director of Stalker Hutchison Admiral (Pty) Ltd, Centriq group of companies, MiWay group of companies, Emerald Risk Transfer (Pty) Ltd and director of SAIA from 1 January 2015. Non-executive director of Sanlam Developing Markets, Sanlam Linked Investments, Sanlam Investments and Pensions UK, Channel Life, Glacier Financial Holdings and Sanlam UK.

MLD MAROLE (54)**Independent non-executive director**

BComm, Dip Tertiary Education, MBA

Appointed 13 December 2011

Director of MTN Group Ltd, Mobile Telephone Networks Holdings (Pty) Ltd, MTN International (Pty) Ltd, Eyomhlaba Investment Holdings Ltd, Richards Bay Minerals (Pty) Ltd and Development Bank of Southern Africa.

JP MÖLLER (55)**Non-executive director**

CA(SA)

Appointed 16 October 2006

Executive director of Sanlam Ltd and Sanlam Life Insurance Ltd. Director of Sanlam Emerging Markets (Pty) Ltd, Sanlam Capital Markets Ltd, Sanlam Investment Holdings (Pty) Ltd, Genbel Securities Ltd and Ubuntu-Botho Investment Holdings (Pty) Ltd.

HD NEL (46)**Chief financial officer, Executive director**

CA(SA)

Appointed 17 September 2012

Director of Centriq group of companies, Censeo (Pty) Ltd, Emerald Risk Transfer (Pty) Ltd, MiWay group of companies, Stalker Hutchison Admiral (Pty) Ltd, Central Plaza Investments 112 (Pty) Ltd, Swanvest 120 (Pty) Ltd, Brolink (Pty) Ltd and Sanlam Emerging Markets (Pty) Ltd.

Y RAMIAH (47)**Executive director**

BA LLB, MBA, AMP (Harvard), HDip Tax (Admitted Attorney)

Appointed 13 December 2011

Director of Sanlam Ltd, Sanlam Life Insurance Ltd, Sanlam Investment Management (Pty) Ltd, Sanlam Investment Holdings Ltd and Adopt a School Foundation.

MJ REYNEKE (57)**Non-executive director**

CA(SA)

Appointed 26 August 2003

Director of Credit Guarantee Insurance Corporation of Africa Ltd, Indwe Broker Holdings Ltd, MiWay group of companies, Centriq group of companies, Santam Namibia Ltd and Central Plaza Investments 112 (Pty) Ltd.

J VAN ZYL (58)**Non-executive director**

PhD, DSc (Agric)

Appointed 1 August 2001

Chief executive officer of Sanlam Ltd and Sanlam Life Insurance Ltd. Director of Channel Life Ltd, Genbel Securities (Pty) Ltd, Sanlam Capital Markets (Pty) Ltd, Sanlam Developing Markets Ltd, Sanlam Emerging Markets (Pty) Ltd, Sanlam Investment Holdings Ltd, Sanlam UK Ltd, Shriram Capital, Sanlam Netherlands Holding BV and WWF SA. Chairman of Association of Savings and Investment South Africa and Vumelana Advisory Fund NPC.

M ALLIE (39)**Company secretary**

BA, LLB

Appointed as company secretary on 1 February 2011

Admitted attorney with experience in corporate and commercial law, litigation and corporate governance. Former roles include company secretary of Oceana Group Ltd and Group Legal and Regulatory Affairs Manager of Parmalat SA (Pty) Ltd.

Executive management

at 31 December 2014

Ian Kirk (57)



Ebrahim Asmal (50)



Hennie Nel (46)



René Otto (56)

Yegs Ramiah (47)



Temba Mvusi (59)



Quinten Matthew (51)



Edward Gibbens (45)



John Melville (49)



Kevin Wright (49)

Executive management profiles

at 2 March 2015

LIZÉ LAMBRECHTS (51)

Chief Executive Officer

BSc (Hons), FIA (1992), EDP (Manchester)

Appointed 2015

Responsible for executing strategic plans and policies approved by the board of directors; provides leadership and direction in realising the company's philosophy and achieving its mission, strategy, annual goals and objectives; and ensures the group meets or exceeds its targets, thereby growing profitability and sustainability over the medium to long term.

EBRAHIM ASMAL (50)

Claims and group sourcing

Appointed 2009 (Appointed to executive management 2012)

Responsible for the management of the claims value chain, including assessments services and quality assurance. Also responsible for group sourcing and facilities, leveraging the group's procurement spending power to manage efficiency in the supply chain and drive opportunities related to new initiatives.

EDWARD GIBBENS (45)

Santam Commercial and Personal

AIISA, BComm, MBA

Appointed 1992 (Appointed to executive management 2005)

Responsible for growing gross premium income and underwriting profit through the company's intermediated commercial and personal lines distribution channels; manages the efforts of business partners and intermediary distribution employees, analyses the competitive environment and develops future strategies to strengthen the company's competitive position.

QUINTEN MATTHEW (51)

Santam Specialist

FIISA

Appointed 2003 (Appointed to executive management 2010)

Responsible for developing and expanding the underwriting manager model, niche segments, affinity markets and specialist insurance (including Centriq); provides strategic input to each business; promotes growth and profit objectives; and focuses on growing individual businesses by advancing entrepreneurship and specialist skills through partnerships, building on the synergy and support of Santam.

JOHN MELVILLE (49)

Risk services

BBusSc (Hons), FIA, FASSA, MCR (IMD)

Appointed 2010

Responsible for the underwriting function (including strategy and pricing); product solutions; actuarial services (including rating, capital modelling and solvency management); developing and implementing reinsurance strategy; and developing Santam Re into a growth and profit contributor for the group. Oversees the development and maintenance of systems and processes to support the operation of these functions.

TEMBA MVUSI (59)

Market development

BA, ELP (Wharton School of Business), MAP (Wits), PDP (UCT)

Appointed 2008

Responsible for strategic stakeholder relations; provides strategic input into developing and growing the company in new markets and explores new intermediary opportunities in unserved markets; drives group-wide transformation to ensure company sustainability, setting targets and ensuring the company meets its broad-based black economic empowerment responsibilities.

HENNIE NEL (46)**Chief financial officer**

CA(SA)

Appointed 2012

Responsible for the finance function of the company, including financial reporting, corporate finance, investments, tax, internal audit, enterprise risk management, sustainability and corporate legal services.

RENÉ OTTO (56)**Chief executive officer of MiWay**

BLC LLB, LLM, Admitted Advocate of the Supreme Court

Appointed 2007 (Appointed to executive management 2012)

Responsible for executing strategic plans and financial performance of MiWay as founding head and current chief executive officer.

YEGS RAMIAH (47)**Brand and marketing**

BA LLB, MBA, AMP (Harvard), HDip Tax (Admitted Attorney of the High Court of South Africa)

Appointed 2009

Responsible for brand development, marketing and communications with a strong focus on client attraction, retention and satisfaction.

KEVIN WRIGHT (49)**Operations and IT**

Bcomm, Fellow of the South African Institute of Chartered Secretaries and Administrators, FCIS

Appointed 2014

Responsible for client services, ensuring efficient policy administration, operation of sales and administration contact centres. Also responsible for information technology and business change to bolster the business strategy by leveraging information and technology and overseeing the building of systems capabilities to enhance Santam's agility and operational effectiveness.

Governance report

Statement of commitment

Santam's board of directors is committed to the highest level of effective corporate governance, integrity and ethics. The board is assisted by senior management in ensuring that the business complies with the regulatory landscape to ensure the sustainability of the business.

The board endorses the principles contained in the King III. In instances where the company has elected not to apply certain recommendations contained in King III the rationale is explained in the relevant sections of this report. The company has applied all the principles contained in chapter 2 of King III.

A register detailing the company's application of all the King III principles is available on the company's website. In terms of King III, the integrated report should disclose the terms of reference of all the board committees. Only a summary of these terms of reference have been included in this report and the complete terms of reference are available for viewing on the Company's website.

The board is of the opinion that Santam applied the significant governance principles in King III and complied with the JSE Listings Requirements and Companies Act, 71 of 2008, during 2014.

During the year, Santam reviewed its governance processes to enhance alignment with legislative and regulatory changes and to reflect best industry practice. The board and board committee charters were all subjected to annual reviews as recommended by King III.

Santam's commitment to good governance is formalised in its charters, policies and operating procedures. Governance processes are regularly reviewed to take the evolving regulatory environment and best practice into account. The board's committees all fulfil key roles in ensuring good corporate governance is applied at Santam.

Santam is responsible for conducting its affairs with prudence and to safeguard the interests of all its stakeholders.

The board is, inter alia, accountable for:

- allocating major roles and responsibilities according to the company's delegation of authority framework;
- ensuring there are clear and formal procedures in key areas, so that regulators and auditors can readily review decisions and actions, both internally and externally; and
- conducting business in accordance with the company's code of ethics.

Santam's response to increasing levels of economic crime is entrenched in its enterprise risk management and based on King III requirements and codified in its business ethics and economic crime (BEEC) policy. The group has expanded its efforts to curb the problem by engaging with stakeholders, resulting in the launch of Santam's economic crime forums in Durban, Cape Town and Johannesburg. Through the synergies created by the combining of efforts of Santam, the police's commercial crime unit, the asset forfeiture unit, South African Insurance Crime Bureau (SAICB), the criminal justice system and other insurers, the forums have yielded positive results.

Santam's code of ethics prescribes that all employees must strictly comply with all relevant legal requirements and regulations that apply to their area of work. The code of ethics also regulates conflict of interest and key ethical risks in the company. Santam's policy on business ethics is available on the company website.

Santam advocates zero-tolerance towards fraud and corruption and employees are kept apprised of the latest trends in fraud and crime, locally and internationally through its *Integrity* publication.

See the administration section on page 110 for Santam's fraud reporting details.

ETHICAL CULTURE ASSESSMENT

One of the key responsibilities of internal audit, according to King III, is to evaluate a company's governance processes, including ethics, and especially the "tone at the top".

Internal audit evaluated the ethical culture of Santam in 2014 by means of an integrity index based on attributes that affect ethical culture. The purpose of the survey was to determine if the culture of Santam is aligned to support ethical behaviour.

The strength of an ethical culture indicates the extent to which employees at all levels of the group are committed to doing what is right and successfully upholding values and standards. The results of the survey indicated that Santam has a strong ethical culture.

DISPUTE RESOLUTION

The board does not at this stage intend to institute a formal dispute resolution process as recommended by King III. The existing processes operate satisfactorily and do not require a more formal mechanism. In the event that disputes with shareholders should arise, shareholders have remedies in terms of the Companies Act at their disposal.

Board and committees

The board is responsible for directing, administering and controlling the affairs of the company in a transparent, fair and responsible manner. The board recognises its responsibility to shareholders, employees and the community to uphold high standards in managing economic, social, environmental and ethical matters and ensuring the company conducts its activities according to best practice.

The board is supported by various committees to carry out the oversight role of ensuring that the activities of the company are managed in the manner that is consistent with the ethical leadership and values of Santam. The roles and responsibilities of each board committee are set out in terms of references that are reviewed annually by the board.

There are well-entrenched governance structures within Santam that ensure proper assurance is given to materially significant strategic and operational matters.

Directors have unrestricted access to all company information, and access to the advice and services of the group company secretary. Directors are entitled to seek independent professional advice, at the company's expense (after consultation with the chairman of the board), as and when required in fulfilling their duties. No directors exercised this right during the period under review.

As at 31 December 2014, the board comprised 12 directors, of which three are executive directors. Of the nine non-executive directors, the majority (five) are independent. There is a formal, transparent board nomination process, in terms of a policy detailing procedures for appointment to the board. This policy is reviewed annually. Appointments to the board are formal and transparent and are a matter for the board of directors as a whole, assisted by the nominations committee as required by section 3.84 of the JSE Listings Requirements. Directors are appointed, subject to re-election by the shareholders at the company's annual general meeting (AGM) and to the Companies Act provisions relating to their removal. The board charter depicts a clear division of responsibilities and authority at board level, to ensure that no individual director has unfettered powers of decision-making or influence over the board.



The chairman, who is an independent non-executive director, is principally responsible for the effective operation of the board. There is a clear division of authority between the various roles within the company's corporate governance structure. The responsibilities of the chairman and chief executive officer have been clearly defined and are separate.

The non-executive directors on the Santam board can all influence decision-making. The non-executive directors bring a diverse range of skills and experience to the board (see the

board members' profiles on page 54). It is their responsibility to ensure their judgement is exercised freely and independently. In the board's opinion, there is no business or other relationship within the current structure that could materially interfere with the impartial judgement of any of the non-executive directors.

When appointing directors, the board takes cognisance of its needs in terms of different skills, experience, diversity, size and demographics. The effectiveness of the board composition and the performance of all its directors are assessed annually.



The Santam board

AT 31 DECEMBER 2014

Name	Executive	Non-executive	Independent non-executive
B Campbell			*
MD Dunn			*
MP Fandesio			*
BTPKM Gamedze		*	
GG Gelink (Chairman)			*
IM Kirk	*		
MLD Marole			*
JP Möller		*	
HD Nel	*		
Y Ramiah	*		
MJ Reyneke		*	
J van Zyl		*	



See page 54 for board member profiles.

No changes to the board were effected during 2014.

- Mr Kirk's designation as executive director changed to non-executive director on 1 January 2015.
- Ms L Lambrechts was appointed as Chief Executive Officer and as an executive director, effective 1 January 2015.
- Ms T Fubu was appointed as an independent non-executive director on 1 January 2015.

BOARD CHARTER

The board's responsibility to ensure best practice in company conduct is entrenched in the board charter, which is reviewed annually to ensure alignment with the principles of good governance. The charter delineates the powers of the board, which ensures an appropriate balance of power and authority. Only minor amendments were made to the charter during the year.

The board charter sets out, inter alia, the composition, meeting frequency and the specific responsibilities to be discharged by the board as a whole and by the directors, executives and officers individually. These responsibilities are determined in terms of:

- the company's memorandum of incorporation (MOI);
- the Companies Act, 71 of 2008, as amended;
- the JSE Listings Requirements;
- King III; and
- the Short-term Insurance Act, 53 of 1998.

These documents are a reference point for directors, executives and officers on how to conduct their affairs and dealings in respect of, and on behalf of, the company.

The board charter prescribes that directors should conduct themselves in the best interest of the company and take special care to ensure that there is no conflict between their own interest and the company's interest. All board members are required to declare any potential conflict of interest between their obligations to the company and their personal interests. In the event that a potential conflict of interest arises, an affected director is required to recuse himself accordingly from the part of the meeting where the matter in which he has an interest is discussed.

Through its charter, the board has reserved matters specifically for its attention to ensure it exercises full control over significant matters including strategy, finance, and compliance. The board is regularly advised and updated on the activities of the company. An ongoing director development programme focuses on existing board members and aims to create an evolving understanding of the business, governance and compliance environment in which it operates. The director development programme includes regular training updates and information sessions. New directors complete a formal induction programme and receive appropriate training, reading

material and guidance on their duties, responsibilities, Santam's business environment and sustainability issues relevant to the business. The induction programmes are tailored to the needs of individual appointees.

A copy of the board charter is available on www.santam.co.za.



SALIENT FEATURES OF THE BOARD CHARTER

The board's key purpose is to ensure the company's prosperity by collectively directing its affairs, while acting in the best interests of its stakeholders.

The MOI sets out the powers of the board of directors, while the Companies Act and the delegation of authority document govern the exercise of these powers.

The matters reserved for the board include:

- Approval of:
 - the company's vision, mission and values;
 - the company's strategic objectives, business plans, annual budget, dividend policy and the monitoring of the company's performance against set objectives;
 - all dividends;
 - the integrated report and annual financial statements;
 - circulars to shareowners, including notices of shareholder meetings;
 - financial risk management and capital policies, including funding and the issue of ordinary shares and loan capital;
 - capital expenditure, acquisitions, joint ventures and disposals in excess of the limits set out in the delegation of authority document and the MOI; and
 - significant changes in accounting policy.
- Recommending changes to the MOI of the company, remuneration of directors, and remuneration policy to shareholders for approval.
- Composition of the board committees, electing a chairman of the board, approval of the appointment of the chief executive officer, executive directors and the company secretary.
- Monitoring of and reporting on sustainability management.
- Ultimate responsibility for IT governance.
- Commencing business rescue proceedings as soon as the company is financially distressed.

During the year under review, the board approved the strategy and budget for 2015. Material issues relating to the execution of strategy were considered. The board approved the interim and year-end financial results and the 2014 integrated report. The board also approved the appointment of new directors with effect from January 2015. The board is satisfied that it has discharged its duties and obligations as contained in its charter.

Responsibility and accountability

DELEGATION OF AUTHORITY

The company's delegation of authority provides an approval framework to ensure the company 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 chief executive officer, who may delegate some of these powers. The delegation of authority document codifies and regulates any such delegation of authority within the company. The board reviews its delegated authorities annually. There are a number of governance policies, which complement the delegation of authority, and are reviewed on a regular basis by the board.

CHAIRMAN

The chairman provides overall objective leadership of the board of directors. The chairman's primary function is to preside over meetings of directors and shareholders, and to ensure the smooth functioning of the board and that it receives timely and accurate information in order for the directors to perform effectively.

CHIEF EXECUTIVE OFFICER

The chief executive officer reports to the board and is responsible for managing the execution of the strategic direction of the company as approved by the board. Board authority conferred on management is delegated through the chief executive officer in terms of approved authority levels.

EXECUTIVE AND NON-EXECUTIVE DIRECTORS

The directors have a fiduciary duty to exercise due care and skill in carrying out their mandate as directors of the company. In doing so, the directors will ensure that they act in the best interest of the company at all times, and do not derive any profit as a result of their fiduciary relationship with the company.

BOARD COMMITTEES

The committees assist the board in discharging its duties and responsibilities. Ultimate responsibility rests with the board and the board does not abdicate its responsibility to the committees. The committees report to the board quarterly as to how they carried out their responsibilities and the minutes of the committee meetings are provided to all board members. Notwithstanding the delegation of functions to the committees, the board remains ultimately accountable for the proper fulfilment of such functions, except for the statutory functions of the audit committee relating to the appointment, fees and terms of engagement of the external auditor.

All committees are chaired by independent non-executive directors, except for the human resources and remuneration committee, which is chaired by a non-executive director who is not independent, Dr J van Zyl. Although he is not independent, the board is supportive of his chairmanship of this committee given his knowledge of the business, his commercial experience and the necessity to align the company's remuneration approach with corporate strategy.

COMPANY SECRETARY

The group company secretary provides guidance to the board collectively and to individual directors on how to discharge their responsibilities properly in terms of applicable legislation and regulations, and in the best interests of the company. The directors have unlimited access to the advice and services of the group secretary. The company secretary plays a pivotal role in the company's corporate governance and ensures that, in accordance with the pertinent regulations, the proceedings and affairs of the board, the company itself and, where appropriate, shareholders are properly administered. The company secretary monitors directors' dealings in securities to ensure adherence to the directors' dealings in securities policy. The company secretary attends all board and committee meetings and is responsible for director training and induction, as well as the annual board evaluation process. The company secretary is not a director of the company.

In terms of the JSE Listings Requirements the board is required to consider and satisfy itself on an annual basis on the competence, qualifications and experience of the company secretary. The board conducted a formal evaluation of the company secretary during the year under review and is

satisfied that he has the necessary competence, qualifications and experience to carry out the required responsibilities of a secretary of a public company. The board is further satisfied that an arm's length relationship exists between the company secretary and the board. The directors are satisfied that the company secretary provides a central source of guidance and advice to the board and within the company on matters of good governance. The company secretary also acts as secretary for the committees of the board.



The company secretary's qualifications are outlined on page 55.

BOARD COMPOSITION AND MIX

The efficacy of the board depends on its composition. There is an appropriate balance of power and authority on the board. The independent non-executive directors have a standing closed-session agenda item at every board meeting to deliberate on any issues that they may want to discuss with the chairman or the chief executive officer and/or any other directors.

BOARD EVALUATION

The board reviews the range of skills, experience and effectiveness of its directors annually. This is done using a formal evaluation process developed according to the recommendations of King III. The nominations committee considers the results of the evaluation and makes recommendations to the board as appropriate. An independent service provider conducted the evaluation during 2014.

The evaluation included an effectiveness assessment of the board itself collectively, an appraisal of the board committees and the chairman. The evaluations conducted for the year found no significant matters or material concerns in respect of the board and board committee performance. The results indicated that the core board processes were working well and that the board was well balanced. The directors believe that board meetings were well organised and efficiently run and that all relevant aspects of the company's business were dealt with by the board and its committees.

An informal review, conducted by the nominations committee takes place for all directors prior to their standing for re-election at the AGM. This evaluation is shared with the board. The performance of all directors standing for election at the AGM in June 2015 has been considered by the board, and their re-election is supported.

DEALING IN SECURITIES

In accordance with the JSE Listings Requirements, Santam has adopted a policy that sets out the procedure directors have to follow before they, or any of their associates, deal in the company's securities.

Directors and the company secretary must obtain prior written authorisation from the chairman to deal in company securities. The company secretary retains a record of all such share dealings and approvals. Senior management and designated employees that are exposed to unpublished, price-sensitive information in relation to the company's shares by virtue of their positions are prohibited from trading in Santam securities during the company's closed periods.

SUSTAINABILITY MATTERS

The board recognises that there are qualitative issues that influence the company's ability to create value in the future. These relate to investment in human and other intellectual capital, the extent of the company's social transformation, ethical, safety, health and environmental policies and practices.

The social, ethics and sustainability committee convenes regularly and reports directly to the board on, inter alia, the issues listed above.

LEGAL COMPLIANCE

Santam acknowledges the importance of compliance with the regulatory framework affecting its operations, and its accountability to all its stakeholders in this regard. The company has given substantial focus to legislative compliance during the year under review. Santam's legal compliance philosophy encapsulates integrity, fair dealing, accountability, objectivity, independence, good governance, transparency and collaboration.

In response to the regulatory environment within which it operates, Santam has a dedicated legal compliance function in place, which is responsible for implementing the legal compliance framework. The compliance function identifies legislation applicable to the group, informs business of pertinent regulatory requirements (and amendments thereto), analyses their impact on business operations, facilitates the introduction of controls aimed at ensuring compliance and monitors compliance. For increased efficiency and effectiveness, the legal compliance function collaborates with other risk assurance providers on certain matters, and works closely with other entities within the group. In implementing the compliance framework, a risk-based approach is adopted. In addition, Santam complies with mandatory industry codes.

Santam has a legal compliance framework that involves preparing and maintaining inventories of material laws and regulations, implementing policies based on these laws and establishing procedures to supervise compliance and mitigate risks.

Given the resources that strict compliance with non-mandatory industry codes would require, Santam adopts such codes, to the extent that they enhance good governance, efficiency and effectiveness.

BOARD AND COMMITTEE STRUCTURE

The board has delegated specific functions to committees to assist the board in meeting its oversight responsibilities.

The committees all have terms of reference, which are reviewed annually, and the directors confirm that the committees have functioned in accordance with these terms of reference during the year. All board committees are chaired by independent non-executive directors, except the human resources and remuneration committee, which is chaired by a non-executive director.

The board met five times at scheduled meetings in 2014. The board meets at least once every quarter and holds a strategy meeting in August to approve the strategic direction of the company. Details of attendance at board and committee meetings were as follows:

	Board	Audit committee	Risk committee	Human resources and remuneration committee	Nominations committee	Investment committee	Social, ethics and sustainability committee
NUMBER OF MEETINGS HELD DURING 2014	5	4	5	4	4	4	4
B Campbell	5	4	5	–	–	–	–
MD Dunn	5	4	5	–	–	–	–
MP Fandesio	5	3	4	–	–	–	–
BTPKM Gamedze	5	–	4	–	–	–	4
GG Gelink	5	4	4	4	4	4	–
IM Kirk	5	–	5	–	–	4	–
MLD Marole	4	–	–	4	4	–	3
JP Möller	5	–	5	–	–	4	–
HD Nel	3	–	4	–	–	4	–
Y Ramiah	5	–	–	–	–	–	4
MJ Reyneke	5	–	5	–	–	2	–
J van Zyl	5	–	–	4	4	–	–

Key:

– Not a member of the committee

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The nominations committee ensures that the board's composition reflects demographic and gender diversity, and the appropriate mix of skills and experience.

Directors do not have a fixed term of appointment. In accordance with the company's MOI one third of the non-executive directors must retire at the AGM annually. In addition, executive directors retire on the third anniversary of their appointment or re-election to the board. Directors appointed by the board after the AGM are required to retire at the following AGM and stand for election by shareholders. Non-executive directors are subject to retirement by rotation every three years. Shareholders have the opportunity to nominate a director and five other shareholders must second the nomination. An abridged CV of the nominated director is sent with the notice of AGM, 14 days before the AGM. Therefore, the company's shareholders have the opportunity to participate continually in the election and re-election process for directors.

At the AGM, shareholders vote by a single resolution to determine whether the director will be appointed. The appointment of non-executive directors are formalised by a letter of appointment between the company and the non-executive director.

Board committees

RISK COMMITTEE

The risk committee assists the board in fulfilling its governance (from a risk and control perspective), compliance and risk management responsibilities. The committee is responsible for ensuring that all significant risks are identified, evaluated and effectively managed, and that there is adequate oversight over Santam's own risk and solvency assessment and internal model processes. Compliance with relevant laws and regulations is integral to Santam's risk management process and is monitored on a continuous basis. The committee operates in terms of a formal charter approved by the Santam board.

The functions of the risk committee include assisting the board in ensuring that:

- the company has implemented an effective policy and plan for risk management that will enhance the company's ability to achieve its strategic objectives;
- the maturity and effectiveness of the risk management processes and activities are continuously monitored, maintained and improved as required;

- the overall risk profile, including significant risks Santam faces are monitored and reviewed and the response to address these key risks are appropriately defined and resolved by management; and
- the disclosure regarding risk is comprehensive, timely and relevant.

The committee met five times during the year. Details of attendance at meetings are provided on page 66. The risk committee is satisfied that it has fulfilled its responsibility in terms of its charter. The committee is satisfied of the adequacy of governance, compliance and risk management structures and processes in place at Santam.



AUDIT COMMITTEE

The audit committee is constituted as a statutory committee of Santam in respect of its duties in terms of the Companies Act and a committee of the Santam board in respect of all other duties assigned to it by the board. During 2014, the committee consisted of four independent non-executive directors. The committee ensures, inter alia, that the company's financial standing is sound and that the internal financial controls and financial processes are effective. The committee reviews the overall quality and integrity of financial reporting and integrated and sustainability reporting disclosures.

The audit committee is appointed by shareholders at the AGM. Its primary function, in addition to those required by the Companies Act, is to help the board oversee financial matters. The committee operates in terms of a formal charter and annual work plan approved by the board. The audit committee is chaired by an independent non-executive director. The independent chairman of the board, Mr GG Gelink is a member of the audit committee. Although this is not in line with the recommendation contained in chapter 3 of King III, the board is supportive of his membership, given his substantial experience in audit process, international financial reporting standards and internal financial controls. Mr Gelink does not chair the audit committee. The committee also consisted of three other independent non-executive directors during 2014, and exceeding the minimum recommended number of members. The board has recommended the re-election of Messrs Campbell, Dunn, Fandesio and Gelink as members of Santam's audit committee at the 2015 AGM. The board has also recommended that Ms T Fubu be elected as an additional member of the committee at the AGM.

The functions of the audit committee include:

- Overseeing integrated reporting.
- Reviewing and recommending for approval by the board, the annual financial statements, the interim reports, preliminary or provisional result announcements, integrated report, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents.
- Reviewing and recommending the disclosure of sustainability issues in the integrated report for approval by the board, to ensure that it is reliable, does not conflict with the financial information, and provides a balanced view.
- Recommending to the board whether or not to engage an external assurance provider on material sustainability issues.
- Reviewing accounting policies and practices and consider any significant changes or departure from accounting policies and practices.
- Reviewing the basis on which the company has been determined a going concern.
- Considering changes to the dividend policy and recommending dividend declarations to the board.
- Nominating the external auditor of the Santam group and its subsidiaries (who in the opinion of the committee is independent of the company) for appointment by the shareholders.
- Approve the terms of engagement and remuneration for the external audit and ensure that the appointment of the auditor complies with the provisions of the Companies Act and any other legislation relating to the appointment of auditors.
- Define a policy for non-audit services to be rendered by the external auditor to the company or a related company and pre-approving the contracts for non-audit services to be rendered by the external auditor.
- Assisting the board in carrying out its IT responsibilities.

During the year, the audit committee reviewed communication from the external auditors and, after conducting its own review, confirmed the independence of the auditors. The committee also considered and determined the external auditors' fees and terms of engagement.

As required by JSE Listings Requirement 3.84, the audit committee considered the expertise and experience of the executive financial director during November 2014 and the committee is satisfied that the appropriate requirements have been met. The audit committee is also satisfied with the finance function's expertise and adequacy of resources.

The external and internal auditors attend committee meetings and have unrestricted access to the committee and its chairman, ensuring that their independence is in no way impaired. Both the external and internal auditors have the opportunity to address the audit committee at each meeting without the presence of management.

Audit committee members are encouraged to keep up to date with developments that affect their required skill set. The audit committee has considered factors and risks that may affect the integrity of the Santam integrated report and has reviewed the disclosure of sustainability issues in the report to ensure that it is reliable and does not conflict with the financial information. The audit committee has not recommended the engagement of an external assurance provider on material sustainability issues to the board as it is of the view that the assurance provided is adequate, given the maturity of the processes in place.

The committee met four times during the financial year. Details of attendance at meetings are provided on page 66. The audit committee is satisfied that it has fulfilled its responsibility during the year in terms of its charter. The committee believes that it has complied with its legal and regulatory responsibilities for the year. The committee reviewed the company's integrated report and recommended it to the board for approval.



HUMAN RESOURCES AND REMUNERATION COMMITTEE

The human resources and remuneration committee comprises only non-executive directors. The chief executive officer and certain members of management attend committee meetings by invitation but excuse themselves at the appropriate times.

The committee is responsible for, inter alia, the development and implementation of the group's remuneration philosophy. The total reward of executives is designed to ensure that a substantial portion is dependent on performance; both company performance and individual performance. The attainment of appropriate individual and group targets governs the eligibility of executives for annual performance bonuses and the vesting of their long-term incentive awards.

The committee is responsible for and has the authority to consider and make recommendations on the following, among others:

- Determining and approving the general remuneration policy that must be tabled at each annual general meeting for a non-binding advisory vote by shareholders.
- Preparing an annual remuneration report for inclusion in the company's integrated report.
- Development of the remuneration strategy for executive directors and members of the executive committee.
- Development of short-term incentive plans for board approval. It sets annual targets, monitors progress towards targets and reviews the incentive plans regularly to ensure that a strong link with performance is maintained.
- Development of long-term incentive schemes for board approval. It sets individual and group performance hurdles, as well as guidelines for annual allocations. It performs regular reviews of the structure of the schemes.
- Development, monitoring and testing of appropriate performance drivers for both short-term and long-term incentives.
- Management of the contracts of employment of executive directors and executive committee members ensuring that their terms are compliant with good practice principles.
- The individual remuneration packages for executive directors and executive committee members including incentive schemes and increases to ensure they are appropriate.
- The remuneration of non-executive directors of the board and its committees. Proposals are made to the board for final approval by shareholders at the annual general meeting.
- Succession planning.
- Human capital imperatives.



The committee met four times during the financial year.

Details of attendance at meetings are provided on page 66.

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

In accordance with King III recommendations, the company's remuneration policy is to be tabled for shareholders to make a non-binding advisory vote at the AGM. This vote enables the shareholders to express their views on the remuneration policies adopted and their implementation.

NOMINATIONS COMMITTEE

The nominations committee considers board succession and recommends candidates for board vacancies based on skill, experience and the need to ensure diversity and balance in the composition of the board. The committee comprises only non-executive directors and is chaired by the chairman of the board. The chief executive officer attends committee meetings by invitation. The committee met four times during the financial year. Details of attendance at meetings are provided on page 66. The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the period under review.



SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE REPORT

The Santam group's social and ethics committee is constituted in terms of the Companies Act and had an independent role. The committee assists the board in monitoring the group's activities in terms of legislation, regulation and codes of best practices relating to ethics, empowerment and stakeholder engagement. The committee also assists the board in ensuring that the sustainability strategy and objectives are effectively integrated into the business. The committee, in addition to performing the function for Santam Ltd, accepted the role of the social and ethics committee for all Santam's South African subsidiaries who have the requisite public interest score.

The responsibilities of the committee are as follows:

- Monitoring Santam's activities relating to social and economic development, broad-based black economic empowerment, and employment equity.
- Monitoring good corporate citizenship, including the promotion of equality, corporate social responsibility, ethical behaviour, and managing environmental impact.
- Monitoring changes in empowerment charters and codes.
- Monitor functions required in terms of the Companies Act and its regulations.

The committee is also responsible for actively managing the material matters that affect the sustainability of the company, including:

- Minimising the risk associated with social, economic and environmental impact including stakeholder activism and government regulation.
- Ensure that the business aligns with legislative requirements such as King III, JSE Listings Requirements, broad-based black economic empowerment, and other applicable legislation.

Adding value by monitoring and guiding management on:

- developing and retaining a sustained client base;
- developing solutions to accommodate change – inclusive of societal and environmental change;
- developing and retaining a sustained supplier base;
- having appropriate human capital processes and systems in place;
- having a transformed business;
- cultivating an ethical culture and combating/curbing economic crime effectively;
- applying environmental impact management and practices;
- having a sustained intermediary base;
- extending influence to the benefit of society; and
- applying responsible investment practices.

During 2014, the committee reviewed the strategy, plans and progress made towards achieving Santam's transformation targets. The committee further reviewed the report compiled by the company's appointed BBBEE verification agency. The committee also monitored Santam's sustainability performance regarding the JSE Socially Responsible Investment Index and participation in the CDP (previously the Carbon Disclosure Project).

The committee comprises three suitably skilled and experienced directors, and is chaired by an independent non-executive director. The majority of members of the committee are non-executive directors. The committee is supported in its tasks by members of senior management, including

human resources, sustainability, stakeholder relations, risk services, corporate social investment, the company secretary and finance. In terms of its terms of reference, the committee meets formally at least twice per annum, or as required for the effective performance of its duties. The committee met four times during 2014. Details of attendance at meetings are provided on page 66. The social, ethics and sustainability committee is satisfied that it has fulfilled its responsibilities in accordance with its charter for the year. In the execution of its duties, the committee reviewed, inter alia, ethics, compliance, stakeholder relations and corporate social investment reports submitted by management. The committee members believe that the group addresses the issues the committee is required to monitor in terms of the Companies Act.

The committee, together with the audit committee reviewed the sustainability disclosures contained in the integrated report and recommended it for approval to the board.

INVESTMENT COMMITTEE

The investment committee meets to evaluate and monitor the investment portfolio and the performance of investment managers. These meetings comprise quarterly feedback sessions with investment analysts and four formal investment committee meetings a year. The investment committee guides the board on the mandates of investment managers, and makes recommendations regarding the company's investment philosophy. The committee reviewed the Santam group investment policy during 2014, which was ultimately approved by the board.

The committee is chaired by an independent non-executive director. The committee met four times during the financial year. Details of attendance at meetings are provided on page 66. The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the year.

AD HOC SUBCOMMITTEES

The board has the right to appoint and authorise special ad hoc board committees to perform specific tasks from time to time. The relevant board members make up these committees.



OTHER COMMITTEES

Executive committee

Executive management and the board work closely in determining the strategic objectives of the group. The board delegated authority to the chief executive officer and the group executive committee for the implementation of the strategy and the ongoing management of the business. The chief executive officer, assisted by the executive committee, is mandated by the board, through the company's delegation of authority, to deal with the day-to-day running of the company's affairs. The chief executive officer chairs the committee, which comprises the executive management of all the significant business units of the company. It meets and deals with all matters relating to:

- the implementation of agreed strategy;
- the monitoring of performance; and
- the consideration of the company's policies.

The board regularly reviews the levels of delegated authority to the chief executive officer.

STAKEHOLDER RELATIONS

Various methods of communication are used to keep employees, and other stakeholders, informed of company and group activities (see the stakeholder section of the report on page 35).



The board encourages shareholders to attend the AGM and provides a full explanation of the implications of the proposed resolutions.

Remuneration report

Remuneration philosophy

The group's remuneration philosophy is to ensure that all employees are rewarded fairly and appropriately for their contribution. In setting remuneration levels, the human resources and remuneration committee takes appropriate market benchmarks into account, ensuring an emphasis on pay for performance. This approach helps to attract, engage, retain, and motivate key employees, while ensuring their behaviour remains consistent with Santam's values. Our guiding principles for managing remuneration are as follows:

- *Total rewards mindset* – Reward is viewed in a holistic manner comprising a range of monetary (fixed and variable) and non-monetary components.
- *Performance differentiation* – There is a strong differentiation based on performance, particularly for senior specialist and leadership categories of employees where line of sight to strategic imperatives is evident.
- *Manager discretion* – Management discretion is central to Santam's remuneration philosophy and is based on the requirement that reward must always be based on merit.
- *Variable pay component increases with seniority* – The variable pay component of total reward increases with seniority (organisational level), as the ability to impact business results increase. This is reflected in the different quantum of the incentive opportunity offered by the performance bonus plan and long-term incentive scheme on more senior levels compared to more junior employees.
- *Performance aligned with strategy* – Performance is the cornerstone of reward practices and there is clear differentiation between performers and non-performers. The reward consequences for individual employees are, as far as possible, aligned with, linked to and influenced by the interests of the shareholders, the performance of the company as a whole and the individual's contribution.
- *Risk containment* – Reward plans are structured to mitigate against excessive risk taking.
- *Consistency* – The reward philosophy strives to be both consistent and transparent. Benchmarking is performed annually using consistent and recognised methodologies and the differential market value of various skill groups and roles is reflected in pay practices.
- *Attraction and retention* – The focus is on competitive remuneration practices that attract, engage and retain talent to deliver on the business strategy.

The company's remuneration policy ensures that all employees are rewarded fairly and appropriately.

Share participation – Where available, high-performing employees are encouraged to identify with the success of the business through share participation as it establishes a clear link between their personal efforts and the company's longer-term success.

Long-term incentives for subsidiaries – for the high-performing employees employed by the unlisted entities of the group, either share appreciation rights (SARs) or deferred bonus plans are

used. For deferred bonus plans a percentage of net insurance result (NIR) is the key performance driver, while for the SARs a valuation for scheme purposes is used. Vesting in all cases occurs over a five-year period.

Best practice – Reward packages and people practices are geared to reflect local and international best practice.

Benchmarking – Pay practices are underpinned by globally recognised job and role evaluation processes, enabling us to draw valid comparisons to reputable surveys.

Communication – A range of channels are used to increase employees' understanding of pay practices.

Risk management – Persons who receive equity or equity-linked deferred remuneration are prohibited from hedging their economic exposure to the resultant equity price risk.

Remuneration structure

Total remuneration comprises fixed pay and variable performance-related pay, which is further divided into short-term incentives (with a one-year performance period) and long-term incentives (with three to five-year performance periods).

Total guaranteed package (TGP) is a fixed cost for the company, and is set at around median for the relevant market, with a significant proportion of variable performance-related pay to incentivise and reward performance measured over the short term (one year) and long term (three to five years).

Short-term incentives are structured to reward the delivery of annual financial performance balanced with the achievement of strategic priorities, ensuring that the achievement of short-

term financial performance is not at the expense of future opportunities. No part of executives' performance bonuses is guaranteed – the full bonus depends on individual and company performance. At the executive level, the maximum bonus that can potentially be earned is 160% of TGP for the chief executive officer, 120% for the chief financial officer and 100% for the other executives.

Long-term incentives are an integral part of the company's approach to competitive performance-based pay, and are aligned with shareholder returns to ensure a clear line of sight between pay and long-term value creation for shareholders.

When determining pay, consideration is given to the total remuneration (being fixed pay plus short-term and long-term incentives) that may be earned for each level of performance. Furthermore, when determining the specific performance measures for each incentive plan, with particular regard to environmental, social and governance issues, to ensure that the incentive arrangements do not inadvertently motivate or reward inappropriate outcomes or excessive risk.

Before the quantum of awards is determined, extensive modelling of the potential outcomes is undertaken, and adjustments made, so that remuneration remains appropriate in all the circumstances.

At the end of each performance period, before any variable payments are confirmed, remuneration receivable is compared to the expected level of pay for actual performance achieved, to ensure that any payments remain appropriate to overall business performance and shareholder returns.

The table below summarises the structure of Santam's remuneration arrangements:

Element	Purpose	Performance period and measures	Operation and delivery
Guaranteed package	To compensate the employee for time and competence at a market-related rate, taking into account individual performance and contribution.	Guaranteed package is reviewed annually based on individual performance and market benchmarks.	Guaranteed package is delivered to the employee as a cash salary and a mix of compulsory and discretionary benefits (all benefits are funded from guaranteed package).
Performance bonus (short-term incentives)	To create a high-performance culture through a cash bonus linked to performance against contracted deliverables with due regard to preventing excessive risk taking. To retain and motivate key talent.	Performance is evaluated annually against contracted deliverables.	Performance is measured at company, business unit and individual level against predetermined performance targets. All bonuses are funded from central bonus pools, based on financial targets agreed at board level.
Long-term incentives: – Share participation – Deferred bonus plans and share appreciation rights	To increase employee motivation and thereby create alignment between employee's interests and shareholder interests. To retain the services of valuable and highly skilled individuals who are performing exceptionally.	Santam uses deferred shares as a long-term incentive. Vesting occurs over a five-year period and is subject to certain criteria: – Vesting for all participants is subject to acceptable individual performance in terms of the company performance rating scale. – For participants with a share multiple exceeding three times annual remuneration package, a company performance hurdle applies. – The hurdle requires return on capital to exceed the cost of capital by at least 2% for multiples between three and five and 6% for multiples in excess of five. For the unlisted entities in the group, vesting takes place over a five-year period – for both share appreciation rights and deferred bonus plans. Awards are linked to NIR achieved and the valuation of the relevant businesses for scheme purposes.	Awards are made annually based on seniority, performance and contribution. The size of awards aims to maintain an appropriate level of employee retention value.



Read more...

The full details regarding the directors' emoluments, shareholding and deferred shareplan participation are contained in the annual financial statements.

ALIGNMENT OF STRATEGY, PAY AND PERFORMANCE

The company's key strategic drivers aim to deliver a significant return to shareholders compared to other financial industry companies.

Accordingly, the performance measures for executive reward are linked to those same strategic drivers, as captured in the performance contracts of all executive level employees. For the year ended 31 December 2014, the key strategic drivers and

performance measures were linked to the group's financial, strategic and leadership targets or indicators derived from the group's strategy.

SERVICE CONTRACTS AND TERMINATION AGREEMENTS

Executive directors have service contracts with the company, which may be terminated with no less than three months' notice. Non-executive directors do not have service contracts, but serve the company under letters of appointment.

Executive directors	Date first appointed to the board	Notice period	Termination payment	Restraint of trade
Lizé Lambrechts Hennie Nel Yegs Ramiah	1 January 2015 17 September 2012 13 December 2011	3 months 3 months 3 months	Total guaranteed package is paid for the remainder of the notice period. Short-term incentives: Not contractual, but normal practice is to forfeit bonus for the year in which an employee departs due to resignation. If an employee leaves by reason of retirement, injury, disability, ill-health or redundancy, bonus is pro-rated. Long-term incentives: In the event of a voluntarily resignation or a termination on disciplinary grounds or for reasons of poor performance prior to the vesting of the awarded shares, such shares will be forfeited. In the event of retirement, retrenchment, death, or permanent disability, the remaining awarded shares will be deemed to have vested on the date of the termination of services.	Executive directors have a 12 months restraint of trade included in their employment contracts.

The company's practice on service contracts and termination arrangements is set out above. The company's overriding principle is that there should be no reward for failure. The committee's approach, when considering payments in the event of termination, is to take account of the individual circumstances including the reason for termination, any contractual obligations, and the relevant share plan and pension scheme rules.

THE ROLE PLAYED BY THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

In terms of Santam's delegation of authority document, the human resources and remuneration committee is delegated by the board to perform various functions and to make recommendations to the board on remuneration issues. The committee oversees the application of the company's remuneration policy, which aims to promote the achievement of strategic objectives and encourage individual performance. The committee considers the principles of Santam's remuneration philosophy to ensure that they are in line with approved business strategy and objectives. The committee reviews the remuneration of the employees (including executive committee members) and the non-executive directors.

For company employees, the committee considers the nature and composition of total remuneration packages, which consist of guaranteed income, benefit options available, the choice of benefit service providers, short-term incentives, long-term incentives, retention mechanisms and retirement schemes.

- The employment contracts of the executive directors and Exco members are managed in accordance with best practice principles. A culture that supports enterprise and innovation with appropriate short and long-term incentives that are based on fair and achievable performance objectives is promoted.

- The committee ensures that performance targets are stretching, verifiable and relevant, and must avoid duplication of performance drivers.
- Industry, local and international benchmarks and trends are considered when applying the remuneration policy.
- The committee makes recommendations to the board about general (mostly annual) adjustments in remuneration packages and in determining incentives.
- The committee recommends changes to the level of remuneration packages of the chairman, the chief executive officer and individual members of Exco for approval by the board.
- The committee sets performance criteria and recommends performance bonuses for the chief executive officer and Exco members. The performance of the chief executive officer and Exco members are considered relative to performance criteria set by the committee, taking into account the prevailing business climate, market conditions and annual evaluations to assess the level of achievement of key predetermined objectives.
- Bonuses paid to the chief executive officer and Exco members are a reflection of the performance of each individual and the company as a whole. The committee made the necessary recommendations on the above for approval by the board.
- The committee has recommended the non-executive directors' remuneration review to the board who submitted the recommendation for approval by the shareholders.
- The committee regularly reviews the incentive schemes to ensure its continued contribution to shareholder value, setting appropriate limits for participation. The vesting of rights is based on performance conditions measured over a period appropriate to the strategic objectives of Santam. The committee guards against highly leveraged schemes, which would expose Santam to excessive cost or risk.

Risk management report

Santam's board recognises and acknowledges that it is accountable for the establishment and maintenance of an effective risk management system, comprising the totality of strategies, policies, and procedures for identifying, measuring, monitoring, managing and reporting of all material risks to which the group may be exposed, as well as the system of internal control.

The board is of the opinion that the risk processes at Santam is effective in continuously identifying and evaluating risks and ensuring that these risks are managed in line with the business strategy.

Enterprise risk management and compliance process

INTERNAL CONTROL

As part of the overall management of risk, management has implemented a system of internal control. The internal control system provides the board of directors with reasonable assurance that the business is operated consistently with:

- the strategy as determined by the board of directors;
- the business objectives;
- the policies and processes; and
- the laws and regulations that apply to the group.

The system aims to prevent and detect any significant risk from materialising and to mitigate any adverse consequences thereof.

The board is supported by the control functions within Santam, which include the internal audit, enterprise and financial risk management and compliance functions. The functions are reviewed regularly as agreed with the board of directors.

CONTROL OPINION

The board reviewed the effectiveness of controls principally through a process of management self-assessment, including formal confirmation per representation letters by executive management. Consideration was given to other relevant input, including combined assurance reports, reports from internal and external auditors, compliance and the enterprise risk management process.

Where necessary, programmes for corrective action have been initiated. Nothing has come to the attention of the directors, or the external or internal auditors, to indicate that any material breakdown in the functioning of the internal controls and systems (which include the internal financial controls) occurred during 2014.

INTERNAL FINANCIAL CONTROLS

Internal financial controls are based on established policies and procedures. Management is responsible for implementing internal financial controls, ensuring employees are suitably qualified, that there is appropriate segregation of duties, and that appropriate reviews are performed.

The internal financial controls in the most significant accounting cycles in Santam Ltd were documented and tested. No significant deficiency was found. Results of this review were reported to executive management and the audit committee.

INTERNAL ASSURANCE PROVIDERS

The main internal independent assurance provider in Santam is the internal audit and forensic service business units. Internal audit provides objective and independent assurance to management and the board of Santam, through the audit committee, about risk management, control and governance processes. Internal audit is governed by an internal audit charter, approved by Santam's audit committee, and is reviewed annually. The charter defines the purpose, authority and responsibility of the function.

The head of internal audit provides a report at each audit committee meeting and reports to the chairman of the audit committee, with administrative reporting to the chief financial officer and unrestricted access to the chief executive officer and/or any other member of executive management.

Internal audit conducts a robust risk-based planning process, which incorporates various criteria to prioritise and classify the subsidiaries, strategic business units and functions in the group. All material subsidiaries and business units are included in the audit universe on a two or three-year cycle.

Outsourced processes were included in the planning process and included in the audit universe, where appropriate.

The annual internal audit plan is reviewed regularly to ensure it remains relevant and responsive to changes in the operating environment. The Santam audit committee approves the internal audit plan for the group. Detailed audit plans for subsidiaries with separate licences are approved by their respective finance and risk committees.

Internal audit systematically analysed and evaluated the significant risks and associated audit controls and, in terms of their agreed scope, they have not identified any material breakdown in internal control.

Internal audit proactively reviews its practices and resources for adequacy and appropriateness, to meet the ever-increasingly demanding corporate governance and regulatory environment, including the requirements of King III and the FSB's SAM project.

The compliance function is incorporated in the enterprise risk and compliance business unit. The risk committee approves its assurance plan and findings from examinations.

EXTERNAL AUDIT

The external auditors, PricewaterhouseCoopers Inc, are engaged to provide stakeholders with an independent opinion on whether the annual financial statements fairly present, in all material respects, the financial position of the company and the group.

To ensure that there is no duplication of effort, there is regular communication with internal audit to understand the scope of their work and the results of their audits.

Santam has a formal pre-approval policy on the use of external auditors for non-audit services. The policy provides guidelines on dealing with audit, audit-related, tax and other non-audit services that may be provided by the independent auditor to Santam and its entities. It also sets out the services that may not be performed by the auditor. The services rendered by the auditors are monitored by the audit committee on a quarterly basis. Non-audit services rendered by the group's external auditors amounted to R5.3 million. This includes R1.3 million for assurance-related services, R0.6 million for regulatory-related services and R3.4 million for IT-related services.

The external and internal auditors attend committee meetings and have unrestricted access to the committee and its chairman at all times, ensuring that their independence is in no way impaired. Both the external and internal auditors have the opportunity of addressing the audit committee at each of the meetings without management being present.

OTHER ASSURANCE

There is regular interaction and consultation between internal audit and other internal assurance providers, for example, the quality assurance functions in the distribution, claims and underwriting business units, and the compliance officer.

Risk management

The objective of risk management is to create and protect value for legitimate stakeholders, improve decision-making and contribute to retaining and building Santam's leadership position in terms of financial performance, reputation/brand, market share and the protection of policyholders.

The board also ensures that the risk management and internal control systems are regularly reviewed for effectiveness. The latest review was conducted for the 2014 period and included the adequacy and effectiveness of enterprise risk management

within the Santam Ltd business. While the board is responsible for the overall governance of risk, it is assisted by the risk committee in discharging this responsibility.

The financial risk management function assists in the review and quantification of financial risk. The enterprise risk management function provides independent oversight and systems for the management of all categories of risks. Both these functions have direct reporting lines to the Santam risk committee to ensure independent and objective oversight over risks. An executive risk forum consisting of the chief financial officer, the executive head of risk services, the head of enterprise risk and compliance, the head of financial risk management and the corporate finance manager responsible for investments has been implemented to assist these functions in the review and challenge of material risks for the group.

Executive management remains accountable to the board in ensuring that suitable risk management and internal control processes are embedded and integrated into the strategic and operational management of the company.

Risk management policies and processes were updated to include new legislation and regulatory requirements (especially regarding SAM) and to consider the evolving scope of the group's business. The policies form part of the group's governance framework and encompasses the totality of strategies, policies and procedures for identifying, measuring, monitoring, managing and reporting of all material risks to which the group may be exposed.

Risk monitoring and management is a continuous process. However, to enable transparency and adequate oversight, formalised risk reporting structures and requirements are defined and aligned with the Santam risk committee responsibilities and requirements.

Various processes are implemented to ensure all aspects and categories of risks are covered, assessed and monitored to ensure that risks are managed within the overall Santam board's risk appetite.

Alignment between risk management and other assurance providers, including internal and external audit, compliance and quality assurance functions, is important to ensure that adequate assurance is provided over significant risks and any gaps identified and addressed. This process is referred to as the "combined assurance process". The combined assurance model documents and summarises the assurance provided over significant risks and are reported and reviewed by the audit committee at least on an annual basis.

Enterprise risk management (ERM) conducts a quarterly analysis of the exco's top strategic risks. Research, one-on-one as well as group workshops and interviews with exco and selected management were conducted to assist in gathering the necessary information.

The relevant board committees monitor specific risks with overall oversight and review provided by the risk committee.

Risk disclosure

The integrated ERM process is mature and is applied consistently throughout the group. Based on independent reviews and maturity assessments presented to the risk committee, the board is confident that the integrated ERM programme is adequate in identifying current and emerging risks and ensuring that these risks are managed appropriately.

Business continuity

A key operational risk, which spans Santam's business, is the potential impact of a major disaster and/or disruption. The group has responded to this threat by continually improving the group-wide business continuity framework to ensure that people are prepared, crisis infrastructure is tested, and meaningful recovery plans are in place. A steering committee is responsible for overseeing, reviewing and monitoring Santam's business continuity capability.

IT governance report

The Santam board is responsible for the governance of IT, as recommended by the King III. The board has mandated the executive team to implement the Santam IT governance framework and reporting system to monitor the risks and effective control of IT within the group. Internal audit also provides assurance to management and the audit committee on the effectiveness of IT governance.

The governance framework is directed by the Santam IT charter, which describes the IT governance mechanisms, principles and responsibilities within the group. The IT charter is in the process of being updated to incorporate a summary/overview of the Santam Information Governance Authority (SIGA). Santam IT is also in the process of reviewing and aligning a number of IT policies with the Santam group policy standards.

SIGA is a governance forum, established in 2014 and mandated to govern the information management strategy, information management policies, procedures and guidelines. SIGA will facilitate a standard set of corporate-wide data conventions including business rules, data definitions, formulae and will focus on data quality and facilitate the resolution of information issues between systems and business areas.

The group IT strategy aims to develop and implement business application platforms that will enable the overall Santam strategy to deliver products more speedily, reduce Santam's exposure due to incorrect risk calculations, move closer to

our partners and clients through different user experience platforms, and reduce the overall operational cost of our contact centres. Furthermore, from a group perspective there is a significant focus from the business to increase operating profit and reduce operational expenses. The IT strategy is also aligned with this strategic focus by reducing the complexity and number of applications within Santam, which should ultimately reduce the total cost of ownership of IT by 2018.

The main challenge for IT during 2014 was to get the company, business change and IT teams in line to deliver quality solutions for strategic programmes within contracted timelines, budget requirements, and agreed scope. Going forward, designing, developing, implementing and supporting IT solutions according to the 2018 application portfolio roadmap and total cost of ownership targets will remain challenges.

The major IT investments for 2015 and 2016 will be developing and delivering the strategic solutions set out in the leadership overview (see page 17).



Transformation report

Santam's approach to transformation is embedded and integrated into how the business operates. Transformation is driven by focusing on key 'unlockers', which include the diversification of our workforce, intermediary and supplier network, providing opportunities for non-traditional markets to access our products, as well as our investments in the communities in which our employees live and where we do business. We believe that this is aligned with and in support of delivering on our brand promise of doing *Insurance good and proper*.

Transformation management

The transformation agenda is governed by two board committees. The human resources and remuneration committee focuses on reviewing the employee elements of the transformation agenda, including employment equity, skills development and the BBBEE share scheme. The social, ethics and sustainability committee consider issues relating to suppliers, intermediaries, access products, social agendas and enterprise development.

Management has set up structures within the business through the establishment of a transformation advisory committee comprising selected change agents whose role it is to oversee progress towards achieving transformational integration. The committee is chaired by the chief executive officer, with reporting input from the national employment equity committee (NEEF) whose role it is to consolidate all operational business units' employment equity and skills development objectives.

Each executive is held accountable for his/her employment equity objectives which are integrated into their performance management deliverables. Executives also take accountability for driving key areas such as enterprise development coupled with supplier diversification, providing access products to emerging markets linked to consumer education, corporate social responsibility and diversifying our distribution partners and channels. Progress is tracked on a quarterly basis and reported to the respective board committees, which then report in turn to the board.

Transformation highlights

- Since inception, 1 972 black employees were allocated shares through the BBBEE employee share ownership scheme at an estimated value (based on Santam share price at 31 December 2014) of R265 million.
- The BBBEE scheme has 1 115 black business partners and has an estimated value of just over R498 million based on the 31 December 2014 Santam share price.
- R65 million invested in learning and development for black employees for the Santam group.
- R2.9 million committed to enterprise development via the Santam group scheme.
- R12 million invested in social corporate investment and consumer education projects.
- R2 million invested in Black Broker Development programmes.
- Eight products deemed to be appropriate products for the emerging markets.

We have made good progress but still face challenges as a group in attracting and retaining senior black talent, providing appropriate and relevant products for the emerging markets and investing further into growing black suppliers for the business.

Transformation priorities for 2015

Employment equity remains critical, with increasing emphasis on enterprise development in support of procurement targets. We remain committed to improving access to financial services and supporting consumer education. We continue our approach of integrating transformation into how we do business and not to view it as a standalone agenda.

TRANSFORMATION RATING

Santam jointly subscribe to the Financial Sector Charter as part of the Sanlam group. Santam participates with the Sanlam group in an annual verification. The Sanlam group achieved a level 2 as at the end of 2014. For more detail on this rating go to www.santam.co.za.



Value-added statement

Value added

Gross written premium
Claims paid and cost of other services

Investment income net of fees

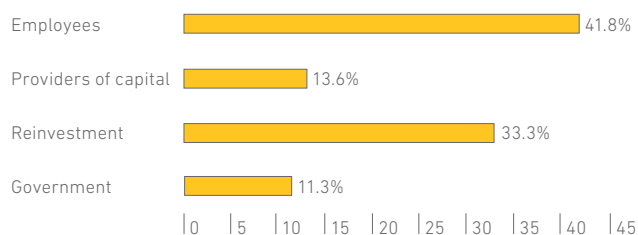
Value distributed

Employee benefits
Government
 Direct taxation on income
 STC
Providers of capital

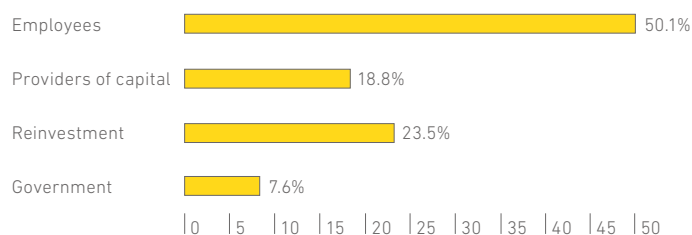
Retained for reinvestment and future support of business
 Depreciation, amortisation and impairment of intangible assets
 Retained income before transfer to reserves
 Compulsory reserves for future support of business

	Group 2014 R million	Group 2013 R million
Gross written premium	22 710	20 631
Claims paid and cost of other services	17 876	17 796
	4 834	2 835
Investment income net of fees	1 027	1 125
	5 861	3 960
Employee benefits	2 450	1 983
Government	660	300
Direct taxation on income	660	299
STC	–	1
Providers of capital	795	745
	3 905	3 028
Retained for reinvestment and future support of business	1 956	932
Depreciation, amortisation and impairment of intangible assets	170	152
Retained income before transfer to reserves	1 367	626
Compulsory reserves for future support of business	419	154
	5 861	3 960

Value distributed 2014



Value distributed 2013



Summary consolidated financial statements

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APPROVAL OF SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SANTAM LTD

RESPONSIBILITY FOR AND APPROVAL OF THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The board of Santam Ltd accepts responsibility for the integrity, objectivity and reliability of the group and company financial statements of Santam Ltd. Adequate accounting records have been maintained. The board endorses the principle of transparency in financial reporting. The responsibility for the preparation and presentation of the financial statements has been delegated to management.

The responsibility of the external auditors is to express an independent opinion on the fair presentation of the financial statements based on their audit of Santam Ltd and its subsidiaries.

The board has confirmed that adequate internal financial control systems are being maintained. There were no material breakdowns in the functioning of the internal financial control systems during the year. The board is satisfied that the summary consolidated financial statements fairly present the financial position, the results of the operations and cash flows in accordance with IAS 34 *Interim Financial Reporting*.

The board is of the opinion that Santam Ltd is financially sound and operates as a going concern. The financial statements have accordingly been prepared on this basis.

The financial statements were authorised for issue and publication by the board and signed on their behalf by:



GG GELINK

Chairman

2 March 2015



L LAMBRECHTS

Chief Executive Officer

PREPARATION AND PRESENTATION OF SUMMARY CONSOLIDATED FINANCIAL STATEMENTS



The preparation of the summary consolidated financial statements was supervised by the Chief Financial Officer of Santam Ltd, HD Nel. The full set of annual financial statements are published on our website at www.santam.co.za or can be requested from the company secretary.

SECRETARIAL CERTIFICATION

In accordance with section 88(2)(e) of the Companies Act, 71 of 2008 (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.



M ALLIE

Company secretary

2 March 2015

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SANTAM LTD

The summary consolidated financial statements of Santam Ltd, set out on pages 88 to 106, which comprise the summary consolidated statement of financial position as at 31 December 2014, and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Santam Ltd for the year ended 31 December 2014. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 2 March 2015. Our auditor's report on the audited consolidated financial statements contained an Other matter paragraph: "Other reports required by the Companies Act" (refer below).



The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Santam Ltd.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of a summary of the audited consolidated financial statements in accordance with the JSE Ltd's (JSE) requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of summary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

OPINION

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Santam Ltd for the year ended 31 December 2014 are consistent, in all material respects, with those consolidated financial statements, in accordance with the JSE's requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

The "Other reports required by the Companies Act" paragraph in our audit report dated 2 March 2015 states that as part of our audit of the consolidated financial statements for the year ended 31 December 2014, we have read the directors' report, the report of the audit committee and the secretarial certification for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.

PricewaterhouseCoopers Inc

PRICEWATERHOUSECOOPERS INC

Director: Chantel van den Heever

Registered Auditor

Cape Town

2 March 2015

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Audited At 31 Dec 2014 R million	Audited At 31 Dec 2013 R million	Change %
Gross written premium		22 710	20 631	10
Less: Reinsurance premium		5 075	3 731	
Net premium		17 635	16 900	4
Less: Change in unearned premium				
Gross amount		532	334	
Reinsurers' share		(119)	(185)	
Net insurance premium revenue		17 222	16 751	3
Investment income	10	807	782	3
Income from reinsurance contracts ceded		1 119	600	
Net gains on financial assets and liabilities at fair value through income	10	286	449	
Net income		19 434	18 582	5
Insurance claims and loss adjustment expenses		14 315	13 807	
Insurance claims and loss adjustment expenses recovered from reinsurers		(3 437)	(2 200)	
Net insurance benefits and claims		10 878	11 607	(6)
Expenses for the acquisition of insurance contracts		2 983	2 721	
Expenses for marketing and administration		3 050	2 562	
Expenses for asset management services rendered		31	29	
Amortisation and impairment of intangible assets		130	114	
Expenses		17 072	17 033	0
Results of operating activities		2 362	1 549	52
Finance costs		(93)	(118)	
Net income from associates		58	86	
Net loss on sale of associate		–	(18)	
Impairment on net investments and loans of associates		–	(26)	
Profit before tax		2 327	1 473	58
Income tax expense	11	(660)	(300)	
Profit for the period		1 667	1 173	42
Other comprehensive income				
Currency translation differences		8	143	
Total comprehensive income for the period		1 675	1 316	
Profit attributable to:				
– equity holders of the company		1 579	1 120	41
– non-controlling interest		88	53	
		1 667	1 173	
Total comprehensive income attributable to:				
– equity holders of the company		1 587	1 263	26
– non-controlling interest		88	53	
		1 675	1 316	
Earnings attributable to equity shareholders				
Earnings per share (cents)	13			
Basic earnings per share		1 382	982	41
Diluted earnings per share		1 372	973	41
Weighted average number of shares – millions		114.26	114.12	
Weighted average number of ordinary shares for diluted earnings per share – millions		115.09	115.12	

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company				Non-controlling interest	Total
	Share capital	Treasury shares	Other reserves	Distributable reserves		
	R million	R million	R million	R million	R million	R million
Balance as at 1 January 2013	107	(579)	77	5 904	108	5 617
Profit for the period	–	–	–	1 120	53	1 173
Other comprehensive income:						
Currency translation differences	–	–	143	–	–	143
Total comprehensive income for the year ended 31 December 2013	–	–	143	1 120	53	1 316
Issue of target shares	–	–	–	–	277	277
Sale of treasury shares	–	59	–	–	–	59
Loss on sale of treasury shares	–	–	–	(60)	–	(60)
Transfer to reserves	–	–	4	(4)	–	–
Share-based payments	–	–	–	106	–	106
Dividends paid	–	–	–	(745)	(37)	(782)
Acquisition of subsidiary	–	–	–	–	(1)	(1)
Balance as at 31 December 2013	107	(520)	224	6 321	400	6 532
Profit for the period	–	–	–	1 579	88	1 667
Other comprehensive income:						
Currency translation differences	–	–	8	–	–	8
Total comprehensive income for the year ended 31 December 2014	–	–	8	1 579	88	1 675
Sale of treasury shares	–	51	–	(51)	–	–
Purchase of treasury shares	–	(37)	–	–	–	(37)
Transfer to reserves	–	–	6	(6)	–	–
Share-based payments	–	–	–	123	–	123
Dividends paid	–	–	–	(795)	(58)	(853)
Balance as at 31 December 2014	107	(506)	238	7 171	430	7 440

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

		Audited At 31 Dec 2014 R million	Audited At 31 Dec 2013 Restated* R million
	Notes		
Cash generated from operations		2 443	1 616
Interest paid		(93)	(118)
Income tax paid		(420)	(221)
Net cash from operating activities		1 930	1 277
Cash flows from investing activities			
Acquisition of financial assets		(8 040)	(7 560)
Proceeds from sale of financial assets		7 556	6 615
Settlement of fence		(297)	–
Acquisition of subsidiary	12	(28)	(105)
Cash acquired through acquisition of subsidiary	12	3	15
Purchases of equipment		(69)	(36)
Purchases of intangible assets		(102)	(71)
Proceeds from sale of equipment		4	1
Acquisition of associated companies		–	(88)
Capitalisation of associated companies		(16)	–
Proceeds from sale of associated companies		–	63
Acquisition of book of business		–	(9)
Net cash used in investing activities		(989)	(1 175)
Cash flows from financing activities			
Purchase of treasury shares		(37)	–
Proceeds from issue of target shares		–	277
(Decrease)/increase in investment contract liabilities		(21)	29
Increase in collateral guarantee contracts		6	7
Dividends paid to company's shareholders		(795)	(745)
Dividends paid to non-controlling interest		(58)	(37)
Net increase in cell owners' interest		110	111
Net cash used in financing activities		(795)	(358)
Net increase/(decrease) in cash and cash equivalents		146	(256)
Cash and cash equivalents at beginning of period		2 343	2 471
Exchange gains on cash and cash equivalents		72	128
Cash and cash equivalents at end of period		2 561	2 343

* 2013 comparatives have been restated as described in note 5 – Restatement.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Ltd (JSE) for summary financial statements, and the requirements of the Companies Act applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

2. Accounting policies

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for:

The following new IFRSs and/or IFRICs were effective for the first time from 1 January 2014:

- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities
- Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities
- Amendment to IAS 36 – Recoverable amount disclosures for non-financial assets
- Amendment to IAS 39 – Novation of derivatives and continuation of hedge accounting
- IFRIC 21 Levies
- Annual improvements 2010-12 cycle

There was no material impact on the summary financial statements identified based on management's assessment of these standards.

3. Estimates

The preparation of summary consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this summary consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 31 December 2013.

4. Risk management

The group's activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk, foreign currency risk and derivatives risk), credit risk and liquidity risk. Insurance activities expose the group to insurance risk (including pricing risk, reserving risk, accumulation risk and reinsurance risk). The group is also exposed to operational risk and legal risk.

The capital risk management philosophy is to maximise the return on shareholders' capital within an appropriate risk framework.

The summary consolidated financial statements do not include all risk management information and disclosure required in the annual financial statements and should be read in conjunction with the group's annual financial statements as at 31 December 2014.

There have been no changes in the risk management policies since the previous year-end.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

5. Restatement

During the year, the group changed the disclosure of cash flows from investing activities. IAS 7 *Cash flow statements* requires that major classes of receipts and payments should be reported gross in the statement of cash flows. More detailed and relevant information became available during the year, which enabled the group to provide enhanced disclosure of the gross proceeds and sales of financial assets to users of the financial statements.

In accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) the change has been made retrospectively and the comparatives restated accordingly.

The table below shows the impact of the change:

	Group 2013 R million
Effect on statement of cash flows	
Cash utilised in investing activities previously reported	(945)
Cash utilised in investing activities restated	(945)
Acquisition of financial assets	(7 560)
Proceeds from sale of financial assets	6 615
Impact of change	–

The change had no impact on the statement of financial position, statement of comprehensive income, statement of changes in equity and earnings or diluted earnings per share (refer to note 13).

6. Segment information

Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Chief Executive Officer, supported by the group executive committee.

The group consists of two core operating segments, i.e. insurance and investment activities.

Insurance activities are all core general insurance and reinsurance underwriting activities directly undertaken by the group and are analysed by insurance class. The performance of insurance activities is based on gross written premium as a measure of growth; with net underwriting result and net insurance result as measures of profitability.

Investment activities are all investment-related activities undertaken by the group including strategic diversification activities. Investment activities are measured based on net investment income and net income from associated companies.

Given the nature of the operations there is no single external client that provides 10% or more of the group's revenues.

The investment return on insurance funds is calculated based on the day-weighted effective return realised by the group on the assets held to cover the group's net insurance working capital requirements.

Insurance business denominated in foreign currencies are covered by foreign denominated bank accounts and debt securities. Foreign exchange movements on underwriting results are therefore offset against the foreign exchange movements recognised on the bank accounts and debt securities.

The MiWay deferred bonus plan (DBP), relating to the compensation of the 10% share previously held by management in MiWay and the Santam BEE transaction costs are unrelated to the core underwriting or investment performance of the group. Therefore, these costs are disclosed as unallocated activities.

Santam Ltd is domiciled in South Africa. Geographical analysis of the gross written premium and non-current assets and liabilities is based on the countries in which the business is underwritten or managed. Non-current assets comprise goodwill and intangible assets, property and equipment, investments in associates and SEM target shares (included in financial instruments).

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

6.1 For the year ended 31 December 2014

Business activity	Insurance R million	Investment R million	Unallocated R million	Total R million
Revenue	22 710	726	–	23 436
Gross written premium	22 710	–	–	22 710
Net written premium	17 635	–	–	17 635
Net earned premium	17 222	–	–	17 222
Claims incurred	10 878	–	–	10 878
Net commission	1 864	–	–	1 864
Management expenses	2 986	–	–	2 986
Underwriting result	1 494	–	–	1 494
Investment return on insurance funds	425	–	–	425
Net insurance result	1 919	–	–	1 919
Investment income net of management fee and finance costs	–	543	–	543
Income from associates net of impairment and losses on sale	–	58	–	58
MiWay DBP and Santam BEE transaction costs	–	–	(82)	(82)
Amortisation of intangible assets	(111)	–	–	(111)
Income before taxation	1 808	601	(82)	2 327

Insurance activities

The group's insurance activities are further analysed over various classes of general insurance.

	Gross written premium R million	Underwriting result R million
Accident and health	350	49
Alternative risk	1 953	15
Crop	1 044	251
Engineering	1 127	169
Guarantee	22	–
Liability	1 246	220
Miscellaneous	53	5
Motor	9 629	524
Property	6 552	221
Transportation	734	40
Total	22 710	1 494
Comprising:		
Commercial insurance	12 298	1 177
Personal insurance	8 459	302
Alternative risk	1 953	15
Total	22 710	1 494

Investment activities

For detailed analysis of investment activities refer to notes 7, 9 and 10.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

6.2 For the year ended 31 December 2013

Business activity	Insurance R million	Investment R million	Unallocated R million	Total R million
Revenue	20 631	942	–	21 573
Gross written premium	20 631	–	–	20 631
Net written premium	16 900	–	–	16 900
Net earned premium	16 750	–	–	16 750
Claims incurred	11 607	–	–	11 607
Net commission	2 121	–	–	2 121
Management expenses	2 545	–	–	2 545
Underwriting result	477	–	–	477
Investment return on insurance funds	374	–	–	374
Net insurance result	851	–	–	851
Investment income net of management fee and finance costs	–	710	–	710
Income from associates net of impairment and losses on sale	–	42	–	42
MiWay DBP and Santam BEE transaction costs	–	–	(30)	(30)
Amortisation of intangible assets	(100)	–	–	(100)
Income before taxation	751	752	(30)	1 473

Insurance activities

The group's insurance activities are further analysed over various classes of general insurance.

	Gross written premium R million	Underwriting result R million
Accident and health	316	50
Alternative risk	1 931	2
Crop	831	(142)
Engineering	1 010	210
Guarantee	43	11
Liability	1 194	119
Miscellaneous	47	2
Motor	8 887	199
Property	5 832	(2)
Transportation	540	28
Total	20 631	477
Comprising:		
Commercial insurance	10 697	520
Personal insurance	8 003	(45)
Alternative risk	1 931	2
Total	20 631	477

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

6.3 Geographical analysis

	Gross written premium		Non-current assets	
	2014 R million	2013 R million	2014 R million	2013 R million
South Africa ¹	20 565	19 585	1 435	1 393
Africa ^{2,3}	1 837	845	331	117
Southeast Asia and India ³	220	123	599	484
China ³	88	78	–	–
Group total	22 710	20 631	2 365	1 994

¹ Including all 2013 gross written premium managed by specialist business units.

² Including gross written premium relating to Santam Namibia of R1 055 million (2013: R812 million).

³ Including 2014 gross written premium managed by specialist business units.

7. Financial assets and liabilities

The group's financial assets are summarised below by measurement category.

	At 31 Dec 2014 R million	At 31 Dec 2013 R million
Financial assets at fair value through income	13 625	12 742
Loans and receivables	2 869	2 684
Total financial assets	16 494	15 426

Financial assets and liabilities at fair value through income – fair value estimation

The table below analyses financial instruments, carried at fair value through income, by valuation method. There were no significant changes in the valuation methods applied since 31 December 2013. The different levels have been defined as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** Input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices). Listed bonds that did not trade actively during a financial period are classified as Level 2 Financial instruments.
- **Level 3:** Input for the asset or liability that is not based on observable data (that is, unobservable input)

Holdings in securities and other financial instruments of African Bank Investments Ltd and African Bank Ltd were transferred to level 3 subsequent to these companies being placed into curatorship and the suspension of these securities by the JSE Ltd.

All derivative instruments are classified as investments held for trading. The rest of the investment portfolio is designated as financial assets at fair value through income based on the principle that the entire portfolio is managed on a fair value basis and reported as such to the investment committee.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

Financial assets at fair value through income

December 2014	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equity securities				
Quoted				
Listed	2 999	–	–	2 999
Unitised funds	–	75	–	75
Irredeemable preference shares	2	–	–	2
Unquoted	–	–	820	820
Total equity securities	3 001	75	820	3 896
Debt securities				
Quoted				
Government and other bonds	1 250	492	13	1 755
Collateralised securities	–	152	–	152
Redeemable preference shares	–	250	–	250
Money market instruments > 1 year	–	1 436	15	1 451
Unquoted				
Government and other bonds	–	24	–	24
Money market instruments > 1 year	–	4 127	–	4 127
Redeemable preference shares	–	50	28	78
Total debt securities	1 250	6 159	56	7 837
Short-term money market instruments	–	1 854	38	1 892
	4 251	8 460	914	13 625
 December 2013				
Equity securities				
Quoted				
Listed	3 350	–	–	3 350
Unitised funds	–	130	–	130
Irredeemable preference shares	2	–	–	2
Unquoted	–	–	529	529
Total equity securities	3 352	130	529	4 011
Debt securities				
Quoted				
Government and other bonds	1 607	178	–	1 785
Redeemable preference shares	–	288	–	288
Money market instruments > 1 year	–	1 636	–	1 636
Unquoted				
Government and other bonds	–	54	–	54
Money market instruments > 1 year	–	3 520	–	3 520
Redeemable preference shares	–	–	23	23
Total debt securities	1 607	5 676	23	7 306
Derivatives				
Interest rate swaps	–	–	1	1
Total derivatives	–	–	1	1
Short-term money market instruments	–	1 424	–	1 424
	4 959	7 230	553	12 742

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The unquoted equity instruments recognised as level 3 instruments at 31 December 2014 and 2013 consist mainly of the participation instruments issued by Sanlam Emerging Markets (Pty) Ltd (SEM).

The fair value of the SEM target shares is determined using discounted cash flow models. The most significant assumptions used in these models are the discount rate, exchange rate and net insurance margin profile expectations. Should the discount rates increase or decrease by 10%, the cumulative value of the most significant target shares would decrease by R102 million (2013: R93 million) or increase by R156 million (2013: R147 million), respectively. If exchange rates increase or decrease by 10%, the cumulative fair values will also increase or decrease by R60 million (2013: R50 million). Should the net insurance margin profile (projected over a period of 10 years) increase or decrease by 10%, the cumulative fair values will increase by R73 million (2013: R64 million) or decrease by R74 million (2013: R62 million), respectively.

The interest rate derivatives represent the fair value of interest rate swaps effected on a total of R106 million (2013: R108 million) of fixed interest securities held in the investment portfolio underlining the subordinated callable note. The interest rate swaps have the effect of swapping a variable interest rate for a fixed interest rate on these assets to eliminate interest rate risk on assets supporting the bond liability. The derivatives mature on 30 September 2016 and 12 June 2017.

The following table presents the changes in level 3 instruments

December 2014	Equity securities unquoted R million	Debt securities unquoted R million	Short-term Money Market instruments	Derivatives R million	Total R million
Opening balance	529	23	–	(203)	349
Acquisitions	186	–	–	–	186
Settlements	–	–	–	297	297
Transfer from level 1 and/or 2	–	27	38	–	65
Gains/(losses) recognised in profit or loss	105	6	–	(94)	17
Closing balance	820	56	38	–	914

The Investment in Cardrow Insurance Ltd was classified as held for sale during 2013 (refer to note 9). The investment had an opening balance of R299 million with exchange gains of R8 million and fair value losses of R1 million during the year. The closing balance at 31 December 2014 amounted to R308 million.

December 2013	Equity securities unquoted R million	Debt securities unquoted R million	Derivatives R million	Total R million
Opening balance	272	29	6	307
Acquisitions	511	–	–	511
Interest and dividends capitalised	1	–	–	1
Disposals	(39)	–	–	(39)
Classified as held for sale	(299)	–	–	(299)
Exchange rate differences	64	–	–	64
Gains/(losses) recognised in profit or loss	19	(6)	(209)	(196)
Closing balance	529	23	(203)	349

The Investment in Cardrow Insurance Ltd was classified as held for sale during 2013 (refer to note 9). The investment had an opening balance of R233 million with exchange gains of R64 million and fair value gains of R2 million during the year. The closing balance at 31 December 2013 amounted to R299 million.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

Financial liabilities at fair value through income

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
December 2014				
Debt securities	1 023	–	–	1 023
Investment contracts	–	105	–	105
	1 023	105	–	1 128
December 2013				
Debt securities	1 021	–	–	1 021
Investment contracts	–	126	–	126
Derivatives – Fence structure	–	–	204	204
	1 021	126	204	1 351

During 2007, the company issued unsecured subordinated callable notes to the value of R1 billion in two tranches. The fixed effective rate for the R600 million issue was 8.6% and 9.6% for the second tranche of R400 million, representing the R203 companion bond plus an appropriate credit spread at the time of the issues. The fixed coupon rate, based on the nominal value of the issues, amounts to 8.25% and for both tranches the optional redemption date is 15 September 2017. Between the optional redemption date and final maturity date of 15 September 2022, a variable interest rate (JIBAR-based plus additional margin) will apply.

Per the conditions set by the Regulator, Santam is required to maintain liquid assets equal to the value of the callable notes until maturity. The callable notes are therefore measured at fair value to minimise undue volatility in the statement of comprehensive income.

During the first half of 2013, Santam entered into three derivative fence structures between 28 March 2013 and 8 May 2013 covering equities to the value of R2 billion. All three tranches had downside protection of 10% with upside participation of 9.7%, 9.6% and 9.5%, respectively. The implementation levels were 7593 (SWIX40 index), 7515 and 7694, respectively. A negative fair value of R204 million was recorded as at 31 December 2013 and a loss of R93 million was incurred during the six months to 30 June 2014. The final tranche expired in May 2014 and the hedge was not renewed.

In February 2015, a zero cost fence structure was entered into based on the SWIX40 providing 10% downside protection from the implementation level of 10 443, with a capped return (excluding dividends) of 110.9% and a maturity date of 17 December 2015.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

	At 31 Dec 2014 R million	At 31 Dec 2013 R million
8. Insurance liabilities and reinsurance assets		
Gross		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	13	3
– claims incurred but not reported	25	22
General insurance contracts		
– claims reported and loss adjustment expenses	6 227	5 520
– claims incurred but not reported	1 515	1 427
– unearned premiums	4 262	3 719
Total insurance liabilities – gross	12 042	10 691
Non-current liabilities	1 528	1 595
Current liabilities	10 514	9 096
Recoverable from reinsurers		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	6	1
– claims incurred but not reported	5	4
General insurance contracts		
– claims reported and loss adjustment expenses	2 266	1 315
– claims incurred but not reported	237	207
– unearned premiums	1 002	817
Total reinsurers' share of insurance liabilities	3 516	2 344
Non-current assets	144	117
Current assets	3 372	2 227
Net		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	7	2
– claims incurred but not reported	20	18
General insurance contracts		
– claims reported and loss adjustment expenses	3 961	4 205
– claims incurred but not reported	1 278	1 220
– unearned premiums	3 260	2 902
Total insurance liabilities – net	8 526	8 347

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

9. Non-current asset held for sale

Santam Ltd initially set up the Santam International group to facilitate the expansion into Europe. Santam International Ltd (Santam International) directly and indirectly held three subsidiaries called Santam UK Ltd, Westminster Motor Insurance Agency Ltd (WMIA) and Santam Europe Ltd (Europe). The holdings in WMIA and Europe were sold in 2008 and Santam International only retained deferred conditional rights relating to the sale contracts. WMIA and Europe were renamed subsequent to the sale to Cardrow Insurance Ltd (Cardrow) and Beech Hill Insurance Ltd (Beech Hill), respectively.

Santam Ltd will realise the deferred conditional rights relating to Cardrow and Beech Hill as and when they become unconditional and therefore these assets have been recognised as held for sale in the group as at 31 December 2013 and 2014. This process is expected to be concluded in 2015.

Once the assets have been realised, management will commence a process to unwind the Santam International group.

The investment in Santam International and the loan to Santam International have therefore been classified as current assets on a company level. The completion of the unwinding process is subject to regulatory approval.

	At 31 Dec 2014 R million	At 31 Dec 2013 R million
Assets that are classified as held for sale		
Financial assets – at fair value through income		
Equity securities	308	299
Loans and receivables including insurance receivables	120	116
	428	415

In accordance with IFRS 5, the assets held for sale were recognised at their fair value less costs to sell. This is a non-recurring fair value based on the net asset value of the business and related costs that will be incurred in order to conclude the unwinding process.

10. Investment income and net gains/(losses) on financial assets and liabilities at fair value through income

	At 31 Dec 2014 R million	At 31 Dec 2013 R million
Investment income	807	782
Dividend income	127	177
Interest income	609	514
Foreign exchange differences	71	91
Net gains on financial assets and liabilities at fair value through income	286	449
Net realised gains on financial assets	481	368
Net fair value (losses)/gains on financial assets at fair value through income	(79)	240
Net fair value (losses)/gains on financial assets classified as held for sale	(3)	13
Net fair value losses on short-term money market instruments	(18)	(3)
Net realised/fair value losses on derivatives	(93)	(209)
Net fair value gains on financial liabilities designated as at fair value through income	(2)	40
Net fair value (losses)/gains on debt securities	(2)	37
Net fair value gains on investment contracts	–	3
	1 093	1 231

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

	Audited At 31 Dec 2014 R million	Audited At 31 Dec 2013 R million
11. Income tax		
South African normal taxation		
Current year	684	259
Charge for the year	684	258
STC	–	1
Prior year	–	(4)
Recovered from cell owners	(77)	(66)
Foreign taxation	43	40
Income taxation for the year	650	229
Deferred taxation	13	74
Current year	13	75
Prior year	–	(1)
Income tax recovered from cell owners	(3)	(3)
Deferred taxation for the year	10	71
Total taxation as per statement of comprehensive income	660	300
Reconciliation of taxation rate (%)		
Normal South African taxation rate	28.0	28.0
Adjust for		
– Exempt income	(1.6)	(3.4)
– Investment results	(0.6)	(2.0)
– Non-resident shareholders' tax	0.1	0.1
– Disallowable expenses	1.9	0.9
– Income from associates	(0.7)	(1.6)
– Prior year (overs)/unders	–	(0.3)
– Other	1.3	(1.3)
Net increase/(reduction)	0.4	(7.6)
Effective rate	28.4	20.4

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

12. Business combinations

2014

Additions

Brolink (Pty) Ltd and H & L Underwriting Managers (Pty) Ltd

On 15 May 2014, Swanvest 120 (Pty) Ltd, a wholly owned subsidiary of Santam Ltd, acquired the remaining 70% of the H & L Underwriting Managers (Pty) Ltd shareholding and on 1 July 2014, Swanvest 120 (Pty) Ltd acquired 100% of Brolink (Pty) Ltd (Brolink). The purchase price for these transactions amounted to R28 million. The goodwill of R25 million arises from a number of factors such as obtaining economies of scale and unrecognised assets such as the workforce. Key business relationships of R15 million, brandname of R1 million and an additional deferred tax liability of R4 million were also recognised on acquisition.

	R million
Details of the assets and liabilities acquired at fair value are as follows:	
Intangible assets	16
Loans and receivables	8
Cash and cash equivalents	3
Deferred taxation	(4)
Trade and other payables	(10)
Net asset value acquired	13
Goodwill	25
Less: Deferred purchase consideration*	(10)
Purchase consideration paid	28

* Amount is variable and will be impacted by returns achieved until February 2016 and August 2017.

2013

Additions

Travel Insurance Consultants (Pty) Ltd

Santam Ltd acquired 100% of the shareholding in Travel Insurance Consultants (Pty) Ltd (TIC) with effect from 1 June 2013. TIC is one of the leading travel insurance underwriting managers and have been in operation for over 25 years. The purchase price amounted to R95 million. The goodwill of R76 million arises from a number of factors such as obtaining economies of scale and unrecognised assets such as the workforce. Key business relationships of R16 million and an additional deferred tax liability of R6 million were also recognised on acquisition.

Details of the assets and liabilities acquired at fair value are as follows:

	R million
Intangible assets	22
Loans and receivables (including tax receivables)	1
Cash and cash equivalents	15
Deferred taxation	(7)
Trade and other payables	(12)
Net asset value acquired	19
Goodwill	76
Purchase consideration paid	95

Beyonda Group (Pty) Ltd

Centriq Insurance Holdings Ltd acquired the additional 51% of the shareholding in Beyonda Group (Pty) Ltd for an amount of R8 million with effect 1 March 2013. Intangible assets of R15 million, net assets of R1 million as well as a profit on the sale of the investment in associate previously held of R1 million was recognised. The fair value of the investment in associate previously held was R7 million.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

	Audited At 31 Dec 2014 R million	Audited At 31 Dec 2013 R million
13. Earnings per share		
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	1 579	1 120
Weighted average number of ordinary shares in issue (million)	114.26	114.12
Earnings per share (cents)	1 382	982
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	1 579	1 120
Weighted average number of ordinary shares in issue (million)	114.26	114.12
Adjusted for share options	0.83	1.00
Weighted average number of ordinary shares for diluted earnings per share (million)	115.09	115.12
Diluted basic earnings per share (cents)	1 372	973
Headline earnings per share		
Profit attributable to the company's equity holders	1 579	1 120
Adjust for:		
Impairment on net investment and loans of associates	–	26
Impairment of software	72	5
Net loss on sale of investment in associate	–	18
Tax charge	–	9
Headline earnings (R million)	1 651	1 178
Weighted average number of ordinary shares in issue (million)	114.26	114.12
Headline earnings per share (cents)	1 446	1 033
Diluted headline earnings per share		
Headline earnings (R million)	1 651	1 178
Weighted average number of ordinary shares for diluted earnings per share (million)	115.09	115.12
Diluted headline earnings per share (cents)	1 435	1 023
14. Dividends per share		
Dividend per share (cents)	742	675

(I) ANALYSIS OF SHAREHOLDERS

Analysis of shareholders	Number of shareholders	% of total shareholders	Number of shares	% Interest
1 – 100 shares	888	16.86%	63 367	0.05%
101 – 1 000 shares	2 725	51.73%	1 144 752	0.96%
1 001 – 50 000 shares	1 573	29.86%	8 365 836	7.01%
50 001 – 100 000 shares	35	0.66%	2 439 544	2.04%
100 001 – 10 000 000 shares	45	0.85%	27 354 846	22.93%
More than 10 000 000 shares	2	0.04%	79 978 072	67.01%
Total	5 268	100.00%	119 346 417	100.00%

Type of shareholder

Individuals	3 554	67.45%	3 644 853	3.05%
Companies	410	7.78%	90 105 612	75.50%
Growth funds/unit trusts	137	2.60%	11 550 077	9.68%
Nominee companies or trusts	1 095	20.79%	3 495 661	2.93%
Pension and retirement funds	72	1.38%	10 550 214	8.84%
Total	5 268	100.00%	119 346 417	100.00%

Shareholder spread	Shareholders in South Africa		Shareholders other than in South Africa		Total shareholders	
	Nominal number	% Interest	Nominal number	% Interest	Nominal number	% Interest
Public shareholders	5 054	19.54%	200	100.00%	5 254	22.32%
Directors	10	0.14%	–	–	10	0.14%
Trustees of employees' share scheme	–	0.00%	–	–	–	0.00%
Holdings of 5% or more	4	80.32%	–	–	4	77.54%
Sanlam Ltd	1	59.76%	–	–	1	57.69%
Central Plaza Investments 112 (Pty) Ltd*	1	9.69%	–	–	1	9.35%
Government Employees Pension Fund	1	6.78%	–	–	1	6.55%
Guardian National Insurance Ltd**	1	4.09%	–	–	1	3.95%
Total	5 068	100.00%	200	100.00%	5 268	100.00%

The analysis includes the shares held as treasury shares.

* BEE special-purpose company

** Owner of treasury shares

(II) ANALYSIS OF DEBT SECURITY HOLDERS

Analysis of debt security holders	Number of debt security holders	% of total debt security holders	Number of units	% Interest
1 – 50 000 units	2	2.06%	85 600	0.01%
50 001 – 100 000 units	2	2.06%	197 366	0.02%
100 001 – 1 000 000 units	34	35.05%	19 280 000	1.93%
1 000 000 – 10 000 000 units	45	46.40%	162 828 767	16.28%
More than 10 000 000 units	14	14.43%	817 608 267	81.76%
Total	97	100.00%	1 000 000 000	100.00%

Type of debt security holder				
Intermediaries	2	2.06%	53 597 366	5.36%
Endowment funds	5	5.15%	11 958 600	1.20%
Insurance companies	10	10.31%	213 492 800	21.35%
Investment companies	4	4.12%	157 203 500	15.72%
Medical aid schemes	2	2.06%	1 150 000	0.12%
Mutual funds	40	41.24%	229 485 067	22.95%
Nominees and trusts	2	2.06%	1 490 000	0.15%
Pension funds	29	29.91%	291 512 667	29.15%
Private companies	3	3.09%	40 110 000	4.01%
Total	97	100.00%	1 000 000 000	100.00%

Debt security holder spread	Debt security holders in South Africa	
	Nominal number	% Interest
Government Employees Pension Fund	215 996 877	21.60%
Old Mutual Life Assurance Company (South Africa) Ltd	145 051 400	14.51%
MMI Group Ltd	125 000 000	12.50%
RMB Capital Markets	53 500 000	5.35%
Other	460 451 723	46.04%
Total	1 000 000 000	100.00%

Glossary

acquisition costs	Those costs that are 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.
AGM	annual general meeting
alternative risk transfer (ART)	The use of techniques other than traditional insurance and reinsurance to provide risk-bearing entities with coverage or protection.
BAAM	Business-Adopt-a-Municipality
BBBEE	broad-based black economic empowerment
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; determine the wording of a short-term policy; determine premiums under a short-term policy; determine the value of policy benefits under a short-term policy; or settle claims under a short-term policy.
catastrophe (short-term)	Fire, earthquake, windstorm, explosion and other similar events that result in substantial losses.
cell captive insurer	An insurer that is structured with separate independent cells. The assets and liabilities of the cells are ring-fenced. Profits and losses from business introduced by the cell owner to the insurer are attributable to the cell owner.
churn rate	The proportion of policyholders who leave a supplier during a given time period.
claim (short-term)	A demand in the insurer for indemnification for a loss incurred from an insured peril.
claims incurred	Claims cost for an accounting period made up of: – claims paid for the period, including claims handling expenses, or – less outstanding claims at the end of the preceding accounting period, including IBNR, plus outstanding claims at the end of the current accounting period, including IBNR.
claims incurred but not reported (IBNR)	Claims resulting from events that have taken place, but of which the insurer has not received notices or reports of loss. An estimate is made of the amount of these claims based on previous experience.

claims ratios	Ratios expressing the relationship between claims and premiums. 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. Also referred to as loss ratios.
CSI	corporate social investment
deferred acquisition costs	Acquisition costs relating to unearned premiums, disclosed as a separate asset on an insurer's statement of financial position.
earned premium	The proportions of premium attributable to the periods 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.
ERM	enterprise risk management
ESG	environmental, social and governance
FIA	Financial Intermediaries Association of Southern Africa
FSB	The Financial Services Board, the regulator of insurance companies in South Africa
Financial Sector Charter (FSC)	The FSC is a transformation policy based on the terms of the BBBEE Act to promote social and economic integration and access to the financial services sector.
GDP	gross domestic product
GRI	Global Reporting Initiative
gross written premiums	Premiums that an insurer is contractually entitled to receive from the insured 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 adjustment to premiums from prior years. Also defined as premiums written and received but before deduction of reinsurance ceded.
IFRS	International Financial Reporting Standards
Intermediary	A person who negotiates contracts of insurance or reinsurance with the insurer or reinsurer on behalf of the insured or reinsured.
King III	King Report on Governance for South Africa 2009 and the King Code of Governance Principles
KPAs	key performance areas
Loss ratio	Refer to "claims ratios".
MOI	memorandum of incorporation
net written premiums	Gross premiums written or received on all business less return premiums and premiums ceded to reinsurers.
RDR	Retail Distribution Review
reinsurance premium	The premium paid by the ceding company to the reinsurer in consideration for the liability assumed by the reinsurer.
SAIA	South African Insurance Association
salvage	The amount received by an insurer from the sale of (usually damaged) property on which he has paid a total loss to the insured.
SEM	Sanlam Emerging Markets

short-term insurance/ general insurance	Defined in the Short-term Insurance Act 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 by the FSB to develop a new solvency regime for the South African long-term and general insurance industries to be in line with international standards and specifically the Solvency II initiative underway in Europe.
solvency margin	A measurement of the financial strength of a general insurer. It represents the shareholders' funds, expressed as a percentage of net written premium income. This method of measurement is generally accepted internationally.
S&P	Standard & Poor's
TCF	Treating Customers Fairly
underwriting	The process of examining, accepting, or rejecting insurance risks, and classifying or segmenting those selected, to charge the proper premium for each.
underwriting cycle	The regular pattern of rising profits and increasing premiums and reduced profits/losses, and decreased premiums experienced in general insurance. The cycle starts when insurers' underwriting standards become more stringent and premiums increase. This happens once underwriting losses reach unacceptable levels.
underwriting result	The underwriting profit or loss calculated by deducting claims incurred, net of commission and management expenses from premiums earned.
unearned premium provision	The portion of premiums attributable to the periods of risk that relate to subsequent accounting periods and which are carried forward to such subsequent accounting periods.

Administration

at 2 March 2015

NON-EXECUTIVE DIRECTORS

B Campbell, MD Dunn, MP Fandesio, T Fubu, BTPKM Gamedze, GG Gelink (chairman), IM Kirk, MLD Marole, JP Möller, MJ Reyneke, J van Zyl

EXECUTIVE DIRECTORS

L Lambrechts (chief executive officer)
HD Nel (chief financial officer)
Y Ramiah

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