ANNUAL REPORT 2021

OLD MUTUAL

OM INSURE

DO GREAT THINGS EVERY DAY

OLDMUTUAL

CONTENTS

ABOUT THIS REPORT

Introduction

We are pleased to present the 2021 annual report of Old Mutual Insure, a 100% wholly owned subsidiary of the Old Mutual Limited Group.

This report provides information about the core activities of our key segments, which enabled us to achieve the financial results presented for the period of 1 January 2021 to 31 December 2021.

It also contains strategic initiatives from our primary divisions that aim to create sustainable value for all our stakeholders into the future.

Forward-looking statements

The contents of this report may contain forward-looking statements about some of OM Insure's goals and plans, as well as expectations relating to its future financial condition, performance, estimates of future cash flows, costs, and planned corporate activity. Naturally, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of the business. Therefore, OM Insure's actual future financial condition, performance, and results may differ materially from the plans, goals, and expectations set forth in any 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, the 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.

This report has been reviewed by the Audit committee and the committee is satisfied that the report addresses all material matters necessary for any stakeholders to make considered evaluations about the performance and sustainable value creation ability of the Group. This report was approved by the Board of Directors on 25 March 2022.

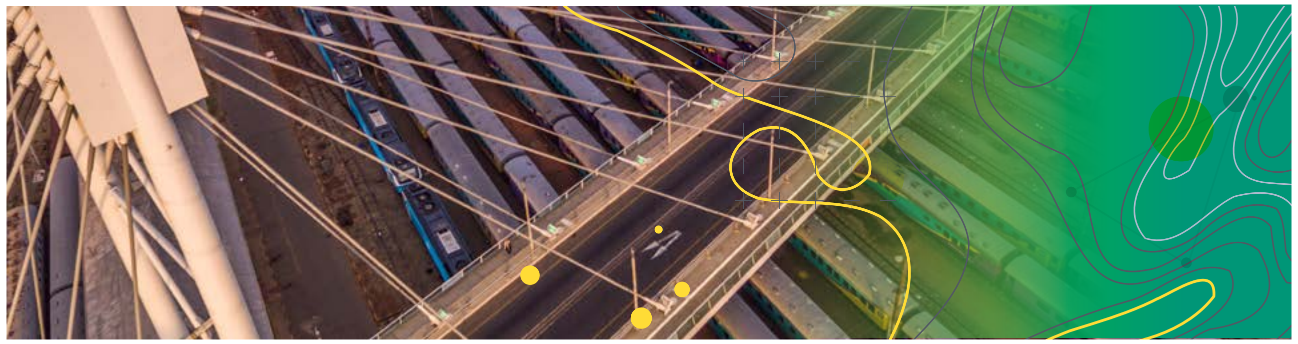
DEFINING CONCEPTS

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 OM 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 OM 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 following table indicates the Group results, including the impact of **COVID-19:**

R'million	**2021**	2020	2019	2018	2017
GWP	**15 927**	14 811	14 656	13 218	12 481
NEP	**9 248**	9 507	9 922	9 048	8 409
% NEP:GWP	**58%**	64%	68%	68%	67%
Net claims ratio	**60%**	66%	65%	61%	61%
Expenses	**2 127**	1 960	2 261	1 933*	1 581
Expense margin (as % of NEP)	**23%**	21%	23%	21%	19%
Underwriting profit (loss)	**455**	(250)	35	480	312
Underwriting margin	**4.9%**	(2.6%)	0.4%	5.3%	3.7%
Profit (loss) after tax	**729**	(130)	323	705	736

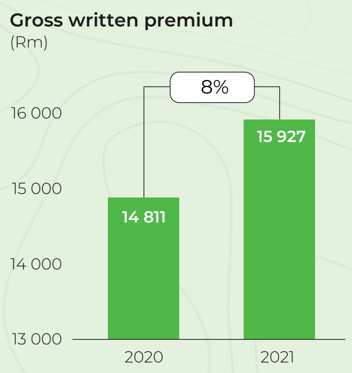
**2018 expenses exclude the impact of managed separation.*

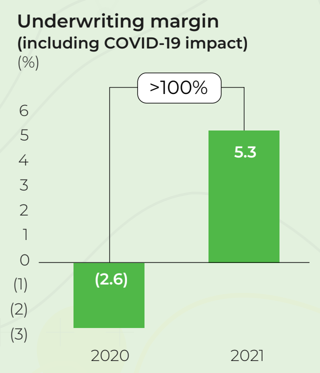
Business interruption and rescue claims reserves

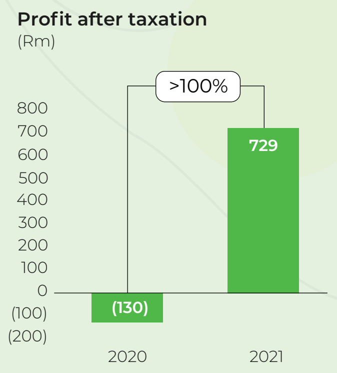
The net impact of **COVID-19** on the insurance net technical reserves included in the results, is as follows:

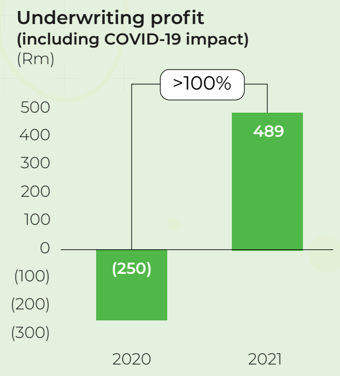
R'million	**2021 Net**	2020 Net
OM Insure Company	**272***	460
CGIC	**207**	254
OM Insure Group	**479**	714

**Assumes that all recoveries were received for the catastrophe excess of loss as per the treaty contracts.*









SECTION 1 WHO WE ARE

Old Mutual Insure (OM Insure), representing OML's South African non-life insurance business, is South Africa's oldest non-life insurer, with a history dating back more than 191 years.

OM INSURE GROUP STRUCTURE

SIMPLIFIED OLD MUTUAL GROUP STRUCTURE

OM Insure is proud of its tradition of service quality and extensive range of non-life insurance products and solutions that are designed to meet its personal, commercial, and corporate customers' needs. OM Insure partners with independent intermediaries to deliver advice and non-life insurance solutions to customers and delivers non-life insurance products directly to the market.

OM Insure is 100%-owned by Old Mutual Limited (OML). OML remains primarily listed on the Johannesburg Stock Exchange (JSE) from 26 June 2018 and has a standard listing on the London Stock Exchange, as well as secondary listings on three other stock exchanges in Africa: Namibia, Malawi and Zimbabwe.

In March 2016, it was decided that the best way forward for the Old Mutual Group was to separate its four strong businesses (Old Mutual Emerging Markets, Nedbank, UK-based Old Mutual Wealth and US-based Old Mutual Asset Management) into independent, standalone companies. The foremost aim of this strategy ("managed separation") has been to unlock and create value for shareholders. As part of the managed separation, it was agreed that Old Mutual Emerging Markets (OMEM) would strengthen its focus on Africa and move its primary listing to Africa (the listed entity is OML).

For this reason, OM Insure sits within the OMEM division of OML.

Refer to the structure on the right.

SECTION 2 WE CULTIVATE VALUE

Today, as one of the leading role players in South Africa's non-life insurance landscape, we are proud of our tradition of service and quality as well as our range of products which are designed to meet personal, commercial, and corporate insurance needs. These include the agricultural, engineering, and marine sectors.

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

Our alternative distribution channels further include underwriting management agencies, affinity groups, and corporate customers in the retail sector.

WE CULTIVATE VALUE

CHAIRPERSON'S REPORT

In 2021, South Africa began rolling out vaccines across the country and started getting to grips with the COVID-19 pandemic. However, the second and third waves of COVID-19 brought their own challenges.

Steffen Gilbert
Chairman

The ongoing national lockdown, albeit at gradually easing levels of restriction, continued to apply economic pressure, and the hoped-for economic recovery has remained slow. Then, just as that much-awaited recovery was gaining traction, the devastating protest actions experienced in parts of KwaZulu-Natal and Gauteng in July 2021 came as an economic and social shock to the nation. The associated lawlessness, looting, and malicious destruction of property cost individual businesses, and indeed entire industries, dearly.

Valuable lessons learnt

Silver linings around the COVID-19 storm clouds are hard to see, but the pandemic brought valuable lessons for OM Insure and the non-life insurance industry as a whole. The most significant of these was undoubtedly ensuring that the products and solutions we offer meet the specific, and often fast-changing, needs of our customers. We were also reminded of how important it is to make sure that our solutions are accessible and understandable to our customers, and are delivered via a range of channels that enable them to get the cover they need in ways that are most convenient to them.

The events of 2021 also provided invaluable lessons around ensuring that our customers clearly understand the workings of business interruption (BI) insurance, so that they are appropriately covered for any future events. Many businesses experienced immense frustration when they found out that the cover they had selected could not fully protect them from the impact of COVID-19 and the lockdowns. There is a clear need for simple BI cover products that are easy to understand yet tailored to the unique needs of every business owner.

Another invaluable lesson to come out of COVID-19, is the pressing need to do more to provide fully inclusive insurance offerings that are accessible to those who have historically been underserved by the insurance industry. The pandemic reminded us that when tough times befall a society, it is often the poorest and most vulnerable who are hardest hit. We have an obligation to make sure that the products and services we offer reach all segments of society, including the less affluent, who need trusted insurance cover as much as – or even more than – our traditional customer categories.

The value of sound governance structures

OM Insure's governance structure remains robust and based on talented and experienced Board committees that provide mature and informed governance oversight. This translates to a well-run and effective business, irrespective of external challenges.

Although COVID-19-related matters and risks continued taking up significant Board attention during 2021, our primary focus shifted to the control environment, particularly in the latter part of the year. The pandemic highlighted the importance of paying close attention to all governance structures, notably those for our IT and data systems, to make sure that these remain relevant and effective in a fast-changing operating environment.

The Board undertook a comprehensive self-evaluation review to make sure that our members bring a full spectrum of diverse skills and experience that benefit OM Insure. I am largely satisfied that this is the case, but there is always room for improvement. We will, therefore, continue to actively seek members that enhance our value as a Board, particularly in the area of diversity. In the interests of cost management, these internal Board reviews will be undertaken annually, and reinforced by an independent external review every three years.

I am pleased to report that OM Insure has maintained its Level 1 B-BBEE rating during 2021 (subject to a final audit).

A key contributor to this rating is our aforementioned commitment to provide more inclusive access to insurance services for all members of our society.

A sound strategy for sustainable growth

When I joined the Board at the end of 2019, the CEO and Executive team were in the process of repositioning the organisation's long-term strategy for sustainable growth and profitability. At the time, we certainly had no idea that our operating environment would be turned upside down by a pandemic.

However, despite the pandemic, the core foundations of that strategy remain relevant and valuable today, which is a strong testament to the depth of knowledge, talent, experience, and insight of OM Insure's Executive leadership.

Over the past year, the resilience of this strategy has allowed OM Insure's various teams and divisions to consistently deliver on the majority of their targets and KPIs. In fact, confidence levels across the business are at an all-time high, so-much-so that the Board has cautioned Executives to remain realistic in their commitments and to make allowance in their business plans for the possibility that a still-volatile economy may impact negatively on overly optimistic targets.

Over the period under review, we also aligned strategically with the broader Old Mutual Group's decision to house non-South African entities under Old Mutual African Holdings (OMAH). The transfer of our interests in Zimbabwe and Eswatini to OMAH was completed in the year under review, but the financial component of the transaction was not completed by the end of 2021.

Balancing commercial interest with a sustainable development commitment

COVID-19 has also been a strong reminder of the need for all businesses to strive for a balance between pure bottom-line growth and ensuring they deliver broader social and environmental value. As a responsible corporate citizen, OM Insure has always focused on the triple bottom line, but we also recognise that our sustainable development contributions need to extend beyond this.

To this end, we continue to deliberately, and increasingly, weave environmental, social, and governance (ESG) considerations into all aspects of our business. We are also acutely aware of the importance of a particular focus on contributing to climate change mitigation and adaptation efforts.

On the back of COP26, the climate change agenda has again been brought into sharp focus and, as non-life insurers, we recognise that we have a responsibility and an opportunity to help lessen the impact of global warming on the society we serve. To this end, we have established a climate change working group that will make climate action recommendations to the Board.

Looking forward

While there have been many challenges over the past year, these have only served to highlight the strength, commitment, and sense of community that pervades OM Insure. I have never felt prouder, or more privileged, to be part of a business and Group, than I have in 2021. The way in which OM Insure and Old Mutual Group have come together to support the broader community they serve, has been truly inspiring. And I have no doubt that this sense of community will continue in the future and will build OM Insure's resilience and effectiveness as a business, no matter what 2022 holds.

As a Board, we suffer no illusions about the coming year. We know that the difficult economic conditions will continue, and that muted consumer confidence and rising inflation will likely have a knock on effect on our business. As too will increasingly stringent regulations and a more competitive environment in which competing mainly on price is always tempting.

While OM Insure is committed to providing value to our customers, we are determined to not fall into the trap of trying to gain market share by selling inferior insurance products at discounted cost. Rather, our continued success will be built on our strong, long-standing reputation as a trusted provider of excellent cover that gives our customers absolute peace of mind. We are confident that this commitment to quality and value will continue to differentiate OM Insure from our competitors and, by underpinning our offering with a robust digital ecosystem, we will ensure ease of access and hence be in a position to pass sustainable cost savings on to our customers.

Condolences

Sadly, we lost some of our valued team members to COVID-19 in the past year. We extend our deepest condolences to their loved ones, friends, and colleagues. We feel their loss and we mourn their passing with you.

Thankful

The entire OM Insure team is to be commended for a solid performance in what was another difficult year. Their commitment is reflected not only in our pleasing financial results, but also in our customer retention and growth figures, our continued delivery of service excellence, and the positive feedback we receive from those we serve.

On behalf of the Board and business, I also want to sincerely thank all our reinsurance partners. Your dedication and support have been key to our ability to continue delivering to our customers. Thank you also to my colleagues on the Board, the MD and Executive team, and again to each and every OM Insure employee.

They say that when the going gets tough, the tough get going, and I can certainly attest that to be the case at OM Insure.

Steffen Gilbert
Chairman

WE CULTIVATE VALUE

MANAGING DIRECTOR'S REPORT

After two years of stiff headwinds and muted financial performance, it is most satisfying to introduce once again an annual report that demonstrates solid year-on-year growth and a steady financial recovery across all areas of the Old Mutual Insure (OM Insure) business.

Garth Napier
Managing Director

Yes, we are still working to regain our pre-COVID-19 growth trajectory, but this year's results are highly pleasing when compared to the previous financial year. These prove that OM Insure's business strategy is appropriate and on track.

Worth noting, is the recovery shown by our Credit Guarantee Insurance Corporation (CGIC) subsidiary that turned a R91 million loss in 2020 into a profit of R489 million in this year under review. This outperformance, despite many lingering challenges in the local and global trade environment, validates CGIC's position as a leading provider of trade credit insurance solutions.

iWYZE continued steaming ahead and growing its market share, delivering a healthy profit.

OM Insure also made good progress in settling the remaining business interruption (BI) claims carried over from 2020. We continued approaching each case on its merit and, despite a few disputed cases still outstanding, we have made significant strides towards the finalisation of the BI claims received by the end of 2021 through a collaborative, partnership- driven approach.

Well rounded performance

While CGIC and iWYZE delivered the standout performances for the 2021 financial year, our other divisions achieved solid results, thanks to the dedication and perseverance of our people under exceptionally trying circumstances. I am pleased to report that OM Insure collectively recorded overall top-line growth of 8% and operational savings of over R180 million during the period of review.

More importantly, this success has not come at the expense of our commitment to delighting our Customers. We have seen an improvement across our customer service metrics and we were recognised by the SAcsi (South African Customer Satisfaction Index) as the leading intermediated non-life insurance company across multiple service metrics including Net Promotor Score (NPS), Value for Money and Customer loyalty. OM Insure succeeded in growing its customer numbers in 2021, which is a further testament to our consistently excellent service levels and the trust-based relationships with our business partners.

Nevertheless, the past year was clouded by a few challenges.

Like so many other organisations, we were impacted by the COVID-19 pandemic and we were saddened by the loss of employees who succumbed to the virus. We continue to mourn their loss and extend our condolences to their families and friends.

The July 2021 civil unrest in KwaZulu-Natal and Gauteng was a major catastrophe that impacted the lives and livelihoods of our customers, staff and business partners. Whilst this did not impact our results for the year due to the nature of the incident being covered by SASRIA, we did however, play a meaningful role in supporting SASRIA in settling related claims. We also provided our staff and business partners with care packages to assist them with basic necessities. In addition we provided premium relief to our customers impacted by the unrest and looting.

Risks and opportunities

The instability of the national power grid remains a material risk to our business, both directly in terms of business continuity during periods of load-shedding, and indirectly, due to losses and equipment damages caused by power surges. A further cause for concern is that load-shedding in 2021 was at the highest level yet recorded in South Africa. Alongside steep increases in electricity costs, we are concerned about the possibility (some would say probability) of a large-scale national grid failure. The impact of such a situation on the national economy and on our business could be catastrophic.

Cyber risk also remains a key concern for our business and our customers, both private and business. This is a logical outcome of the widespread digitalisation of our world as a result of COVID-19 and its lockdowns, with the rising number of cyberattacks on leading private and public sector institutions pointing to a fast-growing problem for all industries, including insurance. While we continue enhancing our own cybersecurity defences, we continue to work with our stakeholders, particularly our customers, suppliers and partners, to ensure the integrity and robustness of our value-chain's cybersecurity.

That said, increasing cyber risks also present an opportunity for our business in terms of rising demand for cyber- risk insurance solutions. Innovative responses to evolving cybercrime risks are vital for businesses and individuals.

We have been innovating to leverage the heightened service levels that an increasingly digital operating environment demands. We are excited about rolling out enhanced, frictionless, and faster service channels soon. An example of this enhanced digital customer experience is our new glass replacement "straight through processing" solution, which makes it possible for customers to complete windscreen replacement claims without ever needing to deal with a claims consultant at Old Mutual Insure. We have also automated our process for dealing with minor accident claims, enabling customers to provide photographic evidence of the damage instead of physically having to visit assessors.

We are also developing a more targeted on-demand insurance product such as Comma Insure which allows our customers to activate/deactivate their cover as needed. Comma Insure was placed in the BCX Innovation awards in 2021, confirming how innovative this product is.

OM Insure is well aware of the rapidly increasing risk climate change and destructive weather events pose to our customers and business. While we obviously cannot control the weather, we do proactively track weather events and noted higher rainfall figures and storm activity across the country during the last few weeks of 2021. While tracking the weather, we make every effort to warn our customers when severe weather is predicted for their locations.

OM Insure is continually developing its own environmental sustainability strategy and will partner with those business customers who want to implement business changes aimed at enhancing their own sustainability or reducing their carbon emissions through thought leadership and relevant product development/pricing.

Reimagining our business strategy

While our business strategy positioned us well over the past year, we know that further value can be unlocked by constantly reviewing it in line with the changing environment we operate in. In 2021, OM Insure undertook a process to realign its own strategy with the Old Mutual Limited Group strategy of "Rectify, Simplify, Amplify". Essentially, this realignment broke down into:

- a heightened focus on improving the underwriting profitability of our commercial business by improving our loss ratios,
- implementing a new organisational structure to better segment, and serve, our retail and corporate customer bases,
- extending iWYZE's product offering and partner network to continue gaining market share, and
- making strategic acquisitions to complement our existing businesses and to drive growth across our portfolio.

Looking forward

OM Insure's focus for the coming year will be to deepen our competitive position through innovative product and service solutions that meet our changing customer needs, continuing empowering and developing our people, whilst leveraging the strength of the Old Mutual brand and the trust it engenders to grow profitably across all channels.

Consumers remain under significant pressure due to inflationary pressures, renewed signs of social and xenophobic unrest in South Africa, and as yet, the unquantifiable outcomes of the war in Ukraine.

These factors will most likely translate into relatively subdued top-line growth across our industry. In this light, OM Insure will continue driving down expenses and investing cost savings into enhancing our systems, solutions, and customer service levels.

OM Insure will continue investigating acquisition options and opportunities for inorganic business growth. Our current 9% market share gives us a lot of scope for upward movement, particularly in the direct channel where iWYZE is performing so well.

Gratitude

We owe a massive thank you to all our employees, business partners, brokers, and customers for the part you have played in making 2021 a very successful year for OM Insure. I am also most grateful to the OM Insure Board and management team for their unwavering support and commitment, especially during some tough decisions our business has faced since I arrived in the Managing Director's seat.

Lastly, a specific word of thanks to our Chief Actuary, Lisa Pines, who left OM Insure during 2021. Thank you for all your dedication and hard work over the years. And a warm welcome to Ronald Richman, who replaces Lisa as Chief Actuary. We look forward to the valuable contributions you are sure to make in the coming years.

Garth Napier
Managing Director

WE CULTIVATE VALUE

STRATEGIC OUTCOMES

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

WE DELIVER OUR TRULY MUTUAL STRATEGY THROUGH A THREE-PRONG EXECUTION FRAMEWORK

RECTIFY	SIMPLIFY	AMPLIFY
Looking at our business and addressing areas within our value chain that are not working optimally and reorienting our business to new ways of thinking.	Reviewing and further simplifying our business activities to reduce waste and improve our agility to evolving stakeholder needs and expectations.	Scaling and increasing the impacts of our simplification activities.

We will make it evident that **Old Mutual cares** through solutions and actions that support customers, their families, and communities.

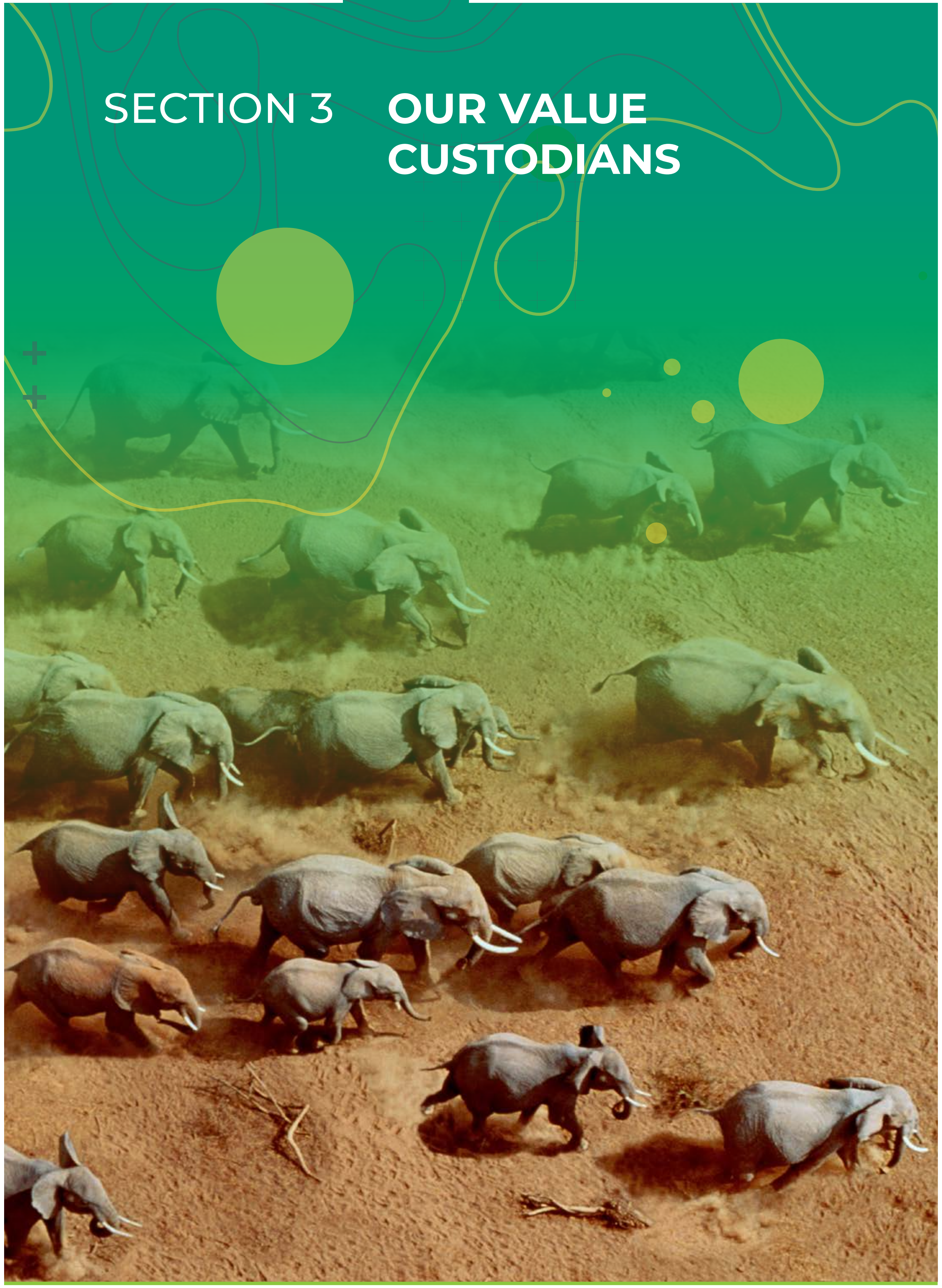
We will aim to be **always present first** by ensuring that propositions and advice are available to customers when and how they need them, and through our brand that is always top of mind.

We will build **rewarding digital engagement** through considerate and effective use of advice and customer data.

Our high performing **engaged employees** will make meaningful contributions to achieve our purpose, vision, and values.

We will deliver **solutions that lead** in service and performance, for insurance, investments, and supporting banking needs.

- a connection with our customers' needs, journeys, and lives,
- our employees feel a deep sense of belonging and connection with our purpose, and
- contributing to a better society.



OUR VALUE CUSTODIANS

EXECUTIVE COMMITTEE

Garth Napier(43)
Managing Director
Qualifications: MBA, BCom Honours (Accounting)
Appointed: 1 November 2018
Expertise, and experience: Retail, consumer behaviour, stakeholder management.

Thuli Manyoha(38)
Financial Director
Qualifications: CA(SA), BCom (Financial Accounting), BCom Honours (Financial Accounting)
Appointed: 1 January 2018
Expertise, and experience: Accounting, financial management.

Soul Abraham(36)
Chief Executive: Retail
Qualifications: BSc Honours (Actuarial Science), Postgraduate Diploma in Leadership
Appointed: 1 January 2020
Expertise, and experience: Short-term insurance, actuarial.

Charles Nortje(61)
Chief Executive: (CGIC)
Qualifications: CA(SA), BCom, BAcc
Appointed: 1 August 2013
Expertise, and experience: Corporate risk services, credit, and political risks.

Hennie Nortje(58)
Chief Executive: Claims
Qualifications: CA(SA), MCompt
Appointed: 1 February 2017
Expertise, and experience: non-life insurance, life insurance operations.

Ludwyn Lortan(44)
Chief Information Officer
Qualifications: BCom (Information systems and Insurance risk management)
Appointed: 21 November 2019
Expertise, and experience: Banking, insurance, technology.

Jerry Anthonyrajah(37)
Executive: Blue Sky & Strategy
Qualifications: BSc Honours (Actuarial Science), MBA
Appointed: 1 April 2020
Expertise, and experience: Strategy development, project management, marketing, mergers and acquisitions, new business development.

Samantha Boyd(54)
Chief Executive: Specialty
Qualifications: BCom, ACII
Appointed: 1 July 2020
Expertise, and experience: Short-term insurance, specialty insurance, management.

Ronald Richman(36)
Chief Actuary
Qualifications: Fellow of the Institute and Faculty of Actuaries (IFoA) and the Actuarial Society of South Africa (ASSA), MPhil in Actuarial Science (with distinction), BSc Actuarial Science and Mathematical Statistics. Practising certificates in non-life and life insurance, Chartered Enterprise Risk Actuary and Chartered Property Casualty Underwriter
Appointed: 1 September 2021
Expertise, and experience: Actuarial, capital, risk, insurance.

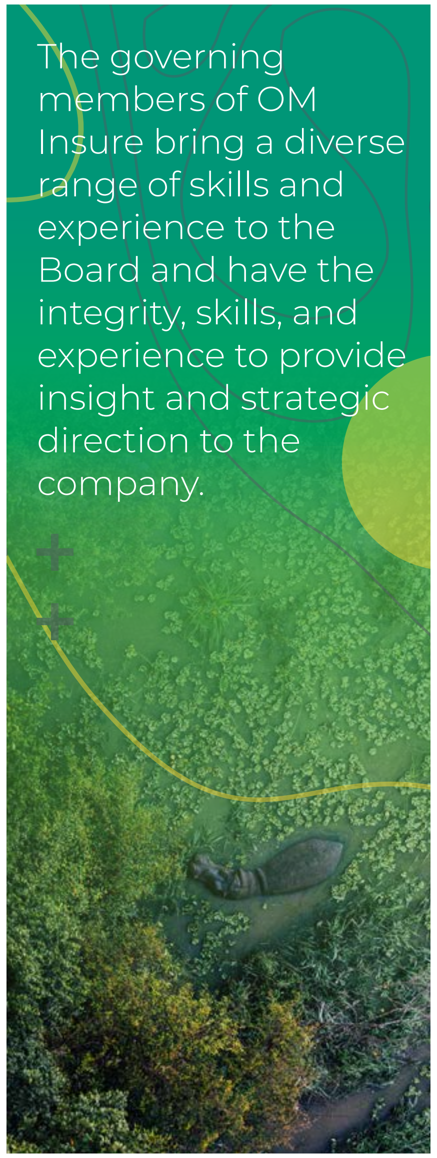
Thabile Nyaba(47)
Chief Risk Officer
Qualifications: Certified Risk Management Professional (CRM Prof), Certified Internal Auditor (CIA)
BTech: Cost and Management Accounting
Appointed: 1 January 2018
Expertise, and experience: Governance, Risk and Compliance (GRC), auditing, combined assurance.

Sungeetha Sewpersad(43)
Executive: People
Qualifications: BSocSc, LLB
Appointed: 1 July 2020
Expertise, and experience: Human Resources in various industries.

BOARD OF DIRECTORS

Steffen Gilbert(60)
Chairman – Independent non-executive Director
Qualifications: FIA
Appointed 1 September 2019
Skills, expertise, and experience: Actuarial, strategy, customer.

Gary Steven Palser(65)
Lead Independent non-executive Director
Qualifications: BBusSc Honours, FASSA
Appointed: 1 March 2014
Skills, expertise, and experience: Financial, risk, actuarial.



Garth Napier(43)
Managing Director
Qualifications: MBA, BCom Honours (Accounting)
Appointed: 1 November 2018
Skills, expertise, and experience: Strategy, customer, operations.

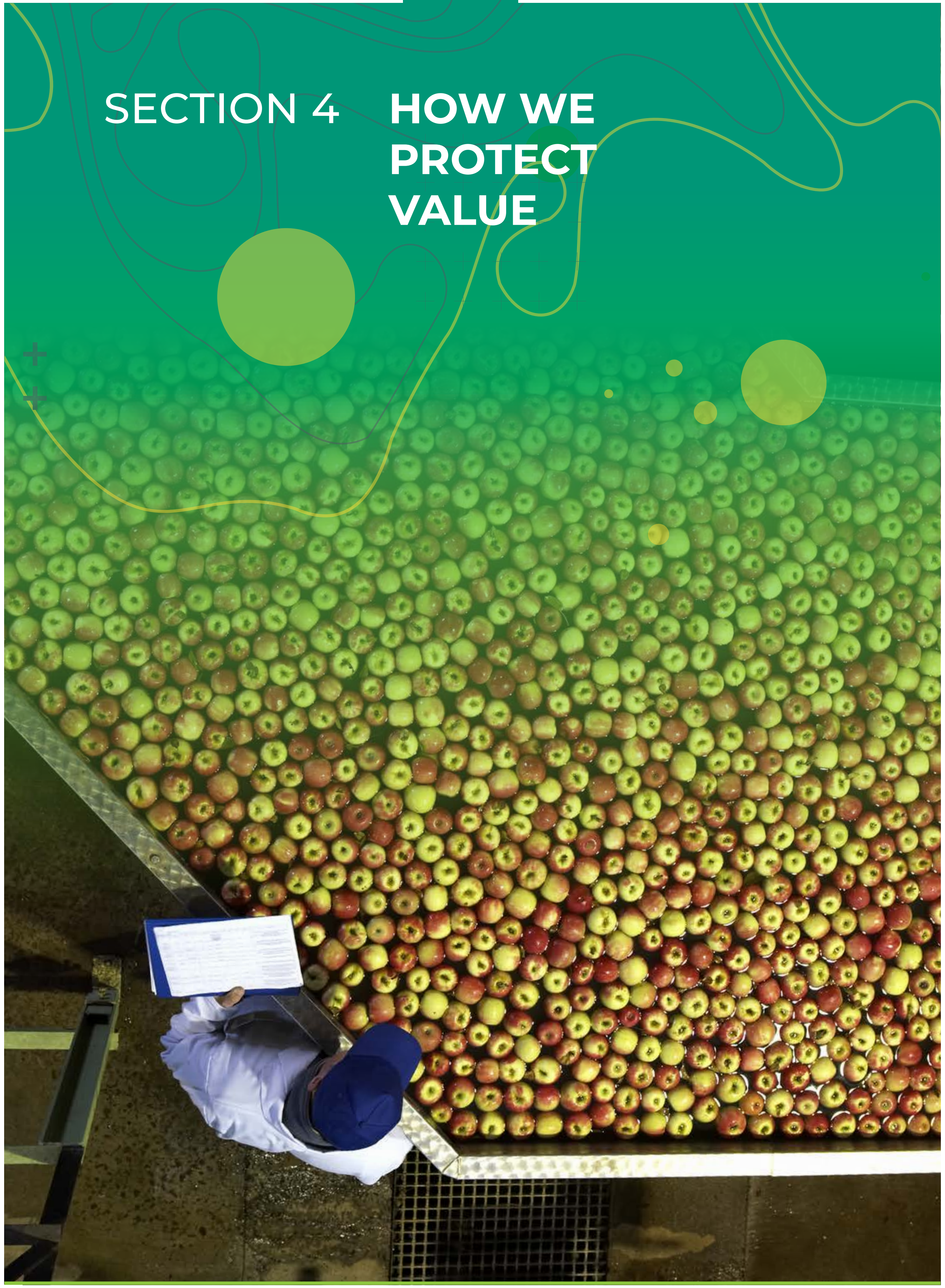
Nokuthula (Thuli) Manyoha(38)
Financial Director
Qualifications: CA(SA), BCom (Financial Accounting), BCom Honours (Financial Accounting)
Appointed: 1 January 2018
Skills, expertise, and experience: Financial and strategy.

Thandeka Pamela Zondi(40)
Independent non-executive Director
Qualifications: CA(SA), BCom Honours (Accounting)
Appointed: 1 June 2018
Skills, expertise, and experience: Financial and strategy.

Mark Scharneck(60)
Independent non-executive Director
Qualifications: CA(SA), BCom, BAcc
Appointed: 1 June 2019
Skills, expertise, and experience: Financial, operations, customer.

Iain Williamson(51)
Non-executive Director
Qualifications: BBusSc (Actuarial Science), GmP, FASSA
Appointed: 8 June 2020
Skills, expertise, and experience: Financial, strategy, operations, actuarial.

SECTION 4 HOW WE PROTECT VALUE



HOW WE PROTECT VALUE

CORPORATE GOVERNANCE

Corporate Governance and King IV statement of commitment

The OM Insure Board of Directors is ultimately responsible for the effective governance and overall success of the OM Insure Group of companies (the Group). 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 oversees insurance operations of the Group and ensures compliance with all statutory and regulatory requirements. The Board confirms its commitment to achieving high standards of corporate governance within the Group.

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

The OM Insure Board is satisfied that overall, during 2021, it complied with the GGF, which includes the King IV principles, on the same basis as the OML Group. Refer to the full 2021 OML governance report on our corporate website for detail of the application and explanation of King IV requirements.

Leading ethically and effectively

The governing members of OM 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 members, are considered for appointment to the Board.

The Board always acts in good faith 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, OM Insure has appointed a lead independent director to further enhance its governance in line with best practice.

Specific functions have been delegated to committees to assist in meeting the Board's oversight responsibilities. 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 roles and responsibilities of each committee are set out in the relevant terms of reference. Each committee reviews and assesses the adequacy of the terms of reference annually and recommends changes to the Board when necessary. Independent non-executive directors chair all committees.

Board charter

The Board operates in terms of a Board charter that defines its functions and responsibilities. The Board's responsibility to ensure best practice in ethical governance is entrenched in this 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, based on an ethical foundation. The Board must also make sure that OM Insure is, and is seen to be, a responsible corporate citizen by having regard to not only the financial aspects of the business, but also the impact that business operations have on the environment and the society within which OM Insure operates.

Leadership roles

The responsibilities of the Chairman, the Lead Independent Director, and Managing Director are clearly defined and separated, as set out in the 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.

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
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	4/4	4/4	3/4	4/4
Mr MA Scharneck	4/4	4/4	4/4	
Mr SC Gilbert	4/4			4/4
Mr IG Williamson	4/4			

HOW WE PROTECT VALUE

CORPORATE GOVERNANCE

OM 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 risk categorisation model. Each of these policies have been developed internally and was adopted 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 OML Group's internal letter of representation process on an annual basis.

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

This means that the Board is the focal point of corporate governance aimed at ensuring an ethical culture, organisational performance, effective internal control, and organisational legitimacy.

The OM Insure Board has adopted the OML Board Appointment and Diversity policy to make sure that there is appropriate representation on the Board.

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, in conjunction with the OML 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 execute its governance role and responsibilities objectively and effectively.

The Board 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 2021, the Board comprised seven directors, five non-executive directors, and two executive directors. Of the five non-executive directors, four are independent.

Appointments to the Board are formal and transparent and are a matter for the Board of Directors as a whole.

The Board members are appointed (and when necessary, removed) in accordance with the requirements of the GGF, which sets out the size and composition requirements, and that meets applicable legal and Memorandum of Incorporation requirements. The Board considers, within the GGF requirements, the following:

- succession for the Chairman,
- plans for succession for the Managing Director and the direct reports of the Managing Director,
- the appointment of any non-executive director,
- membership of the committees of the Board, taking into consideration the relevant legal requirements, and
- the skills necessary to perform the delegated functions.

Board delegation

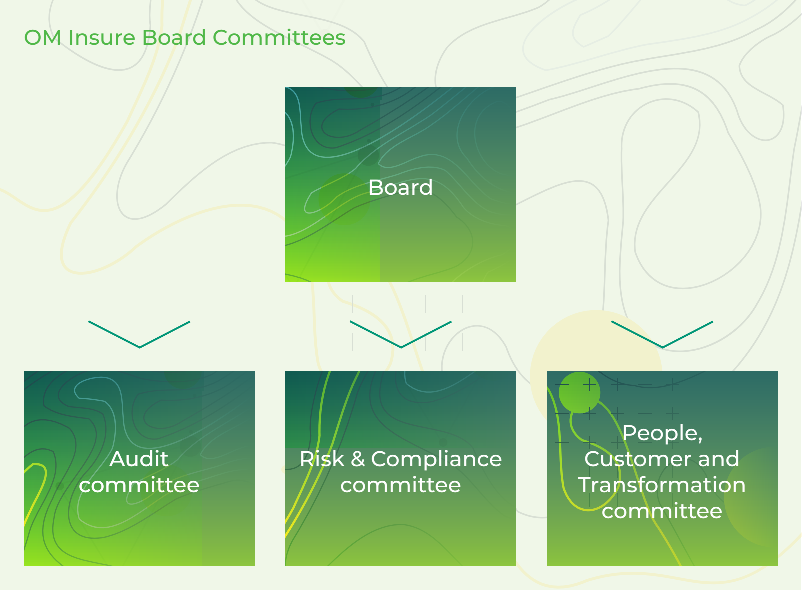
The Board delegates the day-to-day management of OM Insure to the Managing Director. A formal scheme of delegated authority has been approved by the Board, which clearly sets out the parameters of the delegated authority to approve decisions about specified business actions. However, ultimate responsibility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

BOARD COMMITTEES

The Board charter makes allowance for the delegation by the Board of its work to Board committees. The Board delegates functions to committees to assist the Board in meeting its mandated responsibilities. Formal terms of references exist for each committee, which is reviewed by the Board on an annual basis.

Executive members and senior management are invited to attend committee meetings either by standing invitation or on an ad-hoc basis to provide feedback on their areas of responsibility.

The Board receives feedback from the committee chairpersons 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.



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) and, when relevant, group accounting standards. The committee oversees and directs the work of internal audit, 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, any internal capital model, 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 capital management.

People, Customer and Transformation committee

This is a newly constituted committee (constituted late 2019), with the purpose to make sure that there is a proper focus on the following key business issues:

a. Ethical health and culture, and
b. Stakeholder relationships:
   (i) employee engagement and transformation,
   (ii) fair treatment of customers, and
   (iii) regulatory compliance and responsiveness.

The committee is chaired by Thandeka Zondi, with the Managing Director and Board Chairman as members.

The following mandatory committees are centralised at OML Group and perform specific functions on behalf of OM Insure. The terms of reference of these committees can be found at www.oldmutual.com/about/governance/board-committees.

Remuneration committee

OM Insure has delegated its remuneration committee function to the OML Remuneration committee. The OML Remuneration committee has oversight of the remuneration policies and philosophy for the entire OML Group and ensures that all OML Group companies comply with all remuneration and risk-related principles including relevant policies as set out in the GGF.

Responsible Business (incorporating social and ethics) committee

The OML Responsible Business (incorporating social and ethics) committee performs the statutory social and ethics functions on behalf of OM Insure. The OML Responsible Business (incorporating social and ethics) committee is constituted to ensure that Old Mutual and other entities in the Old Mutual 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 it operates.

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 with an evaluation conducted annually. The Board has absolute responsibility for the performance of OM Insure and is accountable for such performance and, therefore, continually strives to improve its performance and effectiveness for the benefit of OM Insure. The Board actively participates in the evaluation process, which includes an assessment of the Board itself, as well as the evaluation of individual director performance. The results of evaluations are discussed by the Board and action plans implemented to address any gaps identified.

SECTION 5 OUR VALUE OUTCOMES

FINANCIAL DIRECTOR'S REPORT

With the ebb and swell of COVID-19's economic impact during 2021, what sunk in was the reality of the long-term financial challenges that the pandemic has created for individuals, families, and organisations. Consumers and businesses remain under severe financial pressure. Pedestrian economic growth, sharp increases in the cost of living and doing business, and a crumbling national infrastructure all add to the ongoing challenges that our insurance sector faces.

The OM Insure Group result for the 2021 financial year is significantly better than the previous year. This is primarily due to stellar contributions from the CGIC and iWYZE businesses. CGIC achieved an exceptional underwriting profit that buoyed the Group's outcome. Weather related claims continue to pose a challenge for our largest business segment, and these have had a negative impact on the Retail division's results for the year.

The increase in our gross written premiums seen in the 2020 financial year continued in 2021, rising by R1 116 million (2020: R155 million), translating into 7.5% growth year-on-year. The main contributors to this growth were the MFRF, CGIC and iWYZE businesses. CGIC and iWYZE recorded premium income increases of R218 million (16.8%) and R130 million (12.9%), respectively. The largest increase came from the cell captive business, MFRF. MFRF achieved R455 million (13.9%) in gross premium growth whilst Specialty contributed R164 million (8.4%) growth and Retail R92 million (1.2%).

OM Insure Group	2021	2020	2019	2018
GWP	**15 927**	14 811	14 656	13 218
Net claims ratio	**60%**	65%	64%	61%
Underwriting margin[1]	**4.9%**	(2.6%)	0.4%	5.3%
Net earned premium	**9 248**	9 507	9 922	9 048
Underwriting profit/(loss)	**455**	(250)	35	480
Non-commission expenses	**2 127**	1 960	2 261	1 933*
Profit after tax	**729**	(130)	323	705
Cost: Income ratio (GWP)	**13%**	15%	15%	15%

[1] Underwriting margin: Net underwriting result as a percentage of net earned premium.
** 2018 expenses exclude the impact of managed separation.*

Strong performances by the CGIC and iWYZE businesses underpinned a profit after tax of R729 million (2020: R130 million loss). While a portion of these profits is attributed to one-off reserve releases, the bulk of this profitability resulted from a robust business strategy and sound operating model. This outcome makes us confident that OM Insure can maintain this performance in the coming years. The above contributed positively toward the turnaround in net underwriting margin from negative 2.6% in 2020 to a positive 4.9% in 2021.

Business interruption (BI) claims again absorbed a significant amount of time and resources. In the 2020 financial year, OM Insure took a conservative stance in financially preparing for these claims, assuming that there would be claims against all policies that were eligible for claims, and that claimants would be able to prove their losses. As such, our gross claims reserves were significant. While all claims' processes had not been fully finalised by the end of 2021, it seems likely that total claims payments will be lower.

To further evaluate these group-wide financial figures, I will comment briefly on the financial performance of key components of our business.

CGIC

Our CGIC business performed exceptionally well, turning a significant 2020 loss into a substantial profit in 2021. This is undoubtedly a good-news story. This exceptional performance should be viewed within the context of key strategic actions taken by the Executive leadership since the 2018 financial year.

FINANCIAL DIRECTOR'S REPORT (CONTINUED)

The R489 million profit shown on the 2021 financials was not purely the result of a single year's effort, but the outcome of a lengthy journey of risk management, re-underwriting, and progressive pricing adjustments. This outcome was bolstered by unusually low claims during the course of 2021 and the release of excess claims reserves. Although CGIC is now well-positioned for sustainable profits, we need to moderate our future expectations for this business unit in line with economic challenges prevailing in South Africa and throughout the world. We are optimistic that CGIC will continue delivering profits in the foreseeable future.

iWYZE

iWYZE delivered an excellent performance in the 2021 financial year, despite the new quota-share arrangement held with its reinsurers. Given that the direct market remains under pressure from the challenging consumer environment, much of iWYZE's exemplary performance can be attributed to its ability to drive down the cost of capital through strategically places reinsurance structures while maintaining steady earnings. iWYZE's robust partnership model continued supporting the growth it achieved.

Specialty

Despite facing continuing challenges over the past number of years, OM Insure's Specialty insurance division effectively broke even in the 2021 financial year by delivering a marginal underwriting profit. This was a breakthrough performance, compared to the losses of recent years and comes as a direct result of strategic course correction in its corporate property book, while strictly managing its other lines of business such as engineering and marine.

We are confident that Specialty is now well-positioned to steadily improve its contribution to the Group's profitability.

MFRF

The cell captive business performed very well in its top line performance in the 2021 financial year and continued to contribute positively to the underwriting profits of the OM Insure Group. Underwriting profits were lower than anticipated due to higher expenses incurred to achieve the business objectives such as meeting regulatory standards (IFRS17) and developing a pipeline for growth. The division has identified the need to strategically re-assess capital and management fee scales which we believe will support better profits in the upcoming year, however, these may remain under pressure due to the higher cost of operations.

Retail

The 2021 loss experienced by the Retail division was not entirely unexpected, given the increasing weather-related catastrophes as experienced in quarter four of the year. Another contributing factor is the restructuring that Retail underwent in the past year to realign it with recent shifts in its operating environment and customer base. Despite the headwinds, Retail's loss was well-managed.

Retail is now well-positioned for growth in a post-COVID-19 world, and we anticipate steady improvements over time as the benefits of the realigned business model materialise.

Looking forward

To grow and prosper, OM Insure needs to improve efficiencies while continuing to identify opportunities to reduce expenses.

Given the likelihood of continued pressure on consumers and businesses, one of OM Insure's growth opportunities in the short to medium term lies in targeted acquisitions. We have developed an acquisition strategy, along with comprehensive partnership plans and will be leveraging both to drive growth in 2022 and beyond. OM Insure has begun implementing our "future-state" IT strategy, which we are confident will support our ongoing evolution as a digitally empowered insurance-solutions provider. We will continue investing financial resources and expertise into the rollout of this future-fit strategy.

OM Insure's financial position remains robust, and we are confident that the business can meet all foreseeable operating commitments.

Gratitude

I want to express my sincere gratitude to my finance team. Despite experiencing the upheaval of our 2021 team restructure, all team members remained true to their responsibilities of supporting and guiding the business units throughout the year.

Thank you to our colleagues on the balance sheet management team at Old Mutual Limited. The team is a vital partner to OM Insure and their assistance on many important projects has proven invaluable.

Finally, thank you to all the other support areas within OM Insure, including, but not limited to, IT, risk management, governance, and internal audit. Without the solid foundation these teams and departments provide, the success delivered by our customer facing business areas would be much harder to achieve.

Thuli Manyoha

Financial Director

OUR VALUE OUTCOMES

DIVISIONAL PERFORMANCE – RETAIL

Soul Abraham

OUR KEY FEATURES

388 990
Customers

1 215
Employees

10
Branches

SPECIALIST SKILLS

Underwriting, Actuarial, Data science, Relationship management, and customer service

Overview

The Retail division provides non-life insurance solutions to the personal, commercial, and agriculture markets. These solutions are designed to meet the specific needs of those customers, covering various classes of general insurance (such as loss or damage to movable and immovable property).

Customers can access and purchase insurance solutions via our multi-channel distribution portfolio in a way that suits their needs.

We offer underwriting support and services to our market through a network of six regional underwriting Centres of Excellence that provide central support and oversight.

OPPORTUNITIES AND CHALLENGES

Retail's biggest challenge remains South Africa's poor economic outlook, exacerbated by COVID-19. This resulted in business closures and, therefore, a reduced demand for traditional non-life insurance products. The civil unrest in July 2021 also impacted many of our customers, service providers, and communities. Retail responds to these challenges by staying in touch with our customers, aligning to their changing needs and reviewing our strategy in accordance with current and future market trends.

One particular change in the market, is the entrance of more digital-savvy consumers who prefer solutions that are not only content specific, fully "plug and-play" across multiple digital platforms and channels, but also more transactional in nature. We continue to gear our business to enable this shift in market trends.

The Retail division had a challenging 2021 which followed a difficult 2020 however, the division was able to achieve pre-COVID-19 revenues. This was led by a return to more normal levels of intermediary activity, despite further waves of COVID-19 infections in South Africa all of which was unfortunately offset by the last quarter weather-related catastrophes.

Our gross loss ratio was lower than our 2021 targets and long-term performance benchmarks which was driven by a combination of lower-than-expected claim frequencies and an effective underwriting and claims cost containment.

Retail performance

R7 778m Gross written premium (GWP) (2020: R7 687m)	R103m Underwriting loss (2020: R(171m))

We received positive feedback from our external stakeholders on the new channel-focused Retail operating model, which enables us to shape and build better relationships while exploring the nuances of each channel. A new alternative distribution channel was launched in late 2020 as a way to reach customers via partnerships with other Retail sectors. Offered as a more direct and digital experience, this alternative channel proved a great success in 2021 and already accounts for more than 15% of the Retail division's new business sales.

We will expand alternative distribution rapidly over the next 24 months and expect it to be among our biggest sales channels by 2023.

During 2021, our lapse rate remained stable. This testifies to the loyalty of our customers, our strong brand, and a relevant product offering in a challenging economic environment, made even more complex by changing customer needs.

Retail is proud to have been independently voted the best in several categories in the SAcsi awards.

In the intermediated space, we were awarded the following:

- Most recommended
- Customer loyalty
- Value for money (price and quality)
- Customer satisfaction (peace of mind)

Overall (intermediated and direct), we were best in the industry for:

- Complaints handling
- Treating customers fairly.

STRATEGY AND OUTLOOK

The Retail strategy comprises three pillars:		
Diversifying distribution channels and products to grow revenues	Leveraging data and technology to drive efficiency, pricing, and risk selection	Enhancing off-platform business by partnering with key stakeholders for mutual benefit

Distribution channels	Key support areas
• On-platform business solutions • Outsourced business solutions • Old Mutual Limited (OML) business solutions • Alternative channel solutions	• Product, pricing, and underwriting • Data office • Project office • Customer • Marketing

Going forward, we aim to appoint the necessary skills to each channel, with a focus on attracting actuaries and data scientists. Strengthening the new alternative distribution channel with technology and skills will be a key focus, with significant partners coming on board in early 2022.

In 2022, Retail will be investing in our underwriting and pricing framework. Ultimately, we intend automating most of our underwriting decisions to unlock better service for intermediaries and customers. Similarly, we are investing in claims data and technology that will enable the straight-through processing of claims simpler.

OUR VALUE OUTCOMES

DIVISIONAL PERFORMANCE – SPECIALTY

Samantha Boyd

OUR KEY FEATURES

3 700
Customers

265
Employees

SPECIALIST SKILLS

Insurance Structuring

Cell captive

Client Risk management services

Specialist Underwriting

Overview

The Specialty division offers bespoke insurance solutions to customers through specialist intermediaries.

We protect the large assets and property of our customers, while providing solutions for engineering, construction, marine, and transit risks. Our partnerships with specialist underwriting management agencies provide non-life insurance to casualty and financial lines. Prudent risk selection and individual risk pricing ensures the sustainability of our model.

Managed within the Specialty division

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 maintains a separate insurance licence, within which customers can operate cells and ring-fence funds to finance their insurance requirements or those of their business customers.

OPPORTUNITIES AND CHALLENGES

The COVID-19 pandemic, with its impact on travel and economies, severely constrained the travel sector. However, our Engineering and Marine businesses began recovering after two disappointing years.

We are also pleased to see that, despite the wide-spread effect of COVID-19 on many industries, our corporate property portfolio continues to perform well. We are exploring diversification options to negate the reduction in gross written premium that will occur as market conditions for customers in the coal mining sector change.

Specialty performance

R1 746m	R2m
Gross written premium (GWP)	Underwriting loss
(2020: R1 525m)	(2020: R55m)

Specialty

The Specialty division (excluding MFRF) reported strong growth in 2021, including an increase in net underwriting profit compared to 2020, despite reduced cessions from Reinsurance Inwards treaties. Our gross loss ratio was well below target due to improved risk selection and careful pricing.

Our Engineering and Marine portfolio broke out of its two-year slump to report double-digit growth.

Our corporate property portfolio continued to show a pleasing result following the application of a revised underwriting philosophy.

Our underwriting management agency (UMA) partner base continues to grow, but its performance was dampened by the large claim emanating from the fire in April 2021 at the University of Cape Town that resulted in a R25 million net loss.

Specialty operating highlights for 2021 included:

- Generating positive results through customer risk management and surveying initiatives. Our fire protection and suppression system advice to customer resulted in an improved underwriting result and better customer retention.
- Increasing the use of data and artificial intelligence. We introduced an offline survey tool to generate standardised reports faster, while new rating tools improve our speed of delivery and assist with building a database of customer underwriting information.

MFRF

The MFRF business reported operating highlights for 2021:

- Achieved premium growth of 13.9%.
- Implemented a revised operating structure to ensure that we have the right skills in place for growth and to manage risk and compliance.
- Onboarding two new cells.

MFRF performance 2021

R3 741m	R4m
Gross written premium (GWP)	Underwriting profit
(2020: R3 286m)	(2020: R7m)

STRATEGY AND OUTLOOK

Specialty 2022 focus areas

- Explore growth opportunities in Engineering and Marine, considering partnerships with financially stable companies that have established positions in the market.
- Enhance the use of data to support underwriting decisions and identify trends.
- Build and embed tools and models that support underwriting and drive strategic planning.
- Showcase our divisional offerings to intermediaries and customers through both physical and virtual engagements.
- Diversify the Specialty business by focusing on inorganic opportunities.
- Build on our customer risk management practices by:
  - Using available survey resources more effectively.
  - Assisting customer by advising on optimal and innovative risk management solutions, as well as design-stage risk engineering.
- Launch and re-design our new Premier Risk Solutions processes to make sure that this segment takes full ownership of its end-to-end value chain. This redesign will focus on faster decision-making, tailor made underwriting solutions and customer centricity.

MFRF 2022 focus areas

- Build strategic partnerships.
- Strategic focus on improving the control and compliance environment to ensure cell owners' compliance and satisfaction.
- Enhance shareholder value through fee and managing capital optimisation.
- Train intermediaries on specialised products.
- Conduct targeted intermediary and customer engagements, provide thought leadership, share new ideas, and develop mutually beneficial customer solutions.

OUR VALUE OUTCOMES

DIVISIONAL PERFORMANCE – IWYZE

Anton de Souza

OUR KEY FEATURES

158 000
Customers

333
Employees

SPECIALIST SKILLS

Risk analysis

Focused multi-channel marketing

Collaborative value chain business partnering

Creative solution and execution

Overview

iWYZE offers a comprehensive personal insurance product range, including car, home, all risk, medical gap, personal liability, and hospital cash plans. We also offer a business insurance solution aimed at small and emerging businesses. iWYZE products are supported by a range of value-added services that include 24/7 home and roadside assistance.

Since 2010, the iWYZE direct distribution channel has enabled OM Insure to respond to the changing needs of customers and to other direct insurers.

OPPORTUNITIES AND CHALLENGES

Economic and social disruptions placed great pressure on policyholders, business partners, and the iWYZE team during 2021, which resulted in disrupting economic growth and employment in our markets. Our primary challenges during the reporting period included:

- Maintaining service levels and operational efficiency despite employee COVID-19 infections.
- Volatile economic conditions.
- Responding swiftly to changing market demands.

These challenges also present opportunities to offer insurance solutions at attractive premiums. We are taking advantage of these opportunities by:

- reducing costs,
- expanding and diversifying our distribution partners,
- spreading and diversifying our exposure to risk, and
- making judicious use of reinsurance.

iWYZE performance 2021

R1 141m	R67m
Gross written premium (GWP)	Underwriting profit
(2020: R1 011m)	(2020: R105m)

Gross written premium growth of 12.9% was achieved for the year which was impacted by the slow economic growth conditions prevailing in the country. An ongoing focus on claims cost and management expenses enabled our positive net underwriting profits.

Operating highlights for the year included:

- The launch of our "The year of savings" marketing campaign,
- Our investment in customer service which resulted in an excellent non-life Insurance Ombudsman performance, with only 39 referred claims overturned and an overturn rate of 12% advocating our values of treating the customer fairly, and
- Improved sales processes that enabled iWYZE to offer a quote with minimum customer difficulty, allowing us to serve policyholders efficiently.

STRATEGY AND OUTLOOK

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.

Looking ahead, rapidly changing vehicle technology will allow underwriting, risk management, pricing and claims management to leverage off these advances. The adoption of advanced self-drive capabilities is delivering vehicles with safety features that should in time reduce accident frequency and severity. We are continually integrating these changes into product enhancements and competitive premiums.

Our evolving vehicle event data response and recording capabilities increasingly support dynamic claim response, post-accident support and rapid claims settlement.

DIVISIONAL PERFORMANCE – CREDIT GUARANTEE INSURANCE CORPORATION OF AFRICA LIMITED (CGIC)

Charles Nortje

OUR KEY FEATURES

3 700
Customers

265
Employees

3
Branches

SPECIALIST SKILLS

Trade credit insurance

Guarantees (Bond & Surety)

Financial analysis

Structured finance

Overview

CGIC is the leading trade credit insurance company on the African continent and provides cover to over 20% of the insurable portion of the South African GDP. We insure our customers (policyholders) against payment default by their customers (buyers) when goods and services are sold on credit terms.

Our more than 3,700 customers transact with a combined 130,000 buyers, with total risk exposure of R270 billion carried on our books. Our policyholders include South African companies conducting domestic and international Business-to-Business (B2B) trade, and we underwrite risk across more than 140 countries. CGIC also offers a range of bond and surety products to, among others, the construction sector. Fuel guarantees, electricity supply, and customs bonds are ancillary products.

CHALLENGES AND OPPORTUNITIES

South Africa's national power utility, Eskom, remains plagued by a maintenance deficit, increasing the risk of unplanned power outages and load shedding. Higher energy prices also place additional pressure on businesses. The South African Insurance Association (SAIA) has already pointed out to Government that the industry does not have the capacity to absorb the claims and losses that inevitably follow severe and sustained power cuts.

CGIC performance 2021

R1 521m	R489m
Gross written premium (GWP)	Underwriting profit
(2020: R1 032m)	(2020: R(91m))

Simultaneously, global debt-to-GDP levels have continued to rise, indicating vulnerability to further economic shocks. The broader credit environment in South Africa remains subdued, with some major banks predicting a two-year recovery horizon.

South Africa also experienced civil unrest in July 2021, which resulted in looting and vandalism which has negatively affected business confidence both domestically and internationally. However, the direct effect on CGIC was muted due to prompt claims pay-outs by SASRIA and the national footprint and resilience of many of the affected companies.

The potential for recurrence of significant unrest remains to be seen.

OUR VALUE OUTCOMES

DIVISIONAL PERFORMANCE – CREDIT GUARANTEE INSURANCE CORPORATION OF AFRICA LIMITED (CGIC) (CONTINUED)

CGIC management undertook a range of strict underwriting and risk-reduction measures to restore stability and maintain customer confidence. We revaluated our engagement with high-risk buyers, sectors, and countries that were most negatively impacted by the pandemic, while working closely with our policyholders and intermediaries to mitigate trade disruption to strategic buyers.

The year 2021 consequently evolved into a watershed year in CGIC's 65-year history. Gross written premiums improved 16.8% year-on-year. Underwriting profit for the year achieved was R489 million, signalling a robust recovery from the unprecedented levels of claims experienced in 2020 at the height of the COVID-19 pandemic related global lockdown restrictions. CGIC's market share in SA rose to an estimated 80%, strengthening our position as the clear market leader.

The results for the year represent a significant and very pleasing turnaround from the R91 million underwriting loss reported for the tumultuous 2020 year. It provides CGIC with a robust financial position and strengthened capital base that fortifies the company against future challenges.

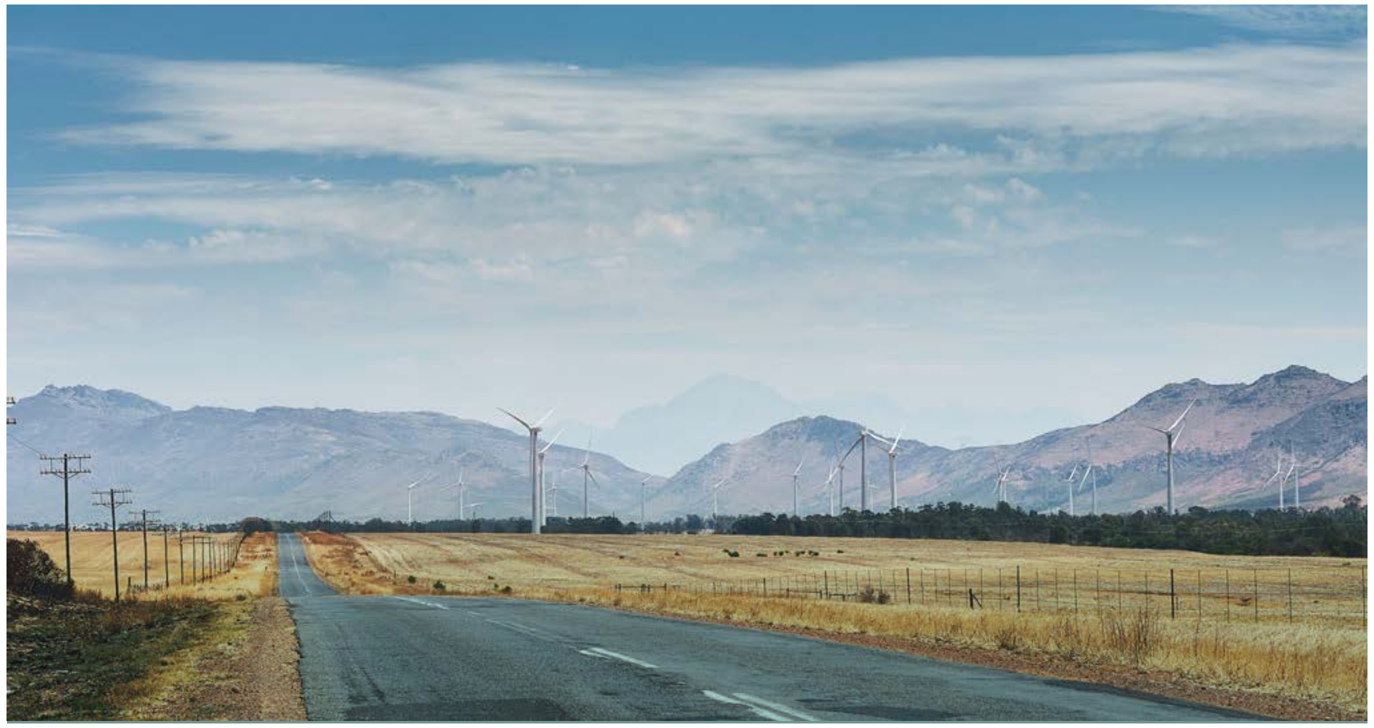
STRATEGY AND OUTLOOK

Leverage our strengths	Drive efficiencies	Build sales culture
Risk information collection, processing, and assimilation Underwriting expertise Leverage Atradius global capabilities	Simplify our core product Modernised cloud-based IT system Seamless customer experience	Improve our sales culture and capabilities Deliberate risk selection Diversify market share into the modern economy

CGIC aspires to remain the foremost trade credit insurer in SA and our customers' clear first choice. 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).

The tail-end of the pandemic is likely to persist well into 2022, calling for further caution and a conservative credit risk selection. The outlook for revenue growth in 2022 is muted as a consequence of headwinds in the South African economy, with GDP growth forecast to fall back to the 2%-3% level in 2022. We will place increased attention on creating and extracting value from our international business by taking a partnership approach to supporting key customers in Africa.

CGIC is also implementing a new buyer credit rating model to strengthen underwriting decision-making. We continue to invest 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. In addition, policy wordings on our core products are being streamlined and modernised.



DIVISIONAL PERFORMANCE – PEOPLE

Sungeetha Sewpersad

OVERVIEW

2 375
Number of permanent employees

1 361
Number of female employees

1 014
Number of male employees

B-BBEE STATUS

Level 1

Our approach

OM Insure's people are at the heart of fulfilling our promise to customers. Motivated and skilled staff, together with effective solutions and services, underpin the value we offer our customers.

Our journey to embed behavioural change through people, process, and system alignment is designed to match the OM Insure strategy.

During 2021, as part of the first phase of the refreshed strategy, we focused on:

- Striking the best balance between maintaining our traditional service offerings and growing our digital delivery.
- Ensuring that we have the right people with the right skills in the right roles.

Following a detailed organisational design process, we implemented several restructures in 2021 to better align our business to the changing needs of our customers.

The year 2021 was undoubtedly one of OM Insure's most challenging in terms of ensuring the wellbeing of our people. The COVID-19 pandemic continued to wreak havoc locally and globally. Anxiety and stress were compounded by the unrest in July in Gauteng and KwaZulu-Natal. In addition, vaccine hesitancy emerged as South Africa started its COVID-19 vaccination campaign and roll-out, which disrupted our return-to-work timelines and our proposed hybrid working model.

Employee engagement

Despite the uncertainty and heartache, we continued our culture-building initiatives, Key highlights from last year include achieving higher satisfaction scores which are measured via our Pulse Employee Engagement Survey.

Wellness

The pandemic catapulted employee wellbeing to the top of the corporate agenda, with burnout and stress featuring. OM Insure equipped employees with the skills they needed to deal with trauma, stress, mental health, and financial issues through training, webinars, and counselling sessions. Every quarter also saw the introduction of a new theme and new initiatives around financial wellness, COVID-19 vaccinations, and mental health.

Hybrid working model

The remote working environment was a consequence of the COVID-19 pandemic and resulted in employee satisfaction and productivity gains for OM Insure.

However, remote working did reduce team cohesion as employees engaged less on a personal level, resulting in working relationships with colleagues and customers often becoming transactional. We, are therefore, pursuing a hybrid working model that will see 50% of our staff members returning to the office while the remainder are required to come into the office at least once per week so as to encourage ideation, collaboration and human connection. We will continue updating our working model in response to balancing employee and customer needs.

Recognition

OM Insure launched a new recognition programme in 2021, underpinned by the Old Mutual values.

The Most-Valued Person/People (MVP) awards recognise employees, as nominated by their colleagues, for going above-and-beyond their daily call of duty.

Winners are recognised each quarter, with the annual winners announced at a gala event with a prize of an overseas trip for two.

STRATEGY AND OUTLOOK

In response to the findings of the Pulse Surveys, OM Insure will enhance job coaching and mentoring in 2022, as well as implement new ways to curb burnout and stress.

Our 2022 focus is to strengthen and advance the human capital function by:

- Enhancing our employee value proposition (EVP), in which fundamental people practices are entrenched and applied.
- Equipping and encouraging our leaders to actively coach and mentor their teams to realise their full potential.
- Building on our learning journey and encouraging colleagues to embrace upskilling as part of their daily lives. This will ensure a future-fit organisation that is equipped to meet the evolving needs of its people, customers and stakeholders.

OUR VALUE OUTCOMES

DIVISIONAL PERFORMANCE – INFORMATION TECHNOLOGY *Ludwyn Lortan*

OUR KEY FEATURES

KEY SERVICES

IT solution architecture and development

IT system availability and support

End user computing provision and support

IT Security

175

Permanent employees

SPECIALIST SKILLS

Cloud technologies

Systems Integration and API's

Digital and mobile development

Overview

OM Insure's Information Technology (IT) team enables the organisation by delivering digitally enabled experiences for customers, intermediaries, internal stakeholders, and business partners. We are working to provide secure, accessible, and cost-effective IT services based on Agile and DevOps practices.

STRATEGY AND PERFORMANCE

In 2021, we built on the refreshed IT strategy that started in 2020. This strategy that defines OM Insure's technology future state, is already driving increased productivity and effectiveness.

We made good progress against our strategic pillars during the year under review:

Capable and simplified IT	• OM Insure's Agile and DevOps practices are maturing. • We are consolidating our workflow system capabilities.
Always on and secure	• Completed a successful end-to-end disaster recovery test for Tier-1 applications. • Implemented event level monitoring and dashboards for infrastructure components, including network and connectivity.
Innovation	• Increased focus on innovation supported the rapid delivery of solution concepts for testing and learning.
Customer-centric	• Digital channels have been enhanced with new features. • Adoption of metrics to measure progress. • Salesforce Centre of Enablement established to maintain quality, ensure alignment, and promote knowledge-sharing.
Culture	We hosted our first virtual IT Hackathon, with 10 teams participating. Many of the concepts born from this initiative are being explored or piloted.

Other 2021 IT highlights include:

- Enhanced digital capabilities for customers. New features on the Old Mutual mobile app enables users to request, download and share policy schedules, and receive confirmation of cover letters and cross-border letters.
- Deployed a chatbot, supported by AI-based image recognition, which enables customers to add items to their policy via WhatsApp.
- Enabled brokers to choose a preferred repairer from an approved autobody repairer list for motor claims instead of being allocated one.
- Implemented straight-through processing for windscreen and motor glass claims using machine learning, API (application programme interface) integration, and RPA (robotic process automation).

DIVISIONAL PERFORMANCE – INFORMATION TECHNOLOGY (CONTINUED)

OPPORTUNITIES AND CHALLENGES

As the COVID-19 pandemic continued in 2021, OM Insure IT navigated and supported the introduction of the hybrid working model.

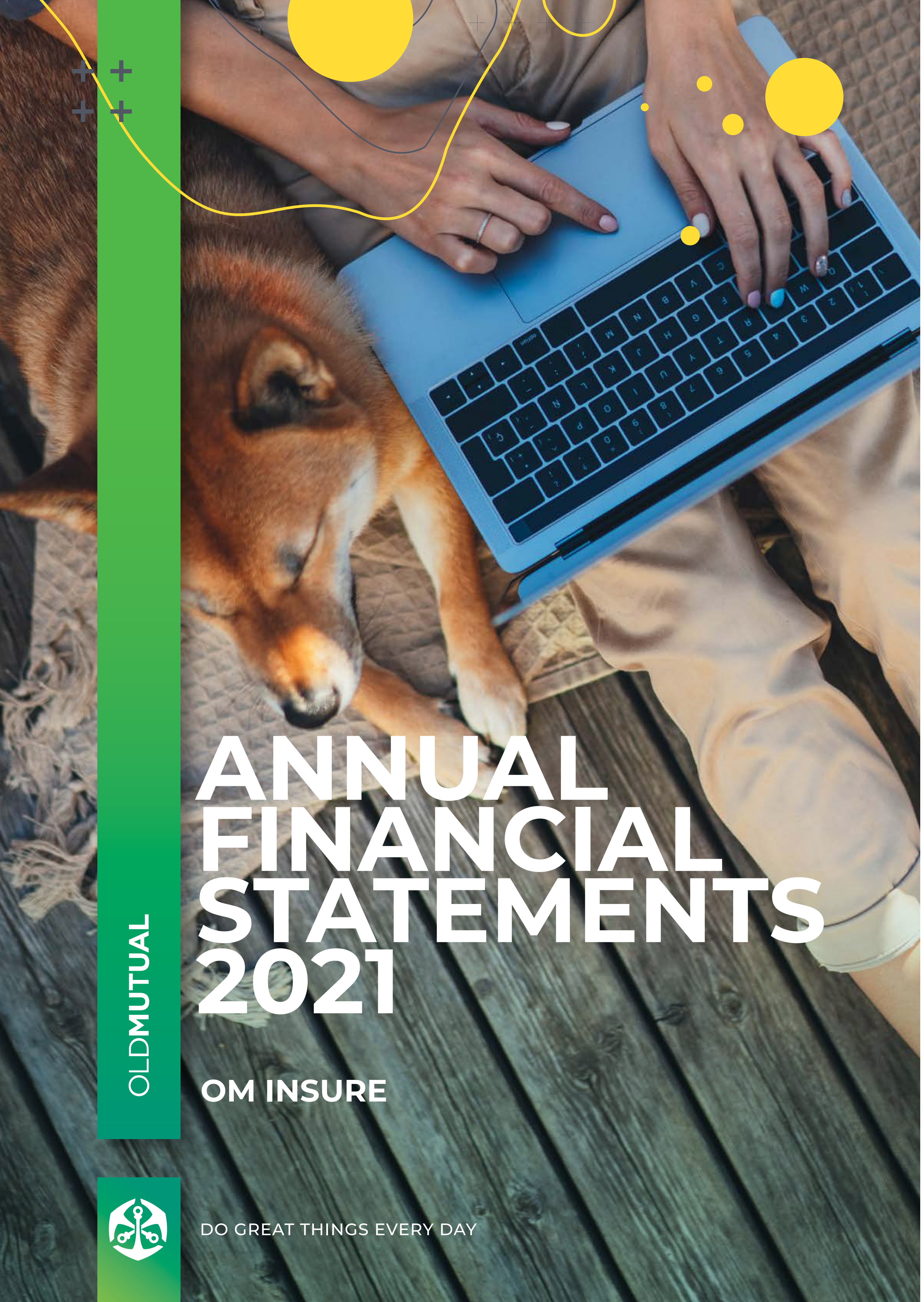
Cybersecurity remains a critical focus area within the global context of increasingly sophisticated threats. The OM Insure Information Security team applies the Old Mutual Limited IT security strategy, which it supports by communicating and sharing knowledge with key stakeholders within OM Insure. To increase IT security among staff members, we ran cyber-security awareness campaigns aligned with global best practice. In 2022, we are looking to expand and deepen the skill and capacity of our Information Security team.

OUTLOOK

The new IT strategy is underpinned by a business partnering philosophy, with business-facing IT delivery areas aligned with business strategic direction and priorities.

Our primary IT focus areas for the year ahead are:

- Modernisation of the IT Landscape (Technology Future State) to enable modularisation and digital transformation through cloud enablement, technical application layer rationalisation, and automation including:
  - Refreshing the Policy Administration System (PAS) towards a more standardised setup supporting a streamlined product offering
  - Enabling broker and client portals based on an omni-channel architecture
  - Implementing new Reinsurance Management System
  - Migrating to cloud platforms: AWS (Amazon Web Services (PAS and integration services), OCI (Oracle Cloud Infrastructure) (Oracle eBusiness)
- Provision of technical solutions to enable business efficiency and cost optimisation
- Ensure environmental and systems stability and built-in quality
- Enhance the maturity of Agile and DevOps



General information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Non-life insurance
Directors	Mr G Napier Ms NB Manyoha Mr GS 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
Group 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

SECTION 6 ANNUAL FINANCIAL STATEMENTS

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 13 of the annual report, and summary cv's are included on page 30 to 32 of the information statement available on the website https://www.oldmutual.com/investor-relations/debt-investors.

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 one years and Mr N Bikhani the audit partner for one year. 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.

Audit committee report
(continued)

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	17 February 2021	13 May 2021	17 August 2021	10 November 2021
GS Palser	x	x	x	x
MA Scharneck	x	x	x	x
TP Zondi	x	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 2021 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 41 to 43.

The financial statements set out on pages 44 to 146, which have been prepared on the going concern basis, were approved by the Board of Directors on 25 March 2022 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) Limited

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 2021.

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 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	**2021**	**2020**
Ordinary shares	**350,000,000**	350,000,000

	2021	2020	Number of shares	
Issued	**R mil**	**R mil**	**2021**	**2020**
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 in the 2021 year (2020: Rnil).

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 GS Palser	Lead Independent Director	Non-executive Independent	
Mr MA Scharneck		Non-executive Independent	
Ms TP Zondi		Non-executive Independent	
Mr IG Williamson		Non-executive	

Directors' report
(continued)

6. Holding company

The Group's holding company is Mutual and Federal Investments Proprietary Limited which holds 100% (2020: 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

The Group acquired 51% of the share capital of ONE Financial Services Holdings Proprietary Limited, a South African non-life insurance service provider, with effect from 3 January 2022 for an enterprise value of R514 million. The acquisition forms part of the Group's growth strategy and will enable the Group to strengthen its distribution capabilities and non-insurance revenue streams by broadening the Group's base in the market place. As the initial accounting for this acquisition was not completed at the time that the financial statements were authorised for issue, details of the values of assets acquired and liabilities assumed have not been provided.

In addition, as part of the Old Mutual Limited strategy to consolidate all of the holdings in African countries to Old Mutual Africa Holdings Limited the Group has sold its 100% share holdings of Cougar Investment Holdings Company limited with effect from 3 January 2022 for a value of R179 million.

On 23 February 2022, 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 2022.

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.

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 2021.

11. Secretary

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

12. Debt Officer

The Board has, on 31 December 2020, appointed Mr M van der Walt as the Debt Officer, pursuant to considering the JSE Debt Listing Requirements, as well as Mr van der Walt's *curriculum vitae*.

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 44 to 146, which comprise the Statements of financial position as at 31 December 2021, 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 2021, 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 accounting policy note 1.17, significant judgements and sources of estimation uncertainty note 1.22 and disclosure notes 23 and 42. This matter is applicable to both the consolidated and separate financial statements.	
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. The 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 liability included: – Together with our actuarial specialists, we evaluated the professional competence and work of management's actuaries in determining the IBNR. This included: · an 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.

Independent auditor's report
(continued)

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 the 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 the investment in subsidiaries **This key audit matter relates to our audit of the separate financial statements.** **Refer to accounting policy note 1.3 and disclosure notes 8 and 43.**	
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 R1,1 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 estimates of the fair values of the investments in material subsidiaries, the Company uses a discounted cashflow method. 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 the investments in material 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 cashflow 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 2021", which includes the Audit committee report, the Group Secretary's certification and the Directors' report 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.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.
- 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.

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 51 years.

KPMG Inc.

Registered Auditor

Per Nishen Bikhani
Chartered Accountant (SA)
Registered Auditor
Director

31 March 2022

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

Statements of financial position

as at 31 December 2021

	Notes	GROUP 2021 R million	GROUP 2020 R million	COMPANY 2021 R million	COMPANY 2020 R million
Assets					
Goodwill	3	**21**	21	**–**	–
Intangible assets	4	**110**	158	**110**	158
Property and equipment	5	**166**	232	**159**	218
Right-of-use assets	6	**316**	386	**316**	385
Deferred tax	7	**41**	65	**2**	30
Investments in subsidiaries	8	**–**	–	**1,182**	1,002
Investments in associates	9	**16**	13	**16**	13
Loans to share trusts	10	**7**	7	**84**	84
Investments in employee share trusts	11	**–**	–	**590**	492
Non-current assets held for sale and assets of disposal groups	20	**214**	181	**179**	144
Loans receivable	12	**29**	65	**27**	62
Retirement benefit asset	13	**221**	206	**142**	144
Deferred acquisition cost	14	**246**	243	**178**	177
Reinsurers' share of general insurance liabilities	23	**4,144**	7,030	**2,702**	5,725
Deposits with cedants		**29**	30	**–**	–
Investments and securities	15	**7,223**	6,664	**3,133**	3,395
Amounts due from agents and reinsurers	16	**2,442**	2,413	**2,171**	1,855
Subrogation and salvage recoveries	17	**458**	615	**252**	191
Current tax receivable		**94**	61	**68**	34
Trade and other receivables	18	**404**	414	**311**	296
Cash and cash equivalents	19	**1,809**	1,543	**839**	755
Total assets		**17,990**	20,347	**12,461**	15,160
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent					
Share capital	21	**1,797**	1,797	**1,797**	1,797
Reserves		**18**	(148)	**–**	–
Retained income		**2,600**	2,016	**2,181**	1,762
		4,415	3,665	**3,978**	3,559
Non-controlling interest		**188**	288	**–**	–
		4,603	3,953	**3,978**	3,559

	Notes	GROUP 2021 R million	GROUP 2020 R million	COMPANY 2021 R million	COMPANY 2020 R million
Liabilities					
General insurance liabilities	23	**7,784**	11,204	**5,059**	8,414
Lease liabilities	6	**372**	426	**372**	424
Debt instrument	24	**500**	500	**500**	500
Deferred reinsurance commission revenue	14	**183**	188	**115**	123
Amounts due to agents and reinsurers	16	**1,894**	1,584	**1,723**	1,338
Retirement benefit obligation	13	**240**	234	**161**	163
Share-based payment liability	25	**80**	76	**73**	62
Employee benefits	26	**180**	105	**158**	88
Deferred tax	7	**23**	10	**–**	–
Deposits owing to reinsurers		**44**	166	**43**	171
Amounts payable to cell owners	27	**1,232**	1,029	**–**	–
Current tax payable		**4**	2	**–**	–
Trade and other payables	28	**811**	833	**279**	318
Liabilities of disposal groups	20	**40**	37	**–**	–
Total liabilities		**13,387**	16,394	**8,483**	11,601
Total equity and liabilities		**17,990**	20,347	**12,461**	15,160

Statements of profit or loss and other comprehensive income

for the year ended 31 December 2021

		GROUP		COMPANY	
	Notes	2021 R million	2020 R million	2021 R million	2020 R million
Revenue					
Gross written premiums		**15,927**	14,811	**11,031**	10,644
Reinsurers premiums		**(6,707)**	(5,321)	**(2,800)**	(1,938)
Net written premiums		**9,220**	9,490	**8,231**	8,706
Gross change in provision for unearned premiums		**(10)**	65	**(8)**	46
Reinsurers' share of change in provision for unearned premiums		**38**	(48)	**20**	(34)
Net change in provision for unearned premiums		**28**	17	**12**	12
Net earned premium		**9,248**	9,507	**8,243**	8,718
Commissions received	29	**1,427**	1,006	**781**	429
Net income		**10,675**	10,513	**9,024**	9,147
Gross claims incurred		**(6,163)**	(14,998)	**(3,483)**	(10,925)
Reinsurers' share of claims incurred		**650**	8,705	**(1,719)**	5,334
Net claims incurred	30	**(5,513)**	(6,293)	**(5,202)**	(5,591)
Acquisition cost	31	**(2,580)**	(2,471)	**(1,949)**	(1,935)
Expenses	32	**(2,093)**	(1,960)	**(1,877)**	(1,746)
Operating profit/(loss)		**489**	(211)	**(4)**	(125)
Investment income (loss)	33	**450**	84	**516**	(294)
Finance costs	34	**(63)**	(75)	**(63)**	(74)
Income from equity accounted investments		**3**	–	**3**	–
Loss on disposal of subsidiary		**(52)**	–	**–**	–
Profit/(loss) before taxation		**827**	(202)	**452**	(493)
Taxation	35	**(245)**	17	**(68)**	29
Profit/(loss) for the year from continuing operations		**582**	(185)	**384**	(464)
Discontinued operations	20	**147**	55	**41**	(19)
Profit/(loss) for the year		**729**	(130)	**425**	(483)
Other comprehensive income:					
Items that will not be reclassified to profit or loss (net of taxation):					
Remeasurements on net defined benefit liability/asset		**(16)**	(5)	**(6)**	(2)
Items that may be reclassified to profit or loss (net of taxation):					
Exchange differences on translating foreign operations		**1**	–	**–**	–
Other comprehensive income/(loss) for the year net of taxation		**(15)**	(5)	**(6)**	(2)
Total comprehensive income/(loss) for the year		**714**	(135)	**419**	(485)
Profit/(loss) attributable to:					
Owners of the parent		**829**	(131)	**425**	(483)
Non-controlling interest		**(100)**	1	**–**	–
		729	(130)	**425**	(483)
Profit/(loss) attributable to:					
Owners of the parent					
From continuing operations		**682**	(186)	**384**	(464)
From discontinued operations		**147**	55	**41**	(19)
		829	(131)	**425**	(483)
Non-controlling interest:					
From continuing operations		**(100)**	1	**–**	–
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**814**	(136)	**419**	(485)
Non-controlling interest		**(100)**	1	**–**	–
		714	(135)	**419**	(485)

Statements of changes in equity

for the year ended 31 December 2021

	Share capital R million	Share premium R million	Total share capital R million	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
GROUP											
Balance at 1 January 2020	**32**	**1,765**	**1,797**	**(75)**	**90**	**10**	**25**	**2,072**	**3,894**	**287**	**4,181**
Loss for the year	–	–	–	–	–	–	–	(131)	(131)	1	(130)
Other comprehensive loss	–	–	–	–	–	–	–	(5)	(5)	–	(5)
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(136)**	**(136)**	**1**	**(135)**
Transfer between reserves					(90)		(90)	90			
Foreign currency translation reserve	–	–	–	(83)	–	–	(83)	–	(83)	–	(83)
Capital distributions from the share trusts	–	–	–	–	–	–	–	(10)	(10)	–	(10)
Total contributions by and distributions to owners of company recognised directly in equity	**–**	**–**	**–**	**(83)**	**(90)**	**–**	**(173)**	**80**	**(93)**	**–**	**(93)**
Balance at 1 January 2021	**32**	**1,765**	**1,797**	**(158)**	**–**	**10**	**(148)**	**2,016**	**3,665**	**288**	**3,953**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**829**	**829**	**(100)**	**729**
Other comprehensive loss	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(15)**	**(15)**	**–**	**(15)**
Total comprehensive loss for the year								**814**	**814**	**(100)**	**714**
Transfer between reserves	**–**	**–**	**–**	**187**	**–**	**(10)**	**177**	**(177)**	**–**	**–**	**–**
Foreign currency translation reserve	**–**	**–**	**–**	**(11)**	**–**	**–**	**(11)**	**–**	**(11)**	**–**	**(11)**
Changes in ownership interest - sale of subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(53)**	**(53)**	**–**	**(53)**
Total contributions by and distributions to owners of company recognised directly in equity	**–**	**–**	**–**	**176**	**–**	**(10)**	**166**	**(230)**	**(64)**	**–**	**(64)**
Balance at 31 December 2021	**32**	**1,765**	**1,797**	**18**	**–**	**–**	**18**	**2,600**	**4,415**	**188**	**4,603**
Notes	21	21	21		22						

Statements of changes in equity (continued)

for the year ended 31 December 2021

	Share capital R million	Share premium R million	Total share capital R million	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
COMPANY								
Balance at 1 January 2020	**32**	**1,765**	**1,797**	**90**	**90**	**2,157**	**4,044**	**4,044**
Loss for the year	–	–	–	–	–	(483)	(483)	(483)
Other comprehensive loss	–	–	–	–	–	(2)	(2)	(2)
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(485)**	**(485)**	**(485)**
Transfer between reserves	–	–	–	**(90)**	**(90)**	90	–	–
Total contributions by and distributions to owners of company recognised directly in equity	**–**	**–**	**–**	**(90)**	**(90)**	**90**	**–**	**–**
Balance at 1 January 2021	**32**	**1,765**	**1,797**	**–**	**–**	**1,762**	**3,559**	**3,559**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**425**	**425**	**425**
Other comprehensive loss	**–**	**–**	**–**	**–**	**–**	**(6)**	**(6)**	**(6)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**419**	**419**	**419**
Balance at 31 December 2021	**32**	**1,765**	**1,797**	**–**	**–**	**2,181**	**3,978**	**3,978**
Notes	21	21	21	22				

Statements of cash flows

for the year ended 31 December 2021

	Notes	GROUP 2021 R million	GROUP 2020 R million	COMPANY 2021 R million	COMPANY 2020 R million
Cash flows generated from operating activities					
Cash generated from operations	36	**840**	789	**(178)**	631
Interest received (including discontinued operations)		**254**	323	**165**	198
Dividends received		**37**	32	**15**	18
Interest paid		**(29)**	(36)	**(29)**	(35)
Tax paid	37	**(251)**	(81)	**(74)**	(12)
Net cash generated from operating activities		**851**	1,027	**(101)**	800
Cash flows (used in)/generated from investing activities					
Purchase of property and equipment	5	**(10)**	(67)	**(10)**	(49)
Sale of property and equipment	5	**5**	1	**3**	1
Purchase of other intangible assets	4	**(21)**	(35)	**(21)**	(35)
Sale of other intangible assets	4		2	**–**	2
Sale of non-current asset held for sale	20	**–**	257	**5**	257
Sale of investments and securities		**6,152**	6,309	**3,600**	3,794
Purchase of investments and securities		**(6,623)**	(6,901)	**(3,266)**	(4,103)
Advances of loans receivable at amortised cost		**36**	(32)	**35**	(32)
Net cash (used in)/generated from investing activities		**(461)**	(466)	**346**	(165)
Cash flows used in financing activities					
Funding of share trusts		**–**	–	**(53)**	(61)
Payment on lease liabilities		**(103)**	(102)	**(103)**	(102)
Contributions to retirement benefit assets		**(21)**	–	**(5)**	–
Net cash used in financing activities		**(124)**	(102)	**(161)**	(163)
Total cash movement for the year		**266**	459	**84**	472
Cash at the beginning of the year		**1,543**	1,084	**755**	283
Total cash at the end of the year	19	**1,809**	1,543	**839**	755

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 2021 were authorised for issue in accordance with a resolution of the directors on 25 March 2022.

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 Retail, iWYZE, Mutual & Federal Risk Financing, Specialty and Credit Guarantee Insurance Corporation. 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:

- Retail: Retail includes the Commercial and Personal business portfolios. The Commercial business portfolio serves small to large enterprises by providing commercial insurance solutions that suit the needs of entrepreneurs and businesses. The Personal business portfolio offers a multiproduct and multichannel distribution portfolio that provides individuals with cover through a wide range of products.
- iWYZE: The iWYZE business offers direct short-term, gap cover and business insurance.
- Mutual & Federal Risk Financing: Mutual & Federal Risk Financing offers first and third party cell captive as well as alternative risk solution.
- Specialty: The Specialty business portfolio focuses on the insurance of large and complex risks in niche market segments particularly property, engineering and marine.
- Credit 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 38.

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.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.3 Consolidation (continued)

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

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.

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.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.8 Financial instruments (continued)

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 42 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).

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.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.9 Tax (continued)

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.

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.

Accounting policies (continued)

1. Significant accounting policies (continued)

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 Share-based payments

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.

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.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.15 Employee benefits (continued)

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 2021. 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 exceeds 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.

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.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.17 Insurance contracts (continued)

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.

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.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.17 Insure contracts (continued)

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.

Cell insurance

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 and is accounted for in terms of IFRS4.

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.

1.22 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.

Accounting policies (continued)

1. Significant accounting policies (continued)

1.22 Significant judgements and sources of estimation uncertainty (continued)

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 continued to support policyholders impacted by the pandemic and the consequential lockdowns imposed by government. We reported in the prior year the uncertainties associated with the technical provisions and corresponding reinsurance recoveries that had been recorded in the consolidated accounts. Based on the exposure data on hand at that time we confirmed that the Group had raised a technical provision that it considered adequate to cover claims incurred relating to policies with the contingent business interruption infectious or contagious disease extension. Developments in the current period support the view that the reserving held by the Group is adequate, with a net release in the reserving of R21 million in the year.

The quantum of claims received as well as the final values associated with their settlement resulted in R2.9 billion release from the gross reserve with a corresponding reduction in the associated reinsurance asset. With the passage of time, the availability of more data has reduced the amount of uncertainty relating to the net provisions held. However, some uncertainty remains, and specific additional provisions were held at year-end based on outcomes of investigations which support the level of reserving held at the year-end. The Group continued to extend its support to policyholders and its intermediaries to ensure that all valid claims were settled on a timely basis.

In addition to Contingent BI claims, the Group also had significant exposure to trade credit claims in the prior year. The net reserve for trade credit claims reduced slightly to a value of R207 million as at 31 December 2021 bringing the total reserve for the Group to R272 million. Given the lingering uncertainties in the market, assumptions around expected ultimate loss ratios for this class of business required significant focus, especially those assumptions related to the most recent underwriting years.

While the Group considers that it has provided adequately for its exposures, 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.

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

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.

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 2022 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.

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

The main focus of the programme during 2021 was the finalisation of remaining outstanding policy and methodology decisions, the ongoing assessment and analysis of the financial impact of transition to IFRS 17, as well as finalising, as far as possible, process design, actuarial enablement, finance and data enablement activities. Assurance reviews on policy and methodology papers and process and control design have progressed in line with plans.

Indicative transition calculations have been performed on 2018, 2019, and 2020 financial results. This process will continue through 2022. Significant focus in 2021 was on finalising the transition methodology and transition approaches for the Group. Actuarial modelling development, which is the most significant enablement requirement on the programme in addition to transition and data sourcing and system changes, commenced in 2018 and progressed in line with planned milestones for 2021. The build of a robust financial data model, CSM calculation engine and results repository progressed according to plans during 2021 and the key focus in 2022 is to close out remaining build and testing activities and ensure successful user adoption across the Group. The new capability leverages the existing financial reporting landscape and provides a sustainable, long term IFRS 17 solution. Design of insurance risk and other disclosures as well as assurance review and testing continued into in 2021, as did related build and enhancements to reporting and disclosure tools.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021	The impact of the amendment was not material
• COVID-19-Related Rent Concessions – Amendment to IFRS 16	1 April 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
• Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023	Unlikely there will be a material impact
• Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023	Unlikely there will be a material impact
• Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	1 January 2023	Unlikely there will be a material impact

3. Goodwill

Group	2021			2020		
	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 – 2021

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

Reconciliation of goodwill – Group – 2020

	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 4.70% (2020: 4.98%) and discounted at a rate of 17.5% (2020: 19%). There were no indicators of impairment of goodwill.

4. Intangible assets

	2021			2020		
	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	**902**	**(792)**	**110**	881	(723)	158
Company						
Computer software	**902**	**(792)**	**110**	881	(723)	158

Reconciliation of intangible assets – Group – 2021

	Opening balance R million	Additions R million	Disposals R million	Amortisation R million	Total R million
Computer software	**158**	**21**	**–**	**(69)**	**110**

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 – Company – 2021

	Opening balance R million	Additions R million	Disposals R million	Amortisation R million	Total R million
Computer software	**158**	**21**	**–**	**(69)**	**110**

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

5. Property and equipment

Group	2021 Cost R million	2021 Accumulated depreciation R million	2021 Carrying value R million	2020 Cost R million	2020 Accumulated depreciation R million	2020 Carrying value R million
Buildings	–	–	–	1	–	1
Furniture and fixtures	**85**	**(44)**	**41**	87	(33)	54
Motor vehicles	**6**	**(5)**	**1**	13	(7)	6
IT equipment	**631**	**(534)**	**97**	630	(489)	141
Leasehold improvements	**42**	**(15)**	**27**	39	(9)	30
Total	**764**	**(598)**	**166**	770	(538)	232

Company	2021 Cost R million	2021 Accumulated depreciation R million	2021 Carrying value R million	2020 Cost R million	2020 Accumulated depreciation R million	2020 Carrying value R million
Buildings	–	–	–	1	–	1
Furniture and fixtures	**76**	**(38)**	**38**	76	(26)	50
Motor vehicles	**2**	**(2)**	–	5	(2)	3
IT equipment	**597**	**(503)**	**94**	596	(462)	134
Leasehold improvements	**42**	**(15)**	**27**	39	(9)	30
Total	**717**	**(558)**	**159**	717	(499)	218

Reconciliation of property and equipment – Group – 2021

	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	**54**	–	–	**(1)**	**(12)**	–	**41**
Motor vehicles	**6**	–	**(4)**	–	–	**(1)**	**1**
IT equipment	**141**	**7**	–	**(1)**	**(50)**	–	**97**
Leasehold improvements	**30**	**3**	–	–	**(6)**	–	**27**
	232	**10**	**(5)**	**(2)**	**(68)**	**(1)**	**166**

* 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.

5. Property and equipment (continued)

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

Reconciliation of property and equipment – Company – 2021

	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	**50**	–	–	**(12)**	–	**38**
Motor vehicles	**3**	–	**(2)**	–	**(1)**	–
IT equipment	**134**	**7**	–	**(47)**	–	**94**
Leasehold improvements	**30**	**3**	–	**(6)**	–	**27**
	218	**10**	**(3)**	**(65)**	**(1)**	**159**

Reconciliation of property and equipment – Company – 2020

	Opening balance R million	Additions R million	Disposals R million	Transfers 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

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	
	2021 R million	2020 R million	2021 R million	2020 R million
Leasehold property	286	358	286	357
Office equipment	2	2	2	2
Motor vehicles	28	26	28	26
	316	386	316	385

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

	GROUP		COMPANY	
	2021 R million	2020 R million	2021 R million	2020 R million
Leasehold property		(17)		(16)
Office equipment	(4)	–	(4)	–
Motor vehicles	11	9	11	9
	7	(8)	7	(7)

Depreciation recognised on right-of-use assets

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	
	2021 R million	2020 R million	2021 R million	2020 R million
Leasehold property	74	74	73	73
Office equipment	2	3	2	3
Motor vehicles	11	7	11	7
	87	84	86	83
Other disclosures				
Interest expense on lease liabilities	34	39	34	39
Expenses on short-term leases included in operating expenses	2	4	2	4
Variable lease payments not included in the measurement of lease liabilities included in operating expenses	48	52	48	52

6. Leases (Group as lessee) (continued)

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	
	2021 R million	2020 R million	2021 R million	2020 R million
Within one year	90	103	90	103
Two to five years	444	429	444	429
	534	532	534	532
Lease liabilities	372	426	372	424

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	
	2021 R million	2020 R million	2021 R million	2020 R million
Deferred tax liability				
Deferred tax liability	(23)	(10)	–	–
Deferred tax asset				
Deferred tax asset	41	65	2	30
Total net deferred tax asset	18	55	2	30
Reconciliation of deferred tax asset				
At the beginning of the year	55	–	30	8
Increase/(decrease) in share grants and share schemes	2	–	1	(1)
Increase in other provisions and impairments	17	12	16	12
Decrease in prepayments	(6)	–	(6)	–
Temporary differences arising from property and equipment	15	–	15	–
Reclassification of non-current asset held for sale and assets of disposal Groups	–	36	–	–
Increase/(decrease) in capital gains taxation	9	21	1	(4)
Decrease in investments and securities	(40)	(32)	(21)	–
(Decrease)/increase in cashback, salvages and subrogation	(17)	9	(17)	9
Movement in leases	5	9	5	6
Prior year adjustment	(22)	–	(22)	–
	18	55	2	30

8. Investments 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 2021	% holding 2020
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	**0.00**	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

8. Investments in subsidiaries (continued)

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 2021	% holding 2020	Carrying amount 2021 R million	Carrying amount 2020 R million
Mutual and Federal Risk Financing Limited	**100.00**	100.00	**138**	182
Credit Guarantee Insurance Corporation of Africa Limited	**75.00**	75.00	**910**	719
Cougar Investment Holding Company Limited	**100.00**	100.00	**–**	–
Elite Risk Acceptances Proprietary Limited	**100.00**	100.00	**11**	9
Sintelum Proprietary Limited	**100.00**	100.00	**123**	92
Mutual and Federal Company of Zimbabwe (Private) Limited	**0.00**	100.00	**–**	–
Old Mutual Holdings (Mauritius) Limited	**100.00**	100.00	**–**	–
	0.00	0.00	**1,182**	1,002

The investment in Cougar Investment Holding Company Limited has been classified as held for sale (refer note 20).

Subsidiaries for which control was lost during the year

The Group lost control of the subsidiary Mutual and Federal Company of Zimbabwe (private) limited on the 8th December 2021.

	GROUP 2021 R million	GROUP 2020 R million
Loss of control	**(52)**	–
Loss on writing remaining investment to fair value on date of loss of control (included in the above)	**48**	–

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 2021	RTGS	0.11	0.11
1 January 2020 to 31 December 2020	RTGS	0.133	0.133

Please refer to note 42 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.

8. Investments 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	
	2021 R million	2020 R million
Assets		
Non-current assets	**810**	719
Current assets	**2,891**	2,652
Total assets	**3,701**	3,371
Liabilities		
Non-current liabilities	**403**	329
Current liabilities	**1,770**	1,927
Total liabilities	**2,173**	2,256
Total net assets	**1,528**	1,115

Summarised statement of profit or loss and other comprehensive income

	CREDIT GUARANTEE INSURANCE CORPORATION OF AFRICA LIMITED	
	2021 R million	2020 R million
Revenue	**948**	740
Other income and expenses	**(395)**	(731)
Profit before tax	**553**	9
Tax expense	**(159)**	(4)
Profit after tax	**394**	5
Other comprehensive loss	**(7)**	(5)
Total comprehensive income	**387**	–
Profit allocated to non-controlling interest	**–**	–

Summarised statement of cash flows

	CREDIT GUARANTEE INSURANCE CORPORATION OF AFRICA LIMITED	
	2021 R million	2020 R million
Cash flows from operating activities	**526**	(70)
Cash flows from investing activities	**(664)**	197
Cash flows from financing activities	**–**	–
Net increase (decrease) in cash and cash equivalents	**(138)**	127
Dividend paid to non-controlling interest	**–**	–

9. Investments in associates

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

Group

Name of company	Held by	% ownership interest 2021	% ownership interest 2020	Carrying amount 2021 R million	Carrying amount 2020 R million
Merx Underwriting Managers Proprietary Limited	Old Mutual Insure Limited	**45.00**	45.00	**16**	13
RM Insurance Holdings Limited (incorporated in Zimbabwe)	Mutual and Federal Company of Zimbabwe (Private) Limited	**–**	41.00	**–**	–
				16	13

Company

Name of company	% ownership interest 2021	% ownership interest 2020	Carrying amount 2021 R million	Carrying amount 2020 R million
Merx Underwriting Managers Proprietary Limited	**45.00**	45.00	**16**	13

Material associates

The following associates are material to the Group:

	Country of incorporation	Method	% Ownership interest 2021	% Ownership interest 2020
RM Insurance Holdings Limited	Zimbabwe	Equity	**–**	41.00

Mutual and Federal Company of Zimbabwe (Private) Limited which holds the investment in RMI Insurance Holdings Limited (incorporated in Zimbabwe) has been sold during the year. 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.

10. Loans to share trusts

	GROUP		COMPANY	
	2021 R million	2020 R million	2021 R million	2020 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 trust	Carrying amount 2021	Carrying amount 2020
The Mutual and Federal Management Incentive Trust	163	140
The Mutual and Federal Senior Black Management Trust	126	129
The Mutual and Federal Development Trust	45	39
Old Mutual Insure Employee Incentive Trust	76	58
Old Mutual Insure Broad-based Black Economic Empowerment Trust	180	126
	590	492

11. Investments in employee share trusts (continued)

Summarised financial information of employee share trusts

2021

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	40	85	46	57	228
The Mutual and Federal Senior Black Management Trust	27	3	3	98	131
The Mutual and Federal Development Trust	28	22	12	12	74
Old Mutual Insure Employee Incentive Trust	80	–	1	3	84
Old Mutual Insure Broad-based Black Economic Empowerment Trust	170	–	1	12	183
	345	110	63	182	700

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	–	(5)	(5)
The Mutual and Federal Development Trust	(14)	(15)	(29)
Old Mutual Insure Employee Incentive Trust	–	(8)	(8)
Old Mutual Insure Broad-based Black Economic Empowerment Trust	–	(3)	(3)
	(77)	(33)	(110)

* The closing market value per Old Mutual Limited share was R13.04, Nedbank Limited was R175.02 and Quilter Plc was R31.68.

11. Investments in employee share trusts (continued)

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.

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 2021 R million	GROUP 2020 R million	COMPANY 2021 R million	COMPANY 2020 R million
Grodidge Mahura Investments Proprietary Limited	**2**	3	**–**	–
The loan is interest free and has no repayment terms. It was issued as part of the Enterprise Social Development Programme of the trust.				
Business Loans	**26**	32	**26**	32
The loans are interest free with fixed repayment terms. The loans were issued as part of the COVID relief programme to small businesses.				
Troy partnership	**–**	30	**–**	30
The loan is unsecured and bears interest at 13.5%.				
EBM Project Proprietary Limited	**1**	–	**1**	–
The loan is unsecured and bears interest prime plus 2%.				
	29	65	**27**	62

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 2021.

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 2021 R million	GROUP 2020 R million	COMPANY 2021 R million	COMPANY 2020 R million
Present value of the defined benefit obligation	**(240)**	(234)	**(161)**	(163)
Fair value of plan assets	**221**	206	**142**	144
	(19)	(28)	**(19)**	(19)
Reconciliation of defined benefit obligation				
Opening balance	**(234)**	(243)	**(163)**	(178)
Current service cost	**(2)**	(2)	**(1)**	(1)
Interest cost	**(21)**	(21)	**(15)**	(15)
Actuarial gain	**(2)**	13	**3**	16
Benefits paid	**19**	19	**15**	15
	(240)	(234)	**(161)**	(163)

13. Retirement benefits (continued)

	GROUP		COMPANY	
	2021 R million	2020 R million	**2021 R million**	2020 R million
Reconciliation of plan assets				
Opening balance	**206**	221	**144**	160
Interest return	**20**	(16)	**13**	13
Actuarial loss	**(7)**	16	**(5)**	(14)
Benefits paid	**(19)**	(15)	**(15)**	(15)
Contributions received	**21**	–	**5**	–
	221	206	**142**	144
Asset allocation				
Equity	**9.96%**	10.74%	**–**	–
Property	**1.21%**	3.43%	**–**	–
Bonds	**9.89%**	3.79%	**–**	–
Cash and Money Market	**8.94%**	4.89%	**2.00%**	2.00%
Foreign	**4.64%**	6.95%	**–**	–
Insurance policy	**63.45%**	68.51%	**98.00%**	98.00%
Alternative assets	**1.91%**	1.69%	**–**	–
	100%	100%	**100%**	100%
Key assumptions used				
Discount rates – in service members	**11.20%**	11.20%	**11.20%**	11.20%
Discount rates – continuation members	**10.00%**	9.10%	**10.00%**	9.10%
Medical inflation rate – in service members	**7.80%**	7.90%	**7.80%**	7.90%
Medical inflation rate – continuation members	**7.30%**	6.40%	**7.30%**	6.40%
Expected investment return	**10.20%**	9.60%	**10.10%**	9.40%
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 R19,3 million (2020: R18,7 million), when the discount rate is decreased by 1%, R22 million (2020: R21,9 million), when the medical inflation rate is increased by 1%, R24 million (2020: R22,7 million) and when the medical inflation rate is decreased by 1%, R21 million (2020: R19,7 million).

The impact on profit or loss for the company when the discount rate is increased by 1% is R12 million (2020: R12,2 million), when the discount rate is decreased by 1%, R14 million (2020: R14,1 million), when the medical inflation rate is increased by 1%, R15 million (2020: R15,1 million) and when the medical inflation rate is decreased by 1%, R13,1 million (2020: R13,2 million). A change in the retirement age to 60 would impact in the profit or loss by R12,1 million (2020: R3,9 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	
	2021 R million	2020 R million	**2021 R million**	2020 R million
Deferred acquisition cost				
Balance at the beginning of the year	**243**	243	**177**	174
Acquisition cost deferred on inwards business	**–**	–	**–**	3
Change in the statement of comprehensive income	**3**	1	**1**	–
Foreign exchange	**–**	(1)	**–**	–
Balance at the end of the year	**246**	243	**178**	177
Deferred reinsurance commission revenue				
Balance at the beginning of the year	**188**	196	**123**	125
Change in the statement of comprehensive income	**(5)**	(8)	**(8)**	(2)
Balance at the end of the year	**183**	188	**115**	123

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 2021 R million	GROUP 2020 R million	COMPANY 2021 R million	COMPANY 2020 R million
Mandatorily at fair value through profit or loss:				
Listed shares	**1,028**	949	**419**	424
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	**9**	8	**9**	8
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	**129**	82	**129**	82
The unlisted empowerment private equity fund represents black economic empowerment development investment policies with the Old Mutual Investment Group Proprietary Limited.				
Unit trusts	**1,566**	1,451	**–**	–
The unit trust represents an investment in collective schemes to diversify the pool of assets. The average interest on the unit trust earned during the year was 3.77% (2020: 4.17%) for the Group.				
Unlisted money market funds	**4,491**	4,174	**2,576**	2,881
The average interest on money market instruments earned during the year was 4.54% (2020: 7.54%) for the Group and 4.27% (2020: 7.44%) for the company.				
	7,223	6,664	**3,133**	3,395

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, is R855 million (2020: R795 million) which equates to 4.86% (2020: 4.03%) 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 R129 million (2020: R82 million) which equates to 5.95% (2020: 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.

16. Amounts due to/from agents and reinsurers

	GROUP 2021 R million	GROUP 2020 R million	COMPANY 2021 R million	COMPANY 2020 R million
Assets				
Agents' balances	**1,103**	1,335	**832**	777
Reinsurance balances	**1,339**	1,078	**1,339**	1,078
	2,442	2,413	**2,171**	1,855
Liabilities				
Agents' balances	**(779)**	(643)	**(717)**	(578)
Reinsurance balances	**(1,115)**	(941)	**(1,006)**	(760)
	(1,894)	(1,584)	**(1,723)**	(1,338)
Analysis of portfolio impairment allowance				
Balance at the beginning of the year	**(137)**	(45)	**(122)**	(33)
Movement for the year	**1**	(92)	**4**	(89)
Balance at the end of the year	**(136)**	(137)	**(118)**	(122)

A part of the impairment relates to an outstanding debtor from Insure Group Managers (IGM). There were no additonal debtor balance impaired during the year (2020: R67 million), the total impairment value remaining at R95 million (2020: R95 million) for this debtor.

17. Subrogation and salvage recoveries

	GROUP 2021 R million	GROUP 2020 R million	COMPANY 2021 R million	COMPANY 2020 R million
Balance at the beginning of the year	**615**	569	**191**	222
Change in subrogation and salvages recoveries	**539**	768	**587**	475
Subrogation and salvages received	**(696)**	(722)	**(526)**	(506)
Balance at the end of the year	**458**	615	**252**	191

18. Trade and other receivables

	GROUP		COMPANY	
	2021 R million	2020 R million	2021 R million	2020 R million
Financial instruments:				
Trade receivables	**216**	243	**176**	185
Trade receivables – related parties	**2**	9	**23**	20
Trade receivables at amortised cost	**218**	252	**199**	205
Accrued interest	**25**	31	**24**	29
Non-financial instruments:				
VAT	**77**	79	**18**	25
Prepayments	**84**	52	**70**	37
Total trade and other receivables	**404**	414	**311**	296

Exposure to credit risk

Please refer to note 42 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.

19. Cash and cash equivalents

	GROUP		COMPANY	
	2021 R million	2020 R million	2021 R million	2020 R million
Cash and cash equivalents consist of:				
Bank balances	**1,808**	1,342	**838**	554
Short-term deposits	**1**	201	**1**	201
	1,809	1,543	**839**	755

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

The Group has decided to sell Cougar Investment Holding Company Limited, the subsidiary 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	
	2021 R million	2020 R million	2021 R million	2020 R million
Profit or loss				
Revenue	**152**	131	**41**	–
Expenses	**(1)**	–	**–**	(19)
Net profit before tax	**151**	131	**41**	(19)
Tax	**(4)**	(17)	**–**	–
Net profit after tax	**147**	114	**41**	–
Losses on measurement to fair value less cost to sell	**–**	(59)	**–**	–
	147	55	**41**	(19)
Assets and liabilities				
Non-current assets held for sale				
Investment in subsidiaries	**–**	–	**179**	144
	–	–	**179**	144
Assets of disposal Groups				
Other assets	**214**	181	**–**	–
	214	181	**–**	144
Liabilities of disposal Groups				
Other liabilities – deferred tax	**40**	(37)	**–**	–
Equity				
Foreign currency translation reserve	**–**	175	**–**	–
Other	**173**	(31)	**–**	–
	173	144	**–**	–

21. Share capital

	GROUP		COMPANY	
	2021 R million	2020 R million	2021 R million	2020 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	
	2021 R million	2020 R million	2021 R million	2020 R million
The revaluation reserve relates to property revaluations.				
Opening balance	**–**	90	**–**	90
Transfer to retained earnings	**–**	(90)	**–**	(90)
	–	–	**–**	–

23. General insurance liabilities

	2021			2020		
	Gross R million	Reinsurance R million	Net R million	Gross R million	Reinsurance R million	Net R million
Group						
Unearned premiums	**1,589**	**(892)**	**697**	1,574	(851)	723
Additional unexpired risk reserve (AURR)	**–**	**–**	**–**	70	–	70
Outstanding claims (including incurred but not reported (IBNR))	**6,195**	**(3,252)**	**2,943**	9,560	(6,179)	3,381
	7,784	**(4,144)**	**3,640**	11,204	(7,030)	4,174
Company						
Unearned premiums	**1,001**	**(494)**	**507**	991	(472)	519
Additional unexpired risk reserve (AURR)	**–**	**–**	**–**	70	–	70
Outstanding claims (including incurred but not reported (IBNR))	**4,058**	**(2,208)**	**1,850**	7,353	(5,253)	2,100
	5,059	**(2,702)**	**2,357**	8,414	(5,725)	2,689

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

	2021			2020		
	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	**9,560**	**(6,179)**	**3,381**	4,027	(1,239)	2,788
Current year claims incurred	**9,853**	**(4,579)**	**5,274**	11,874	(6,551)	5,323
Change in previous years' claims estimates	**(4,136)**	**3,755**	**(381)**	3,107	(2,724)	383
Current year claims paid net of subrogation	**(6,204)**	**2,711**	**(3,493)**	(6,722)	2,498	(4,224)
Previous years' claims paid net of subrogation	**(2,878)**	**1,040**	**(1,838)**	(2,726)	1,837	(,889)
Balance at the end of the year	**6,195**	**(3,252)**	**2,943**	9,560	(6,179)	3,381
Company						
Balance at the beginning of the year	**7,353**	**(5,253)**	**2,100**	2,607	(916)	1,691
Current year claims incurred	**6,469**	**(1,913)**	**4,556**	11,332	(5,439)	5,893
Change in previous years' claims estimates	**(3,279)**	**3,633**	**354**	(1,011)	100	(911)
Current year claims paid	**(4,076)**	**628**	**(3,448)**	(3,955)	474	(3,481)
Previous years' claims paid	**(2,409)**	**697**	**(1,712)**	(1,620)	528	(1,092)
Balance at the end of the year	**4,058**	**(2,208)**	**1,850**	7,353	(5,253)	2,100

23. General insurance liabilities (continued)

Analysis of movements in unearned premiums and unexpired risk reserve:

	2021			2020		
	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	**1,644**	**(851)**	**793**	1,612	(873)	739
Change in unearned premium provision and unexpired risk reserve	**(55)**	**(41)**	**(96)**	32	22	54
Balance at the end of the year	**1,589**	**(892)**	**697**	1,644	(851)	793
Company						
Balance at the beginning of the year	**1,061**	**(472)**	**589**	1,034	(505)	529
Change in unearned premium provision and unexpired risk reserve	**(60)**	**(22)**	**(82)**	27	33	60
	1,001	**(494)**	**507**	1,061	(472)	589

Assumptions

Actuarial methods that are applied in accordance with applicable actuarial standards are used to estimate the incurred but not enough reported claims (IBNR) and there are underlying assumptions within these methods. These include the assumption that the claims experience follows statistical distribution which give a reasonable guide for the future development of claims where applicable. 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 assessed/quantified by loss adjusters using information provided by the policyholders. Where no information was provided by the policyholder, calculations that are primarily based on granular exposure assessments and assumptions on how COVID-19 has impacted businesses including loss adjuster expenses were used.

Insurance contract liability estimates are now subject to less uncertainty relative to the estimates raised in the prior year. This is because majority of the claims have been thoroughly assessed and the claim estimates are now based on actual losses suffered by policyholders as determined by loss adjusters. Materially different outcomes to those assumed are not expected. The main areas of uncertainty that impact the gross estimates include:

- the impact of COVID-19 on claims experience will take time to fully develop, particularly for policies with a long indemnity period. In addition, there are some claims that are in litigation or dispute;
- the number of new claimants with valid business interruption claims. About 40% of policyholders who had the extension have not claimed; and
- estimated reinsurance recoveries on business interruption claims.

We continue to actively engage with our reinsurers regarding areas of uncertainty as the outcome will affect our net underwriting results.

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 IBNR business interruption claims. The key variables tested included: claim amounts and number of additional valid claims still to be submitted by policyholders.

The resulting net reserve estimates is not expected to change materially, but may be impacted by reinsurance adjustment premiums if the gross claims change significantly.

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.

23. General insurance liabilities (continued)

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

	2021	2020
	Increase/ (Decrease) in profit or loss R million	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	**(3)**	(2)
Incurred claims projection – using the weighted average of the four most recent years	**(3)**	(4)
Incurred claims projection – using the weighted average of the five most recent years	**(1)**	(6)
Motor personal gross of salvages and recoveries		
Incurred claims projection – using the weighted average of the two most recent years	**(3)**	(14)
Incurred claims projection – using the weighted average of the three most recent years	**(5)**	(9)
Incurred claims projection – using the weighted average of the four most recent years	**5**	(11)
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	**2**	(9)
Incurred claims projection – using the weighted average of the four most recent years	**2**	(5)
Incurred claims projection – using the weighted average of the five most recent years	**–**	–

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 2021 there was a change in the methodology in the calculation of the sensitivity of the salvage and recovery asset.

Salvage and recovery asset assumptions

	2021	2020
	Increase/ (Decrease) in profit or loss R million	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	**(2)**	5
Incurred claims projection – using the weighted average of the three most recent years	**4**	14
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	**(6)**	12
Incurred claims projection – using the weighted average of the three most recent years	**5**	34
Incurred claims projection – using the weighted average of the four most recent years	**–**	46
Incurred claims projection – using the weighted average of the five most recent years	**2**	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 2021 year.

23. General insurance liabilities (continued)

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 – 2021

Reporting year	Total R million	2021 R million	2020 R million	2019 R million	2018 R million	2017 R million	2016 and prior R million
Group							
At end of year	52,253	9,853	12,586	10,602	9,799	9,413	–
One year later	38,891	–	11,248	9,803	8,620	9,220	–
Two years later	27,540	–	–	9,761	8,633	9,146	–
Three years later	17,809	–	–	–	8,624	9,185	–
Four years later	9,238	–	–	–	–	9,238	–
Five years later		–	–	–	–	–	50,218
	98,942	9,853	11,248	9,761	8,624	9,238	50,218
Cumulative payments	(92,747)	(6,204)	(9,873)	(9,169)	(8,347)	(9,121)	(50,033)
Estimated balance to pay	6,195	3,649	1,375	592	277	117	185
Company							
At end of year	33,761	6,469	7,657	7,075	6,330	6,231	–
One year later	25,061	–	6,901	6,415	5,585	6,160	–
Two years later	18,120	–	–	6,416	5,593	6,111	–
Three years later	11,747	–	–	–	5,622	6,126	–
Four years later	6,200	–	–	–	–	6,200	–
Five years later		–	–	–	–	–	41,755
	73,363	6,469	6,901	6,416	5,622	6,200	41,755
Cumulative payments	(69,305)	(4,076)	(6,119)	(5,992)	(5,412)	(6,120)	(41,586)
Estimated balance to pay	4,058	2,393	782	424	210	80	169

23. General insurance liabilities (continued)

ESTIMATE OF CUMULATIVE CLAIMS NET OF REINSURANCE - 2021

Reporting year	Total R million	2021 R million	2020 R million	2019 R million	2018 R million	2017 R million	2016 and prior R million
Group							
At end of year	31,663	5,274	7,422	6,611	5,912	6,444	–
One year later	22,562	–	5,926	5,956	5,311	5,369	–
Two years later	16,612	–	–	6,077	5,133	5,402	–
Three years later	10,564	–	–	–	5,230	5,334	–
Four years later	5,507	–	–	–	–	5,507	–
Five years later		–	–	–	–	–	40,300
	68,314	5,274	5,926	6,077	5,230	5,507	40,300
Cumulative payments	(65,371)	(3,493)	(5,566)	(5,688)	(5,014)	(5,413)	(40,197)
Estimated balance to pay	2,943	1,781	360	389	216	94	103
Company							
At end of year	27,278	4,556	6,515	5,666	4,961	5,580	–
One year later	19,587	–	5,348	5,050	4,539	4,650	–
Two years later	10,354	–	–	5,223	4,634	497	–
Three years later	9,087	–	–	–	4,473	4,614	–
Four years later	4,791	–	–	–	–	4,791	–
Five years later		–	–	–	–	–	36,536
	60,927	4,556	5,348	5,223	4,473	4,791	36,536
Cumulative payments	(59,077)	(3,448)	(5,201)	(4,954)	(4,309)	(4,721)	(36,444)
Estimated balance to pay	1,850	1,108	147	269	164	70	92

23. General insurance liabilities (continued)

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

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

24. Debt instrument

	GROUP		COMPANY	
	2021 R million	2020 R million	2021 R million	2020 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	
	2021 R million	2020 R million	2021 R million	2020 R million
Employee share awards (Old Mutual Limited shares)	**(80)**	(76)	**(73)**	(62)

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-based 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 2020	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	–
At 31 December 2020	591,720	1,586,633	4,141,895	9,787,373
Number of shares granted	–	–	2,457,910	3,958,545
Number of shares vested/settled	(501,157)	(857,704)	(1,064,750)	(1,096,371)
Number of shares forfeited due to resignations	(96,300)	(169,417)	(282,414)	(806,610)
Number of shares reinstated	5,737	2,963	–	–
Total number of shares in issue at 31 December 2021	–	**562,475**	**5,252,641**	**11,842,937**

The fair value of the ordinary Old Mutual Limited shares at 31 December 2021 was R13.04 (2020: R11.89).

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	
	2021 R million	2020 R million	2021 R million	2020 R million
Leave accrual	**66**	45	**54**	37
Bonus accrual	**114**	60	**104**	51
	180	105	**158**	88

27. Amounts payable to cell owners

	GROUP		COMPANY	
	2021 R million	2020 R million	2021 R million	2020 R million
Retained income reserve	**751**	626	**–**	–
Preference shares	**128**	102	**–**	–
Cell captives reinsurance technical reserves	**353**	301	**–**	–
	1,232	1,029	**–**	–
Reconciliation of amounts payable to cell owners				
Balance at the beginning of the year	**1,029**	1,119	**–**	–
Capital contribution	**27**	11	**–**	–
Underwriting and investment income attributable to cell owners	**314**	38	**–**	–
Dividend payment to cell owners	**(138)**	(139)	**–**	–
Balance at the end of the year	**1,232**	1,029	**–**	–

28. Trade and other payables

	GROUP		COMPANY	
	2021 R million	2020 R million	2021 R million	2020 R million
Financial instruments:				
Trade payables	**66**	48	**40**	31
Trade payables – related parties	**148**	176	**148**	176
Other payables	**403**	398	**91**	86
Non-financial instruments:				
Amounts received in advance	**55**	82	**–**	25
Deposits relating to cell captive provider	**139**	129	**–**	–
	811	833	**279**	318

29. Commissions received

	GROUP		COMPANY	
	2021 R million	2020 R million	2021 R million	2020 R million
Commissions received from reinsurers	**1,422**	998	**773**	427
Change in deferred reinsurance revenue liability	**5**	8	**8**	2
	1,427	1,006	**781**	429

30. Net claims incurred

	GROUP		COMPANY	
	2021 R million	2020 R million	2021 R million	2020 R million
Gross claims incurred	**6,974**	15,690	**4,124**	11,401
Subrogation and salvages recoveries	**(811)**	(692)	**(641)**	(476)
	6,163	14,998	**3,483**	10,925
Reinsurers' share of claims incurred	**(650)**	(8,705)	**1,719**	(5,334)
	5,513	6,293	**5,202**	5,591
Gross claims incurred				
Claims paid	**9,778**	10,170	**7,011**	6,081
Change in provision for outstanding claims	**(3,464)**	4,939	**(3,455)**	4,818
Claims administration expenses	**660**	581	**568**	502
	6,974	15,690	**4,124**	11,401
Subrogation and salvage recoveries				
Subrogation and salvage recoveries received	**(696)**	(722)	**(526)**	(506)
Change in provision for subrogation and salvage recoveries	**(115)**	30	**(115)**	30
	(811)	(692)	**(641)**	(476)
Reinsurers's share of claims incurred				
Claims paid	**(3,751)**	(4,331)	**(1,325)**	(998)
Change in provision for outstanding claims	**3,101**	(4,374)	**3,044**	(4,336)
	(650)	(8,705)	**1,719**	(5,334)

31. Acquisition cost

	GROUP		COMPANY	
	2021 R million	2020 R million	2021 R million	2020 R million
Acquisition cost paid	**(2,583)**	(2,472)	**(1,950)**	(1,935)
Change in deferred acquisition cost	**3**	1	**1**	–
	(2,580)	(2,471)	**(1,949)**	(1,935)

32. Expenses

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	
	2021 R million	2020 R million	2021 R million	2020 R million
Employee costs	**1,158**	1,021	**994**	921
Lease expenses	**48**	52	**48**	52
Depreciation, amortisation and impairment	**224**	204	**220**	199
Directors' emoluments	**6**	18	**–**	17
Foreign exchange gain/(loss)	**(25)**	(4)	**(15)**	6
Marketing expenses	**75**	70	**75**	69
Professional fees	**121**	95	**111**	88
Computer expenses	**173**	187	**175**	189
Administration fees	**89**	54	**87**	52
Repairs and maintenance of property and equipment	**34**	25	**21**	13
Other expenses	**190**	425	**161**	329
	2,093	1,960	**1,877**	1,746

33. Investment income/(loss)

	GROUP		COMPANY	
	2021 R million	2020 R million	2021 R million	2020 R million
Dividend income				
Equity instruments at fair value through profit or loss:				
Unlisted investments – Local	**37**	32	**15**	18
Total dividend income	**37**	32	**15**	18
Interest income				
Investments in financial assets:				
Bank and other cash	**49**	63	**33**	47
Investments and securities	**200**	234	**132**	151
Other financial assets	**7**	10	**–**	–
Fair value gains and losses:				
Subsidiaries	**–**	–	**180**	(262)
Investment and securities	**85**	(42)	**83**	(39)
Old Mutual Limited shares	**85**	(185)	**–**	–
Share trusts	**–**	–	**83**	(180)
Disposal of investment	**(13)**	(28)	**(10)**	(29)
Total interest income	**413**	52	**501**	(312)
Total investment income	**450**	84	**516**	(294)

34. Finance costs

	GROUP		COMPANY	
	2021 R million	2020 R million	2021 R million	2020 R million
Lease liabilities	**34**	39	**34**	39
Interest paid on debt instrument	**29**	35	**29**	35
Other interest paid	**–**	1	**–**	–
Total finance costs	**63**	75	**63**	74

35. Taxation

Major components of the tax (income) expense

	GROUP		COMPANY	
	201 R million	2020 R million	2021 R million	2020 R million
Current				
Local income tax – current period	**215**	21	**40**	2
Local income tax – recognised in current tax for prior periods	**1**	(13)	**–**	(9)
Foreign income tax or withholding tax – current period	**4**	7	**–**	–
	220	15	**40**	(7)
Deferred				
Originating and reversing temporary differences	**4**	(33)	**6**	(9)
Arising from previously unrecognised tax loss/tax credit/ temporary difference	**21**	(14)	**22**	(13)
Arising from prior period adjustments	**–**	15	**–**	–
	25	(32)	**28**	(22)
	245	(17)	**68**	(29)

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

		GROUP		COMPANY	
	Notes	2021 R million	2020 R million	2021 R million	2020 R million
Accounting (loss)/profit		**827**	(202)	**452**	(493)
Tax at the applicable tax rate of 28%		**232**	(57)	**127**	(138)
Tax effect of adjustments on taxable income					
Non-taxable income	1	**(155)**	34	**(93)**	83
Lower foreign tax rates	2	**–**	1	**–**	–
Increased tax rates	3	**4**	1	**–**	–
Disallowed expenses	4	**146**	24	**16**	50
Withholding tax	5	**8**	7	**–**	–
Capital gains tax	6	**(12)**	1	**(4)**	2
Other permanent differences	7	**–**	(1)	**–**	(1)
Prior year income tax and deferred tax adjustments		**22**	(12)	**22**	(22)
Other	8	**–**	(15)	**–**	(3)
		245	(17)	**68**	(29)

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	
	2021 R million	2020 R million	2021 R million	2020 R million
(Loss)/profit before taxation	**827**	(202)	**452**	(493)
Adjustments for:				
Depreciation and amortisation	**224**	204	**220**	199
Gains on foreign exchange	**(11)**	(5)	**–**	–
Income from equity accounted investments	**(3)**	–	**–**	–
Dividends received	**(67)**	(43)	**(15)**	(18)
Dividends paid to employees by share incentive trusts	**30**	11	**–**	–
Interest income	**(256)**	(307)	**(165)**	(198)
Finance costs	**63**	75	**63**	74
Fair value losses	**(157)**	255	**(336)**	510
Fair value losses included in discontinued operations	**107**	73	**–**	–
Movements in net insurance contract provisions	**(385)**	593	**(402)**	495
Non-cashflow movement in IFRS 2 liability	**42**	8	**48**	5
Cash transferred to non-current asset held for sale	**–**	(12)	**–**	–
Impairments	**1**	67	**1**	68
Changes in working capital:				
Increase/(decrease) trade and other receivables	**10**	147	**(15)**	(20)
Increase/(decrease) amounts due to/from agents and reinsurers	**280**	(255)	**68**	35
Increase/(decrease) trade and other payables	**(22)**	401	**(39)**	82
Increase/(decrease) amounts payable to cell owners	**203**	(90)	**–**	–
Increase/(decrease) employee benefits	**75**	(55)	**70**	(53)
Decrease in deposits with reinsurers	**(121)**	(76)	**(128)**	(55)
	840	789	**(178)**	631

37. Tax paid

	GROUP		COMPANY	
	2021 R million	2020 R million	2021 R million	2020 R million
Balance at beginning of the year	**59**	10	**34**	15
Current tax for the year recognised in profit or loss	**(220)**	(15)	**(40)**	7
Transfer to discontinued operations	**–**	(17)	**–**	–
Balance at end of the year	**(90)**	(59)	**(68)**	(34)
	(251)	(81)	**(74)**	(12)

38. 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 redefined reportable segments which align to the groups new strategic objectives 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
Retail	Insurance for small- to medium-sized enterprises (SMEs),as well as personal belongings, including home, household contents and vehicles
iWYZE	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.

38. Segmental information (continued)

2021

	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
Retail	**7,778**	**7,142**	**7,162**	**(103)**	**(4,507)**	**(1,347)**	**(1,412)**
iWyze	**1,141**	**310**	**317**	**67**	**(171)**	**308**	**(388)**
Risk financing	**3,741**	**55**	**57**	**4**	**(3)**	**–**	**(50)**
Specialty	**1,746**	**778**	**765**	**(2)**	**(525)**	**(83)**	**(158)**
CGIC guarantee	**1,521**	**934**	**947**	**489**	**(307)**	**(31)**	**(119)**
Central expenses	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**15,927**	**9,219**	**9,248**	**455**	**(5,513)**	**(1,153)**	**(2,127)**
Reconciling items							
Investment returns and share of profit from associates				**401**			
Finance cost excluding IFRS 16 lease charge				**(29)**			
Profit before taxation				**827**			

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				(36)			
Profit before taxation				(202)			

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 Swaziland and Mauritius, the results of these foreign entities are not material to the Group. As the asset base represents approximately 1.01% in 2021 (2020: 0.41%) 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.

38. Segmental information (continued)

Analysis of gross written premium by class of business

Gross written premium was derived from the following products:

	GROUP		COMPANY	
	201 R million	2020 R million	2021 R million	2020 R million
Class of business				
Property	**7,277**	6,727	**4,641**	4,474
Transportation	**565**	523	**238**	215
Motor	**5,800**	5,588	**5,126**	4,942
Accident and health	**152**	143	**83**	82
Guarantee	**1,555**	1,321	**–**	–
Liability	**276**	268	**276**	268
Engineering	**294**	194	**659**	616
Miscellaneous	**8**	47	**8**	47
Total gross written premium	**15,927**	14,811	**11,031**	10,644

39. 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

39. Related parties (continued)

Related party balances

	GROUP 2021 R million	GROUP 2020 R million	COMPANY 2021 R million	COMPANY 2020 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	(127)	(176)	(127)	(176)
Old Mutual Direct Holdings Limited	–	8	–	8
Old Mutual Short-term Insurance (Botswana) Limited	2	7	2	7
Old Mutual Short-term Insurance (Namibia) Limited	(21)	2	(21)	2
Mutual and Federal Risk Financing Limited	–	–	19	9
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	221	206	142	144
Value of shares held				
Mutual and Federal Management Incentive Trust	40	43	–	–
Mutual and Federal Senior Black Management Trust	27	34	–	–
Old Mutual Insure Employee Incentive Trust	80	58	–	–
Old Mutual Insure Broad-based Black Economic Empowerment Trust	170	122	–	–
Mutual and Federal Development Trust	28	25	–	–
Dividends (paid to)/received from related parties				
Old Mutual Limited	–	–	–	–
Credit Guarantee Insurance Corporation of Africa Limited	–	–	–	–
Mutual and Federal Risk Financing Limited	–	–	–	–
Cougar Investment Holding Company Limited	–	–	–	–
Rent paid to/(received from)/related parties				
Credit Guarantee Insurance Corporation of Africa Limited	–	–	(35)	(39)
Old Mutual Limited	48	52	48	52
Commission paid				
Personal Financial Advice Limited	156	145	156	145
Administration fees paid to/(received from) related parties				
Old Mutual Limited Group entities	157	123	157	123
Mutual and Federal Risk Financing Limited	–	–	–	(35)
Reinsurance premium received				
Mutual and Federal Risk Financing Limited	–	–	(368)	(421)
Credit Guarantee Insurance Corporation of Africa Limited	–	–	–	1
Reinsurance claims paid				
Mutual and Federal Risk Financing Limited	–	–	249	298
Credit Guarantee Insurance Corporation of Africa Limited	–	–	–	4
Reinsurance commission received				
Mutual and Federal Risk Financing Limited	–	–	(97)	(117)

40. Directors' emoluments

Directors' emoluments are paid by the Old Mutual Limited Group unless otherwise specified.

Executive

2021

	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^	4,440	2,138	253	6,831	5,210
Ms NB Manyoha	2,943	1,108	146	4,197	811
	7,383	3,246	399	11,028	6,021

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

* 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.

40. 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
NB Manyoha	19-Apr-18	19-Apr-21	13.04	29,349	–	29,349	–	–	–
	19-Apr-18	19-Apr-22	13.04	8,063	–	–	–	8,063	105
	19-Apr-18	19-Apr-23	13.04	8,063	–	–	–	8,063	105
	20-Mar-19	20-Mar-22	13.04	15,326	–	–	–	15,326	200
	20-Mar-19	20-Mar-23	13.04	15,326	–	–	–	15,326	200
	20-Mar-19	20-Mar-24	13.04	50,015	–	–	–	50,015	652
	26-Mar-20	26-Mar-23	13.04	48,189	–	–	–	48,189	628
	26-Mar-20	26-Mar-25	13.04	27,894	–	–	–	27,894	364
	26-Mar-20	26-Mar-24	13.04	27,895	–	–	–	27,895	364
	9-Apr-21	9-Apr-22	13.04	–	9,386	–	–	9,386	122
	9-Apr-21	9-Apr-23	13.04	–	9,385	–	–	9,385	122
	9-Apr-21	9-Apr-24	13.04	–	73,557	–	–	73,557	959
	9-Apr-21	9-Apr-25	13.04	–	64,172	–	–	64,172	837
	9-Apr-21	9-Apr-26	13.04	–	64,171	–	–	64,171	837
	3-Dec-21	20-Mar-22	13.04	–	8,449	–	–	8,449	110
	3-Dec-21	9-Apr-22	13.04	–	1,586	–	–	1,586	21
	3-Dec-21	20-Mar-23	13.04	–	2,589	–	–	2,589	34
	3-Dec-21	26-Mar-23	13.04	–	8,141	–	–	8,141	106
	3-Dec-21	9-Apr-23	13.04	–	1,586	–	–	1,586	21
	3-Dec-21	20-Mar-24	13.04	–	2,589	–	–	2,589	34
	3-Dec-21	26-Mar-24	13.04	–	4,712	–	–	4,712	61
	3-Dec-21	9-Apr-24	13.04	–	12,426	–	–	12,426	162
	3-Dec-21	26-Mar-25	13.04	–	4,712	–	–	4,712	61
	3-Dec-21	9-Apr-25	13.04	–	10,840	–	–	10,840	141
	3-Dec-21	9-Apr-26	13.04	–	10,840	–	–	10,840	141

40. Directors' emoluments (continued)

	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
G Napier	20-Mar-19	20-Mar-21	13.04	108,966	–	108,966	–	–	–
	20-Mar-19	20-Mar-22	13.04	195,248	–	–	–	195,248	2546
	20-Mar-19	20-Mar-23	13.04	72,913	–	–	–	72,913	951
	20-Mar-19	20-Mar-24	13.04	72,911	–	–	–	72,911	951
	26-Mar-20	26-Mar-23	13.04	183,256	–	–	–	183,256	2,390
	26-Mar-20	26-Mar-24	13.04	94,553	–	–	–	94,553	1,233
	26-Mar-20	26-Mar-25	13.04	94,553	–	–	–	94,553	1,233
	9-Apr-21	9-Apr-22	13.04	–	16,833	–	–	16,833	220
	9-Apr-21	9-Apr-23	13.04	–	16,832	–	–	16,832	219
	9-Apr-21	9-Apr-24	13.04	–	211,050	–	–	211,050	2,752
	9-Apr-21	9-Apr-25	13.04	–	194,216	–		194,216	2,533
	9-Apr-21	9-Apr-26	13.04	–	194,216	–	–	194,216	2,533
	3-Dec-21	20-Mar-22	13.04	–	32,982	–	–	32,982	430
	3-Dec-21	9-Apr-22	13.04	–	2,844	–	–	2,844	37
	3-Dec-21	20-Mar-23	13.04	–	12,317	–	–	12,317	161
	3-Dec-21	26-Mar-23	13.04	–	30,956	–	–	30,956	404
	3-Dec-21	9-Apr-23	13.04	–	2,844	–	–	2,844	37
	3-Dec-21	20-Mar-24	13.04	–	12,316	–	–	12,316	161
	3-Dec-21	26-Mar-24	13.04	–	15,972	–	–	15,972	208
	3-Dec-21	9-Apr-24	13.04	–	35,651	–	–	35,651	465
	3-Dec-21	26-Mar-25	13.04	–	15,972	–	–	15,972	208
	3-Dec-21	9-Apr-25	13.04	–	32,807	–	–	32,807	428
	3-Dec-21	9-Apr-26	13.04	–	32,807	–	–	32,807	428
				1,052,520	1,149,756	138,315	–	2,063,961	26,914

40. Directors' emoluments (continued)

Non-executive

2021

	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	**1,007**	**–**	**–**	**–**	**–**	**1,007**	**–**
Mr G Palser	**1,640**	**–**	**–**	**–**	**–**	**1,640**	**–**
Mr MA Scharneck	**1,288**	**–**	**–**	**–**	**–**	**1,288**	**–**
Ms TP Zondi	**1,107**	**–**	**–**	**–**	**–**	**1,107**	**–**
Mr IG Williamson^	**–**	**8,800**	**3,047**	**324**	**250**	**12,421**	**8,474**
	5,042	**8,800**	**3,047**	**324**	**250**	**17,463**	**8,474**

* 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.

^ 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.

2020

	Directors' fees R'000	Basic salary R'000	Bonus R'000	Pension R'000	Other R'000	Total R'000	IFRS 2: Fair value of unvested shares at year-end
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

^ 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.

40. Directors' emoluments (continued)

	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
IG Williamson	19-Apr-18	19-Apr-21	12.27	155 412	–	81,936	73,476	–	–
	20-Mar-19	20-Mar-22	12.27	135 081	–	–	–	135,081	769
	20-Mar-19	20-Mar-23	12.27	72 414	–	–	–	72,414	–
	20-Mar-19	20-Mar-24	12.27	72 414	–	–	–	72,414	–
	26-Mar-20	26-Mar-23	12.27	430 615	–	–	–	430,615	2,157
	26-Mar-20	26-Mar-24	12.27	254 882	–	–	–	254,882	–
	26-Mar-20	26-Mar-25	12.27	254 881	–	–	–	254,881	–
	9-Apr-21	9-Apr-22	12.27	–	27,932	–	–	27,932	343
	9-Apr-21	9-Apr-23	12.27	–	27,932	–	–	27,932	343
	9-Apr-21	9-Apr-24	12.27	–	629,536	–	–	629,536	2,632
	9-Apr-21	9-Apr-25	12.27	–	601,605	–	–	601,605	2,289
	9-Apr-21	9-Apr-26	12.27	–	601,604	–	–	601,604	2,289
	3-Dec-21	20-Mar-22	12.27	–	22,818	–	–	22,818	130
	3-Dec-21	9-Apr-22	12.27	–	4,719	–	–	4,719	58
	3-Dec-21	20-Mar-23	12.27	–	12,232	–	–	12,232	–
	3-Dec-21	26-Mar-23	12.27	–	72,738	–	–	72,738	364
	3-Dec-21	9-Apr-23	12.27	–	4,719	–	–	4,719	58
	3-Dec-21	20-Mar-24	12.27	–	12,232	–	–	12,232	–
	3-Dec-21	26-Mar-24	12.27	–	43,054	–	–	43,054	–
	3-Dec-21	9-Apr-24	12.27	–	106,341	–	–	106,341	445
	3-Dec-21	26-Mar-25	12.27	–	43,054	–	–	43,054	–
	3-Dec-21	9-Apr-25	12.27	–	101,621	–	–	101,621	387
	3-Dec-21	9-Apr-26	12.27	–	101,621	–	–	101,621	387
				1,375,699	2,413,758	81,936	73,476	3,634,045	12,651

41. Financial instruments

Categories of assets and liabilities

Categories of assets

Group – 2021

	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	110	–	–	–	–	110	–	110
Property and equipment	5	166	–	–	–	–	166	–	166
Right-of-use asset	6	316	–	–	–	–	316	90	226
Deferred tax	7	41	–	–	–	–	41	–	41
Investments in associates	9	16	–	–	–	–	16	–	16
Loans to share trusts	10	7	–	–	7	–	–	–	7
Loans receivable	12	29	–	–	29	–	–	–	29
Retirement benefit asset	13	221	–	–	–	–	221	–	221
Deferred acquisition costs	14	246	–	–	–	–	246	246	–
Reinsurers' share of general insurance liabilities	23	4,144	–	–	–	–	4,144	3,325	819
Deposits with cedants		29	–	–	29	–	–	29	–
Investments and securities	15	7,223	7,223	–	–	–	–	7,223	–
Amounts due to/from agents and reinsurers	16	2,442	–	–	–	–	2,442	2,442	–
Subrogation and salvage recoveries	17	458	–	–	–	–	458	458	–
Non-current assets held for sale	20	214	–	–	–	–	214	214	–
Current tax receivable		94	–	–	–	–	94	94	–
Trade and other receivables	18	404	–	–	243	–	161	404	–
Cash and cash equivalents	19	1,809	–	–	1,809	–	–	1,809	–
		17,990	7,223	–	2,117	–	8,650	16,334	1,656

* 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.

41. Financial instruments (continued)

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.

41. Financial instruments (continued)

Company – 2021

	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	110	–	–	–	–	110	–	110
Property and equipment	5	159	–	–	–	–	159	–	159
Right-of-use asset	6	316	–	–	–	–	316	90	226
Deferred tax	7	2	–	–	–	–	2	–	2
Investments in subsidiaries	8	1,182	1,182	–	–	–	–	–	1,182
Investments in associates	9	16	–	–	–	–	16	–	16
Loans to share trusts	10	84	–	–	84	–	–	–	84
Interest in employee share trusts	11	590	590	–	–	–	–	–	590
Loans receivable	12	27	–	–	27	–	–	–	27
Retirement benefit asset	13	142	–	–	–	–	142	–	142
Deferred acquisition costs	14	178	–	–	–	–	178	178	–
Reinsurers' share of general insurance liabilities	23	2,702	–	–	–	–	2,702	2,238	464
Investments and securities	15	3,133	3,133	–	–	–	–	3,133	–
Amounts due to/ from agents and reinsurers	16	2,171	–	–	–	–	2,171	2,171	–
Subrogation and salvage recoveries	17	252	–	–	–	–	252	252	–
Non-current assets held for sale	20	179	–	–	–	–	179	179	–
Current tax receivable		68	–	–	–	–	68	68	–
Trade and other receivables	18	311	–	–	223	–	88	311	–
Cash and cash equivalents	19	839	–	–	839	–	–	839	–
		12,461	4,905	–	1,173	–	6,383	9,459	3,002

* 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.

41. 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.

41. Financial instruments (continued)

Categories of liabilities

Group – 2021

	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	7,784	–	–	–	7,784	6,245	1,539
Lease liabilities	6	372	–	–	–	372	89	283
Debt instrument	24	500	–	500	–	–	500	–
Deferred reinsurance commission revenue	14	183	–	–	–	183	183	–
Amounts due to agents and reinsurers	16	1,894	–	–	–	1,894	1,894	–
Retirement benefit obligation	13	240	–	–	–	240	–	240
Share-based payment liability	25	80	–	–	–	80	–	80
Employee benefits	26	180	–	–	–	180	180	–
Deferred tax	7	23	–	–	–	23	–	23
Deposits owing to reinsurers		44	–	44	–	–	44	–
Amounts payable to cell owners	27	1,232	–	–	–	1,232	14	1,218
Current tax payable		4	–	–	–	4	4	–
Trade and other payables	28	811	–	617	–	194	811	–
Liabilities of disposal Groups	20	40	–	–	–	40	40	–
		13,387	–	1,161	–	12,226	10,004	3,383

* 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.

41. Financial instruments (continued)

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

* 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.

41. Financial instruments (continued)

Company – 2021

	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	5,059	–	–	–	5,059	4,190	869
Lease liabilities	6	372	–	–	–	372	89	283
Debt instrument	24	500	–	500	–	–	500	–
Deferred reinsurance commission revenue	14	115	–	–	–	115	115	–
Amounts due to agents and reinsurers	16	1,723	–	–	–	1,723	1,723	–
Retirement benefit obligation	13	161	–	–	–	161	–	161
Share-based payment liability	2	73	–	–	–	73	–	73
Employee benefits	26	158	–	–	–	158	158	–
Deposits owing to reinsurers		43	–	43	–	–	43	–
Trade and other payables	28	279	–	279	–	–	279	–
		8,483	**–**	**822**	**–**	**7,661**	**7,097**	**1,386**

* 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.

41. Financial instruments (continued)

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

* 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. 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 on all categories of identified material risks, appropriateness and effectiveness of associated key risk mitigation measures and assessment of exposures relative to the risk appetite;
- approving the risk policy and framework;
- providing oversight over optimal capital management ; 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, and ensuring 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 primary responsibilities:

- ensuring compliance with all statutory duties imposed in terms of the Companies Act and, where appropriate, the recommendations of the King Code;
- overseeing the preparation of the annual report that conveys appropriate information about the operations of the Group and its sustainability and financial reporting;
- reviewing the expertise, resources and experience of the Group's finance function, and disclosing the results of the review in the annual report;
- overseeing internal audit and considering the effectiveness of internal audit at least annually;
- reporting to the Board on the assessment from internal audit on the adequacy of the internal controls;
- overseeing the management of the financial reporting risks, including IT-related risks and the effective functioning of the internal financial controls;
- Ensuring the annual financial statements of the Group comply with relevant legislation and, where appropriate, the King Code;
- reviewing the accounting policies of the Group on an annual basis; and
- ensuring compliance with all statutory requirements in relation to the external auditors including to review the quality and effectiveness of the audit process and assessing 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.

42. Risk management (continued)

Set out below are the key responsibilities of the various control functions:

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;
- 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.

42. Risk management (continued)

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;
- 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 Audit committee at least once a year without management being present, and has frequent interactions with the Chairman of the Audit committee; and
- 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.

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.

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.

42. Risk management (continued)

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.

Guarantee – This business is predominantly written through Credit Guarantee Insurance Corporation of Africa Limited, a subsidiary company. A guarantee is security provided to a company against default payment made by a commercial customer for products delivered by the company.

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 primarily fall within the abovementioned categories, through the use of cell and rent-a-captive 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 in order to manage exposure and 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.

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 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.

42. Risk management (continued)

Exposure relating to individual policies

The Group concludes a combination of proportional and non-proportional reinsurance treaties to reduce the net exposure on any one risk to less than 1.0% (2020: 1.0%) of Group equity. Variable commissions, loss participation and reinstatement premiums on reinsurance contracts mean that one large loss can however, result in a 2.0% (2020: 2.0%) loss of capital, which is consistent with the group's risk appetite.

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 most major lines of insurance business, but the bulk of exposure is to property and motor risk.

Exposure relating to catastrophe events

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 a severe 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 proportional, excess-of-loss and aggregate 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 (2020: 1.7%). The additional reinstatement premiums, variable commissions, loss participation and inclusion of large individual losses within the catastrophe could increase this to 3.5% (2020: 4.1%) 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 2021 (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.

42. Risk management (continued)

The estimated impact of the Supreme Court judgements relating to business interruption policy wording for COVID-19 is included in the estimation of ultimate losses. A number of policyholders have not yet submitted claim notifications and these claims have prescribed. An IBNR claims reserve was however, raised to allow for any claims being reported in the future.

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 at least 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. Investment allocations and reinsurance programmes are 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. These include instantaneous shocks, one-year shocks and multi-year scenarios.

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.

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. Business is transitioning to the hybrid working model which will reduce the risk inherent with the working-from-home arrangement.

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.

42. Risk management (continued)

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.

The Group has increased the credit loss allowances relating to amounts due from agents and reinsurers during the year. (Please refer to note 16 for further detail).

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% (2020: 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-.

42. Risk management (continued)

Analysis of the credit quality and maximum exposure to credit risk of the financial and insurance-related assets

R million Group 2021	AAA	AA	A	BBB and lower	Not rated	Total
Loans receivable	–	–	–	–	29	29
Reinsurers' share of general insurance liabilities	–	513	453	126	3052	4,144
Loans to share trusts	–	–	–	–	7	7
Unit trusts	–	–	–	–	1,566	1,566
Unlisted money market funds	1,799	2,638	54	-	–	4,491
Amounts due from agents and reinsurers	–	143	273	79	1,947	2,442
Trade and other receivables	–	–	–	–	404	404
Cash and cash equivalents	–	1,809	–	–	–	1,809
	1,799	5,103	780	205	7,005	14,892

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	–	–	–	–	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 Company 2021	AAA	AA	A	BBB and lower	Not rated	Total
Loans receivable	–	–	–	–	27	27
Reinsurers' share of general insurance liabilities	–	245	358	9	2,090	2,702
Loans to share trusts	–	–	–	–	84	84
Unlisted money market funds	964	1,495	52	211	–	2,722
Amounts due from agents and reinsurers	–	143	273	79	1,676	2,171
Trade and other receivables	–	311	–	–	–	311
Cash and cash equivalents	–	839	–	–	–	839
	964	3,033	683	299	3,877	8,856

42. 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	–	–	–	–	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

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.

The Group held deposits of R44 million (2020: R166 million) and the company held deposits of R43 million (2020: R171 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.

42. Risk management (continued)

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 2021	AA	A	BBB and lower	Not rated	Total
African Reinsurance (South Africa) Limited	–	69	–	–	69
Atradius Group	32		–	–	32
Berkley Re Company	–	(29)	–	–	(29)
Everest Reinsurance Company	–	58	–	–	58
GIC Re South Africa Limited	–	–	78	–	78
Hannover Reinsurance Africa Limited	–	7	–	–	7
Munich Reinsurance Company of Africa Limited	(10)	–	–	–	(10)
R+V Versicherung AG	24	–	–	–	24
Swiss Re Africa Limited	47	–	–	–	47
Other	32	95	1	27	155
	125	200	79	27	431

R million Group 2020	AA	A	BBB and lower	Not rated	Total
African Reinsurance (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 Company 2021	AA	A	BBB and lower	Not rated	Total
African Reinsurance (South Africa) Limited	–	69	–	–	69
Berkley Re Company	–	(29)	–	–	(29)
Everest Reinsurance Company	–	57	–	–	57
GIC Re South Africa Limited	–	–	78	–	78
Everest Reinsurance Company	–	22	–	–	22
Munich Reinsurance Company of Africa Limited	(10)	–	–	–	(10)
R+V Versicherung AG	26	–	–	–	26
Swiss Re Africa Limited	44	–	–	–	44
Other	49	83	(3)	27	157
	109	201	75	27	413

42. Risk management (continued)

R million Company 2020	AA	A	BBB and lower	Not rated	Total
African Reinsurance (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	–	(27)	10
	(33)	61	115	(27)	116

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 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 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 and used estimates of the likely maturity of other 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 – 2021

	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	**(3,335)**	**(2,910)**	**(807)**	**(732)**	**(7,784)**
Lease liabilities	**(22)**	**(67)**	**(445)**	**–**	**(534)**
Debt instrument	**–**	**(500)**	**–**	**–**	**(500)**
Amounts due to agents and reinsurers	**(1,894)**	**–**	**–**	**–**	**(1,894)**
Retirement benefit obligation	**–**	**–**	**–**	**(240)**	**(240)**
Deposits owing to reinsurers	**(44)**	**–**	**–**	**–**	**(44)**
Amounts payable to cell owners	**(14)**	**–**	**–**	**(1,218)**	**(1,232)**
Trade and other payables	**(811)**	**–**	**–**	**–**	**(811)**
	(6,120)	**(3,477)**	**(1,252)**	**(2,190)**	**(13,039)**

42. Risk management (continued)

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)

Company – 2021

	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	**(2,470)**	**(1,720)**	**(565)**	**(304)**	**(5,059)**
Debt instrument	**–**	**(500)**	**–**	**–**	**(500)**
Lease liabilities	**(22)**	**(67)**	**(445)**	**–**	**(534)**
Amounts due to agents and reinsurers	**(1,723)**	**–**	**–**	**–**	**(1,723)**
Deposits owing to reinsurers	**(43)**	**–**	**–**	**–**	**(43)**
Trade and other payables	**(279)**	**–**	**–**	**–**	**(279)**
Retirement benefit obligations	**–**	**–**	**–**	**(161)**	**(161)**
	(4,537)	**(2,287)**	**(1,010)**	**(465)**	**(8,299)**

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)

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 has exposure to pricing fluctuations in the market due to the economic uncertainty. The exposure relating 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.

42. 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	
	2021 R million	2020 R million	2021 R million	2020 R million
Assets:				
Investments and securities	**–**	2	**–**	–
Insurance-related assets	**83**	93	**83**	93
Trade and other receivables	**–**	–	**–**	–
Cash and cash equivalents	**202**	137	**202**	121
Liabilities:				
Trade and other payables	**(1)**	(11)	**(1)**	(10)
Other non-financial liabilities	**(86)**	(74)	**(86)**	(74)
Net US Dollar exposure	**198**	147	**198**	130

RTGS Exposure

	GROUP		COMPANY	
	2021 R million	2020 R million	2021 R million	2020 R million
Assets:				
Investments in associates	**–**	–	**–**	–
Investments and securities	**–**	–	**–**	–
Non-current assets held for sale and assets of disposal Groups	**–**	63	**–**	5
RTGS exposure	**–**	63	**–**	5
Net exposure to foreign currency in Rand	**–**	210	**–**	135

42. 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	
	2021 R million	2020 R million	2021 R million	2020 R million
Assets:				
Investments and securities	**–**	–	**–**	–
Insurance-related assets	**5**	6	**5**	6
Trade and other receivables	**–**	–	**–**	–
Cash and cash equivalents	**13**	9	**13**	8
Liabilities:				–
Insurance-related liabilities	**(6)**	(5)	**(6)**	(5)
Net US Dollar exposure	**12**	**10**	**12**	**9**

RTGS exposure

	GROUP		COMPANY	
	2021 R million	2020 R million	2021 R million	2020 R million
Assets:				
Investments in associates	**–**	–	**–**	–
Investments and securities	**–**	–	**–**	–
Non-current assets held for sale and assets of disposal Groups	**–**	474	**–**	40
RTGS exposure	**–**	474	**–**	**40**

Exchange rates

The following closing exchange rates were applied at reporting date:

Rand per unit of foreign currency:

	GROUP		COMPANY	
	2021 R million	2020 R million	2021 R million	2020 R million
US Dollar	**15.831**	14.643	**15.831**	14.643
Euro	**0.11**	0.133	**–**	–

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 R4 million (2020: R2 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 R11 million (2020: R5 million) to the profit after tax and a resultant increase or decrease in retained earnings.

42. 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 R3,8 million (2020: R4,1 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 R5,2 million (2020: R4,1 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 R46 million (2020: R41 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 R88 million (2020: R85 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 R52 million (2020: R43 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 R103 million (2020: R86 million) to the profit after tax of the Group and a resultant increase or decrease in retained earnings.

42. Risk management (continued)

Company

An increase or decrease of 10% in the equity prices relating to the protected equity portfolio would result in a change of R46 million (2020: R43 million) to the profit after tax of the company 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 R88 million (2020: R85 million) to the profit after tax of the company and a resultant increase or decrease in retained earnings.

43. Fair value hierarchy

Fair value hierarchy carried at fair value

The fair value hierarchy of assets carried at fair value are as follows:

Group – 2021

	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	–	–	214	214
			214	214
Investments at fair value				
Unlisted shares	–	–	9	9
Unlisted empowerment private equity fund	–	–	129	129
Listed shares	1,028	–	–	1,028
Unit trust	–	1,566	–	1,566
Unlisted money market funds	–	4,491	–	4,491
	1,028	6,057	138	7,223

Group – 2020

	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	–	–	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

43. Fair value hierarchy (continued)

Company – 2021

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Investments in subsidiaries	–	–	1,182	1,182
Investments in employee share trusts	–	590	–	590
Non-current asset held for sale	–	–	179	179
	–	590	1,361	1,951
Investments at fair value				
Unlisted shares	–	–	9	9
Unlisted empowerment private equity fund	–	–	129	129
Listed shares	419	–	–	419
Unlisted money market funds	–	2,576	–	2,576
	419	2,576	138	3,133

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

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.

43. Fair value hierarchy (continued)

Investments in employee share trusts

The valuation techniques and inputs are disclosed in note 11.

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 offer price received.

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	
	2021 R million	2020 R million	2021 R million	2020 R million
Investments at fair value				
Opening balance	90	249	90	133
Acquisition of investment	–	–	–	–
Transferred to non-current asset held for sale	–	(176)	–	–
Revaluation of unlisted instruments	48	17	45	(43)
	138	90	138	90
Investments in subsidiaries				
Opening balance	–	–	1,002	1,426
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	–	–	180	(262)
Other	–	–	–	1
	–	–	1,182	1,002

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 43.8% (2020: 47.9%) or R513 million (2020: R476 million) in the calculated fair value.

If the market interest rate associated with the unlisted money market investments changes by 10% of the rate of return the impact on fair value as well as the profit or loss would be R20 million (2020: R25 million) for the Group and R13 million (2020: R6 million) for the company.

The unlisted empowerment private equity value has been determined based on an offer price and as a result no sensitivities have been performed.

Further information relating to investments at fair value is contained in note 15 of the financial statements.

44. 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.

45. 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.

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.

46. Events after the reporting period

The Group acquired 51% of the share capital of ONE Financial Services Holdings Proprietary Limited, a South African non-life insurance service provider, with effect from 3 January 2022 for an enterprise value of R514 million. The acquisition forms part of the Group's growth strategy and will enable the Group to strengthen its distribution capabilities and non-insurance revenue streams by broadening the Group's base in the market place. As the initial accounting for this acquisition was not completed at the time that the financial statements were authorised for issue, details of the values of assets acquired and liabilities assumed have not been provided.

In addition, as part of the Old Mutual Limited strategy to consolidate all of the holdings in African countries to Old Mutual Africa Holdings Limited the Group has sold its 100% share holdings of Cougar Investment Holdings Company limited with effect from 3 January 2022 for a value of R179 million.

On 23 February 2022, 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 2022.

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

Notes

Notes