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FBC Reinsurance Limited

Zimbabwe Reinsurance Analysis **May 2011**

Security class	Rating scale	Country	Rating	Rating watch	Expiry date
Claims paying ability	National	Zimbabwe	A-	Yes	05/2012

Financial data:

(Stated in US$'m)

	31/12/09	31/12/10
Total assets	7.2	10.1
Total capital	4.0	5.4
Cash & equiv.	1.1	3.7
GWP	8.4	5.9
U/w result	0.3	(1.9)
NPAT	0.4	(1.4)
Op. cash flow	(1.2)	0.3
Market cap	n.a.	
Market share*	11.8%	

*Based on aggregate reinsurance GWP for 2010.

Fundamentals:

FBC Reinsurance Limited ("FBC Re") is a Zimbabwean reinsurer, and is wholly owned by FBC Holdings Limited ("FBCH"). Incorporated in 1994, and formerly known as Southern Africa Reinsurance Company ("SARE"), FBC Re in its current guise resulted from a merger with the reinsurance arm of First Bank in 2004. FBCH's major shareholders as at FYE10 included the National Social Security Authority ("NSSA"), with a 22% stake, Tirent Investments (Pvt) Limited (5%) and Cashgrant Investments (Pvt) Limited (5%). FBCH is listed on the ZSE and had a market capitalisation of US$14.5m at 20 May 2011. The group also had a capital base of US$62m and total assets of US$235m at FYE10.

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Rating rationale

The rating is based on the following key factors:

- FBC Re's position in the domestic market, underpinned by strong capital support from FBCH and linkages with top tier insurers. In addition, the reinsurer is covered by an explicit parental guarantee, under which FBCH undertakes to settle all claims legally payable (on an annual basis) to the extent that the reinsurer is unable to meet admitted obligations.
- The comparatively large and highly liquid investment portfolio (which is forecast to remain high at 36 months in F11), was viewed positively. However, counterparty risk is inherent, given that the placement of the bulk of cash holdings is with sub investment grade rated banks.
- Growing competitive pressures and selective participation on corporate/commercial risks drove a marked decline in premiums in F10. Furthermore, FBC Re's book evidences notable concentration, with over 69% of NWP derived from two classes.
- Significantly inflated overheads (in the face of a marked reduction in risk premiums) underpinned a substantial underwriting loss in F10. This is likely to translate to sustained margin compression over the medium term, exacerbating losses in high claiming years.
- FBC Re's retrocession programme is primarily placed with international investment grade rated counterparties.
- Despite recent advances, an uncertain socio-political outlook is likely to exacerbate challenges within the operating climate, constraining economic growth. Going forward, this is expected to prolong industry recovery and negatively impact profitability.

Solvency & liquidity

Notwithstanding retained losses of US$1.1m, following a US$2.2m rights issue and a US$0.3m adjustment to reserves, this supported a 35% increase in shareholders interest to US$5.4m at FYE10. Coupled with a notable decline in NWP, this saw international solvency improve to 134% (FYE09: 55%). Adjusted for debtors in excess of 180 days, solvency at FYE10 amounts to 129%. Funds derived from the aforementioned rights issue were retained as cash, which supported a significant increase in liquid assets to US$3.7m (FYE09: US$1.1m). This, in turn, drove a higher claims cash coverage ratio of 44 months (FYE09: 4 months), while cash holdings covered technical liabilities 1.9x (FYE09: 0.5x). The 2011 XoL treaty buys down the maximum net retention per risk and event to US$150,000, or 3% of 1Q F11 capital. At 1Q F11, annualised solvency had decreased to 77%, on strong NWP growth. Liquidity metrics similarly retreated from FYE10 highs, albeit remaining strong.

Industry overview

Following a decade of economic decline, Zimbabwe completed its second year of economic growth in 2010, achieving estimated real GDP growth of 8.1% (2009: 5.7%). Albeit off a very low base, growth was underpinned by an improved performance across all major sectors. Agricultural output is estimated to have grown by 34% in 2010, while mining production increased by 47%, on the back of recapitalisation and re-opening of a number of key mines. The manufacturing sector registered growth of 2.7% and is projected to expand production by 5.7% in 2011. Capacity utilisation increased to 43.7% during 1H 2010, compared to 32.3% for 1H 2009. Underpinned by even stronger mining and agriculture production volumes, GDP growth is projected at 9.3% for 2011, which translates to a nominal GDP of about US$8.1bn.

Nonetheless, economic performance remains constrained by challenges that include power outages, deteriorating infrastructure, low aggregate demand, exorbitant capital costs, high unemployment (estimated at over 90% in 2010), competition from imports, and growing uncertainty on key issues such as indigenisation and the privatisation of major parastatals. Furthermore, the collapse of key Government of National Unity ("GNU") structures and a reversal of policies that fostered growth in 2009-10 remains a major threat.

Year-on-year inflation in 2010 remained within the single digit range, and averaged 4.8% for the year. However, inflation is expected to rise in 2011 on the back of wage pressures, a weaker US$ and energy cost escalations. The country remains burdened with unsustainable external debt amounting to US$6.9bn, equivalent to 85% of GDP. The IMF resumed technical assistance to Zimbabwe in May 2009, while noting that access to IMF lending facilities would require a sustained track record of sound policies.

Policy uncertainty has further constrained meaningful capital inflows. In addition, structural funding issues remain, which include, *inter alia*; low savings, volatile deposits, a lack of tangible external support and lines of credit, the absence of risk-free liquid treasury instruments, the lack of a functional interbank market and the central bank's limited ability to act as a lender of last resort. As such, while banking sector deposits grew from US$1.4bn in January 2010 to roughly US$2.5bn in December 2010, liquidity remains severely constrained. Lending rates have remained punitively high (albeit well below highs of 30%-50% witnessed in 2010), and are expected to range between 6%-30% p.a. in 2011, driven by demand for bridging finance. Following subdued performance in 2010 (as evidenced by a low of 127.44 in June), the industrial index achieved 15-month highs in 1Q 2011. However, very little capital has been raised on the ZSE since dollarisation, and counters remain significantly undervalued, despite indications of economic recovery. Similarly, the property market remains considerably subdued, despite price increases of around 12.5% (driven by modest demand for residential properties). This is likely to persist until sizeable capital inflows are realised.

Owing to low productivity and earnings capacity, insurance penetration has registered only moderate improvement since dollarisation, with general insurance GWP of US$117m remaining well behind highs of around US$350m registered 10 years earlier. Due to liquidity constraints faced by clients, insurers have resorted to offering quarterly and semi-annual policies, as well as adopting flexible payment plans on a case by case basis. This has had an inflationary impact on debtors, although industry debtors' days generally remain within 180 days. In addition, some middle-lower tier insurers have resorted to cash flow underwriting, supporting earnings through aggressively managed short term investments. Positively, a perceptible shift from self insurance towards formal cover by corporates has been in evidence, albeit at a slower than anticipated pace.

Major insurers and reinsurers have begun to increase their risk thresholds, in a departure from fronting arrangements. However, profitability in the general insurance industry has been constrained by a marked deterioration in the claims environment, while reinsurers' earnings were eroded by considerable write-offs and provisioning for doubtful debts. Albeit that no sizeable claims have threatened sector viability, the current state of formerly idle machinery heightens business risk.

Although the Insurance and Pension Commission ("IPEC") stipulated minimum prescribed rates per class of business, the regulatory body currently cannot legally enforce pricing guidelines. As such, the recommendations are yet to satisfactorily reduce undercutting, a factor which has contributed to sizeable technical losses for a number of players. To address this shortcoming, and to ensure the continued viability of the industry, an *Insurance Bill* and amendments to the *Pensions & Provident Funds Act* have been tabled before parliament. Changes centre on aligning capitalisation with regional requirements, corporate governance, solvency, pricing and the enforceability of IPEC regulations. In the interim, the regulator has rigorously enforced capitalisation requirements in 2010 and charged penalties for undercutting. However, current fines that range between US$3,000 to US$5,000 are considered too low to deter companies.

Competitive position

The latest available industry statistics based on F10 performance place FBC Re as the fourth largest general reinsurer by GWP, accounting for 12% of the industry total and 12% of general reinsurance assets.

The industry was comprised of 8 operational players in F10, of which the 5 largest accounted for 93% of industry premiums and 88% of assets.

Table 1: Peer analysis F10 (US$'m)	Baobab Re	ZB Re	FBC Re	FM Re	Tropical Re	Ind.†
GWP	**12.0**	**10.7**	**5.9**	**12.4**	**5.4**	**50.1**
NWP	9.3	7.6	4.1	5.2	3.4	31.9
NPE	**8.7**	**7.4**	**4.0**	**5.0**	**3.0**	**30.5**
Capital	33.6	2.4	5.4	2.2	1.3	55.0
Total assets	**45.4**	**5.3**	**10.1**	**7.7**	**2.6**	**81.2**
Solvency (%)	360.2	31.3	134.4	42.6	37.4	172.6
Retention (%)	77.9	70.4	68.7	41.6	63.1	63.7
Earned loss ratio (%)	51.7	34.2	25.7	41.8	26.8	38.9
Deliv. cost ratio (%)	71.7	53.6	123.4	87.3	44.5	73.3
U/w margin (%)	(23.4)	12.2	(49.1)	(29.1)	28.7	(12.2)
Claims cover (mnths)	2.4	3.2	44.0	8.8	3.6	7.8

†**Source**: IPEC, AFS. Technical assets & receivables stated gross of obligations to insurers/reinsurers' portion; cash & equivalents excl. money market investments for some reinsurers.

Although Baobab Re remains the dominant reinsurer in terms of capital, FMRe Property & Casualty led the industry in terms of gross premiums in F10. FBC Re's position is underpinned by established linkages with key insurers and intermediaries, which enables both facultative and treaty cessions from upper tier counterparties. Notwithstanding the reasonable capacity afforded by its capital base, the reinsurer has recently taken a conservative stance towards the expansion of its risk premium base, in order to protect shareholders interest from further losses.

Risk diversification

FBC Re's focus remained on the domestic market in F10, with an unchanged 97% of GWP derived from Zimbabwean cedents. Facultative lines also remained dominant, albeit comprising a lower 70% of F10 gross premiums (F09: 90%). The recovering treaty business was underpinned by rising surplus cessions, which accounted for around 60% of FBC Re's treaty gross premiums, while the balance was primarily derived from working or stop loss XoL. Quota share cessions remained nominal, due to the elevated retention of motor risks by general insurers, and the reinsurer's strategic decision to reduce participation in this class. Inclusive of facultative cessions, 84% of GWP was written on a proportional basis (F09: 98%).

FBC Re has increased its reliance on brokers in recent years, with 70% of GWP sourced from the top ten intermediaries in F10 (F09: 62%), and the largest contributing 30% (F09: 27%). The book also evidenced considerable client concentration, with the ten largest cedents' contribution to GWP remaining elevated at 80% (F09: 97%). The reinsurer is particularly exposed to the 5 largest cedents, who accounted for around 75% of GWP, owing to the maintenance of fronting arrangements on certain corporate/commercial risks.

Table 2: Business mix (%)	GWP		NWP		Retention	
	F09	F10	F09	F10	F09	F10
Fire	46.1	40.9	43.9	31.5	83.5	53.0
Miscellaneous*	1.7	3.9	1.9	5.7	100.0	100.0
Motor	25.6	13.6	29.0	18.8	99.3	94.6
Engineering	11.9	6.0	8.6	6.8	62.8	77.8
Accident	14.6	35.5	16.6	37.2	100.0	71.8
Total	**100.0**	**100.0**	**100.0**	**100.0**	**87.8**	**68.7**

*Comprises transportation and credit.

As insurance penetration fell well behind expectations in F10, competitive pressures increased considerably, particularly amongst the well capitalised reinsurers. In addition, FBC Re was particularly selective in terms of its participation, reducing its uptake of sizeable corporate/commercial risks and restricting exposure to traditional business lines. As such, GWP retreated significantly, to US$5.9m (F09: US$8.4m). The decline was driven by a 38% and 63% decrease in fire and motor gross premiums to US$2.4m and US$0.8m respectively. In addition, engineering GWP contracted to US$0.3m, from US$1.2m in F09. Positively, gross premiums for accident nearly doubled to US$2.1m, somewhat mitigating the considerable loss of business in the traditional classes.

FBC Re's gross premium spread remained significantly weighted towards fire, which accounted for 41% of the total (F09: 46%). However, the reinsurer's exposure to this class fell considerably on a net basis, as it reduced retention to a level closer to the peer average of 58%, from the high levels reported in F09. Accident premiums ceded to the reinsurer rose markedly in F10, as most insurers did not have adequate reinsurance cover or capacity to carry these risks. As such, and notwithstanding lower relative retention, FBC Re saw a significant increase in exposure to this class in F10. Lower participation on motor saw a reduction in the class's contribution to gross and net premiums, although retention remained elevated. Overall, the reinsurer's retention ratio declined by 19 percentage points to 69% in F10, and was closely aligned to the 64% industry average.

Table 3: Claims analysis (%)	Net loss		Earned loss		Δ in E/L
	F09	F10	F09	F10	
Fire	28.5	19.1	40.0	0.9	(16.6)
Miscellaneous*	59.5	1.6	49.1	3.4	(0.8)
Motor	62.6	75.1	55.4	86.3	(3.3)
Engineering	20.4	6.4	18.9	(9.4)	(2.3)
Accident	12.3	30.9	14.3	34.7	9.7
Total	**35.6**	**32.1**	**39.0**	**25.7**	**(13.3)**

*Comprises transportation and credit.

Due to increased accident claims that fell within the reinsurer's net account, this class's net loss ratio climbed to 31% in F10 (F09: 12%), while the earned loss ratio rose by 20 percentage points to 35%. In addition, the elevated frequency of attritional motor claims drove an escalation in the class's earned loss ratio to 86% (F09: 55%). Positively, claims incidences in the remaining classes were well contained. In particular, driven by a low claims experience and a release from the OCR, the dominant fire class reported a marginal earned loss ratio. Overall, FBC Re's earned loss ratio decreased by 13 percentage points to 26% (industry: 39%).

Table 4: Underwriting performance (%)	F09		F10	
	Net comm.	Tech. margin	Net comm.	Tech. margin
Fire	33.2	26.8	35.5	63.6
Miscellaneous*	22.6	28.3	20.4	75.7
Motor	25.1	19.6	21.1	(7.4)
Engineering	32.8	48.3	36.9	72.5
Accident	32.3	53.4	39.8	25.6
Total	**30.3**	**30.8**	**33.9**	**40.4**

*Comprises transportation and credit.

Although the proportion of net commission expenses to NWP reduced for motor, the aforementioned deterioration in the earned loss ratio drove a negative technical margin for this class in F10. Margin compression was also evidenced for accident, as the adverse loss experience was compounded by elevated net commissions outward. Nonetheless, improved profitability across the remaining classes saw the overall technical margin gain 10 percentage points to register at 40%, surpassing the 34% industry margin.

Retrocession

Hannover Re leads the 2011 retro programme, with a 37% and 40% participation on the proportional and non-proportional treaties respectively. FBC Re's retrocession contracts cover risks emanating from Africa (excluding South Africa on the XoL treaty).

Table 5: Retrocession-2011 (US$)	Retention	Limit
Surplus (# of lines)		
Fire (3)	1,500,000	4,500,000
Engineering (3)	1,500,000	4,500,000
Excess of loss (# of layers)		
Fire, CAR/engineering, marine, misc accident, Motor (3)	150,000	3,000,000

Retention on the surplus treaty is unchanged from 2010 levels, at US$1.5m, while capacity for fire, property and engineering risks remains pegged at US$4.5m. Although capacity on the 2011 XoL treaty was doubled to US$3m, FBC Re's maximum net exposure per risk and event remains at US$150,000, and equated to around 3% of 1Q F11 capital. The additional layer introduced in 2011 caters exclusively for catastrophe risks/multiple loss occurrences. The XoL retrocession contract also provides for three full reinstatements on the 1st layer, two on the 2nd and one on the final layer.

Table 6: Retrocession (US$)	F09	F10
Premiums ceded	(1,029,152)	(1,849,416)
Claims recovered	80,780	-
Commission recovered	25,971	120,558
Net result	**(922,401)**	**(1,728,858)**

With all claims falling within the reinsurer's net retention, recoveries from retrocessionaires were confined to commissions only, and equated to a lower 7% of premiums ceded in F10 (F09: 10%). The US$1.7m net result corresponded to a higher 32% of the capital base at FYE10 (FYE09: 23%).

Capital adequacy

An amount of US$2.2m derived from a group rights issue, coupled with a US$0.3m revaluation of reserves more than offset retained losses of US$1.1m incurred in F10. As such, shareholders interest was reported at US$5.4m at FYE10, from US$4m at FYE09. This, combined with the marked decline in NWP supported an improvement in the international solvency margin to 134% (FYE09: 55%). Similarly, the financial base ratio increased 2.4x to 161%. Adjusted for debtors in excess of 180 days, solvency at FYE10 reduces to 129%. Additional support is inherent in a parental guarantee, wherein FBCH has undertaken to settle all legally admissible claims (on an annual basis), should FBC Re be unable to fulfil its obligations. The agreement may be cancelled, subject to 90 days prior written notice to GCR.

Unearned premium reserves equated to a higher 26% of NWP (F09: 13%), while net outstanding claims amounted to 23% (F09: 17%) of net written premiums. Net technical liabilities equated to 37% of capital at FYE10 (FYE09: 54%). The UPR is calculated separately for each reinsurance contract, on the 1/365th basis, while the unexpired risk provision is based on relative exposures per class. Claims reserves are premised on historical claim trends, and are adjusted annually to account for policy/regulatory changes and cost escalations.

Asset management

Table 7: Investment profile (US$)	FYE09	%	FYE10	%
Associate	1,002,851	29.2	1,002,851	16.8
Listed equities	1,157,031	33.7	1,226,045	20.6
Other	212,377	6.2	-	-
Non-cash investments	**2,372,259**	**69.2**	**2,228,896**	**37.4**
Cash & equivalents	1,057,378	30.8	3,725,866	62.6
Total	**3,429,637**	**100.0**	**5,954,762**	**100.0**

The investment portfolio constituted 59% of the asset base at FYE10 (FYE09: 47%). Notably, liquid assets more than trebled to US$3.7m at FYE10 (on the back of the aforementioned rights issue), and accounted for 63% of investments (FYE09: 31%). This supported a sharp rise in claims cash coverage to a robust 44 months (FYE09: 3.9 months), while cash holdings covered technical liabilities 1.9x (FYE09: 0.5x).

Table 8: Cash matrix-FYE10 (US$ equiv.)	Nat. rating	US$	GBP	Total	% of total
FBC Bank	A-	47,801	-	47,801	1.3
Barclays Bank*	AA-	-	684,625	684,625	18.4
TN Bank	BB	994,080	-	994,080	26.7
Premier Bank	BB+	480,982	-	480,982	12.9
ZDB	B+	359,157	-	359,157	9.6
FBC B.S.	BBB-	152,000	-	152,000	4.1
Kingdom Bank	BBB+	266,466	-	266,466	7.2
Interfin Bank	BB	740,755	-	740,755	19.9
Total	**-**	**3,041,241**	**684,625**	**3,725,866**	**100.0**

*Barclays Bank Plc. (London).

At FYE10, 82% of cash holdings were US$ denominated, while the balance was held in an offshore GBP account. Cash holdings were spread across 8 counterparties at FYE10 (with no party holding more than 27%), reducing concentration risk. However, 69% of liquid assets were held by sub investment grade rated banks, elevating credit risk.

Listed equities comprised 21% of the larger investment portfolio (FYE09: 34%), and consist of shareholdings in blue chip counters with a broad sectoral representation. A further 17% of investments was vested in a 23.1% stake in Eagle Insurance Company Limited ("Eagle"), a domestic insurer that accounted for 3% of general insurance GWP in F10. Including realised gains, the reinsurer registered a negative ROaE, but reported an 11% investment yield on the back of capital gains.

Trade receivables declined by 17% to US$2.3m at FYE10, and accounted for 23% of the asset base (FYE09: 38%). Debtors in excess of 180 days amounted to US$211,957, or 9% of the total. During the year, the reinsurer fully provided for all doubtful debtors, and reversed all premiums over 45 days that were considered irrecoverable (further contributing to lower GWP). While this resulted in a considerable impairment of US$1.1m during F10, improved debtors quality has been noted in 1Q F11. Specifically, the average premium collection period decreased to an annualised 100 days at 1Q F11 (FYE10: 154 days), while the impairment provision was reduced to 4% of trade receivables. However, significant concentration is still evident, as ten cedents accounted for around 75% of gross debtors at 1Q F11.

Financial performance

Financial statements are presented in US$, the functional currency since the introduction of the multiple currency system in February 2009. As numbers relating to the three-year period prior to 2009 do not meet the requirements of IAS 21 (The Effects of Changes in Foreign Exchange Rates) and IAS 29 (Financial Reporting in Hyperinflationary Economies), a two-year financial synopsis is reflected at the end of this report.

Table 9: Income statement-F10 (US$)	Actual	Budget	% var.
GWP	**5,902,746**	**10,994,604**	**(46.3)**
NWP	4,053,330	9,789,493	(58.6)
NPE	**3,952,337**	**8,338,294**	**(52.6)**
Claims	(1,015,337)	(3,272,156)	(69.0)
Net commissions	(1,339,513)	(2,157,625)	(37.9)
Management expenses	(3,538,419)	(2,037,089)	73.7
Underwriting result	**(1,940,932)**	**871,423**	**n.a**
Ratios (%):			
Retention	68.7	89.0	-
Earned loss	25.7	39.2	-
Delivery cost	123.4	50.3	-
U/w result / NPE	(49.1)	10.5	-
Int. solvency	134.4	60.5	-
Claims cover (mths)	44.0	8.2	-

As previously mentioned, GWP fell short of forecasts, while the retention ratio was 20 percentage points below the relative budget. Following a US$0.1m transfer to the UPR, NPE amounted to only 47% of initial projections. Positively, owing to the selective uptake of risks, the improvement in the loss experience surpassed expectations, resulting in a 13 percentage point decrease in the earned loss ratio to 26%. However, the delivery cost ratio was considerably higher than forecast. Specifically, management costs were inflated by the aforementioned US$1.1m receivables impairment (which accounted for 31% of overheads) and an escalation in directors' remuneration (F10: US$845,492; F09: US$7,476).
The reinsurer's underwriting loss equated to -49% of NPE, compared to an industry margin of -12%. Including unrealised investment gains and foreign exchange movements, FBC Re registered retained losses amounting to US$1.1m, contrasting budgeted earnings of US$0.9m.

Future prospects

FBC Re is targeting double digit GWP growth in F11, supported by increased cessions from foreign cedents (expected to comprise 20% of GWP) and higher participation in domestic risks. In this regard, the reinsurer intends to expand into Kenya and Tanzania, leveraging off established linkages with regional intermediaries. Domestically, the reinsurer plans to reduce its reliance on brokers, rather utilising bancassurance (through fellow subsidiary FBC Bank) to broaden distribution channels. The reinsurer's trade ratio is forecast to improve considerably on the back of these group synergies, rigorous cost containment and a more predictable claims environment.

As of January 2011, FBCH increased its stake in Eagle to 75%, from 23% previously. This is expected to support a captive market for FBC Re, further enhancing top line growth. While no further capital support is anticipated in F11, a US$1m liquidity injection is expected from FBCH in exchange for the reinsurer's stake in Eagle (to be consolidated at group level). Combined with retained earnings of US$0.8m, this is expected to sustain sound solvency and liquidity metrics.

Table 10: Profitability forecasts-F11 (US$)	1Q F11 Actual	F11 Budget	% of budget
GWP	**2,453,752**	**7,035,000**	**34.9**
NWP	1,829,229	6,091,500	30.0
NPE	**1,475,604**	**5,364,417**	**27.5**
Claims	(356,361)	(1,872,828)	19.0
Net commissions	(673,271)	(1,370,917)	49.1
Management expenses	(472,070)	(1,654,828)	28.5
Underwriting result	**(26,098)**	**465,844**	**n.a**
Ratios (%):			
Retention	74.5	86.6	-
Earned loss	24.2	34.9	-
Delivery cost	77.6	56.4	-
U/w result / NPE	(1.8)	8.7	-
Int. solvency	76.8*	98.0	-
Claims cover (mths)	29.8*	36.8	-

*Annualised.

GWP grew at an annualised 66%, to US$2.5m in 1Q F11. Retention, however, was well behind anticipated levels, while NPE moderately exceeded the quarterly target. Notwithstanding staff downsizing, the delivery cost ratio remained well above budget, as net commissions were inflated by a hardening of rates and nominal recoveries from retrocessionaires. Overall, a negligible underwriting loss was registered, despite the benign loss experience, indicating that the reinsurer is yet to achieve reasonable scale economies. While investment income supported retained earnings of US$0.2m, annualised solvency declined to 77%, due to aggressive NWP growth.

FBC Reinsurance Limited

(US$ except as noted)

Year end : 31 December		2009	2010	1Q 2011*
Income Statement				
Gross written premium (GWP)		**8,412,435**	**5,902,746**	**2,453,752**
Reinsurance premium		(1,029,152)	(1,849,416)	(624,523)
Net written premium (NWP)		**7,383,283**	**4,053,330**	**1,829,229**
(Increase) / Decrease in insurance funds		862,714	(100,993)	(353,625)
Net premiums earned		**8,245,997**	**3,952,337**	**1,475,604**
Claims incurred		(3,214,555)	(1,015,337)	(356,361)
Commission		(2,495,532)	(1,339,513)	(673,271)
Management & other expenses		(2,192,085)	(3,538,419)	(472,070)
Underwriting profit / (loss)		**343,825**	**(1,940,932)**	**(26,098)**
Realised investment income		35,206	284,943	139,849
Other income		22,135	233,451	1,186
Tax^		(49,718)	0	(58,557)
Net income after tax		**351,448**	**(1,422,538)**	**56,380**
Dividends		0	0	0
Retained income		**351,448**	**(1,422,538)**	**56,380**
Unrealised gains/(losses)^		26,015	357,463	85,467
Forex gains/(losses)		79,149	(69,233)	26,999
Balance Sheet				
Shareholders interest		**4,048,078**	**5,447,608**	**5,616,456**
Net OCR & IBNR		1,235,369	948,123	986,115
Insurance funds (UnNPE reserve)		959,805	1,060,798	1,414,423
Other liabilities		987,462	2,614,193	3,264,046
Total capital & liabilities		**7,230,714**	**10,070,722**	**11,281,040**
Fixed assets		387,139	316,031	303,555
Investments		2,372,259	2,228,896	3,348,669
Other non-current receivables		331,635	391,939	0
Cash and short term deposits		1,057,378	3,725,866	3,540,011
Other current assets		3,082,303	3,407,990	4,088,805
Total assets		**7,230,714**	**10,070,722**	**11,281,040**
Business risk profile				
GPI spread (%)				
Fire		3,881,659	2,413,627	n.a
Miscellaneous		142,346	231,766	n.a
Motor		2,155,682	805,686	n.a
Eng.		1,005,224	353,591	n.a
Accident		1,227,454	2,098,076	n.a
Total		**8,412,365**	**5,902,746**	**n.a**
Investments spread				
Investment in associate		1,002,851	1,002,851	n.a
Listed equities		1,157,031	1,226,045	n.a
Other		212,377	0	n.a
Total		**2,372,259**	**2,228,896**	**n.a**
Key Ratios				
Solvency / Liquidity				
Shareholders funds / NWP	%	54.8	134.4	76.8
Shareholders funds (adj for debtors > 180 days) / NWP	%	54.8	129.2	76.8
Financial base	%	67.8	160.6	96.1
Insurance funds / NWP	%	13.0	26.2	19.3
Outstanding claims / NWP	%	16.7	23.4	13.5
Claims cash coverage	months	3.9	44.0	29.8
Cash & equivalents: Technical liabilities	x	0.5	1.9	1.5
Average premium collection period	days	79.3	154.3	99.6
Efficiency / Growth				
GWP Growth	%	n.a	(29.8)	66.3
Premiums reinsured / GWP	%	12.2	31.3	25.5
Earned loss ratio	%	39.0	25.7	24.2
Commissions / NPE	%	30.3	33.9	45.6
Management expenses / NPE	%	26.6	89.5	32.0
Underwriting result / NPE	%	4.2	(49.1)	(1.8)
Profitability				
Investment yield (excl. unrealised gains/losses)	%	1.0	4.8	8.1
Investment yield (incl. unrealised gains/losses)	%	1.8	10.8	13.1
ROaE	%	11.3	(20.8)	4.0

* Based on unaudited management accounts. Relevant ratios annualised.

^Stated net of deferred tax.