

# 2021 Results Presentation

01 October 2021



Building a  
**Diversified**  
**Insurance**  
Investment group

CONDUIT  CAPITAL

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-  **“Underwriting profitability”** included throughout the presentation reflects amounts before operating expenses
-  **“Underlying business”** excludes non-recurring and legacy losses
-  **“Actual Cash Generation”** reflects amounts before legacy cash outflows
-  **“Period Under Review”** is 1 July 2020 to 30 June 2021



-  Conduit Capital is an investment holding company invested primarily in the insurance industry
-  Conduit wholly owns the Constantia Insurance group of companies
-  The insurer's target combined ratio is 95% or better over the long-term
-  Additional investments are made in public or private companies that increase our capital base and allow Constantia to write more profitable business and generate more float
-  Private investments include real estate brokerage Century 21 South Africa; Africa Special Opportunities Capital's Fund 1; and Conduit Ventures, a fintech incubator

# Key Highlights for the year to June 2021

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Constantia returned to sustained underwriting and operating profits, achieving a 98.1% combined ratio from underlying operations



Constantia generated operating profit of R35 million from underlying operations, compared to a R64 million operating loss in the prior period



Century21 grew revenue 60% to record levels



ASOC Fund I is expected to realise a positive cash return in Fund I in fiscal 2022



# Financial results



Constantia is a diversified pan-African insurer writing business in Health, Life, Medical Malpractice and Property & Casualty. First licensed in 1952, Constantia operates 3 insurance licenses providing insurance solutions across 19 countries, with dominant positions in Health and Medical Malpractice insurance.

## P&C

- 🔗 **Focus on specialised business such as:**
  - aviation
  - marine cargo
  - guarantees
  - mechanical warranty

## Health

- 🔗 Largest Health Insurer in SA
- 🔗 Leading provider of GAP with 600 000 members
- 🔗 One of the largest Primary Care networks
- 🔗 Provide cover in 19 African countries

## Medical Malpractice




- 🔗 Leading Medical Malpractice insurer in SA
- 🔗 Only locally based insurer offering Occurrence Based cover
- 🔗 Insure 60% of Obstetricians and Gynecologists

## Life & Funeral

- 🔗 Provide funeral and non-underwritten life products through non-life partner network
- 🔗 Focused on developing niche solutions and bundled products

# Constantia Group Results



-  Our restructure and focus on improved underwriting over the past 18 months has delivered an operating performance in line with expectation.
  
-  Financial highlights:
  - R164 million improvement in reported operating result,
  - underlying operating profit of R35 million,
  - underwriting profitability achieved across all segments,
  - double digit growth in our high-margin specialist segments,
  - An 25% reduction in operating expenses.
  
-  Besides the financial metrics, we have achieved important milestones in implementing new technology solutions that will ensure sustainable earnings and enable the business to grow at scale.

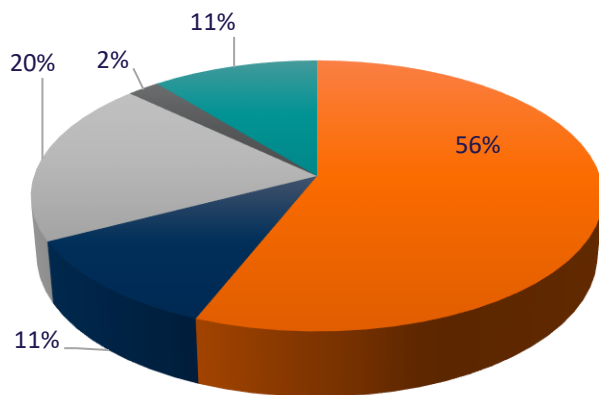
R million	June 2021	June 2020	% Change
Gross Premium Income	1 949	2 110	(8)
<b>Underwriting Result</b>	<b>222</b>	<b>137</b>	<b>62</b>
Health	119	82	45
Medical Malpractice	63	45	40
P&C Speciality	17	25	(32)
P&C General	22	(30)	173
Life	1	15	(93)
Operating Costs	(231)	(310)	25
<b>Reported Operating Result</b>	<b>(9)</b>	<b>(173)</b>	<b>95</b>
Impact of discontinued & legacy business	44	109	60
<b>Underlying Operating Result</b>	<b>35</b>	<b>(64)</b>	<b>155</b>



# Underlying Results by Segment



GPI Contribution by Segment



- HEALTH
- MEDICAL MALPRACTICE
- PROPERTY & CASUALTY: SPECIALITY
- LIFE
- PROPERTY & CASUALTY: GENERAL

Segment (R million)	GPI	Underwriting Results	Operating Expenses	Net operating Results	Loss Ratio	Combined Ratio	Combined Ratio 2020
HEALTH	1064	141	(48)	93	41%	91%	93%
MEDMAL	215	63	(44)	19	44%	91%	103%
P&C: SPECIALITY	373	17	(13)	4	46%	99%	96%
P&C: GENERAL	206	25	(101)	(76)	51%	134%	145%
LIFE	40	2	(11)	(9)	60%	124%	113%



## Health



- Consistent premium growth maintained
- Improved underwriting margins across all product lines
- Launched new distribution channels

## Medical Malpractice



- High persistency leading to **solid premium growth**
- Improved **underwriting margin**
- New system** roll out
- Implemented new operating model, resulting in **improved efficiencies**

## Life



- Exited funeral parlour business
- Grew our non-life partner business

## P&C Speciality



- 15% premium growth
- Consistent underwriting performance maintained
- Marine cargo launched

## P&C General

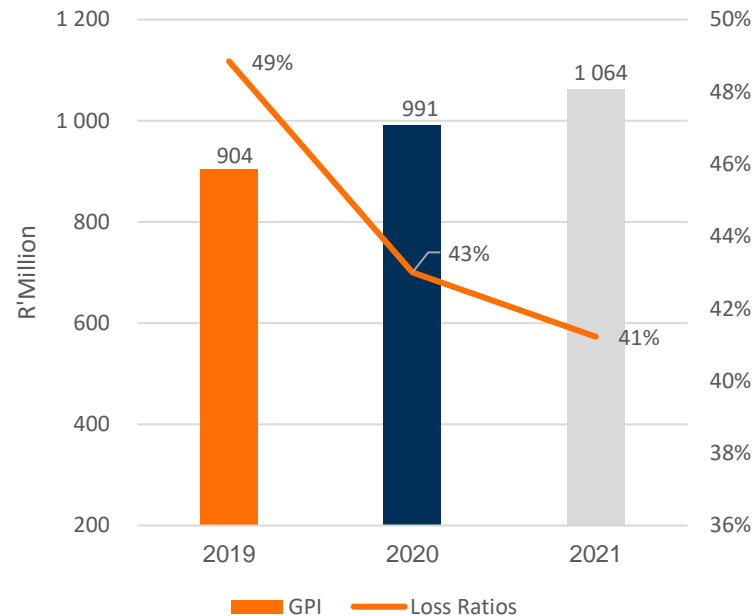


- Remediation completed
- Exceptional loss ratio of 51% achieved



- Despite the tough economic environment, we have achieved **above inflationary GPI growth over the past two years**
- Consistent underwriting**, combined with our focus on **cost cutting** measures resulted in a **32% increase in Net Operating Profit**
- The outlook remains positive** with new distribution channels recently launched to take advantage of **growing demand** for health insurance products and Oraclemed's **expansion into new African countries**

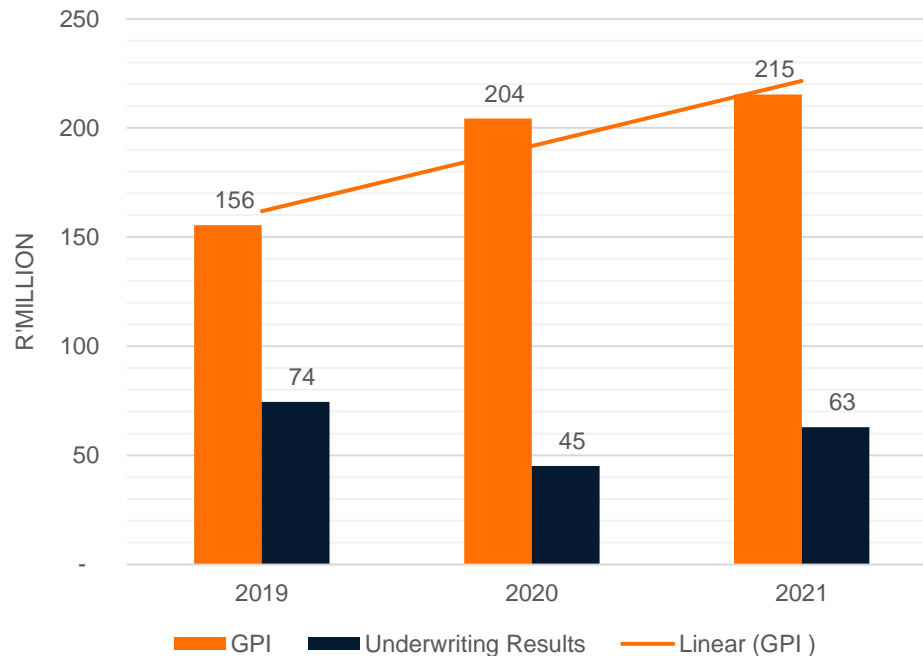
### GPI & Loss Ratio





- Constantia's EthiQal division is the **leading Medical Malpractice insurer in SA**
- EthiQal has reported an average **18% growth in GPI** over the past 3 years, despite the COVID 19 premium relief that was offered to our medical professionals
- This has resulted in an **underwriting profit increase of 39%** over the same period
- We are starting to see **robust growth from our intermediated channels**, which is a key differentiator from our major competitors

## Underwriting Results

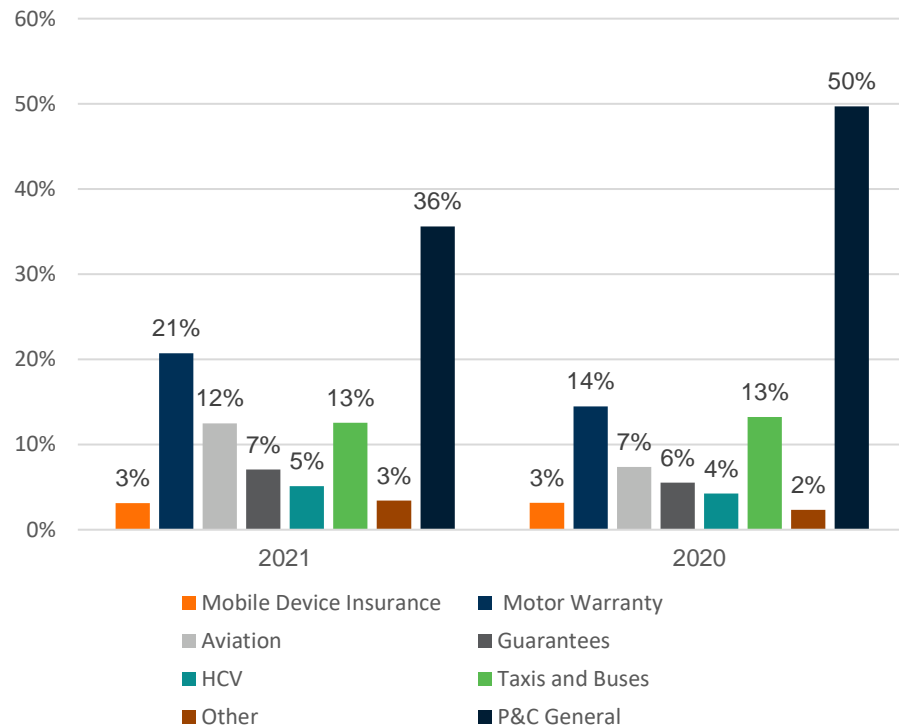


# Property & Casualty Composition



- Our focus on growing higher margin speciality lines of business is paying off, as **Speciality now accounts for 64% of our P&C business, up from 37% in 2019**
- Commercial mix** in the general P&C business has **increased to 54% from 43%** in line with our strategy of diversifying away from commoditized business

## P&C Composition 2020 vs 2021

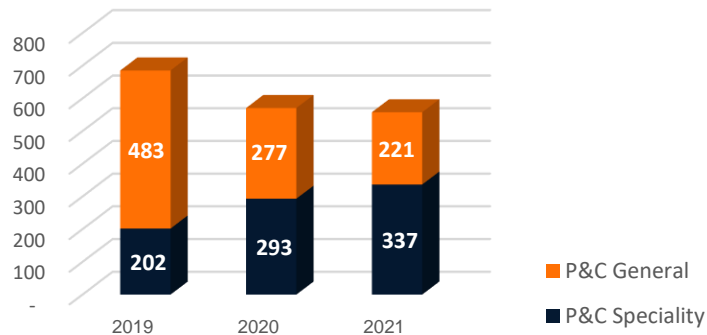


# Property & Casualty

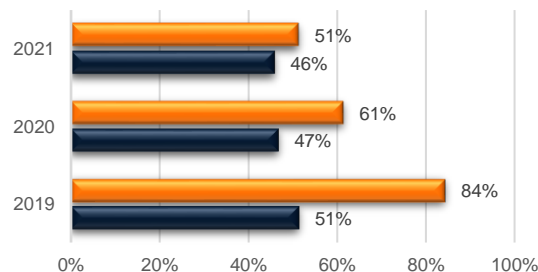


- Our focus on growing our Speciality businesses while remediating our General business has seen **Speciality contribution increase to 64% from 37% in 2019**
- Since 2019 our Speciality businesses have **grown 57%** (28% in 2021)
- Our Speciality businesses continue to deliver **exceptional loss ratios**
- Remediation in our General business** has resulted in a **51% loss ratio**, which is better than our peer group
- Due to the remediation, we have lost scale in our General business and our **focus now is to grow this business while maintaining our strong underwriting discipline**

## P&C GPI



## P&C Loss Ratios





- Remediation in our Life business focused on **exiting the funeral parlour segment**, resulting in:
  - An R82million reduction in GPI from 2020.
  - H2 underwriting profit of R1.4m** against a H1 loss of R0.2m (this would have been materially worse had we remained in this segment)
  - A notable **improvement in Operating Result in H2**
- Our focus now is **on growing cross-sell opportunities** across our non-life partner network and expanding into niche products and market segments, including **alternative distribution** channels through a new **insure-tech partner**.

R million	June 2021	H2 2021	H1 2021
GPI	48.2	21	27.2
<b>Underwriting Result</b>	<b>1.2</b>	<b>1.4</b>	<b>(0.2)</b>
Operating Costs	(12.5)	(4.3)	(8.2)
<b>Operating Result</b>	<b>(11.3)</b>	<b>(2.9)</b>	<b>(8.4)</b>





- The capital position of Constantia Life Limited and Constantia Life and Health Limited (“Life”) were successfully restored to in excess of minimum regulatory levels
- The longer than expected time it took Constantia Insurance Company Limited (“Non-Life”) to move through the underwriting J-curve back to underwriting profitability, compounded by the negative effects of Covid-19 on the investment portfolio, and certain other capital issues not within our control, CICL’s regulatory capital is temporarily below the minimum regulatory level
- The pending transaction will restore Constantia Insurance Company Limited’s capital to above the required regulatory level and support future growth
- Constantia Insurance Company Limited has access to adequate cash and capital reserves to meet all liabilities as they arise

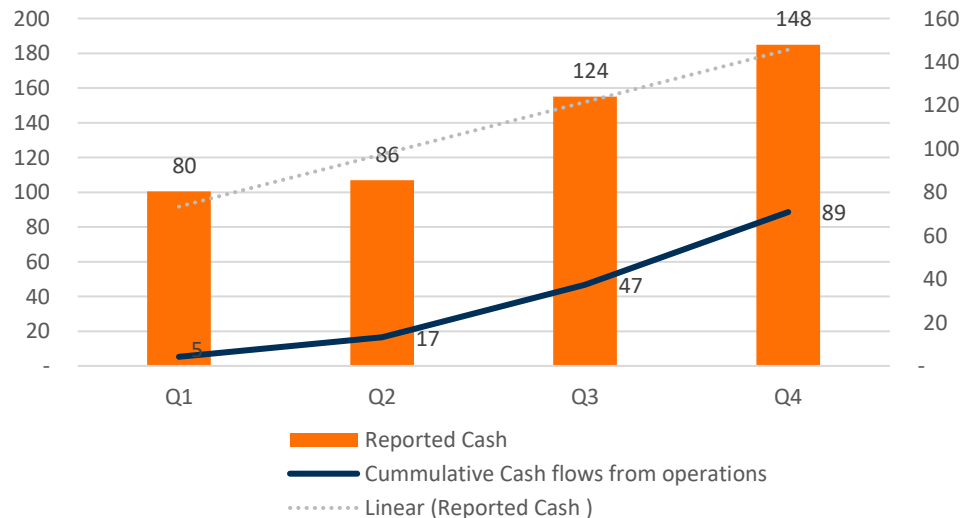


# Positive Cash Generation



-  The business continues to generate **positive cash flows** in line with improved operational performance and disciplined expense management
-  The underlying business generated **R89 million** in cash from operations.

## POSITIVE CASH GENERATION 2021



# Outlook

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1 Our pre-eminent position in Health and Medical Malpractice insurance positions us well for future growth as we leverage our networks and scale. We expect the growing demand for health insurance products to continue in the medium term.

2 Our focus on growing our Speciality P&C businesses, where demand for skills and intermediated advice is critical, will improve our P&C margins. We have a number of pipeline opportunities in this regard.

3 Having restored underwriting profitability to our General P&C business, we are able to scale our business off its low base by focusing on growing our share of wallet with exiting partners, where average penetration is 11%, and selectively target new partners.

4 Our Life business has been restructured and offers scope to grow profitably into new niche's and to further build on existing cross-sell opportunities.

5 Expanding our distribution through partnerships with insurtech's and other direct channels, offers significant new growth opportunities.

6 Having restructured our business, we are building a high-performing culture, which combined with our digital strategy and new technologies will enhance our partner value proposition and allow us to significantly scale the business



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**Private**  
Investments

**Century 21** is the franchisor of the world's principal residential real estate sales organisation

- Founded in 2006
- 2021 revenue increased 61% to all time high
- 48 franchises across the country, large growth opportunity
- Since 2011, group sales have grown at 18.75% annually





**ASOCapital** provides companies with flexible funding solutions to facilitate holistic re-structuring and re-capitalization

**ASOC Fund I** end of life in fiscal 2022, expected proceeds circa R56 million





**Leymic Holdings** is an investment holding company with interests in motor and non-motor insurance claims solutions and technologies



**Rikatec** is an insure-tech company that specialises in information management systems, digital solutions, big data and advanced analytics



# Questions

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Thank You for attending our webinar

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