

Santam wants to unwind international division

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South Africa's largest short-term insurer, Santam, said last week it was looking to unwind its Europe-focused international division.



Santam's Chief Executive says that the company will unwind its international operation and concentrate on the African markets. Image: Santam

Its international diversification strategy will now focus on partnering with parent company Sanlam's emerging markets division. Sanlam Emerging Markets is active in Africa and Southeast Asia. It does business in Ghana, Nigeria, Uganda, Tanzania, Malawi, Zambia, Kenya, Namibia, Botswana, Malaysia and India.

Santam International initially held three subsidiaries in the form of Santam UK, Westminster Motor Insurance Agency (WMIA) and Santam Europe. Santam sold its holdings in WMIA and Santam Europe in 2008 but retained deferred conditional rights. After the sale, WMIA and Santam Europe were renamed Cardrow Insurance and Beech Hill Insurance, respectively.

Santam said it would realise the deferred conditional rights relating to Cardrow and Beech Hill as and when they become unconditional and therefore these assets have been recognised as held for sale in the group as at December last year. This process is expected to be concluded this year.

"Once the assets have been realised, management will start a process to unwind the Santam International group," the company says in its 2013 integrated report.

Assets 'held for sale'

"The investment in Santam International as well as the loan to Santam International have been classified as current assets on a company level. The completion of the unwinding process is subject to regulatory approval," it says.

Santam's latest integrated report notes that the assets that are classified as 'held for sale' amount to about R415m. Santam is also looking to expand its Santam Re and Santam Specialist business. Santam Re is a wholesale reinsurance service provider for Sanlam and Santam short-term insurance businesses and independent short-term insurers in South Africa.

Santam Specialist includes captive insurer Centriq; Associate Marine Underwriter, a leading marine underwriter; and Echelon Private Clients Insurance, for professionals, executives and business owners who demand cost-effective, personalised risk solutions, and many other offerings.

The company notes in its annual report that it has reduced its long-term net underwriting margin target to between 4% and 6% from next year onwards.

Santam struggled to meet its medium-term targeted net underwriting margin of 5%-7% after a tough market for short-term insurers, which was characterised by catastrophic events over the past two years that pushed up claims. The underwriting margin is a key measure of financial performance in an insurance firm. It is the net earned premium - minus claims incurred, net commission and management expenses - as a percentage of the net earned premium.

According to its annual report, Santam's remuneration to Chief Executive Ian Kirk was a total of R6.3m, up by 0.4% compared for the full year ended December 2012. The total remuneration is made up of a salary, performance bonus and other benefits.

Kirk had a bonus cut, with his performance bonus reduced about 8% to R2.3m in the full year to end-December, compared with the same period in 2012. This excludes deferred share awards that Kirk may hold.

A so-called out-performance plan was extended to Kirk to reward out-performance over a five-year period. Santam said no payment was made under the plan unless certain targets were reached.

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