NAMFISA
NAMIBIA FINANCIAL
INSTITUTIONS SUPERVISORY AUTHORITY

QUARTERLY REPORT NAMFISA

Quarterly Report 2017 | First Quarter

Preface

This Quarterly Report is compiled to provide consolidated data and analysis thereof relating to the transactions on services rendered by financial institutions supervised by NAMFISA. The purpose of this Report is to inform all stakeholders about the latest developments with respect to such financial transactions, as well as those on the regulatory and supervisory front during the first quarter of 2017.

While all other regulated entities provide quarterly and annual data to NAMFISA through the Electronic Regulatory System (ERS), retirement funds currently only provide annual data. NAMFISA is working with the retirement funds to obtain and publish pension data on a quarterly basis. The data is important for supervisory purposes. First, the data enables NAMFISA to assess whether financial institutions remain financially sound, stable and safe. In this regard, NAMFISA assesses the capital of financial institutions against statutory requirements. Second, the data also helps NAMFISA to determine whether and what risks may be emerging in the financial system. The resulting assessment is used to compile a section on non-banking financial sector in the annual Financial Stability Report, which NAMFISA and the Bank of Namibia jointly issue.

The analysis in this Report is based on the data provided by all supervised financial institutions and on the supervisory and enforcement work conducted by NAMFISA. The quality of analysis depends on the available data and the accuracy of the submitted data as well as on the response rate by industry regarding analysis queries submitted by the respective departments. It is however important to emphasize that the industry's response to NAMFISA's data collection has been very positive, which is confirmed by both the accuracy and the timely submission of the data.

Going forward, the Authority endeavors to provide deeper analysis of the supervised financial institutions, financial services, risks in the Non-Banking Financial Institutions (NBFI) sector, and the regulatory and supervisory responses. In particular, NAMFISA will enhance its capacity on data analysis including information on consumer complaints and resolutions.

The purpose of this Report is to inform all stakeholders about the latest developments with respect to such financial transactions, as well as those on the regulatory and supervisory front during the first quarter of 2017.

Executive Summary

The performance of the NBFIs improved during the period under review in comparison to the final quarter of 2016. The sector remains sound and do not pose any systemic risks to the country's financial system.

During the period under review, long-term insurance remained well capitalized with a capital adequacy ratio of 29 times and a long position of N$6.5 billion surplus assets. Further, the industry continued to grow its book as total assets increased by 6.0 percent amounting to the tune of N$48.2 billion during the period under review.

Short-term insurance also remained adequately capitalized as it reported a solvency ratio of 30.0 percent above prudential limit and capital reserves to the tune of N$2.0 billion. Further, the industry continued to grow its asset base from N$5.8 billion in the previous quarter to N$6.1 billion in the first quarter of 2017. The growth in total assets could be attributed to increases in technical assets and investments during the quarter under review.

The medical aid funds industry reported a net surplus and its financial position improved as the total assets continued to increase during the quarter under review. The industry's reserves level exceeded the minimum prudential reserves level requirement of 25.0 percent and its total assets exceed total liabilities by a significant amount, which resulted in a positive net asset per beneficiary amount. The industry is thus deemed to be financially sound.

The retirement fund industry as a whole remains compliant and the Authority will continue with its supervisory and regulatory as well as enforcement actions. The value of retirement fund assets recorded positive growth during the quarter under review, recovering from the contraction experienced in the preceding quarter.

The friendly societies reported stable growth in assets and surplus during the first quarter of 2017, while maintaining a conservative approach to investments. It held sufficient liquid assets and is considered financially sound and solvent as at 31 March 2017.

During the period under review, the assets of Collective Investment Schemes (CIS) increased by 1.8 percent to N$48.1 billion, and the growth is due to inflows from households, other CISs and, to a lesser extent, medical aid funds and insurers. In terms of geographic allocation of assets, Namibia accounted for 56.3 percent, followed by CMA with 33.8 percent and offshore constituted 9.9 percent.

With regard to investment managers, their assets under management increased quarterly by 0.3 percent amounting to N$151.2 billion at the end of the first quarter of 2017. The geographic allocation of assets is as follows: The managers invested 52.6 percent of the assets in Namibia, the CMA constituted 33.5 percent and offshore markets accounting for 13.9 percent.

The market capitalization (cap) of the NSX overall market fell by 2.7 percent to N$1.7 trillion, while the local market gained 2.3 percent to N$32.7 billion. On an annual basis both markets gained in value, with the local market rising by 9.6 percent compared to the overall market's 3.0 percent gain.

Despite a slight quarterly decrease in the value of Microlending loans disbursements to N$779.0 million, the total loan book increased by 5.0 percent amounting to N$4.4 billion during the period under review. The number of loan holders increased quarter on quarter from 281 050 to 284 320 clients during the period under review.

With regard to the complaints, a total of 211 complaints were received from consumers of financial services during the period under review. Out of the total number of complaints received, 91.0 percent of the complaints were resolved, and the resolution resulted in consumers being paid a total amount of N$41.0 million by financial institutions during the first quarter of 2017.

In terms of compliance monitoring conducted as per the "Ladder of Supervisory Intervention", 72.0 percent (359) of regulated institutions were fully compliant, with no regulatory or financial soundness problems posed to the financial system. In this respect, only 5.0 percent (23) were classified as stage 5 (fully non-compliant).

MISSION & VALUES

MISSION

To effectively regulate and supervise financial institutions and to give sound advice to the Minister of Finance

VISION

To have a safe, a stable and fair financial system contributing to the economic development of Namibia in which consumers are protected.

VALUES

WE ARE COMMITTED TO TEAMWORK

- We create a conducive and enabling work environment
- We have a shared urgency to achieve our vision
- We support each other, treat each other with respect and are collectively responsible for our actions

WE ARE PASSIONATE ABOUT SERVICE

- We provide quality service
- We provide our service on time
- We are courteous, professional and respectful

WE ACT WITH INTEGRITY

- We act with honesty, fairness and transparency
- We treat information confidentially
- We act independently and consistently

WE DRIVE PERFORMANCE EXCELLENCE

- We commit to regulatory and supervisory excellence
- We commit to operational excellence
- We commit to the highest standards of performance

WE ARE ACCOUNTABLE

- We are accountable to our customers and stakeholders
- We are prudent in the management of our resources
- We take accountability for our decisions

WE ARE AGILE

- We commit to be adaptable to our changing environment
- We commit to embrace change whilst maintaining regulatory certainty
- We commit to creating innovative solutions

LEADERSHIP CREED

WE ARE COMMITED

- We take ownership of our mandate
- We have a sense of urgency to execute our strategy
- We take mutual accountability to embed our vision and values

WE ARE UNITED

- We have shared a vision
- We stand together
- We support team decisions

WE ARE EXEMPLARY

- We set the leadership benchmark
- We are approachable and fair
- We encourage innovation and creativity

WE ARE DECISIVE AND FIRM

- We are consistent in our decisions
- We make decisions timely
- We execute decisions firmly

WE ARE PASSIONATE AND INSPIRED

- We are driven to achieve our vision
- We defend what we stand for
- We celebrate our achievements

WE CARE

- We care about the well-being of our employees
- We care about the protection of financial services consumers
- We care about the safety and soundness of the financial services sector

Strategic themes

Transformation

We are a transformimg and learning organization adaptive to changes in the relevant legislative, organizational and supervisor environment.

Stakeholder Engagement

Improved beneficial relationships with our customers and stakeholdres, premised on collaboration, trust, productive and active engagement.

Operational Efficiency

An opportunity efficient organization with high performing team supported by efficint and effective processes, appropriate systems and prudently managed financial resources.

Abbreviations

- RA – Retirement Annuity
- MAF – Medical Aid Funds
- CAR – Capital Adequacy Requirement
- CMA – Common Monetary Area
- IBNR – Incurred But Not Reported
- PF – Pension fund
- NSX – Namibian Stock Exchange
- CIS – Collective Investment scheme
- JSE – Johannesburg Stock Exchange
- CM – Capital markets
- LTI – Long Term Insurance
- ML – Microlending
- STI – Short Term Insurance
- CC – Consumer complaints
- FS – Friendly societies
- SIH – Statement of Investment Holdings

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Box Article: Strategy and Performance

The Authority achieved its strategic objectives as planned for 2016/17 period, which included the following deliverables**:**

Bills Implementation Project: Also known as the 'New Dawn Project', was successfully launched during the same period. Deliverables achievement were, but not limited to the appointment of a lead consultant, critical subordinate legislation operationalizing the envisaged two pieces of legislation, viz., the Financial Institutions and Markets Bill, and that on Microlending, as well as the organisational and operational readiness assessments.

Financial Soundness Indicators: Stability within the financial sector remains a key focus area for the Authority. To this end, enhanced supervisory and regulatory frameworks were put in place to equip NAMFISA with the capacity to determine key financial soundness indicators.

Policy Research: The Hon. Minister of Finance requested for several research work aimed at guiding the policy-making process. These were presented to the Minister as per the Authority's mandate.

Supervisory Scope: In addition to ensuring financial stability and consumer protection via regulatory supervision, the Authority expanded successful supervision activities to combat money laundering and the financing of terrorism measures across the regulated sector.

NAMFISA Building: The planning and design phases for the new NAMFISA Building were completed.

Manuals: Various additional and refined policies, processes and procedures manuals were successfully implemented.

Funding Model: A new levy and funding policy was approved.

Business Continuity Plan: Policies with respect to business continuity and disaster recovery were approved, along with a programme to ensure their effective implementation.

New Strategy

In view of the 'five years' strategic plan, the Authority developed a new strategy covering a five-year period from 2017 to 2022. In doing so, it adopted the balanced scorecard approach to guide the strategic planning process with respect to:

1. the expectations and needs of consumers of financial products/services and stakeholders ;
2. alignment to the National developmental agenda;
3. compliance requirements with international best practices and standards;
4. factors emanating from the financial services environment and availability of resources.

In addition, the Authority is embarking on a journey of regulatory reform with particular emphasis on modernizing the current laws and regulations to keep abreast with best international practices in the Non-Bank Financial Institutions (NBFI) regulatory and supervisory sphere. This reform will enable the Authority to implement a Risk Based Approach to supervision which will ensure better utilization of its limited resources, and allow for focus on the key risks pertaining to the sector.

In this respect, NAMFISA's vision has been advanced to guide the journey of regulatory reform, whilst the mission of the Authority remains as preserved in the NAMFISA Act. In this regard the new vision is to have a safe, stable and fair financial system contributing to the economic development of Namibia in which consumers are protected.

Finally, in order to ensure that the Authority achieves its vision, not only the new legislation should be in place but the processes, skills and systems should be enhanced to ensure that operational efficiencies are achieved.

NAMFISA developed a new five-year strategy for the period 2017-2022

Part A:
Industry Developments

Long-term Insurance

Performance review

The long-term insurance industry remained well capitalized as it continued to grow its balance sheet. The overall industry Capital Adequacy Requirements (CAR) covered was 29.3 times at the end of first quarter of 2017, which is a buffer to cushion the sector in the case of adverse movements.

Assets

The total value of long-term insurance industry assets grew by 6.0 percent to N$48.2 billion, year-on-year, due to positive returns on investments (Figure1). The continued insurance business expansion and growth is evidence of the industry's resilience.

On a quarterly basis, total assets also grew by 1.3 percent to N$48.2 billion as at the end of first quarter of 2017. The overall increase in the size of total insurance industry assets can be attributed to positive movement in investment assets and receivable. The maintenance of continued stable growth is fundamental in ensuring that the industry remains solvent.

The industry assets are well diversified as they are invested in different investment instruments and about 84.0 percent of these investments are in a form of non-current assets due to the nature and magnitude of long-term insurance business. Moreover, about 46.0 percent of the industry's investments is held locally whilst the remaining 54.0 percent is held in the CMA and elsewhere.

Liabilities

Long-term insurance industry liabilities were valued at N$41.7 billion as at the end of the quarter under review compared to N$39.3 billion recorded in the corresponding quarter of 2016 (Figure 2). The movement represent an increase of 6.1 percent on a yearly basis due to growth in number of policies on the book or in force.

Figure 1: Total asset quarterly movement

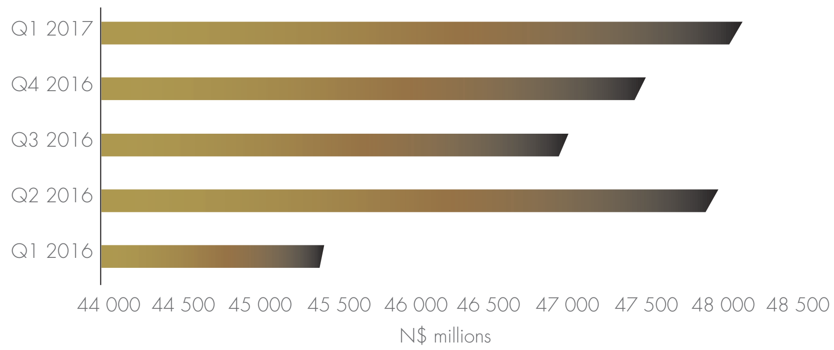


Figure 2: Total liabilities

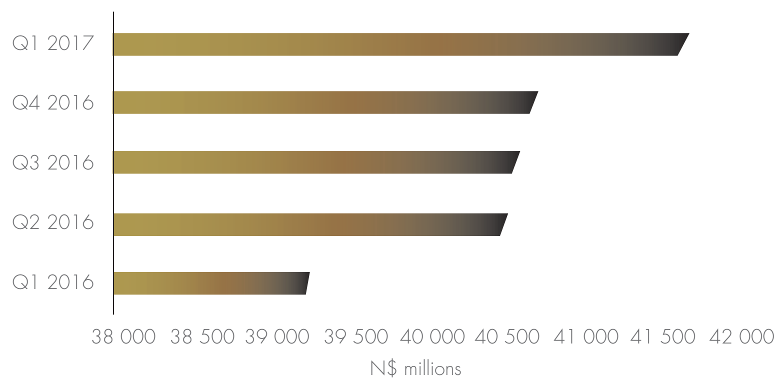


Figure 3: Gross premium income quarterly movement

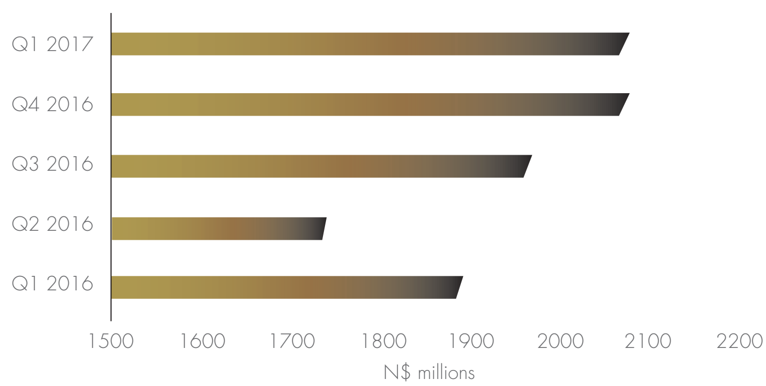


Table 1: CAR Cover by number of insurers

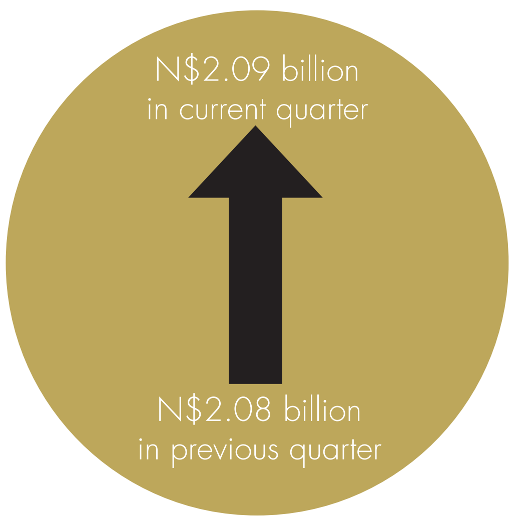
FREE ASSETS TO CAR	NUMBER OF INSURERS								
	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Covered 0-1 times	0	0	0	0	0	0	0	0	0
Covered 1-2 times	2	1	1	2	2	1	2	1	1
Covered 2-5 times	3	6	6	3	4	6	6	1	4
Covered 5-10 times	4	1	1	3	2	1	1	0	1
Covered 10+ times	7	8	8	8	8	8	7	14	10
Total	16	16	16	16	16	16	16	16	16

The industry liabilities increased by 2.5 percent on a quarterly basis to N$41.7 billion due to an increase in new business and seasonal occurrences.

The Capital Adequacy Requirement (CAR) is provided for in the current Long-term Insurance Act, 1998 (LTI Act), with a minimum requirement of N$4.0 million for an insurer registered for all classes of long-term insurance business and N$1.0 million for an insurer registered for only one class[1] of long-term insurance business. CAR Cover is calculated as excess assets divided by CAR. Overall, the industry is well capitalized with respect to CAR cover as shown in table 1 i.e. more than 50.0 percent of entities have a CAR cover of more than 10 times. However, only one insurer possess a CAR cover of 1-2 times, which requires close monitoring.

Gross Premium Income (GPI)

Gross premium income marginally increased from N$2.08 billion reported in the previous quarter to N$2.09 billion in the current quarter. In comparison to the same quarter of the previous year, gross premium income increased by 10.2 percent from N$1.9 billion reported in the first quarter of 2016 (Figure 3).



Gross premium income

Investment income

Investment income significantly increased from N$414.0 million reported in the previous quarter to N$1.0 billion observed in the quarter under review. The significant increase in investment income is owed to a substantial increase in dividend income and the overall positive

1 "Class" or "classes" of insurance means a particular class of insurance business defined under the Act in terms of which the insurer is registered to underwrite insurance or reinsurance risk. E.g. life, fire, marine etc.

performance of the financial markets during the first quarter of 2017. In comparison to the same quarter of 2016, investment income marginally decreased by 2.7 percent (Figure 4).

The "other income" category, which consist of fee income, commission income and other sundry incomes (e.g. reinsurance profit share), rose from N$561 000 to N$114.0 million. Commission paid for the quarter also increased by 2.2 percent from N$134.0 million reported in the previous quarter to N$137.0 million during the period under review.

Claims and Expenses

The industry's total gross benefits paid during the quarter under review increased from N$1.43 billion reported in the previous quarter to N$1.45 billion recorded in the reporting period (Figure 5). This is mainly attributed to a significant increase in matured policies. Further, in terms of year-on-year comparison, claims increased by 22.5 percent.

The deterioration in claims experienced mainly resulted in reduced industry profit before tax, which declined by 14.3 percent to N$468.0 million observed in the quarter under review.

Policy statistics

The number of new policies for individual business for the period under review stood at 128 727 which is a decrease of 3.9 percent from 133 704 policies reported in the previous quarter and this could be attributed to the slight movement observed in the gross premium income for the quarter. More than half of the new policies were underwritten in the funeral insurance class at 57.0 percent, followed by the life insurance class 36.0 percent and the remaining 7.0 percent was split among the remaining classes during the quarter.

Figure 4: Investment Income quarterly movement

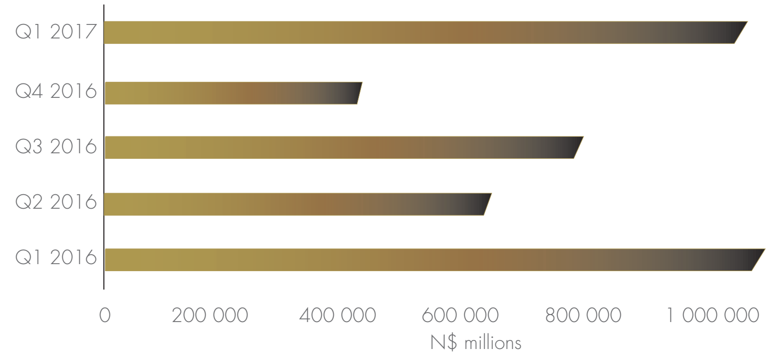
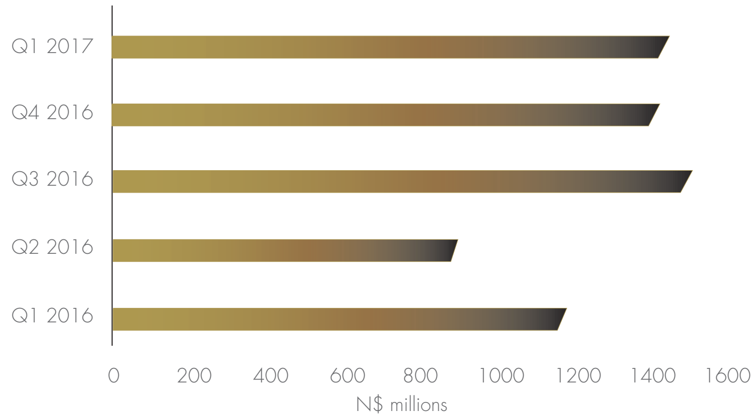
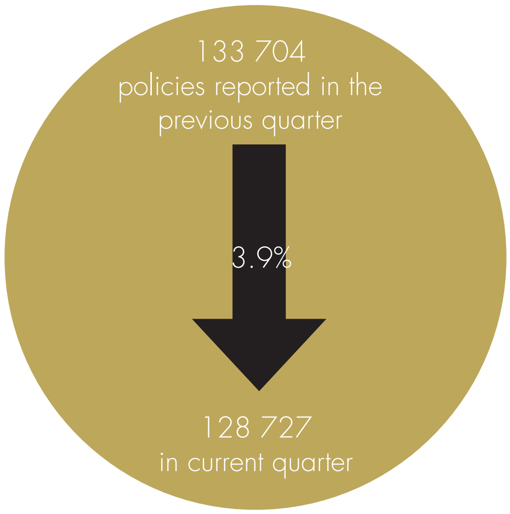


Figure 5: Gross claims paid quarterly movement





Number of new policies for individual business

Short-Term Insurance

Performance review

During the period under review, the Short-term insurance industry remained solvent as it reported a solvency ratio of 30.0 percent with a 5.0 percent buffer above the minimum prudential limit of 25.0 percent. Further, the industry continued to grow its book significantly during the period under review.

Assets

Short-term insurance industry total assets for the quarter rose from N$5.8 billion reported in the last quarter of 2016 to N$6.1 billion during the period under review. Notable increases were observed in technical assets and investments, which increased with N$100.0 million during the quarter. The increase in investments is attributed to unrealized fair value adjustments and the realization of investments returns.

Liabilities

The STI total liabilities for the quarter increased by 5.1 percent from N$3.9 billion reported in the last quarter to N$4.1 billion during the period under review. This is mainly attributed to an increase in the underlying insurance book to match the increase in the actual claims experience for the quarter.

Figure 7, demonstrates a reduction of the industry's liabilities for the last four quarters of 2016. However, liabilities increased in the first quarter of 2017 due to seasonality.

Investment

The industry continues to invest mainly in government bodies, local institutions, shares in companies, fixed long term deposits, subsidiaries & associates and loans or advances. For the quarter under review, majority of investments were held in local

Figure 6: Total asset

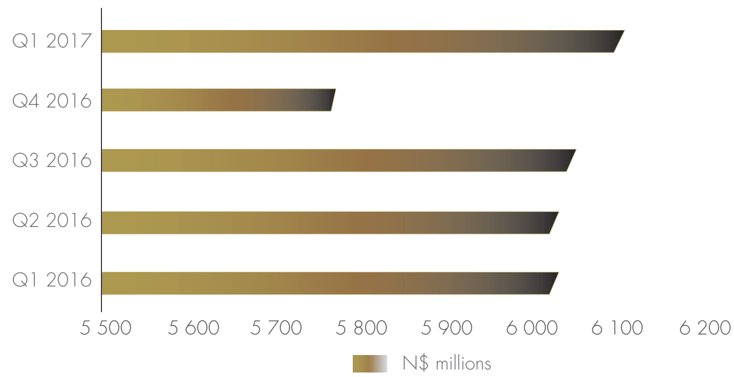
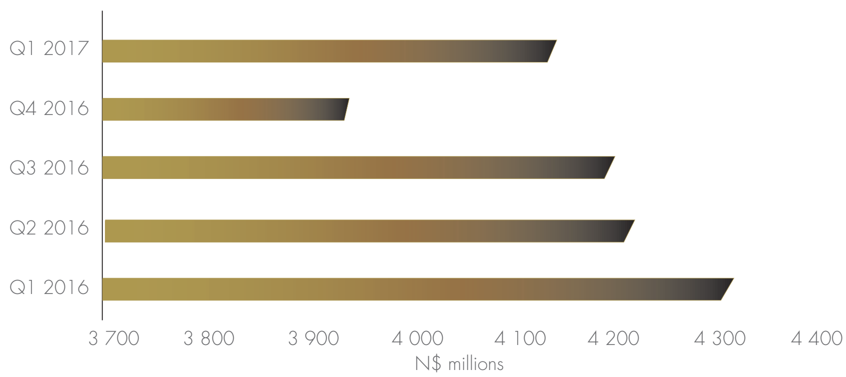
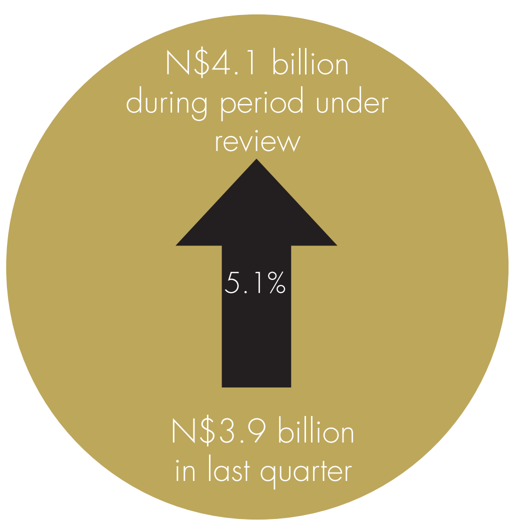


Figure 7: Total liabilities





STI total liabilities

institutions at 23.0 percent, followed by shares in companies at 18.0 percent, loans or advances (13.0 percent), investments in subsidiaries (12.0 percent) and all other investment instruments reported shares of less than 10.0 percent. Investments increased from N$3.1 billion reported in previous quarter to N$3.3 billion recorded in the quarter representing a 6.5 percent.

With evident contraction in both the local, regional and international economies, insurers are encouraged to employ sound investment strategies in order to maximize shareholders' values. Overall, the average investment in foreign assets is within the limits of 65.0 percent as stipulated under Regulation 8 (4) to the Short-term Insurance Act No. 4 of 1998

Solvency

The solvency ratio for the industry was 30.0 percent, slightly increasing from 31.0 percent reported in the previous quarter of 2016. Solvency ratio indicates the ability of an entity to meet its financial obligations. A ratio of 25.0 percent and above is considered optimal, thus insurers are recommended to maintain a ratio in that range.

Table 2: Solvency ratio

Net Asset Ratio Range Q1 2017	Number Of Entities
1% - 20%	4
21% - 25%	0
26% - 30%	0
31% - 35%	3
35% <	7
Total Insurers	14

The above table shows that four insurers falls within 1 – 20 percent category and will continue to be monitored.

Gross Written Premiums

The short-term insurance industry's gross written premium for the quarter increased by 27.0 percent from N$795.5 million reported in the previous quarter to N$1.0 billion. This is mainly attributed to a significant increase in contingency policy sales, corporate policy renewals and annual inflationary increases for conventional short-term insurance business.

Premium Earned

Premiums earned excludes premiums placed with insurers in foreign markets subject to the approval by the Registrar in terms of sections 2(2) and 42 (1) (b) of the Act. Section 4 of this report details exemptions submitted and approved by the Registrar for the quarter under review

The personal class of insurance business reported the highest net premium earned for the quarter amounting to N$270.0 million, which is an increase of 10.3 percent from the previous quarter. This increase could be attributed to the increase of vehicles purchased in the first quarter of 2017.

Expenses

Industry claims paid increased by 11.8 percent from N$330.0 million reported in the previous quarter to N$369.0 million recorded in the reporting period. The main reason for the increase can be attributed to the early closure of offices by insurers for festive seasons as accident claims during the festive season are usually processed and reported in the first quarter of each calendar year.

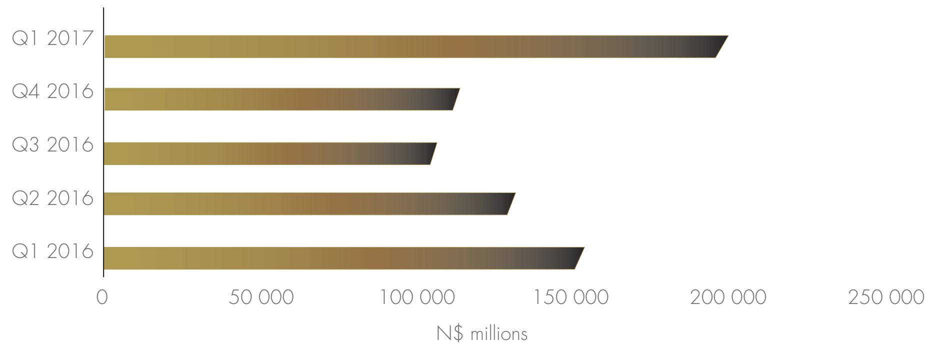
Net commission incurred by the industry for the quarter declined from N$54.8 million reported in the previous quarter to N$51.4 million. The decrease in commission compared to the significant increases in gross premium income translate that, insurers are selling most of their policies through direct sales.

Underwriting profits

The short-term insurance industry generated an underwriting surplus of N$208.0 million in the first quarter declining from N$236.0 million reported in the previous quarter. The decrease in the underwriting result is attributed to increases in the industry claims and reinsurance expenses.

On a quarterly basis, profit before tax increased to N$202.0 million for the quarter from N$115.6 million reported in the previous quarter. The increase in industry profitability is attributed to improved efficiency in handling expenses and a robust increase in the industry investment income. Figure 8, shows that profit after tax of the short term insurance industry has been positive in the last five quarters exceeding N$100.0 million each quarter.

Figure 8: Profit before tax



Performance Ratios

The cession ratio, normally defined as the portion of insurance risk transferred to a reinsurer, decreased from 30.0 percent reported in the previous quarter to 28.0 percent observed in the reporting period. The decrease in cession ratio implies that, insurers retained enormous portion of risks underwritten during the quarter.

The industry reported a net loss ratio of 59.0 percent and an expense ratio of 35.0 percent compared to 53.0 percent and 39.0 percent respectively reported in the previous quarter. The increase in the net loss ratio is attributed to increases in the claims experience for the quarter.

Lloyd's and Non-Lloyd's Market

The premiums leaving the country is mainly dependent on the new business and renewal periods of existing policies. A substantial amount of insurance premiums continue to leave the country mainly due to the cautious and selective appetite of the local industry on risks underwritten. Premiums leaving the country increased by 154.0 percent from the previous quarter.

The Aviation class of insurance accounted for 41.0 percent of the approved Lloyds premiums leaving the country, whilst the marine class and miscellaneous class contributed 36.0 percent and 21.0 percent, respectively. The marine class of insurance continue to dominate the Non-Lloyds market and account for 98.0 percent of the premiums leaving the country. The aviation class accounted for the remaining 2.0 percent of the Non-Lloyd's premiums leaving the country.

Premiums leaving the country under the marine class of insurance are mainly in respect of protection & professional indemnity and marine hull liability for both Lloyds and Non-Lloyds exemptions. Premiums leaving the country under the miscellaneous class of insurance is mainly in respect of personal accident, goods in transit and damage to property liability under Lloyd's exemptions and general public liability cover under non-Lloyds exemption applications.

The industry is advised to consider local underwriting capacity in terms of these classes of insurance in order to develop the local insurance market. The industry is encouraged, as per letter dated 29 May 2015, to engage in co-insurance amongst themselves depending on the risk appetite of individual insurers and the statement of financial position capacity to take on additional risks.

Medical Aid Fund

Performance review

The industry reported a net surplus and its financial position improved as the total assets continued to increase during the quarter under review. Moreover, the industry's reserves level exceeded the minimum prudential reserves level requirement of 25.0 percent and its total assets exceed total liabilities by a significant amount, which resulted in a positive net asset per beneficiary amount. The industry is, thus, deemed to be financially sound.

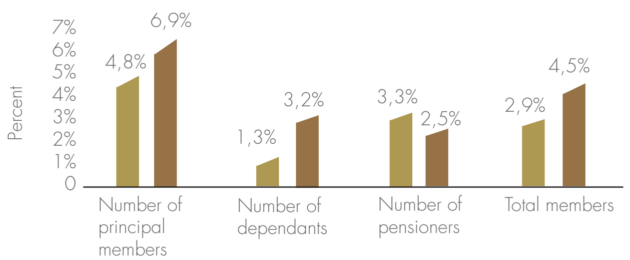
Assets

The industry held total assets of N$1.6 billion as at 31 March, which was a growth of 7.6 percent in total assets from the previous quarter. The increase in total assets during the period under review was mainly as a result of an annual increase in contributions coupled with healthy investment returns, which translated to an investment income of N$33.0 million compared to the previous quarter's N$8.0 million.

Membership

Total membership grew by 2.9 percent to 195 934 quarter-on-quarter, and by 4.5 percent from 187 392 on a year-on-year basis. The increase in beneficiaries was due to ordinary growth of existing employer groups and the enrollment of new employer groups and individual members during the quarter (Figure 9).

Figure 9: Change in membership

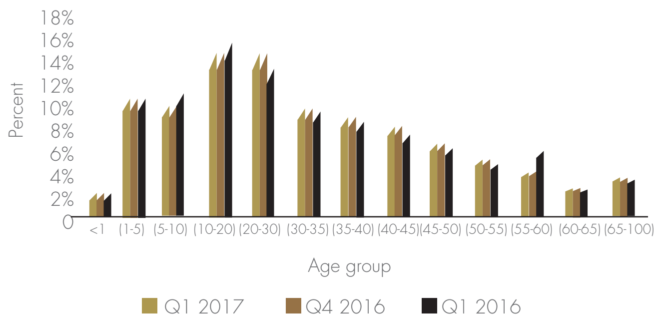


Industry average age and membership ratios

Average age

Overall, the industry average age for the period ended 31 March 2017 was 26.7 years, depicting a decrease of 2.7 years from an average age of 29.4 years as at 31 December 2016 (Figure 10). This is mainly attributed to younger beneficiaries joining the medical aid funds than older beneficiaries. Furthermore, the decrease in the pensioner membership also contributed towards the lower average beneficiary age, reported during the period under review (Figure 10).

Figure 10: Age analysis of total beneficiaries



Pensioner Ratio

The proportion of pensioners to total beneficiaries was 5.11 percent, which is a slight increase from the 5.09 percent as at 31 December 2016, mainly as a result of the enrolment of new pensioners as well as the aging of existing members. The open funds pensioner's ratio was 4.9 percent while for closed funds the value was 6.6 percent. The higher value for closed funds is expected due to the high number of continuation members within the closed medical aid funds industry. A continuation member is a member who retires from employment but continues to be a member of the same medical aid fund and includes members whose employment is terminated due to age, ill health or disability.

Dependency ratio

The principal member to dependent ratio ("dependency ratio") measures the average number of dependents per principal member. The industry dependency ratio of 1.22 means that on average for every 100 principal members, there are roughly 122 dependents, which is slightly lower than the previous quarter's ratio of 1.26. Generally, it is more affordable for closed fund principal members to enroll more than one dependent compared to those of open funds, due to subsidized contributions from sponsor employers of closed funds.

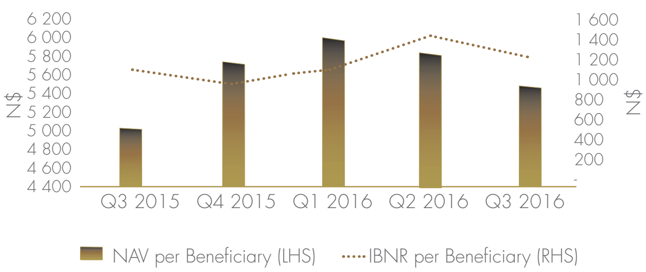
Table 3: Average membership ratios Q4 2016 vs. Q1 2017

Q1 of 2017	Open Funds	Closed Funds	Total Industry
No. of dependants per principal member	1.20	1.43	1.22
Q4 of 2016	**Open Funds**	**Closed Funds**	**Total Industry**
No. of dependants per principal member	1.24	1.43	1.26

Net Asset Value

The industry recorded a Net Asset Value (NAV) per beneficiary of N$6 138 as at 31 March 2017, denoting an increase of 3.8 percent in the NAV per beneficiary. The NAV per beneficiary fluctuated over the past five quarters but remained adequate to cover the "incurred but not reported" claims (IBNR) per beneficiary of N$1 279 reported as at 31 March 2017, as illustrated by Figure 11.

Figure 11: Industry net asset value per beneficiary and IBNR per beneficiary



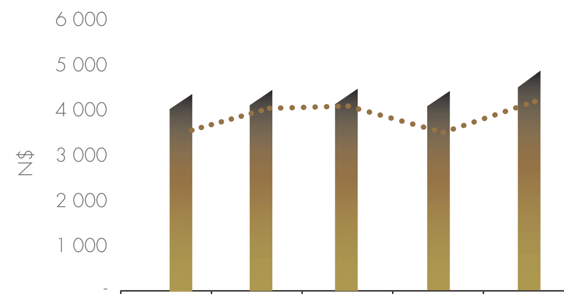
Contributions and Expenses

Contributions

Total contributions grew by 12.8 percent to N$954.7 million, quarter-on-quarter, and by 15.4 percent from N$827.1 million on an annual basis. Average contribution income per beneficiary was N$4 873 for the quarter ended 31 March 2017 denoting an increase of 9.6 percent quarter-on-quarter.

The higher contributions received during the first quarter of 2017 was primarily attributable to the 2017 weighted average contribution increase of 10.1 percent, which was approved by the Registrar of Medical Aid Funds for the industry. The average contribution per beneficiary was sufficient to cover the average claims per beneficiary, over the reported quarters.

Figure 12: Average contributions/claims per beneficiary



	Q1-2016	Q2-2016	Q3-2016	Q4-2016	Q1-2017
Contributions per beneficiary	4 414	4 463	4 448	4 446	4 873
Claims per beneficiary	3 557	4 062	4 171	3 519	4 030

Healthcare Expenditure

The industry's healthcare expenditure (claims) increased by 17.8 percent to N$789.6 million quarter-on-quarter, and by 18.4 percent on an annual basis. Medical aid funds generally experience fluctuations in healthcare expenditure patterns during different quarters of the year.

The relative increase was attributable to the reinstatement of benefits as of 1 January 2017, coupled with inflationary adjustments of service and product fees implemented by healthcare service providers and the enrolment of additional beneficiaries (4.5 percent increase in beneficiaries) during the first quarter of the year.

Claims ratio

The industry recorded an average claims ratio of 82.7 percent during the first quarter of 2017, compared to 79.1 percent for the previous quarter, and 80.6 percent for the corresponding quarter of 2016. Figure 12, illustrates the typical seasonal pattern of claims experienced by the industry, indicating higher claims ratios during the winter months. This is compared to the lowest ratio over the last quarter of the year due to depleted benefits, and finally an increase during the first quarter of the year as a result of reinstated benefits for the new calendar year.

Claims related to general practitioners, specialists, auxiliary services, dentists and dental specialists, and psychiatric institutions showed a decrease in utilization during the first quarter of 2017. In terms of claims distribution per class, of the total claims reported (N$789.6 million), the following categories accounted for 61.5 percent of total claims: hospital, pharmacy/ medicine and specialist claims. The different healthcare typologies contributed as follows to total healthcare expenditure (Figure14):

The "other" category depicted on the figure include mainly dental specialists and therapists, psychiatric institutions, oncology benefit claims, and gym rebates.

Non-healthcare Expenditure

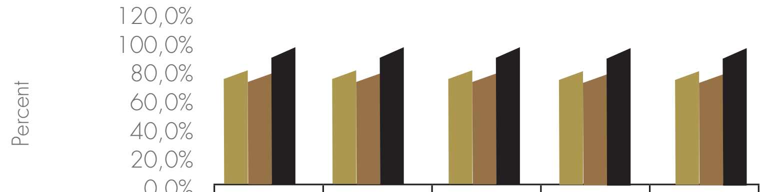
Non-healthcare expenditure by medical aid funds consists of administration costs, managed healthcare costs (fees for managing health benefits), operational expenditure and net-reinsurance expenditure. The industry incurred non-healthcare expenses amounting to N$96.4 million during the quarter ending 31 March 2017, depicting an increase of 18.1 percent in total non-healthcare costs.

The increase in non-healthcare expenditure was attributable to the following:

- Administration expenses increased as a result of annual inflationary adjustments and due to the growth of the industry's principal membership and beneficiaries during the quarter under review;
- Managed care fees that increased due to annual price inflation and the assessment of additional claims during the quarter under review;

An increase in the net reinsurance expenditure can be observed as the industry received fewer payouts from reinsurance during the quarter under review.

Figure 13: Claims ratio



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Industry	80,6%	91,0%	93,8%	79,7%	82,7%
Open Medical Aid Funds	78,6%	91,3%	93,7%	80,3%	81,7%
Closed Medical Aid Funds	96,7%	88,6%	94,6%	74,5%	90,9%

Figure 14: Growth in Claims Typologies

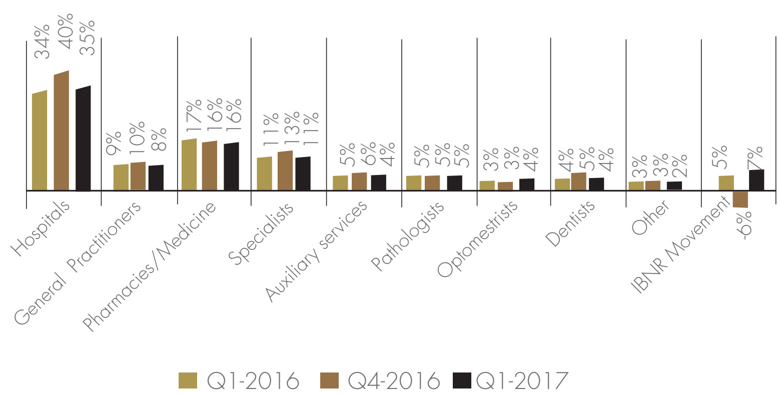
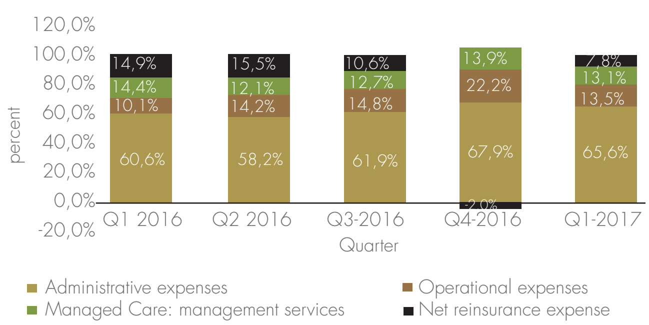


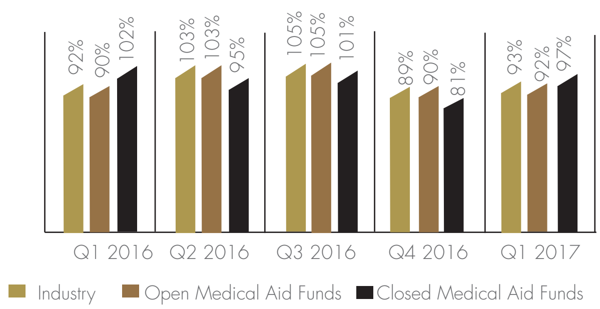
Figure 15: Non-healthcare expenditure



Loss ratio

The industry recorded a loss ratio of 92.8 percent during the quarter ended 31 March 2017 from 88.8 percent the previous quarter. The deterioration in the loss ratio is attributable to the increase in claims recorded during the first quarter, as a result of the reinstatement of full benefits for the new calendar year. Nonetheless, the loss ratio reported indicates that the industry collected sufficient contribution income to cover its total expenditure during the period under review. Figure 16, illustrates the industry's loss ratio over the past five quarters.

Figure 16: Total costs as a percentage of contributions received (Loss Ratio)

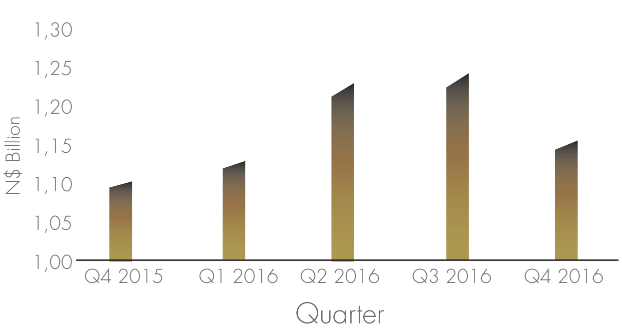


Investments

Total investments increased by 5.1 percent to N$1.2 billion during the first quarter of 2017, due to improved returns on investments, as well as additional cash available for investment as a result of income exceeding expenditure (surplus) during the quarter under review.

On an annual basis, total investments also grew by 7.4 percent. Financial markets performed well during the first quarter of 2017 and this in turn resulted in improved performance of the industry's investment portfolios. Figure 17, shows the movements in the industry's investment assets over the past five quarters.

Figure 17: Total investments



As at 31 March 2017, the medical aid funds industry held almost 50.0 percent of their investments in Namibia, thus complying with Regulation 9 of the Medical Aid Funds Act, which stipulates the obligation for all medical aid funds to hold a minimum of 35.0 percent of their investment assets in Namibia.

Table 4: Industry investment allocation (percent)

Investment class			
	Q1-2016	Q4-2016	Q1-2017
Unit trust schemes	32.2%	35.3%	39.5%
Cash and equivalents (call accounts)	24.3%	30.1%	27.1%
Government and other stock (bonds)	15.3%	11.7%	10.5%
Shares/equities	27.2%	21.1%	21.6%
Properties	0.6%	0.8%	0.8%
Loan stock investments	0.2%	0.2%	0.2%
Debentures	0.2%	0.8%	0.2%
Total Investment Assets	100%	100%	100%

Industry investments were primarily held in unit trust schemes, which accounted for 39.5 percent of investments as at 31 March 2017. The remainder of the industry investments were held in cash, bonds and equities, and to a lesser extent in properties, loan stock investments and debentures.

The open medical aid funds industry held 47.0 percent of their investments in unit trusts as at 31 March 2017, and 20.2 percent in cash and other cash equivalents. Conversely, closed medical aid funds held 20.7 percent in unit trusts and 43.3 percent in cash and cash equivalents.

As a result of the aforementioned investment allocation, the open fund industry attained 3.0 percent return on their investments[2], whereas the closed fund industry recorded 1.9 percent return on their investments. The industry generally held majority of its investments in highly liquid assets for purposes of unexpected escalation in healthcare expenditure.

[2] The return on investments was determined by dividing the investment income by the average investments reported at the beginning and end of the quarter under review.

Account receivables

The industry's accounts receivable balance of N$39.7 million as at 31 March 2017 comprised of contributions receivable balances of N$32.5 million and other receivable balances of N$7.2 million. Contribution receivables consisted of current contributions of N$14.5 million and contribution receivables aged between 30 and 120+ days totaling to N$18.0 million. The arrear contributions of N$18.0 million stood at 1.9 percent of total contributions for the period under review. The industry wide benchmark for arrear contributions as a percentage of total contributions is 1.5 percent. Although the 1.9 percent is higher than the benchmark of 1.5 percent, the outstanding contributions are not considered a huge risk as the industry deemed these outstanding contributions recoverable.

An employer group belonging to a closed medical aid fund owed long outstanding (120 days or longer) contributions that amounted to N$4.8 million as at 31 March 2017. This employer group had made arrangements to settle this amount over a six-month period starting 1 July 2017 with the final payment to be made by 31 December 2017.

The long outstanding contributions receivable was included in the total contributions receivable mentioned above. The repayment of the aforementioned debt will be monitored on a monthly basis by the Authority, so as to ensure timely supervisory intervention is taken should the employer group default on the repayment of the debt.

Excluding the abovementioned N$4.8 million contribution receivable, the proportion of receivables outstanding for 30 days or more amounted to 1.4 percent of total contributions received for the quarter under review, which is lower than the 1.5 percent benchmark. The total contributions receivable is therefore not considered to be a significant risk to the industry.

Medical Aid Fund Liquidity

The liquidity position of a fund is measured by its ability to pay claims from cash and cash equivalents. The industry's liquidity gap (i.e. difference between the industry's current assets and its current liabilities) was N$1.1 billion as at 31 March 2017. The industry was therefore able to settle its current liabilities with its current assets during the period under review.

The cash coverage[3] is the number of months for which the industry can pay claims from its existing cash and cash equivalents (Figure 18). The industry generally experiences high healthcare expenditure during the first quarter of a new calendar year, due to the reinstatement of full benefits as of 1 January, and due to new beneficiaries that enroll with medical aid funds. Although the industry's claims expenditure increased during first quarter of 2017, its cash coverage did show a slight improvement as at 31 March 2017. The improvement in the cash coverage ratio indicates that cash and cash equivalents held at 31 March 2017 could settle 1.12 months' worth of claims.

The liquidity ratio (current assets/current liabilities) was 4.2:1 as at 31 March 2017 (Figure 19). The liquidity ratio measures whether the industry held sufficient current assets with which to settle its current liabilities as at 31 March 2017. A liquidity ratio of 1:1 is considered ideal, hence the industry had sufficient current assets as at 31 March 2017.

The industry reported a solvency ratio of 4.4:1 (total assets divided by total liabilities), which indicates that the industry's total assets amounted to more than four times its total liabilities. Moreover, the industry held the majority of its total asset balance in very liquid investments and all its liabilities were current (short-term) as at 31 March 2017.

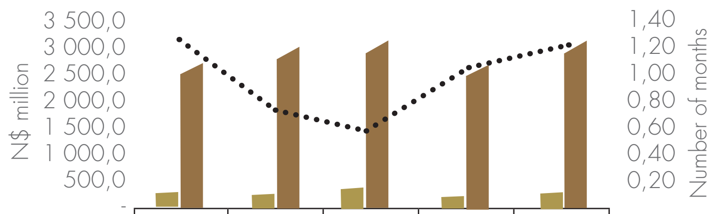
[3] The cash coverage of claims is determined by dividing cash and cash equivalents at the end of the quarter with the annualized claims for the year, multiplied by 12 months.

Reserves

The industry's accumulated funds (total assets minus total liabilities) increased from N$1.1 million as at 31 December 2016 to N$1.2 million as at 31 March 2017 (Figure 20). The change in the industry's reserves level was attributed to the increase in contributions and higher investment income reported for the period under review. The accumulated funds (reserves) of the medical aid funds are required to be maintained at the minimum prudential reserve levels (reserves level or solvency margin) of 25.0 percent of gross contributions. The reserves level (solvency ratio) is determined by dividing accumulated funds by the annual gross contributions received. The industry reported a decrease of 1.9 percent in its reserves level, from 33.4 percent as at 31 December 2016 to 31.5 percent as at 31 March 2017. The open funds industry recorded a reserves level of 28.6 percent as at 31 March 2017, depicting a decrease of 1.6 percent. The closed funds industry recorded a decrease of 2.9 percent in the reserves level from 58.5 percent as at 31 December 2016 to 55.7 percent as at 31 March 2017.

All closed medical aid funds reported reserves levels above the prudential requirement, whereas two of the open medical aid funds, who represent 8.1 percent of the industry's total beneficiaries as at 31 March 2017, reported reserve levels below that of the required prudential minimum requirement of 25.0 percent. The Authority continues to monitor the abovementioned funds closely to ensure that timeous proactive remedial measures are taken to improve their reserves levels; and their solvency risk is minimized as much as possible.

Figure 18: Cash coverage of claims Q1 2016 – Q1 2017



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Cash & cash equivalents	270,1	196,2	152,8	239,0	295,3
Healthcare expenditure (annualised)	2 666	3 046	3 168	2 681	3 158
Months of cover	1,22	0,77	0,58	1,07	1,12

Figure 19: Liquidity indicators Q1 2016 – Q1 2017

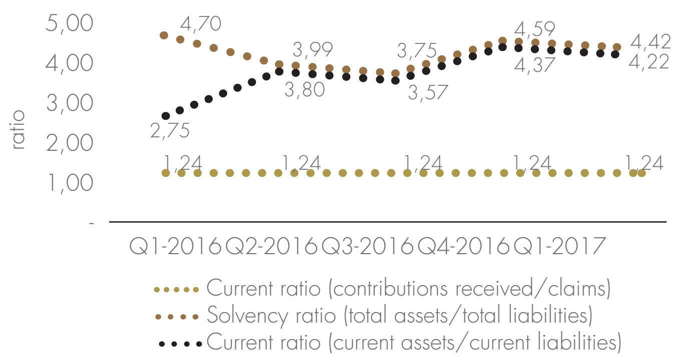
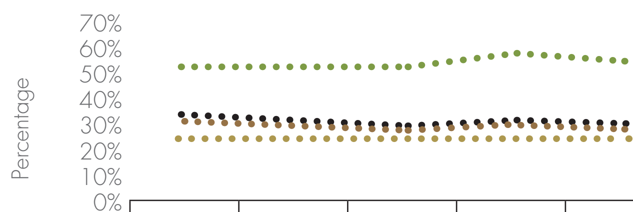


Figure 20: Industry Reserve Levels (percent): Q1 2016 – Q1 2017



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Benchmark	25,0%	25,0%	25,0%	25,0%	25,0%
Open Funds	31,7%	30,1%	28,2%	30,2%	28,6%
Closed Funds	53,6%	53,5%	53,7%	58,5%	55,7%
Industry	34,1%	32,6%	31,0%	33,4%	31,5%

Retirement Funds

Performance review

The value of retirement fund assets recorded positive growth during the quarter under review, recovering from the decline experienced in the preceding quarter.

Assets

Total retirement funds investments[4] (including insurance policies) grew by 4.8 percent quarter-on-quarter to N$142.1 billion, and by 5.4 percent year-on-year. Investments of retirement funds held in insurance policies comprised of 12.7 percent of the industry's total investments.

The investments held directly by retirement funds grew by 4.9 percent to N$124.0 billion quarter-on-quarter, while those held in insurance products grew by 4.1 percent to N$18.1 billion. This is a positive recovery compared to a decline in investments experienced in the prior quarter due to an increase in disinvestments for purposes of claim payments, as well as poor investment returns across the industry. According to the Bank of Namibia's economic outlook publication for March 2017, the global economy is expected to recover from the 2016 economic slowdown in 2017 and 2018. This bodes well for future investment performance of the sector.

Figure 21: Total retirement fund assets including insurance policies

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Investments	121 844 733	122 354 370	120 720 344	118 315 139	124 054 378
Other Assets (Insurance Policies)	12 985 278	14 883 652	17 304 210	17 346 211	18 062 125
Total Investments	134 830 011	137 238 022	138 024 554	135 661 350	142 116 503

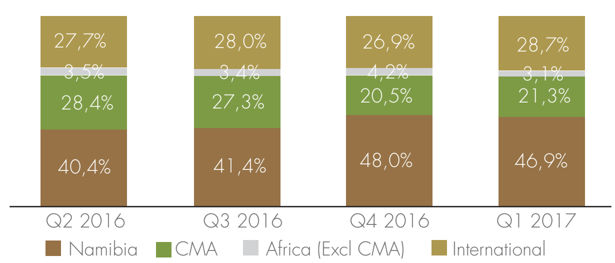
Asset Allocation

Investments of retirement funds are subject to the provisions of Regulation 28, which specifies the minimum and maximum investment limits applicable across asset classes. Validation checks of investments against Regulation 28 limits are detailed in Table 5 below and as is evident, the retirement industry is in compliance with the set prudential limits.

Geographical Asset allocation

Figure 22, below summarises the industry's geographic asset allocation as at 31 March 2017 and prior quarters, notably showing that the industry has been compliant with the statutory requirement of at least 35.0 percent in domestic assets during the last year. During the current quarter, investments in the domestic market declined slightly to 46.9 percent, compared to the 48.0 percent during the preceding quarter. Similarly, the industry's investments in the common monetary area (CMA) increased marginally from 20.5 percent to 21.3 percent, while investments in international markets recorded a 1.0 percent growth to total 29.0 percent as at the end of the quarter under review. Investments in Africa accounted for only 3.0 percent of total assets.

Figure 22: Geographical Asset allocation



Asset Class Allocation

As depicted in Table 5 below, the industry continues to show a strong appetite for investments in equities in relation to other asset classes, with an exposure of 65.0 percent. The second most popular asset class is Namibian Government bonds with a holding of 11.93 percent. The unlisted investments category recorded drawn-down capital of 0.37 percent. Although the drawn-down capital of unlisted investments is below the minimum limit of 1.75 percent, the industry remains compliant as committed capital is at 1.94 percent, well within the permitted limits of 1.75 percent to 3.50

[4] Total retirement funds investments in accordance with Regulation 28 comprise of investments held directly by retirement funds as well as other investments held in the form of insurance policies. For the purposes of determining compliance with Regulation 28, insurance policies issued by an insurer carrying on long-term insurance business for the purposes of a fund's investment are deemed not to be an asset of the fund.

percent. All other asset classes as defined in Regulation 28 remained fairly stable with marginal movements and exposures of less than 10.0 percent per asset class.

Table 5: Allocation per asset class Q4 2016 vs Q1 2017

Asset class	Q1 2017	Q4 2016	Change	Regulation 28 limit
Credit Balances	7.7%	7.2%	0.4%	95%
Government Bonds	11.9%	11.5%	0.40%	95%
SOE Bonds	4.9%	6.0%	-1.1%	30%
Corporate Bonds	1.6%	2.0%	-0.4%	50%
Foreign Bonds	6.0%	6.2%	-0.2%	50%
Property	2.0%	2.1%	-0.1%	25%
Shares	65.0%	62.7%	2.3%	75%
Other Claims	0%	1.6%	-1.6%	25%
Other Assets	0.4%	0.3%	0.1%	2.5%
Unlisted Investment[5]	0.4%	0.4%	0%	Min 1.75% Max 3.5%
Total assets	100.00%	100.00%		

Overarching limits

As presented in Table 6 below, the industry as a whole did not contravene any overarching exposure limits as per the different sections of the Annexure to Regulation 28. The industry complied with overarching limits as prescribed in sub-regulations 28(2)(a) & (b) and 28(3)(a)(ii).

These provisions prescribe that the aggregate market value of investments in property and shares, expressed as a percentage of total assets may not exceed 90 percent and that the aggregate market value of investments in property, shares, other claims and other assets, expressed as a percentage of total assets may not exceed 95 percent, respectively. In addition, 11.5 percent (Q4 2016: 12.20 percent) of the industry's assets were invested in dual listed shares, being complaint with the 15.0 percent limit applicable from 1 January 2017 as per sub-regulation 28(3)(a)(ii).

Table 6: Overarching limits

Overarching limit	Q1 2017 % of total assets	Q4 2016 % of total assets	% Change	Regulation 28 Limit
Regulation 28(2)(a)	67.1%	65.0%	2.1%	<90.00%
Regulation 28(2)(b)	67.5%	65.4%	2.1%	<95.00%
Regulation 28(3)	47.7%	48.4%	-0.7%	>35.00%
Regulation 28(3)(a)(iii)	11.5%	12.2%	-0.7%	<20.00%
Regulation 28(4) (Commitment)	1.9%	3.2%	-1.3%	>1.75%

The industry as a whole did not contravene any exposure limits as per the different sections of Regulation 28

[5] These are drawn-down amounts, while compliance is measured at committed capital amounts.

Friendly Societies

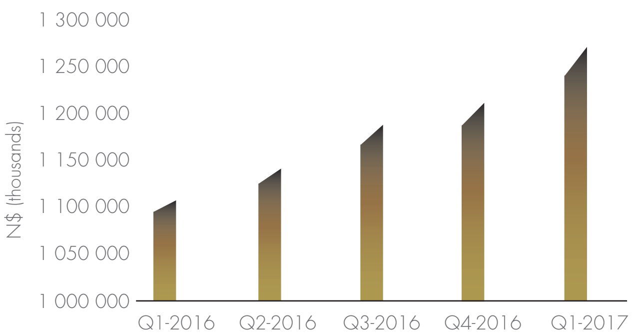
Performance review

The friendly societies industry reported stable growth in assets and surplus during the first quarter of 2017, while maintaining a conservative approach to investments. It held sufficient liquid assets and is considered financially sound and solvent as at 31 March 2017.

Assets and Liabilities

Friendly society assets grew by 5.0 percent quarter-on-quarter, and 15.0 percent year-on-year to N$1.26 million. This growth was mainly as a result of contributions consistently exceeding claims and expenses, resulting in excess cash available for investment. Cash and cash equivalents increased from N$13 391 to N$54 323, mainly for liquidity purposes, so as to compensate for the increase in accounts payable, which rose from N$17 074 to N$43 324.

Figure 23: Total Assets



The significant increase in accounts payable (154.0 percent) is attributable to the accrual accounting method adopted by the society this year, whereby contributions received in advance are accounted for by way of prepaid income (liability) as opposed to an increase in actual expenditure or claims.

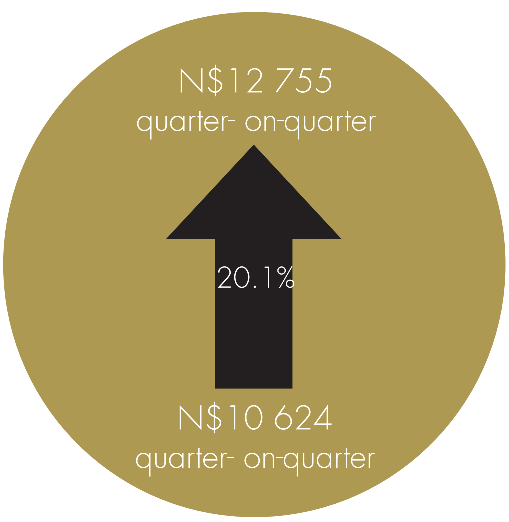
Contributions and Expenses

Contribution premiums received remained fairly consistent compared to the previous quarter, indicating no significant change in premium rates or number of members.

The Society's operational costs increased by 20.1 percent from N$10 624 to N$12 755 quarter- on-quarter, which is mainly a result of annual price inflation of the society's insurance expenses that came into effect during the quarter under review.

Investments

Investment income remained relatively low throughout last year (ranging between N$17 000 and N$24 000 on investments of just above N$1.0 million), which is an indication of the more conservative investment strategy adopted by the society by investing in money market instruments (call accounts).



Contributions and Expenses
Society's Operational Costs

Capital Markets

Performance review

The local equity market prices provided good returns to investors compared to the overall market and the FTSE/JSE, while the investable securities in the domestic debt market increased. Despite redemptions or withdrawals during the quarter, assets under management, mainly from financial institutions, grew with the bulk of assets invested in Namibia in long-term assets for investment management and in money market funds for CIS.

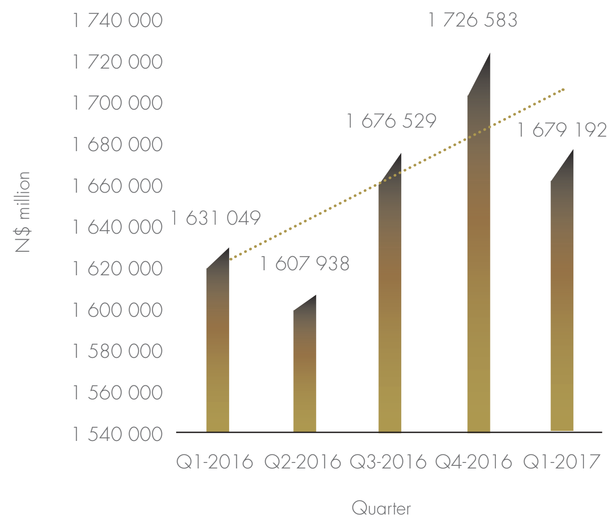
Financial Markets

The value of the equity markets, as measured by the market capitalization (cap), experienced mixed results in the first quarter of 2017. The market capitalization (cap) of the NSX overall market fell by 2.7 percent to N$1.7 trillion (Figure 24A), quarter-on-quarter, while the local market gained 2.3 percent to N$32.8 billion (Figure 24B). On an annual basis, however, both markets gained in value, with the local market rising by 9.6 percent compared to the overall market's 3.0 percent gain. While the relative fall in securities prices and securities outstanding drove the overall market cap down, the increase in securities prices on a quarterly basis resulted in the local market cap gain, despite the 40.4 percent decline in securities outstanding. The consolidation of issued shares of a company resulted in this decline in securities outstanding.

The NSX had 38 securities listed as at the end of the quarter. Of these securities, eight were primary listings that constituted the local market and index and five securities listed on the Development Capital Board (DCB). The DCB's market cap increased by 48.4 percent to N$1.1 billion. The NSX also had four exchange-traded funds (ETFs) and one over-the-counter (OTC) security, taking the total listings on the NSX to 43 securities. The market cap of the ETFs increased by 9.8 percent to N$36.0 billion during the quarter.

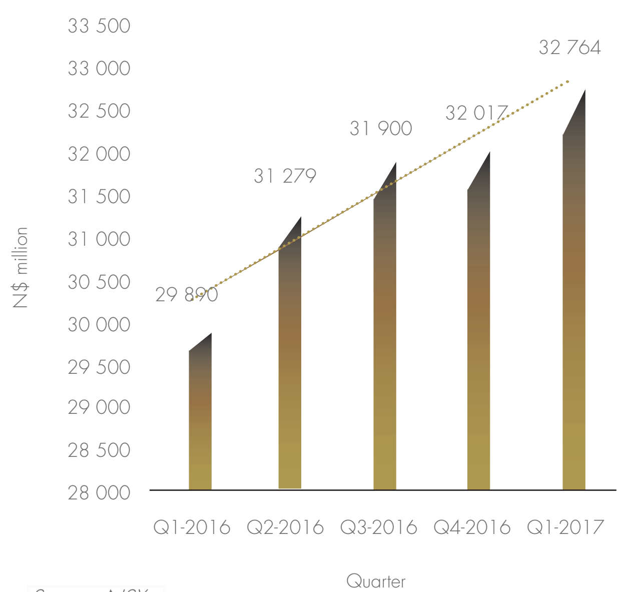
The prices of securities of the overall and local NSX markets showed mixed results compared to the FTSE/JSE market. The prices on the overall market, as measured by the index, gained steadily from the first quarter in 2016 until the first quarter of 2017. In the quarter, the overall prices fell by 0.2 percent while the FTSE/JSE

Figure 24A: NSX Overall market capitalization, N$ millions



Source: NSX

Figure 24B: NSX Local market capitalization, N$ millions



Source: NSX

index on which 30 of the securities in the overall index are listed gained 2.8 percent. From the first quarter of 2016, however, the NSX overall index increased by 7.5 percent, while the FTSE/JSE fell by 0.4 percent after falling for the last three quarters in 2016 (Figure 25). The sovereign downgrading of South Africa amid political and economic uncertainty dragged the FTSE/JSE and the NSX overall market down.

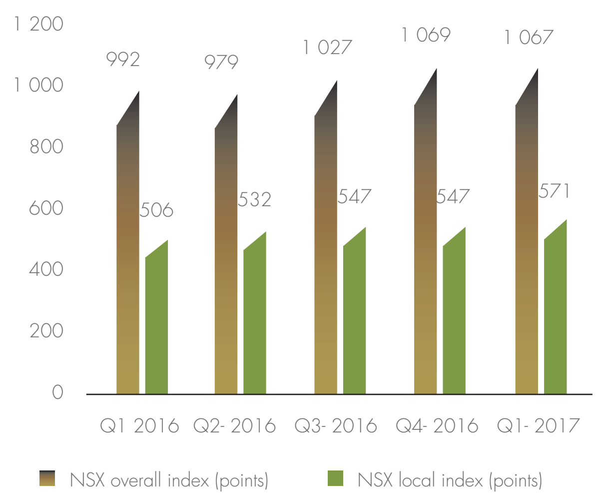
The local market prices, on the contrary, gained 4.2 percent in the first quarter and 12.8 percent from the first quarter in 2016. In fact, the local index enjoyed steady, albeit relatively small, gains since the first quarter of 2016. The index gained 4.4 percent on average since then, compared to the 4.9 percent increase in the overall index and the 0.4 percent gain in the FTSE/JSE index (Figure 25). The gains on the local index may have resulted from the positive sentiment created by the affirmation of Namibia's sovereign credit rating and the buy-and-hold strategy by institutional investors in a tight market. Moreover, investors may have invested more in the local equity market away from the debt markets plagued by rising government debt and risks associated with it, at least pending the 2017/18 budget.

The trading in securities during the first quarter increased significantly from the previous quarter. Trading on the overall market was particularly so because of the significant fall in and level of the trading in the previous quarter. The value and volume traded in the overall market increased by 56.3 percent and 83.4 percent from the fourth quarter in 2016, respectively. On the back of increased trading, the liquidity of the overall market improved from 0.1 percent in the previous quarter to 0.2 percent in the first quarter, remaining at about the level in the first quarter of 2016. The value and volume traded on the local market increased by 62.7 percent and 242.3 percent, respectively.

This resulted in the liquidity of the local market improving to 0.79 percent from 0.50 percent in the previous quarter and from 0.49 percent in the first quarter of 2016. This may have been due to the changes in investments to comply with the Regulation 15 and 28 restrictions of 15 percent on dual-listed securities which came into effect as from 1 January 2017.

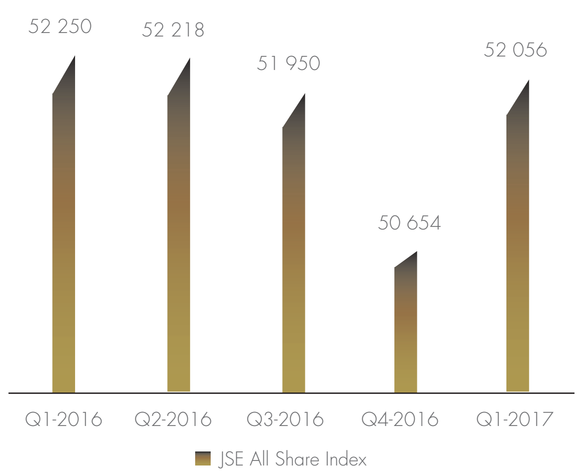
In the debt markets, total debt continued to increase and has become relatively large. The total domestic debt increased by 5.2 percent in the first quarter of 2017 to N$42.5 billion. Compared to the first quarter of 2016, debt grew by 19.3 percent. The increase in government debt, excluding public enterprises, drove this growth in debt as the issuance of internal registered stock (IRS) and treasury bills (TBs) increased by 6.0 percent and 4.9 percent, respectively, during the quarter. The debt issued by banking institutions and companies increased by 1.9 percent to N$3.2 billion at the end of the first quarter. The total domestic government debt of N$39.3 billion, including public enterprises, was 24.7 percent of the 2016 preliminary gross domestic product of N$159.1 billion. Further, foreign debt is about N$35 billion as a ratio of Q1 GDP, the ratio is 1.5 times of GDP.

Figure 25: NSX Indices, points



Source: NSX

Figure 26: FTSE/JSE All Share Index, points



Source: NSX

Investment Management

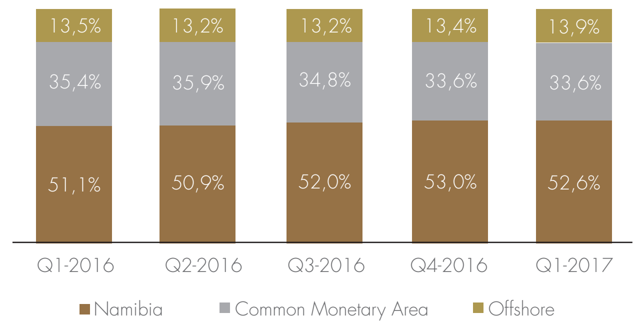
The investment managers' total assets under management continued to grow during the quarter, after the redemption of significant assets in the last quarter of 2016. The total assets increased by 0.3 percent to N$151.2 billion at the end of the first quarter of 2017, but ended 0.4 percent below the level of assets in the first quarter of 2016. The slight growth in assets may be attributed to the relative gains in the markets and to inflows from contributions, savings and premiums paid. While the retirement funds reduced the assets by 0.7 percent, long-term insurers and collective investment schemes (CISs) added 0.8 percent and 0.2 percent, respectively.

The manager's assets under management remained significant relative to the economy and the financial markets. The assets were 95 percent of the preliminary gross domestic product of 2016, and 1.5 times the size of the financial markets. The required 35 percent local investments for institutional investors amounted to N$36.6 billion or 37.2 percent of the size of financial markets during the quarter. This relative size of investable makes it difficult to find required investments and may push up the prices of available securities. If the assets are taken relative to the portion invested in Namibia, the assets increased to 55.2 percent of the size of the financial markets.

Geographic allocation

In terms of allocation of investments to countries in the first quarter of 2017, the managers kept most of the investments in Namibia or assets designated as Namibian assets. The managers invested 52.6 percent of the assets in Namibia, slightly lower than the 53.0 percent in the last quarter of 2016 and up from the 51.1 percent in the first quarter of 2016 (Figure 27). The reduction in local assets may be due mainly to the redemption of retirement fund assets that could have been invested in unlisted investments and other entities or instruments. The investments in the CMA markets accounted for 33.6 percent of the assets, the same as in the previous quarter but well below the level in the first quarter of 2016. The downgrading of South African government bonds did not seemingly affect the level of investments. The investments in the offshore markets were 13.9 percent of assets, slightly above the levels in the previous quarter and the first quarter of 2016. The CMA and offshore markets are considered to be well-developed and more liquid and diversified compared to the local market.

Figure 27: Assets per geographic allocation, percent of total

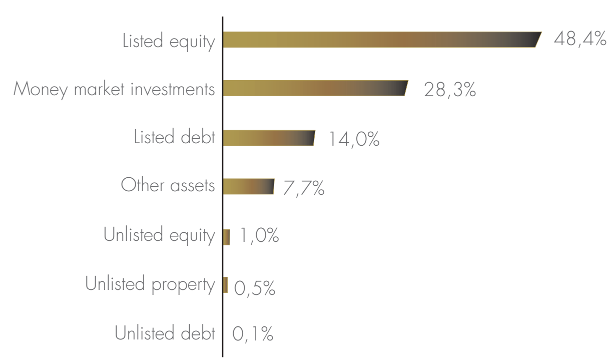


Source: NAMFISA

Asset allocation

Investment managers continued to allocate more assets to investments in listed shares, listed debt, and money market instruments in the quarter. Asset allocation mostly reflects the long-term nature of institutional investor, i.e., retirement fund, insurance and unit trust scheme, assets. The managers' holdings in listed equity increased by 2.2 percent to N$73.2 billion in the first quarter of 2016. The listed equity investments made up 48.4 percent of the total investments. Investments in money market instruments fell by 0.3 percent and accounted for 28.3 percent of total investments, while listed debt decreased by 2.5 percent from the previous quarter to N$21.1 billion at the end of the first quarter of 2017 (Figure 28). Asset allocation is influenced by the limited investable assets in Namibia, which is compounded by the minimum investment requirements on particularly retirement funds and insurers.

Figure 28: Assets per class as at 31 March 2017, per-cent of total

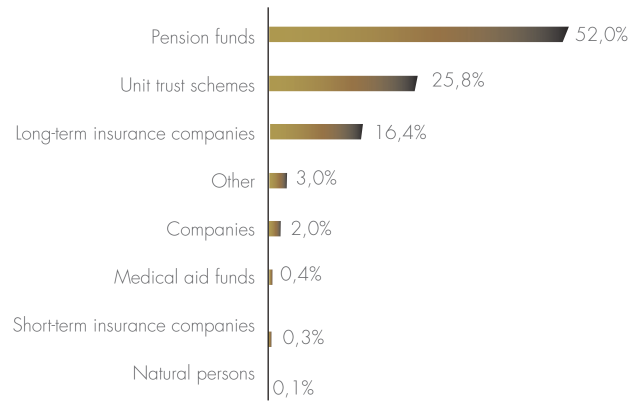


Source: NAMFISA

Sources of funds

Institutional investors continued to be the dominant investors. The institutional investors, i.e., retirement funds, long- and short-term insurers, medical aid funds, and CIS, constituted 95.0 percent or N$143.7 billion of assets managed by investment managers. Retirement funds, CIS and long-term insurers made up 94.3 percent of the assets, with the retirement funds being the largest with N$78.6 billion or 52.0 percent. CIS and long-term insurers made up 25.8 percent and 16.4 percent, respectively. Annual outflows of pension assets amounting to N$4.1 billion and presenting a decline 2.7 percent in assets partly reflects the relative growth in assets under management. Companies, households and other investors made up 5.0 percent of the total assets (Figure 29). The inflows from companies and long-term insurers helped offset the pension fund asset outflows.

Figure 29: Assets per investor, percent of total, as at 31 March 2017



Source: NAMFISA

In terms of allocation of investments to countries in the first quarter of 2017, the managers kept most of the investments in Namibia or assets designated as Namibian assets.

Geographic allocation

Collective Investment Schemes

The total CIS assets grew in the first quarter of 2017 after declining in the last two quarters of 2016. The CIS assets increased by 1.8 percent to N$49.2 billion at the end of the quarter. Inflows from households, other CISs and, to a lesser extent, medical aid funds and insurers drove this growth in assets. The households, that are the predominant investor in CIS, continued to add to their savings, contributing 1.7 percent to the growth in assets. The increased savings in CISs and the underwriting results of medical aid funds and insurers also contributed to the asset growth. The decline in the assets of companies and retirement funds offset the growth from these investors. From the first quarter of 2016, the growth was less pronounced at 1.0 percent. This slow growth resulted from the 3.3 percent reduction in the investments of CISs, companies, and retirement funds, while households, insurers, and medical aid funds added 4.2 percent.

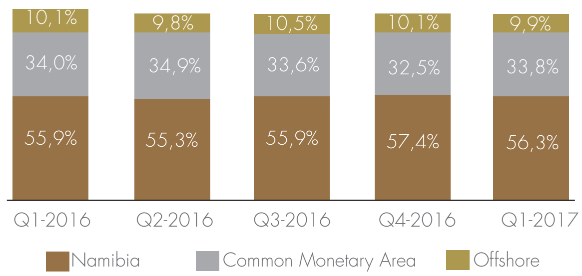
Geographic Allocation

The CISs kept the bulk of the investments in Namibia or in assets designated as Namibian assets. Of the total assets, CISs invested 56.3 percent in Namibia although CISs are not directly subject to any local investment requirements. This was slightly below the level in the previous quarter, but above the 55.9 percent in the first quarter of 2016. The investments in the CMA and offshore markets accounted for 33.8 percent and 9.9 percent, respectively (Figure 30).

These investments remained roughly at around that level since the first quarter of 2016. This may be due to investment returns, especially on money market instruments, limited new inflows, and expenses and exchange rate effects. The currency strengthened against most currencies, but especially against the U.S. Dollar. The placement of South Africa on review during the quarter for downgrading in April may have resulted in capital losses on the CMA equity investments to which CISs were exposed.

Although the CIS assets increased overall, the movements in different markets were mixed. The assets invested in Namibia decreased by 0.2 percent to N$27.7 billion at the end of the quarter. The investments in the CMA increased by 5.9 percent to N$16.6 billion, while offshore investments decreased by 0.1 percent to N$4.9 billion during the quarter. From the first quarter of 2016, investments in Namibia and the CMA increased by 1.7 percent and 0.5 percent, respectively, while the offshore investments fell by 1.0 percent.

Figure 30: Assets per geographic allocation, percent of total, as at 31 March 2017

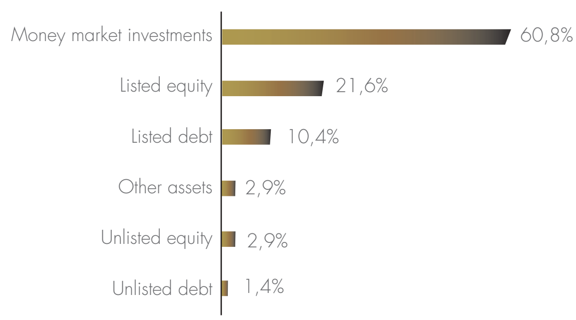


Source: NAMFISA

Asset Allocation

CIS management companies continued to allocate more assets to investments in money market, listed equity and listed debt instruments. Investments in money market instruments increased by 2.0 percent during the quarter to N$29.9 billion at the end of the quarter, accounting for 60.8 percent of total assets. These investments were only 50 basis points above the level in the first quarter of 2016. CIS investments in listed equity represented 21.6 percent of the total assets, increasing by only 0.7 percent during the quarter and by 6.8 percent from the first quarter of 2016. Listed debt investments increased by 2.4 percent during the quarter and accounted for 10.4 percent of total assets at the end of the quarter (Figure 31). Asset allocation by management companies may reflect client risk preferences and the limited investable assets, especially in Namibia were most of the CIS assets were invested.

Figure 31: Assets per class as at 31 March 2017, percent of total

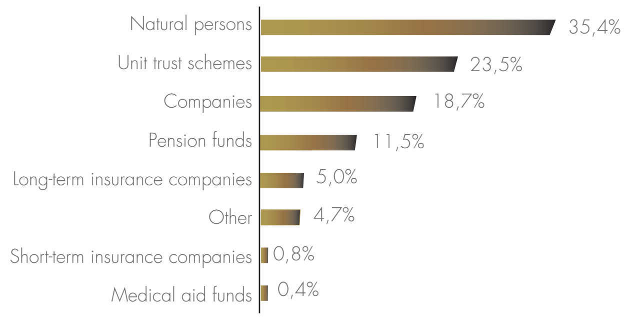


Source: NAMFISA

Sources of Funds

Households, CISs, companies and retirement funds were the main investors in CISs. Households continued to be the predominant investor with 35.4 percent or N$17.4 billion of CIS assets. Investments by households increased during the quarter by 4.9 percent and contributed 1.7 percent to the growth in assets. Assets from companies and retirement funds decreased by 3.0 percent and 0.5 percent, respectively, during the quarter, reducing total CIS assets by 0.64 percent. These investors' assets reduced the CIS assets by 1.1 percent from the level in the first quarter of 2016 (Figure 32). The reductions in assets may be due to capital losses or to withdrawals due to funding needs in light of the liquidity constraints in the financial markets.

Figure 32: Assets per investor as at 31 March 2017, percent of total



Source: NAMFISA

Microlending

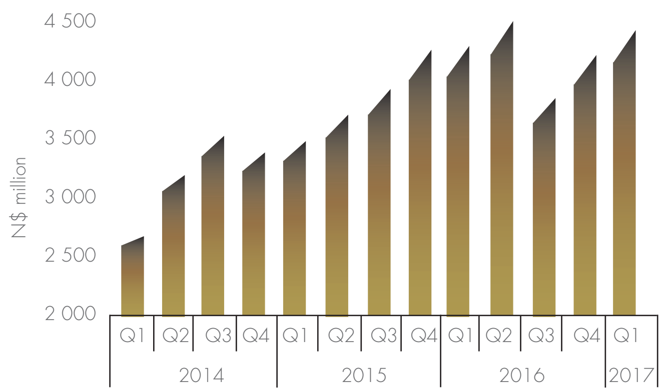
Performance review

During the period under review, the value of total outstanding loans increased both on a quarterly and yearly basis. The value of loans disbursed, however, decreased quarter-on-quarter, and marginally increased on an annual basis. With regard to the number of borrowers , a strong growth was observed over the same period, driven by the category 'term borrowers[6]' which continued to dominate that of 'payday' borrowers.

Loan Book Value

The loan book rose both quarter-on-quarter, and year-on-year driven by transactions of term lenders. Accordingly, the value of loan book grew by 5.0 percent quarter-on-quarter, and by 3.2 percent, year-on-year to N$4.4 billion (Figure 33).

Figure 33: Loan Book Value



Disbursements

The disbursement amount decreased, quarter-on-quarter, but marginally increased on an annual basis to N$778.8 million (Figure 34). The decline on the quarterly basis was mainly driven by the transactions of 'term lenders' that decreased by 9.9 percent compounded by that of payday lenders' transactions that declined by 2.2 percent (Table 7).

Table 7: Loan Disbursements (percentage changes)

Quarter-on-Quarter	2015				2016				2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Term Lenders	20,2	-16,3	33,5	-2,7	1,6	3,5	20,8	-3,1	-9,9
Payday Lenders	7,5	3,4	0,9	-1,2	3,0	5,7	2,4	4,4	-2,2
Total	16,4	-10,8	22,9	-2,3	2,0	4,11	15,72	-1,3	-7,9
Year-on-Year	2015				2016				2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Term Lenders	28,7	17,9	12,4	30,7	10,4	36,6	23,6	23,0	9,1
Payday Lenders	9,4	11,5	8,7	10,7	6,0	8,5	10,1	16,4	10,6
Total	22,6	15,7	11,4	24,6	9,2	27,43	20,00	21,3	9,5

[6] Clients for microlenders are split between term- and payday borrowers. Term borrowers receive loans from term lenders, with a repayment period of up to 5 years while the payday borrowers receive loans from payday lenders with a shorter repayment period of one month.

Similarly, the rate of growth witnessed, year-on-year, emanated from the transactions of both categories i.e. payday lenders and term lenders.

Number of new loans

The total number of new loans issued decreased both quarter-on-quarter, and year-on-year. In this connection, the number of new loans issued declined on a quarterly and yearly basis by 3.5 percent and 1.1 percent, respectively. The quarterly and yearly decrease in the number of new loans is consistent with the decline witnessed in the number of new loans issued by both categories i.e. payday lenders and term lenders.

Number of borrowers

With respect to the total number of borrowers transacting in the microcredit market, the category 'term borrowers' continued to dominate that of 'payday borrowers'. Moreover, the growth in the total number of clients increased to 15.0 percent or 284 320 borrowers at the end of the first quarter of 2017, as compared to 9.3 percent recorded in the last quarter (Figure 35).

Figure 34: Loan Disbursements (N$ million)

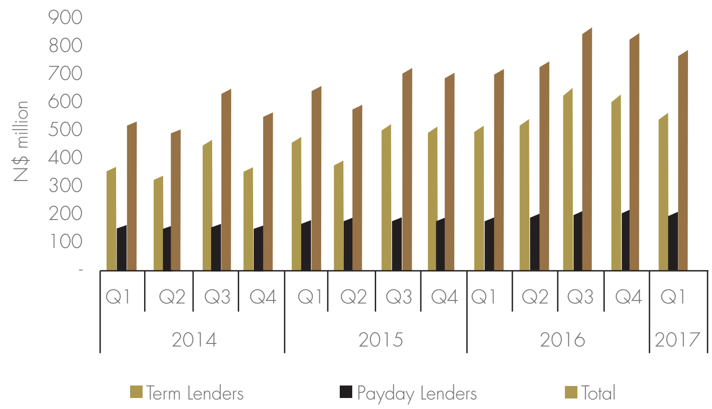
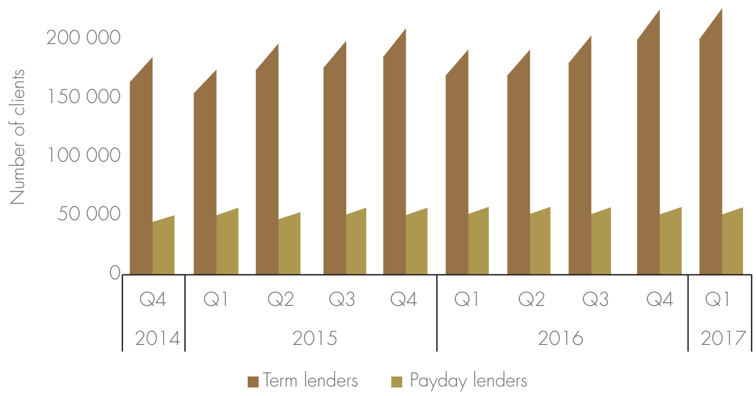


Figure 35: Number of clients



Consumer Complaints

During the period under review, NAMFISA's Complaints department received 211 complaints from consumers of financial services. Of the 211 complaints, 96.0 percent relate to only four industries, namely long-term insurance, micro lending and credit agreements, retirement funds and short-term insurance (Figure 36).

Overall, the resolution of complaints resulted in consumers receiving a total of N$41.0 million from financial institutions of which of long term insurance sector accounted for N$ 37.9 million (table 8). These resolutions broadly relate to wrongful deductions, repudiation of claims, unpaid benefits and non-cancellation of contracts

Figure 36: Complaints received during the fourth quarter of 2016 per industry

Table 8: The number of complaints received vs. resolved: Q1 2017 vs. Q4 2016

	Q4-2016			Q1 2017		
Division	Total no of complaints received	Total no of complaints resolved (%)	Funds recovered (N$)	Total no of complaints received	Total no of complaints resolved (%)	Funds recovered (N$)
Micro Lending and Credit Agreements	42	24%	17 071	64	31%	127 210
Capital Markets	1	1%	1 705 418	0	0%	
Collective Investment Schemes	1	1%	-	0	0%	
Long-Term Insurance	59	28%	75 154	58	30%	37 886 932
Short-Term Insurance	26	15%	298 890	36	16%	45 622
Medical Aid Funds	2	1%	1 198	1	1%	
Retirement Funds	60	30%	2 870 383	45	19%	2 985 030
Others / Referrals	0	0%	0	7	4%	-
Friendly Societies	0	0%	0	0	0%	-
Total complaints	191	100%	4 968 114	211	100%	41 044 795

Part B: Supervisory and Regulatory Developments

NAMFISA Supervisory Ladder

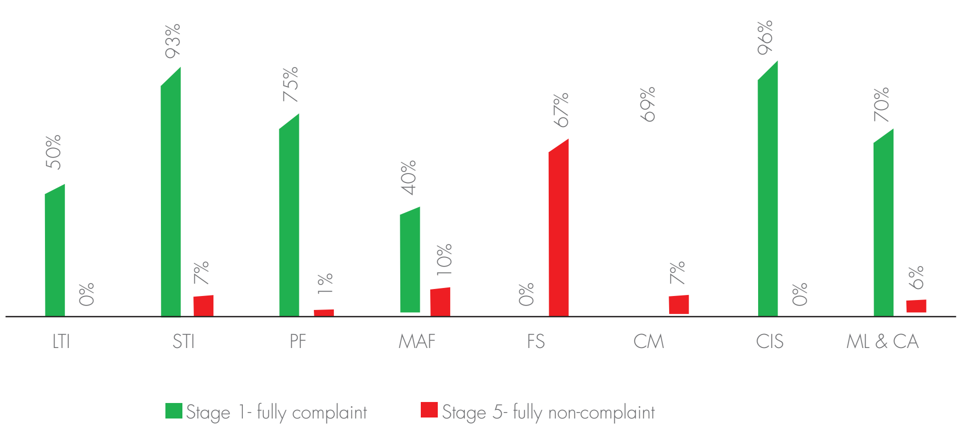
Table 9 below gives a summary of all NBFI's compliance rating per sector. The ladder of supervisory intervention is a classification system that ranks regulated entities according to their viability and risks they may face. The overall the non-banking financial sector achieved full compliance status of 72.0 percent, as 359 out of the total number of entities were categorized as stage 1 entities. On the contrary, 5.0 percent or 23 out of the total number of registered entities were fully non-compliant and categorized as stage 5 (Figure 37).

Table 9: Supervisory and Regulatory Developments

Indicators for Supervisory Concerns, Q4- 2016													
Stage of intervention	Rating Description	Rating Code	Description	LTI	STI	PF	MAF	FS	CM	CIS	ML & CA	Total (actuals)	Total (%)
Stage 1	No significant problems		Submission of returns and AFS, payment of levies	8	13	70	4	0	20	48	196	359	72%
Stage 2	Early Warning		Staggered submission of returns. Resultant levies not paid	6	0	17	2	1	6	2	33	67	14%
Stage 3	Risk to Viability or Solvency		Irregular submission of returns. Irregular submission of levies.	2	0	4	2	0	1	0	12	21	4%
Stage 4	Future Viability in Serious Doubt		No trading, no submission of AFS, no submission of returns, some payment of levies	0	0	1	1	0	0	0	24	26	5%
Stage 5	Entity Not Viable or Insolvency Imminent		Dormancy, no payment of levies, no submission of returns and owe NAMFISA levies	0	1	1	1	2	2	0	16	23	5%
Total				16	14	93	10	3	29	50	281	496	100%

Full compliance status (stage 1): The Collective Investment Schemes recorded the highest level of full compliance which came out at 96.0 percent, followed by Short-term insurance which came at 93.0 percent. Friendly societies reported the lowest compliance rate of zero percent (Figure 37).

Figure 37: Comparison per Sector (Stage 1 vs. Stage 5) of Supervisory ladder of intervention



Full non-compliance status (stage 5): Friendly societies reported the highest level of full non-compliance which was reported at 67.0 percent, followed by Medical Aid Funds at 10.0 percent, and Capital Markets and Short-term insurance both at 7.0 percent. The Authority continues with close monitoring of all entities not fully compliant (Figure 37).

Regulatory review

Legislative Developments

- The NAMFISA, Financial Institutions and Markets ("FIM") and Financial Services Adjudicator ("FSA") Bills have been finalized by the Registrar as well as the Legal Drafters at the Ministry of Justice. These Bills are now with the Legal Drafters for finalization before tabling in Parliament during 2017.

- The NAMFISA, Financial Institutions and Markets (FIM) and Financial Services Adjudicator (FSA) Bills have been finalized by the Registrar. These Bills are now with the Legal Drafters for finalization before tabling.

- All phase one (1) standards with the exception of the capital, cell captive and exemption standards, have been presented to the industry and finalized. The capital, cell captive and exemption standards have been drafted but are awaiting formal industry consultation.

- The Quantitative Impact Studies on the effects of the capital and solvency standards shall commence during the 2017/18 financial year.

- The Minister of Finance tabled in Parliament the Short-Term Insurance Amendment Bills with amendments to Section 54(1) of the Short-Term Insurance Act relating to Bank Guarantee and Professional Indemnity Requirements.

- The amendments to remove the requirement for an insurance broker or reinsurance broker to submit a bank guarantee of N$25 000 upon application for registration and an increase of the professional indemnity insurance cover from N$500 000 to N$1 000 000 per single claim has been approved and all Brokers are required to adhere to the set new requirements on or before 01 May 2017. This was communicated to industry through a circular (I/STI/02/2017) dated 23 February 2017. Substantially all bank guarantees and securities previously ceded to NAMFISA were subsequently released and or ceded back to the broker fraternity in January 2017.

- The Long-Term Insurance Amendment Act amending Section 56 of the Long-term Insurance Act relating to Bank Guarantee and Professional Indemnity requirements was passed by Parliament and signed-off by the President. The amendment was gazetted on 28 November 2016 and has been implemented with immediate effect following the gazetting.

- The amendment has now become law and as a result insurance brokers and reinsurance brokers are no longer required to submit a bank guarantee of N$25 000.00 upon application for registration and the professional indemnity insurance cover for insurance brokers and reinsurance brokers was increased from N$500 000 to N$1 000 000.

- Two circulars and a general NAMFISA-Memorandum were issued during the period under review. The first circular, "Circular: II/ML/1/2017" on regulatory penalties was issued on 19 January 2017 to the industry for consultation purposes.

- The second circular to the microlending industry, "Circular: II/ML/2/2017" was issued on 31 January 2017 reminding the industry on the submission of the MLR-2 Returns and subsequent payments of levies. The circular contained the due dates for the submission of the MLR-2 Returns for the 2017 calendar year.

- The NAMFISA Memorandum: FIM/03/2017 – ML memorandum was issued on 7 March 2017 to all regulated entities requesting the industry to consult with the respective service providers on the information technology as a prerequisite to determine the estimated time required for the successful implementation of "One Chart of Accounts" and the associated costs for implementation.

- During Phase 2 of the microlending subordinate legislation drafting under the Microlending Bill, one regulation and six standards were drafted. These have been reviewed and approved internally. The Penalty Regulation, which deals with penalties payable in respect of non-compliance with the provisions of the Bill, has been distributed to industry for their comments. The deadline for the submission of comments on this regulation has been extended, pending the sharing of the final draft of the Microlending Bill with industry.

- The Penalty Regulation makes provision for the imposition of daily penalties for non-compliance to the provisions of the Bill, i.e. late submission of renewal application and failure to submit returns. Provision is also made for once-off penalties of up to N$100,000-00 for engaging in prohibited conduct and for failure to adhere to obligations of the microlender. The penalty as imposed by NAMFISA would depend on the specific circumstances, the nature and severity of the non-compliance.

- The six standards were aligned with the revised Microlending Bill and will be shared with industry once the final draft of the Microlending Bill is ready for sharing with industry.

Supervisory developments

Long term Insurance

Table 10: Regulatory Interventions

Intervention	Q4 2016	Q1 2017
General		
- Cautionary Notices & Information	0	0
- Voluntary License Cancellations	56	53
- Deceased License Cancellations	0	0
Regulatory Interventions		
- Notices to Cancel Issued	12	0
- License Cancellations (forced) Mass deregistration	755	0
Inspections		
- Scheduled	16	16
- Targeted / Prompted	0	0
Remedial Actions Taken		
Resolved Cases	0	0
Open Cases	0	0
Penalties Imposed	N$50000	0
Consumer Complaints		
- Complaints launched	59	58
- Complaints Resolved	46	55

Short-term Insurance

There were no significant developments with regard to regulatory intervention in the first quarter of 2017 as per Table below.

Penalties imposed

A single administrative penalty of N$ 1 000 was imposed on a registered short term insurer in terms of section 69 of the Act as a result of late submission of information related to quarterly offsite monitoring.

SHORT-TERM INSURANCE DEPARTMENT		
Intervention	Q4 2016	Q1 2017
General		
- Cautionary Notices & Information	0	0
- Voluntary License Cancellations	10	8
- Deceased License Cancellations	0	0
Regulatory Interventions		
- Notices to Cancel Issued	0	0
- License Cancellations (forced)	0	0
Inspections		
- Scheduled	7	18*
- Targeted / Prompted	0	0
Remedial Actions Taken		
Resolved Cases	0	0
Open Cases	0	0
Penalties Imposed	3	1
Section 67 application to acquire >25percent of the issued share capital of a ST insurer	1	0
Consumer Complaints		
- Complaints launched	26	36
- Complaints Resolved	25	29

*Note: * Relates to quarterly offsite monitoring and on-site inspections.*

Retirement fund industry

The retirement fund industry as a whole generally remains complaint with the provisions of the law and the Authority will continue with its supervisory and regulatory as well as enforcement actions. The value of retirement fund assets recorded positive growth during the quarter under review, recovering from a decline experienced in the preceding quarter. Late and non-submission of statutory submissions i.e. Statement of Investment Holdings remain prevalent amongst the industry. Complaints declined slightly but cases of non-payment of pension contributions and benefits remain a concern to the Authority. The Authority views these violations in a serious light. Punitive measures as well as consumer education initiatives will continue to be used to ensure that these practices are reduced.

Inspections

Three full on-site inspections and one follow-up inspection were completed during the quarter under review. Off-site surveillance was conducted on eighteen retirement funds based on the Statements of Investment Holdings submissions for the preceding quarter that ended on 31 December 2016, whilst thirteen off-site inspections are planned to be conducted on SIH submissions received during the quarter under review.

Penalties and/or Fines

A number of penalties were issued during the current quarter to nine (9) non-complaint funds for late submission of statutory returns for the quarter ended 31 March 2017. These penalties amounted to N$58 000. A breakdown of penalties issued for the past quarter is presented in Tables 11 and 12.

Industry Forums and Meetings

One industry meeting was held on 13 March 2017 and the following meeting is scheduled for 18 September 2017. An industry consultation was also held on 27 February 2017 to discuss comments by industry on the One Chart of Accounts (ACoA) project being pursued by NAMFISA.

Consumer Education Developments

The Pensions department produced one (1) article namely; "When can members claim pension benefits?" which was published in the quarterly Consumer Education Bulletin. The focus of the article was to educate and enhance retirement fund members' knowledge on this critical topic.

Table 11: Penalties (numbers)

Reason for penalty	Number of funds penalized				
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Late submission of Unaudited Annual Return	-	-	-	6	0
Late Submission of the SIH Return	13	1	6	3	9
Non Compliance with Investment Limits as Per Regulation 28	1	-	-	3	0
Total	14	1	6	12	9

Table 12: Penalties (N$ value)

Reason for penalty	Amount of penalty (N$)				
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Late submission of Unaudited Annual Return	36 000	-	-	12 000	-
Late Submission of the Statement of Holdings Return	-	500	85 200	7 000	58 000

Medical Aid Funds Industry

The Registrar of Medical Aid Funds ("the Registrar") issued a "Notice of Intention to Publish Declaration of Undesirable Practice" in terms of section 4(9) of the Medical Aid Funds Act, 1995 (Act no. 23 of 1995) to the medical aid funds industry ("industry") on 22 March 2017. The notice was issued pursuant to declare certain restrictions and certain exclusions pertaining to third party claims an undesirable practice in terms of the Act and to obtain written representation from the industry on the Authority's intention to declare the aforementioned restrictions and exclusions undesirable. Written representations from industry were submitted to the Authority by 21 April 2017. The directive will be published in the Government Gazette at a date yet to be determined, and the industry will be informed of the publication once the directive is published.

The Registrar also issued a notice on 28 March 2017 wherein the Authority proposed a new levy structure to the industry and invited the industry to provide commentary on the proposed structure on or before 08 May 2017. Furthermore, the Registrar invited the industry to a consultation session on 16 May 2017 to deliberate on the proposed levy structure. The Registrar will deliberate on the feedback received from the industry and incorporate the industry feedback into the recommendation to be made to the Minister of Finance on the implementation of the proposed levy structure. The recommendation to the Minister of Finance will be made at a date yet to be determined.

Friendly societies

The Registrar issued a notice on 28 March 2017 wherein the Authority proposed a new levy structure to the industry and invited the industry to provide commentary on the proposed structure on or before 21 April 2017. Furthermore, the Registrar invited the industry to a consultation session on 16 May 2017 to deliberate on the proposed levy structure. The industry did not provide any feedback on the proposed levy structure and no representatives from the industry was at the consultation held on 16 May 2017.

The Registrar will deliberate on the feedback received from the industry and incorporate the industry feedback into the recommendation to be made to the Minister of Finance on the implementation of the proposed levy structure. The recommendation to the Minister of Finance will be made at a date yet to be determined.

Capital Markets

In investment management, most of the registered entities remained fully compliant and posed no problems. The registered entities were 29, of which, NAMFISA determined that 20 were fully compliant and posed no regulatory or financial soundness problems. These institutions were active, submitted levy and quarterly returns and were in compliance with the ongoing approval requirements. NAMFISA registered two of these entities during the quarter. NAMFISA determined that six entities pose a slight risk in not submitting audited financial statements within 90 days after the financial year-end and therefore in the "early warning" risk category. NAMFISA classified one institution as in the "risk to viability or solvency" category as it remained dormant or inactive despite paying the basic levy and submitting the Levy and Quarterly Returns.

NAMFISA placed two entities in the "entity not viable or insolvency imminent" risk category. These entities failed to comply with ongoing requirements and NAMFISA issued notices of cancellation to the entities, informing the entities to make representations. NAMFISA received written representations from only one institution.

Collective investment schemes

NAMFISA reviewed and approved several applications by unlisted investment managers (UIMs) for amendments to the trust deeds of special purpose vehicles (SPVs), including investment plans and management agreements. In February, the CIS department held an industry meeting with SPVs and UIMs. The department informed the industry on the proposed amendments to Regulation 29 under the Pension Funds Act and on the implementation of different Bills. The department also reminded the industry on general compliance matters, including the reporting requirements, and the revised NAMFISA service level commitment timeframes. The Anti-Money Laundering department gave a presentation on anti-money laundering compliance requirements. Lastly, the industry was informed about the "One Chart of Accounts" project, an information and/or data collection project initiated by NAMFISA.

Furthermore, the CIS and Capital Markets departments held a joint industry meeting on 23 February 2017 for the related financial institutions. The departments provided an update on the Bills implementation, the appeal process and Trustees duties under the Unit Trusts Control Act, and the establishment of a central securities depository (CSD) and the demutualization of the NSX under the Stock Exchanges Control Act. The departments also informed the institutions of the new forms available on ERS as well as general compliance matters, anti-money laundering compliance developments and the "One Chart of Accounts" project.

The risks associated with financial institutions remained low during the quarter. Of the 50 registered financial institutions, the CIS department classified 48 as entities with "no significant problems" and therefore posing little risk. The department, however, classified two institutions in the "early warning" risk category. While the one institution's portfolio failed to satisfy the minimum capital requirements, the other institution, an SPV, was holding cash in money market accounts as well as holding property as investments. The registrar directed the institutions to rectify the non-compliance. The CIS department will monitor and enforce the directives.

Microlending & Credit Agreements

Registrations, de-registrations, suspensions and cancellations

Fourteen (14) new applications for registration as microlenders were approved by the Registrar during the first quarter of 2017. Conversely, the registration of nine (9) microlenders was cancelled during the period under review. As a result, a total number of 281 microlenders were registered with NAMFISA, representing an increase, quarter-on-quarter of 1.4 percent at the end of the period under review.

Penalties and/or fines

There were no penalties or fines imposed during the period under review.

Industry forums and meetings

The Microlending Industry Forum under the theme 'lending with a 'conscience' took place in the Khomas, Kavango-East, Oshikoto and Erongo Regions from 6 – 13 March 2017. More than 200 participants, representing approximately 150 microlenders, participated in the industry forums. The focus area of the forums was an update on the Microlending Bill and the Penalty Regulation issued thereunder. Other presentations were made by the Payments Association of Namibia Stakeholder Forum (PSF) and the Bank of Namibia who also accompanied the NAMFISA team to all the regional forums. It is proposed for a Southern Industry Forum to be introduced in 2017/18, taking place in Keetmanshoop

Part C: Statistical Appendix

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Table 1: Registered Entities

	Entities as at end	Entities registered during	Entities de-registered during	Entities as at end
	Q4-2016	Q1-2017	Q1-2017	Q1-2017
Financial Institutions:				
Long-term insurers (LTIs)	16	0	0	16
Short-term insurers (STIs)	14	0	0	14
Reinsurers (both LTIs and STIs)	1	0	0	1
Medical aid funds	10	0	0	10
Pension funds	93	0	0	93
Collective investment schemes	16	0	0	16
Management companies	13	0	0	13
Investment managers	23	0	0	23
Special Purpose Vehicles (SPVs)	17	0	0	17
Unlisted Investment Managers	20	0	0	20
Microlenders	277	14	10	281
Stock exchanges	1	0	0	1
Stock brokers (including sponsors)	4	0	0	4
Linked Investment Services Provider (LISPS)	2	0	0	2
Friendly societies	6	0	3	3
Sub-total	**511**	**14**	**13**	**514**
Financial Intermediaries:				
Long-term insurance brokers	549	11	4	556
Long-term insurance agents	3 652	166	49	3 769
Short-term insurance brokers	473	8	2	479
Short-term insurance agents	838	32	6	864
Subtotal	5 512	217	61	5 668
Total	**6 023**	**231**	**74**	**6 182**

Table 2: Indicators for Supervisory Concerns

Indicators for Supervisory Concerns, Q4- 2016				Q1-2017									
Stage of intervention	Rating Description	Rating Code	Description	LTI	STI	PF	MAF	FS	CM	CIS	ML & CA	Total (actuals)	Total (%)
Stage 1	No significant problems		Submission of returns and AFS, payment of levies	8	13	70	4	0	20	48	196	359	72%
Stage 2	Early Warning		Staggered submission of returns. Resultant levies not paid	6	0	17	2	1	6	2	33	67	14%
Stage 3	Risk to Viability or Solvency		Irregular submission of returns. Irregular submission of levies.	2	0	4	2	0	1	0	12	21	4%
Stage 4	Future Viability in Serious Doubt		No trading, no submission of AFS, no submission of returns, some payment of levies	0	0	1	1	0	0	0	24	26	5%
Stage 5	Entity Not Viable or Insolvency Imminent		Dormancy, no payment of levies, no submission of returns and owe NAMFISA levies	0	1	1	1	2	2	0	16	23	5%
Total				16	14	93	10	3	29	50	281	496	100%

Long-term Insurance Industry

Table 3: Income and Expenses

Long-term Insurance

STATEMENT OF COMPREHENSIVE INCOME (N$ 000)					
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Single Premiums	620 929	553 460	619 851	722 027	776 676
Recurring Premiums	1 275 184	1 191 166	1 356 435	1 364 643	1 312 803
Gross premiums written	1 896 113	1 744 626	1 976 286	2 086 670	2 089 479
Less: Reinsurance premium	67 567	69 658	76 506	80 437	53 501
Net premiums written	1 828 546	1 674 968	1 899 780	2 006 233	2 035 978
Gross policyholder benefits paid	1 181 538	903 443	1 509 695	1 428 449	1 447 110
Reinsurance recoveries	49 152	43 593	49 951	46 139	53 236
Net policyholders benefits	1 132 386	859 850	1 459 744	1 382 310	1 393 874
Change in policyholder liabilities	847 430	1 064 379	230 370	63 306	876 835
Commission paid	124 815	144 650	177 263	133 978	137 073
POLICYHOLDER BENEFITS AND COMMISSION	2 104 631	2 068 879	1 867 377	1 579 594	2 407 782
GROSS PROFIT/(LOSS)	-276 085	-393 911	32 403	426 639	-371 804
NET INCOME OVER EXPENSES	909 323	328 061	541 668	119 030	839 793
Investment income	1 056 861	618 268	764 282	414 395	1 029 345
Other income	124 721	1 044	122 384	-561	113 869
TOTAL INCOME	1 181 582	619 312	886 666	413 834	1 143 214
Management expenses	204 433	226 835	235 891	227 745	249 151
Other expenses	67 475	64 004	108 333	66 695	11 323
Finance costs	351	412	774	364	42947
TOTAL EXPENSES	272 259	291 251	344 998	294 804	303 421
PROFIT BEFORE TAXATION	633 238	-65 850	574 071	545 669	467 989

Table 4: Assets and Liabilities

Long-term Insurance

BALANCE SHEET (N$ 000)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Immovable Property	492 485	494 454	495 131	516 530	517 272
Property, plant and equipment	18 671	19 734	25 322	27 587	27 607
Intangible assets	322 090	339 136	334 100	364 088	354 865
Deferred tax	0	0	0	0	0
Other assets	3 673 358	3 648 422	3 663 363	3 679 789	3 745 396
Investments	29 649 428	30 207 282	31 075 225	31 883 062	31 820 663
NON-CURRENT ASSETS	**34 156 032**	**34 709 028**	**35 593 141**	**36 471 056**	**36 465 803**
Reinsurer's debtors	156 039	178 088	180 936	275 942	231 997
Premium debtors	268 253	261 742	270 620	131 945	132 162
TECHNICAL ASSETS	424 292	439 830	451 556	407 887	364 159
Cash and cash equivalents	3 267 451	3 527 707	3 321 883	3 017 075	2 499 265
Receivables	1 181 696	1 859 188	1 265 639	1 513 148	1 766 516
Investments	6 403 670	6 606 994	6 413 021	6 144 814	7 084 554
CURRENT ASSETS	**10 852 817**	**11 993 889**	**11 000 543**	**10 675 037**	**11 350 335**
TOTAL ASSETS	**45 433 141**	**47 142 747**	**47 045 240**	**47 553 980**	**48 180 297**
Ordinary share capital				74 942	74 942
Share premium				971 153	971 153
Retained earnings				6 836 357	6 472 886
Other reserve				-1 061 847	-1 067 867
CAPITAL AND RESERVE				**6 820 605**	**6 451 114**
Deferred taxation	309	300	300	0	0
Other liabilities	167 772	164 775	177 660	27 823	34 833
NON CURRENT LIABILITIES	**168 081**	**165 075**	**177 960**	**27 823**	**34 833**
Policyholder liabilities	37 406 236	38 470 615	38 700 985	38 769 944	39 646 779
Reinsurance creditors	29 111	48 539	56 927	70 035	35 504
TECHNICAL LIABILITIES	**37 435 347**	**38 519 154**	**38 757 912**	**38 839 979**	**39 682 283**
Trade and other payables	462 923	524 816	593 154	627 932	993 938
Current income taxation	4 219	6 313	6 495	1 402	4 028
CAR	204 894	205 654	219 694	219 694	219 694
Other liabilities	995 429	1 114 738	864 014	1 016 545	794 407
CURRENT LIABILITIES	**1 667 465**	**1 851 521**	**1 683 357**	**1 865 573**	**2 012 067**
TOTAL LIABILITIES	**39 270 893**	**40 535 750**	**40 619 229**	**40 733 375**	**41 729 183**
	1 864 657				
Excess Assets	6 162 248	6 606 997	6 426 011	6 820 605	6 451 114

Short-term Insurance

Table 5: Income and Expenses

Short-term Insurance

Industry income and expense					
Income statement (N$ 000)	Q1-2016	Q2-2016	Q3-2016	Q4-2016	Q1-2017
Gross premiums written	1 009 411	862 919	854 101	795 539	1 008 197
Less: Reinsurance expense	306 472	207 455	220 458	239 206	277 675
Net premiums written	702 939	655 464	633 643	556 333	730 522
Change in provision for UPR	120 732	52 717	6 616	(65 860)	100 576
Net Premiums earned	582 207	602 747	627 027	622 193	629 946
Gross claims and loss adjustment expenses	468 982	637 358	498 840	460 938	469 435
Change in IBNR	(1 097)	(3 968)	4 127	(6 659)	4 092
Less: Gross claims and loss adjustment expenses recovered from reinsurers	126 965	294 091	122 765	123 393	103 592
Net Claims incurred	340 920	339 299	380 202	330 886	369 935
Commission incurred	104 896	107 139	132 580	112 448	103 443
Less: Commission earned	46 428	47 112	74 114	57 606	52 055
Net commission incurred	58 468	60 027	58 466	54 842	51 388
CLAIMS AND COMMISSION	**399 388**	**399 326**	**438 668**	**385 728**	**421 323**
Underwriting surplus	182 819	203 421	188 359	236 465	208 623
		-	-		
Management expenses	150 487	148 004	170 346	180 119	162 795
Finance costs	232	(184)	244	8	672
Investment income	117 777	72 609	88 893	63 243	153 058
Other income	5 775	5 562	5 021	5 221	8 264
Other Expenses	-	922	3 708	9 197	4 318
		-	-		
Profit before tax	155 652	132 850	107 975	115 605	202 160
LESS: Est. taxation (Current + def.)	11 820	31 476	29 008	22 090	26 660
PROFIT FOR THE YEAR	**143 832**	**101 374**	**78 967**	**93 515**	**175 500**
Other comprehensive income for the quarter	(8 483)	18 209	(2 893)	4 841	7 391
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER	**135 349**	**119 583**	**76 074**	**98 356**	**182 891**

Industry Performance Ratios	Q1-2016	Q2-2016	Q3-2016	Q4-2016	Q1-2017
Cession ratio	30%	24%	26%	30%	28%
Net loss ratio	59%	56%	61%	53%	59%
Expense ratio	36%	35%	37%	39%	35%
Net combined ratio	94%	91%	98%	92%	94%

Table 6: Experience ratio
Short-term Insurance

	Q1-2016	Q2-2016	Q3-2016	Q4-2016	Q1 2017
Premium earned by class (% of total)					
Fire	14%	15%	15%	15%	14%
Marine	0%	0%	0%	1%	0%
Aviation	0%	0%	0%	0%	0%
Vehicles	27%	26%	26%	27%	25%
Guarantee	0%	1%	0%	0%	1%
Miscellaneous	18%	19%	20%	19%	17%
Personal	41%	39%	39%	39%	43%
Loss ratio by class					
Fire	59%	43%	34%	46%	54%
Marine	85%	116%	21%	30%	85%
Aviation	3%	-4%	1%	-7%	0%
Vehicles	64%	58%	73%	59%	66%
Guarantee	5%	-13%	32%	-20%	54%
Miscellaneous	49%	50%	39%	48%	47%
Personal	60%	64%	40%	55%	60%
Underwriting results (% of premiums earned)					
Fire	4%	7%	53%	6%	4%
Marine	0%	0%	79%	0%	0%
Aviation	0%	0%	103%	0%	0%
Vehicles	7%	8%	16%	8%	6%
Guarantee	0%	1%	100%	0%	0%
Miscellaneous	8%	8%	57%	9%	10%
Personal	12%	10%	15%	14%	13%

Table 7: Balance sheet
Short-term Insurance

INDUSTRY STATEMENT OF FINANCIAL POSITION BALANCE SHEET (N$ 000)					
	Q1-2016	Q2-2016	Q3- 2016	Q4- 2016	Q1-2017
NON-CURRENT ASSETS	1 586 420	1 630 573	1 779 875	1 419 997	1 507 329
Immovable property	1 926	3 045	1 806	1 763	1 720
Property, plant and equipment	10 557	9 787	11 979	11 023	16 668
Intangible assets	22 582	23 873	25 233	26 994	25 700
Deferred tax	7 566	8 196	9 259	10 889	11 580
Other assets	333 911	327 060	379 023	357 086	369 746
Investments	1 209 878	1 258 612	1 352 575	1 012 242	1 081 915
TECHNICAL ASSETS	1 270 538	1 175 660	1 100 838	1 045 961	1 159 899
Reinsurers' share of unearned premiums	621 411	523 083	448 186	404 342	442 216
Reinsurers' share of outstanding claims	271 486	313 246	270 622	242 165	262 139
Reinsurers' share of claims incurred but not reported	64 273	64 405	67 204	73 476	69 895
Commission Receivable	18 773	17 276	17 008	17 865	18 456
Premium debtors	294 595	257 650	297 818	308 113	367 193
CURRENT ASSETS	3 178 029	3 224 989	3 170 790	3 303 352	3 440 879
Cash and cash equivalents	1 570 528	1 370 040	1 315 363	1 081 237	1 135 771
Other Receivables	83 607	146 615	144 339	110 570	86 408
Investments	1 523 894	1 708 334	1 711 088	2 111 545	2 218 700
TOTAL ASSETS	6 034 987	6 031 222	6 051 503	5 769 310	6 108 107
CAPITAL AND RESERVES	1 714 342	1 808 457	1 847 813	1 825 174	1 960 419
Ordinary share capital	67 661	71 798	63 298	63 598	66 598
Share premium	172 801	175 501	178 201	180 901	180 901
Retained earnings	1 240 472	1 347 327	1 449 649	1 427 261	1 541 205
Contingency reserve	232 347	212 678	155 491	151 727	170 013
Other reserve	1 061	1 153	1 174	1 687	1 702
NON CURRENT LIABILITIES	79 236	38 117	29 881	31 432	32 105
Deferred taxation	32 494	18 024	16 910	20 572	20 991
Other liabilities	46 742	20 093	12 971	10 860	11 114

TECHNICAL LIABILITIES	3 508 885	3 453 093	3 366 208	3 232 651	3 407 215
Gross provision for unearned premiums	2 055 250	2 010 629	1 942 235	1 832 533	1 970 264
Gross outstanding claims	871 019	864 016	816 896	755 587	827 860
Gross claims incurred but not reported	219 916	216 254	223 150	222 762	220 410
Commission Due	17 934	14 561	16 441	17 327	19 843
Reinsurance creditors	344 766	347 633	367 486	404 442	368 838
CURRENT LIABILITIES	732 524	731 555	807 601	680 047	708 368
Trade and other payables	276 107	309 827	346 437	317 825	352 811
Current income taxation	40 530	19 196	36 584	28 210	37 506
Other liabilities	415 887	402 532	424 580	334 012	318 051
TOTAL EQUITY AND LIABILITIES	6 034 987	6 031 222	6 051 503	5 769 304	6 108 113
Solvency Ratio	28%	30%	30%	30%	30%

Medical Aid Funds

Table 8: Membership

Medical Aid Funds

Membership	Q1-2016	Q2-2016	Q3-2016	Q4-2016	Q1 2017
Number of Principal Members	78 547	78 807	79 840	79 979	83 834
Number of Dependants	99 262	98 879	100 209	100 757	102 083
Number of Pensioners	9 583	9 773	9 858	9 700	10 017
Total Members	**187 392**	**187 459**	**189 907**	**190 436**	**195 934**

Table 9: Contributions, income and expenses

MAFs

Income and expenses (N$ '000)	Q1-2016	Q2-2016	Q3-2016	Q4-2016	Q1 2017
Gross Contribution received	827 071	836 688	844 719	846 746	954 726
Savings Plan Contributions/Roll-Over Contributions	26 884	27 430	27 600	27 963	30 258
Less: Net Reinsurance expenses	13 633	14 925	9 709	-3 232	7 511
Net Contribution	786 555	794 334	807 410	822 015	916 956
Less: Net Claims Incurred	666 607	761 447	792 049	670 134	789 555
Underwriting surplus	119 948	32 887	15 361	151 881	127 402
Less: Administrative expenses	55 376	56 067	56 492	55 388	63 213
Less: Operational expenses	9 196	13 722	13 512	18 116	13 019
Less: Managed Care: management services	11 286	11 648	11 634	11 346	12 682
Total Expenses	**77 694**	**81 437**	**81 637**	**84 851**	**88 914**
Surplus/(Deficit) from operations	42 254	-48 550	-66 276	67 030	38 487
Add: Other income (Sundry income)	1 349	2 021	1 742	8 643	1 807
Add: Net Investment income	17 063	12 511	18 492	8 284	32 963
Net Surplus/(Loss)	60 666	-34 018	-46 041	83 957	73 258

Table 10: Balance Sheet
MAFs

Balance sheet (N$ 000)	Q1-2016	Q2-2016	Q3-2016	Q4-2016	Q1 2017
ASSETS					
Non-current Assets	601 147	68 217	68 227	68 535	68 497
Property, Plant & Equipment	3 871	3 850	3 860	3 867	3 843
Investments	597 276	64 366 709	64 367	64 668	64 654
Current assets	831 021	1 389 431	1 358 596	1 376 236	1 486 200
Investments	535 130	1 170 383	1 182 214	1 092 503	1 151 255
Accounts receivable (Debtors)	25 801	22 813	23 596	44 708	39 681
Cash & cash equivalents	270 089	196 234	152 786	239 025	295 264
Total Assets	1 432 168	1 457 647	1 426 823	1 444 771	1 554 697
FUNDS AND LIABILITIES					
Members' Funds	1 127 669	1 092 077	1 046 036	1 130 031	1 202 671
Accumulated funds	1 127 669	1 092 077	1 046 036	1 130 031	1 202 671
Non-current liabilities	2 000	-	-	-	0
Long-term loans (Borrowings)	2 000	-	-	-	0
Current liabilities	302 498	365 570	380 787	314 741	352 025
Accounts payable (creditors)	84 723	94 088	124 249	77 845	98 569
Provision for outstanding claims/ IBNR	213 947	268 703	237 123	198 624	250 503
Savings plan liability (other liabilities)	2 302	-471	16 007	34 964	120
Provision for bad debt	1 527	1 499	1 658	1 558	1 084
Short-Term Loans (Borrowings)		1750	1750	1750	1750
Total Funds and Liabilities	1 432 168	1 457 647	1 426 823	1 444 771	1 554 697

Investments					
(N$ 000)	Q1-2016	Q2-2016	Q3-2016	Q4-2016	Q1 2017
Investments in Namibia	511 258	595 827	590 422	643 231	602 984
Government & Other stock/ (Bonds)	124 038	133 430	98 478	107 541	104 542
Shares/equities	68 029	70 382	109 427	109 488	107 177
Unit trust schemes	73 427	90 356	150 710	142 307	160 837
Debentures	1 780	8 351	8 053	8 926	2 376
Loans Stock Investment	2 027	2 027	2 542	2 577	2 628
Fixed Deposit and Savings Accounts	750	22 576	750	805	0
Properties	2 936	3 239	0	7 450	7 450
Cash & Equivalents (Call Accounts)	238 270	265 467	213 012	264 138	217 955
Unlisted Investments			7 450	0	0
Treasury bills	-	-	-	0	21
Investments outside Namibia	621 147	638 923	656 159	513 940	612 924
Cash Outside Namibia	36 381	18 792	34 566	82 994	111 929
Equities/shares	240 531	259 375	186 097	134 209	155 963
Government & Other stock/ (Bonds)	3 362	3 863	5 600	20 462	6 397
Bonds	45 266	57 692	21 274	7 419	16 885
Properties	3 856	4 384	2 227	2 289	2 317
Unit trusts schemes	291 751	294 817	406 395	266 566	319 433
Total investment assets	**1 132 406**	**1 234 750**	**1 246 581**	**1 157 171**	**1 215 908**

Table 11: Claims Typology

MAFs

Claims typology (N$ 000)	Q1-2016	Q2-2016	Q3-2016	Q4-2016	Q1 2017
Hospitals	224 040	251 183	306 900	267 973	273 286
General Practitioners	59 003	63 804	134 216	63 781	63 287
Pharmacies/Medicine	113 908	125 035	80 996	109 785	124 963
Specialists	74 001	88 155	96 578	86 551	87 384
Auxiliary Services	31 137	35 379	38 853	38 150	34 163
Pathologists	33 160	34 759	22 736	32 701	40 557
Optometrists	21 556	21 572	35 994	17 466	28 483
Dentists	25 826	33 674	41 472	36 072	32 687
Radiologists	25 407	28 412	35 237	31 293	31 455
Dental Specialists	3 229	3 776	4 437	4 641	4 154
Dental Therapists	752	893	1838	688	999
Psychiatric Institutions	1 002	1 986	522	1 386	861
Optic Payouts	-	-	0	0	0
Other	18 403	19 790	-31 580	18 147	15 924
IBNR movement	35 182	53 031	23 850	-38 499	51 351
Total	**666 607**	**761 447**	**792 049**	**670 134**	**789 555**

Friendly Societies

Table 12: Membership

Friendly Societies

Membership	Q1-2016	Q2-2016	Q3-2016	Q4-2016	Q1 2017
Principal Members	568	577	585	565	570
Dependants	1 335	1 353	1 357	1 384	1 290
Total members	**1 903**	**1 930**	**1 942**	**1 949**	**1 860**

Table 13: Balance Sheet

Friendly Societies

Balance Sheet (N$ 000)					
	Q1-2016	Q2-2016	Q3-2016	Q4-2016	Q1 2017
ASSETS					
Non-current Assets	-	-	-	-	
Long-term Investments	-	-	-	-	
Current assets	1 105 627	1 141 554	1 186 893	1 209 472	1 270 142
Accounts receivable	24 009	22 344	22 549	27 051	28 988
Cash & cash equivalents	64 288	83 785	107 936	13 391	54 323
Short-term Investments	1 017 331	1 035 425	1 056 408	1 169 030	1 186 831
Total Assets	1 105 627	1 141 554	1 186 893	1 209 472	1 270 142
FUNDS AND LIABILITIES					
Members' Funds	1 064 052	1 100 202	1 139 150	1 172 398	1 162 818
Accumulated funds	1 064 052	1 100 202	1 139 150	1 172 398	1 162 818
Current liabilities	41 575	41 352	47 743	37 074	93 324
Accounts payable (creditors)	41 575	36 352	27 743	17 074	43 324
Provision for outstanding claims/ IBNR	-	5 000	20 000	20 000	50 000
Total Funds and Liabilities	**1 105 627**	**1 141 554**	**1 186 893**	**1 209 472**	**1 256 142**
Investments	Q1-2016	Q2-2016	Q3-2016	Q4-2016	Q1 2017
Investments in Namibia	1 081 618	1 119 210	1 164 344	1 182 421	1 241 154
Cash & Equivalents (Call Accounts)	64 288	83 785	107 936	1 182 421	1 241 154
Investments	1 017 331	1 035 425	1 056 408		
Investments outside Namibia	0	0	0	0	0
Total investments	**1 017 331**	**1 119 210**	**1 164 344**	**1 182 421**	**1 241 154**
% of local assets to total investments	100,00%	100,00%	100,00%	100,00%	100,00%
% of foreign assets to total investments	0,00%	0,00%	0,00%	0,00%	0,00%

Table 14: Income and expenses

Friendly Societies

Income Statement (N$ 000)	Q1-2016	Q2-2016	Q3-2016	Q4-2016	Q1 2017
Contributions received	40 245	29 853	33 122	45 936	42 425
Net Contribution	40 245	29 853	33 118	45 932	42 425
Claims	10 000	10 000	25 000	23 218	10 000
Underwriting surplus / (deficit)	30 245	19 853	8 118	22 714	32 425
Administration fees	-				
Operational expenses	4 369	9 915	140	10 624	12 755
Consultant fees/professional fees	-	-	-		
Total Expenses	**4 369**	**9 915**	**142**	**10 626**	**12 755**
Surplus/ (deficit) operations	25 876	9 938	7 976	12 088	19 670
Other income	-	-	-		0
Investment income	18 584	18 740	21 338	23 311	17 877
Net Surplus / (Deficit)	44 460	28 678	29 314	35 599	37 547

Pension Funds

Table 15: Membership
Pension Funds

	2012	2013	2014	2015	2016
Active members	251 741	258 769	324 686	300 028	285 614
Pensioners	37 948	38 686	39 359	41 008	36 348
Total Members	289 689	297 455	364 045	341 036	321 962

Table 16: Contributions, Income and Expenses
Pension Funds

N$ millions					
	2012	2013	2014	2015	2016
Contributions received	3 874	4 414	5 627	6 151	6 371
Net investment income	11 143	13 288	9 143	7 104	3 333
Capital appreciation	866	2 298	1 443	250	27
Insurance proceeds	92	93	128	101	145
Other income	37	11	22	70	25
Total Income	16 012	20 104	16 363	13 676	9 902
				-	
Administration expenses	161	262	242	175	276
Investment fees	140	215	280	332	155
Insurance premiums	206	223	258	268	272
Other expenses	98	45	149	162	112
Total expenses	605	745	929	937	814
				-	
Net income before transfers and benefits	15 407	19 359	15 434	12 619	9 065
				-	
Net transfers	-377	-288	-472	(461)	(734)
Benefits paid	3 257	3 885	4 855	5 398	6 323
				-	
Net transfers and benefits paid	2 880	3 597	4 383	7 850	5 226
				-	
Net income	12 527	15 762	11 051	4 769	3 840

Table 17: Balance Sheet
Pension Funds

N$ millions					
Assets	2012	2013	2014	2015	2016
Non-current assets	84 434	103 997	118 044	131 414	135 861
Current assets	1 323	1 270	1 525	1 675	1 601
Total assets	**85 757**	**105 267**	**119 569**	**133 089**	**137 462**
Funds, reserves and liabilities					
Funds and reserves	84 659	103 886	116 980	131 108	135 280
Current liabilities	1 098	1 381	2 589	1 981	2 181
Total funds reserves and liabilities	**85 757**	**105 267**	**119 569**	**133 089**	**137 462**

Table 18: Contribution and Cost Experience
Pension Funds

N$ millions					
Composition of contributions	2012	2013	2014	2015	2016
Member contributions towards retirement	1 550	1 585	2 319	2 623	2 747
Employer contributions towards retirement	1 985	2 487	2 905	3 099	3 448
Additional voluntary contributions (AVCs)	14	17	21	23	28
Contributions towards costs	308	320	359	387	425
Other	17	5	23	19	86
Total Contributions	**3 874**	**4 414**	**5 627**	**6 151**	**6 734**

Composition of costs (% of total)	2012	2013	2014	2015	2016
Administration fees	32,1%	30,6%	26,0%	17%	29%
Insurance premiums	34,1%	29,9%	27,8%	25%	29%
Other costs	10,3%	10,5%	16,0%	27%	14%
Investment fees	23,5%	29,1%	30,1%	31%	28%
Total Costs	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100%**

Supplementary Data					
Cost Experience	2012	2013	2014	2015	2016
Administration fees	194	228	242	175	276
Insurance premiums	206	223	258	268	272
Other costs	62	78	149	282	133
Total (excl. investment fees)	462	529	649	726	680
Investment fees	142	217	280	332	269
Total (incl. investment fees)	**604**	**746**	**929**	**1058**	**950**

Table 19: Investment of Funds

Pension Funds

N$ millions	2012	2013	2014	2015	2016
Country allocation					
Namibia	35 706	40 270	47 558	40 127	59 939
Common Monetary Area (CMA)	23 928	27 357	32 099	33 483	35 120
Outside CMA	24 540	35 985	37 506	45 049	40 524
Total	**84 174**	**103 612**	**117 163**	**118 660**	**135 583**

	2012	2013	2014	2015	2016
Funds allocation					
Equities	46 914	68 627	76 563	63 550	78 371
Fixed interest	18 223	20 966	23 624	19 670	32 365
Property	822	1 035	1 522	3 147	1 860
Cash/money market	9 957	5 507	7 740	12 289	9 659
Unlisted investments	1 174	3 185	3 009	2 275	4 807
Other	7 084	4 292	4 705	17 730	8 521
Total investments	**84 174**	**103 612**	**117 163**	**118 660**	**135 583**

Collective Investment Schemes

Table 20: Allocation of Funds under Management
CIS

N$ millions	Q1-2016	Q2-2016	Q3-2016	Q4-2016	Q1 2017
Country allocation					
Namibia	27 208	27 297	27 438	27 723	27 671
Common Monetary Area	16 567	17 220	16 510	15 716	16 641
Offshore	4 915	4 820	5 179	4 874	4 868
Total country allocation	**48 690**	**49 337**	**49 127**	**48 313**	**49 180**
Asset allocation					
Money market investments:					
Treasury bills	3 281	3 751	3 714	3 275	3 535
Negotiable certificates of deposit	11 823	12 752	12 457	11 428	12 473
Banker's Acceptances	-	-	-	-	-
Debentures	121	73	66	63	101
Notice, call and other deposits	10 076	9 581	9 030	9 550	9 022
Other	4 461	4 417	4 793	5 010	4 779
Listed equity	9 960	10 011	10 476	10 568	10 641
Listed debt	5 315	5 313	5 123	4 993	5 112
Unlisted equity	1 458	1 292	1 312	1 375	1 414
Unlisted debt	693	651	623	617	679
Unlisted property	-	-	-	-	-
Other assets	1 503	1 496	1 533	1 434	1 424
Total asset allocation	**48 690**	**49 337**	**49 127**	**48 313**	**49 180**

Table 21: Sources of Funds
CIS

N$ millions					
Source	Q1-2016	Q2-2016	Q3-2016	Q4-2016	Q1 2017
Pension funds	5 971	5 728	5 773	5 693	5 667
Short-term insurance companies	343	397	399	409	412
Long-term insurance companies	2 310	2 465	2 550	2 427	2 449
Medical aid funds	148	181	175	175	210
Unit trust schemes	12 590	12 149	12 062	11 317	11 532
Companies	9 394	9 868	9 644	9 459	9 175
Natural persons	15 638	16 194	16 179	16 611	17 417
Other	2 295	2 354	2 345	2 222	2 318
Total Assets	**48 690**	**49 337**	**49 127**	**48 313**	**49 180**

Financial Markets

Table 22 Equity Market Performance

Indices	Q1-2016	Q2-2016	Q3-2016	Q4-2016	Q1 2017
NSX overall index (points)	992	979	1 027	1 069	1 067
NSX local index (points)	506	532	547	547	571
JES All Share Index (points)	52 250	52 218	51 950	50 654	52 056
Securities Traded					
Overall value of equity securities traded (N$ m)	3 060	3 094	6 120	2 137	3 339
Local value of equity securities traded (N$ m)	147	130	150	159	258
Overall volume of securities traded (m)	46	61	80	37	69
Local volume of securities traded (m)	6	22	6	9	29
Shares In Issue					
Overall market shares in issue (m)	30 403	30 398	30 539	30 697	29 042
Local market shares in issue (m)	4 064	3 987	4 022	4 192	2 500
Total shares in issue (m) DCB	2 538	2 461	2 496	2 665	961
Total shares in issue (m) ETFs	296	287	288	257	266
Market Capitalization					
Overall market capitalization (N$ m)	1 631 049	1 607 938	1 676 529	1 726 583	1 679 192
Local market capitalization (N$ m)	29 890	31 279	31 900	32 017	32 764
Liquidity (%)					
Overall market	0,19%	0,19%	0,37%	0,12%	0,20%
Local market	0,49%	0,42%	0,47%	0,50%	0,79%

Investment Management

Table 23: Allocation of Funds under Management

Investment Management

N$ millions					
Country allocation	Q1-2016	Q2-2016	Q3-2016	Q4-2016	Q1-2017
Namibia	77 573	78 110	79 572	79 881	79 464
Common Monetary Area	53 723	55 095	53 317	50 677	50 775
Offshore	20 475	20 306	20 229	20 217	20 982
Total country allocation	**151 771**	**153 510**	**153 118**	**150 775**	**151 221**
Asset allocation					
Money market investments:					
Treasury bills	18 652	19 417	19 183	18 278	18 028
Negotiable certificates of deposit	7 926	7 937	7 900	7 224	6 271
Banker's Acceptances	-	-	-	-	-
Debentures	121	73	66	63	102
Notice, call and other deposits	12 872	12 911	12 837	12 473	13 666
Other	4 259	4 242	4 604	4 891	4 729
Listed equity	72 338	71 900	71 105	71 655	73 218
Listed debt	20 676	22 227	22 681	21 679	21 146
Unlisted equity	1 500	1 288	1 380	1 450	1 510
Unlisted debt	125	161	141	88	88
Unlisted property	758	781	792	768	789
Other assets	12 543	12 574	12 430	12 206	11 674
Total asset allocation	**151 771**	**153 510**	**153 118**	**150 775**	**151 221**

Table 24: Sources of Funds

Investment Management

N$ millions					
Source	Q1-2016	Q2-2016	Q3-2016	Q4-2016	Q1-2017
Pension funds	82 685	83 104	80 869	79 613	78 616
Short-term insurance companies	459	523	527	525	536
Long-term insurance companies	23 418	23 479	23 714	23 697	24 861
Medical aid funds	591	629	638	610	656
Unit trust schemes	39 000	39 654	39 540	38 710	39 048
Companies	1 403	1 841	3 328	2 971	2 942
Natural persons	78	82	82	91	85
Other	4 137	4 198	4 420	4 559	4 476
Total Assets	**151 771**	**153 510**	**153 118**	**150 775**	**151 221**

Microlending

Table 25: Microlender Credit Extension

Microlending

N$ millions					
	Q1 2016	Q2 2016	Q3-2016	Q4-2016	Q1 2017
Value of loans disbursed (N$ million)	711	740	857	846	779
Term lenders	517	535	647	627	565
Payday lenders	194	205	210	219	214
Number of loans (N$ million)	170	171	176	174	168
Term lenders	27	25	32	29	26
Payday lenders	143	147	144	146	142
Average amounts (N$ million)					
Term lenders	19	22	20	22	22
Payday lenders	1	1	1	2	2
Total value of loan book (N$ million)	4 294	4 525	3 832	4 222	4 432
Term lenders	4 198	4 427	3 742	4 122	4 330
Payday lenders	96	98	90	100	102
Number of clients	247 282	245 791	257 224	281 050	284 320
Term lenders	191 159	190 428	202 766	223 413	224 817
Payday lenders	56 123	55 363	54 458	57 637	59 503

Consumer Complaints

Table 26: Consumer Complaints

Complaints Received	Q1-2016	Q2-2016	Q3-2016	Q4-2016	Q1 2017
Microlending and credit agreements	47	61	57	42	64
Capital markets	0	2	1	1	0
Collective investment schemes	3	0	0	1	0
Long-term insurance	62	71	59	59	58
Short-term insurance	25	36	29	26	36
Medical aid funds	3	4	4	2	1
Friendly societies	0	0	53	0	0
Pension funds	22	54	7	60	45
Others/referrals	2	3	0	0	7
Total	**164**	**231**	**210**	**191**	**211**

Table 27: Consumer Complaints Progress

	Q4-2016			Q1 2017		
Division	Total no of complaints received	No of resolved complaints	Funds recovered (N$)	Total no of complaints received	No of resolved complaints	Funds recovered (N$)
Micro Lending and Credit Agreements	42	39	17 071	64	58	127 210
Capital Markets	1	1	1 705 418	0	0	-
Collective Investment Schemes	1	1	-	0	0	-
Long-Term Insurance	59	46	75 154	58	55	37 886 932
Short-Term Insurance	26	25	298 890	36	29	45 622
Medical Aid Funds	2	2	1 198	1	1	
Pension Funds	60	50	2 870 383	45	36	2 985 030
Others / Referrals	0	0	0	7	7	-
Friendly Societies	0	0	0	0	0	-
Total complaints	**191**	**164**	**4 968 114**	**211**	**186**	**41 044 795**

Table 28: Consumer Complaints Typology

The total number of complaints received per quarter					
	Q1-2016	Q2-2016	Q3-2016	Q4-2016	Q1 2017
Micro Lending and Credit Agreements	**47**	**61**	**57**	**42**	**64**
Non-cancellation of contract	10	23	4	6	8
Queries	18	12	5	6	8
Overcharged interest	1	3	17	9	8
Non-payment of refunds	5	2	4	3	1
Overpayment	0	0	1	0	9
Illegal deductions	6	6	5	3	7
Extension of loan repayment period	6	12	19	15	16
Dispute	1	2	0	0	0
Service not delivered	0	1	2	0	7
Capital Markets	**0**	**2**	**1**	**1**	**0**
Non-payment of refunds	0	2	0	1	0
Low investment/saving value		1	1	0	0
Collective Investment Schemes	**3**	**0**	**0**	**1**	**0**
Low investments / Savings value	3	0	0	0	0
Query				1	0
Long-Term Insurance	**62**	**71**	**59**	**59**	**58**
Repudiation of funeral benefits	10	11	6	14	11
Repudiation of Hospital benefits			1	1	1
Repudiation of death benefits	2	3	5	4	1
Policy lapsed	2	5	0	1	1
Repudiation of disability benefits	0	0	4	5	4
Non-cancellation of insurance policies	17	7	15	9	10
Dispute	1	17	5	2	1
Queries	18	2	14	15	8
Non-payment of refunds	1	15	1	1	1
Non-payment of investment benefits // unit trust benefits	0	4	0	2	1
Low investment//saving value	0	0	2	4	6
Illegal deductions	11	7	6	1	13
Short-Term Insurance	**25**	**36**	**29**	**26**	**36**
Repudiation of motor vehicle accident	5	8	7	6	10
Repudiation of medical insurance	0	0	0	0	0
Repudiation of legal insurance	2	0	1	1	3
Repudiation of house content insurance	3	3	1	3	1

Queries	6	13	4	0	0
Non-cancellation of insurance policy	0	1	0	9	6
Repudiation of third party	1	0	0	0	5
Repudiation of loss of income	0	0	0	0	2
Illegal deduction	1	3	7	0	0
Repudiation of motor cycle replacement	0	0	0	2	4
Non-payment of refund	0	3	2	0	1
Dispute	4	4	5	0	0
Cancellation of policy	1	0	0	2	4
Cancellation of motor vehicle policy	1	0	0	0	0
Repudiation of cellphone claim	1	1	2	0	0
Repudiation of property insurance claim				3	0
Medical Aid Funds	3	4	4	2	1
Query	0	1	0	0	0
Repudiation of hospital benefit	2	0	0	0	0
Repudiation of medical benefit	1	3	4	2	1
Pension Funds	22	54	53	60	45
Non-payment of pension benefits	19	39	41	32	30
Non-payment of pension contributions	0	0	1	5	4
Non-payment of life annuity	0	10	1	2	4
Queries	2	5	9	18	5
Dispute	1	0	1	3	2
Others / Referrals	2	3	7	0	7
Queries	2	3	2	0	6
Overcharged interest	0	0	5	0	1
Friendly Societies	0	0	0	0	0
Queries	0	0	0	0	0
General (miscallenous complaints)	0	0	0	0	0
Total complaints	164	231	210	191	211

PART D: GLOSSARY OF TERMS

Annuity
A regular periodic payment made in terms of a contract, e.g., by an insurance company to a policyholder, for a specified period of time, which may or may not be contingent on the survival of the annuitant, i.e., the owner or beneficiary of the annuity.

Broker (insurance)
An individual or entity representing a person in the solicitation, negotiation or procurement of contracts of insurance, and rendering services incidental to those functions.

Capital Adequacy Requirement (CAR)
Excess capital required to be held by an insurer against losses that may exceed expectations to meet policyholder claims.

Capital Gain/Loss
The amount that is made or lost, depending upon the difference between the sale price and the purchase price of any capital asset or security sold, or the increase or decrease in the value a capital asset or security held.

Cession Ratio
The ratio of premiums ceded to reinsurers to gross written premiums.

Claim
A request for payment to a beneficiary or a service pro¬vider for events that may be or are covered in terms of a contract or arrangement.

Common Monetary Area (CMA)
Countries consisting of South Africa, Namibia, Lesotho, and Swaziland with a coordinated monetary policy, in which the currencies of these countries are pegged on par (i.e., 1:1) to the South African Rand and the Rand is legal tender in the other countries.

Death Benefit
Policy benefits paid out on the death of a life covered on a policy providing cover for the contracted life event of death.

Disability Benefit
Policy benefits paid out on the disability of a life covered on a policy providing cover for the contracted life event of "disability", generally defined as the taking place of a life event that makes it impossible for the life covered to complete the activities of his own specific or a reasonable alternative occupation.

Expense ratio
The dollar amount of expenses as a ratio of net premiums or contributions.

IBNR
Incurred but not reported (claims).

Market Capitalization
The market value of a share or equity security or the market, which is derived by multiplying the number of shares by the market price of shares.

Loss ratio
The dollar amount of net claims as a ratio of net premiums or contributions earned or received by, e.g., an insurer or medical aid fund.

Money Market Securities
Short-term financial instruments with a maturity of less than 12 months.

Net asset value (NAV)
The dollar value of a financial product based on the value of net assets, i.e., total assets less liabilities or current liabilities divided by the number of financial product units outstanding.

Net Combined Ratio
The sum of the expense ratio plus the loss ratio.

Payday Lender
A microlender that provides loans, referred to as pay-day loans, to clients on a monthly basis that are repayable within 30 days.

Pension
A regular periodic payment made to or received by a pensioner, i.e., a person who has retired from employment.

Policy lapsed
An insurance policy which has been terminated because premiums have not been paid.

Policy terminated
A policy that has been cancelled by way of a specific instruction from the policyholder to cancel the policy prior to its normal or contractual termination date or in terms of the taking place of pre-determined event(s) as specified in the policy contract.

Policy matured or expired
A policy which paid the contractual benefits due to a policyholder upon the reaching of the maturity date of the policy as agreed in the policy contract.

Reinsurance
Reinsurance refers to the business in terms of which an insurer or reinsurer is insured by another person in respect of the insurer's or reinsurer's contractual obligations.

Reserves
Liability established to provide all future claims of policyholders net of liability ceded to reinsurance companies.

Solvency
For insurers, means having sufficient assets (capital, surplus, reserves) and being able to satisfy financial requirements to be able to transact insurance business and meet liabilities.

Surplus (capital)
The excess of assets over liabilities. Statutory surplus is an insurer's or reinsurer's capital as determined under statutory accounting rules.

Term Lender
A microlender that provides loans, referred to as term loans, for a specified period of time that exceeds six months but not exceeding 60 months.

Underwriting Expense Ratio
The ratio of direct and ceding commission expenses and other underwriting expenses less policy fees and other administration revenue to premiums earned. The underwriting expense ratio measures a company's operational efficiency in producing, underwriting and administering its insurance business.

Notes

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