2020

ANNUAL REPORT 2020

INSURE

DO GREAT THINGS EVERY DAY

Contents

OLDMUTUAL

ANNUAL REPORT 2020

INSURE

DO GREAT THINGS EVERY DAY

About our annual report

Introduction

This annual report to our stakeholders covers the core activities of the business for the period 1 January 2020 to 31 December 2020. It focuses on our strategy and how our material operating segments and key enabling functions create value over the short-, medium- and long-term.

Forward-looking statements

This report may contain forward-looking statements with respect to some of Old Mutual Insure's plans or current goals and expectations relating to its future financial condition, performance and results, and in particular, estimates of future cash flows and costs. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Old Mutual Insure's control. These include economic and business conditions; market-related risks such as fluctuations in interest rates and exchange rates; the risk of higher than expected claims; the subsequent impact of the pandemic; the impact of adverse weather conditions; the policies and actions of regulatory authorities; the impact of competition, inflation and deflation; the timing and impact of other uncertainties of future acquisitions or combinations within relevant industries; as well as the impact of tax and other legislation and regulations in the jurisdictions in which Old Mutual Insure and its subsidiaries operate. As a result, Old Mutual Insure's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in the forward-looking statements. Old Mutual Insure undertakes no obligation to update the forward-looking statements contained in this report or any other forward-looking statements it may make.

Reporting frameworks

This annual report has been compiled in accordance with International Financial Reporting Standards, and International Financial Reporting Interpretations Committee interpretations issued and effective at the time of preparing these financial statements, and the Companies Act of South Africa.

The annual report complies with the requirements of the South African Institute of Chartered Accountants Financial Reporting Guides and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the JSE requirements for financial statements.

DEFINING CONCEPTS

Materiality

The principle of materiality was applied in assessing what information to include in the report, which focuses particularly on those issues, opportunities and challenges that impact materially on Old Mutual Insure and its ability to be a business that consistently delivers value to its stakeholders in a sustainable manner.

Value

Value creation is the consequence of how Old Mutual Insure applies and leverages its resources and strategy in delivering financial performance and value for all stakeholders. Its focus is on improving both the quantum of value delivered for each of its stakeholders and the quality of their experience.

Financial highlights

The below table indicates the Group results including the impact of **COVID-19**

R'million	**2020**	2019	2018	2017	2016
GWP	**14,811**	14,656	13,218	12,481	12,082
NEP	**9,507**	9,922	9,048	8,409	8,610
% NEP:GWP	**64%**	68%	68%	67%	71%
Net claims ratio	**66%**	65%	61%	61%	67%
Expenses	**1,960**	2,261	1,933*	1,581	1,275
Expense margin (as % of NEP)	**21%**	23%	21%	19%	15%
Underwriting profit (loss)	**(250)**	35	480	312	80
Underwriting margin	**(2.6%)**	0.4%	5.3%	3.7%	0.9%
Profit (loss) after tax	**(130)**	323	705	736	264

**2018 expenses exclude the impact of restructuring*

Business interruption and rescue claims reserves

The net impact of **COVID-19** on the insurance reserves included in the results is as follows:

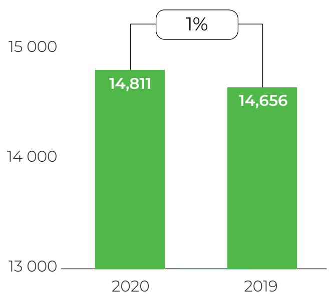
R'million	**Net**
Old Mutual Insure Company	460
CGIC	254
Old Mutual Insure Group	714

Other COVID-19 impacts

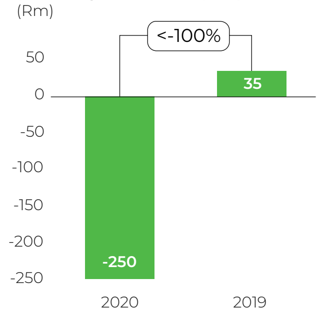
Other impacts of **COVID-19** are as follows:

R'million	**Net**
Improved Personal lines underwriting result	(328)
COVID-19 related expenses	31
Old Mutual Insure Group	(297)

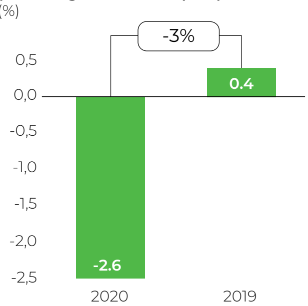
Gross written premium
(GWP)



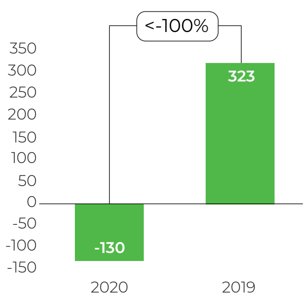
Underwriting profit
(including COVID-19 impact)
(Rm)



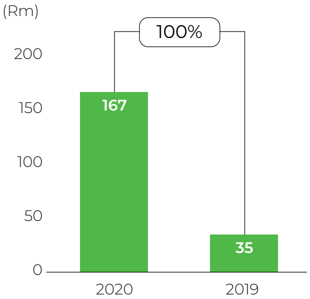
Underwriting margin
(including COVID-19 impact)
(%)



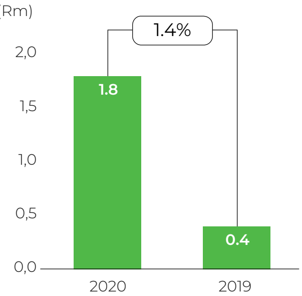
Profit after taxation
(Rm)



Underwriting profit
(excluding COVID-19 impact)
(Rm)



Underwriting margin
(excluding COVID-19 impact)
(Rm)



SECTION 1

WHO WE ARE

Our foundations

The Old Mutual Insure story originates in 1831 and forms part of the fabric of the South African economy. It reflects the determination and passion of various entrepreneurs, who skillfully negotiated many mergers and acquisitions.

The golden thread, still visible today, is their thoughtful management of resources that played a vital role in the development of our local economy. More than 18 companies have contributed to Old Mutual Insure's DNA. Each evolution brought with it a new set of skills that helped the business grow in an increasingly competitive environment. Adaptability will remain part of who we are, as we enter a new era where diversity, openness and agility are essential for our success.

MISSION

Old Mutual's core role is to sustain and grow the prosperity of the customers, families and communities we serve

VISION

We will be our customers first choice to sustain and grow their prosperity

VALUES

- Customer
- Diversity
- Innovation
- Integrity
- Respect
- Trust and Accountability

Old Mutual Insure today

Today, as one of the leading role players in South Africa's short-term insurance landscape, we are proud of our tradition of service and quality, as well as our range of products, which remain among the best in South Africa.

As part of Old Mutual Limited, the Old Mutual Insure purpose is to champion mutually positive futures, every day.

Highlights

- Financial Sector Charter Level 1 Broad-Based Black Economic Empowerment (B-BBEE) contributor.
- Employer of more than 2 500 employees – of which over 79% are black and over 57% are women.
- Highest net promoter score of 47.6% in the short-term insurance intermediary market as reported by the South African Customer Satisfaction Index rating (SA-csi).
- Rated no.1 by SA-csi in customer loyalty and complaints handling.

Our comprehensive short-term insurance offerings

Old Mutual Insure partners with brokers and advisers to offer an extensive range of short-term insurance products and solutions designed to meet personal, commercial and corporate insurance needs. These include the agricultural, engineering and marine sectors.

Since 2010, our direct sales channels have opened and tapped into new markets with great success. This alternative distribution channel complements the intermediary channel by offering customers more options to access insurance products and services.

Personal Lines

- GWP R3.1bn.
- Intermediated business delivering consistent results through tailored rating structures.
- Innovations during the year related to the development of user-based insurance.
- Elite Risk Acceptances was launched in 2018, targeting high net worth individuals and leveraging the Old Mutual Insure rating models and policy administration systems.

Commercial and Agriculture Lines

- GWP R4.5bn.
- Severe business interruption losses and muted new business growth on the back of a general reduction in SME performance in the market.
- Increased digitisation and automation of our front office processes.
- Regional underwriting 'centres of excellence' have been set up throughout a network of branches, with central oversight and delegated levels of underwriting authorities.

iWYZE

- GWP R1.1bn.
- iWYZE continues to achieve solid underwriting profits with consistently strong growth in a highly competitive environment.
- Continuous improvements in the direct operating model, including partnering with Fintech companies to access younger markets, moving to a risk-based model for lead providers and enhancing the digital self-service channels for customers.
- Launched direct Commercial insurance in 2020.

Specialty Lines

- GWP R1.5bn.
- Partnerships with specialist Underwriting Management Agencies (UMAs), have provided growth and portfolio expansion opportunities.
- In the corporate property segment we are committed to leading the market back to sustainable profitability whilst supporting clients with loss prevention measures and risk engineered surveys.
- Muted economic growth has impacted growth of our engineering and marine segments. Careful risk selection has ensured continued profitability in these areas.

Mutual and Federal Risk Financing (MFRF)

- GWP R3.3bn.
- A targeted effort to improve management fees earned resulted in a meaningful increase in fees compared to 2019.
- Solvency has been carefully managed and remains stable.
- A healthy pipeline of new business opportunities has been created and will be regularly updated and tracked.

Credit guarantee insurance corporation (CGIC)

- GWP R1.3bn.
- Management undertook a range of risk reduction measures in order to restore stability and maintain confidence in the claims-paying ability of CGIC, which led to a return to profitability in the second half of the year.
- CGIC's business turnaround consulting skills and working capital finance packages are opening doors to adjacent business opportunities that will take us closer to our vision of "Beyond Credit Insurance".
- Remains the leading trade credit insurance company, with a market share in South Africa of above 75%.

Old Mutual Insure today
(continued)

Making a difference

Old Mutual Insure is committed to being a responsible business. We recognise our role in society and are committed to conducting business in a manner that both creates business opportunity and uplifts the socio-economic conditions of the areas in which we operate. Our approach is to balance the necessity for positive impact with the need for sustainable solutions.

During 2020, we paid particular attention to ensuring broader access to financial services, skills development, equitable and transformed procurement and supply chains and, enhanced and expanded levels of consumer education. The validation of these efforts was our achievement of Level 1 Broad-Based Black Economic Empowerment (B-BBEE) status.

Due to the COVID-19 pandemic and resultant government imposed lockdowns, we made available R50 million of loan funding to SMEs to safeguard the jobs of their employees. Support payments of R2.5 million were also made to assist the employees of our on-site suppliers that were not able to perform their usual duties from April to December 2020.

Total premium relief of R270 million was committed to be provided to customers in recognition of their reduced activity during the lockdown period. Part of the relief was related to our customer renewal strategy where we knew customers were hard hit financially and therefore we reduced our renewal increase for a 12-month period.

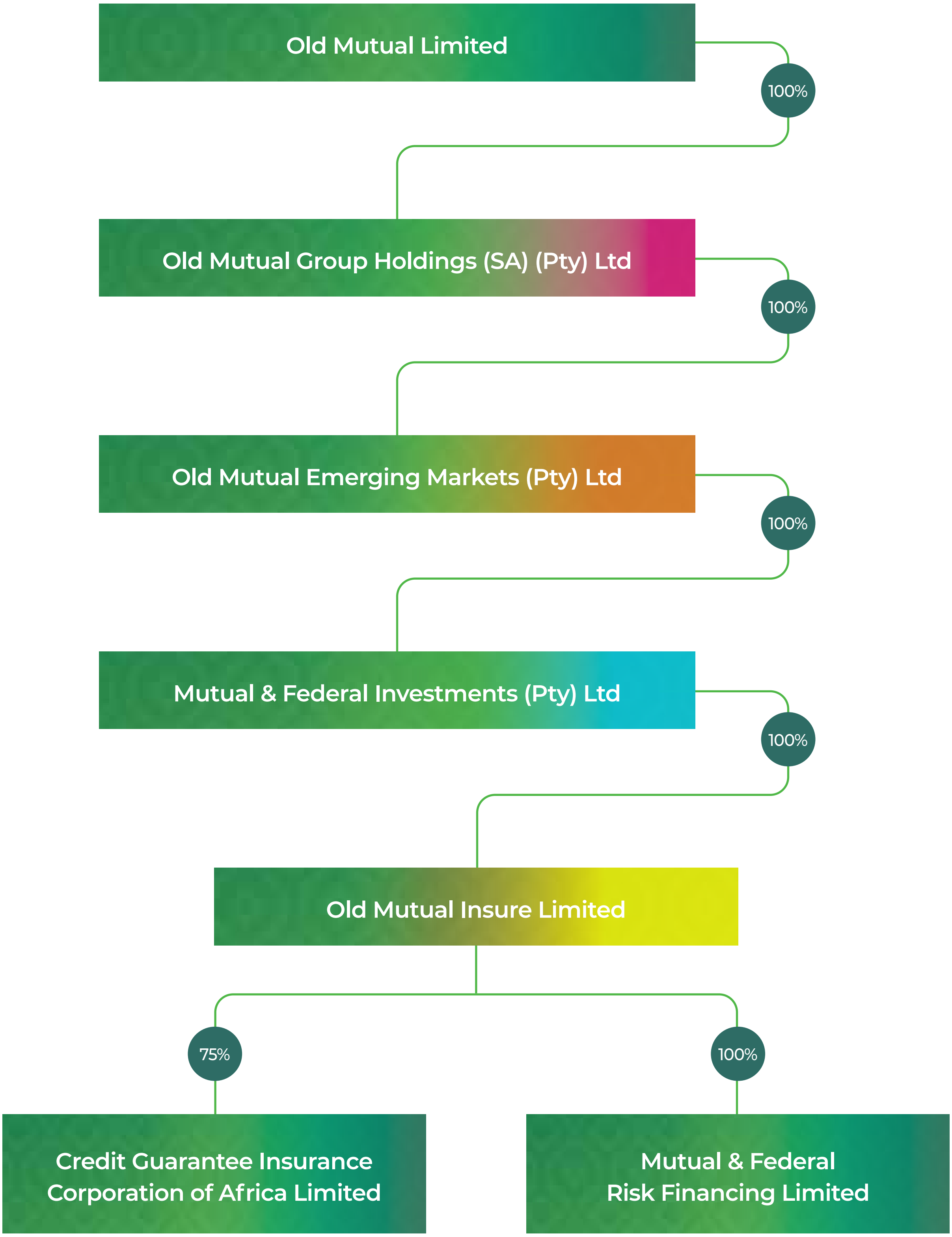
We also decontaminated 18 Love Life centres, to ensure that the matriculants prepare for their exams in a COVID-19-free environment.

We continued with our Magical Moments initiative which enables us to have an emotional connection with our customers, going beyond insurance and products, thus truly emphasising and demonstrating that we understand what our customers face in traumatic times.

The Old Mutual Insure COVID-19 Community Outreach programme distributed R1.5 million in weekly grocery vouchers, totalling R4 million, to 50 orphanages, homes for the elderly, and institutions for those living with disabilities across South Africa during the lockdown period.

Old Mutual Insure Group structure

Simplified Old Mutual Group structure



SECTION 2

WE CULTIVATE VALUE

Old Mutual Insure's response to COVID-19

The outbreak of COVID-19 necessitated the reprioritisation of management activities to sustain business operations and meet the needs of policyholders. To this end, we convened the Crisis Management Team (CMT) in February 2020 with a view to ensure resilience through the crisis.

Operational Resilience

Operational resilience has focused on maintaining business operations, servicing our clients, and supporting our staff during this time of crisis. Since the initial lockdown on 27 March 2020, circa 88% of our staff have been successfully transitioned to work from home. We have also provided alternative connectivity and load-shedding solutions to ensure uninterrupted servicing of our clients.

The business has undertaken a series of simulations to increase resilience capability, agility and build muscle memory. In addition, the business is conducting risk assessments on key suppliers in order to mitigate against supply chain risks that have arisen as a result of COVID-19-related lockdowns globally.

Strategic Resilience

We review our strategy annually on the increasingly important themes such as operational efficiency, innovation, digitisation, and data, with the aim of testing current assumptions and delivering a more agile organisation that can withstand shocks such as the COVID-19 pandemic.

Our long-term strategy has remained unchanged. However, the pandemic has fast-tracked the implementation thereof. As an organisation that prides itself in actively putting our customer needs and ambitions at the forefront of everything we do, we have diversified our distribution channels and products.

There are projects under way to develop detailed action plans to unlock operational efficiencies and product innovation. These projects are aimed at fast-tracking the use of artificial intelligence and robotics, testing viability of products to meet new customer needs, and exploring products that will cover currently uninsured segments.

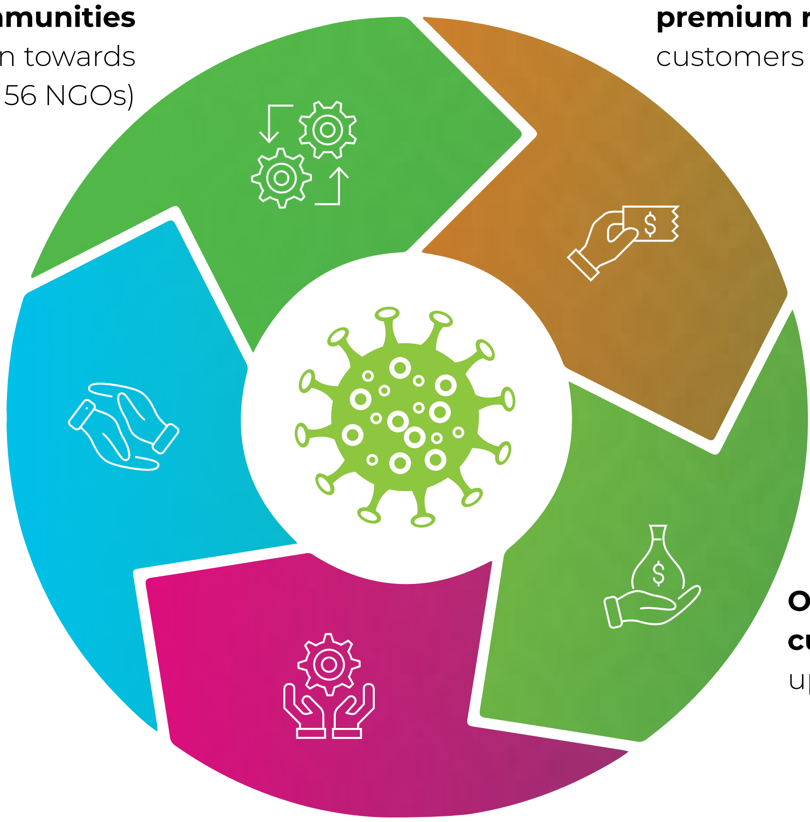
People Resilience

A critical focus area of our overall response was ensuring the physical and mental well-being of our employees and we have taken measures to ensure their home workspaces are ergonomic as well as provided continuous support to employees. We have embarked on a journey that embraces the 3Cs, namely: courage, compassion and communication; through employee engagement, focused/ themed employee wellness sessions and leadership engagements/blogs.

In addition, our office locations are COVID-19 compliant and all health and safety protocols continue to be observed. We have implemented an online booking system and hot-desking to manage office occupancy, and safety protocols respectively. The number of staff working from the office countrywide now averages about 12% of all our employees.

Old Mutual Insure's response to COVID-19
(continued)

The below relief measures were committed to date to assist customers, suppliers and communities:



Financial Resilience

SMEs have been hard-hit by the lockdown and are less likely to have the financial resources to survive the lockdown. We have proactively engaged with the Financial Sector Conduct Authority (FSCA) to provide much-needed business interruption (BI) support to our small and medium enterprise (SME) customers across all industries. While we awaited legal certainty on the validity of BI claims, we understood that many small businesses could not wait for the conclusion of the court cases. We made commercial settlements to compensate our customers with an annual sum insured of R5 million or less, for their BI losses based on specific criteria to enable them to continue operating during this difficult time, therefore staying true to our promise of being a certain friend in uncertain times. This settlement applied to all our qualifying SME customers who had the infectious disease extension in their policy at the time of loss.

For customers that do not qualify for the commercial settlement, our dedicated team of BI claims specialists continues to carefully consider their BI claims on a case-by-case basis, taking the relevant facts, policy wording and court rulings into account. We now have legal certainty and have a dedicated team of who are accepting valid BI claims.

The above BI settlements are over and above the R300 million already committed to assist customers in the form of premium relief and other financial support options, and the R50 million deployed to support more than 33 SMEs to safeguard the jobs of over 413 of their employees.

To support this, Old Mutual Insure has established a 'Help U'-team of 50 employees with the sole purpose of reviewing premium relief requests across all commercial, agriculture and personal lines businesses.

In addition, Old Mutual Insure has also given doctors and nurses, who are selflessly serving in the frontline to fight the COVID-19 pandemic, premium discounts and excess waivers.

There were unbudgeted costs incurred due to COVID-19 to support remote working. The bulk of these additional costs relate to data costs which amounted to over R30 million.

We expect the cost relating to data to be ongoing until the majority of employees return to the office.

Chairman's report

"We are broadly satisfied with our financial results, given the very challenging operating environment. The solid governance foundations and robust systems we have built over the years meant that we were able to remain effective and cohesive as an organisation and keep on delivering reliably to our clients."

Steffen Gilbert *Chairman*

When I was appointed to the role of Chairman of the Board for Old Mutual Insure in December 2019, I had absolutely no inkling of just how extraordinary, and challenging, my first year in this position would be.

Of course, I was not alone in this blissful unawareness of what the 12 months of 2020 had in store for me, the board, the business we oversee and its customers. Nobody in the world could ever have predicted what the world would go through as a result of COVID-19. Ironically, as I write this message, 12 months later, I find myself largely in the same position. While we as a global population believed we had collectively navigated our way through what we thought was the worst of the pandemic, few of us could have anticipated that we would be looking towards a 2021 that offers little more certainty than what we have experienced for the past year.

While several vaccines have now been developed, on their own, these are by no means the solution to global health concerns and lingering economic tribulations. The threat of a potential third wave of COVID-19 in South Africa, has once again raised fears and concerns, and could place increasing pressure on our country's medical resources and its economic well-being.

Against this backdrop, it is our hope that, as a participant in an industry that delivers vital protection and extensive value-adding services to the people and business of South Africa, Old Mutual Insure will be able to continue its operations, largely uninhibited, in the coming year, so that we can provide the support and financial resilience that our customers have come to expect, and depend on.

Staying strong in support of our stakeholders

Of course, our customers are only one of our many important stakeholder groups, and we invested massive amounts of time, human and financial resources into providing support to all these groups over the course of 2020.

One of our top priorities were the safety of our employees and we focused on encouraging and enabling work from home arrangements for as many staff members as we could. As evidence of the success of this commitment, we have managed to continue our operations while 88% of our workforce were working from home since March 2020. We also prioritised the provision of full physical and mental health support systems and effective team communication and engagement via digital channels.

At a customer level, in addition to business interruption and other COVID-19-related claims, we provided extensive financial support, primarily through premium reductions and holidays. We also delivered extensive support to our small and medium enterprise (SME) customers.

We also continued to help and support the communities in which we operate, especially via financial donations towards charities and support funds. We provided R4 million to the Old Mutual Group social fund and delivered support to the value of R1.5 million to organisations supporting orphanages and old age homes.

Of course, the arrival of COVID-19 did not mean that all other risks simply ceased. We extended our help to a number of other causes during the year, including support for victims of the tornado and flood in KwaZulu-Natal as well as assistance with refuelling stations for trucks helping the Free State farmers to battle the devastating fires they faced recently.

Looking back on our performance during a challenging period

Although our business continued to operate throughout 2020, a number of trends in our broader operating environment impacted negatively on our performance over the reporting period. The most obvious of these were the steeply declining South African GDP, the halt to local and international tourism, and very poor investment inflows. The significant impact of COVID-19 and the lockdown response on employment also delivered a knock-on blow to the insurance industry as a whole, mainly as a result of much lower disposable incomes, which translate to low levels of asset acquisition and, consequently, lower requirements for insurance cover.

Fortunately, the generally lower number of property and vehicle damage and theft claims offset this imbalance as most people drove less and stayed home – also resulting in better home contents security. At the same time, we have managed to reduce our expenses even after taking into account the increased cost of enabling employees to work from home.

As a direct result of COVID-19 and government's lockdown response, Old Mutual Insure did not achieve its targeted top line performance for the 2020 financial year. That said, we are broadly satisfied with our financial results, given the very challenging operating environment. More importantly, the solid governance foundations and robust systems we have built over the years meant that we were able to remain effective and cohesive as an organisation, and keep on delivering reliably to our customers, many of whom depended on us for vital support during their own difficult experiences.

As is to be expected, the board spent the bulk of its time during 2020 navigating the COVID-19 crisis and guiding the organisation in its response to the pandemic. At the same time, we managed to make good progress in implementing and embedding our new strategic direction that was finalised at the end of 2019. Our performance during the past year demonstrated the validity of that strategic repositioning, and we are looking forward to building on it to deliver enhanced performance and results in the coming years.

Another area of particular focus in the past year was to continue giving impetus to our ongoing transformation journey. During 2020, we paid particular attention to areas where we felt there was still room for improvement, notably ensuring broader access to financial services, skills development, equitable and transformed procurement and supply chains, and enhanced and expanded levels of consumer education. The validation of these efforts was our achievement of Level 1 Broad-Based Black Economic Empowerment (B-BBEE) status. While we are immensely proud of this achievement, it is by no means the end of our transformation journey. In fact, in many ways it is just the start of the next chapter for us, and we will continue to prioritise, and invest in the transformation of our business and industry going forward.

Regulations

The regulatory environment will almost certainly become even more onerous and challenging in the coming years, as a slew of proposed insurance industry legislation is set to be promulgated in the near future.

While a more regulated industry adds to the administration burden of all its participants, we welcome these new laws and standards, especially those that will give effect to enhanced levels of privacy for businesses and limit the potential of data vulnerabilities and breaches.

We at Old Mutual Insure invested a lot of time and effort into preparing for these new regulations, including the Protection of Personal Information (POPI) Act and Regulatory updates, and we are well positioned to comply with and benefit from all of them when they are fully implemented.

Looking forward

At a commercial level, we are beginning to see the longer-term negative effects of the pandemic setting in. Our experience has always been that, during times of economic decline, business owners tend to seek ways to cut costs. One of the first places this happens is in the area of property and asset maintenance. This almost always leads to an increase in claims after the economic downturn as the impacts of a lack of maintenance – especially in terms of fire protection and security – lead to damage and theft events as well as an uptick in BI claims. We will continue to monitor this situation as it unfolds in the coming months and work with our clients wherever possible to limit the long-term negative business impacts.

We are aware of the fairly widespread fears that premiums across the insurance industry are likely to increase in 2021, particularly as a result of losses arising from BI claims, business failures, loss of employment, death and increased health-related claims in the face of COVID-19.

While some premium increases are inevitable, Old Mutual Insure will not take a 'blanket approach', instead we will be carefully evaluating the situation across our cover offerings, clients and client groups. We will continue to focus, first and foremost, on driving our renewed strategy and navigating our way through COVID-19 in partnership with our customers. That said, reinsurance has undoubtedly borne the brunt of the pandemic, and some premium increases and more rigidly applied cover parameters need to be implemented to restore the industry to a stable and sustainable position for the benefit of all its stakeholders, including its customers.

Gratitude

Despite the difficulties it created, COVID-19 most certainly also brought out the best in so many people, and heroes emerged from everywhere this year. The insurance industry is no exception and I want to thank my fellow Board members, the executive team, our dedicated staff and business partners, the regulators and, of course, our customers for the courage, commitment and care that has so widely been in evidence throughout 2020.

While we end 2020 somewhat bruised and battered, we go into 2021 inspired by the strength of character we have witnessed, and more determined than ever to deliver on the promises represented by our brand.

Managing director's report

"While 2020 has been a tough year for we have shown great resilience in the face of often overwhelming challenges, and we have continued to deliver the vital support that our customers depend on."

Garth Napier *Managing Director*

Responding to a global crisis

The COVID-19 pandemic has altered the global landscape for people, communities and businesses. While Old Mutual Insure itself faced many challenges and obstacles, we made the conscious decision, early on in the crisis, that we would respond to it in the same way we respond to every other crisis that we have faced over the last 189 years. As part of our comprehensive response, we committed R300 million in customer assistance and support, in the form of premium holidays, extended non-payment grace periods and restructured personal and SME cover.

In addition, we set aside R50 million to provide interest-free loans to our customers and suppliers; the fund is administered in partnership with the Old Mutual Masisizane Fund. Based on feedback from many of these customers, we are confident that our quick reaction and ongoing support has helped to save businesses and jobs. For us, this was not just a moral imperative, but it also made sound business sense, as we recognise that the sustainability of our business is directly linked to the survival and success of our customers.

We were pleased to see how resilient and adaptable our employees were in their response to the crisis; we had to act swiftly to ensure that over 88% of our staff could work from home and we needed to ensure that we could continue to provide our customers and business partners with the level of service they have come to expect from Old Mutual Insure.

Overview of the year

The COVID-19 pandemic and national lockdown response had three major impacts on our business over 2020. The first of these was the severe knock-on effect on our CGIC trade credit insurance business. COVID-19 meant that many trade suppliers could not pay their bills, and this caused an increase in insurance claims. The economic impacts of the pandemic on smaller businesses also flowed through to us, while some well-known large organisations, like Edcon, were forced into business rescue, which in turn impacted on our business.

The second major area of impact for Old Mutual Insure, and the business insurance industry as a whole, has been the business interruption claims, as well as the negative publicity and reputational risk associated with these claims. The pandemic caused legal uncertainty with regards to the treatment of business interruption claims related to infectious disease. Following rulings by the Supreme Court of Appeal as well, we now have the legal certainty to settle valid claims.

Whilst we awaited legal certainty Old Mutual Insure committed to supporting SMEs, with sums insured of less than R5 million, by offering to settle their BI claims. We managed to settle claims for over 200 SMEs and provided them with much needed support earlier than would have been granted had we waited for the ruling by the courts.

Thirdly, the lockdown regulations resulted in a reduction in usage of motor vehicles and we saw a reduction in claims in our personal lines and iWYZE businesses. We offered customers a rebate on their premiums in the months of March and April and later in my update I touch on some innovative solutions we are implementing in this area.

Performance

Despite a very challenging operating environment there are a number of areas of good performance.

We managed to grow our business in the midst of a global pandemic with 1% GWP growth, this is after taking into

Managing director's report
(continued)

account the premium relief we offered to customers. We also discontinued our agri crop business in 2020. If we exclude the impacts of these our growth is 3.8%. This growth was driven by strong growth in our Elite product offering and within our Specialty division.

We have managed to reduce our operating cost from the previous financial year even after taking into account the increase cost of enabling employees to work from home.

Profitability was significantly impacted by COVID-19, and we have allowed for R714 million net of reinsurance in COVID-19-related claims and reserves.

From an overall customer perspective, COVID-19 resulted in a drop in new business volumes. Our efforts to support our customers with premium relief resulted in better than expected customer retention. In fact, our customer attrition was lower than in previous years.

In addition to retaining customers we have again been rated as the leading intermediated short-term/non-life insurer in recent SAcsi awards in a number of areas including Highest NPS Score, Highest Perceived Quality, Highest Customer satisfaction, Highest Customer Loyalty, and Highest complaints satisfaction score.

Our focus on customer-centricity through the pandemic meant that we succeeded in enhancing our customer service during COVID-19 and our improved performance metrics are evidence of the fact that our customers appreciated our efforts in this regard.

New ways of working

From an operational point of view, while COVID-19 created many challenges for us, it also provided the impetus we needed to rethink the way we work. The work from home policies we implemented, accompanied by the technology infrastructure development to support such remote work, effectively fast-tracked our planned move to a more efficient and effective operational structure. Not only did this mean that we were able to protect our staff from the virus, and limit the number of infections, we now also have a more streamlined and cost-effective operational footprint.

During the year, we also undertook a major migration to a new data centre, which has enhanced our disaster recovery. We are in the process of migrating all our applications to the cloud and this will further enable our digital transformation going forward.

Old Mutual Insure's objective, particularly within the retail division, is consistent operational excellence that enables affordable insurance and excellent levels of service. The investments we have made into digitisation and data are key to the achievement of this ambition.

2021 and beyond

We recognise that the challenges associated with COVID-19 are far from over for our business, our country and our industry as a whole. One of the main outcomes of the lockdown was a growing demand from customers for usage-based premiums. We met this demand in the heart of the lockdown by giving our personal and commercial lines customers on all policies with the motor risk class a 20% rebate on their premiums for April and May, but we now need to focus on building this approach into our broader cover model for all our personal lines customers.

To this end, we launched our use-based insurance (UBI) offering for vehicle insurance that pays back a percentage of a customer's premium to them when they drive less than a certain amount of kilometers in a given month. This type of thinking and innovation will be applied to many of our offerings next year to ensure that we are not only a future fit insurance partner, but also that we are constantly aligning with the evolving lifestyles and insurance needs of South Africans.

While we are optimistic about our prospects for continued business growth in the coming year, we acknowledge that there are a number of risks of which we need to be cognisant. The most immediate of these are:

- the potential for a significant 'third wave' of COVID-19, which could result in increased risks for our customers and our business;
- a slow recovery in the SA economy, which will make the path to recovery for all businesses longer and more challenging; and
- further business interruption claims across our industry.

As we look ahead to 2021, we will continue to focus on making it easier for our customers to do business with Old Mutual Insure. We will be accelerating the implementation of our business strategy with a focus on:

- optimising our cost base to ensure we remain competitive;
- launching innovative products and new distribution channels as we adapt to the changing needs of customers; and
- we are also enhancing our technology platforms to enhance our data capabilities.

We have already started the implementation of our cost optimisation programme, unfortunately it does require a restructure to certain part of our organisation and will likely result in redundancies of close to 5% of our total staff complement.

Thanks

As has been the case for the vast majority of businesses across the world, 2020 has been a tough year for Old Mutual Insure. However, we have shown great resilience in the face of often overwhelming challenges, and we have continued to deliver the vital support that our customers depend on. Our ability to continue to deliver great service to our customers has been a direct result of the exceptional people and organisations that we are proud to call our partners, and on behalf of Old Mutual Insure I would like to express my heartfelt thanks to all of them.

A special thank you must go to our Board and Executive Team, whose strong leadership and clear focus has been key to our continued success during 2020. Thank you also to every one of our staff members whose courage and dedication has been nothing short of inspirational.

We look forward to working together with all of you in 2021 to use the lessons we have learned to build on the foundations we have strengthened during this difficult year.

Strategic outcomes

Our business model is informed by our customers, our vision, purpose, values and governance, and supports the delivery of our strategic objectives.

STRATEGIC DELIVERABLES

KEY ACHIEVEMENTS

C — OLD MUTUAL **CARES**

- COVID-19 relief for customers, suppliers, employees and communities
- Highest NPS of 47.6% in the short-term insurance intermediary market
- Rated no. 1 SACSI rating in customer loyalty and complaints handling

A — **ALWAYS** PRESENT FIRST

- New SME business insurance launched through iWYZE
- Alternative channels business in Retail established offering direct financial advice for commercial SMEs
- Established a digital direct channel through our Pineapple partnership

R — **REWARDING** DIGITAL ENGAGEMENT

- Product innovation under way starting with digitally enabled telematics and user-based insurance in Retail
- Dynamic pricing technology, Radar Live deployed in Retail to improve pricing and risk selection
- New IT structure and service model focusing on implementing agile ways of working and innovation

E — **ENGAGED** EMPLOYEES

- Refreshed People strategy in place
- Successful rollout of our new resources system: 'Workday'
- Refreshed structures in place focusing on operational excellence and that future fit skills in the fields of data, technology and actuarial are adequately planned for

S — **SOLUTIONS** THAT LEAD

- Launch of new channel based Retail operating model to better serve our stakeholders
- Formulated a three-year plan to digitise our operations and achieve efficiencies significantly improving our expense ratios
- Strong inorganic deal pipeline developed and under way

SECTION 3

OUR VALUE CUSTODIANS

Executive leadership

Garth Napier(42)

Managing Director

Qualification(s): MBA, B.Comm Acc (Hons)

Appointed: 1 November 2018

Extensive retail, consumer behaviour and stakeholder management experience.

Thuli Manyoha(37)

Financial Director

Qualification(s): CA(SA), B.Comm (Fin Acc), B.Comm Fin Acc (Hons)

Appointed: 1 January 2018

Accounting and financial management.

Soul Abraham(35)

Chief Executive: Retail

Qualification(s): BSc Honours (Actuarial Science), Post-Graduate Diploma in Leadership

Appointed: 1 January 2020

Short-term insurance and actuarial.

Charles Nortje(60)

Chief Executive: Credit Guarantee Insurance Corporation of Africa (CGIC)

Qualification(s): CA(SA), B.Comm, B.Acc

Appointed: 1 August 2013

Corporate risk services, as well as credit and political risks expertise.

Hennie Nortje(57)

Chief Executive: Claims

Qualification(s): CA(SA), M.Compt

Appointed: 1 February 2017

Extensive experience in life and short-term insurance operations.

Ludwyn Lortan(43)

Chief Information Officer

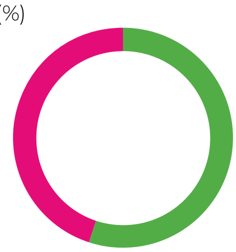
Qualification(s): B.Comm (Information systems and insurance risk management)

Appointed: 21 November 2019

Banking, insurance and technology.

Old Mutual Insure has delivered strong growth in customer satisfaction metrics in challenging market conditions.

Gender
(%)



- Male **55%**
- Female **45%**

Executive leadership
(continued)

Jerry Anthonyrajah (36)

Executive: Blue Sky & Strategy

Qualifications: BSc Honors (Actuarial Science), MBA

Appointed: 1 April 2020

Strategy development and project management, marketing, mergers and acquisitions and new business development.

Samantha Boyd (53)

Chief Executive: Specialty

Qualification(s): B.Comm/ACII

Appointed: 1 July 2020

Short-term insurance, specialty insurance and management.

Lisa Pines (52)

Chief Actuary

Qualification(s): BSc (Actuarial Science), Fellow of the Actuarial Society of South Africa (FASSA), ASSA Practising Certificate Short-term insurance

Appointed: 1 September 2017

Actuarial, capital, risk and insurance.

Thabile Nyaba (46)

Chief Risk Officer

Qualification(s): Certified Risk Management Professional (CRM Prof), Certified Internal Auditor (CIA) and B.Tech Cost Management Accounting

Appointed: 1 January 2018

Governance, Risk and Compliance (GRC), auditing and combined assurance.

Sungeetha Sewpersad (42)

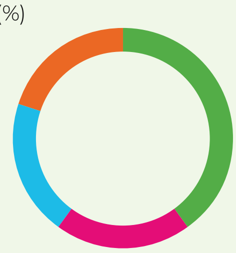
Executive: People

Qualification(s): B Social Science, LLB

Appointed: 1 July 2020

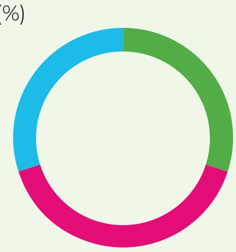
Human Resources in various industries.

Race
(%)



- White **4**
- African **2**
- Indian **3**
- Coloured **2**

Age
(%)



- 31 – 40 **28%**
- 41 – 50 **36%**
- 51 – 60 **36%**

Experience

Board of directors

Steffen Gilbert(59)

Chairman – Independent non-executive Director

Qualification: FIA

Appointed 1 September 2019

Skills, expertise and experience: Actuarial, strategy and customer related.

Gary Steven Palser(64)

Lead Independent non-executive Director

Qualification: B.BusSc (Hons), FASSA

Appointed: 1 March 2014

Skills, expertise and experience: Financial, risk and actuarial.

Garth Napier(42)

Managing Director

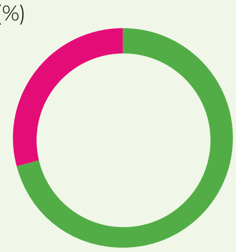
Qualification(s): MBA, B.Comm Acc (Hons)

Appointed: 1 November 2018

Skills, expertise and experience: Strategy, customer and operations.

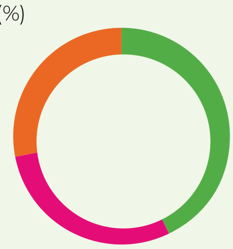
Board composition, mix and experience

Gender
(%)



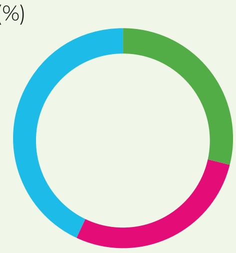
- Male **71%**
- Female **29%**

Race
(%)



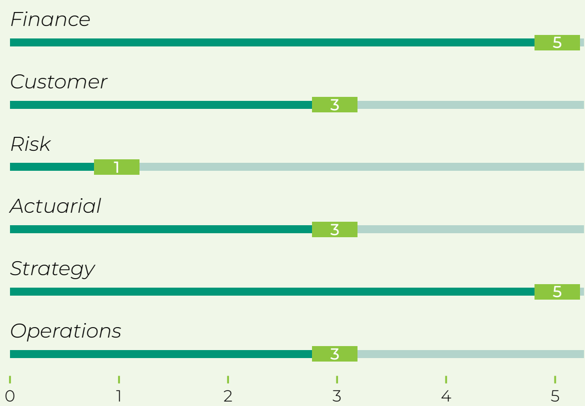
- White **43%**
- Black **29%**
- Coloured **28%**

Age
(%)



- 31 – 40 **29%**
- 41 – 50 **28%**
- 51 – 65 **43%**

Experience



Board of directors
(continued)

Nokuthula (Thuli) Manyoha(37)

Financial Director

Qualification: CA(SA), B.Comm (Fin Acc), B.Comm Fin Acc (Hons)

Appointed: 1 January 2018

Skills, expertise and experience: Financial and strategy.

Thandeka Pamela Zondi(39)

Independent non-executive Director

Qualification: CA(SA), B.Comm Acc (Hons)

Appointed: 1 June 2018

Skills, expertise and experience: Financial and strategy.

Mark Scharneck(59)

Independent non-executive Director

Qualification: CA(SA), B.Acc

Appointed: 1 June 2019

Skills, expertise and experience: Financial, operations and customer related.

Iain Williamson(50)

Non-executive Director

Qualification: BusSc (Actuarial Science), GmP, FASSA

Appointed: 8 June 2020

Skills, expertise and experience: Financial, strategy, operations and actuarial.

The governing members of Old Mutual Insure bring a diverse range of skills and experience to the Board and have the integrity, skills and experience to provide insight and strategic direction to the company.

SECTION 4

HOW WE PROTECT VALUE

How we protect value

Corporate governance and King IV statement of commitment

The Old Mutual Insure Board of Directors is ultimately responsible for the effective governance and overall success of the Old Mutual Insure Group of companies. Its role is to provide entrepreneurial leadership for the Group within a framework of prudent and effective controls which enables risks to be assessed and managed. The Board has to oversee insurance operations of the Group and needs to ensure compliance with all statutory and regulatory requirements. The Board confirms its commitment to achieving high standards of corporate governance within the Group.

Old Mutual Insure is a licensed non-life insurer and wholly-owned subsidiary of Old Mutual Limited, which is a JSE-listed entity. Old Mutual Limited established a Group Governance Framework (GGF) which complies with King IV. This framework outlines the governance requirements for the listed Group and its subsidiary entities. The Group is in compliance with King IV and requires that its subsidiaries comply with King IV governance outcomes through application of the principles as set out in the code.

The Old Mutual Insure Board is satisfied that during 2020, it complied with the GGF, and has applied the King IV principles on the same basis as the Group. Refer to the full governance report 2020 on our Old Mutual Limited corporate website for a full detail of the application and explanation of King IV requirements.

Leading ethically and effectively

The governing members of Old Mutual Insure bring a diverse range of skills and experience to the Board and have the integrity, skills and experience to provide insight and strategic direction to the company. Only individuals with sound ethical reputations and business or professional acumen, and who have sufficient time to effectively fulfil their role as Board member, are considered for appointment to the Board.

The purpose of committee work is derived from the Board's responsibility to all stakeholders to ensure that they comprise of individuals who are best able to exercise their responsibilities, having due regard to the law and the highest standards of governance.

The Board acts in good faith at all times and leads the company with integrity, fairness and transparency. The Chairman, who is an independent non-executive director, is principally responsible for the effective operation of the Board. In addition, Old Mutual Insure has appointed a lead independent director to meet its regulatory requirements as well as internal governance rules.

Specific functions have been delegated to committees to assist in meeting the Board's oversight responsibilities. The roles and responsibilities of each committee are set out in the relevant terms of reference. Each committee will review and assess the adequacy of the terms of reference annually and recommend changes to the Board when necessary. All committees are chaired by an independent non-executive director.

Board charter

The Board operates in terms of a Board charter, which defines its functions and responsibilities.

The Board's responsibility to ensure best practice in ethical governance is entrenched in the Board charter. The charter delineates the powers of the Board, which ensures an appropriate balance of power and authority. A fundamental theme of the charter is that the Board must provide effective leadership on an ethical foundation and ensure that the company is and is seen to be a responsible corporate citizen by having regard to not only the financial aspects of the business of the company, but also the impact that business operations have on the environment and the society within which it operates.

Board and Board committee meetings

Director meeting attendance is as follows for Board and Board committee meetings.

Director	Board	Audit committee	Risk and compliance committee	People, customer and transformation committee
Mr MG Ilsley*	2/2			
Ms NB Manyoha	4/4			
Mr GS Palser	4/4	4/4	4/4	
Mr GL Napier	4/4		4/4	4/4
Ms TP Zondi	3/4	3/4	3/4	4/4
Mr MA Scharneck	4/4	4/4	4/4	
Mr SC Gilbert	4/4			4/4
Mr IG Williamson*	2/2			

* *Mr Ilsley resigned 31 May 2020*
Mr Williamson was appointed 8 June 2020

Corporate governance

Old Mutual Insure has adopted the OML Group Governance Framework (GGF) and its principles, incorporating the three lines of assurance governance model.

The GGF contains a suite of various enterprise-wide risk policies that have been developed in line with the primary risk types facing the Group. Each of these policies have been developed internally and approved by the Board. Compliance to each of the risk policies is monitored and maintained on an ongoing basis, results of which form part of the Risk Governance report which is tabled at the Board risk and compliance committee on a quarterly basis. Formal reporting also occurs via the letter of representation process on an annual basis.

Governance is actively promoted at board level and drives sustainable performance and value within Old Mutual Insure. The Board of Old Mutual Insure is responsible for providing leadership for corporate governance and is the ultimate custodian of corporate governance within the company and its subsidiaries.

The Board is the focal point of corporate governance of an ethical culture, good organisational performance, effective control, and organisational legitimacy.

The Old Mutual Insure Board has adopted the Old Mutual Limited Board Appointment and Diversity policy to ensure that there is appropriate representation on the Board.

The company has appointed a debt officer and the Board has considered and satisfied itself on the competence, qualifications and experience of the debt officer on appointment.

The company adheres to the Old Mutual Limited Group policy dealing with the conflicts of interest of the directors and the executive management.

Balance of knowledge, skills, experience, diversity and independence

The efficacy of the Board depends on its composition and an appropriate balance of skills, power and authority on the Board. The Board, through the Old Mutual Limited corporate governance and nominations committee, has assumed responsibility to independently review and monitor the integrity of the Group's non-executive director nomination and appointment processes. The Board determines its composition by setting the direction and approving the processes for it to attain the appropriate balance of knowledge, skills, experience, diversity and independence to objectively and effectively execute its governance role and responsibilities.

The Old Mutual Limited corporate governance and nomination committee considers the appropriate balance of knowledge, skills and experience, mix of executive, non-executive and independent non-executive directors, as well as the need for a sufficient number of members who qualify to serve on the committees of the Board. As at 31 December 2020, the Board comprised seven directors, including five non-executive directors and two executive directors. Of the five non-executive directors, four are independent. The corporate governance and nomination committee adheres to the Old Mutual Limited Group nomination policy.

Appointments to the Board are formal and transparent and are a matter for the Board of Directors as a whole. Directors are appointed (and where necessary, removed) in accordance with the requirements of the GGF, which sets out the size and composition requirements that meet applicable legal and Memorandum of Incorporation requirements. The Board considers, within the GGF requirements, the following:

- Plans for succession for the MD and the direct reports of the MD.
- The appointment of any non-executive director.
- Membership of the committees of the Board, taking into consideration the relevant legal requirements and skills necessary to perform the delegated functions.

Board delegation

The Board delegates the day-to-day management of the company to the Managing Director. A formal scheme of delegated authority has been approved by the Board, which clearly sets out the parameters of the delegated authority to take, authorise or approve decisions in respect of specified business actions. However, ultimate responsibility rests with the Board.

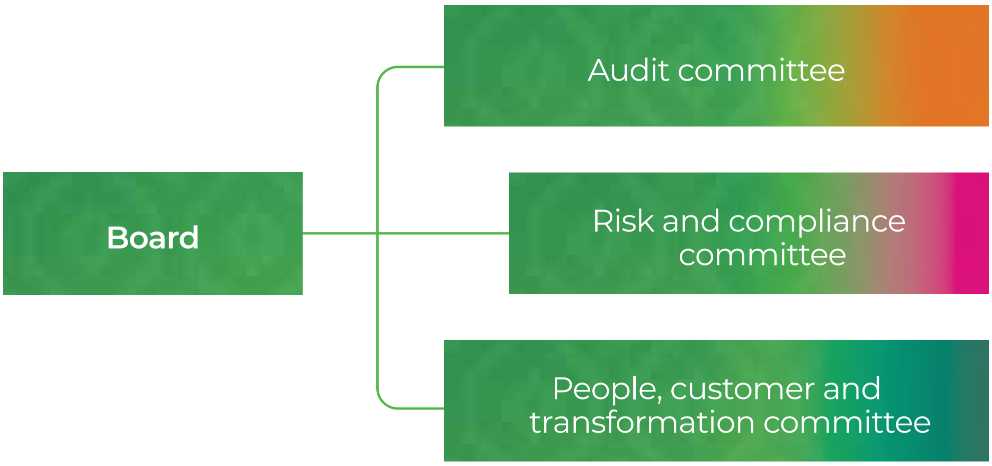
Board committees

In terms of King IV, the Board of the Holding Company should assume responsibility for governance across the Group, by setting the direction for how the relationships and exercise of power within the Group should be approached and conducted. Executive members and senior management are invited to attend committee meetings either by standing invitation or on an *adhoc* basis to provide feedback on their areas of responsibility.

The Board delegates functions to committees to assist the Board in meeting its mandated responsibilities. Formal terms of references exist for each committee.

The committee chairpersons report back at quarterly meetings as to how the committees have carried out their responsibilities. An assessment of the performance of the committees and their members is conducted on an annual basis.

Old Mutual Insure board committees are set out below:



Audit committee

The audit committee is chaired by Thandeka Zondi, an independent non-executive director. The committee mandate primarily concerns the effectiveness of the company's internal system of control to ensure the integrity of internal and external financial reporting. It reviews the accounting policies and judgements used to prepare financial statements for compliance with the International Financial Reporting Standards (IFRS), legal requirements (Companies Act), regulatory reporting requirements and, when relevant, Group accounting standards. The committee oversees and directs the work of internal audit and considers findings by the function and holds management accountable to address these. The appointment and remuneration of external audit is mandated to the committee, and part of its responsibility is to assess the independence of the function.

Risk and compliance committee

The risk and compliance committee is chaired by Gary Palser, an independent non-executive director. This committee was established to independently review, on behalf of the Board, management's recommendations on risk management, particularly in relation to the structure and implementation of the risk strategy, system of governance, risk management framework, the quality and effectiveness of the related internal controls and reporting processes, risk appetite limits and exposures, and the overall risk profile of the business.

The solvency assessment and management (SAM) regulatory framework consolidates many aspects of the committee's mandate in the own risk and solvency assessment report. This report deals with all aspects relevant to the committee's mandate, including risk appetite, risk monitoring and solvency.

People, customer and transformation committee

During 2019, the Board constituted the people, customer and transformation committee. The purpose of this committee is to ensure that there is a proper focus by Old Mutual Insure itself on the following key business issues:

(a) Ethics, health and culture

(b) Stakeholder relationships:

- (i) Employee engagement and transformation
- (ii) Fair treatment of customers
- (iii) Regulatory compliance and responsiveness

The committee is chaired by Thandeka Zondi, an independent non-executive director with the Managing Director and Board Chairperson being members.

The following committees are centralised at Old Mutual Limited Group and perform specific functions on behalf of the company. All committees are chaired by independent non-executive directors. The terms of reference of these committees can be found at https://www.oldmutual.com/about/governance/board-committees.

Remuneration committee

As required by the JSE listings requirements as well as the Insurance Act Prudential Standards, Old Mutual Insure is required to have a remuneration committee. Old Mutual Insure has delegated this responsibility to the Old Mutual Limited remuneration committee. The Old Mutual Limited remuneration committee has oversight and ensures that all Old Mutual Limited Group companies comply with all remuneration and risk-related principles including relevant policies as set out in the adopted GGF.

Responsible business (incorporating social and ethics) committee

The Old Mutual Limited responsible business (incorporating social and ethics) committee performs the social and ethics functions on behalf of Old Mutual Insure. The Old Mutual Limited responsible business (incorporating social and ethics) committee is constituted to ensure that Old Mutual and other entities in the Old Mutual Group of companies (the Group) are and remain committed, socially responsible corporate citizens by creating a sustainable business and having regard to the company's economic, social and environmental impact on the communities in which they operate.

Company secretary

The Company Secretary appointed to the Board is Old Mutual Life Assurance Company (South Africa) Limited (OMLACSA), a fellow subsidiary within the Group. The Company Secretary for OMLACSA is Ms. Elsabe Kirsten. A representative of OMLACSA is always in attendance at all Board and committee meetings during the year. All Directors have had unlimited access to the Company Secretary during the year.

Board evaluation

The Board assumes responsibility for the evaluation of its own performance and that of its committees and members. In line with the board charter as well as the Prudential Standards, the Board has absolute responsibility for the performance of the company and is accountable for such performance and, therefore, continually strives to improve its performance and effectiveness for the benefit of Old Mutual Insure.

The board evaluation has been done in terms of the current policy.

Leadership roles

The responsibilities of the Chairman and Managing Director are clearly defined and separated, as set out in our board charter. While the Board may delegate authority to the Managing Director, the separation of responsibilities is designed to ensure that no single person or Group can have unrestricted powers and that appropriate balances of power and authority exist on the Board.

SECTION 5

OUR VALUE OUTCOMES

Financial director's report

"The resilience demonstrated by our business in the face of the overwhelming challenges presented by COVID-19 and the national lockdown response, is testament to the solid foundations that we have built and strengthened over time, and the expertise, determination and professionalism of our managers and staff."

Thuli Manyoha *Financial Director*

In the wake of a global health crisis which has severely impacted economies, companies and the insurance industry, Old Mutual Insure has done its utmost to curtail losses and provide support to all of its stakeholders throughout the period under review. The repercussions of COVID-19 on our business were such that gross written premium growth was muted and when coupled with the adverse claims experience due to significant business interruption in our Commercial and Specialty business units, the resultant impact was an underwriting loss for the year.

The impact of COVID-19

Global and domestic legal proceedings have, in the last quarter of 2020, provided the sought-after clarity that business interruption claims within affected policies and within the parameters provided regarding national lockdown measures should be covered by insurers.

We now have the legal certainty we needed to proceed with accepting valid business interruption claims for infectious diseases.

Consequently, we increased our COVID-19-related claims reserves raised in H1 of 2020 to a total net amount of R714 million. This net claims reserve relates to both business interruption as well as trade credit claims.

Despite a catastrophic year both locally and globally, management has remained dedicated to the pursuit of improved outcomes for all stakeholders. Given the prevailing economic impact on businesses and consumers alike, and in line with our social responsibility, multiple efforts to provide financial assistance were made throughout the year in the forms of premium relief measures, COVID-relief loans to SMEs, employee assistance and community outreach programmes.

Financial results (Rm)

Old Mutual Insure Group	2020	2019
GWP	**14,811**	14,656
Net claims ratio	**66%**	65%
Underwriting margin[1]	**(2.6%)**	0.4%
Net earned premium	**9,507**	9,922
Underwriting profit/(loss)	**(250)**	35
Administration expenses	**(1,960)**	(2,261)
Profit/(loss) after tax	**(130)**	323
Cost: Income ratio (GWP)	**13.2%**	15.4%

(1) Underwriting margin: Net underwriting result as a percentage of net earned premium.

Gross written premium

Gross written premiums increased by R155 million which translates into a 1.1% growth on the prior year results. This result is reflective of the strain placed on the industry and is net of R193 million worth of premium relief measures extended to customers in the wake of intense economic uncertainty.

The major contributor toward the growth achieved was the strategic partnerships within the Specialty division which continued to increase premium income through achieving an exceptional combined growth of 12.6% and thus aiding that division to achieved 5.2% growth year-on-year.

Financial director's report
(continued)

Notable growth was achieved in the Personal Lines business of 4.5% on the prior year due to the Elite business unit generating 121.7% increase in new premiums of R130 million however all other segments within Personal Lines achieved marginal premium growth. The latter performance was a shared experience with our direct business iWYZE which achieved 1.9% premium growth for the year.

In addition to the R193 million (1.3% growth on 2019) Group-wide premium relief provided to our customers, our decision to exit from the Crop line of business resulted in a R195 million reduction in premiums from the prior year. These two aspects account for 2.6% in forgone premium growth. Similarly, Commercial Lines experienced negative growth of 2.5% which offset the growth achieved in other business units.

Loss after tax

As a result of the muted year-on-year revenue growth, adverse claims experience and lower investment income earned as compared to prior years, profit after tax declined by over 100% to a loss of R130 million for the year under review.

Specific factors contributing to the deterioration of our results include the following:

- Business Interruption claims.
- A material deterioration in the results produced by CGIC due to the impact of COVID-19 on its customer base.
- Several impairments and asset value reductions following the economic pressure.

Removing the identifiable impacts of the pandemic reflects a net underwriting result improvement of 1.4% from the prior year which is bolstered by the strategic exit of the highly loss-making Agri Crop business.

Investment returns

Old Mutual Insure's investment portfolio consists primarily of interest-bearing money market instruments, a protected equity portfolio and an unlisted investment component, all of which were negatively impacted as a result of COVID-19-related market conditions, the decline in dividend payments and interest rate reductions.

The average money market portfolio return was 7.7% (8.3%: 2019) which remains above the benchmark; however, the protected equity portfolio underperformed its SWIX benchmark marginally. This moderated performance comes as a result of cash top-ups made into the fund to support the hedge position and softened the negative impact of overall market declines during 2020.

The unlisted investment component was heavily impacted by the global economic conditions and saw impairments of R34 million as a result.

Expenses

In line with our new business strategy and coinciding with market pressures, we have proactively pursued strict expense management processes for the period under review and saw an improvement to our cost to income ratio. Customer sales and servicing costs were naturally lower for a large part of 2020 as a result of lower trading activity and subsequent customer demand during strict lockdown levels in the first half of the year.

Similarly to the rest of the industry, the increasing cost to ensure regulatory and reporting compliance continues to add to the broader expense base for our business, particularly as the implementation date for IFRS 17: Insurance Contracts standard draws closer. This is due to costs increasing to facilitate the alignment of our systems and business processes. We continue to pursue innovative ways to contain expenses in order to create efficiencies within the business which will allow it to sustainably weather the impacts of external factors on future profits.

In 2020, we launched a cost optimisation initiative which is aimed at identifying areas for improvement holistically between streamlined, automated and straight-through processing that will ultimately lead to cost efficiencies. Various efforts to minimise expenditure prudently allowed the business to generate expense savings for the year.

Managing our financial risks

Regulatory compliance is of utmost importance to Old Mutual Insure as it allows us as a business to actively manage financial risks which arise in the ordinary course of business. As such we take a holistic approach to financial risk management, working closely with the business as a whole to design and effect appropriate controls, whilst deepening the culture of risk awareness throughout the organisation.

We have a very robust risk identification process in place across all of our business units as this is the first line of defence. This is then supported by a second line function in the form of our independent risk management function. We continue to strengthen our control environment to mitigate existing and emerging risks.

In addition, the business has a centralised repository of risk controls, which requires managers across the company to attest, on a quarterly basis, that all necessary risk measures and controls have been adhered to for that quarter.

Given our absolute commitment to protecting our balance sheet, we have a strong policy in place to drive effective capital and liquidity management and ensure that the assets that back our liabilities are sufficiently liquid for us to meet our obligations as they arise.

We also have a strict policy of only partnering with reinsurers that have very good credit ratings and COVID-19 has reaffirmed the appropriateness of this approach. As such, we continue our commitment to doing business with global reinsurers that not only have strong credit ratings, but reputable brands and established track records.

Ensuring financial sustainability

Financial sustainability refers to the ability of Old Mutual Insure to meet its client and other obligations as they fall due. To this end, the business performs an annual going-concern assessment wherein qualitative and quantitative factors such as financial position, cashflows, risk exposures, client servicing and employee elements are evaluated against our internal objectives set forth to determine if we are maintaining an appropriate position to be deemed a going concern.

In support of the assessment and in line with a long-term view, we regularly assess our solvency to ensure adequate and sound financial health. By the end of 2020, the business had satisfied itself that we had met a solvency position above regulatory requirements and within the Groups own risk appetite.

Within the ambit of financial sustainability, we actively manage liquidity and solvency requirements through rigorous planning, over a three-year rolling cycle, which includes our operational planning from revenue to profits, capital management plans and cash planning.

Our approach to dividends

Old Mutual Insure specifies a target solvency cover ratio range in the annual risk appetite statement and generally pays dividends to maintain the required solvency cover ratio. For the year under review, the target cover solvency ratio for the Group was set at 1.2 times cover to align with our risk appetite. Capital above that will be remitted to the shareholder. We do not withhold capital for future projects, choosing instead to motivate for any such capital requirements to our shareholder, Old Mutual Limited, as and when they occur. The company's dividend policy is to consider an interim and a final dividend for each financial year. At its discretion, the Board of Directors may consider a special dividend.

Outlook

As our operational landscape evolves in the wake of the COVID-19 global health crisis, we remain acutely aware of the evolving needs of our customers and broader stakeholder base. The need for customers to reduce risk exposures and to have easy to access, user-friendly, digital self-service capabilities as it relates to their insurance, is shaping our current and future strategies.

In the year ahead, we will continue to actively pursue profitable inorganic growth opportunities and prudently reduce our expenditure in line with our medium-term strategic goals.

As always, we will monitor the financial risks associated with the dampened economy, the COVID-19 pandemic and the uncertainty of investment markets in line with the risk appetite and vision of our business.

Divisional performance

RETAIL

Soul Abraham

OVERVIEW

The Retail division, provides short-term insurance solutions to the personal, commercial and agriculture markets. These insurance solutions are designed to meet the needs of our clients covering various classes of general insurance such as loss or damage to movable and immovable property, as well as risks associated with ownership of the insured assets. We also extend cover for operational risks, including business interruption.

Customers are able to access and purchase insurance solutions via our multi-channel distribution portfolio in a way that suits their needs. The Retail division distributes its products through both intermediary channels (including advisors tied to Old Mutual Limited) and directly. Our operations, including 96% of our policies and 98% of our premiums, are currently primarily through intermediary channels.

We offer underwriting support and services to our market through a network of 15 regional underwriting Centres of Excellence with central support and oversight.

2020 PERFORMANCE

COVID-19 had a significant impact on all aspects of the Retail business, including the gross written premium, claims ratio and expense ratio.

Gross written premium growth declined by 1.7% from the previous year. This was due to COVID-19-related premium relief measures across all lines of business, as well as significantly lower quote and sales volumes across all channels.

The Retail division exited the crop insurance class of business in the first quarter of 2020, due to the limited size of the crop insurance sector in South Africa and volatile underwriting results over the last five years.

Our gross loss ratio (excluding incurred but not reported claims (IBNR), subrogation and claims expenses) of 111.7% is worse than the 10-year average loss ratio of 61.2% for the segment. However, the composition of the loss ratio was skewed by COVID-19 BI claims.

Our attritional and large losses in 2020 are significantly lower than both the 10- and 17-year company averages. This was due to a reduction in claims volumes, following the COVID-19 lockdown and the resultant decrease in motor claims. The attritional loss ratio is 7% lower than the 10-year average and the large loss ratio is 2.4% below the average.

The gross value of valid business interruption claims and commercial settlements for COVID-19 amounted to R4,786 billion (R452 million net of reinsurance) within the Retail segment. This includes an additional unexpired risk reserve (AURR) of R69 million (gross and net of reinsurance). These had a significant negative impact on the claims ratio.

The new Retail operating model was implemented during the year and the channel performances will be highlighted in more detail below.

On-platform business, including Elite

Gross written premium reported growth of 4.6% compared to the prior year. The contraction in the economy is reflected in our quotes and sales, which were lower than expected. Another major contributing factor was the Elite performance, which contributed 74.4% (3.1%) of the overall growth year-on-year.

The gross loss ratio of 49% before IBNR and Subrogation is lower than prior year of 52.4%. All sub-divisions have incurred lowered than the five-year average loss ratios. This was due to a reduction in claims volumes, following the COVID-19 lockdown and the resultant decrease in motor claims.

Outsourcing business

Outsourcing business reported gross written premium contraction of 3.2%, excluding crop business compared to the prior year. This was due to COVID-19 premium relief as well as significantly lower new business across all divisions.

The loss ratio before IBNR and Subrogation of 190% is significantly higher than prior year's 54%. The loss ratio includes valid gross business interruption claims and the commercial settlements amounting to R4,718 billion (R383 million net of reinsurance) equating to at least 138% of the gross loss ratio. The attritional loss ratio benefited from a reduction in claims volumes, following the COVID-19 lockdown and the resultant decrease in motor claims.

Old Mutual Group business

Gross written premium reported growth of 2.4% to the prior year. Positive retention experience together with strategic focus on diversifying income streams as well as growth in Commercial and Elite portfolios contributed to positive growth in the portfolio.

The loss ratio of 45.8% before IBNR and Subrogation is lower than the prior year (54.8%). This was due to a reduction in claims volumes, following the COVID-19 lockdown and the resultant decrease in motor claims.

OPPORTUNITIES AND CHALLENGES

During 2020, growth has been muted due to a weak economic environment and premium relief measures that were implemented. In our intermediated business

RETAIL (continued)

segment, new business growth is 16% less year-on-year. In H2, quote levels for our Personal Lines segment have largely returned to pre-lockdown levels, but remain below prior year. In the commercial lines segment quotes remain below both pre-lockdown and prior year levels.

The poor economic outlook has a significant impact on our customers, service providers and communities which means an increased likelihood of a loss of business and reduced demand for traditional insurance products. We are therefore diversifying and enhancing our products and distribution channels with a focus on innovation. We will continue to evaluate the needs of our customers, enhance our offering to meet the changing needs. We continuously review our strategy to ensure that it is relevant, given the current and future market trends.

Usage-based Insurance (UBI) has become a feature on personal lines motor insurance policies in the industry. Old Mutual Insure's chatbot called UBI accessible to customers on their phones, via WhatsApp enables allsure, motorsure and Elite vehicle policyholders to send their vehicle mileage each month. The discounts are applied based on the distance covered in the preceding month. UBI is providing a premium reduction benefit to customers who are using their vehicles less and had a change in their motor insurance risk profiles.

Driving distance is often considered the most predictive factor of accident claims frequency. We have therefore aligned our underwriting and pricing models to introduce this functionality as part of our Personal Lines product solutions.

We recognise that the behaviours and needs of consumers are changing fast, challenging our traditional insurance models. These trends include more digital-savvy consumers with a preference for solutions that are fully 'plug-and-play' in design across multiple digital platforms and channels, content-specific and more transactional in nature.

STRATEGY

The Retail strategy comprises of three pillars:

- Diversifying distribution channels and products to grow revenues;
- Leveraging data and technology to drive efficiency, pricing and risk selection; and
- Enhancing off-platform business by partnering with key stakeholders for mutual benefit.

These strategic pillars will be delivered by four distribution channels, as well as key support areas within Retail:

Distributional channels	Key support areas
• On-platform business solutions	• Product, Pricing and Underwriting
• Outsourced business solutions	• Data Office
	• Project Office
• Old Mutual Limited (OML) business solutions	• Customer
• Alternative channel solutions	• Marketing

Divisional performance
(continued)

SPECIALTY

Samantha Boyd

OVERVIEW

The Specialty division offers bespoke insurance solutions to customers through specialist intermediaries. Cover provided is tailored to meet individual customer needs and prudent risk selection and individual risk pricing ensures sustainability. We offer clients' protection for their large property and assets risks and provide solutions for engineering and construction risks as well as marine and transit risks. Our recently enhanced Travelsure product allows customers to use either our digital channel directly or work with an intermediary. Through partnerships with specialist underwriting management agencies we provide insurance for casualty and financial lines, and offer a product for transport contractors.

Mutual & Federal Risk Financing (MFRF) is the Group's registered cell captive insurer, offering first and third-party insurance facilities to corporate customers, affinity groups, corporate retail customers and niche insurance administrators. MFRF retains limited underwriting risk and primarily earns fee-based income. MFRF has a separate insurance license, within which clients have the ability to operate cells, allowing them to ring-fence funds to finance their insurance requirements or those of their business clients.

2020 PERFORMANCE

The Specialty division (excluding MFRF) reported a net underwriting profit of R63 million, which is an improvement from the prior year profit of R56 million. Improved underwriting in the Corporate Property segment yielded positive results in 2020 and has contributed meaningfully to this year's result. The Inwards reinsurance portfolio produced a profit of R20 million (2019: R4,3 million).

The gross value of valid business interruption claims for COVID-19 amounted to R406 million (R8 million net of reinsurance) within the Specialty segment. This includes an additional unexpired risk reserve (AURR) of R2 million (gross and net of reinsurance).

Total gross written premium growth for Specialty (excluding MFRF) was 5.2%.

Operating highlights for FY2020 include:

- Expanded our capacity in client risk management and surveying, to improve risk selection and assist clients to manage their insurance risk.
- Achieved a sustainable return to profitability through better risk selection and pricing, as well as other underwriting actions.
- Further developed and enhanced our strategic partnerships to allow clients more product choices as well as providing growth opportunities.

The MFRF business reported management fee income of R45,4 million in 2020 (2019: R41,4 million). Net underwriting profit has decreased to R6,7 million (2019: R10,4 million).

Operating highlights for FY2020 include:

- Achieved growth of 2.1%
- Implemented a revised operating structure to ensure that we have the right skills in place for growth and to manage risk and compliance.
- Developed a healthy pipeline of new business opportunities.

OPPORTUNITIES AND CHALLENGES

Growth in 2020 was constrained in the engineering, marine and travel businesses due to the contracted state of the economy following COVID-19. We are seeing signs of recovery in the engineering and marine businesses and continue to seek opportunities for partnerships to create scale.

Despite the impact of COVID-19 across our industry, the corporate property area continued to show a pleasing result through the application of a revised underwriting philosophy. Our engineering business delivered a reduced profit due to unexpected large losses but we remain confident in the quality of this book. Our marine business delivered improved outcomes, assisted by the bespoke treaty that was put in place this year.

Our UMA partners continue to grow profitably and were not severely affected by the economic downturn.

STRATEGY

Specialty

Our focus on market-leading underwriting practices will continue to deepen and develop. At the same time we are concentrating on refining our customer intimacy model which allows us to meet the needs of customers through bespoke underwriting solutions and value-added offerings such as assistance with client risk management. A portfolio of complex commercial risks, to be known as Premier Risk Solutions, will form part of the Specialty division going forward. Clients will benefit from the added focus on underwriting solutions as well as the customer intimate model which will result in improved service offering.

SPECIALTY (continued)

In 2021 we are focusing on:

- Profitable growth and diversifying the Specialty business with a continued focus on inorganic opportunities.
- Embedding the customer intimacy model which includes working together with clients on their risk management and engaging in meaningful client and broker interactions to better understand risks and opportunities.
- Preserving shareholder value by collaborating with our reinsurance division to ensure that appropriate treaty reinsurance contracts are in place. This will ensure maximum protection from volatility, together with maximum commission returns. We will also secure facultative reinsurance solutions through market engagements and evidence of corrective underwriting actions taken.
- Building on our client risk management practices – this includes:
  - Upskilling the Premier Risk Solutions surveyors and ensuring a consistent standard of client engagements across the division;
  - Utilising available survey resources more effectively, including the Premier Risk Solutions surveyors;
  - Assisting clients by advising on optimal and innovative risk management solutions as well as design stage risk engineering;
  - Continually upgrading risk requirement tracking systems;
  - Evaluating technologies that detect and prevent risks before incidents occur; and
- Re-designing our Premier Risk Solutions processes to ensure that this segment takes full ownership of its end-to-end value chain. This re-design will focus on faster decision making tailor-made underwriting solutions and customer-centricity.

In MFRF

- Partnering and collaborating with technology companies to provide ready-made solutions to potential customers;
- Building strategic partnerships;
- Continuous improvement in the control and compliance environment as well as ensuring that cell owners are kept abreast of the latest developments in this field;
- Improve shareholder value by ensuring that appropriate fees are charged and continuing to manage capital;
- Upskilling and training employees to ensure that they are experts in their field;
- Providing training to intermediaries on specialised products; and
- Targeted intermediary and client engagements, providing thought leadership, sharing new ideas and developing mutually beneficial client solutions.

Divisional performance
(continued)

iWYZE

OVERVIEW

The iWYZE direct distribution channel enables Old Mutual Insure to respond to the changing needs of customers and to other direct insurers. We have been engaging directly with customers since 2010.

iWYZE offers a comprehensive personal insurance product range and recently launched a business insurance solution aimed at small and emerging businesses. These products include car, home, all risk, medical gap, personal liability and hospital cash plans. Our continually developing product range now includes cover relating to changing driving patterns (following COVID-19), while also taking affordability into account. iWYZE products are supported by a range of value-added services that include 24/7 home and roadside assistance.

Our 144,400 clients are supported by 367 iWYZE team members.

2020 PERFORMANCE

Total Gross Written Premium for the year is R1,1 billion, a 1.9% increase over the previous year. The slower growth experience reflects an appropriate response to market conditions that included premium rebates during the COVID-19 lockdown. An ongoing focus on claims cost and management expenses enabled an improvement in the underwriting profit to R105 million for the period.

Throughout the COVID-19 pandemic, iWYZE remained the insurance partner of choice to its loyal policyholders, delivering on its promise to provide relief in time of need.

In this year iWYZE focused on maintaining high service standards and efficient operations under unusual circumstances. The entire team dispersed home when the lockdown was first imposed, with the core team returning to their office premises in May 2020. The remaining staff members have continued working remotely.

Operating highlights for the year include:

- The launch of our 'The year of savings' marketing campaign;
- Our investment in customer service levels delivered an excellent Ombudsman performance, with only 22 referred claims overturned and an overturn rate of 11%. This confirms fair and proper policyholder outcomes for the 27,500 claims received; and
- Improved sales processes that enable iWYZE to offer committed premiums quickly, thereby allowing iWYZE to serve policyholders better.

OPPORTUNITIES AND CHALLENGES

The COVID-19 pandemic, with its ensuing economic and social disruptions, placed great pressure on policyholders, business partners and the iWYZE team. The pandemic further disrupted and negatively impacted economic growth and employment in our markets. We foresee that the ongoing high levels of crime will continue to infringe on our profitability.

Our primary challenges during the reporting period included:

- Maintaining service levels and operational efficiency during lockdown;
- Protecting staff from COVID-19 exposure upon their return to office; and
- Responding rapidly to changing market demands.

These challenges also present opportunities to offer insurance solutions at highly attractive premiums.

We are taking advantage of opportunities to:

- reduce costs;
- expand and diversify our distribution partners;
- spread and diversify our exposure to risk;
- make judicious use of reinsurance; and
- increase our productivity.

STRATEGY

The iWYZE strategic goals support top- and bottom-line growth, and improve customer-centricity.

Our goals include:

- Modernising the customer experience;
- Expanding digital capabilities;
- Developing and delivering new distribution partners; and
- Maintaining focus on improved operational excellence.

CREDIT GUARANTEE INSURANCE CORPORATION OF AFRICA LIMITED (CGIC)

Charles Nortje

OVERVIEW

CGIC is the leading trade credit insurance company on the African continent. We insure our clients (policyholders) against payment default by their customers (buyers) when goods and services are sold by our clients on credit terms. Buyers include South African domestic companies operated buyers located overseas in export markets, resulting in CGIC underwriting risk across more than 140 countries. CGIC operated in the B2B market and does not offer payment default protection for private individuals.

Trade credit insurance is an important component of supporting trade in the South African economy. Most businesses are unable to operate on purely cash terms, requiring time to sell their own products and services before they can pay suppliers. Credit extension has become a necessary part of modern business. CGIC enables trade by providing our clients with a solution to potential bad debts.

CGIC also offers a range of bond and guarantee products, the bulk being those needed in the construction sector by principals requiring protection against non-performance by contractors. Fuel guarantees and customs bonds are ancillary products.

We estimate that CGIC covers close to 20% of the insurable portion of the South African GDP. CGIC is therefore a major component of the Old Mutual Insure range of products for sustaining and growing the prosperity of our customers.

Our underwriting process is focused on the credit quality of the buyers on which we offer cover. We perform comprehensive assessments of buyer financial statements, market standing, past payment behaviour and management quality, among other factors.

Our more than 3,700 clients transact with a combined 130,000 buyers, with total risk exposure of R250 billion on our books. Our 280 professional employees are headquartered in Johannesburg, supported by regional presences in Durban and Cape Town. At the core of our distribution network are 50 intermediaries with specialist trade credit and risk management skills.

2020 PERFORMANCE

The year in review was defined by the COVID-19 crisis, which significantly impacted a broad range of insurance classes across the industry, with trade credit being particularly hard hit. The South African economy was already ailing at the start of the year, which was sharply exacerbated by the national lockdown, leading to numerous business closures and suspended operations, followed by knock-on effects on cashflow.

CGIC experienced a steep rise in insolvencies, *force majeure* declarations, business failures, and numerous non-payment notifications. Credit-related claims flooded in, especially during the peak lockdown months of April to July 2020.

Management undertook a range of strict underwriting and risk reduction measures in order to restore stability and maintain confidence in the claims-paying ability of CGIC. This saw a recovery in our revenue and a return to profitability from August to December 2020, accompanied by a cautious uptick in business confidence. Second and even third waves of COVID-19 infections taking hold globally are motivating governments to re-impose various forms of lockdown. We remain vigilant and defensive as the scourge of COVID-19 continues playing out in South Africa and our core overseas markets.

Despite these significant setbacks, CGIC grew GWP by 7% to R1,302 billion from R1,219 billion in 2019. Net earned premium was R743 million, posting a decline of 17% due to higher reinsurance premiums paid. An underwriting loss of R91 million was posted for the full year against an underwriting profit of R51 million in 2019. This was a far better outcome for the year than initially predicted during the hard lockdown period of April to July 2020, which saw many payment defaults and business failures.

This is a commendable result in a year characterised by a deep economic slump and the highest ever level of claims in the history of CGIC.

OPPORTUNITIES AND CHALLENGES

CGIC's market share in South Africa remains above 75% and we are the clear market leader, reinforced by the recent closure of a significant competitor due to unsustainable underwriting losses. The broader credit environment in South Africa remains subdued, with some major banks predicting a two-year recovery horizon.

The country recorded a GDP contraction of 9% for 2020, reflecting a deep recession. Retail activity in Q4 slumped 66% in terms of transaction volumes and 50% in value, signalling a challenging period ahead for the country.

Divisional performance
(continued)

CREDIT GUARANTEE INSURANCE CORPORATION OF AFRICA LIMITED (CGIC) (continued)

Charles Nortje

To date our Domestic Credit and Bond portfolio has successfully navigated the severe challenges posed by COVID-19. CGIC's Export Credit portfolio performed strongly during the year, although claims activity increased towards year-end as numerous countries and the buyers based there struggled to cope with the persistent effects of COVID-19. Global debt-to-GDP levels have continued to rise, indicating vulnerability to further economic shocks. CGIC continues to play a central role in the economic recovery of South Africa by enabling trade and preserving jobs.

STRATEGY

CGIC aspires to remain the foremost trade credit insurer in Africa and the clear first choice of our customers. We intend to retain and build on our lead in the market with the support and footprint of our majority shareholder, Old Mutual, and strategic equity partner Atradius (a dominant global player present in more than 50 countries).

Given the muted outlook for revenue growth in our traditional credit insurance business as a consequence of the economic contraction in our core market of South Africa, we are turning our attention to extracting increased value from our leading market share across the continent. We will increase our operational efficiency through automation and providing speedy client service. CGIC is also implementing a new buyer credit rating model to strengthen underwriting decision-making, while investing further in our salvages and recoveries capability to enhance collections and maximise the returns on the debts we take over once a claim has been paid.

CGIC intervenes where feasible in distressed South African companies before they fail, or file for business rescue. The triangle of Business Recovery Skills, Working Capital Finance and Trade Credit Insurance constitute a powerful recipe for business turnaround cases and job preservation in South Africa. Our present focus is Trade Credit Insurance. In the year ahead we intend partnering with appropriate firms to provide more comprehensive trade credit solutions.

CGIC's business turnaround consulting skills and working capital finance packages are opening doors to adjacent business opportunities that will take us closer to our vision of 'Beyond Credit Insurance'.

PEOPLE

Sungeetha Sewpersad

In 2020, the Human Capital (HC) strategy was overhauled and aligned to the new Old Mutual Insure strategy as well as the Human Capital operating model in Old Mutual Limited. A key tenant of the Old Mutual Insure HC strategy overhaul was to ensure better alignment to both the Old Mutual Insure and Old Mutual Limited HC strategic imperatives, with the goal of crafting an Old Mutual Insure HC function that is fit for purpose and enables Old Mutual Insure to achieve its strategic objectives over the next four years.

The model which was launched in 2019 has made significant shifts in the following areas:

We need to transform our organisation and people …	… through a relevant and impactful strategy
Leverage the Power of one Old Mutual and accommodate the need for customisation and **differentiation where valuable**	Embed and **empowering, accountable and high performance culture** that thrives in a environment of consistent change
Deliver Performance through **innovative leaders** with the **capability** to **grow the core** and **innovate for future growth**	Develop a **talent strategy** that will draw in people that seek out differentiated and individualised career experiences
Drive responsiveness to the market through an **agile and digitised organisation**	Enhance the **functional capability** to support and drive agile ways of working
Differentiate Talent Management solutions to **accommodate** a **digitally enabled and multi-segmented workforce**	Drive **end-to-end digitisation** of the employee experience
Retain and attract critical talent in a scarce African market	Deliver an EVP that will **re-ignite and energise** our connection with our people

The shifts are enabled through our new Human Capital software management system called WorkDay which was launched in September 2020. Through WorkDay we will have a singular system where end to end HR processes will be hosted, for example, performance management, talent management, recruitment and reward to name a few. In addition, all transactional HR activities initiated by employees and approved by managers will be actioned on WorkDay for example leave capturing and approval as well as the granting of increases, etc. This is easily facilitated using either a laptop or mobile app.

Taking the above shifts into consideration our Old Mutual Insure HC strategic focus areas are aligned to two key Old Mutual Insure focus areas (**Setting up for Success** and **People & Culture**) both of which will impact our colleague engagement and transformation scores.

In 2020 (July-December), our focus was to **GAIN EFFICIENCIES, RIGHT THE IMBALANCE and START TO BUILD BASELINE CAPABILITIES**. Some of our key focus areas were to update our policies and processes, start the journey of reskilling and upskilling employees and initiate an organisation design process for Old Mutual Insure which will ensure that each business area is set up effectively and optimally.

We also needed to ensure that our employees were healthy and safe during the COVID pandemic and empowered to work from home. Guiding our leaders through a pandemic, who in turn provided the support and guidance to our employees, was a crucial focus area for us. Some of the initiatives were that we introduced a 'Heart from Home' campaign to support employee engagement in a meaningful and fun way and refreshed our 'Friends In Need' offering where we assist employees that are going through a difficult time. Wellness sessions including Gender-Based Violence workshops for men and women and wellness surveys to name a few.

In 2020, we were the first business in the OML Group to launch and pilot Udemy – and online learning platforms which provides employees the opportunity to learn new skills and build on current ones. The Udemy library has over 10,000 courses which every employee has access to. These courses range from cooking, photography, digital, marketing, etc. The uptake has been positive, and employees understand that in order to succeed in the new world of work their skills must be relevant and updated constantly and consistently.

Divisional performance
(continued)

PEOPLE (continued)

Sungeetha Sewpersad

In 2021, our focus is to **OPTIMISE THE ORGANISATION AND CONTINUE TO BUILD BASELINE AND FUTURE CAPABILITIES – (Build & Test).**

Our aim is to ultimately create a thriving organisation with engaged employees through focusing on the following key areas:

- Building a culture which enables every employee to grow and succeed;
- Attract and build the right calibre of talent whilst ensuring our transformation strategy is at the forefront;
- That our leadership philosophy is agile catering for both the current reality and future possibilities; and
- Well-being – a holistic offering that encompasses a range of solutions to our employees.

The Human Capital team strives to partner and collaborate with business. In so doing, the solutions that are offered are tailored to suit the business environment and designed to pivot as the business shifts.

INFORMATION TECHNOLOGY

Ludwyn Lortan

OVERVIEW

Old Mutual Insure IT aims to enable a world class insurance organisation by delivering value with digitally-enabled experiences for customers, intermediaries, internal stakeholders and business partners. We strive to provide secure, available and cost-effective IT services, built on agile and DevOps engineering practices and processes.

2020 focus areas

Old Mutual Insure IT embarked on a fresh IT strategy in 2020, which is aligned with the overarching Old Mutual Group IT and Old Mutual Insure business strategies. Our new IT strategy incorporates five strategic themes:

- Capable and simplified IT
- Always on and secure
- Innovation
- Customer-centric
- Culture

IT focus areas towards setting the foundation of the strategy included:

- Introducing a flatter IT structure that aligns delivery structures with business. Recently appointed IT Heads focus on retail, claims, sales and service, shared services, and specialty and innovation.
- Launching new ways of work, incorporating Agile and DevOps. These included setting up new practices, baselining the current state and commencing with integrated planning and Scaled Agile Framework training.
- Establishing an IT cost baseline and planning three-year savings targets.
- Developing a digital and innovation blueprint and commencing with the formulation of the digital strategy.
- Developing an Application Programming Interface (API) strategy.
- Establishing an internal Robotic Process Automation (RPA) platform.

2020 PERFORMANCE

IT highlights during the reporting period include:

- Implementing the Radar Live Rating System (phased approach per product), a modular application to enable quicker, easier and faster development and deployment of ratings across Personal Lines insurance products;
- Implementing a Renewal Workbench solution for brokers and distribution staff members. The Renewal Workbench will provide a total view of the status of respective brokers' Portfolio of Renewals as it counts down to day zero;
- Implemented the Salesforce and TransUnion integration for business lookups. This solution assists with onboarding and provides quicker turnaround times and savings;
- Implemented Motor FastTrack solution for customers to be able to submit photos for own damage instead of waiting for the assessor report;
- Rolling out Salesforce as a client engagement layer in Retail for Distribution, Complaints level 1, Surveying, Technical reassurance and Underwriting;
- Implemented a Group Personal Accident benefit for the Travelsure product. This complements the current offering and will contribute to developing a stand-alone Accident and Health offering in future;
- Deployed a Vehicle Odometer Chatbot (via WhatsApp) that allows customers to submit their mileage and obtain adjusted vehicle premiums; and
- Improved IT maturity and control effectiveness based on independent reviews. No cyber security incidents were recorded for 2020.

Divisional performance
(continued)

OPPORTUNITIES AND CHALLENGES

- Align and leverage Old Mutual Group capabilities, standards and relationships to deliver business value;
- Partner with vendors and third parties who can jump start technical capabilities in strategic technologies and demonstrate Agile and DevOps practices; and
- Mitigate the challenge presented by the shortage of internal and external technical skills in strategic technologies, DevOps engineering practices and Agile by accelerating learning interventions, head-hunting, and partnering with vendors.

The impact of COVID-19

The IT Support team enabled Old Mutual Insure staff to work remotely during the COVID-19 lockdown. In preparation for the lockdown and to enable the increased level of remote working, the team:

- increased the virtual private network (VPN) capacity;
- set up desktop users with MiFi devices so that staff could take their equipment home and continue to work;
- procured, set up and distributed additional laptops;
- enabled all users to use Microsoft Teams for collaboration and virtual meetings; and
- enabled telephony with voice recording.

Additional users were enabled for remote working during the lockdown period and an additional Always On VPN set up for increased redundancy. At any given time, about 77% to 88% of staff were connected remotely.

The focus of our IT security team for COVID-19 lockdown was on ensuring the security of the IT environment, given the heightened threats in the global and South African environment and increased number of remote users.

IT support staff were on-site to support employees who returned to the office as restrictions lifted, and assisted users to set up their equipment in the revised seating arrangements.

As we continue with a hybrid working arrangement (remote and in-office), additional initiatives include Fibre to Home at preferential rates and the provision of LTE devices for improved connectivity and cost efficiency.

STRATEGY

The foundation that Old Mutual Insure IT laid in 2020 means that we are ready for strategy realisation in 2021 and beyond.

The new IT strategy is underpinned by a business partnering philosophy, with business-facing IT delivery areas aligned with business strategic direction and priorities. Quarterly integrated planning across all areas provides visibility of priorities, plans, dependencies, risks and expected business outcomes of the IT deliverables.

Our primary IT focus areas for the year ahead are:

- Invest in key technical capabilities, to provide business operational efficiency and digitisation;
- Provide Old Mutual Insure self-service features on the Old Mutual Limited mobile application, including confirmation of cover, policy schedule and cross border letters; and
- Define a cloud migration strategy and adopt a cloud-first approach.

SECTION 6

ANNUAL FINANCIAL STATEMENTS

General information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Short-term insurance
Directors	Mr G Napier Ms NB Manyoha Mr G Palser Ms TP Zondi Mr SC Gilbert Mr MA Scharneck Mr IG Williamson
Registered office	Wanooka Place St Andrews Road Parktown
Postal address	PO Box 1120 Johannesburg 2000
Holding company	Mutual and Federal Investments Proprietary Limited incorporated in South Africa
Ultimate holding company	Old Mutual Limited incorporated in South Africa
Auditors	KPMG Inc. Chartered Accountants (SA) Registered Auditors
Secretary	Old Mutual Life Assurance Company (South Africa) Limited
Company registration number	1970/006619/06
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act
Preparer	These financial statements were internally compiled by: NB Manyoha Chartered Accountant (SA), Old Mutual Insure Limited Financial Director

Contents

Audit committee report

1. Composition and charter

The committee comprises three independent non-executive directors of the company. The current members are Ms TP Zondi (Chairperson), Mr GS Palser and Mr MA Scharneck. The qualifications of the members of the committee are listed on page 19 to 20 of the Annual Report, and summary cv's are included on page 28 to 30 of the information statement available on the website .

The members possess the necessary expertise to direct the committee in the execution of its duties.

The committee has a charter, approved by the Board, dealing, *inter alia*, with its membership, frequency of meetings and responsibilities. The committee reviews reports from the external auditors, internal auditors and other combined assurance providers and the chairperson of the committee reports on the findings at Board meetings.

2. Role of the audit committee

The committee fulfilled its responsibilities as required by the Companies Act, Regulatory standards and its terms of reference. The committee performed among others, the following functions:

- Reviewed the operational effectiveness of the internal controls relating to financial reporting.
- Reviewed the results of the work performed by the internal audit function on financial reporting, corporate governance, internal control and any significant investigations and management's responses.
- Reviewed any other relevant matters referred to it by the Board of Directors.
- Reviewed the quality of financial information included in the annual financial statements.
- Reviewed the financial statements taken as a whole to ensure they present a balanced and understandable assessment of the position, performance and future viability of the Group.
- Reviewed the external auditor's report.
- Discussed any issues and reservations arising from the external audit, and any matters the external auditor wished to discuss (in the absence, where requested by the committee, of executive directors and any other person who is not a member of the committee).

3. Effectiveness of internal financial controls

The audit committee has confirmed that satisfactory systems of internal control and risk management in relation to financial measurement and reporting have been maintained.

There were no breakdowns in the functioning of the internal financial control systems during the year which had a material impact on the annual financial statements.

4. External and internal audit

The committee ensured the appointment of a registered auditor as external auditor for the company, at the Annual General Meeting of the company, and the independence of the external auditor who in the opinion of the audit committee, is independent of the Group. The audit committee is satisfied that the external auditor, KPMG and the audit partner are independent. KPMG has provided assurance that its internal governance processes ensure, support and demonstrate its independence. KPMG has been the auditors of the Group for fifty years and Mr M Danckwerts the audit partner for four years. There were no significant changes in the audit management team from the prior year. The committee is satisfied with the quality of the external audit engagement as evidenced in the audit quality report back to the audit committee. The report included the audit quality governance structure and the results of the monitoring of audit quality.

The committee approved the terms of engagement and remuneration for the external audit engagement. The audit committee has requested from the auditor the information required in terms of paragraph 22.15(h) of the JSE Listings Requirements, ie. all the decisions letters, finding reports etc, issued by the auditor.

There were no significant non-audit services performed by the external auditors in the current year.

The head of internal audit functionally reports to the chairperson of the audit committee and the audit committee is responsible for reviewing and approving the internal audit charter, the internal audit coverage as well as the resource and financial plans of the internal audit department. The committee has evaluated the independence of the internal audit function and is satisfied with the effectiveness of the internal audit arrangements and function.

5. Meetings

The committee held four scheduled meetings during the year under review. The required quorum was present at all meetings held.

Meetings for the year and attendance thereat are set out below:

Name	26 February 2020	21 May 2020	20 August 2020	10 November 2020
GS Palser	x	x	x	x
MA Scharneck	x	x	x	x
TP Zondi		x	x	x

6. Expertise and experience of the financial director and the finance team

The committee is satisfied that the expertise of the financial director is appropriate to meet the responsibilities of the position. The committee considered the expertise, resources and experience of the finance function and concluded that these are appropriate to meet the requirements of the Group. They have ensured that appropriate financial reporting procedures exist and these are operating effectively.

7. Combined assurance

A Combined Assurance (CA) model, as defined by King IV, aims to incorporate and optimise all assurance activities and functions so that, taken as a whole, these enable an effective control environment, support the integrity of information used for decision-making by management, the governing body and its committees; and support the integrity of the organisation's external reporting.

The Old Mutual Insure Group has a well-established CA function to provide a coherent view on the operating effectiveness of the systems of risk and control, and facilitate collaboration in planning, execution and reporting across all areas of assurance. The CA model supports the internal decision-making by Management, the Risk and Compliance functions, and the Board and its Committees.

The CA function, with its governance structures and robust quality assurance methodology, is helping to reduce audit and risk assurance fatigue, and is providing a multi-dimensional view that confirms effective management of risk and maintenance of the control environment. The committee anticipates that as the CA model matures Management and the Board will be able to place more reliance on the work of the various assurance providers – thereby reducing duplication of assurance activities whilst assuring the robustness of the control environment and management of risks.

The committee is satisfied that the combined assurance model operated satisfactorily throughout the year.

8. Approval of the report

The audit committee reviewed the 2020 report and considered factors and risks that may impact on the integrity of the report and is satisfied that it is prepared in accordance with International Financial Reporting Standards and supported by reasonable and prudent judgements that have been consistently applied. The reports of the Capital Management Committee and the Reserving Committee to the audit committee were also considered in assessing the appropriateness of the judgements made relating to the valuation of insurance reserves and subsidiaries, and material asset impairments, if any. The audit committee has also considered the conclusions of independent assurance providers in reviewing the relevant sections of the annual financial statements.

The committee is satisfied that, during the year under review, it has fulfilled its responsibilities regarding its terms of reference and believes that it complied with its legal, regulatory and other responsibilities.

On behalf of the audit committee

TP Zondi
Chairperson Audit Committee

Directors' responsibilities and approval

The company is required in terms of the Companies Act to keep accurate and complete accounting records and the directors are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The Group and company financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group's cash flow forecast for the year to 31 December 2021 and, in light of this review and the current financial position, they are satisfied that the Group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Group's financial statements. The financial statements have been examined by the Group's external auditors and their report is presented on pages 50 to 54.

The financial statements set out on pages 55 to 155, which have been prepared on the going concern basis, were approved by the Board of Directors on 8 April 2021 and were signed on their behalf by:

Approval of financial statements

Director	**Director**

Group Secretary's certification

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, I certify that the Group has lodged with the Commissioner all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.

Old Mutual Life Assurance Company (South Africa)

Directors' report

The directors have pleasure in submitting their report on the financial statements of Old Mutual Insure Limited and the Group for the year ended 31 December 2020.

1. Nature of business

Old Mutual Insure Limited was incorporated in South Africa with interests in the insurance industry. The activities of the Group are undertaken through the company and its principal subsidiaries and associates. The Group operates in South Africa, Zimbabwe and Mauritius.

There have been no material changes to the nature of the Group's business from the prior year.

2. Review of financial results and activities

The Group and company financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act. The accounting policies have been applied consistently compared to the prior year, except for the adoption of new or revised accounting standards as set out in note 2.

Full details of the financial position, results of operations and cash flows of the Group are set out in these Group and company annual financial statements.

3. Share capital

	Number of shares	
Authorised	**2020**	**2019**
Ordinary shares	**350,000,000**	350,000,000

	2020	2019	Number of shares	
Issued	**R mil**	**R mil**	**2020**	**2019**
Ordinary shares	**32**	32	**319,823,465**	319,823,465

There have been no changes to the authorised or issued share capital during the year under review.

4. Dividends

The company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the Board of Directors may consider a special dividend, where appropriate.

The Board of Directors did not approve a dividend for the 2020 year (2019: R381,000,000).

5. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Changes
Mr SC Gilbert	Chairperson	Non-executive Independent	
Mr G Napier	Managing Director	Executive	
Ms NB Manyoha	Finance Director	Executive	
Mr M Ilsley		Non-executive	Resigned 31 May 2020
Mr G Palser	Lead Independent Director	Non-executive Independent	
Mr MA Scharneck		Non-executive Independent	
Ms TP Zondi		Non-executive Independent	
Mr IG Williamson		Non-executive	Appointed 8 June 2020

6. Holding company

The Group's holding company is Mutual and Federal Investments Proprietary Limited which holds 100% (2019: 100%) of the Group's equity. Mutual and Federal Investments Proprietary Limited is incorporated in South Africa.

7. Ultimate holding company

The Group's ultimate holding company is Old Mutual Limited which is incorporated in South Africa.

8. Events after the reporting period

On 24 February 2021, the Minister of Finance announced that effective 1 April 2022, the South African corporate tax rate will be reduced from 28% to 27%. The Group does not expect this change to have a material impact on the statement of financial position at 31 December 2021.

The Group has exposure to Land Bank's listed debt securities. On 26 February 2021, Land Bank issued an announcement that they had requested the JSE to suspend the trading of the debt securities in order to allow lenders an opportunity to review sensitive information as parties work towards a liability solution. Based on the current structure, we are not anticipating a material impact to the value of our exposure.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

9. Going concern

The directors believe that the Group has adequate financial resources to continue in operation for the foreseeable future and accordingly the Group and company financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Group is in a sound financial position and that it has adequate cash resources to meet its foreseeable cash requirements.

With regards to business interruption claims, legal certainty has now been provided by our Supreme Court of Appeal. The insured peril has been determined to be the outbreak of COVID-19 together with the government's response in the form of the national lockdown. Policyholders will, however, still need to prove a local occurrence of COVID-19 within the stipulated radial limitation in order to qualify for cover. After having carefully considered the Court's reasoning and conclusions together with the outcome of global court cases, Old Mutual Insure has decided that all valid business interruption claims with wordings and facts the same as or substantially similar to those already decided by our courts will be accepted. The Old Mutual Insure Group has raised a net technical provision of R714 million for business interruption and trade credit claims at 31 December 2020 as a best estimate of its exposure relating to policies with the infectious or contagious disease extension to the policy.

Based on the Group's liability position as at the date of authorisation of these Group and company annual financial statements, and in light of the uncertainty surrounding the future development of the outbreak, management estimate that in the downside case, it will still be sufficiently liquid to meet its financial obligations.

The directors are not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group.

10. Auditors

KPMG Inc. continued in office as auditors for the company and its subsidiaries for 2020.

11. Secretary

The Company Secretary is Old Mutual Life Assurance Company (South Africa) Limited.

Independent auditor's report

To the shareholder of Old Mutual Insure Limited

Report on the audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Old Mutual Insure Limited (the Group and company) set out on pages 55 to 155, which comprise the Statements of Financial Position as at 31 December 2020, and the Statements of Profit or Loss and Other Comprehensive Income, the Statements of Changes in Equity and the Statements of Cash Flows for the year then ended, Accounting Policies and Notes to the Financial Statements.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Old Mutual Insure Limited as at 31 December 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the Group and company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).* We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Valuation of Incurred But Not Reported (IBNR) liability **Refer to note 1.17, 1.22, 23 and 43**	
At each year-end, the Group and company estimate insurance claims that have been incurred before year-end but will only be reported after year-end. The IBNR is included in outstanding claims which forms part of the general insurance liabilities financial statement caption. The calculation of IBNR is based on actuarial methods which are subject to inherent uncertainty and significant judgement is required in its determination. In determining the IBNR the Group and company used patterns based on past experience and historical claims, adjusted for current year developments, to provide a basis for future development of claims. This matter is a key audit matter due to inherent uncertainty and significant judgements required in the actuarial modelling process.	The key procedures we undertook to address the valuation of the IBNR provision included: – Together with our actuarial specialists, we evaluated the work of management's actuaries in determining the IBNR. This included: · independent loss projection for selected classes of business and compared the result to the point estimate determined by management; · assessment of the appropriateness of the methodology applied in the determination of the IBNR; · assessment of the reasonability of the key assumptions used; and · assessment of the overall reasonability of the IBNR. – We tested the claims development data supporting the IBNR percentages by agreeing the data in the actuarial reports to data on the underlying claims system which was adequately supported.

Key audit matter	How the matter was addressed in our audit
	– We tested the design, implementation and operating effectiveness of the control performed by management over the reconciliation of the claims data to the general ledger. – Where insufficient data is available to perform an actuarial analysis on specific business classes, we challenged the method applied by management in determining the IBNR percentages applied to these business classes. – We evaluated the reasonableness of current year IBNR estimates by comparing them to prior years estimates which we had evaluated as being reasonable based on a retrospective calculation of the actual IBNR.
Valuation of net best estimate business interruption reserve **Refer to note 1.22, 23 and 43** The Group and company offer business and interruption insurance, and policyholders were able to extend that cover to include protection against infectious or contagious diseases if required. The COVID-19 pandemic and the related government enforced national lockdowns resulted in the Group and company receiving a significant number of business interruption claims. A number of court judgements before year end provided clarity for uncertainties in relation to the application of policy wording and validity of associated business interruption claims. The Group (R714m) and companys (R460m) business interruption reserve comprises both claims received and estimates of claims not received by year end. The reserve is included in outstanding claims which forms part of the General insurance liabilities financial statement caption. Expected reinsurance recoveries for these estimated claims are included within the financial statement caption Reinsurers share of general insurance liabilities. The calculation of the gross estimate and the associated reinsurance recovery is modelled based on assumptions which are subject to inherent uncertainty and for which significant judgement is required. The gross loss exposure was determined based on analysis of potentially affected policies with reference to related court judgements and policy indemnity periods. The reinsurance recoveries were based on managements legal interpretations and expectations of exposed reinsurance policies. This matter is a key audit matter due to the inherent uncertainty and significant judgements required in determining the net best estimate business interruption reserve.	Our procedures included: • Evaluating the design and implementation of controls over the identification of affected policies and the modelling of the exposure to business interruption claims; With our actuarial audit specialists: • analysing the data and modelling checks performed by the second line compliance functions; • assessing the appropriateness of the methodology applied in the determination of the gross claim reserve and the associated reinsurance recoveries; • assessing the reasonability of the key assumptions made in relation to the population of valid claims, quantum of expected loss and the indemnity period used in deriving the gross claim; and • reviewing the legal analysis that supports the assessment that claims are valid based on the recent court judgements and the application of the reinsurance program to the gross loss position to calculate the expected reinsurance recoveries. Evaluating the recoverability of the reinsurance asset by: • assessing the validity of the reinsurance claims made by the Group; and • assessing the solvency and credit ratings of the reinsurers to determine their ability to settle all claims.

Independent auditor's report
(continued)

Key audit matter	How the matter was addressed in our audit
Valuation of the investment in subsidiaries **This key audit matter relates to our audit of the separate financial statements.** **Refer to note 1.22, 8 and 44** At each year-end, the company estimates the fair value of its investments in subsidiaries. The total value of the company's investment in subsidiaries is R1,0 billion, as disclosed in note 8. The valuation is subject to inherent uncertainty and significant judgement is applied in deriving the assumptions used in the valuation model. In determining the estimated fair values of the investments in subsidiaries, the company uses a discounted earnings model or net asset value if the net asset value approximates fair value. The valuation model used is sensitive to the projected business plans as well as the risk-adjusted discount rates used. This matter is a key audit matter due to the significant judgements in the determination of the fair values of investments in subsidiaries.	Our procedures included: Together with our valuation specialists, we assessed the key assumptions underlying the fair values of these unlisted subsidiaries by performing the following: • We tested the inputs into the discounted earnings models by agreeing the inputs to approved business plans of the subsidiaries and assessed the appropriateness of the business plans in the context of the South African market. Previous budgets prepared were compared to actual results, and the key drivers in the forecasts were compared to our independent expectations, which are based on historical experience. • Using independent discount rates and assumptions, we compared our range of determined fair values to those determined by management.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Old Mutual Insure Limited Annual Report 2020" which includes the Directors' Responsibility and Approval, Directors' Report, the Audit Committee Report and the Group Company Secretary's Certification as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Independent auditor's report
(continued)

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Old Mutual Insure Limited for 50 years.

KPMG Inc.
Registered Auditor

Per **Mark Danckwerts**
Chartered Accountants (SA)
Director

16 April 2021

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

Statements of financial position

as at 31 December 2020

	Notes	GROUP 2020 R million	GROUP 2019 R million	COMPANY 2020 R million	COMPANY 2019 R million
Assets					
Goodwill	3	**21**	21	**–**	–
Intangible assets	4	**158**	174	**158**	174
Property and equipment	5	**232**	249	**218**	238
Right-of-use assets	6	**386**	478	**385**	475
Deferred tax	7	**65**	41	**30**	8
Investments in subsidiaries	8	**–**	–	**1,002**	1,426
Investments in associates	9	**13**	79	**13**	13
Loans to share trusts	10	**7**	7	**84**	84
Investments in employee share trusts	11	**–**	–	**492**	634
Loans receivable	12	**65**	33	**62**	30
Retirement benefit asset	13	**206**	221	**144**	160
Deferred acquisition cost	14	**243**	243	**177**	174
Reinsurers' share of general insurance liabilities	23	**7,030**	2,112	**5,725**	1,421
Deposits with cedants		**30**	27	**–**	–
Investments and securities	15	**6,664**	6,528	**3,395**	3,153
Amounts due from agents and reinsurers	16	**2,413**	1,744	**1,855**	1,503
Subrogation and salvage recoveries	17	**615**	569	**191**	222
Current tax receivable		**61**	18	**34**	15
Trade and other receivables	18	**414**	561	**296**	276
Cash and cash equivalents	19	**1,543**	1,084	**755**	283
Non-current assets held for sale and assets of disposal groups	20	**181**	257	**144**	257
Total assets		**20,347**	14,446	**15,160**	10,546
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent					
Share capital	21	**1,797**	1,797	**1,797**	1,797
Reserves		**(148)**	25	**–**	90
Retained income		**2,016**	2,072	**1,762**	2,157
		3,665	3,894	**3,559**	4,044
Non-controlling interest		**288**	287	**–**	–
		3,953	4,181	**3,559**	4,044

Statements of financial position (continued)

as at 31 December 2020

	Notes	GROUP 2020 R million	GROUP 2019 R million	COMPANY 2020 R million	COMPANY 2019 R million
Liabilities					
General insurance liabilities	23	**11,204**	5,639	**8,414**	3,641
Lease liabilities	6	**426**	494	**424**	491
Debt instrument	24	**500**	500	**500**	500
Deferred reinsurance commission revenue	14	**188**	196	**123**	125
Amounts due to agents and reinsurers	16	**1,584**	1,103	**1,338**	884
Retirement benefit obligation	13	**234**	243	**163**	178
Share-based payment liability	25	**76**	91	**62**	80
Employee benefits	26	**105**	160	**88**	141
Deferred tax	7	**10**	41	**–**	–
Deposits owing to reinsurers		**166**	239	**171**	226
Amounts payable to cell owners	27	**1,029**	1,119	**–**	–
Current tax payable		**2**	8	**–**	–
Trade and other payables	28	**833**	432	**318**	236
Liabilities of disposal groups	20	**37**	–	**–**	–
Total liabilities		**16,394**	10,265	**11,601**	6,502
Total equity and liabilities		**20,347**	14,446	**15,160**	10,546

Statements of profit or loss and other comprehensive income

for the year ended 31 December 2020

	Notes	GROUP 2020 R million	GROUP 2019 R million	COMPANY 2020 R million	COMPANY 2019 R million
Revenue					
Gross written premiums		**14,811**	14,656	**10,644**	10,660
Reinsurers premiums		**(5,321)**	(4,710)	**(1,938)**	(1,645)
Net written premiums		**9,490**	9,946	**8,706**	9,015
Gross change in provision for unearned premiums		**65**	(97)	**46**	(79)
Reinsurers' share of change in provision for unearned premiums		**(48)**	73	**(34)**	42
Net change in provision for unearned premiums		**17**	(24)	**12**	(37)
Net earned premium		**9,507**	9,922	**8,718**	8,978
Commissions received	29	**1,006**	892	**429**	376
Net income		**10,513**	10,814	**9,147**	9,354
Gross claims incurred		**(14,998)**	(9,295)	**(10,925)**	(6,727)
Reinsurers' share of claims incurred		**8,705**	2,896	**5,334**	939
Net claims incurred	30	**(6,293)**	(6,399)	**(5,591)**	(5,788)
Acquisition cost	31	**(2,471)**	(2,096)	**(1,935)**	(1,588)
Expenses		**(1,960)**	(2,261)	**(1,746)**	(1,984)
Operating (loss)/profit	32	**(211)**	58	**(125)**	(6)
Investment income (loss)	33	**84**	387	**(294)**	326
Finance costs	34	**(75)**	(76)	**(74)**	(76)
Income from equity accounted investments		**–**	49	**–**	–
(Loss)/profit before taxation		**(202)**	418	**(493)**	244
Taxation	35	**17**	(95)	**29**	(94)
(Loss)/profit for the year from continuing operations		**(185)**	323	**(464)**	150
Discontinued operations	20	**55**	–	**(19)**	–
(Loss)/profit for the year		**(130)**	323	**(483)**	150
Other comprehensive income:					
Items that will not be reclassified to profit or loss (net of taxation):					
Remeasurements on net defined benefit liability/asset		**(5)**	10	**(2)**	8
Items that may be reclassified to profit or loss (net of taxation):					
Exchange differences on translating foreign operations		**–**	2	**–**	–
Other comprehensive (loss)/income for the year net of taxation		**(5)**	12	**(2)**	8
Total comprehensive (loss)/income for the year		**(135)**	335	**(485)**	158
(Loss)/profit attributable to:					
Owners of the parent		**(131)**	299	**(483)**	150
Non-controlling interest		**1**	24	**–**	–
		(130)	323	**(483)**	150
(Loss)/profit attributable to:					
Owners of the parent					
From continuing operations		**(186)**	299	**(464)**	150
From discontinued operations		**55**	–	**(19)**	–
		(131)	299	**(483)**	150
Non-controlling interest:					
From continuing operations		**1**	24		
Total comprehensive (loss)/income attributable to:					
Owners of the parent		**(136)**	311	**(485)**	158
Non-controlling interest		**1**	24	**–**	–
		(135)	335	**(485)**	158

Statements of changes in equity

for the year ended 31 December 2020

	Share capital R million	Share premium R million	Total share capital R million
GROUP			
Balance at 1 January 2019	**32**	**1,765**	**1,797**
Profit for the year	–	–	–
Other comprehensive income	–	–	–
Remeasurements on net defined benefit liability/asset			
Other comprehensive income – Exchange differences on translating foreign operations	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**
Foreign currency translation reserve	–	–	–
Capital distributions from the share trusts	–	–	–
Dividends	–	–	–
Total contributions by and distributions to owners of company recognised directly in equity	**–**	**–**	**–**
Balance at 1 January 2020	**32**	**1,765**	**1,797**
Loss for the year	–	–	–
Other comprehensive loss	–	–	–
Total comprehensive loss for the year	**–**	**–**	**–**
Transfer between reserves	–	–	–
Foreign currency translation reserve	–	–	–
Capital distributions from the share trusts	–	–	–
Total contributions by and distributions to owners of company recognised directly in equity	**–**	**–**	**–**
Balance at 31 December 2020	**32**	**1,765**	**1,797**
Notes	21	21	21

Foreign currency translation reserve R million	Revaluation reserve R million	Other non-distributable reserve R million	Total reserves R million	Retained income R million	Total attributable to equity holders of the Group/company R million	Non-controlling interest R million	Total equity R million
(38)	**90**	**10**	**62**	**2,162**	**4,021**	**268**	**4,289**
–	–	–	–	299	299	24	323
–	–	–	–	10	10	–	10
–	–	–	–	2	2	–	2
–	**–**	**–**	**–**	**311**	**311**	**24**	**335**
(37)	–	–	(37)	–	(37)	–	(37)
–	–	–	–	(25)	(25)	–	(25)
–	–	–	–	(376)	(376)	(5)	(381)
(37)	**–**	**–**	**(37)**	**(401)**	**(438)**	**(5)**	**(443)**
(75)	**90**	**10**	**25**	**2,072**	**3,894**	**287**	**4,181**
–	**–**	**–**	**–**	**(131)**	**(131)**	**1**	**(130)**
–	**–**	**–**	**–**	**(5)**	**(5)**	**–**	**(5)**
–	**–**	**–**	**–**	**(136)**	**(136)**	**1**	**(135)**
–	**(90)**	**–**	**(90)**	**90**	**–**	**–**	**–**
(83)	**–**	**–**	**(83)**	**–**	**(83)**	**–**	**(83)**
–	**–**	**–**	**–**	**(10)**	**(10)**	**–**	**(10)**
(83)	**(90)**	**–**	**(173)**	**80**	**(93)**	**–**	**(93)**
(158)	**–**	**10**	**(148)**	**2,016**	**3,665**	**288**	**3,953**

22

Statements of changes in equity (continued)

as at 31 December 2020

	Share capital R million	Share premium R million	Total share capital R million
COMPANY			
Balance at 1 January 2019	**32**	**1,765**	**1,797**
Profit for the year	–	–	–
Other comprehensive income	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**
Dividends	–	–	–
Total contributions by and distributions to owners of company recognised directly in equity	**–**	**–**	**–**
Balance at 1 January 2020	**32**	**1,765**	**1,797**
Loss for the year	–	–	–
Other comprehensive loss	–	–	–
Total comprehensive loss for the year	**–**	**–**	**–**
Transfer between reserves	–	–	–
Total contributions by and distributions to owners of company recognised directly in equity	**–**	**–**	**–**
Balance at 31 December 2020	**32**	**1,765**	**1,797**
Notes	21	21	21

Revaluation reserve R million	Total reserves R million	Retained income R million	Total attributable to equity holders of the Group/company R million	Total equity R million
90	**90**	**2,375**	**4,262**	**4,262**
–	–	150	150	150
–	–	8	8	8
–	**–**	**158**	**158**	**158**
–	–	(376)	(376)	(376)
–	**–**	**(376)**	**(376)**	**(376)**
90	**90**	**2,157**	**4,044**	**4,044**
–	**–**	**(483)**	**(483)**	**(483)**
–	**–**	**(2)**	**(2)**	**(2)**
–	**–**	**(485)**	**(485)**	**(485)**
(90)	**(90)**	**90**	**–**	**–**
(90)	**(90)**	**90**	**–**	**–**
–	**–**	**1,762**	**3,559**	**3,559**

22

Statements of cash flows

for the year ended 31 December 2020

	Notes	GROUP 2020 R million	GROUP Restated 2019 R million	COMPANY 2020 R million	COMPANY Restated 2019 R million
Cash flows generated from operating activities					
Cash generated from operations	36	**789**	360	**631**	(95)
Interest income (including discontinued operations)		**323**	329	**198**	215
Dividends received		**32**	61	**18**	168
Finance costs		**(36)**	(53)	**(35)**	(53)
Tax paid	37	**(81)**	(26)	**(12)**	41
Net cash generated from operating activities		**1,027**	671	**800**	276
Cash flows (used in)/generated from investing activities					
Purchase of property and equipment	5	**(67)**	(197)	**(49)**	(192)
Sale of property and equipment	5	**1**	3	**1**	4
Purchase of other intangible assets	4	**(35)**	(44)	**(35)**	(44)
Sale of other intangible assets	4	**2**	–	**2**	–
Purchase of non-current asset held for sale		**–**	(14)	**–**	(14)
Sale of non-current asset held for sale	20	**257**	–	**257**	–
Sale of investments and securities		**6,309**	7,084	**3,794**	4,399
Purchase of investments and securities		**(6,901)**	(7,361)	**(4,103)**	(4,019)
Advances of loans receivable at amortised cost		**(32)**	–	**(32)**	–
Net cash (used in)/generated from investing activities		**(466)**	(529)	**(165)**	134
Cash flows used in financing activities					
Funding of share trusts		**–**	–	**(61)**	(26)
Payment on lease liabilities	38	**(102)**	(63)	**(102)**	(63)
Dividends paid		**–**	(376)	**–**	(376)
Contributions to retirement benefit assets		**–**	(5)	**–**	(5)
Net cash used in financing activities		**(102)**	(444)	**(163)**	(470)
Total cash movement for the year		**459**	(302)	**472**	(60)
Cash at the beginning of the year		**1,084**	1,386	**283**	343
Total cash at the end of the year	19	**1,543**	1,084	**755**	283

Accounting policies

Corporate information

Old Mutual Insure Limited is a public company incorporated and domiciled in South Africa.

The Group and company financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 8 April 2021.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these Group and company financial statements are set out below.

1.1 Basis of preparation

The Group and company financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and are in compliance with the Companies Act.

These financial statements comply with the requirements of the South African Institute of Chartered Accountants Financial Reporting Guides and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the JSE requirements for financial statements.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rand, which is the Group presentation currency.

These accounting policies are consistent with the previous financial year.

1.2 Segmental reporting

The segmental results are reported on a basis consistent with the manner in which the Executive committee assesses performance of the underlying businesses and allocated resources. The Group's reported segments are Commercial lines, Personal lines, Risk financing, Specialty lines and CGIC Guarantee Products. The performance of insurance activities is based on gross written premium as a measure of growth, with net underwriting result as a measure of profitability. The reporting segments are described as follows:

- Commercial lines: The commercial business portfolio that serves small to large enterprises by providing commercial insurance solutions that suit the needs of entrepreneurs and businesses.
- Personal lines: The personal business portfolio offers a multiproduct and multichannel distribution portfolio that provides individuals with cover through a wide range of products.
- Risk financing: Risk financing includes specialist cell captive business.
- Specialty: The Specialty business portfolio focuses on the insurance of large and complex risks in niche market segments.
- CGIC Guarantee: The main business is that of trade credit insurance in both the domestic and export trade credit insurance market.

Segment revenue is revenue that is directly attributable to a segment and the relevant portion of the Group's revenue that can be allocated on a reasonable basis. Segment expenses are expenses resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis.

The segmental information has been set out in note 39.

1.3 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the Group.

The Group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use of its power over the entity.

The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.3 Consolidation (continued)

All inter-company transactions, balances, and unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the company.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss, if allowed by IFRS.

Investments in subsidiaries in the separate financial statements

In the company's separate financial statements, investments in subsidiaries are carried at fair value.

1.4 Investment in structured entities

Special purpose vehicles are those entities directly or indirectly controlled by the Group and include share incentive trusts. To consider if control exists, consideration is given to how decisions about the relevant activities of the trusts are made. Control is assessed on a continuous basis and is reassessed as facts and circumstances change.

Special purpose vehicles are consolidated from the date on which the Group obtains control and are deconsolidated when control ceases.

Investments in special purpose vehicles in the financial statements of the company are measured at fair value through profit or loss.

1.5 Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. It generally accompanies a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method for the Group and company, except when the investment is classified as held for sale in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the Statements of Financial Position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any impairment losses.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Losses in an associate in excess of the Group's interest in that associate, including any other unsecured receivables, are recognised only to the extent that the Group has incurred a legal or constructive obligation to make payments on behalf of the associate.

Dividends declared by associates reduce the carrying value of the equity accounted investments in associates.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the Group and an associate are eliminated to the extent of the Group's interest therein. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group reduces its level of significant influence or loses significant influence, the Group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal, if allowed by IFRS.

The Group determines at each reporting date whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value. The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments.

The measurement of investments in associates for the Group and company is the same.

1.6 Property and equipment

Property and equipment are tangible assets which the Group holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably.

Property and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. Day-to-day servicing costs are included in profit or loss in the year in which they are incurred.

Property revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting year.

When an item of property and equipment is revalued, the gross carrying amount is adjusted consistently with the revaluation of the carrying amount. The accumulated depreciation at that date is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

Any increase in an asset’s carrying amount, as a result of a revaluation, is recognised in other comprehensive income and accumulated in the revaluation reserve in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation reserve in equity.

The revaluation reserve related to a specific item of property and equipment and is transferred directly to retained income when the asset is derecognised.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group. Leasehold improvements are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.6 Property and equipment (continued)

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6
Motor vehicles	Straight line	4 – 5
IT equipment	Straight line	3
Leasehold improvements	Straight line	over the lease term

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss.

Impairment tests are performed on property and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.7 Goodwill and intangible assets

An intangible asset is recognised when:

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

Intangible assets consist of internally developed computer software. Costs include employee costs of the software development team and an appropriate portion of relevant overheads.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Intangible assets are amortised on a straight-line basis over their useful life ranging between two to ten years and are expected to have a nil residual value. The amortisation method, period and residual values are reviewed at each reporting period.

Internally generated brands, customer lists and items similar in substance are not recognised as intangible assets.

The carrying value of intangible assets is reviewed for indicators of impairment annually. If indicators of impairment exist, the particular asset is tested for impairment. An intangible asset that is not yet available for use or has an indefinite useful life is tested for impairment on an annual basis.

Goodwill arising from business combinations

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If, in the case of a bargain purchase, the result of this formula is negative, then the difference is recognised directly in profit or loss.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

1.8 Financial instruments

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9.

Broadly, the classification, which are adopted by the Group, as applicable, are as follows:

Financial assets which are equity instruments are measured at:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination.

Financial assets which are debt instruments are measured at:

- Amortised cost. This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows; or
- Fair value through other comprehensive income. This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments; or
- Mandatorily at fair value through profit or loss. This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income; or
- Designated at fair value through profit or loss. This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. This applies to contingent consideration in a business combination or to liabilities which are held for trading; or
- Designated at fair value through profit or loss. This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a Group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group are presented below:

Loans receivable at amortised cost

Classification

Amounts due from Group companies (note 18), loans to share trusts (note 10), deposits with cedants and loans receivable are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on these loans.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.8 Financial instruments (continued)

Recognition and measurement

Loans receivable are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in investment income.

The application of the effective interest method to calculate interest income on a loan receivable is dependent on the credit risk of the loan as follows:

- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.

Impairment

The Group recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12-month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12-month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the Group compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Definition of default

For purposes of internal credit risk management purposes, the Group consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Write-off policy

The Group writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default, taking the time value of money into consideration.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance.

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments are classified as financial assets subsequently measured at amortised cost (note 18).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The Group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.8 Financial instruments (continued)

The customer base is widespread and does not show significantly different loss patterns for different customer segments, accordingly the loss allowance is calculated on a collective basis for all trade and other receivables in totality.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance.

Write-off policy

The Group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Investments in equity instruments

Classification

Investments in equity instruments are presented in note 15. They are classified as mandatorily at fair value through profit or loss. As an exception to this classification, the Group may make an irrevocable election, on an instrument by instrument basis, and on initial recognition, to designate certain investments in equity instruments as at fair value through other comprehensive income.

The designation as at fair value through other comprehensive income is never made on investments which are either held for trading or contingent consideration in a business combination.

Recognition and measurement

Investments in equity instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. All other transaction costs are recognised in profit or loss.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised either in profit or loss or in other comprehensive income (and accumulated in equity in the reserve for valuation of investments), depending on their classification.

Dividends received on equity investments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in investment income (note 33).

Impairment

Investments in equity instruments are not subject to impairment provisions.

Trade and other payables

Classification

Trade and other payables (note 28), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk.
Refer to note 43 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Debt instrument

Debt instruments issued by the Group comprise subordinated debt instruments held at amortised cost. Interest accruals are recognised as finance costs in the statement of profit or loss and other comprehensive income.

Periodic re-estimation of cash flows to reflect the movements in the market rates of interest will alter the effective interest rate. A floating-rate financial liability is recognised initially at an amount equal to the principal payable on maturity, re-estimating the future interest payments has no significant effect on the carrying amount of the liability.

Derecognition

Financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Group derecognises financial liabilities when, and only when, the Group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Reclassification

Financial assets

The Group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

1.9 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of each financial reporting year.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Accounting policies (continued)

1. Significant accounting policies (continued)

1.9 Tax (continued)

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each financial reporting year.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle the balances on a net basis.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income or equity, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

Withholding tax on dividends and invoices is measured at the amount expected to be paid to the relevant tax authorities in the country from which dividend income or services rendered originates. The tax rates and tax laws used to compute the amount are those that are enacted when the dividend was declared.

1.10 Leases

The Group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is “identified”, which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgements and sources of estimation uncertainty section of these accounting policies.

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense (note 32) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the Group has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the Group is a lessee are presented in note 6 Leases (Group as lessee).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed lease payments, including in-substance fixed payments, less any lease incentives;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rentals that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of- use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses.

The lease liability is presented as a separate line item on the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 34).

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Group will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right- of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statements of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Group incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property and equipment. Refer to the accounting policy for property and equipment for details of useful lives.

1. Significant accounting policies (continued)

1.10 Leases (continued)

The useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

1.11 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups are classified as held for distribution to owners when the entity is committed to distribute the asset or disposal Group to the owners. This condition is regarded as met only when the distribution is highly probable and the asset or disposal Group is available for immediate distribution in its present condition, provided the distribution is expected to be completed within one year from the classification date.

Non-current assets or disposal groups held for sale (distribution to owners) are measured at the lower of their carrying amount and fair value less costs to sell (distribute).

A non-current asset is not depreciated or amortised while it is classified as held for sale (held for distribution to owners), or while it is part of a disposal Group classified as such.

Investments in subsidiaries which are held for sale are accounted for in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations in the company.

1.12 Impairment of non-financial assets

The Group assesses at the end of each financial reporting year whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period; and
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value-in-use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Each unit or Group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment as defined by paragraph 5 of IFRS 8: Operating Segments before aggregation.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit, *pro rata* on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.13 Share capital and equity

Ordinary shares are recognised and classified as 'share capital' in equity. Incremental costs directly attributable to the issue of ordinary shares are recognised in equity as a deduction from the proceeds, net of taxation. Transaction costs of an equity transaction are accounted for as a deduction from the proceeds to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

1.14 Cash-settled share-based payments

Services received in a share-based payment transaction are recognised when the services are received. A corresponding increase in a liability is recognised if the services were acquired in a cash-settled share-based payment transaction.

When the services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For cash-settled share-based payment transactions, the services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

Vesting conditions, other than market conditions, are not taken into account when estimating the fair value of cash-settled share-based payment at the measurement dates. These vesting conditions are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction.

Market conditions and non-vesting conditions are taken into account when estimating the fair value of the cash-settled share-based payment.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, the Group accounts for those services as they are rendered by the counterparty during the vesting period, or on a straight line basis over the vesting period.

If the share-based payments vest immediately the services received are recognised in full.

In circumstances where the Group is involved in a share-based payment transaction among entities in the Group, the following is applied in the entity's separate financial statements:

- Where the Group settles the share-based payment transaction and another entity in the Group receives the goods or services, the entity recognises the transaction as an equity settled share-based payment transaction only if (1) it is settled in the entity's own equity instruments or (2) the entity has no obligation to settle share-based payments. In all other circumstances, the transaction is recognised as a cash settled share-based payment transaction.

Equity-settled share-based payments

As an exception, when the Group is obligated, in terms of tax legislation, to withhold an amount of employees' tax associated with an equity-settled share-based payment transaction (thus creating a net settlement feature), the full transaction is still accounted for as an equity-settled share-based payment transaction.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

When employees are paid retention bonuses in terms of the retention bonus plan and these beneficiaries are subject to retention periods, the cost associated with the retention bonus plan are recognised in the statement of profit or loss and other comprehensive income over the retention period.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

The Group contributes a fixed percentage of salary in respect of members of the defined contribution pension plans and this cost is recognised as an expense in profit or loss. The Group has no constructive obligation to pay further contributions to the fund if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method for a fund closed to new entrants and with less than 5% of the Group's employees participating in the fund.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the fund up to the end of each financial reporting year where the interim valuation is performed at an earlier date.

Past service costs are recognised as an expense at the earlier of the following dates:

- when the plan amendment or curtailment occurs; and
- when the Group recognises related restructuring cost or termination benefits.

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligation reduced by the fair value of plan assets and adjusted for the asset ceiling. The asset is the lower of the present value of the available refund and reduction in future contribution to the plan and the surplus in the plan.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates:

- when the entity can no longer withdraw the offer of those benefits; and
- when the entity recognises costs for a restructuring which involves the payment of termination benefits.

Post-employment benefits

The Group provides post-retirement medical benefits to qualifying employees who joined the Group prior to 15 March 1999 by way of subsidising medical scheme contributions. The expected costs of these benefits are assessed in accordance with advice of qualified actuaries on an annual basis, using the projected unit credit method. The last valuation was performed at 31 December 2020. Service costs are recognised in profit or loss. Actuarial gains or losses are recognised in other comprehensive income.

1.16 Provisions, commitments and contingencies

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken;
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Transactions are classified as contingencies where the Group's obligations depend on uncertain future events.

Items are classified as commitments where the Group commits itself to future transactions with external parties.

Contingent assets and contingent liabilities are not recognised.

1.17 Insurance contracts

Classification

Insurance contracts are classified into two main categories, namely general insurance and cell insurance. General insurance provides benefits under general insurance policies, which include engineering, marine, guarantee, liability, miscellaneous, motor, accident and health, property, transportation and crop policies, or a contract comprising a combination of any of those policies. General insurance contracts are further classified into the following categories:

- Personal insurance, consisting of insurance provided to individuals and their personal property.
- Commercial insurance, providing cover on the assets and liabilities of business enterprises.
- Corporate insurance, providing cover on the assets of business enterprises where the value of the assets exceed a limit of R250 000 000.
- Credit guarantees.

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk, other than financial risk, transferred from the holder of the contract to the issuer. The Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that is significantly more than the benefits payable if the insured event did not occur.

Premiums

Premiums exclude value added taxation and any other foreign indirect taxes. Premiums are earned from the date of attachment of risk, spread over the indemnity period by using an unearned premium provision, based on the pattern of risks underwritten and are recognised in profit or loss. This includes premiums received in terms of inward reinsurance arrangements. All premiums are shown before deduction of commission payable to intermediaries.

Premiums on reinsurance assumed are included in gross written premiums as if this was direct business taking into account the product classification of the reinsured business and are recognised in profit or loss.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.17 Insurance contracts (continued)

Claims incurred

Claims incurred consist of claims and claims-handling expenses paid during the financial year, together with the movement in the provision for outstanding claims. Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred, but unpaid at the reporting date, whether reported or not, and an appropriate risk margin.

Adjustments to the amounts of claims provisions established in prior years are reflected in profit or loss for the period in which the adjustments are made and disclosed separately, if material.

The ultimate cost of the reported claims may vary as a result of future developments or better information becoming available about the current circumstances.

Case estimates are therefore reviewed regularly and updated if new information becomes available.

The provisions for the notified claims are initially estimated at a gross level. Each notified claim is assessed on a separate, case-by-case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar claims. The provision for each notified claim includes value added taxation, where applicable.

Claims incurred but not yet reported (IBNR)

The IBNR provision is initially estimated at a gross level and incorporates future developments on the case estimates of notified claims (claims incurred but not enough reported or "IBNER") and claims reported after the reporting date (true IBNR claims). The IBNR provision consists of a best-estimate reserve and an explicit risk margin.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell property acquired in settling a claim (salvage). The Group also has the right to pursue third parties for payment on some or all costs (subrogation). After the occurrence of a cause of loss or payment of an indemnity the insured, at the request of the Group, remains obligated to take all reasonable steps, including legal proceedings, in order to obtain recoveries from whatever source. Any salvage and subrogation collected by the insured or the Group shall be shared in proportion to their respective interests.

Estimates of salvage and subrogation receivables are initially recognised as a separate asset only when the reimbursement has a high probability of certainty and movements in the asset are subsequently recognised in profit or loss.

Unexpired risk provision

Provision is made for unexpired risks arising where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premium provision in relation to such policies after the deduction of any deferred acquisition costs. Movements in the unexpired risk provision are recognised in profit or loss.

The net liability recognised for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the total insurance liability net of deferred acquisition costs. Where a shortfall is identified, an additional provision is made and the Group recognises the deficiency in profit or loss for the year.

Unearned premium provision

The provision for unearned premiums represents the portion of the current year's premiums that relate to risk periods extending into the following year. The Group raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is then released as the risk under the contract expires. The majority of the Group's insurance contracts have an even risk profile. Movement in the gross and reinsured earned premium provision is recognised in profit or loss.

No-claims bonus

Included in the unearned premium provision is a provision made for probable future no claims cash bonus payments. The probability of paying out the provision is calculated based on claim frequency and lapse assumptions and based on the total number of event-free months.

A no-claims bonus is paid to policyholders based on a fixed calculation as per endorsements that form part of the insurance contract. The no-claims bonus is determined over a fixed period and is calculated as a percentage of premium. The no-claims bonus becomes payable after the agreed cash-back period of the policy, provided the contract endorsements have been met and that there is confirmation that no claim will be payable in respect of insurable transactions concluded during the period. A provision is made for unpaid bonuses at each reporting date and movements in the provision are recognised in profit or loss.

Low-claims bonus

Included in the unearned premium provision is a provision made for probable future low-claims cash bonus payments. The probability of paying out the provision is calculated based on the loss ratio assumptions in a particular underwriting year. The bonuses are paid upon the policyholder achieving a lower loss ratio in a particular underwriting year as agreed in the policy documentation.

Reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the transfer of its risks. Only reinsurance agreements that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Reinsurance agreements that do not transfer significant insurance risk are accounted for as financial assets.

Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

A separate calculation is carried out to determine the estimated reinsurers' share of insurance liabilities. The calculation of these reinsurance recoveries considers the type of risk underwritten, the year the gross claim occurred and therefore under which reinsurance contract the recovery will be made, the size of the claim and whether the claim was an isolated incident or forms part of a catastrophe reinsurance claim. The asset is then estimated using similar methods to those used to estimate the gross provision. There is no risk margin added to the best estimate of reinsurance IBNR provisions, consistent with the treatment of other insurance assets.

Amounts recoverable under reinsurance contracts are recognised in the same year as the related claim and are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Movements in reinsurance assets are accounted for in profit or loss.

Acquisition cost and deferred acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts.

Deferred acquisition costs represent the proportion of acquisition costs incurred in order to secure new contracts and renewing of existing contracts and are deferred over the period in which the related premiums are earned, and recognised as an asset.

Acquisition cost relevant for the financial period (including the movement in deferred acquisition costs) are recognised in profit or loss. All other costs are recognised as expenses when incurred.

Commission income

Commission income comprises commissions earned in respect of reinsurance contracts. Commission income is recognised on the effective commencement or renewal date of the reinsurance contract. A portion of the income is deferred when further servicing is required to be rendered. The amount deferred is that which will cover the expected future servicing costs, together with a reasonable profit thereon, and is recognised as a liability. Deferred income is recognised in profit or loss evenly over the period of the policy. Where commission income is earned on an indemnity basis, provision is made for the potential repayment of commissions.

Agents' and reinsurers' balances

Agents' and reinsurers' balances are measured at transaction price when due, and the Group is of the opinion that the carrying values of these receivables are a reasonable approximation of fair value. The amounts include amounts due to and from agents, brokers and insurance contract holders.

Portfolio impairment allowance

Included in the agents' and reinsurance balances are a portfolio impairment allowance and specific allowances for possible losses.

1. Significant accounting policies (continued)

1.17 Insure contracts (continued)

A loss allowance is recognised for amounts due from agents and reinsurers and is monitored at the end of each reporting period. In addition to the loss allowance, amounts due from agents and reinsurers are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Amounts due from agents and reinsurers which have been written off are not subject to enforcement activities.

The Group measures the loss allowance for amounts due from agents and reinsurers by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on amounts due from agents and reinsurers is determined as the lifetime expected credit losses on amounts due from agents and reinsurers. These lifetime expected credit losses are estimated using a provision matrix. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward-looking information and general economic conditions of the industry as at the reporting date.

Deposits with reinsurers and cedants

Deposits with reinsurers and cedants are cash held by the Group on behalf of reinsurers and cedants.

Amounts payable to cell owners

The Group offers cell captive facilities to clients. A cell captive is a contractual arrangement entered into by the Group with a cell shareholder, whereby the risks and rewards associated with certain insurance activities accrue to the cell shareholder. Cell captives allow clients to purchase non-convertible preference shares in the registered insurance company which undertakes the professional insurance management of the cell, including underwriting, reinsurance, claims management, actuarial and statistical analysis, investment and accounting services. The terms and conditions are governed by the shareholders' agreement. There are currently two distinct types of cell captive arrangements.

First party cell captive arrangements, where the cell owner insures their own risk. First party cell captive arrangements are accounted for as financial liabilities.

Third party cell captive arrangements where the cell owner provides the opportunity to its own client base to purchase branded insurance products. The insurance company is the principal to the insurance contract, although the business is underwritten on behalf of the cell owner.

The shareholder's agreement, however, determines that the cell owner remains responsible for the solvency of the cell captive arrangements. In substance, the insurance company therefore reinsures this business to the cell owner as the cell owner remains responsible for the solvency of the cell captive arrangement.

The cell shareholder's interest represents the cell shareholder's funds, in respect of the insurance business conducted in the cell structures, held by the insurer and is included in amounts payable to cell owners. The carrying value of amounts payable to cell owners is the consideration received for preference shares plus the accumulated funds in respect of business conducted in the cells less repayment to cell owners.

1.18 Investment returns

Investment returns comprises interest, dividends, as well as net fair value gains or losses on financial assets held at fair value through profit or loss. Interest income is presented separately from fair value movements.

Investment income is accounted for as follows:

- interest income is recognised in profit or loss as it accrues, using the effective interest method;
- dividend income is recognised in profit or loss when the right to receive payment is established; and
- net unrealised and realised profits and losses on financial assets held at fair value through profit or loss comprise of gains and losses on disposal or revaluation of assets to fair values and are recognised in profit or loss.

1.19 Finance cost

Finance costs are recognised in profit or loss in the period they are incurred using the effective interest method.

1.20 Translation of foreign currencies

Functional and presentation currency

The consolidated financial statements are presented in Rand which is the Group's presentation currency. The functional currency of the separate financial statements of the Group entities are in Rand, except for Mutual and Federal Company of Zimbabwe which is presented in RTGS and Old Mutual Holdings (Mauritius) Limited and its subsidiaries which are presented in United States Dollar.

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each financial reporting year:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

In circumstances where the Group receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the Group initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, the Group determines a date of transaction for each payment or receipt of advance consideration.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Investments in subsidiaries and associates as foreign operations

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that statements of financial position; and
- income and expenses for each item of profit or loss are translated at exchange rates at the dates of the transactions.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially to other comprehensive income and accumulated in the translation reserve. Such exchange differences is recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

1.21 Distributions to participants from share trusts

Distributions from share trusts are recognised when the participant's shares vest and minimum service requirements are met.

1. Significant accounting policies (continued)

1.22 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed periodically. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected, i.e. not retrospectively.

a. Key sources of estimation uncertainty

Impairment testing

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value-in-use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs. Refer to note 16.

Valuation of insurance policy liabilities and assets

Claims incurred

The Group's estimates for reported and unreported claims are periodically reviewed and updated, and adjustments resulting from these reviews are reflected in profit or loss. The process relies upon the assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events as set out in note 23.

Incurred but not reported claims (IBNR)

The IBNR provision comprises the Group's estimate at the best estimate plus the undiscounted cost of settling all claims incurred but not yet reported at the reporting date and related claims handling expenses. A margin is added to allow for uncertainty. The assumptions used in the calculation are set out in note 23.

Subrogation and salvage recoveries

An asset is raised for expected subrogation and salvage recoveries that have occurred, whether reported or based on past experience. The ultimate amounts recovered will vary as a result of subsequent information and events and may result in significant adjustments to the amounts estimated. The methods used to determine the expected amounts are reviewed regularly by management. The assumptions used in the calculation are set out in note 23.

Reserves relating to business interruption claims

The Group has raised a technical provision that it considers adequate to cover claims incurred relating to policies with the contingent business interruption infectious or contagious disease extension.

During the various levels of lockdown imposed in South Africa, many businesses were closed or could only provide limited service to the public for significant portions of the year. Consequently, many businesses did not operate at full capacity for most of the year due to the nature of products and services provided, travel restrictions or social distancing regulations in place. This has led to a significant increase in claims incurred by the Group for business interruption (BI) and trade credit. In setting the year end liabilities management have estimated and reserved for the expected cost of all valid claims.

The recent court rulings by the Supreme Court of Appeal of South Africa and the Supreme Court in the United Kingdom have addressed industry uncertainty around the application of business interruption clauses. These rulings confirmed that, in respect of policies with the relevant BI extension, there is cover for business interruption losses caused by the government enforced national lockdown, provided there was an instance of COVID-19 within the defined radius of the customer's business.

All policies with an infectious disease clause were identified. For this population an assessment was then performed to assess if there was a COVID-19 case within the determined radius. Confirmed cases at district level were sourced to determine when policyholders would have met the defined radius criteria and therefore have a valid claim. The expected cost of the claim has been calculated as a percentage of the gross profit and, where applicable, seasonally adjusted gross profit of each impacted policyholder, including any loss adjuster expenses.

Reinsurers are expected to pay in accordance with treaty terms for each valid gross claim and consideration has been given to the distribution of claims over time in assessing the quantum of reinsurance recoveries. As a result of this, a net reserve for business interruption for the company of R460 million was raised at 31 December 2020. This amount includes a provision for settlements to those SMME insured's who have the requisite infectious disease extension for BI cover with an annual sum insured of no more than R5 million. The settlements will assist them to continue operating in a tough economic environment. This settlement was applied to all our qualifying SMME customers who had the infectious disease extension at the time of loss and the amounts paid will be offset against valid claims arising from the assessment process in full and final settlement of their claim.

In addition, a net reserve for trade credit claims of R254 million was raised at 31 December 2020 bringing the total reserve for the Group to R714 million. The assumptions that have the greatest effect on the trade credit reserve are the expected ultimate loss ratios for the most recent underwriting years. These are used for determining the IBNR for the 2019 and 2020 underwriting years that impacts the 2020 reported results. The claims experience and reserve results with regards business rescue/trade credit are subject to future economic developments, which are unpredictable and often cannot be accurately projected from past reporting patterns.

An additional allowance has been made for an Additional Unexpired Risk Reserve (AURR) for future reinsurance premiums payable to recoup losses sustained by reinsurers relating to business interruption claims.

Additional information on estimation techniques and assumptions is provided in note 23.

b. Judgements

Defined post-employment benefits

Assumptions are made regarding the discount rates, inflation rates and retirement ages in calculating the Group's post- retirement medical benefits. Details of these assumptions, which require judgement, are set out in note 13.

Share-based payment liability

The judgement applied in valuing the cash-settled share-based payment liability for employees relates to the assumption of the expected employee attrition and the associated vesting that is expected for each tranche of shares issued as set out in note 25.

Leases

Judgement is applied on whether the Group is reasonably certain to exercise extension options in the lease contract. Please refer to note 6.

c. Fair value estimations

Several assets and liabilities of the Group are either measured at fair value or disclosure is made of their fair values.

The Old Mutual Insure Capital Management Committee approves the assumptions and inputs applied, which required judgement, in the fair value calculations relating to investments in subsidiaries, associates, unlisted shares and share trusts.

Observable market data is used as inputs to the extent that it is available. The valuation model used to determine the value of the subsidiaries is sensitive to the inputs (the projected business plans) as well as the assumptions (risk-adjusted discount rates) used. Judgement is applied in deriving these inputs and assumptions as set out in note 8.

Notes to the financial statements

2. New Standards and Interpretations

2.1 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2021 or later periods:

IFRS 17: Insurance contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It will replace IFRS 4: Insurance Contracts.

The effective date of the standard is for years beginning on or after 1 January 2023, with comparative numbers for 2022.

The standard combines current measurements for the future cash flows with the recognition of profit over the services period under the contract. The standard mandates the presentation of insurance revenue separately from insurance finance income or expenses and requires an entity to make various accounting policy choices, including whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

The Old Mutual Limited Group has instituted an implementation programme under the sponsorship of the Old Mutual Limited Chief Financial Officer, who chairs a programme steering committee consisting of senior finance, actuarial and information technology executives from impacted business areas. The company, as a specific IFRS 17 focus area within Old Mutual Limited, has established a project within the Old Mutual Limited programme structure. The company's project is governed by a delivery committee, which consists of senior finance and actuarial managers who make decision on scope, design and enablement for their relevant focus areas. All decisions relating to the interpretation of the standard (i.e. policies and methodologies) are made by a Technical Review Committee (TRC), which consists of actuarial and finance subject matter experts across the company. Ratification of major decisions is done by the Old Mutual Limited programme steering committee. Project resources include a mix of dedicated and shared internal technical experts, as well as external consultants where appropriate.

During 2020 progress has been made on the development of accounting and actuarial policies and methodologies for the company, with formal sign off from the TRC on each version of a paper, as well as outcomes of investigations. The company implemented a procured IFRS 17 reporting solution and is in the process of performing eligibility testing to use the simplified method (Premium Allocation Approach) for those products which have longer contract boundaries. Various initiatives are underway to enable data readiness for the implementation of IFRS 17.

2.2 Standards and interpretations effective and not yet effective and not material to the Group

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• COVID-19-Related Rent Concessions – Amendment to IFRS 16	1 June 2020	Unlikely there will be a material impact
• Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021	Unlikely there will be a material impact
• Onerous Contracts Cost of Fulfilling a Contract – Amendments to IAS 37	1 January 2022	Unlikely there will be a material impact
• Annual Improvements to IFRS Standards 2018 – 2020	1 January 2022	Unlikely there will be a material impact
• Property, Plant and Equipment: • Proceeds before Intended Use – Amendments to IAS 16	1 January 2022	Unlikely there will be a material impact
• Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022	Unlikely there will be a material impact
• Classification of liabilities as current or non-current – Amendments to IAS 1	1 January 2023	Unlikely there will be a material impact
• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Optional	Unlikely there will be a material impact
• Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020	The impact of the amendment was not material
• Definition of a business – Amendments to IFRS 3	1 January 2020	The impact of the amendment was not material
• Extension of the Temporary Exemption from Applying IFRS 9 – Amendments to IFRS 4	1 January 2020	The impact of the amendment was not material
• Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020	The impact of the amendment was not material
• Definition of Material – Amendments to IAS 1 and IAS 8	1 January 2020	The impact of the amendment was not material

3. Goodwill

Group

	2020			2019		
	Cost R million	Accumulated impairment R million	Carrying value R million	Cost R million	Accumulated impairment R million	Carrying value R million
Goodwill	**21**	**–**	**21**	21	–	21

Reconciliation of goodwill – Group – 2020

	Opening balance R million	Total R million
Goodwill	**21**	**21**

Reconciliation of goodwill – Group – 2019

	Opening balance R million	Total R million
Goodwill	21	21

The goodwill relates to a 100% equity stake in Sintelum Proprietary Limited. The value of goodwill is reviewed annually for indicators of impairment. The Group uses a discounted cashflow methodology to make this assessment. Cash flows are projected over a three-year period, with a growth rate of 4.98% (2019: 5%) and discounted at a rate of 19% (2019: 17%). There were no indicators of impairment of goodwill.

4. Intangible assets

	2020			2019		
	Cost R million	Accumulated amortisation R million	Carrying value R million	Cost R million	Accumulated amortisation R million	Carrying value R million
Group						
Computer software	**881**	**(723)**	**158**	848	(674)	174
Company						
Computer software	**881**	**(723)**	**158**	848	(674)	174

Reconciliation of intangible assets – Group – 2020

	Opening balance R million	Additions R million	Disposals R million	Amortisation R million	Total R million
Computer software	**174**	**35**	**(2)**	**(49)**	**158**

Reconciliation of intangible assets – Group – 2019

	Opening balance R million	Additions R million	Amortisation R million	Total R million
Computer software	162	44	(32)	174

Reconciliation of intangible assets – Company – 2020

	Opening balance R million	Additions R million	Disposals R million	Amortisation R million	Total R million
Computer software	**174**	**35**	**(2)**	**(49)**	**158**

Reconciliation of intangible assets – Company – 2019

	Opening balance R million	Additions R million	Amortisation R million	Total R million
Computer software	162	44	(32)	174

Notes to the financial statements (continued)

5. Property and equipment

Group

	2020			2019		
	Cost R million	Accumulated depreciation R million	Carrying value R million	Cost R million	Accumulated depreciation R million	Carrying value R million
Buildings	**1**	**–**	**1**	1	–	1
Furniture and fixtures	**87**	**(33)**	**54**	110	(49)	61
Motor vehicles	**13**	**(7)**	**6**	16	(7)	9
IT equipment	**630**	**(489)**	**141**	574	(431)	143
Leasehold improvements	**39**	**(9)**	**30**	39	(4)	35
Total	**770**	**(538)**	**232**	740	(491)	249

Company

	2020			2019		
	Cost R million	Accumulated depreciation R million	Carrying value R million	Cost R million	Accumulated depreciation R million	Carrying value R million
Buildings	**1**	**–**	**1**	1	–	1
Furniture and fixtures	**76**	**(26)**	**50**	106	(47)	59
Motor vehicles	**5**	**(2)**	**3**	8	(3)	5
IT equipment	**596**	**(462)**	**134**	552	(414)	138
Leasehold improvements	**39**	**(9)**	**30**	39	(4)	35
Total	**717**	**(499)**	**218**	706	(468)	238

Reconciliation of property and equipment – Group – 2020

	Opening balance R million	Additions R million	Disposals R million	Other changes, movements R million	Depreciation R million	Impairment loss R million	Total R million
Buildings	**1**	**–**	**–**	**–**	**–**	**–**	**1**
Furniture and fixtures	**61**	**8**	**–**	**(4)**	**(11)**	**–**	**54**
Motor vehicles	**9**	**1**	**–**	**–**	**(3)**	**(1)**	**6**
IT equipment	**143**	**57**	**(1)**	**(7)**	**(51)**	**–**	**141**
Leasehold improvements	**35**	**1**	**–**	**–**	**(6)**	**–**	**30**
	249	**67**	**(1)**	**(11)**	**(71)**	**(1)**	**232**

* Other changes relate to assets held in Mutual and Federal Risk Financing Limited which is a cell captive provider and the depreciation charge is charged to the cell owners profit and does not remain in the promoter cell.

Reconciliation of property and equipment – Group – 2019

	Opening balance R million	Additions R million	Disposals R million	Transfers R million	Depreciation R million	Total R million
Buildings	2	1	–	(2)	–	1
Furniture and fixtures	4	67	(2)	–	(8)	61
Motor vehicles	9	1	–	–	(1)	9
IT equipment	114	92	(1)	–	(62)	143
Leasehold improvements	–	36	–	2	(3)	35
	129	197	(3)	–	(74)	249

Reconciliation of property and equipment – Company – 2020

	Opening balance R million	Additions R million	Disposals R million	Depreciation R million	Impairment loss R million	Total R million
Buildings	**1**	**–**	**–**	**–**	**–**	**1**
Furniture and fixtures	**59**	**2**	**–**	**(11)**	**–**	**50**
Motor vehicles	**5**	**1**	**–**	**(2)**	**(1)**	**3**
IT equipment	**138**	**45**	**(1)**	**(48)**	**–**	**134**
Leasehold improvements	**35**	**1**	**–**	**(6)**	**–**	**30**
	238	**49**	**(1)**	**(67)**	**(1)**	**218**

Reconciliation of property and equipment – Company – 2019

	Opening balance R million	Additions R million	Disposals R million	Transfers R million	Depreciation R million	Total R million
Buildings	2	1	–	(2)	–	1
Furniture and fixtures	2	66	(1)	–	(8)	59
Motor vehicles	5	1	–	–	(1)	5
IT equipment	111	88	(3)	–	(58)	138
Leasehold improvements	–	36	–	2	(3)	35
	120	192	(4)	–	(70)	238

6. Leases (Group as lessee)

The Group leases several assets, including buildings, office equipment and motor vehicles. The lease of Wanooka Place makes up the majority of the right-of-use asset, which has a lease term of seven years.

All future cashflows to which the lessee is potentially exposed to are reflected in the measurement of lease liabilities.

Details pertaining to leasing arrangements, where the Group is lessee are presented below:

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are as follows:

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Leasehold property	**358**	449	**357**	446
Office equipment	**2**	4	**2**	4
Motor vehicles	**26**	25	**26**	25
	386	478	**385**	475

Additions to and (disposals of) to right-of-use assets

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Leasehold property	**(17)**	494	**(16)**	489
Office equipment	**–**	6	**–**	6
Motor vehicles	**9**	35	**9**	35
	(8)	535	**(7)**	530

Depreciation recognised on right-of-use assets

Notes to the financial statements (continued)

6. Leases (Group as lessee) (continued)

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 32).

	GROUP		COMPANY	
	2020 R million	2019 R million	**2020 R million**	2019 R million
Leasehold property	**74**	45	**73**	43
Office equipment	**3**	2	**3**	2
Motor vehicles	**7**	10	**7**	10
	84	57	**83**	55
Other disclosures				
Interest expense on lease liabilities	**39**	23	**39**	23
Expenses on short-term leases included in operating expenses	**4**	5	**4**	5
Variable lease payments not included in the measurement of lease liabilities included in operating expenses	**52**	44	**52**	44

Lease liabilities

Lease liabilities have been disclosed separately on the statements of financial position.

The maturity analysis of undiscounted lease liabilities is as follows:

	GROUP		COMPANY	
	2020 R million	2019 R million	**2020 R million**	2019 R million
Within one year	**103**	100	**103**	100
Two to five years	**429**	402	**429**	402
More than five years	**–**	148	**–**	148
	532	650	**532**	650
Lease liabilities	**426**	494	**424**	491

7. Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the accounting standards allow for net settlement.

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Deferred tax liability				
Deferred tax liability	**(10)**	(41)	**–**	–
Deferred tax asset				
Deferred tax asset	**65**	41	**30**	8
Total net deferred tax asset	**55**	–	**30**	8

	GROUP 2020 R million	GROUP 2019 R million	COMPANY 2020 R million	COMPANY 2019 R million
Reconciliation of deferred tax asset				
At the beginning of the year	**–**	(36)	**8**	46
Decrease in post-retirement medical aid provision	**–**	(2)	**(1)**	(2)
Increase/(decrease) in other provisions and impairments	**12**	37	**12**	(32)
Decrease in prepayments	**–**	(1)	**–**	–
Reclassification of non-current asset held for sale and assets of disposal Groups	**36**	–	**–**	–
Increase/(decrease) in capital gains taxation	**21**	1	**(4)**	1
(Decrease)/increase in investments and securities	**(32)**	15	**–**	(20)
Increase in cashback, salvages and subrogation	**9**	3	**9**	3
Movement in leases	**9**	(31)	**6**	(2)
Increase in amortisation of software	**–**	14	**–**	14
	55	–	**30**	8

Notes to the financial statements (continued)

8. Interests in subsidiaries

The following table lists the entities which are controlled by the Group, either directly or indirectly through subsidiaries:

Group

Name of company	Held by	Nature of business	% holding 2020	% holding 2019
Mutual and Federal Risk Financing Limited	Old Mutual Insure Limited	Cell Captive insurer	**100.00%**	100.00%
Credit Guarantee Insurance Corporation of Africa Limited	Old Mutual Insure Limited	Credit insurer	**75.00%**	75.00%
Cougar Investment Holding Company Limited	Old Mutual Insure Limited	Investment holding	**100.00%**	100.00%
Elite Risk Acceptances Proprietary Limited	Old Mutual Insure Limited	Non-mandated intermediary	**100.00%**	100.00%
Sintelum Proprietary Limited	Old Mutual Insure Limited	Underwriting management agency	**100.00%**	100.00%
Mutual and Federal Company of Zimbabwe (Private) Limited	Old Mutual Insure Limited	Investment holding	**100.00%**	100.00%
Old Mutual Holdings (Mauritius) Limited	Old Mutual Insure Limited	Investment holding	**100.00%**	100.00%
Old Mutual Reinsurance (Mauritius) Limited	Old Mutual Holdings (Mauritius) Limited	Reinsurer	**100.00%**	100.00%
Old Mutual Business Services (Mauritius) Limited	Old Mutual Holdings (Mauritius) Limited	Business services	**100.00%**	100.00%
Old Mutual Specialty Insurance (Mauritius) Limited	Old Mutual Holdings (Mauritius) Limited	Insurer	**100.00%**	100.00%
The Mutual and Federal Management Incentive Trust		Incentive trust	**100.00%**	100.00%
The Mutual and Federal Senior Black Management Trust		Incentive trust	**100.00%**	100.00%
The Mutual and Federal Development Trust		Incentive trust	**100.00%**	100.00%
Old Mutual Insure Employee Incentive Trust		Incentive trust	**100.00%**	100.00%
Old Mutual Insure Broad-based Black Economic Empowerment Employee Trust		Incentive trust	**100.00%**	100.00%

The following table lists the entities which are controlled directly by the company, and the carrying amounts of the investments in the company's separate financial statements:

Company

Name of company	% holding 2020	% holding 2019	Carrying amount 2020 R million	Carrying amount 2019 R million
Mutual and Federal Risk Financing Limited	**100.00%**	100.00%	**182**	180
Credit Guarantee Insurance Corporation of Africa Limited	**75.00%**	75.00%	**719**	963
Cougar Investment Holding Company Limited	**100.00%**	100.00%	**–**	77
Elite Risk Acceptances Proprietary Limited	**100.00%**	100.00%	**9**	6
Sintelum Proprietary Limited	**100.00%**	100.00%	**92**	92
Mutual and Federal Company of Zimbabwe (Private) Limited	**100.00%**	100.00%	**–**	86
Old Mutual Holdings (Mauritius) Limited	**100.00%**	100.00%	**–**	22
			1,002	1,426

The investment in Cougar Investment Holding Company Limited and Mutual and Federal Company of Zimbabwe (Private) Limited have been classified as held for sale (refer note 20).

Investment in Mutual and Federal Company of Zimbabwe (Private) Limited

The table below summarises the exchange rates at which the results of Mutual and Federal Company of Zimbabwe (Private) Limited have been translated into South African Rand:

Period	Functional currency	Average rate	Closing rate
1 January 2020 to 31 December 2020	RTGS	0.133	0.133
1 January 2019 to 31 December 2019	RTGS	0.832	0.832

Please refer to note 43 Risk management for the sensitivity analysis on the exchange rate.

The fair value of any financial assets or liabilities was based on the unadjusted quoted prices as the Group believes the traded prices represent fair value in an active and orderly market. The Group has evidenced this through reviewing the volume and value of trades conducted on the ZSE.

Notes to the financial statements (continued)

8. Interests in subsidiaries (continued)

Subsidiaries with material non-controlling interests

The following information is provided for subsidiaries with non-controlling interests which are material to the reporting company. The summarised financial information is provided prior to intercompany eliminations:

Summarised statements of financial position

	CREDIT GUARANTEE INSURANCE CORPORATION OF AFRICA LIMITED	
	2020 R million	2019 R million
Assets		
Non-current assets	**719**	470
Current assets	**2,652**	2,336
Total assets	**3,371**	2,806
Liabilities		
Non-current liabilities	**329**	321
Current liabilities	**1,927**	1,474
Total liabilities	**2,256**	1,795
Total net assets	**1,115**	1,011

Summarised statement of profit or loss and other comprehensive income

	CREDIT GUARANTEE INSURANCE CORPORATION OF AFRICA LIMITED	
	2020 R million	2019 R million
Revenue	**740**	896
Other income and expenses	**(731)**	(1 046)
Profit before tax	**9**	150
Tax expense	**(4)**	(46)
Profit after tax	**5**	104
Other comprehensive loss	**(5)**	(2)
Total comprehensive income	**–**	103
Profit allocated to non-controlling interest	**–**	25

Summarised statement of cash flows

	CREDIT GUARANTEE INSURANCE CORPORATION OF AFRICA LIMITED	
	2020 R million	2019 R million
Cash flows from operating activities	**(70)**	(23)
Cash flows from investing activities	**197**	(148)
Cash flows from financing activities	**–**	(21)
Net increase (decrease) in cash and cash equivalents	**127**	(192)
Dividend paid to non-controlling interest	**–**	5

9. Investments in associates

The following table lists all of the associates in the Group:

Group

Name of company	Held by	% ownership interest 2020	% ownership interest 2019	Carrying amount 2020 R million	Carrying amount 2019 R million
Merx Underwriting Managers Proprietary Limited	Old Mutual Insure Limited	**45.00%**	45.00%	**13**	13
RM Insurance Holdings Limited (incorporated in Zimbabwe)	Mutual and Federal Company of Zimbabwe (Private) Limited	**41.00%**	41.00%	**–**	66
				13	79

Company

Name of company	% ownership interest 2020	% ownership interest 2019	Carrying amount 2020 R million	Carrying amount 2019 R million
Merx Underwriting Managers Proprietary Limited	**45.00%**	45.00%	**13**	13

Mutual and Federal Company of Zimbabwe (Private) Limited which holds the investment in RMI Insurance Holdings Limited (incorporated in Zimbabwe) has been classified as held for sale (refer note 20).

Material associates

The following associates are material to the Group:

	Country of incorporation	Method	% Ownership interest 2020	% Ownership interest 2019
RM Insurance Holdings Limited	Zimbabwe	Equity	**41%**	41%

RM Insurance Holdings Limited is a member of the Old Mutual Group and is one of the most mature and largest short-term insurance companies in Zimbabwe. It provides insurance solutions to the insuring public, commercial, industrial and corporate entities

Notes to the financial statements (continued)

9. Investments in associates (continued)

Summarised financial information of material associates

	RM INSURANCE HOLDINGS LIMITED	
	2020 R million	2019 R million
Revenue	–	59
Other income and expenses	–	32
Profit before tax	–	91
Tax expense	–	(7)
Profit from continuing operations	–	84
Total comprehensive income	–	84

Summarised statements of financial position

	RM INSURANCE HOLDINGS LIMITED	
	2020 R million	2019 R million
Assets		
Non-current	–	121
Current	–	124
Total assets	–	245
Liabilities		
Non-current	–	111
Current	–	6
Total liabilities	–	117
Total net assets	–	128

The summarised information presented above reflects the financial statements of the associates after adjusting for differences in accounting policies between the Group and the associate.

10. Loans to share trusts

	GROUP		COMPANY	
	2020 R million	2019 R million	**2020 R million**	2019 R million
Schedule of loans to share trusts				
The Mutual and Federal Management Incentive Trust	**–**	–	**63**	63
The Mutual and Federal Development Trust	**–**	–	**14**	14
The Mutual and Federal Management Incentive Trust (Namibia)	**7**	7	**7**	7
	7	7	**84**	84

The loans have no interest and no fixed repayment terms and are secured by the underlying ordinary Old Mutual Limited shares held by each of the trusts.

11. Investments in employee share trusts

Interest in employee share trusts

The Mutual and Federal Management Incentive Trust, The Mutual and Federal Senior Black Management Trust, Old Mutual Insure Employee Incentive Trust and Old Mutual Insure Broad-based Black Economic Empowerment Employee Trust (the employee share trusts) were set up for the benefit of employees. Legally all shares are held by the trusts. The Statement of Financial Positions of the employee share trusts are set out below:

Company

Name of company	**Carrying amount 2020**	Carrying amount 2019
The Mutual and Federal Management Incentive Trust	**140**	188
The Mutual and Federal Senior Black Management Trust	**129**	160
The Mutual and Federal Development Trust	**39**	58
Old Mutual Insure Employee Incentive Trust	**58**	73
Old Mutual Insure Broad-based Black Economic Empowerment Trust	**126**	155
	492	634

11. Investments in employee share trusts (continued)

Summarised financial information of employee share trusts

2020

Summarised statement of financial position

Assets	Investment in Old Mutual Limited shares* R million	Investment in Quilter Plc shares* R million	Investment in Nedbank shares* R million	Other assets R million	Total assets R million
The Mutual and Federal Management Incentive Trust	43	83	34	45	205
The Mutual and Federal Senior Black Management Trust	34	3	2	93	132
The Mutual and Federal Development Trust	25	22	9	10	66
Old Mutual Insure Employee Incentive Trust	58	–	–	1	59
Old Mutual Insure Broad-based Black Economic Empowerment Trust	122	–	–	4	126
	282	108	45	153	588

Liabilities	Loan from Old Mutual Insure Limited R million	Other liabilities R million	Total liabilities R million
The Mutual and Federal Management Incentive Trust	(63)	(2)	(65)
The Mutual and Federal Senior Black Management Trust	–	(3)	(3)
The Mutual and Federal Development Trust	(14)	(13)	(27)
Old Mutual Insure Employee Incentive Trust	–	(1)	(1)
	(77)	(19)	(96)

* The closing market value per Old Mutual Limited share was R11.89, Nedbank Limited was R129.48 and Quilter Plc was R31.74 .

2019

Summarised statement of financial position

Assets	Investment in Old Mutual Limited shares* R million	Investment in Quilter Plc shares* R million	Investment in Nedbank shares* R million	Other assets R million	Total assets R million
The Mutual and Federal Management Incentive Trust	83	79	56	40	258
The Mutual and Federal Senior Black Management Trust	64	3	3	93	163
The Mutual and Federal Development Trust	41	21	15	7	84
Old Mutual Insure Employee Incentive Trust	71	–	–	3	74
Old Mutual Insure Broad-based Black Economic Empowerment Trust	152	–	–	3	155
	411	103	74	146	734

Liabilities	Loan from Old Mutual Insure Limited R million	Other liabilities R million	Total liabilities R million
The Mutual and Federal Management Incentive Trust	(63)	(7)	(70)
The Mutual and Federal Senior Black Management Trust	–	(3)	(3)
The Mutual and Federal Development Trust	(14)	(12)	(26)
Old Mutual Insure Employee Incentive Trust	–	(1)	(1)
	(77)	(23)	(100)

* The closing market value per Old Mutual Limited share was R19.60, Nedbank Limited was R214.30 and Quilter Plc was R29.30.

Valuation techniques and inputs

The value of these employee trusts is calculated using net asset value, as the net asset value approximates fair value. The listed ordinary Old Mutual Limited shares are the main asset in these trusts. The fair value of the shares is obtained from an active market. Please refer to note 44 for further information on the fair value hierarchy.

12. Loans receivable

Loans receivable are presented at amortised cost, which is net of loss allowance, as follows:

	GROUP		COMPANY	
	2020 R million	2019 R million	**2020 R million**	2019 R million
Grodidge Mahura Investments Proprietary Limited The loan is interest free and has no repayment terms. It was issued as part of the Enterprise Social Development Programme of the trust.	**3**	3	**–**	–
Business Loans The loans are interest free with fixed repayment terms. The loans were issued as part of the COVID relief programme to small businesses.	**32**	–	**32**	–
Troy partnership The loan is unsecured and bears interest at 13.5%.	**30**	30	**30**	30
	65	33	**62**	30

13. Retirement benefits

Defined benefit plan

Defined benefit plan obligation

The Group has an obligation to staff employed before 15 March 1999 for post-retirement medical aid subsidies in respect of retired and existing employees. Per this plan the Group has an obligation in respect of the post-retirement medical aid cost of the following members:

- Current continuation members (i.e. members who retired from the service of the employer or whose service was terminated by the employer on account of age, ill-health or other disability, and dependants of members who have died in service or after retirement).
- Future continuation members (i.e. current in-service members who are eligible for an employer subsidy that are employees of Old Mutual Insure Limited Group and joined prior to 15 March 1999).

This defined benefit plan exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment risk).

The obligation is calculated in accordance with Advisory Practice Note 301 of the Actuarial Society of South Africa and uses the projected unit credit method. The valuation date is 31 December 2020.

Defined benefit plan asset

The defined benefit plan is administered by a single medical fund that is legally separated from the Group.

There is no asset ceiling applicable to the defined benefit plan asset, and there were no plan amendments, curtailments or settlements.

The Group has provided for this liability towards the retired members by purchasing a Group annuity policy from Old Mutual Life Assurance Company (South Africa) Limited (OMLACSA), with the medical scheme being the beneficiary of the policy. The annuity policy is effectively an insurance policy with the following characteristics:

- The annuity guarantees the present value of the liability using the consumer price index as the base for the escalating benefits in respect of existing retirees only;
- The policy will take on the liability in respect of the in-service members employed before 15 March 1999 and members of the designated fund, as and when they retire; and
- The company will take on the shortfall between the actual subsidy increases and the CPI escalation that is declared each year; and to cater for the above shortfalls, additional premiums will be payable by the company in the future.

Carrying value

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Present value of the defined benefit obligation	**(234)**	(243)	**(163)**	(178)
Fair value of plan assets	**206**	221	**144**	160
	(28)	(22)	**(19)**	(18)
Reconciliation of defined benefit obligation				
Opening balance	**(243)**	(254)	**(178)**	(191)
Current service cost	**(2)**	(2)	**(1)**	(1)
Interest cost	**(21)**	(24)	**(15)**	(17)
Actuarial gain	**13**	18	**16**	16
Benefits paid	**19**	19	**15**	15
	(234)	(243)	**(163)**	(178)

	GROUP		COMPANY	
	2020 R million	2019 R million	**2020 R million**	2019 R million
Reconciliation of plan assets				
Opening balance	**221**	223	**160**	160
Interest return	**(16)**	21	**13**	14
Actuarial loss	**16**	(11)	**(14)**	(4)
Benefits paid	**(15)**	(17)	**(15)**	(15)
Contributions received	**–**	5	**–**	5
	206	221	**144**	160
Asset allocation				
Equity	**10.74%**	9.85%	**–%**	–%
Property	**3.43%**	3.15%	**–%**	–%
Bonds	**3.79%**	3.48%	**–%**	–%
Cash and Money Market	**4.89%**	4.65%	**2.00%**	2.00%
Foreign	**6.95%**	6.38%	**–%**	–%
Insurance policy	**68.51%**	70.94%	**98.00%**	98.00%
Alternative assets	**1.69%**	1.55%	**–%**	–%
	100%	100%	**100%**	100%
Key assumptions used				
Discount rates – in service members	**11.20%**	10.00%	**11.20%**	10.00%
Discount rates – continuation members	**9.10%**	8.40%	**9.10%**	8.40%
Medical inflation rate – in service members	**7.90%**	7.30%	**7.90%**	7.30%
Medical inflation rate – continuation members	**6.40%**	6.30%	**6.40%**	6.30%
Expected investment return	**9.60%**	8.60%	**9.40%**	8.60%
Retirement ages	**62–65**	62–65	**62**	62

Mortality rates of in service members are in accordance with SA 85 – 90 (Light) ultimate table and mortality rates of continuation members are in accordance with PA90, adjusted for the company's experience and mortality improvements.

Sensitivity analysis

The impact on profit or loss for the Group when the discount rate is increased by 1% is R18,7 million (2019: R20,9 million), when the discount rate is decreased by 1%, R21,9 million (2019: R24,7 million), when the medical inflation rate is increased by 1%, R22,7 million (2019: R25,57 million) and when the medical inflation rate is decreased by 1%, R19,7 million (2019: R22,1 million). A change in the retirement age to 60 would impact in the profit or loss by R17,2 million (2019: R10,42 million).

The impact on profit or loss for the company when the discount rate is increased by 1% is R12,2 million (2019: R14,5 million), when the discount rate is decreased by 1%, R14,1 million (2019: R17 million), when the medical inflation rate is increased by 1 %, R15,1 million (2019: R18 million) and when the medical inflation rate is decreased by 1 %, R13,2 million (2019: R15,7 million). A change in the retirement age to 60 would impact in the profit or loss by R3,9 million (2019: R4 million).

The assets backing the liabilities are considered adequate and there are no further decisions taken to increase contributions to the plan in the foreseeable future.

14. Deferred acquisition cost and deferred reinsurance commission revenue

Analysis of movements

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Deferred acquisition cost				
Balance at the beginning of the year	**243**	231	**174**	158
Acquisition cost deferred on inwards business	**–**	2	**3**	1
Change in the statement of comprehensive income	**1**	10	**–**	14
Other movements	**–**	1	**–**	–
Foreign exchange	**(1)**	(1)	**–**	1
Balance at the end of the year	**243**	243	**177**	174
Deferred reinsurance commission revenue				
Balance at the beginning of the year	**196**	186	**125**	114
Change in the statement of comprehensive income	**(8)**	10	**(2)**	11
Balance at the end of the year	**188**	196	**123**	125

The net deferred acquisition cost relates to annual contracts and will be released into the Statement of Profit or Loss and Other Comprehensive Income within the next 12 months.

15. Investments and securities

Investments and securities held by the Group and company are as follows:

	GROUP		COMPANY	
	2020 R million	2019 R million	**2020 R million**	2019 R million
Mandatorily at fair value through profit or loss:				
Listed shares	**949**	1,144	**424**	466
The fair value of the listed ordinary shares is based on a quoted market price in an active market of an identical instrument. The Protected Equity Portfolio comprises two components: a protective derivative overlay portfolio and an underlying equity tracker portfolio that is intended to be passively managed relative to the SWIX benchmark. R500 million has been invested in an underlying tracker portfolio and a protective derivative structure to limit downside risk.				
Unlisted shares	**8**	159	**8**	43
The carrying value of the unlisted ordinary shares is based on a valuation of their net assets and where appropriate, an adjustment for systemic and non-systemic risk.				
Unlisted empowerment private equity fund	**82**	90	**82**	90
The unlisted empowerment private equity fund represents black economic empowerment development investment policies with the Old Mutual Investment Group Proprietary Limited.				
Unlisted money market funds	**5,625**	5,135	**2,881**	2,554
The average interest on money market instruments earned during the year was 7.54% (2019: 8.45%) for the Group and 7.44% (2019: 7.96%) for the company.				
	6,664	6,528	**3,395**	3,153

Unconsolidated structured entities

The Group has investments in collective schemes to diversify its pool of assets. These vehicles are financed through the issue of units to investors. Some schemes are managed entities in the Old Mutual Limited Group, which generate fees from managing the assets on behalf of third party investors. The carrying value of the interest held by the Group in the unit trusts, which are included in the unlisted money market accounts, is R795 million (2019: R527 million) which equates to 4.03% (2019: 2.9%) of the value of the total unit trust.

The Group has an investment in an unlisted empowerment private equity fund, fully invested in Consol Holdings Limited. The carrying value of the interest held by the Group in the equity fund is R82 million which equates to 5.95% of the value of the total fund.

These investments are therefore not considered to be structured entities that would need to be included in the Group consolidation. The maximum exposure to loss is the carrying value amount of the Group interest in its unconsolidated structured entities. The Group has no further obligations to cover any other losses of its unconsolidated structured entities.

Notes to the financial statements (continued)

16. Amounts due to/from agents and reinsurers

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Assets				
Agents' balances	**1,335**	1,067	**777**	831
Reinsurance balances	**1,078**	677	**1,078**	672
	2,413	1,744	**1,855**	1,503
Liabilities				
Agents' balances	**(643)**	(299)	**(578)**	(285)
Reinsurance balances	**(941)**	(804)	**(760)**	(599)
	(1,584)	(1,103)	**(1,338)**	(884)
Analysis of portfolio impairment allowance				
Balance at the beginning of the year	**(45)**	(27)	**(33)**	(21)
Movement for the year	**(92)**	(18)	**(89)**	(12)
Balance at the end of the year	**(137)**	(45)	**(122)**	(33)

A part of the impairment relates to an outstanding debtor from Insure Group Managers (IGM). Due to liquidity constraints within this company an additional R67 million (2019: R12 million) of the debtor balance was impaired during the year, bringing the total impairment value to R95 million (2019: R28 million) for this debtor.

17. Subrogation and salvage recoveries

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Balance at the beginning of the year	**569**	646	**222**	275
Change in subrogation and salvages recoveries	**768**	717	**475**	490
Subrogation and salvages received	**(722)**	(794)	**(506)**	(543)
Balance at the end of the year	**615**	569	**191**	222

18. Trade and other receivables

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Financial instruments:				
Trade receivables	**243**	405	**185**	175
Trade receivables – related parties	**9**	1	**20**	8
Trade receivables at amortised cost	**252**	406	**205**	183
Accrued interest	**31**	48	**29**	44
Non-financial instruments:				
VAT	**79**	40	**25**	–
Prepayments	**52**	67	**37**	49
Total trade and other receivables	**414**	561	**296**	276

Exposure to credit risk

Please refer to note 43 for market and credit risk disclosure.

No loss allowance has been recognised in the current year. A loss allowance is recognised for all trade receivables, in accordance with IFRS 9: Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles.

19. Cash and cash equivalents

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Cash and cash equivalents consist of:				
Bank balances	**1,342**	1,083	**554**	282
Short-term deposits	**201**	1	**201**	1
	1,543	1,084	**755**	283

Notes to the financial statements (continued)

20. Discontinued operations, disposal Groups or non-current assets held for sale

The Group has decided to sell two of its subsidiaries, Cougar Investment Holding Company Limited and Mutual and Federal Company of Zimbabwe (Private) Limited. The subsidiaries will be sold as part of the Old Mutual Limited strategy to consolidate all their holdings in African countries into Old Mutual Africa Holdings Limited.

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Profit or loss				
Revenue	**131**	–	**–**	–
Expenses	**–**	–	**(19)**	–
Net profit before tax	**131**	–	**(19)**	–
Tax	**(17)**	–	**–**	–
Net profit after tax	**114**	–	**–**	–
Losses on measurement to fair value less cost to sell	**(59)**	–	**–**	–
	55	–	**(19)**	–
Assets and liabilities				
Non-current assets held for sale				
Property and equipment	**–**	257	**–**	257
Investment in subsidiaries	**–**	–	**144**	–
	–	257	**144**	257
Assets of disposal Groups				
Other assets	**181**	–	**–**	–
	181	257	**144**	257
Liabilities of disposal Groups				
Other liabilities – deferred tax	**(37)**	–	**–**	–
Equity				
Foreign currency translation reserve	**175**	–	**–**	–
Other	**(31)**	–	**–**	–
	144	–	**–**	–

On 21 November 2018, Old Mutual Insure Limited entered into a sale agreement for its head office property, Erf 5230, Helen Joseph Street, as well as Section 1 in the sectional title scheme known as Palace Parkade (to be established on Erf 5286, Johannesburg Township) to Bayete Capital Proprietary Limited (Bayete), a third party purchaser for the purchase price of R259 million.

The transfers of both properties took place in November 2020.

21. Share capital

	GROUP		COMPANY	
	2020 R million	2019 R million	**2020 R million**	2019 R million
Authorised				
350 000 000 Ordinary shares of 10 cents each	**35**	35	**35**	35
Issued				
319 823 465 Ordinary shares of 10 cent each	**32**	32	**32**	32
Share premium	**1,765**	1,765	**1,765**	1,765
	1,797	1,797	**1,797**	1,797

22. Revaluation reserve

	GROUP		COMPANY	
	2020 R million	2019 R million	**2020 R million**	2019 R million
The revaluation reserve relates to property revaluations.				
Opening balance	**90**	90	**90**	90
Transfer to retained earnings	**(90)**	–	**(90)**	–
	–	90	**–**	90

Notes to the financial statements (continued)

23. General insurance liabilities

	2020			2019		
	Gross R million	Reinsurance R million	Net R million	Gross R million	Reinsurance R million	Net R million
Group						
Unearned premiums	**1,574**	**(851)**	**723**	1,612	(873)	739
Additional unexpired risk reserve (AURR)	**70**	**–**	**70**	–	–	–
Outstanding claims (including incurred but not reported (IBNR))	**9,560**	**(6,179)**	**3,381**	4,027	(1,239)	2,788
	11,204	**(7,030)**	**4,174**	5,639	(2,112)	3,527
Company						
Unearned premiums	**991**	**(472)**	**519**	1,034	(505)	529
Additional unexpired risk reserve (AURR)	**70**	**–**	**70**	–	–	–
Outstanding claims (including incurred but not reported (IBNR))	**7,353**	**(5,253)**	**2,100**	2,607	(916)	1,691
	8,414	**(5,725)**	**2,689**	3,641	(1,421)	2,220

Analysis of movements in outstanding claims (net of subrogation) including IBNR:

	2020			2019		
	Gross R million	Reinsurance R million	Net R million	Gross R million	Reinsurance R million	Net R million
Group						
Balance at the beginning of the year	**4,027**	**(1,239)**	**2,788**	4,604	(1,774)	2,830
Current year claims incurred	**11,874**	**(6,551)**	**5,323**	9,144	(2 924)	6,220
Change in previous years' claims estimates	**3,107**	**(2,724)**	**383**	(833)	11	(822)
Current year claims paid net of subrogation	**(6,722)**	**2,498**	**(4,224)**	(6,183)	1,892	(4,291)
Previous years’ claims paid net of subrogation	**(2,726)**	**1,837**	**(889)**	(2,705)	1,556	(1,149)
Balance at the end of the year	**9,560**	**(6,179)**	**3,381**	4,027	(1,239)	2,788
Company						
Balance at the beginning of the year	**2,607**	**(916)**	**1,691**	2,874	(1,090)	1,784
Current year claims incurred	**11,332**	**(5,439)**	**5,893**	6,300	(935)	5,365
Change in previous years’ claims estimates	**(1,011)**	**100**	**(911)**	(197)	(2)	(199)
Current year claims paid	**(3,955)**	**474**	**(3,481)**	(4,517)	410	(4,107)
Previous years’ claims paid	**(1,620)**	**528**	**(1,092)**	(1,853)	701	(1,152)
Balance at the end of the year	**7,353**	**(5,253)**	**2,100**	2,607	(916)	1,691

Analysis of movements in unearned premiums and unexpired risk reserve:

	2020			2019		
	Gross R million	Reinsurance R million	Net R million	Gross R million	Reinsurance R million	Net R million
Group						
Balance at the beginning of the year	**1,612**	**(873)**	**739**	1,515	(800)	715
Change in unearned premium provision and unexpired risk reserve	**32**	**22**	**54**	97	(73)	24
Balance at the end of the year	**1,644**	**(851)**	**793**	1,612	(873)	739
Company						
Balance at the beginning of the year	**1,034**	**(505)**	**529**	955	(463)	492
Change in unearned premium provision and unexpired risk reserve	**27**	**33**	**60**	79	(42)	37
	1,061	**(472)**	**589**	1,034	(505)	529

Assumptions

Actuarial methods that are applied in accordance with applicable actuarial standards are used to estimate the ultimate cost of claims and there are underlying assumptions within these methods. These include the assumption that past experience is a reasonable guide for the future development of claims where applicable. In some classes of business, where processes or systems change, adjustments are made in order to estimate the ultimate level of claims. Judgement is applied where needed, but the methods and assumptions are reviewed by the second line Head of the Actuarial Function for reasonability.

COVID-19 business interruption claims have been estimated using techniques that are primarily based upon granular exposure assessments and assumptions on how COVID-19 has impacted businesses including loss adjuster expenses.

Insurance contract liability estimates are currently subject to heightened uncertainty relative to normal circumstances due to the impact of the COVID-19 pandemic. Materially different outcomes to those assumed are possible. The main areas of heightened uncertainty because they impact the gross estimates include:

- The impact which COVID-19 has had on claims experience will take time to develop. Business interruption policies have observed direct claims, whereas other lines of business have seen material indirect changes in policyholder behaviour such as reduced motor frequency during lockdown. Changes in experience such as reduced motor claims frequency can result in a different mix or magnitude of claims and, therefore, different claims and runoff characteristics compared to historic experience;
- the number of claimants with valid business interruption claims; and
- estimated reinsurance recoveries on business interruption claims.

We are actively engaging with our reinsurers regarding areas of uncertainty as the outcome will affect our net underwriting results.

A sensitivity analysis has been performed on some of the material assumptions made in calculating the components of the gross IBNR provision and subrogation asset based on the data as at the end of December 2020.

Business interruption claims estimates sensitivity analysis

A number of sensitivity and scenario tests were conducted in order to determine the potential variability in the eventual outcome of business interruption claims. The key variables tested included: claim amounts; number of additional valid claims still to be submitted by clients; and reinsurance recoveries, allowing for aggregation of claims over time.

The resulting net reserve estimates range from approximately 40% lower to 40% higher than December 2020 net reserves, illustrating that a significant degree of uncertainty remains.

23. General insurance liabilities (continued)

IBNR reserve sensitivity analysis for other classes of business

The analysis was conducted for the material insurance contract types including Motor and Property (Commercial division segment only). The IBNR provision is derived by taking into account the way in which historical claims develop to their final settled cost over time. The sensitivity analysis was performed to test the effect of using more or fewer historical years to estimate the IBNR provision. These are set out in the table below.

For the Motor Commercial and Property Commercial contracts, the sensitivity analysis is performed on the weighted averages (i.e. the number of historical periods to which the development pattern is based) used for the incurred claims projection. For the Motor Personal contracts the sensitivity analysis is calculated on the weighted averages used for the paid claims projection.

Gross best estimate IBNR reserve assumptions

	2020 Increase/ (Decrease) in profit or loss R million	2019 Increase/ (Decrease) in profit or loss R million
Motor commercial gross of salvages and recoveries		
Incurred claims projection – using the weighted average of the two most recent years	**(6)**	–
Incurred claims projection – using the weighted average of the three most recent years	**(2)**	(4)
Incurred claims projection – using the weighted average of the four most recent years	**(4)**	(6)
Incurred claims projection – using the weighted average of the five most recent years	**(6)**	(9)
Motor personal gross of salvages and recoveries		
Incurred claims projection – using the weighted average of the two most recent years	**(14)**	–
Incurred claims projection – using the weighted average of the three most recent years	**(9)**	–
Incurred claims projection – using the weighted average of the four most recent years	**(11)**	(3)
Incurred claims projection – using the weighted average of the five most recent years	**(10)**	–
Property commercial net of salvages and recoveries		
Incurred claims projection – using the weighted average of the two most recent years	**(10)**	–
Incurred claims projection – using the weighted average of the three most recent years	**(9)**	5
Incurred claims projection – using the weighted average of the four most recent years	**(5)**	–
Incurred claims projection – using the weighted average of the five most recent years	**–**	(3)

Sensitivity analysis for the salvage and recovery asset

The below table indicates the sensitivity analysis that have been performed on the significant assumptions made for the most material classes of business contributing to the salvage and recovery asset. In 2020 there was a change in the methodology in the calculation of the sensitivity of the salvage and recovery asset.

Salvage and recovery asset assumptions

	2020 Increase/ (Decrease) in profit or loss R million	2019 Increase/ (Decrease) in profit or loss R million
Motor commercial (commercial non schemes) recovery and salvage asset		
Incurred claims projection – using the weighted average of the two most recent years	**5**	25
Incurred claims projection – using the weighted average of the three most recent years	**14**	32
Incurred claims projection – using the weighted average of the four most recent years	**19**	–
Incurred claims projection – using the weighted average of the five most recent years	**1**	–
Motor personal (personal non schemes) recovery and salvage asset		
Incurred claims projection – using the weighted average of the two most recent years	**12**	–
Incurred claims projection – using the weighted average of the three most recent years	**34**	33
Incurred claims projection – using the weighted average of the four most recent years	**46**	68
Incurred claims projection – using the weighted average of the five most recent years	**2**	–

Recovery ratio represents the amount the company expects to recover from third parties expressed as a percentage of the corresponding claims.

For the Motor Commercial and Motor Personal contracts, the recovery sensitivity calculation was performed on the recovery ratio assumption for the 2020 year.

Analysis of cumulative claims

The following tables illustrate the development of gross and net insurance cumulative claims for the past five financial periods, including the impact of re-estimation of claims provisions at the end of each financial year. The first table shows actual gross cumulative claims and the second shows actual net cumulative claims.

ESTIMATE OF CUMULATIVE CLAIMS GROSS OF REINSURANCE – 2020

Reporting year	Total R million	2020 R million	2019 R million	2018 R million	2017 R million	2016 R million	2015 and prior R million
Group							
At end of year	51,040	13,025	11,386	10,159	9,548	6,922	–
One year later	37,990	–	10,595	9,031	9,522	8,842	–
Two years later	27,098	–	–	9,003	9,406	8,689	–
Three years later	18,068	–	–	–	9,411	8,657	–
Four years later	8,701	–	–	–	–	8,701	–
Five years later	–	–	–	–	–	–	42,408
	93,143	13,025	10,595	9,003	9,411	8,701	42,408
Cumulative payments	(83,583)	(6,722)	(8,887)	(8,333)	(9,059)	(8,507)	(42,075)
Estimated balance to pay	9,560	6,303	1,708	670	352	194	333
Company							
At end of year	34,602	9,015	7,861	6,654	6,397	4,675	–
One year later	25,449	–	7,078	5,843	6,374	6,154	–
Two years later	18,228	–	–	5,816	6,317	6,095	–
Three years later	12,373	–	–	–	6,296	6,077	–
Four years later	6,106	–	–	–	–	6,106	–
Five years later	–	–	–	–	–	–	35,918
	70,229	9,015	7,078	5,816	6,296	6,106	35,918
Cumulative payments	(62,876)	(3,955)	(5,863)	(5,400)	(6,098)	(5,935)	(35,625)
Estimated balance to pay	7,353	5,060	1,215	416	198	171	293

23. General insurance liabilities (continued)

ESTIMATE OF CUMULATIVE CLAIMS NET OF REINSURANCE - 2020

Reporting year	Total R million	2020 R million	2019 R million	2018 R million	2017 R million	2016 R million	2015 and prior R million
Group							
At end of year	31,330	6,943	8,052	5,811	5,043	5,473	–
One year later	22,227	–	5,998	4,759	5,955	5,575	–
Two years later	16,067	–	–	5,222	5,283	5,562	–
Three years later	10,827	–	–	–	5,518	5,309	–
Four years later	5,582	–	–	–	–	5,582	–
Five years later	–	–	–	–	–	–	34,186
	63,449	6,943	5,998	5,222	5,518	5,582	34,186
Cumulative payments	(60,068)	(4,224)	(5,972)	(5,042)	(5,361)	(5,411)	(34,058)
Estimated balance to pay	3,381	2,719	26	180	157	171	128
Company							
At end of year	25,487	5,483	6,143	5,028	4,731	4,102	–
One year later	18,941	–	4,741	4,269	5,106	4,825	–
Two years later	14,112	–	–	4,439	4,822	4,851	–
Three years later	9,645	–	–	–	4,898	4,747	–
Four years later	4,867	–	–	–	–	4,867	–
Five years later	–	–	–	–	–	–	31,644
	56,072	5,483	4,741	4,439	4,898	4,867	31,644
Cumulative payments	(53,972)	(3,481)	(5,038)	(4,393)	(4,806)	(4,717)	(31,537)
Estimated balance to pay	2,100	2,002	(297)	46	92	150	107

ESTIMATE OF CUMULATIVE CLAIMS GROSS OF REINSURANCE – 2019

Reporting year	Total R million	2019 R million	2018 R million	2017 R million	2016 R million	2015 R million	2014 and prior R million
Group							
At end of year	40,690	8,695	8,723	8,786	8,464	6,022	–
One year later	32,408	–	8,768	8,855	8,300	6,485	–
Two years later	23,649	–	–	8,873	8,232	6,544	–
Three years later	14,777	–	–	–	8,292	6,485	–
Four years later	6,557	–	–	–	–	6,557	–
Five years later	–	–	–	–	–	–	32,340
	73,525	8,695	8,768	8,873	8,292	6,557	32,340
Cumulative payments	(69,498)	(6,183)	(7,926)	(8,640)	(8,162)	(6,443)	(32,144)
Estimated balance to pay	4,027	2,512	842	233	130	114	196
Company							
At end of year	29,663	6,127	5,838	6,169	6,137	5,392	–
One year later	23,495	–	5,759	6,283	6,009	5,444	–
Two years later	17,778	–	–	6,246	6,007	5,525	–
Three years later	11,475	–	–	–	5,999	5,476	–
Four years later	5,470	–	–	–	–	5,470	–
Five years later	–	–	–	–	–	–	30,307
	59,908	6,127	5,759	6,246	5,999	5,470	30,307
Cumulative payments	(57,301)	(4,517)	(5,178)	(6,069)	(5,925)	(5,408)	(30,204)
Estimated balance to pay	2,607	1,610	581	177	74	62	103

ESTIMATE OF CUMULATIVE CLAIMS NET OF REINSURANCE – 2019

Reporting year	Total R million	2019 R million	2018 R million	2017 R million	2016 R million	2015 R million	2014 and prior R million
Group							
At end of year	27,977	5,771	5,571	5,734	5,730	5,171	–
One year later	22,019	–	5,751	5,604	5,355	5,309	–
Two years later	16,505	–	–	5,700	5,271	5,534	–
Three years later	10,803	–	–	–	5,327	5,476	–
Four years later	5,547	–	–	–	–	5,547	–
Five years later	–	–	–	–	–	–	28,705
	56,801	5,771	5,751	5,700	5,327	5,547	28,705
Cumulative payments	(54,013)	(4,291)	(4,939)	(5,568)	(5,221)	(5,453)	(28,541)
Estimated balance to pay	2,788	1,480	812	132	106	94	164
Company							
At end of year	23,840	5,192	4,582	4,673	4,852	4,541	–
One year later	18,834	–	4,560	4,832	4,786	4,656	–
Two years later	14,587	–	–	4,903	4,779	4,905	–
Three years later	9,635	–	–	–	4,775	4,860	–
Four years later	4,853	–	–	–	–	4,853	–
Five years later	–	–	–	–	–	–	26,806
	51,089	5,192	4,560	4,903	4,775	4,853	26,806
Cumulative payments	(49,398)	(4,107)	(4,274)	(4,788)	(4,709)	(4,803)	(26,717)
Estimated balance to pay	1,691	1,085	286	115	66	50	89

24. Debt instrument

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Unsecured subordinated callable floating rate note	**500**	500	**500**	500

The JSE Securities Exchange granted the company approval for the listing of its unsecured subordinated callable notes programme during November 2017. The programme allows for the listing of R1 billion in notes. Following the approval being obtained, the company issued notes to the value of R500 million to investors in November 2017. The notes are 10-year notes, not callable for the first five years, and are priced at JIBAR plus 209 bps.

A multi-issuer Domestic Medium Term Note (DMTN) programme to the value of R25 billion was registered in March 2020, with Old Mutual Limited, OMLACSA and Old Mutual Insure as issuers. Old Mutual Limited will have the option to issue both senior and subordinated notes, whilst OMLACSA and Old Mutual Insure can only issue subordinated notes. The notes issued under the previous Old Mutual Insure R1 billion programme and the OMLACSA R10 billion programme were transferred to the DMTN programme. The alignment of the terms and conditions across subordinated debt issuances and the introduction of Old Mutual Limited as an issuer are the main benefits of the new programme. All future issuances will be under the new programme.

The holders of the instruments are:

1. Momentum Metropolitan Holdings of MMH Limited – 50%
2. Standard Bank of South Africa in Trust – 27%
3. EDGE Financial Group – 10%
4. Other bond holders (hold less than 5% each) – 13%

25. Share-based payment liability

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Employee share awards (Old Mutual Limited shares)	**(76)**	(91)	**(62)**	(80)

Overview of the employee incentive programmes

The Mutual and Federal Management Incentive Scheme and the Old Mutual Insure Employee Incentive Trust

The primary purpose of these schemes is to attract, reward and retain senior and middle management. Restricted shares (RSP) are awarded to management for retention and attraction purposes.

- Bonus Plan

  40% of an employee's before tax bonus is invested in ordinary Old Mutual Limited shares. The RSP shares are not subject to corporate performance targets (CPTs) and will vest immediately, subject to the condition that the employee remains in the company's employment for a period of three years from grant date. Participants are paid dividends in respect of the RSP share awards and are entitled to exercise the voting rights in respect of the ordinary Old Mutual Limited shares. The expected employee attrition rate used in the calculation was 10%.

- Long-term incentive plan (LTIP)

  A long-term incentive plan is awarded to key employees who are critical to the company achieving its strategic and financial objectives over the next three years. The share awards are subject to employees meeting CPTs and will be determined at the time of vesting based on multiples of the employees' total guaranteed pay. The expected employee attrition rate used in the calculation was 49%.

The Mutual and Federal Senior Black Management Incentive Scheme and the Old Mutual Insure Broad-based Black Economic Empowerment Employee Scheme

These schemes operate for the benefit of selected senior black management of the company for retention and attraction purposes.

- Bonus Plan

  The RSP shares are not subject to corporate performance targets (CPTs) and will vest immediately, subject to the condition that the employee remains in the company's employment for a period of three years from grant date. Participants are paid dividends in respect of the RSP share awards and are entitled to exercise the voting rights in respect of the ordinary Old Mutual Limited shares. 40% of an employee's before tax bonus is invested in ordinary Old Mutual Limited shares. The expected employee attrition rate used in the calculation was 15%.

- Retention plan

  RSP share awards are not subject to CPTs and will vest immediately, subject to the resolutive condition that the participant remains in the employment of the company for a period of time. Participants are paid dividends in respect of RSP share awards and are entitled to exercise the voting rights in respect of the ordinary Old Mutual Limited shares. Participants may only take delivery of the shares at the following intervals: four years (one-third), five years (one-third) and six years (one-third).

All of the above are cash-settled plans, as the Group is not obliged to settle with Old Mutual Insure Limited equity and therefore in terms of IFRS 2 would be considered cash settled.

25. Share-base payment liability (continued)

Group and company	The Mutual and Federal Management Incentive Trust	The Mutual and Federal Senior Black Management Trust	Old Mutual Insure Employee Incentive Trust	Old Mutual Insure Broad-based Black Economic Empowerment Employee Trust
At 1 January 2019	2,566,321	3,196,131	1,486,726	2,873,489
Number of shares granted	8,749	–	2,209,477	4,875,606
Number of shares vested/settled	(784,944)	(470,441)	(78,988)	(16,488)
Number of shares forfeited due to resignations	(247,915)	(377,330)	(241,965)	(508,478)
At 31 December 2019	1,542,211	2,348,360	3,375,250	7,224,129
Number of shares granted	–	–	1,674,462	4,077,375
Number of shares vested/settled	(693,384)	(499,928)	(492,091)	(858,294)
Number of shares forfeited due to resignations	(272,561)	(261,799)	(431,736)	(655,837)
Number of shares reinstated	15,454	–	16,010	–
Total number of shares in issue at 31 December 2020	**591,720**	**1,586,633**	**4,141,895**	**9,787,373**

The fair value of the ordinary Old Mutual Limited shares at 31 December 2020 was R11.89 (2019: R19.60).

The share price at grant date was used to determine the fair value of the RSPs. Expected dividends were not considered when the fair value of the RSPs were determined as the holders of the RSPs are entitled to dividends throughout the vesting period of the shares. Dividends are received by the share trust and then paid directly to the holders of the RSPs, the payment of dividends is offset against the dividend income.

26. Employee benefits

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Leave accrual	**45**	71	**37**	63
Bonus accrual	**60**	89	**51**	78
	105	160	**88**	141

27. Amounts payable to cell owners

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Retained income reserve	**626**	708	**–**	–
Preference shares	**102**	91	**–**	–
Cell captives reinsurance technical reserves	**301**	320	**–**	–
	1,029	1,119	**–**	**–**
Reconciliation of amounts payable to cell owners				
Balance at the beginning of the year	**1,119**	878	**–**	–
Capital contribution	**11**	13	**–**	–
Underwriting and investment income attributable to cell owners	**38**	265	**–**	–
Dividend payment to cell owners	**(139)**	(37)	**–**	–
Balance at the end of the year	**1,029**	1,119	**–**	–

28. Trade and other payables

	GROUP 2020 R million	GROUP 2019 R million	COMPANY 2020 R million	COMPANY 2019 R million
Financial instruments:				
Trade payables	**48**	34	**31**	31
Trade payables – related parties	**176**	47	**176**	47
Other payables	**398**	242	**86**	115
Non-financial instruments:				
Amounts received in advance	**82**	96	**25**	36
Deposits relating to cell captive provider	**129**	6	**–**	–
VAT	**–**	7	**–**	7
	833	432	**318**	236

29. Commissions received

	GROUP 2020 R million	GROUP 2019 R million	COMPANY 2020 R million	COMPANY 2019 R million
Commissions received from reinsurers	**998**	902	**427**	387
Change in deferred reinsurance revenue liability	**8**	(10)	**2**	(11)
	1,006	892	**429**	376

30. Net claims incurred

	GROUP 2020 R million	GROUP 2019 R million	COMPANY 2020 R million	COMPANY 2019 R million
Gross claims incurred	**15,690**	10,056	**11,401**	7,237
Subrogation and salvages recoveries	**(692)**	(761)	**(476)**	(510)
	14,998	9,295	**10,925**	6,727
Reinsurers' share of claims incurred	**(8,705)**	(2,896)	**(5,334)**	(939)
	6,293	6,399	**5,591**	5,788
Gross claims incurred				
Claims paid	**10,170**	9,682	**6,081**	6,913
Change in provision for outstanding claims	**4,939**	(193)	**4,818**	(243)
Claims administration expenses	**581**	567	**502**	567
	15,690	10,056	**11,401**	7,237
Subrogation and salvage recoveries				
Subrogation and salvage recoveries received	**(722)**	(794)	**(506)**	(543)
Change in provision for subrogation and salvage recoveries	**30**	33	**30**	33
	(692)	(761)	**(476)**	(510)
Reinsurers's share of claims incurred				
Claims paid	**(4,331)**	(3,000)	**(998)**	(1,111)
Change in provision for outstanding claims	**(4,374)**	104	**(4,336)**	172
	(8,705)	(2,896)	**(5,334)**	(939)

Notes to the financial statements (continued)

31. Acquisition cost

	GROUP		COMPANY	
	2020 R million	2019 R million	**2020 R million**	2019 R million
Acquisition cost paid	**(2,472)**	(2,106)	**(1,935)**	(1,602)
Change in deferred acquisition cost	**1**	10	**–**	14
	(2,471)	(2,096)	**(1,935)**	(1,588)

32. Operating (loss)/profit

Expenses by nature

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows. This excludes claims administration expenses disclosed under net claims incurred as per note 30:

	GROUP		COMPANY	
	2020 R million	2019 R million	**2020 R million**	2019 R million
Employee costs	**1,021**	1,209	**921**	1,045
Lease expenses	**52**	49	**52**	18
Depreciation, amortisation and impairment	**204**	163	**199**	158
Directors' emoluments	**18**	11	**17**	11
Foreign exchange loss	**(4)**	10	**6**	–
Marketing expenses	**70**	172	**69**	177
Professional fees	**95**	93	**88**	92
Call option	**–**	15	**–**	15
Third party outsource fees	**–**	332	**–**	317
Administration fees	**54**	32	**52**	32
Repairs and maintenance of property and equipment	**25**	7	**13**	6
Other expenses	**425**	168	**329**	113
	1,960	2,261	**1,746**	1,984

33. Investment income/(loss)

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Dividend income				
Group entities:				
Subsidiaries – Local	**–**	–	**–**	148
Equity instruments at fair value through profit or loss:				
Listed investments – Local	**–**	23	**–**	–
Unlisted investments – Local	**32**	38	**18**	20
Total dividend income	**32**	61	**18**	168
Interest income				
Investments in financial assets:				
Bank and other cash	**63**	63	**47**	49
Investments and securities	**234**	265	**151**	165
Other financial assets	**10**	1	**–**	1
Fair value gains and losses:				
Subsidiaries	**–**	–	**(262)**	(121)
Investment and securities	**(42)**	57	**(39)**	43
Old Mutual Limited shares	**(185)**	(53)	**–**	–
Share trusts	**–**	–	**(180)**	22
Disposal of investment	**(28)**	(7)	**(29)**	(1)
Total interest income	**52**	326	**(312)**	158
Total investment income	**84**	387	**(294)**	326

34. Finance costs

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Lease liabilities	**39**	23	**39**	23
Interest paid on debt instrument	**35**	53	**35**	53
Other interest paid	**1**	–	**–**	–
Total finance costs	**75**	76	**74**	76

35. Taxation

Major components of the tax (income) expense

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Current				
Local income tax – current period	**21**	126	**2**	64
Local income tax – recognised in current tax for prior periods	**(13)**	(2)	**(9)**	(8)
Foreign income tax or withholding tax – current period	**7**	6	**–**	–
	15	130	**(7)**	56
Deferred				
Originating and reversing temporary differences	**(33)**	12	**(9)**	31
Arising from previously unrecognised tax loss/tax credit/ temporary difference	**(14)**	7	**(13)**	7
Arising from prior period adjustments	**15**	(54)	**–**	–
	(32)	(35)	**(22)**	38
	(17)	95	**(29)**	94

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Accounting (loss)/profit	**(202)**	419	**(493)**	244
Tax at the applicable tax rate of 28%	**(57)**	117	**(138)**	68
Tax effect of adjustments on taxable income				
Non-taxable income [1]	**34**	2	**83**	(36)
Lower foreign tax rates [2]	**1**	(13)	**–**	–
Increased tax rates [3]	**1**	1	**–**	–
Disallowed expenses [4]	**24**	8	**50**	9
Withholding tax [5]	**7**	6	**–**	–
Capital gains tax [6]	**1**	(4)	**2**	(3)
Other permanent differences [7]	**(1)**	15	**(1)**	14
Prior year income tax and deferred tax adjustments	**(12)**	(49)	**(22)**	(1)
Other [8]	**(15)**	12	**(3)**	43
	(17)	95	**(29)**	94

1. This relates to exempt dividends and non-taxable SETA income in the trusts, realised gains on investments and unrealised movement on investment in employee share trusts and subsidiaries.
2. This relates to income from foreign subsidiaries held in Mauritius and Zimbabwe.
3. This is due to the differential in tax rate between trusts at 45% and companies at 28%.
4. Disallowed expenses includes all accounting adjustments not allowed for tax deduction, donations, expenses not in production of income and disallowed depreciation and impairments.
5. This includes foreign withholding tax, dividend withholding tax on trusts and Securities Transfer Tax.
6. This relates to assets sold as well as the deferred tax difference on assets where deferred tax is raised at the capital gains tax rate.
7. This includes tax recoupments, learnership deductions, Controlled Foreign Company income and other tax specific adjustments relating to Urban Development Zones.
8. This includes consolidation adjustments and other comprehensive income tax adjustments.

36. Cash (used in)/generated from operations

	GROUP		COMPANY	
	2020 R million	2019 Restated R million	2020 R million	2019 Restated R million
(Loss)/profit before taxation	**(202)**	418	**(493)**	244
Adjustments for:				
Depreciation and amortisation	**204**	163	**199**	157
(Gains)/losses on foreign exchange	**(5)**	10	**–**	–
Income from equity accounted investments	**–**	(49)	**–**	–
Dividends received	**(43)**	(77)	**(18)**	(168)
Dividends paid to employees by share incentive trusts	**11**	16		
Interest income	**(307)**	(329)	**(198)**	(215)
Finance costs	**75**	76	**74**	76
Fair value losses	**255**	3	**510**	57
Fair vlaue losses included in discontinued operations	**73**			
Movements in net insurance contract provisions	**593**	57	**495**	(8)
Non-cashflow movement in IFRS 2 liability	**8**	48	**5**	51
Cash transferred to non-current asset held for sale	**(12)**			
Impairments	**67**	18	**68**	12
Changes in working capital:				
Trade and other receivables	**147**	41	**(20)**	44
Amounts due to/from agents and reinsurers	**(255)**	445	**35**	284
Trade and other payables	**401**	(111)	**82**	(123)
Amounts payable to cell owners	**(90)**	241	**–**	–
Employee benefits	**(55)**	(53)	**(53)**	(60)
Decrease in deposits with reinsurers	**(76)**	(557)	**(55)**	(446)
	789	360	**631**	(95)

37. Tax paid

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Balance at beginning of the year	**10**	115	**15**	112
Current tax for the year recognised in profit or loss	**(15)**	(131)	**7**	(56)
Transfer to discontinued operations	**(17)**			
Balance at end of the year	**(59)**	(10)	**(34)**	(15)
	(81)	(26)	**(12)**	41

38. Restatement of 2019 Statement of Cash Flows

Following a proactive monitoring review from the Johannesburg Stock Exchange of the 2019 annual financial statements of the Group, the Statement of Cash Flows relating to 2019 was restated. The restatement relates to the treatment of payment of lease liabilities according to IFRS 16, as well as the payments and expenses relating to employee share trusts and the separate disclosure of the amounts.

The impact of the restatement was as follows:

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
		Before		Before
Cash generated from operating activities	–	609	–	184
Cash used in financing activities	–	(381)	–	(376)
		After		After
Cash generated from operating activities	–	671	–	276
Cash used in financing activities	–	(444)	–	(470)

The 2018 comparative disclosure was not presented as IFRS 16 was not effective in the 2018 reporting year.

39. Segmental information

The segmental results are reported on a basis consistent with the practice that the chief operating decision-maker (Executive Committee) assesses performance of the underlying businesses and allocated resources. The Group has identified its reportable segments based on a combination of products and services offered to customers and the location of the markets served.

These reportable segments as well as the products and services from which each of them derives revenue are set out below:

Reportable segment	Products and services
Commercial	Insurance for small- to medium-sized enterprises (SMEs)
Personal	Insurance for personal belongings, including home, household contents and vehicles
Risk financing	Cell captive insurer
Specialty	Insurance for specialist areas of corporate clients
CGIC Guarantee	Trade credit insurance

Segmental revenue and results

The segment information provided to the executive committee is presented below. The information presented includes a reconciliation of the Group's earnings per segment to net profit before tax.

39. Segmental information (continued)

2020

	Revenue			Separately disclosable items			
	Gross written premium R million	**Net written premium R million**	**Net earned premium R million**	**Profit before taxation R million**	**Net claims incurred R million**	**Net acquisition expenses R million**	**Total expenses R million**
Commercial	**4,462**	**4,051**	**4,082**	**(539)**	**(2,917)**	**(906)**	**(798)**
Personal	**4,240**	**3,777**	**3,784**	**328**	**(2,198)**	**(437)**	**(821)**
Risk financing	**3,286**	**48**	**48**	**7**	**(3)**	**–**	**(38)**
Specialty	**1,521**	**878**	**850**	**55**	**(466)**	**(123)**	**(206)**
CGIC guarantee	**1,302**	**736**	**743**	**(91)**	**(699)**	**1**	**(136)**
Central expenses				**(10)**	**(10)**		
Total	**14,811**	**9,490**	**9,507**	**(250)**	**(6,293)**	**(1,465)**	**(1,999)**
Reconciling items							
Investment returns and share of profit from associates				**84**			
Finance cost excluding IFRS 16 lease charge				**(36)**			
Profit before taxation				**(202)**			

2019

	Revenue			Separately disclosable items			
	Gross written premium R million	Net written premium R million	Net earned premium R million	Profit before taxation R million	Net claims incurred R million	Net acquisition expenses R million	Total expenses R million
Commercial	4,733	4,222	4,215	(165)	(2,669)	(636)	(1,075)
Personal	4,081	3,947	3,944	99	(2,563)	(406)	(876)
Risk financing	3,222	46	46	10	(5)	–	(31)
Specialty	1,401	848	821	51	(455)	(138)	(177)
CGIC guarantee	1,219	883	896	51	(707)	(24)	(114)
Central expenses	–	–	–	(11)	–	–	(11)
Total	14,656	9,946	9,922	35	(6,399)	(1,204)	(2,284)
Reconciling items							
Investment returns and share of profit from associates				436			
Finance cost excluding IFRS 16				(53)			
Profit before taxation				418			

Investment income and expenditure attributable to equity holders are not allocated to the segments as this type of activity is primarily driven by the central finance function which manages the cash position of the Group.

Whilst the company has subsidiaries and investments located in Zimbabwe, Swaziland and Mauritius, the results of these foreign entities are not material to the Group. As the asset base represents approximately 0.41% in 2020 (2019: 1.48%) of the Group's total assets, no further information is provided in these financial statements.

The chief operating decision-maker (Executive Committee) reviews the segment's revenue and underwriting results to assess the performance of a segment and make decisions about resources to be allocated to a segment.

The Group's insurance activities are spread over various classes of general insurance.

Notes to the financial statements (continued)

39. Segmental information (continued)

Analysis of gross written premium by class of business

Gross written premium was derived from the following products:

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Class of business				
Property	**6,727**	5,657	**4,474**	4,279
Transportation	**523**	574	**215**	211
Motor	**5,588**	5,913	**4,942**	5,002
Accident and health	**143**	147	**82**	80
Guarantee	**1,321**	1,219	**–**	–
Liability	**268**	250	**268**	222
Engineering	**194**	627	**616**	622
Miscellaneous	**47**	269	**47**	244
Total gross written premium	**14,811**	14,656	**10,644**	10,660

40. Related parties

Relationships

Ultimate holding company	Old Mutual Limited
Holding company	Mutual and Federal Investments Proprietary Limited
Subsidiaries	Refer to note 8
Employee share trusts	Refer to note 11
Associates	Refer to note 9
Fellow subsidiaries	Old Mutual Emerging Markets Proprietary Limited Old Mutual Life Assurance Company (South Africa) Limited Old Mutual Investment Group Limited Old Mutual Direct Holdings Limited Old Mutual Short-term Insurance (Botswana) Limited Old Mutual Short-term Insurance (Namibia) Limited Personal Financial Advice Limited

40. Related parties (continued)

Related party balances

	GROUP		COMPANY	
	2020 R million	2019 R million	**2020 R million**	2019 R million
Loan accounts – Owing (to) by related parties				
Mutual and Federal Management Incentive Trust	**–**	–	**63**	63
Mutual and Federal Development Trust	**–**	–	**14**	14
Mutual and Federal Management Incentive Trust (Namibia)	**7**	7	**7**	7
Amounts included in trade receivables (trade payables) regarding related parties				
Old Mutual Limited Group entities	**(176)**	(47)	**(176)**	(47)
Old Mutual Direct Holdings Limited	**8**	43	**8**	43
Old Mutual Short-term Insurance (Botswana) Limited	**7**	3	**7**	3
Old Mutual Short-term Insurance (Namibia) Limited	**2**	(2)	**2**	(2)
Mutual and Federal Risk Financing Limited	**–**	–	**9**	5
Sintelum (Proprietary) Limited	**–**	–	**1**	1
Elite Risk Acceptances (Proprietary) Limited	**–**	–	**1**	1
Post-retirement medical aid asset				
Old Mutual Life Assurance Company (South Africa) Limited	**206**	221	**144**	160
Value of shares held				
Mutual and Federal Management Incentive Trust	**43**	83	**–**	–
Mutual and Federal Senior Black Management Trust	**34**	64	**–**	–
Old Mutual Insure Employee Incentive Trust	**58**	71	**–**	–
Old Mutual Insure Broad-based Black Economic Empowerment Trust	**122**	152	**–**	–
Mutual and Federal Development Trust	**25**	41	**–**	–
Dividends (paid to)/received from related parties				
Old Mutual Limited	**–**	(376)	**–**	(376)
Credit Guarantee Insurance Corporation of Africa Limited	**–**	–	**–**	16
Mutual and Federal Risk Financing Limited	**–**	–	**–**	25
Cougar Investment Holding Company Limited	**–**	–	**–**	107
Rent paid to/(received from)/related parties				
Credit Guarantee Insurance Corporation of Africa Limited	**–**	–	**(39)**	(35)
Old Mutual Limited	**52**	44	**52**	44
Commission paid				
Personal Financial Advice Limited	**145**	143	**145**	143
Administration fees paid to/(received from) related parties				
Old Mutual Limited Group entities	**123**	128	**123**	128
Mutual and Federal Risk Financing Limited	**–**	–	**(35)**	(30)
Reinsurance premium received				
Mutual and Federal Risk Financing Limited	**–**	–	**(421)**	(437)
Credit Guarantee Insurance Corporation of Africa Limited	**–**	–	**1**	1
Reinsurance claims paid				
Mutual and Federal Risk Financing Limited	**–**	–	**298**	276
Credit Guarantee Insurance Corporation of Africa Limited	**–**	–	**4**	3
Reinsurance commission received				
Mutual and Federal Risk Financing Limited	**–**	–	**(117)**	(128)

Notes to the financial statements (continued)

41. Directors' emoluments

Directors' emoluments are paid by the Old Mutual Limited Group unless otherwise specified.

Executive

2020

	Basic salary R'000	Bonus* R'000	Pension fund contribution R'000	Total R'000	IFRS 2: Fair value expense included in profit or loss R'000
Mr G Napier^	**4,276**	**991**	**243**	**5,510**	**1,304**
Ms NB Manyoha	**2,797**	**3,553**	**77**	**6,427**	**304**
	7,073	**4,544**	**320**	**11,937**	**1,608**

2019

	Basic salary R'000	Bonus* R'000	Pension fund contribution R'000	Total R'000	IFRS 2 Fair value expense included in profit or loss R'000
Mr G Napier	4,090	2,129	381	6,600	3,136
Ms NB Manyoha	2,425	364	153	2,942	629
	6,515	2,493	534	9,542	3,765

* The bonus amount includes the cash portion for performance relating to the current year that is paid in the following year as well as any retention values paid during the year.

^ The IFRS 2: Fair value of unvested shares is valued using the cash-settled share-based payment methodology at Old Mutual Insure Group and equity-settled share-based methodolgy at Old Mutual Limited Group.

41. Directors' emoluments (continued)

Securities issued

The following shares were issued to the executive directors or individuals related to them in the year under review. Shares awarded for performance relating to the year under review are granted in the following year:

	Issue date	Vesting date	Share price R	Opening number of shares	Number of shares granted	Number of vested shares	Number of forfeited shares	Closing number of shares	Estimate closing value at fair value R'000
R Snyders – previous managing executive	11-Mar-16	11-Mar-19	11.89	24,938	–	(24,938)	–	–	–
NB Manyoha	19-Apr-18	19-Apr-21	11.89	29,349	–	–	–	29,349	349
	19-Apr-18	19-Apr-22	11.89	8,063	–	–	–	8,063	96
	19-Apr-18	19-Apr-23	11.89	8,063	–	–	–	8,063	96
	18-Sep-18	18-Sep-20	11.89	336	–	(336)	–	–	–
	14-Dec-18	18-Sep-20	11.89	128	–	(128)	–	–	–
	20-Mar-19	20-Mar-22	11.89	15,326	–	–	–	15,326	182
	20-Mar-19	20-Mar-23	11.89	15,326	–	–	–	15,326	185
	20-Mar-19	20-Mar-24	11.89	50,015	–	–	–	50,015	595
	26-Mar-20	26-Mar-23	11.89	–	48,189	–	–	48,189	573
	26-Mar-20	26-Mar-25	11.89		27,894			27,894	332
	26-Mar-20	26-Mar-24	11.89		27,895			27,895	332
G Napier	20-Mar-19	20-Mar-20	11.89	108,966	–	(108,966)	–	–	–
	20-Mar-19	20-Mar-21	11.89	108,966	–	–	–	108,966	1,296
	20-Mar-19	20-Mar-22	11.89	195,248	–	–	–	195,248	2,321
	20-Mar-19	20-Mar-23	11.89	72,913	–	–	–	72,913	867
	20-Mar-19	20-Mar-24	11.89	72,911	–	–	–	72,911	867
	26-Mar-20	26-Mar-23	11.89		183,256			183,256	2,179
	26-Mar-20	26-Mar-24	11.89		94,553			94,553	1,124
	26-Mar-20	26-Mar-25	11.89		94,553			94,553	1,124
				710,548	476,340	(134,368)	–	1,052,520	12,518

Non-executive

2020

	Directors' fees R'000	Basic salary R'000	Bonus* R'000	Pension contribution R'000	Other R'000	Total R'000	IFRS 2: fair value of unvested shares at year end* R'000
Mr SC Gilbert	**1,322**	**–**	**–**	**–**	**–**	**1,322**	**–**
Mr G Palser	**1,461**	**–**	**–**	**–**	**–**	**1,461**	**–**
Mr MA Scharneck	**1,270**	**–**	**–**	**–**	**–**	**1,270**	**–**
Mr PGM Truyens	**7**	**–**	**–**	**–**	**–**	**7**	**–**
Ms TP Zondi	**892**	**–**	**–**	**–**	**–**	**892**	**–**
Mr IG Williamson^	**–**	**7,806**	**1,645**	**242**	**47**	**9,740**	**5,549**
	4,952	**7,806**	**1,645**	**242**	**47**	**14,692**	**5,549**

* The bonus amount includes the cash portion for performance relating to the current year that is paid in the following year as well as any retention values paid during the year.

41. Directors' emoluments (continued)

^ Paid by Old Mutual Limited Group company and the IFRS 2: Fair value of unvested shares at year-end is valued using the equity-settled share-based payment methodology.

2019

	Directors' fees R'000	Basic salary R'000	Bonus R'000	Other R'000	Total R'000	IFRS 2: Fair value of unvested shares at year end
Mr M Ilsley*	461	1,587	2,700	303	5,051	19
Mr G Palser	752	–	–	–	752	–
Mr PGM Truyens	363	–	–	–	363	–
Ms TP Zondi	538	–	–	–	538	–
Mr SC Gilbert	55	–	–	–	55	–
Mr P Moyo*	–	9,012	–	147	9,159	–
Mr P Rörich	245	–	–	–	245	–
Mr MA Scharneck	307	–	–	–	307	–
	2,721	10,599	2,700	450	16,470	19

* Paid by Old Mutual Limited Group companies

	Issue date	Vesting date	Share price R	Opening number of shares	Number of shares granted	Number of vested shares	Number of forfeited shares	Closing number of shares	Estimate closing value at fair value R'000
M Ilsley	6 September 2017	6 September 2020	11.89	78,261	–	(78,261)	–	–	–
	12 November 2018	18 September 2019	11.89	95,138	–	(95,138)	–	–	–
	18 September 2018	18 September 2020	11.89	336	–	(336)	–	–	–
	14 December 2018	18 September 2020	11.89	128	–	(128)	–	–	–
IG Williamson	29-Mar-17	20-Mar-20	11.94	196,742	–	(109 312)	(88,430)	–	–
	18-Mar-18	18-Sep-20	11.94	336	–	(336)	–	–	–
	14-Dec-18	18-Sep-20	11.94	128	–	(128)	–	–	–
	19-Apr-18	19-Apr-21	11.94	155,412	–	–	–	155,412	1,856
	20-Mar-19	20-Mar-22	11.94	135,081	–	–	–	135,081	1,613
	20-Mar-19	20-Mar-23	11.94	72,414	–	–	–	72,414	865
	20-Mar-19	20-Mar-24	11.94	72,414	–	–	–	72,414	865
	26-Mar-20	26-Mar-23	11.94	–	430,615	–	–	430,615	5,142
	26-Mar-20	26-Mar-24	11.94	–	254,882	–	–	254,882	3,043
	26-Mar-20	26-Mar-25	11.94	–	254,881	–	–	254,881	3,043
				806,390	940,378	(283,639)	(88,430)	1,375,699	16,427

42. Financial instruments

Categories of assets and liabilities

Categories of assets

Group – 2020

	Notes	Total R million	Mandatorily at fair value through profit or loss R million	Designated fair value through profit or loss R million	Financial Assets at amortised cost R million	Non-financial assets at fair value R million	Non-financial assets at other than fair value R million	Current assets* R million	Non-current assets* R million
Goodwill	3	**21**	–	–	–	–	21	–	21
Intangible assets	4	**158**	–	–	–	–	158	–	158
Property and equipment	5	**232**	–	–	–	–	232	–	232
Right-of-use asset	6	**386**	–	–	–	–	386	86	300
Deferred tax	7	**65**	–	–	–	–	65	–	65
Investments in associates	9	**13**	–	–	–	–	13	–	13
Loans to share trusts	10	**7**	–	–	7	–	–	–	7
Loans receivable	12	**65**	–	–	65	–	–	–	65
Retirement benefit asset	13	**206**	–	–	–	–	206	–	206
Deferred acquisition costs	14	**243**	–	–	–	–	243	243	–
Reinsurers' share of general insurance liabilities	23	**7,030**	–	–	–	–	7,030	1,720	5,310
Deposits with cedants		**30**	–	–	30	–	–	30	–
Investments and securities	15	**6,664**	6,664	–	–	–	–	6,664	–
Amounts due to/ from agents and reinsurers	16	**2,413**	–	–	–	–	2,413	2,413	–
Subrogation and salvage recoveries	17	**615**	–	–	–	–	615	615	–
Non-current assets held for sale	20	**181**					181	181	
Current tax receivable		**61**	–	–	–	–	61	61	–
Trade and other receivables	18	**414**	–	–	283	–	131	414	–
Cash and cash equivalents	19	**1,543**	–	–	1,543	–	–	1,543	–
		20,347	**6,664**	**–**	**1,928**	**–**	**11,755**	**13,970**	**6,377**

* Current assets and liabilities refer to amounts that are expected to be recovered or settled within 12 months from the reporting date and non-current assets and liabilities refer to amounts that are expected to be recovered or settled after 12 months from the reporting date.

Notes to the financial statements (continued)

42. Financial instruments (continued)

Group – 2019

	Notes	Total R million	Mandatorily at fair value through profit or loss R million	Designated fair value through profit or loss R million	Financial Assets at amortised cost R million	Non-financial assets at fair value R million	Non-financial assets at other than fair value R million	Current assets* R million	Non-current assets* R million
Goodwill	3	21	–	–	–	–	21	–	21
Intangible assets	4	174	–	–	–	–	174	–	174
Property and equipment	5	249	–	–	–	–	249	–	249
Right-of-use asset	6	478	–	–	–	–	478	86	392
Deferred tax	7	41	–	–	–	–	41	–	41
Investments in associates	9	79	–	–	–	–	79	–	79
Loans to share trusts	10	7	–	–	7	–	–	–	7
Loans receivable	12	33	–	–	33	–	–	–	33
Retirement benefit asset	13	221	–	–	–	–	221	–	221
Deferred acquisition costs	14	243	–	–	–	–	243	243	–
Reinsurers' share of general insurance liabilities	23	2,112	–	–	–	–	2,112	1,720	392
Deposits with cedants		27	–	–	27	–	–	27	–
Investment and securities	15	6,528	6,528	–	–	–	–	6,528	–
Amounts due to/ from agents and reinsurers	16	1,744	–	–	–	–	1,744	1,744	–
Subrogation and salvage recoveries	17	569	–	–	–	–	569	569	–
Non-current assets held for sale	20	257	–	–	–	–	257	257	–
Current tax receivable		18	–	–	–	–	18	18	–
Trade and other receivables	18	561	–	–	561	–	–	561	–
Cash and cash equivalents	19	1,084	–	–	1,084	–	–	1,084	–
		14,446	6,528	–	1,712	–	6,206	12,837	1,609

* Current assets and liabilities refer to amounts that are expected to be recovered or settled within 12 months from the reporting date and non-current assets and liabilities refer to amounts that are expected to be recovered or settled after 12 months from the reporting date.

42. Financial instruments (continued)

Company – 2020

	Notes	Total R million	Mandatorily at fair value through profit or loss R million	Designated fair value through profit or loss R million	Financial Assets at amortised cost R million	Non-financial assets at fair value R million	Non-financial assets at other than fair value R million	Current assets* R million	Non-current assets* R million
Intangible assets	4	158	–	–	–	–	158	–	158
Property and equipment	5	218	–	–	–	–	218	–	218
Right-of-use asset	6	385	–	–	–	–	385	86	299
Deferred tax	7	30	–	–	–	–	30	–	30
Investments in subsidiaries	8	1,002	1,002	–	–	–	–	–	1,002
Investments in associates	9	13	–	–	–	–	13	–	13
Loans to share trusts	10	84	–	–	84	–	–	–	84
Interest in employee share trusts	11	492	492	–	–	–	–	–	492
Loans receivable	12	62	–	–	62	–	–	–	62
Retirement benefit asset	13	144	–	–	–	–	144	–	144
Deferred acquisition costs	14	177	–	–	–	–	177	177	–
Reinsurers' share of general insurance liabilities	23	5,725	–	–	–	–	5,725	5,725	–
Investments and securities	15	3,395	3,395	–	–	–	–	3,395	–
Amounts due to/ from agents and reinsurers	16	1,855	–	–	–	–	1,855	1,855	–
Subrogation and salvage recoveries	17	191	–	–	–	–	191	191	–
Non-current assets held for sale	20	144	–	–	–	–	144	144	–
Current tax receivable		34	–	–	–	–	34	34	–
Trade and other receivables	18	296	–	–	234	–	62	296	–
Cash and cash equivalents	19	755	–	–	755	–	–	755	–
		15,160	4,889	–	1,135	–	9,136	12,658	2,502

* Current assets and liabilities refer to amounts that are expected to be recovered or settled within 12 months from the reporting date and non-current assets and liabilities refer to amounts that are expected to be recovered or settled after 12 months from the reporting date.

Notes to the financial statements (continued)

42. Financial instruments (continued)

Company – 2019

	Notes	Total R million	Mandatorily at fair value through profit or loss R million	Designated fair value through profit or loss R million	Financial Assets at amortised cost R million	Non-financial assets at fair value R million	Non-financial assets at other than fair value R million	Current assets* R million	Non-current assets* R million
Intangible assets	4	174	–	–	–	–	174	–	174
Property and equipment	5	238	–	–	–	–	238	–	238
Right-of-use asset	6	475	–	–	–	–	475	86	389
Deferred tax	7	8	–	–	–	–	8	–	8
Investments in subsidiaries	8	1,426	1,426	–	–	–	–	–	1,426
Investments in associates	9	13	–	–	–	–	13	–	13
Loans to share trusts	10	84	–	–	84	–	–	–	84
Investments in employee share trusts	11	634	634	–	–	–	–	–	634
Loans receivable	12	30	–	–	30	–	–	–	30
Retirement benefit asset	13	160	–	–	–	–	160	–	160
Deferred acquisition costs	14	174	–	–	–	–	174	174	–
Reinsurers' share of general insurance liabilities	23	1,421	–	–	–	–	1,421	1,106	315
Investment and securities	15	3,153	3,153	–	–	–	–	3,153	–
Amounts due to/ from agents and reinsurers	16	1,503	–	–	–	–	1,503	1,503	–
Subrogation and salvage recoveries	17	222	–	–	–	–	222	222	–
Non-current assets held for sale	20	257					257	257	
Current tax receivable		15	–	–	–	–	15	15	–
Trade and other receivables	18	276	–	–	276	–	–	276	–
Cash and cash equivalents	19	283	–	–	283	–	–	283	–
		10,546	5,213	–	673	–	4,660	7,075	3,471

42. Financial instruments (continued)

* Current assets and liabilities refer to amounts that are expected to be recovered or settled within 12 months from the reporting date and non-current assets and liabilities refer to amounts that are expected to be recovered or settled after 12 months from the reporting date.

Categories of liabilities

Group – 2020

	Notes	Total R million	Designated fair value through profit or loss R million	Financial liabilities at amortised cost R million	Non-financial liabilities at fair value R million	Non-financial liabilities at other than fair value R million	Current liabilities* R million	Non-current liabilities* R million
General insurance liabilities	23	11,204	–	–	–	11,204	5,068	6,136
Lease liabilities	6	426	–	–	–	426	100	326
Debt instrument	24	500	–	500	–	–	–	500
Deferred reinsurance commission revenue	14	188	–	–	–	188	188	–
Amounts due to agents and reinsurers	16	1,584	–	–	–	1,584	1,584	–
Retirement benefit obligation	13	234	–	–	–	234	–	234
Share-based payment liability	25	76	–	–	–	76	–	76
Employee benefits	26	105	–	–	–	105	105	–
Deferred tax	7	10	–	–	–	10	–	10
Deposits owing to reinsurers		166	–	166	–	–	166	–
Amounts payable to cell owners	27	1,029	–	–	–	1,029	1,029	–
Current tax payable		2	–	–	–	2	2	–
Trade and other payables	28	833	–	622	–	211	833	–
Liabilities of disposal Groups	20	37	–	–	–	–	37	–
		16,394	–	1,288	–	15,069	9,112	7,282

42. Financial instruments (continued)

* Current assets and liabilities refer to amounts that are expected to be recovered or settled within 12 months from the reporting date and non-current assets and liabilities refer to amounts that are expected to be recovered or settled after 12 months from the reporting date.

Group – 2019

	Notes	Total R million	Designated fair value through profit or loss R million	Financial liabilities at amortised cost R million	Non-financial liabilities at fair value R million	Non-financial liabilities at other than fair value R million	Current liabilities* R million	Non-current liabilities* R million
General insurance liabilities	23	5,639	–	–	–	5,639	5,068	571
Lease liabilities		494	–	–	–	494	100	394
Debt instrument	24	500	–	500	–	–	–	500
Deferred reinsurance commission revenue	14	196	–	–	–	196	196	–
Amounts due to agents and reinsurers	16	1,103	–	–	–	1,103	1,103	–
Retirement benefit obligation	13	243	–	–	–	243	–	243
Share-based payment liability	25	91	–	–	–	91	–	91
Employee benefits	26	160	–	–	–	160	160	–
Deferred tax	7	41	–	–	–	41	–	41
Deposits owing to reinsurers		239	–	239	–	–	239	–
Amounts payable to cell owners	27	1,119	–	–	–	1,119	1,119	–
Current tax payable		8	–	–	–	8	8	–
Trade and other payables	28	432	–	425	–	7	432	–
		10,265	–	1,164	–	9,101	8,425	1,840

42. Financial instruments (continued)

* Current assets and liabilities refer to amounts that are expected to be recovered or settled within 12 months from the reporting date and non-current assets and liabilities refer to amounts that are expected to be recovered or settled after 12 months from the reporting date.

Company – 2020

	Notes	Total R million	Designated fair value through profit or loss R million	Financial liabilities at amortised cost R million	Non-financial liabilities at fair value R million	Non-financial liabilities at other than fair value R million	Current liabilities* R million	Non-current liabilities* R million
General insurance liabilities	23	8,414	–	–	–	8,414	2,983	5,431
Lease liabilities	6	424	–	–	–	424	100	324
Debt instrument	24	500	–	500	–	–	–	500
Deferred reinsurance commission revenue	14	123	–	–	–	123	123	–
Amounts due to agents and reinsurers	16	1,338	–	–	–	1,338	1,338	–
Retirement benefit obligation	13	163	–	–	–	163	–	163
Share-based payment liability	2	62	–	–	–	62	–	62
Employee benefits	26	88	–	–	–	88	88	–
Deposits owing to reinsurers		171	–	171	–	–	171	–
Trade and other payables	28	318	–	293	–	25	318	–
		11,601	**–**	**964**	**–**	**10,637**	**5,121**	**6,480**

Notes to the financial statements (continued)

42. Financial instruments (continued)

* Current assets and liabilities refer to amounts that are expected to be recovered or settled within 12 months from the reporting date and non-current assets and liabilities refer to amounts that are expected to be recovered or settled after 12 months from the reporting date.

Company – 2019

	Notes	Total R million	Designated fair value through profit or loss R million	Financial liabilities at amortised cost R million	Non-financial liabilities at fair value R million	Non-financial liabilities at other than fair value R million	Current liabilities* R million	Non-current liabilities* R million
General insurance liabilities	23	3,641	–	–	–	3,641	2,983	658
Lease liabilities		491	–	–	–	491	100	391
Debt instrument	24	500	–	500	–	–	–	500
Deferred reinsurance commission revenue	14	125	–	–	–	125	125	–
Amounts due to agents and reinsurers	16	884	–	–	–	884	884	–
Retirement benefit obligation	13	178	–	–	–	178	–	178
Share-based payment liability	25	80	–	–	–	80	–	80
Employee benefits	26	141	–	–	–	141	141	–
Deposits owing to reinsurers		226	–	226	–	–	226	–
Trade and other payables	28	236	–	229	–	7	236	–
		6,502	–	955	–	5,547	4,695	1,807

* Current assets and liabilities refer to amounts that are expected to be recovered or settled within 12 months from the reporting date and non-current assets and liabilities refer to amounts that are expected to be recovered or settled after 12 months from the reporting date.

43. Risk management

Overview

General

The Board has overall responsibility for the Group's systems of internal control and risk management. The executive management is responsible for the management and implementation of the Group enterprise risk management framework and governance frameworks.

To assist the Board in the execution of its fiduciary duties with regard to risk management, legal and compliance accountabilities, the Group Risk and Compliance Committee has been constituted with the following responsibilities:

- assisting the Board in setting risk strategy in liaison with management;
- assisting the Board in overseeing the Group's compliance with applicable legal and regulatory requirements and industry standards;
- providing independent and objective oversight of risk management, also taking account of reports by management and the Group Audit Committee to the Board on all categories of identified risks;
- recommending the risk policy and framework to the Board for approval; and
- ensuring the establishment of independent risk management, compliance and actuarial control functions and reviewing their effectiveness.

The Board has delegated to the Group Audit Committee oversight of financial reporting, accounting, the external audit and external auditor, internal controls, the internal audit auditor, and reporting elements of regulatory compliance, *inter alia*, to ensure the integrity of financial reporting and financial controls. The internal control systems continue to be enhanced and developed to safeguard the assets of the Group and to ensure timely and reliable monitoring and reporting. The Group Audit Committee has the following responsibilities:

- ensure compliance with all statutory duties imposed in terms of the Companies Act and, where appropriate, the recommendations of the King Code;
- oversee the preparation of the annual report that conveys appropriate information about the operations of the Group and its sustainability and financial reporting;
- review the expertise, resources and experience of the Group's finance function, and disclose the results of the review in the annual report;
- oversee internal audit and consider the effectiveness of internal audit at least annually;
- report to the Board on the assessment from internal audit on the adequacy of the internal controls;
- oversee the management of the financial reporting risks, including IT-related risks and the effective functioning of the internal financial controls;
- deal with all aspects of the annual financial statements of the Group and ensure compliance with relevant legislation and, where appropriate, the King Code;
- review the accounting policies of the Group on an annual basis; and
- ensure compliance with all statutory requirements in relation to the external auditors including to review the quality and effectiveness of the audit process and assess whether the external auditors have performed the audit as planned.

The risk identification process is used to build an aggregated view of all significant risks faced by the Group. The risk appetite framework governs how the risks should be managed within the Group. It is within this risk appetite framework that the Group has selected its asset allocation and reinsurance programme which are among the most important determinants of risk and capital requirements within the Group.

The following control functions within the Group are responsible for discharging the operations of risk management and compliance:

Risk management

- direct and assist in the co-ordination and monitoring of risk management activities;
- maintain and update the risk methodology and risk management system for the Group. This includes the identification, assessment, monitoring and reporting of the key risks;

43. Risk management (continued)

- monitor and report progress on corrective action plans for risks that require mitigating actions;
- drive risk management by promoting awareness of risk management to both management and staff;
- regularly provide written reports to senior management, other key persons in control functions and the Board of Directors on the insurer's risk profile and details on the risk exposures facing the insurer and related mitigation actions as appropriate;
- establish a forward-looking assessment of the risk profile and financial position of the insurer;
- ensure that effective risk management training programmes are established;
- assist management with the embedding of risk management in the day-to-day business activities of the Group; and
- ensure that risk management is considered when setting strategic goals and objectives.

Compliance

- monitor and report on compliance with regulatory requirements;
- assess the appropriateness of policies, processes, and controls in respect of legal, regulatory, and ethical obligations and the effective monitoring thereof by the insurer;
- ensure that regular training is conducted on compliance obligations, particularly for employees in positions of trust or responsibility, or who are involved in activities that have significant legal or regulatory risk;
- monitor that systems and controls are in place to ensure that the Group's exposure to compliance risk is within the Group's risk appetite;
- coordinate and manage the Group's relationship with its regulators;
- evaluate the impact of forthcoming legislative and/or regulatory changes and provides advice on potential process and control changes required and whether the proposed control will be adequate; and
- report to the Group Risk and Compliance Committee on the status of compliance of the Group.

Actuarial control

The purpose of the actuarial control function is the following:

- review and report on the reliability and adequacy of the regulatory (SAM) technical provisions and solvency calculation results;
- review and report on the adequacy of the reinsurance and other risk transfer arrangements;
- review and report on the appropriateness of the risk policies relating to the actuarial scope of work, including particularly policies relating to underwriting, reinsurance, and asset liability management;
- advise on actuarial matters relating to the Own Risk and Solvency Assessment (ORSA);
- advise on the long-term solvency of the companies in the Group, utilising possible scenarios; and
- advise on the actuarial soundness of product development and design, including the terms and conditions of insurance contracts and pricing, and the estimations of the capital required to underwrite the product.

Internal audit

The purpose of Group Internal Audit is to help the Board and executive management to protect the assets, reputation and sustainability of the Group. This is done by:

- assessing whether all significant risks, both current and emerging, are identified and appropriately reported by management and the risk function to the Board;
- assessing whether the risks identified are adequately controlled; and
- by challenging executive management to improve the effectiveness of governance, risk management and internal controls.

Group Internal Audit is strategically well positioned to achieve its objectives. The Head of Internal Audit is accountable to the Chairman of the Audit Committee and has access to the Chairman of the Board. Further to this:

- the Internal Audit function has financial independence through the Old Mutual Limited Group Audit Committee approving a budget to allow Group Internal Audit to meet the requirements of its mandate.

43. Risk management (continued)

- Internal Audit is functionally independent from the activities it audits and from the day-to-day internal control processes of the Group.
- Internal Audit can conduct assignments on its own initiative, with free and unfettered access to people and information, in respect of any relevant department, establishment or function of the Group, including the activities of branches and subsidiaries and outsourced activities.
- Internal Audit meets with the Group Audit Committee at least once a year without management being present, and has frequent interactions with the Chairman of the Audit Committee.
- functional independence of the Head of Internal Audit and the Internal Audit function is further maintained by not directly reporting into executive management. Internal Audit does, however, have unrestricted access to the Group executive committee as individuals and are present in key meetings and forums, to provide input and feedback.

Underwriting risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore difficult to predict.

COVID-19 has increased the risk of exposure on policies with business interruption extensions and increased the level of uncertainty over claims outcomes. The complex question as to whether clients with business interruption extensions for infectious and contagious diseases are entitled to cover for the COVID-19 pandemic and the government's response to it in the form of a national lockdown has been the subject matter of a number of court cases. Legal certainty has now been provided by our Supreme Court of Appeal and the insured peril has been determined to be the outbreak of COVID-19 together with the government's response in the form of the national lockdown. Policyholders will however still need to prove a local occurrence of COVID-19 within the radial limitation stipulated in their policy in order to qualify for cover.

After having carefully considered the Court's reasoning and conclusions together with the outcome of global court cases, the Group has decided that all business interruption claims in respect of policies with wordings and facts that are the same as or substantially similar to those already decided by our courts will be accepted as valid claims.

Types of insurance contracts

The types of insurance contracts that may have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below:

Types of insurance contracts:

Accident and personal accident
Engineering
Liability
Marine
Motor
Trade credit and guarantee
Property

Accident – Provides indemnity for loss of, or damage to, mainly movable property for losses caused by crime, certain accidental damage, such as damage to goods in transit or accidental damage to glass. Included under the accident classes are legal liabilities an insured may incur as a result of accidental damage to third-party property or accidental death or injury to a third party caused by the insured.

Personal accident – Provides compensation arising out of the death, permanent or temporary total disability of the insured, the family of the insured or possibly the employees of a business. Such death or disability is restricted to certain accidents and does not provide the wider cover available from the life insurance industry.

Engineering – Provides indemnity for loss sustained through the use of machinery and equipment or the erection of buildings or structures. This type of contract includes contract works, removal of support, project delay, construction plant, machinery breakdown, loss of profits, deterioration of stock, dismantling, transit and erection, works damage and electronic equipment.

Liability – Provides cover for risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract.

43. Risk management (continued)

Marine – Provides indemnity for both cargo and hull classes of business. Cargo covers physical loss of or damage to cargo, with a project delay option. Hull covers loss or damage to pleasure craft or commercial vessels as a result of accidents and also includes legal liability as a result of the accident.

Motor – Provides indemnity for loss of or damage to the insured motor vehicle. The cover is normally on an all risks basis providing a wide scope of cover following an accident or a theft of the vehicle, but the insured can select restricted forms of cover, such as cover for fire and theft only. Legal liabilities arising out of the use or ownership of the motor vehicle following an accident for damage to third-party property or death or injury to a third party are also covered under this class of business.

Trade credit – This business is predominantly written through Credit Guarantee Insurance Corporation of Africa Limited, a subsidiary company. This is an insurance product for business entities wishing to protect their accounts receivable from loss due to credit risks such as protected default or insolvency.

Property – Provides indemnity for loss of, or damage to, immovable and movable property caused by perils, such as fire, lightning, explosion, weather, water, earthquake and malicious damage. The fire classes also include business interruption policies which insure the loss of profits incurred by a business as a result of loss or damage to the insured property by these perils.

During the year the Group discontinued the writing of crop insurance business.

The return to shareholders under the above products arises from the total premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred by the Group. There is also scope for the Group to earn investment income owing to the time delay between the receipt of premiums and the payment of claims.

Mutual and Federal Risk Financing Limited underwrites insurance policies that fall within the abovementioned categories, through the use of cell structures.

Risk that arises from insurance contracts

Insurance risk and policies for mitigating insurance risk

The primary activity of the Group relates to the assumption of the risk of loss from events involving persons or organisations. Such risks may relate to any of the abovementioned classes of business. As such, the Group is exposed to the uncertainty surrounding the timing and severity of claims under insurance contracts.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts.

The principal risk is that the frequency or severity of claims is greater than expected and that the Group does not charge premiums appropriate for the risk accepted. Insurance events are, by their nature, uncertain, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

The Group manages its insurance risk through the underwriting strategy, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues. The Group also employs staff experienced in claims handling and rigorously applies standardised policies and procedures around claims assessment. These actions are described below:

Underwriting strategy

The Group's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks, and risks in different insurance classes spread over a large geographical area. The underwriting strategy is set out in an annual business plan and risk appetite that determines the classes of business to be written, the territories in which business is to be written and the industry sectors to which the Group is prepared to accept exposure. Adherence to the underwriting delegated authorities is managed through the underwriting portfolio management and quality assurance processes.

Pricing of the Group's insurance products is generally based upon historical claims frequencies and claims severity averages, adjusted for inflation and modelled catastrophes trended forward to recognise anticipated changes in claims patterns. While claims remain the Group's principal cost, the Group also makes allowance in pricing for acquisition expenses, administration expenses, the cost of reinsurance and for a profit loading that adequately covers the cost of capital.

Underwriting limits are set to ensure that the underwriting policy is consistently applied. Underwriting performance is monitored continuously and the pricing and underwriting parameters are revised accordingly. Risk factors considered as part of the review would typically include factors such as past loss experiences, past insurance history, type and value of the asset covered, security measures taken to protect the asset and major use of the covered items.

43. Risk management (continued)

Reinsurance strategy

Reinsurance risk is the risk that the reinsurance cover placed is inadequate and/or inefficient relative to the Group's risk management strategy and objectives. The Group reinsures a portion of most of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Group buys a combination of proportional and non-proportional reinsurance treaties to reduce the overall volatility as well as the net exposure on any one risk/event to within the stated annual risk appetite limits.

Concentrations of insurance risk and policies mitigating the concentrations

Within the insurance business, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Group's resources. Business is mainly carried out in South Africa with the bulk of exposure in Gauteng, followed by Cape Town. The Group has exposure to all major lines of insurance business, but the bulk of exposure is to property and motor risk.

Exposure relating to catastrophe events

The Group sets out the total aggregate exposure that it is prepared to accept in certain territories to a range of events, such as natural catastrophes. The aggregate position is reviewed annually. The Group uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programmes and the net exposure of the Group.

The Group considers that its most significant single loss would arise in the event of an earthquake in Gauteng. However, exposure to multiple storms in a single year or a severe recession can give rise to a higher net retained loss in severe years (1 in 200). The Group's policies for mitigating catastrophe risk exposure include the use of both proportional and excess-of-loss reinsurance. In the event of a major catastrophe such as an earthquake in Gauteng, the net retained loss would represent 1.7% of capital (2019: 1.8%). The additional reinstatement premiums, variable commissions, loss participation and inclusion of large individual losses within the catastrophe could increase this to 4.1% (2019: 4.5%) or more of the Group's capital.

Measurement of insurance liabilities

The best estimate reserve represents the expected value of the insurance liabilities, essentially the mean in a range of possible outcomes in the development of unreported claims and the future development of notified claims. Risk margins are added to the best estimate to reflect the uncertainty of the ultimate cost of claims. The levels of the IBNR provisions and the risk margins are assessed annually by management against the Group's past claims experience and adjusted accordingly.

The methods applied by the Group use historical claims development information (where applicable) and therefore the underlying bases assume that the historical claims development pattern will occur again in the future. There are reasons why this may not always be the case, which, insofar as they can be identified, are allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the development/recording of claims paid and incurred;
- economic, legal, political and social trends;
- changes in mix of business; and
- random fluctuations, including the impact of large losses.

There were no significant changes to these methodologies from the prior year although particular care was taken to ensure that appropriate adjustments were made with regard to the unusual experience during 2020 (due to COVID-19 and the resultant lockdowns).

Consideration was given to changes in claims experience resulting from the COVID-19 lockdown. Changes in experience such as reduced motor claims frequency can result in a different mix or magnitude of claims and, therefore, exhibit different claims and runoff characteristics when compared to historic experience.

Provisions for business interruption claims were derived separately.

Claims development

The Group is liable for all insured events that occurs during the term of the contract, even if the loss is discovered after the end of the contract term, subject to predetermined time scales dependent on the nature of the insurance contract. The Group is therefore exposed to the risk that claims reserves will not be adequate to fund historic claims (run-off risk). To manage run-off risk the Group takes all the reasonable steps to ensure that it has appropriate information regarding its claims exposures and adopts sound reserving practices.

43. Risk management (continued)

The estimated impact of the Supreme Court and other judgements relating to business interruption policy wording for COVID-19 is included in the actuarial estimation of ultimate losses. Given the timing, the actuarial estimation is based on current interpretations of the judgement and modelling of expected numbers and value of eligible claims within the insured population. Work to fully understand the various implications will continue in future months as claims profiles mature and regulatory and legal interpretations develop.

There are several risks and possible favourable or adverse developments that may not have been fully reflected in calculating these estimates. At the end of 2020, these risks and developments include:

- the possibility of future legislative change having a retrospective effect on open claims or changes in interpretation or regulatory application of existing legislation;
- changes in claims settlements procedures potentially leading to future claims payment patterns differing from historical experience;
- general uncertainty in the claims environment;
- the emergence of latent exposures;
- the outcome of litigation on claims received;
- failure to recover reinsurance as expected; and
- unanticipated changes in claims inflation.

Further, there is a specific capital provision to allow for the risk of inadequate reserves.

The majority of the Group's insurance contracts are classified as "short-tailed", meaning that most claims are settled within a year after the loss date. This contrasts with the "long-tailed" classes where the claims cost takes longer to materialise and settle. The Group's long-tailed business is generally limited to liability, personal accident, third-party motor liability, certain engineering classes and salvages on trade credit claims. Please refer to note 23 for claims development information.

Other risks and policies mitigating these risks

The Group is exposed to the risk of false, invalid and exaggerated claims. Highly developed software to aid the detection of fraud is in place to improve the Group's ability to proactively detect and prevent fraudulent claims.

Capital risk management

Each company in the Group targets a multiple of 1.3 times the solvency capital requirement (SCR) under the Solvency Assessment and Management (SAM) regulatory basis.

The SCR is calibrated to ensure that capital is sufficient to withstand a 1 in 200 year event. Therefore, due to the 1.3 times target, each company in the Group is effectively capitalised to withstand an event that is even more rare than 1 in 200 years.

Capital is allocated to lines of business based on the volatility and nature of the risks associated with each line of business and the SAM capital requirements for each line of business. The return on capital target is set at 15% for 2021. Investment allocations and reinsurance programmes are largely based on the Group's risk appetite, which recognises the impact on the solvency position.

The Group's stress and scenario testing framework assesses the impact on the capital position of the Group under a range of different possible events. A number of COVID-19 claims scenarios have been included in the current review cycle and it can be confirmed that both the Group and company's economic and regulatory solvency position remains at an acceptable level under all scenarios assessed.

Operational risk

Operational risk is the risk of direct or indirect losses resulting from human factors and inadequate or failed internal processes and systems. Operational risk is inherent in the Group's operations. Major sources of operational risk can relate to amongst others operational process reliability, information security, outsourcing of operations, dependence on key suppliers, implementation of strategic and operational change, integration of acquisitions, fraud, human error such as not placing of all the necessary facultative reinsurance correctly, client service quality, inadequacy of business continuity arrangements, recruitment, training and retention of employees, and the social and environmental impact of the before-mentioned on the Group.

43. Risk management (continued)

The Group manages operational risk by a comprehensive system of internal controls. From a risk governance perspective, the three lines of assurance approach is used to identify the various levels of controls, oversight and assurance, including consideration of role-player independence. The Group has developed and implemented a number of contingency plans including Business Resilience Plans that enable the Group to minimise the operational impact of the current pandemic.

As a result of government imposed lockdown measures, operational risk has increased due to the remote working environment, however the majority of employees were enabled to successfully work from home.

Regulatory compliance risk

Regulatory compliance risk is the risk that the Group is not able to meet regulatory requirements, which may impact the Group's reputation and/or give rise to penalties or fines.

The Board of directors and management actively monitor the changes in the regulatory and compliance landscape. The possible implications for the business plans and governance structures going forward are analysed regularly and the necessary changes are implemented. The Group seeks constructive engagement with the various regulators and policymakers.

Market conduct risk is the risk that a firm's behaviour may result in unfair treatment of its clients. Regulatory requirements relating to conduct risk are continually being strengthened by conduct risk mitigation initiatives such as the Retail Distribution Review and the Conduct of Financial Institutions Bill. The Old Mutual Limited Group Market Conduct Framework, to which the Group adheres, was implemented and covers these regulated aspects.

Financial risk management

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The Group is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance policy liabilities. The most important components of this financial risk are credit risk, liquidity risk and market risk (including equity price risk, interest rate risk and foreign currency risk). Each of these financial risks is described below, together with a summary of the ways in which the Group manages these risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Areas where the Group is exposed to credit risk are:

- amounts due from insurance policyholders;
- amounts due from insurance contract intermediaries and third-party recoveries (refer to note 16);
- investments and cash and cash equivalents;
- reinsurers' share of general insurance liabilities;
- amounts due from reinsurers and third parties in respect of claims already paid (refer to note 16); and
- loans to share trusts, other loans receivable and trade receivables.

Exposures to large individual policyholders, Groups of policyholders and third parties are monitored as part of the credit control process.

COVID-19 has generated increased levels of market volatility increasing the risk of credit default and downgrade. The Group strategy continues to be reviewed in light of COVID-19 developments and the frequency of engagement with the Group's fund managers has been increased.

The Group has offered payment relief to customers experiencing financial difficulty as a result of COVID-19, and has increased credit risk monitoring to proactively manage the financial risk from the current economic environment and the provisions for bad debts is being assessed on a regular basis.

The Group has increased the credit loss allowances relating to amounts due from agents and reinsurers during the year. This increase mainly related to the liquidity position of Insurance Group managers. (Please refer to note 16 for further detail).

43. Risk management (continued)

In order to calculate the credit loss allowances, management determines whether the loss allowance should be calculated on a 12 month or on a lifetime expected credit loss basis.This determination depends on whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 months expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year-on-year.

Consistent with prior periods, management applies the principle that if a financial asset's credit risk is low at year end, then, by implication the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management considers information, such as payment history to date, the industry in which the customer operates or is employed, the period for which the customer has been in business or been employed and relevant external credit references.

Reputable financial institutions are used for investing and cash-handling purposes. In excess of 99% (2019: 99%) of money market instruments and cash and cash equivalents are placed with institutions that have a national long-term credit rating of at least A-.

Analysis of the credit quality and maximum exposure to credit risk of the financial and insurance-related assets

R million Group 2020	**AAA**	**AA**	**A**	**BBB and lower**	**Not rated**	**Total**
Loans receivable	**–**	**–**	**–**	**–**	**65**	**65**
Reinsurers' share of general insurance liabilities	**1**	**414**	**1,073**	**227**	**5,315**	**7,030**
Loans to share trusts Investments and securities	**–**	**–**	**–**	**–**	**7**	**7**
Unlisted money market funds	**2,099**	**3,268**	**31**	**227**	**–**	**5,625**
Amounts due from agents and reinsurers	**2**	**24**	**208**	**-**	**2,179**	**2,413**
Trade and other receivables	**–**	**–**	**–**	**–**	**414**	**414**
Cash and cash equivalents	**–**	**1,512**	**–**	**–**	**31**	**1,543**
	2,102	**5,218**	**1,312**	**454**	**8,011**	**17,097**

R million Group 2019	AAA	AA	A	BBB and lower	Not rated	Total
Loans receivable	–	–	–	–	33	33
Reinsurers' share of general insurance liabilities	–	220	1,316	11	565	2,112
Loans to share trusts Investments and securities	–	–	–	–	7	7
Unlisted money market funds	1,796	3,252	73	–	14	5,135
Amounts due from agents and reinsurers	–	1	624	104	1,015	1,744
Trade and other receivables	–	–	–	–	561	561
Cash and cash equivalents	–	1,083	–	–	1	1,084
	1,796	4,556	2,013	115	2,196	10,676

43. Risk management (continued)

R million Company 2020	AAA	AA	A	BBB and lower	Not rated	Total
Loans receivable	–	–	–	–	62	62
Reinsurers' share of general insurance liabilities	1	328	735	82	4,579	5,725
Loans to share trusts Investments and securities	–	–	–	–	84	84
Unlisted money market funds	1,365	1,276	29	211	–	2,881
Amounts due from agents and reinsurers	2	24	208	–	1,621	1,855
Trade and other receivables	–	–	–	–	296	296
Cash and cash equivalents	–	722	–	–	33	755
	1,368	2 350	972	293	6,675	11,658

R million Company 2019	AAA	AA	A	BBB and lower	Not rated	Total
Loans receivable	–	–	–	–	30	30
Reinsurers' share of general insurance liabilities	–	220	1,175	11	15	1,421
Loans to share trusts Investments and securities	–	–	–	–	84	84
Unlisted money market funds	1,077	1,431	44	–	2	2,554
Amounts due from agents and reinsurers	–	1	624	104	774	1,503
Trade and other receivables	–	–	–	–	276	276
Cash and cash equivalents	–	282	–	–	1	283
	1,077	1,934	1,843	115	1,182	6,151

The assets analysed above are based on external credit ratings obtained from Fitch Ratings Inc and Moody's. The rating scales are based on long-term investment horizons under the following broad investment grade definitions:

AAA	The financial instrument is judged to be of the highest quality, with minimal credit risk and indicates the best quality issuers that are reliable and stable. Included in the AAA rating is the AAA- as well as AAA+.
AA	The financial instrument is judged to be of high quality and is subject to very low credit risk and indicates quality issuers. Included in the AA rating is the AA- as well as AA+.
A	The financial instrument is considered upper-medium grade and is subject to low credit risk although certain economic situations can more readily affect the issuers' financial soundness adversely than those rated AAA or AA. Included in the A rating is the A- as well as A+.
BBB	The financial instrument is subject to moderate credit risk and indicates medium-class issuers which are currently satisfactory.
Not rated	This is where the exposure is not risk-rated in an active market, such as loans and advances and unlisted ordinary shares.

Reinsurance credit risk

Under the terms of reinsurance agreements, reinsurers agree to reimburse the ceded amount in the event that a gross claim is paid. Consequently, the Group is exposed to the credit risk of the reinsurer.

43. Risk management (continued)

The Group held deposits of R166 million (2019: R239 million) and the company held deposits of R171 million (2019: R226 million) as security for reinsurers' share of insurance contract provisions at the reporting date. Following regulatory changes, the Group has continued to release deposits owing to reinsurers during the year. No new deposits were received during the year.

Analysis of the credit quality and maximum exposure to credit risk of the insurance-related assets of the net treaty included in amounts due from/to agents and reinsurers:

R million Group 2020	AA	A	BBB and lower	Not rated	Total
African Reinsuracne Corporation (South Africa) Limited	–	128	–	–	128
Atradius Group	–	42	–	–	42
Berkley Re Company	–	27	–	–	27
Covea Cooperations	–	28	–	–	28
Everest Reinsurance Company	–	16	–	–	16
GIC Re South Africa Limited	–	–	59	–	59
Munich Reinsurance Company of Africa Limited	–	294	–	–	294
Odyssey Reinsurance Company	–	15	–	–	15
Swiss Re Africa Limited	–	14	–	–	14
Other	343	(273)	115	(27)	158
	343	291	174	(27)	781

R million Group 2019	AA	A	BBB and lower	Not rated	Total
General Reinsurance Africa Limited	–	(74)	–	–	(74)
GIC Re South Africa Limited	–	86	–	–	86
Hannover Reinsurance Africa Limited	–	25	–	–	25
Lloyd's of London	–	98	–	–	98
Mitsui Sumitomo (Japan)	–	(42)	–	–	(42)
Munich Reinsurance Co of SA Limited	–	137	–	–	137
Partner Reinsurance Company Limited	–	(34)	–	–	(34)
Swiss Re Africa Limited	–	(4)	–	–	(4)
Trans Re London Limited	–	112	–	–	112
Other	(13)	74	8	54	123
	(13)	378	8	54	427

R million Company 2020	AA	A	BBB and lower	Not rated	Total
African Reinsuracne Corporation (South Africa) Limited	–	69	–	–	69
Berkley Re Company	–	27	–	–	27
Covea Cooperations	–	28	–	–	28
GIC Re South Africa Limited	–	–	59	–	59
Odyssey Reinsurance Company	–	15	–	–	15
Royal & Sun Alliance Insurance	–	(64)	–	–	(64)
SCOR Africa Limited	–	(14)	–	–	(14)
Swiss Re Africa Limited	–	(14)	–	–	(14)
Other	(33)	14	56	(27)	10
	(33)	61	115	(27)	116

43. Risk management (continued)

R million Company 2019	AA	A	BBB and lower	Not rated	Total
General Reinsurance Africa Limited	–	(74)	–	–	(74)
GIC Re South Africa Limited	–	83	–	–	83
Hannover Reinsurance Africa Limited	–	32	–	–	32
Lloyd's of London	–	98	–	–	98
Mitsui Sumitomo (Japan)	–	(43)	–	–	(43)
Munich Reinsurance Co of SA Limited	–	19	–	–	19
Partner Reinsurance Company Limited	–	(33)	–	–	(33)
Swiss Re Africa Limited	–	(20)	–	–	(20)
Trans Re London Limited	–	112	–	–	112
Other	–	85	5	(9)	81
	–	259	5	(9)	255

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in accessing funds to meet commitments to policyholders under policy contracts and in respect of financial liabilities.

The Group sets limits on the minimum proportions of maturing funds available to meet such calls and unexpected levels of demand.

The liquidity of the Group was not materially impacted by the economic downturn related to the COVID-19 pandemic. The Group has sufficient cash resources to settle its liabilities as they fall due. The Group's investment strategy to back insurance funds with cash and high-quality money market and other interest-bearing instruments reduces the risk of default and ensures sufficient liquidity.

The liquidity position of the Group is monitored on a weekly basis.

Maturity analysis of general insurance liabilities

Based on actuarial modelling of historical and future expected trends, the Group has estimated the probable cash outflows associated with gross general insurance liabilities. The maturity profile of the related reinsurance assets is expected to be similar to the profile of the liabilities. The Group acknowledges that the unearned premium provision that will be recognised as earned premium in the future, will most likely not lead to claim cash outflows equal to this provision.

The maturity profile of contractual cash flows of non-derivative financial liabilities are presented in the following table. The cash flows are undiscounted contractual amounts.

Group – 2020

	Less than 3 months R million	3 months to 1 years R million	1 to 3 years R million	3 to 5 years R million	Total R million
General insurance liabilities	**(5,036)**	**(4,085)**	**(1,770)**	**(313)**	**(11,204)**
Lease liabilities	**(25)**	**(78)**	**(302)**	**(127)**	**(532)**
Debt instrument	**(11)**	**(34)**	**(134)**	**(634)**	**(813)**
Amounts due to agents and reinsurers	**(1,584)**	**–**	**–**	**–**	**(1,584)**
Retirement benefit obligation	**–**	**–**	**–**	**(234)**	**(234)**
Deposits owing to reinsurers	**(166)**	**–**	**–**	**–**	**(166)**
Amounts payable to cell owners	**(9)**	**(17)**	**–**	**(1 003)**	**(1,029)**
Trade and other payables	**(833)**	**–**	**–**	**–**	**(833)**
	(7,664)	**(4,214)**	**(2,206)**	**(2,311)**	**(16,395)**

43. Risk management (continued)

Group – 2019

	Less than 3 months R million	3 months to 1 years R million	1 to 3 years R million	3 to 5 years R million	Total R million
General insurance liabilities	(3,296)	(1,771)	(572)	–	(5,639)
Lease liabilities	(6)	(54)	(310)	(327)	(697)
Debt instrument	(11)	(33)	(134)	(678)	(856)
Amounts due to agents and reinsurers	(1,011)	(92)	–	–	(1,103)
Amounts payable to cell owners	(68)	–	–	(1 051)	(1,119)
Deposits owing to reinsurers	–	(239)	–	–	(239)
Trade and other payables	(432)	–	–	–	(432)
Retirement benefit obligations	–	–	–	(243)	(243)
	(4,824)	(2,189)	(1,016)	(2,299)	(10,328)

Company – 2020

	Less than 3 months R million	**3 months to 1 years R million**	**1 to 3 years R million**	**3 to 5 years R million**	**Total R million**
General insurance liabilities	**(4,201)**	**(2,641)**	**(1,059)**	**(513)**	**(8,414)**
Debt instrument	**(11)**	**(34)**	**(134)**	**(634)**	**(813)**
Lease liabilities	**(25)**	**(78)**	**(302)**	**(127)**	**(532)**
Amounts due to agents and reinsurers	**(1,338)**	**–**	**–**	**–**	**(1,338)**
Deposits owing to reinsurers	**(171)**	**–**	**–**	**–**	**(171)**
Trade and other payables	**(318)**	**–**	**–**	**–**	**(318)**
Retirement benefit obligations	**–**	**–**	**–**	**(163)**	**(163)**
	(6,064)	**(2,753)**	**(1,495)**	**(1,437)**	**(11,749)**

Company – 2019

	Less than 3 months R million	3 months to 1 years R million	1 to 3 years R million	3 to 5 years R million	Total R million
General insurance liabilities	(1,719)	(1,264)	(658)	–	(3 641)
Debt instrument	(6)	(54)	(310)	(327)	(697)
Lease liabilities	(12)	(37)	(614)	–	(663)
Amounts due to agents and reinsurers	(831)	(53)	–	–	(884)
Deposits owing to reinsurers	–	(226)	–	–	(226)
Trade and other payables	(236)	–	–	–	(236)
Retirement benefit obligation	–	–	(178)	–	(178)
	(2,804)	(1,634)	(1,760)	(327)	(6,525)

Market risk

Market risk can be described as the risk of a change in the fair value or future cash flows of a financial instrument brought about by changes in interest rates, equity prices or foreign exchange rates.

The objective of market risk management is to manage and control market risk exposures within the Group's risk tolerances, while optimising the return on the related assets.

The Group had exposure to pricing fluctuations in the market due to the economic impact of the COVID-19 pandemic. The exposure related to the interest rate changes as well as movements in the equity market. The protected equity portfolio is exposed to market movements, but the exposure is managed through applying derivative instruments to partially protect the portfolio against downside risk.

43. Risk management (continued)

Foreign currency risk

The Group is exposed to foreign currency risk for transactions that are denominated in foreign currencies, with transactions in United States Dollar being the main currency impacting the Group. This exposure is limited to the underwriting operations in foreign currencies, credit insurance, transactions with foreign reinsurers and equity investments in foreign companies.

The Group does not take on cover on foreign currency transactions and balances as the net exposure is considered minimal.

Exposure in Rand

The net carrying amounts, in Rand, of the various exposures, are denominated in the following currencies.
The amounts have been presented in Rand by converting the foreign currency amounts at the closing rate at the reporting date:

US Dollar exposure:

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Assets:				
Investments and securities	**2**	23	**–**	–
Insurance-related assets	**93**	47	**93**	47
Trade and other receivables	**–**	22	**–**	22
Cash and cash equivalents	**137**	53	**121**	35
Liabilities:			**–**	
Trade and other payables	**(11)**	(1)	**(10)**	–
Other non-financial liabilities	**(74)**	(67)	**(74)**	(67)
Net US Dollar exposure	**147**	77	**130**	37

RTGS Exposure

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Assets:				
Investments in associates	**–**	66	**–**	–
Investments and securities		20		
Non-current assets held for sale and assets of disposal Groups	**63**	–	**5**	–
RTGS exposure	**63**	86	**5**	–
Net exposure to foreign currency in Rand	**210**	163	**135**	37

43. Risk management (continued)

Exposure in foreign currency amounts

The net carrying amounts, in foreign currency of the above exposure was as follows:

US Dollar exposure:

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Assets:				
Investments and securities	–	2	–	–
Insurance-related assets	6	3	6	3
Trade and other receivables	–	2	–	2
Cash and cash equivalents	9	4	8	3
Liabilities:			–	
Insurance-related liabilities	(5)	(5)	(5)	(5)
Net US Dollar exposure	**10**	**6**	**9**	**3**

RTGS exposure

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Assets:				
Investments in associates	–	79	–	–
Investments and securities		24		
Non-current assets held for sale and assets of disposal Groups	474	–	40	–
RTGS exposure	**474**	103	**40**	–

Exchange rates

The following closing exchange rates were applied at reporting date:

Rand per unit of foreign currency:

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
US Dollar	14.643	14.000	14.643	14.000
Euro	0.133	0.832	–	–

Foreign currency sensitivity analysis

The following information presents the sensitivity of the Group to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Group

An increase or decrease of 10% in the Dollar currency rate would result in a change of R2 million (2019: R1 million) to the profit after tax and a resultant increase or decrease in retained earnings.

The RTGS rate is sensitive to a number of variables. An increase or decrease of 10% in the RTGS rate would result in a change of R5 million (2019: R5,94 million) to the profit after tax and a resultant increase or decrease in retained earnings.

43. Risk management (continued)

Interest rate risk

Assets subject to interest rate fluctuations include cash instruments, including unlisted money market funds.

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Group

An increase or decrease of 1% in the interest rate on cash instruments would result in a change of R4,1 million (2019: R3,4 million) to the profit after tax of the Group and a resultant increase or decrease in retained earnings.

Company

An increase or decrease of 1 % in the interest rate on cash instruments would result in a change of R4,1 million (2019: R2 million) to the profit after tax of the company and a resultant increase or decrease in retained earnings.

Equity price risk

Equity price risk – unlisted equities

The Group has investments in unlisted equities that are exposed to market risk. These include strategic investments in insurance-related undertakings and subsidiaries. The unlisted equities are selected by management after consideration of the benefits and corresponding risk related to the investment.

Equity price risk – listed equities

The Group has investments in listed equities that are exposed to market risk. The exposure to listed equities is protected from severe drops in equity markets by using hedging derivatives selected by management after consideration of the benefits and corresponding risk related to the investment where this is possible. Please refer to note 15 for more information on the protected equity portfolio.

Equity price risk sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when price risk internally to key management personnel and represents management's assessment of the reasonably possible change in relevant prices. All other variables remain constant. The sensitivity analysis includes only investments held at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Group

An increase or decrease of 10% in the equity prices relating to the protected equity portfolio would result in a change of R43 million (2019: R39 million) to the profit after tax of the Group and a resultant increase or decrease in retained earnings.

An increase or decrease of 20% in the equity prices relating to the protected equity portfolio would result in a change of R85 million (2019: R78 million) to the profit after tax of the Group and a resultant increase or decrease in retained earnings.

An increase or decrease of 10% in the equity prices relating to the Old Mutual Limited shares and other listed shares would result in a change of R43 million (2019: R58 million) to the profit after tax of the Group and a resultant increase or decrease in retained earnings.

An increase or decrease of 20% in the equity prices relating to the Old Mutual Limited shares and other listed shares would result in a change of R86 million (2019: R117 million) to the profit after tax of the Group and a resultant increase or decrease in retained earnings.

Company

An increase or decrease of 10% in the equity prices relating to the protected equity portfolio would result in a change of R43 million (2019: R39 million) to the profit after tax of the company and a resultant increase or decrease in retained earnings.

Notes to the financial statements (continued)

43. Risk management (continued)

An increase or decrease of 20% in the equity prices relating to the protected equity portfolio would result in a change of R85 million (2019: R78 million) to the profit after tax of the company and a resultant increase or decrease in retained earnings.

44. Fair value hierarchy

Fair value hierarchy carried at fair value

The fair value hierarchy of assets carried at fair value are as follows:

Group – 2020

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Non-current non-hedging derivative liabilities				
Non-current asset held for sale	–	–	181	181
Investments at fair value				
Unlisted shares	–	–	8	8
Unlisted empowerment private equity fund	–	–	82	82
Listed shares	949	–	–	949
Unlisted money market funds	–	5,625	–	5,625
	949	5,625	90	6,664

Group – 2019

	Level 1 R million	Level 2 R million	Level 3 R million	Carrying amount R million
Non-current non-hedging derivative liabilities				
Non-current asset held for sale	–	257	–	257
Investments at fair value				
Unlisted shares	–	–	159	159
Unlisted empowerment private equity fund	–	–	90	90
Listed shares	1,144	–	–	1,144
Unlisted money market funds	–	5,135	–	5,135
	1,144	5,135	249	6,528

Company – 2020

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Investments in subsidiaries	–	–	1,002	1,002
Investments in employee share trusts	–	492	–	492
Non-current asset held for sale	–	–	144	144
	–	492	1,146	1,638
Investments at fair value				
Unlisted shares	–	–	8	8
Unlisted empowerment private equity fund	–	–	82	82
Listed shares	424	–	–	424
Unlisted money market funds	–	2,881	–	2,881
	424	2,881	90	3,395

44. Fair value hierarchy (continued)

Company – 2019

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Investments in subsidiaries	–	–	1,426	1,426
Investments in employee share trusts	–	634	–	634
Non-current asset held for sale	–	257	–	257
	–	891	1,426	2,317
Investments at fair value				
Unlisted shares	–	–	43	43
Unlisted empowerment private equity fund	–	–	90	90
Listed shares	466	–	–	466
Unlisted money market funds	–	2,554	–	2,554
	466	2,554	133	3,153

Level 1: Quoted market price in an active market for an identical instrument.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs which reflect assumptions that market participants would use when pricing an asset or liability). Unobservable inputs are developed using best available data.

Valuations techniques and inputs

Investments in subsidiaries

Material subsidiary companies are being valued using the discounted cash flow method and net asset value is used as a proxy for the valuation of less material subsidiaries. The discounted cash flow methodology uses inputs relating to the future cash flows based on the specific entity's three year business plan and cash flows thereafter are determined using a terminal growth rate determined with reference to the entities historic growth rate as well as the growth rate used within the business plan that has been capped at the average historic inflation rate over five years ranged between 4.835% and 4.98%. The cash flows are discounted using a discount rate ranged between 18% and 19.96% which takes into account factors specific to the entity that is being valued such as the risk-free rate, market rate premium and levered Beta. The valuations are then adjusted for each entity's specific risk premium such as key management dependencies, forecasting variations, customer dependencies and the cost of small company equity investments.

Investments in employee share trusts

The valuation techniques and inputs are disclosed in note 11.

Notes to the Financial Statements (continued)

44. Fair value hierarchy (continued)

Non-current assets held for sale

The non-current assets held for sale were valued using the sale price less cost to sell (commission) as reflected in the sale agreement as concluded for these assets.

Investments at fair value

Unlisted shares

Unlisted shares are valued using a combined price/earnings ratio and embedded value approach where the information is available. The net asset value is used when the financial information is not available.

Unlisted empowerment private equity fund

The valuation of the unlisted empowerment private equity fund is based on an enterprise value multiple based on comparable multiples of publicly listed global glass packaging companies.

Movement analysis of level 3 instruments

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy:

	GROUP		COMPANY	
	2020 R million	2019 R million	2020 R million	2019 R million
Investments at fair value				
Opening balance	**249**	169	**133**	75
Acquisition of investment	**–**	35	**–**	35
Transferred to non-current asset held for sale	**(176)**			
Revaluation of unlisted instruments	**17**	45	**(43)**	23
	90	249	**90**	133
Investments in subsidiaries				
Opening balance	**–**	–	**1,426**	1,548
Transferred to non-current asset held for sale			**(144)**	
Subsidiary fair value transferred to non-current asset held for sale			**(19)**	
Subsidiary fair value adjustment through profit or loss			**(262)**	
Other	**–**	–	**1**	(122)
	–	–	**1,002**	1,426

Sensitivity analysis for investments at fair value

A sensitivity analysis performed on the investment in subsidiaries indicates that an increase of 10% in the discount rate will result in a maximum impact of 47.9% (2019: 12%) or R476 million (2019: R133 million) in the calculated fair value.

If the market interest rate associated with the unlisted money market investments changes by 1% the impact on fair value as well as the profit or loss would be R25 million (2019: R13 million) for the Group and R6 million (2019: R3 million) for the company.

If the enterprise value multiple associated with the unlisted empowerment private equity fund changes by 10% the impact on fair value as well as the profit or loss would be R15 million (2019: R16 million) for the Group and R15 million (2019: R16 million) for the company.

Further information relating to investments at fair value is contained in note 15 of the financial statements.

45. Contingencies, guarantees and options

Options

Frontline Underwriting Managers (Pty) Ltd and Old Mutual Insure Limited have agreed that the company will have an option to purchase the Call Option Shares in Frontline during the Call Option Period at the Share Purchase Price. The call option consideration was expensed in the prior period.

46. Going concern

The directors believe that the Group has adequate financial resources to continue in operation for the foreseeable future and accordingly the Group and company financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Group is in a sound financial position and that it has adequate cash resources to meet its foreseeable cash requirements.

With regards to business interruption claims, legal certainty has now been provided by our Supreme Court of Appeal. The insured peril has been determined to be the outbreak of COVID-19 together with the government's response in the form of the national lockdown. Policyholders will however still need to prove a local occurrence of COVID-19 within the stipulated radial limitation in order to qualify for cover. After having carefully considered the Court's reasoning and conclusions together with the outcome of global court cases, Old Mutual Insure has decided that all valid business interruption claims, with wordings and facts the same as or substantially similar to those already decided by our courts will be accepted. The Old Mutual Insure Group has raised a net technical provision of R714 million for business interruption and trade credit claims at 31 December 2020 as a best estimate of its exposure relating to policies with the infectious or contagious disease extension to the policy.

Based on the Group's liability position as at the date of authorisation of these Group and company annual financial statements, and in light of the uncertainty surrounding the future development of the outbreak, management estimate that in the downside case, it will still be sufficiently liquid to meet its financial obligations.

The directors are not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group.

47. Events after the reporting period

On 24 February 2021, the Minister of Finance announced that effective 1 April 2022, the South African corporate tax rate will be reduced from 28% to 27%. The Group does not expect this change to have a material impact on the statement of financial position at 31 December 2020.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

The Group has exposure to Land Bank's listed debt securities. On 26 February 2021, Land Bank issued an announcement that they had requested the JSE to suspend the trading of the debt securities in order to allow lenders an opportunity to review sensitive information as parties work towards a liability solution. Based on the current structure, we are not anticipating a material impact to the value of our exposure

Notes

ince

www.oldmutual.com