NAMFISA
NAMIBIA FINANCIAL
INSTITUTIONS SUPERVISORY AUTHORITY

QUARTERLY REPORT NAMFISA

Quarterly Report 2017 | Fourth Quarter

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Preface

This Quarterly Report is compiled to provide consolidated statistics and analysis relating to the transactions on services rendered by non-banking financial institutions supervised by NAMFISA. The purpose of this Report is to provide industry statistics as well as the latest industry trends and developments. The Report also provides information regarding NAMFISA's regulatory and supervisory activities during the quarter under review.

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 Non-banking financial institutions against statutory requirements. Second, the data also helps NAMFISA to determine whether any and if so, what type of risks may be prevalent in the financial system. The resulting assessment is used to compile a section on the non-banking financial industry in the annual Financial Stability Report, which NAMFISA and the Bank of Namibia jointly issue.

This Report is based on the regulatory returns provided by all supervised financial institutions and on the supervisory and enforcement work conducted by NAMFISA. The quality and depth of analysis depends on the data availed and the accuracy of the data as well as on the response rate by industry during the data collection exercise by the respective departments. It is however important to emphasize that the industry's response to NAMFISA's data collection has been very positive, this is evident in both the accuracy and the timely submission of the data.

The quality and depth of analysis depends on the data availed and the accuracy of the data as well as on the response rate by industry during the data collection exercise by the respective departments

Going forward, the Authority endeavors to provide enhanced analysis of the supervised financial institutions, financial services and risks in the Non-Bank Financial Institutions (NBFI) industry. Furthermore, quality assessment will also be accorded to the regulatory and supervisory responses. In particular, NAMFISA will enhance its capacity on data analysis to improve in the monitoring of both macro-prudential and market conduct supervisory activities.

Executive Summary

During the fourth quarter of 2017, NBFIs total assets increased by 8.1 percent to N$288.9 billion in comparison to the preceding quarter of 2017. Overall, the sector remains financially sound and do not pose any systemic risks to the country's financial system during the period under review.

Long-term insurance remained financially sound, stable and solvent. Total assets increased by 8.0 percent to N$54.0 billion at the end of the fourth quarter of 2017. The growth in assets is mainly influenced by increases in total investment due to improved investment market performance. Furthermore, gross written premium (GWP) amounted to N$2.4 billion during the fourth quarter of 2017, representing an increase of 3.1 percent, on a quarterly basis and 15.8 percent, year-on-year.

Short-term insurance remains financially sound as it reported a solvency ratio[1] of 33.0 percent during the review period, which is considered sufficient as it is well above the 25.0 percent threshold. Total assets decreased by 0.8 percent on a quarterly basis, and increased by 7.4 percent on a yearly basis to N$6.2 billion. The decrease for the quarter is mainly due to significant reduction in investment balances. The industry profitability declined as its profit before tax decreased by 14.2 percent to N$121.8 million quarter-on-quarter, this was mainly caused by the reduction in investment income and other income that dropped by more than 30.0 percent.

The medical aid industry reported a net surplus for the quarter under review and remained well capitalized as it held a high percentage of free assets as at 31 December 2017. The industry assets increased by 10.8 percent to N$1.8 billion as at 31 December 2017.

Despite slowing economic conditions, the retirement fund industry remained financially stable and continued to grow its assets. Total retirement funds investments (including insurance policies) increased by 3.7 percent quarter-on-quarter to N$154.9 billion. Investments held in insurance policies amounted to 13.1 percent of the sub-sector's total investments. Further, the industry remained compliant with regulatory investment limits. Investments in the domestic market decreased from 45.7 percent to 41.8 percent compared to the previous quarter, whilst investment in the CMA area increased to 26.4 percent in the review period.

The investment managers' assets under management increased by 2.4 percent during the quarter to N$164.3 billion at the end of the quarter. Growth in assets under management can be attributed to growth in the assets held, income from the assets, and net new inflows of assets. Investment Managers invested 48.3 percent of assets under management in Namibia as institutional investors are obliged to comply with domestic requirements of at least 35.0 percent of assets to be invested in Namibia. Pension Funds continue to be the largest investor in the local market, with a market share of 52.0 percent followed by unit trust schemes with market share of 19.1 percent and long term insurance companies with 16.1 percent market share as at 31 December 2017. Listed equities was the most traded securities in the market and the investment managers held about 55.9 percent of listed equities.

The total assets of the collective investment schemes (CIS) increased by 3.5 percent to N$55.9 billion in the quarter. The growth in assets under management was due to corporate investors moving their short term investments from the typical bank deposits into unitized portfolios for better returns. In this regard, the assets invested by companies increase by 33.4 percent to N$15.1 billion. However, the assets invested by households, declined by 26.8 percent to N$13.4 billion, mainly due to reclassification of assets under the relevant categories by asset managers as well as possibly due to withdrawal from savings by households. In terms of geographical allocation of funds 58.1 percent, 33.5 percent and 8.4 percent of the funds under management were invested in Namibia, the CMA and offshore, respectively.

The overall market capitalization (CAP) of the companies listed on the Namibian Stock Exchange (NSX) increased by 14.8 percent to N$2.08 trillion as at the end of the fourth quarter. The prices of securities on the overall market rose by 16.3 percent to N$2.5 billion for the fourth quarter. The NSX overall index gained 15.2 percent to record 1300 points in the fourth quarter, while the JSE/FTSE All Share Index gained 7.1 percent to record 59 505 points in the quarter.

The Microlending industry was driven by the credit transactions of both the term-loan and payday-loan lenders during the quarter under review. The value of the microlending loan book at the end of the period rose

[1] Solvency ratio is a key metric used to measure an enterprise's ability to meet its debt and other obligations.

both on a quarterly and yearly basis. The growth was driven by the value of the disbursements that rose both annually and quarterly.

With regard to complaints NAMFISA received a total of 221 complaints from consumers of financial services during the quarter, of which 81.0 percent were resolved. Most of the complaints about 99.0 percent were from four sectors, namely micro lending and credit agreements, long-term insurance, retirement funds and short-term insurance

In terms of compliance monitoring conducted as per the "Ladder of Supervisory Intervention". The overall non-banking financial sector achieved full compliance status of 59.0 percent (323) of which 14.0 percent (74) were classified as stage 5 (fully non-compliant). The bulk of 55 out of the 74 complain cases originated from the pension fund sector, mainly due to the reclassification of 54 previously inactive funds as active funds.

> The overall market capitalization (CAP) of the companies listed on the Namibian Stock Exchange (NSX) increased by 14.8 percent to N$2.08 trillion as at the end of the fourth quarter.

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 1: The essence of cyber risk in the non-banking financial institutions sector.

The purpose of this article is to highlight the impact of cybercrime and stimulate debate on the, emergence and presence, of cybercrime in the financial sector.

Technological evolution has brought opportunities and threats to the financial sector. The sector has to a greater extent been hit with cybercrime activities resulting in massive financial losses let alone reputational damages in recent times.

According to the Institute of Risk Management, Cyber risk in a nutshell means any risk of financial loss, disruption or damage to the reputation of an organisation caused by failures and manipulation of information technology systems. Similarly, Cybercrime can be referred to as, the offences that are committed against individuals or groups of individuals with a criminal motive to intentionally harm the reputation of the victim or cause physical or mental harm, or loss, to the victim directly or indirectly, using modern telecommunication networks such as Internet (networks including but not limited to chat rooms, emails, notice boards and groups) and mobile phones.

While most cybercrimes are carried out in order to generate profit for the cybercriminals, some cybercrimes are carried out against computers or devices directly to damage or disable them, while others use computers or networks to spread malware, illegal information, images or other materials. Some cybercrimes do both – i.e., target computers to infect them with viruses, which are then spread to other machines and, sometimes, entire networks to disrupt effective operational of entities.

If not well managed, cyber risk can be hazardous to financial entities in the sense that key resources such as financial data could be stolen and used for cybercrimes related activities. Undoubtedly, the financial sector move to the digital world has left it more vulnerable to cybercrime.

At the international front especially in the developed markets, cybercrime which bears significant cyber risks to financial institutions have resulted in a loss of millions of dollars. An example of cybercrime targeting financial systems is the attack on the Bangladesh Central Bank in February 2016 that resulted in a loss of $81 million (Wikipedia, 2016). The experience thus far shows that due to technological advances in developed markets, cybercrimes are prevailing at a faster rate. As a result, financial institutions in those markets are gearing themselves towards employing cyber risk insurance as a mitigation factor.

In Africa, due to weak IT infrastructure in most of the financial markets, it was reported in 2014 that, cybercrime activities were increasing at a more rapid rate than anywhere else in the world (African Union Commission report: Cyber Crime and Cyber Security -Trends in Africa, November 2016). African countries have struggled to build the technical and financial capacity needed to target, monitor and prevent dishonest online activities. In fact, it is estimated that 80 percent of all personal computers on the continent are infected with viruses and other malicious software which open up avenues to cybercrimes.

In South Africa alone, although not entirely in the financial sector per se, 73 percent of adults in 2014 reportedly experienced cybercrime, a loss estimated to cost the economy about N$3 707 million. On average, cybercrime cost each cybercrime victim in South Africa about N$ 3 014 per year (African Union Commission report: Cyber Crime and Cyber Security - Trends in Africa, November 2016).

In Namibia, although it is heavily reliance and interconnectedness of its financial system to the South African financial system, the Namibia financial sector is yet to experience massive losses emanating from cybercrimes. However, Namibia remains one of the top most vulnerable countries in the world to cybercrime, due to the lack of security in place to protect the country against what has proven to be one of the strongest growing criminal acts. Similarly, the financial sector does not have adequate laws that protect financial institutions from cybercrimes. Because customers of financial services are likely to incur more financial losses due to lack of financial literacy, the financial sector with its regulators need reforms to their legislation in order to protect all the players and stakeholder of the financial system.

In conclusion, it is viewed that, the fundamental problem in combatting cybercrime especially in Africa is a general lack of understanding about what cybercrime really is, and lack of cyber law enforcement mechanisms. This creates a low risk of prosecution, which incentivizes criminals and defeat the fight against cybercrimes.

Nonetheless, the increasing financial impact of cyberattacks has fueled an acknowledgment among both the private and public sectors that there is a need for effective responses – even if, for now, attempts to tackle the threat of cybercrime remain inadequate in Namibia.

The financial sector must continue investing in their own cyber security. A sector that cannot protect itself cannot expect its stakeholder and customers to trust them for protection and advice, therefore reputational damage can be disastrous. Furthermore, given the amount of personal, financial and other sensitive information possessed by financial institutions, it is imperative that these institutions take appropriate security measures and closely monitor their cyber risks.

Finally, both the public and private sectors need to become partners in order to develop a cyber-security knowledge, investing in innovative technology and sharing information.

Part A:
Industry Developments

Long-term Insurance

Performance review

During the period under review, the long term insurance (LTI) sub-sector remained well capitalized, stable and solvent. Total assets increased at the end of the fourth quarter of 2017, demonstrating continuous growth of the industry although the Namibian economy slightly contracted by 1.0 percent in the third quarter of 2017. Correspondingly, the industry's total liabilities also increased compared to third quarter of 2017. The industry's excess assets continue to grow as the assets sufficiently covers the industry liabilities.

Total assets

Total assets increased by 8.0 percent to N$54.0 billion during the quarter and by 13.0 percent, on an annual basis. The growth in assets is mainly influenced by increases in total investment due to improved market performance (Figure 1).

Total liabilities

Total liabilities for the fourth quarter increased by 4.0 percent to N$45.2 billion as at the end of the fourth quarter of 2017. The liability growth is attributed to the 6.6 percent increase in policyholder liabilities (that represents a 95.1 percent share of total industry liabilities), thus reflecting the relativity to growth in total business (Figure 2).

Capital adequacy requirement

The Capital Adequacy Requirement[2] ("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. CAR for an insurer registered for one class only other than funeral is N$1.0 million. CAR for an insurer registered for funeral insurance only is N$100 000.

Figure 1: Total asset

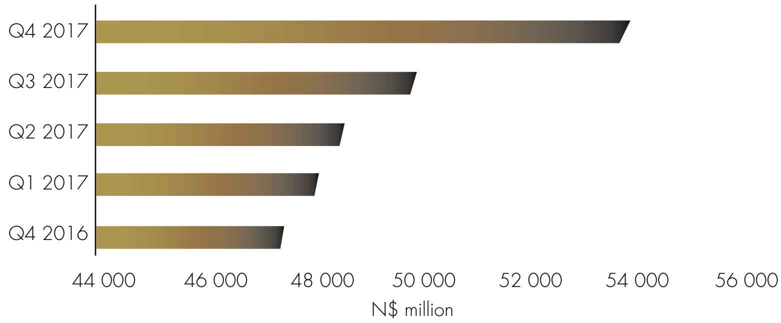
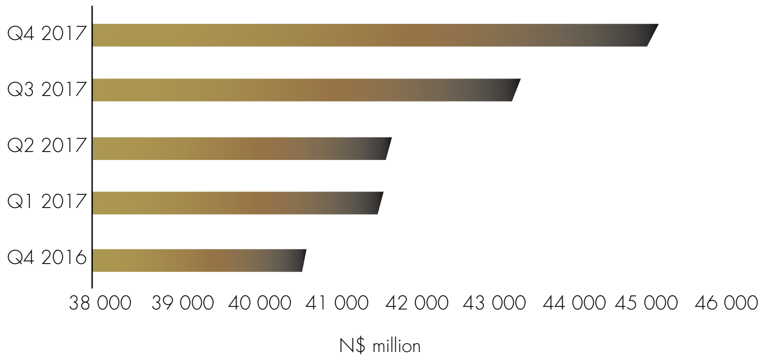
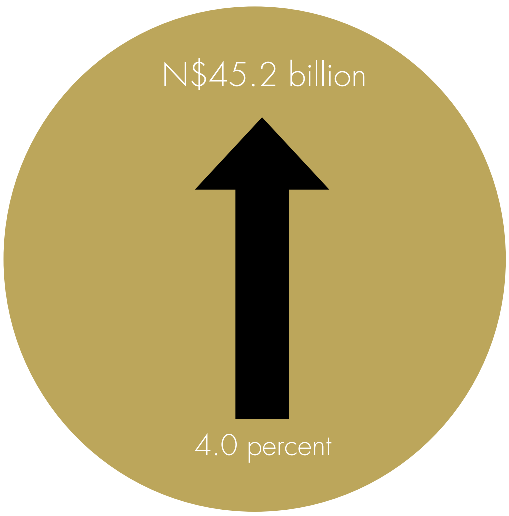


Figure 2: Total liabilities





Total liabilities for the fourth quarter

[2] CAR cover is calculated by dividing excess assets by the legislative capital adequacy requirement

Table 1: Capital requirements: Cover by number of insurers

Free assets to car	Number of Insurers				
	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Covered 0-1 times	0	0	0	1	1
Covered 1-2 times	1	1	1	1	1
Covered 2-5 times	1	4	3	2	3
Covered 5-10 times	0	1	1	0	0
Covered 10+ times	14	10	11	12	11
Total	**16**	**16**	**16**	**16**	**16**

The CAR indicates that all sixteen insurers are in compliance with the regulatory requirement in this regard. However, the Authority is closely monitoring the insurer covered between 0 to 1 times for corrective measures to prevent such entities from becoming insolvent.

Gross written premium

Gross written premium (GWP)[3] amounted to N$2.4 billion during the fourth quarter of 2017, representing an increase of 3.1 percent, on a quarterly basis and 15.8 percent, year-on-year. The quarterly growth in GWP is mainly due to increases in recurring premiums which increased by 14.7 percent to N$1.5 billion during the fourth quarter. Moreover, on an annual basis growth in GWP is due to 30.3 and 8.1 percent increase in new business and policy renewals, respectively.

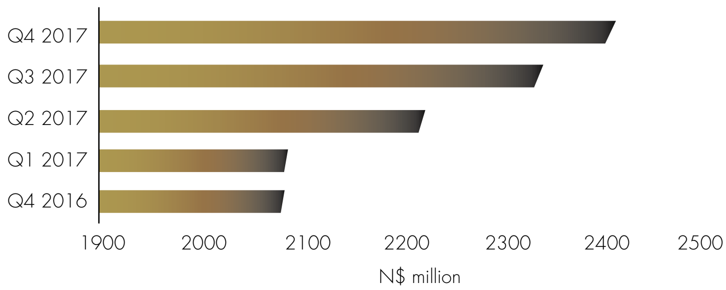
The life insurance class remains the highest contributor with 56.0 percent to the GWP. During the period under review, this class generated more than half of the gross written premium followed by fund insurance and funeral insurance, with 29.0 percent and 9.0 percent respectively.

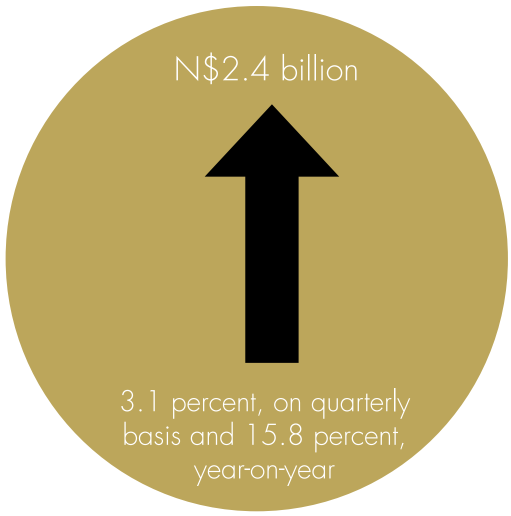
Further, sinking fund class of insurance did not generate any GWP whilst the remaining 6.0 percent of the market share was shared between the Health and Disability classes of insurance.

Investment income

Investment income for the period under review decreased by 40.4 percent to N$1.1 billion on a quarterly basis, and significantly increased by 166.6 percent on a yearly basis.

Figure 3: Gross written premium





Gross written premium (GWP)[3]

[3] Gross written premium consists of single and recurring premiums

The quarterly decrease is owed to volatility in equity investments, which accounted for 57.0 percent of total industry investments. Most insurers recorded fair value adjustments on listed equity instruments under investment income during the fourth quarter, thus making the investment income figure quite volatile as it includes significant negative adjustments.

Claims and expenses

Total claims (policy holder benefits) paid declined by 7.8 percent to N$1.4 billion during the fourth quarter of 2017 due to seasonality. A marginal decrease of 0.1 percent in claims paid is observed on a yearly basis.

The life insurance class incurred the highest amount of policyholder benefits paid accounting for 53.0 percent of the total policyholder benefits paid. This is because the life insurance class has the highest number of policies in force, but also because life insurance policies generally have a higher insured value than policies in the other insurance classes. The fund insurance class recorded the second highest with 41.0 percent in terms of claims paid as policyholders' seek to liquidate their investments in order to access cash as the country continues to experience slow economic growth. The funeral and health insurance classes together accounted for the remaining 6.0 percent of the total policyholder benefits.

In terms of industry spending, total expenses increased by 7.9 percent to N$348.0 million during the fourth quarter due to a 9.8 percent increase in management expenses. Commission paid, on the other hand, decreased by 9.0 percent to N$153.5 million during the review period.
The decrease in commission is mainly attributed to the fact that insurers have employed other methods of underwriting policies and are utilizing the services of agents and brokers less.

Profit before tax

Profit before tax (PBT) significantly dropped by 87.1 percent on a quarterly basis and 80.3 percent increase on an annual basis to N$107.5 million during the period under review. The significant decreases on a quarterly basis are mainly due to a signficant decline in investment income and substantial movement in the change of policyholder liabilities.

Policy statistics

The number of new policies significantly decreased by 44.0 percent to 103 119 policies, on a quarterly basis, during the period under review. The decrease in the new number of policies is mainly driven by negative growth in fund insurance, funeral insurance business and life insurance business. Further, new policies in the current quarter mainly consisted of the life insurance class, funeral insurance class and fund insurance class with 55.0 percent, 26.0 percent and 7.0 percent respectively. Disability, health and sinking fund contributed the remaining 2.0 percent of new policies.

Policy lapses also decreased by 74.0 percent to 44 276 policies in the review period. Similarly, the number of terminated policies decreased from 49 106 policies reported in the previous quarter to 24 960 in the current quarter.

Figure 4: Investment income

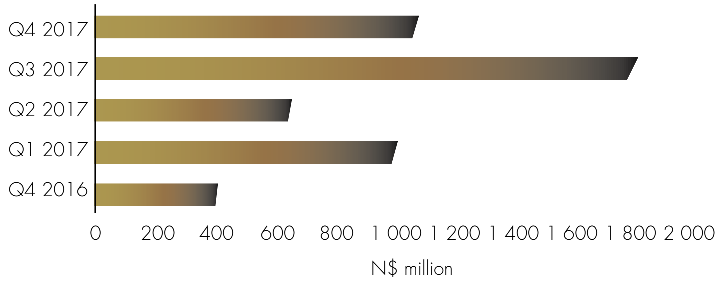


Figure 5: Claims and expenses paid

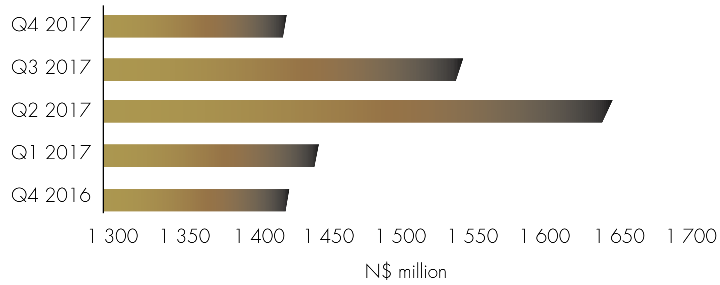
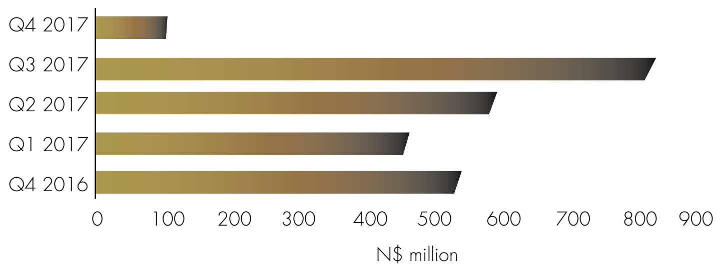


Figure 6: Profit before tax



Short-Term Insurance

Performance review

The sub-sector remained solvent during the period under review despite experiencing a drop in the growth of total assets. Total liabilities, on the other hand, increased in the same quarter when compared to the previous quarter. Nonetheless, excess assets for the quarter sufficiently covered the liabilities. Similarly, profit before tax declined, mainly due to significant reduction in investment income.

Total assets

Total assets decreased by 0.8 percent on a quarterly basis, and increased by 7.4 percent on a yearly basis to N$6.2 billion. The decrease for the quarter is mainly due to significant reduction in investment balances. Although the industry experienced a slight decline on a quarterly basis, the industry still has sufficient assets to cover its liabilities.

Total liabilities

The total liabilities increased by 0.7 percent to N$4.2 billion, quarter-on-quarter, and increased by 5.3 percent, on an annual basis during the period under review. The moderate quarterly growth is a result in gross outstanding claims by 0.1 percent to N$686.3 million in gross outstanding claims.

Solvency

Solvency ratio dropped to 33.0 percent from 34.0 percent reported in the previous period. The solvency ratio of 33.0 percent recorded during the review period is considered sufficient as it is well above the 25.0 percent threshold. In addition, it is advisable for insurers to maintain a sufficient solvency buffer above the threshold limit in order to guard against adverse market movements. Similar to the previous period, the industry solvency status shows that, 10 out of 14 entities have a solvency ratio above 35 percent and only four entities fall in the lower range of 1-20 percent, which is considered a high risk category. The Authority closely monitors and engage entities falling in the 1 – 20 percent range and will intervene with corrective measures to improve their financial positions to above 25 percent when necessary (Table 2).

Figure 7: Total assets

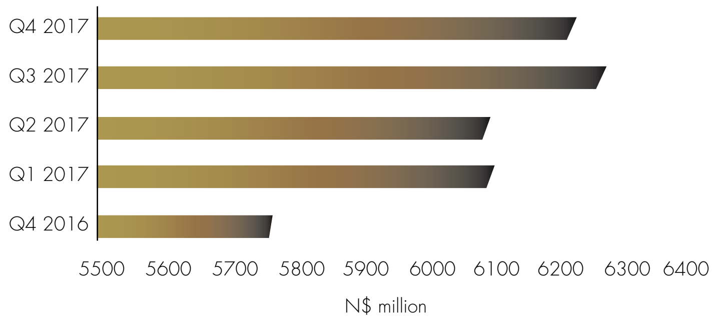
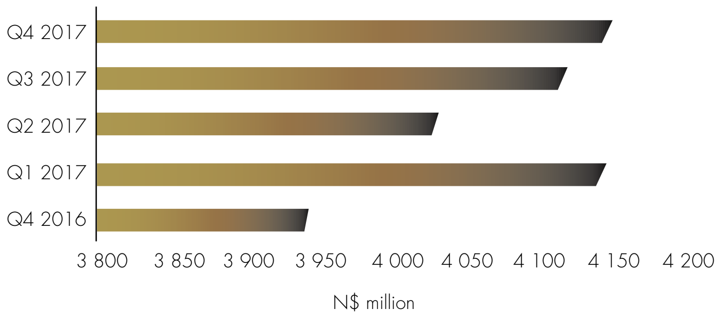
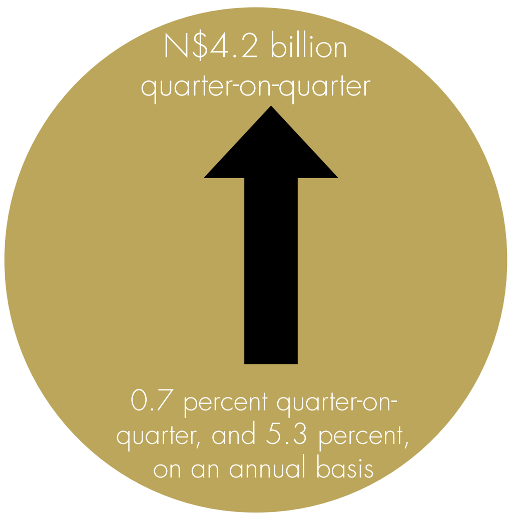


Figure 8: Total Liabilities





Total liabilities

Table 2: Solvency ratio

Net Asset Ratio Range	Number of entities			
	Q1 2017	Q2 2017	Q3 2017	Q4 2017
< 1%	0	1	0	0
1% - 20%	4	4	4	3
21% - 25%	0	0	0	1
26% - 30%	0	0	0	0
31% - 35%	3	0	0	2
> 35%	7	9	10	8
Total Insurers	14	14	14	14

Investment income

Similar to the long term sub-sector, investment income of the short term industry for the last five quarters has been volatile and fluctuated due to unfavorable economic conditions experienced in the money markets in view of the sector's inherent significant exposure to short term investments due to the structure of their financial needs. During the review period, investment income decreased by 34.9 percent to N$57.2 million. Investment income decreased by 9.6 percent on a yearly basis.

Gross written premium

Gross written premium (GWP) increased by 6.5 percent to N$958.1 million during the review period. The increase in GWP is due to increases in new and renewal business underwritten as well as significant increases in written premiums under the guarantee, miscellaneous and fire commercial classes of insurance businesses during the period under review.

Reinsurance expense for the fourth quarter of 2017 increased by 30.6 percent to N$232.5 million compared to the previous quarter. The increase in reinsurance premium has resulted in a decline in premium earned[4] during the review period to N$ 612.6 million. The cession ratio by 6.0 percent to 32.0 percent in the prior quarter relative to the increase in GWP. This indicates that insurers did not retain more of the risks underwritten during the period under review.

Figure 9: Investment Income

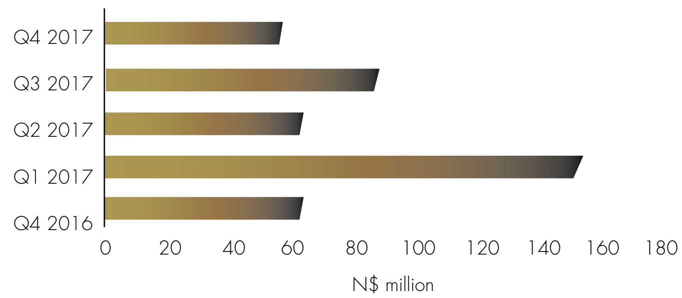
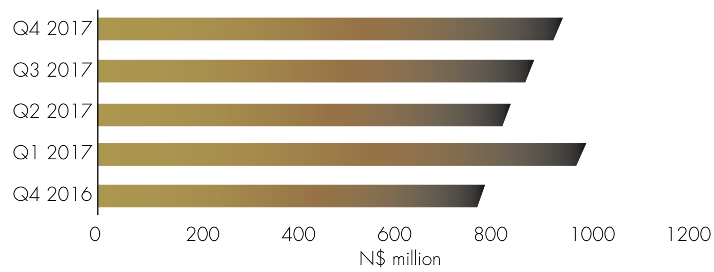


Figure 10: Gross written premiums



[4] Premiums earned excludes premiums placed with insurers in foreign markets in terms of sections 2(2) and 42 (1) (b) of the Act.

Claims and expenses

Total net claims experienced decreased by 7.6 percent to N$315.3 million on a quarterly basis. The decline is mainly due to claims adjustments, particularly for the fire class and favorable claims experience as a result of less severe claims having been processed compared to the previous quarter. The decrease in net claims were observed in the vehicle, miscellaneous (commercial and personal) and personal classes of insurance classes of insurance with a 4.0 percent, 13.9 percent and 14.0 percent respectively.

Net commission incurred for the industry dropped by 5.8 percent to N$52.7 million. The decrease in the net commission incurred is mainly attributed to the 58.9 percent increase in unearned commission which effectively reduce the net commission incurred. During the review period, personal class of insurance contributed the highest amount of total net commission incurred with over 42.0 percent, followed by vehicle commercial class contributed 31.6 percent of total commission whereas the fire commercial class accounted for 16 percent.

Further, the industry's total expenses also reduced by 6.4 percent to N$187.3 million during the review period. Further, expense ratio reduced to 39.0 percent from 40.0 percent during the review period due to reductions in other expenses.

In addition, net loss ratio reduced to 51.0 percent on a quarterly basis mainly attributed to favorable claims experience for the period under review. The net combined ratio for the quarter under review reduced to 91.0 percent compared to 94.0 percent reported in the prior period due to a favorable net loss ratio experienced.

Profit before tax

Profit before tax further decreased by 14.2 percent, quarter-on-quarter, and increased by 5.4 percent, year-on-year to N$121.8 million during the review period. The quarter-on-quarter decrease in profit before tax was mainly caused by the reduction in investment income and other income that dropped by more than 30.0 percent. Additionally, a 100.0 percent drop in profit before tax recorded by an entity that stopped issuing policies at end of the third quarter contributed in the decline in the overall profit before tax of the industry.

Figure 11: Net claims

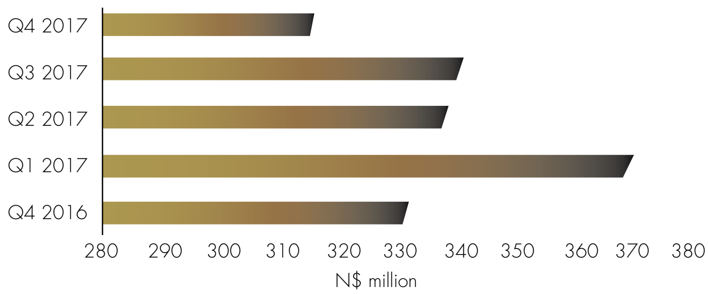
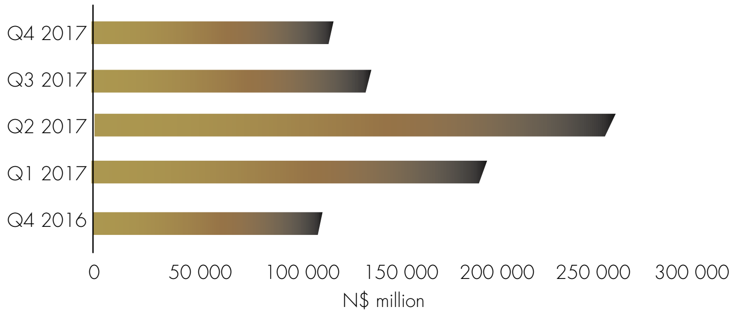


Figure 12: Profit before tax



Net loss ratio

Policy statistics

The industry total active policies decreased by 32.0 percent to 288 659 as at 31 December 2017 compared to the previous quarter. The reduction in the total number of policies is mainly attributed to a change in the manner[5] in which policies are reported, policies are reported as per actual physical count and not the number of risks per policies by insurers. Furthermore, other factors contributing to the decline of policies were policy lapses and policies re-broke.

The industry policy lapses reduced by 48.9 percent to 5 349 policies during the review period. The personal classes of insurance recorded the highest drop in the number of policy lapses at 5 903 policies. Policy lapses are attributed to unpaid premiums due to non-affordability by policyholders.

Lloyd's and Non-Lloyd's Market

Premiums leaving the country under Lloyds and Non-Lloyds exemptions decreased substantially to N$14.2 million and N$2.5 million compare to N$46.8 million and N$66.8 million respectively on a quarterly basis. Overall, premiums leaving the country decreased substantially by 85.2 percent from the previous period. The substantial increase is mainly owed to cautious and selective appetite of the local industry on risk underwritten. A total of 53 Lloyds and 16 Non-Lloyds exemptions applications were approved in the review period.

The Aviation class of insurance contributed the highest premiums to the total approved Lloyds premiums leaving the country with a 35.0 percent, followed by marine class and miscellaneous class with 29.0 percent and 32.0 percent respectively.

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 (Table 3).

Table 3: Exemptions for Lloyd's and Non-Lloyd's

LLOYD'S	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Marine	2 378 501	3 418 496	2 120 482	14 629 922	4 102 359
Miscellaneous	974 743	1 979 228	1 537 698	26 462 997	4 579 659
Fire	-	197,305	-	-	-
Aviation	4 507 272	3 973 307	897 591	5 709 989	5 537 701
Personal	-	-	95,283	-	-
TOTAL	**7 860 516**	**9 568 336**	**4 651 054**	**46 802 908**	**14 219 719**
NON - LLOYD'S	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Marine	4 363 155	21 329 047	15 083 409	1 600 080	2 026 105
Miscellaneous	74 357	8 500	1 422 942	5 785 478	225 534
Fire	75 000	-	9 568 674	-	-
Aviation	18 798	511 079	964 911	8 904 064	159 227
Guarantee	-	-	2 217 787	50 484 672	-
Vehicles	-	-	-	-	122 060
TOTAL	**4 531 310**	**21 848 626**	**29 257 723**	**66 774 294**	**2 532 926**
Overall premiums leaving	12 391 826	31 416 962	33 908 777	113 577 202	16 752 645

The industry is encouraged to consider local underwriting capacity in terms of these classes of insurance in order to enhance and develop the local insurance markets.

[5] Refers to the approach in which policies are tallied.

Medical Aid Fund

Performance review

The industry reported a net surplus for the quarter under review and remained well capitalized as it held a high percentage of free assets as at 31 December 2017. Additionally, the industry's reserves level exceeded the minimum prudential reserves level requirement of 25.0 percent, and is thus deemed to be financially sound.

Total assets

The industry held total assets of N$1.8 billion as at 31 December 2017, which was an increase of 10.8 percent in total assets from the previous quarter. The increase in total assets during the period under review was a result of lower utilization of benefits by members. The industry's investments increased by 12.9 percent to N$1.5 billion due to the investment income reported and investment of surplus cash during the period under review.

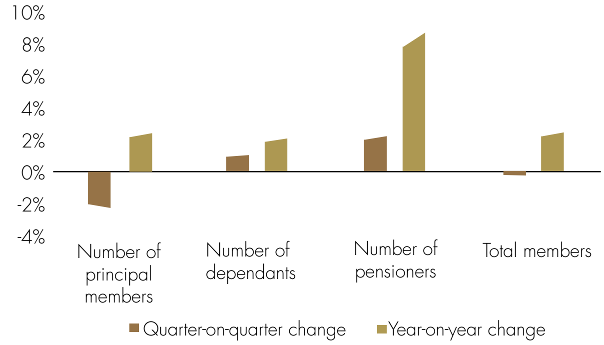
Total liabilities

The industry's liabilities increased by 6.8 percent to N$412.0 million during the period under review. The increase in liabilities was due to higher accounts payable balances and savings plan liabilities that were reported as at 31 December 2017. Savings plan liabilities of N$44.2 million comprise of roll over and savings plan benefits.

Membership

Total membership decreased by 0.2 percent to 195,419 quarter-on-quarter and increased by 2.6 percent on a year-on-year basis. The quarter-on-quarter decrease in beneficiaries was due to members who resigned from their employers and consequently from the respective Funds; unaffordability of contribution premiums charged by funds; and termination of specific employer groups which had fixed contracts with the government.

Figure 13: Change in membership

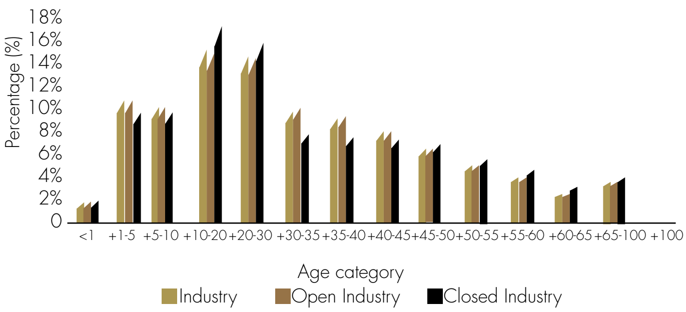


Industry average age and membership ratios

Average age

Overall, the industry average age for the period ended 31 December 2017 was 30.5 years, a decrease of 0.3 years in comparison to the average age of 30.8 years as at 30 September 2017. This is mainly attributed to principal membership that declined quarter-on-quarter (Figure 14).

Figure 14: Age analysis of total beneficiaries



Pensioner Ratio

The proportion of pensioners[6] to total beneficiaries was 5.4 percent, which is a slight increase from the 5.3 percent as at 30 September 2017, mainly as a result of members who reached retirement age as defined in various funds' rules. The open funds' pensioner ratio was 4.6 percent while for closed funds the value was 6.6 percent. The higher ratio for closed funds is expected due to the high number of continuation members within the closed medical aid funds industry.

[6] Pensioners are members aged 60 years and older.

[7] A continuation member is a member who retired from employment (normal or early retirement), but continues to be a member of the medical aid fund to which they belonged during employment.

Dependency ratio

The principal member to dependent ratio ("dependency ratio") measures the average number of dependents per principal member. The industry dependency ratio of 1.25 means that on average for every 100 principal members, there are roughly 125 dependents, which is slightly higher than the previous quarter's ratio of 1.21. Closed fund principal members receive higher contribution subsidies than open fund members and can therefore afford to enroll more dependents (Table 4).

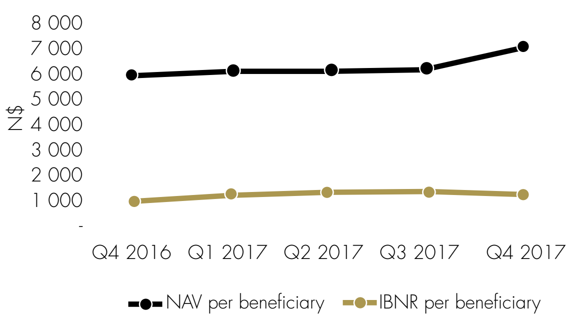
Table 4: Average membership ratios Q3 2017 vs. Q4 2017

Q3 of 2017	Open Funds	Closed Funds	Total Industry
No. of dependents per principal member	1.23	1.41	1.25
Q4 of 2017	Open Funds	Closed Funds	Total Industry
No. of dependents per principal member	1.19	1.41	1.21

Net asset value

The industry recorded a Net Asset Value (NAV) per beneficiary of N$6.931 as at 31 December 2017, an increase of 12.3 percent in the NAV per beneficiary as a result of total net assets increasing by 10.8 percent, while total membership decreased by 0.2 percent. 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$1,318 reported as at 31 December 2017 (Figure 15).

Figure 15: Industry net asset value per beneficiary and IBNR per beneficiary

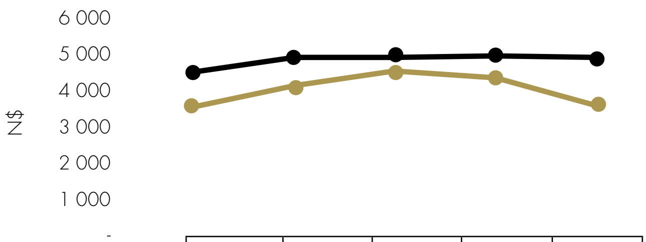


Contributions and expenses

Contributions

Total contributions decreased by 0.3 percent to N$957.2 million, quarter-on-quarter, but increased by 14.3 percent on an annual basis. The quarter-on-quarter decrease in contributions corresponded to principal membership reduction of 2.2 percent. Average contribution income per beneficiary was N$4,898 for the quarter ended 31 December 2017, a decrease of 0.1 percent quarter-on-quarter (Figure 16).

Figure 16: Average contributions/claims per beneficiary



	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Average contributions per beneficiary	4 446	4 873	4 894	4 904	4 898
Average claims per beneficiary	3 519	4 030	4 468	4 316	3 607

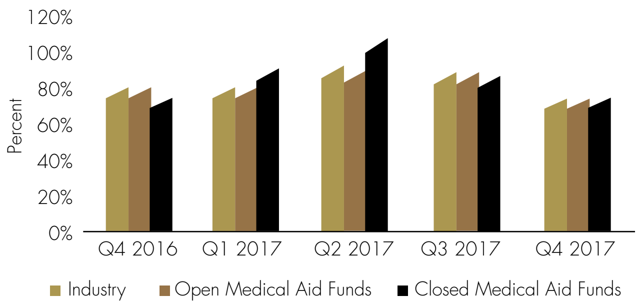
Healthcare expenditure

The industry's healthcare expenditure (claims) decreased by 16.5 percent to N$705.9 million quarter-on-quarter, and increased by 5.3 percent on an annual basis. Medical aid funds generally experience fluctuations in healthcare expenditure patterns during different quarters of the year.

Claims ratio

The industry recorded an average claims ratio of 73.7 percent during the fourth quarter of 2017 compared to 79.7 percent in quarter four of 2016. The notable decrease is due to the depletion of benefits towards the medical aid funds' year end, which resulted in lower benefits utilization (Figure 17).

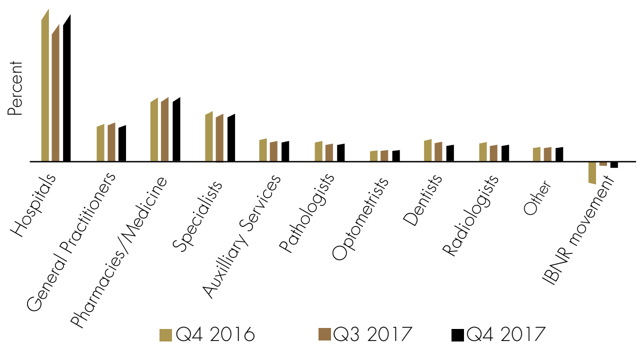
Figure 17: Claims ratio



The claims ratio reported by the industry was positively affected by low IBNR claims that were provided for during the quarter ending 31 December 2017.

Claims related to hospital admissions, medicine dispensed by pharmacists and specialist visits were reported at 66.9 percent of total healthcare expenditure during the quarter under review, compared to the previous quarter's 64.8 percent.

Figure 18: Growth in Claims Typologies



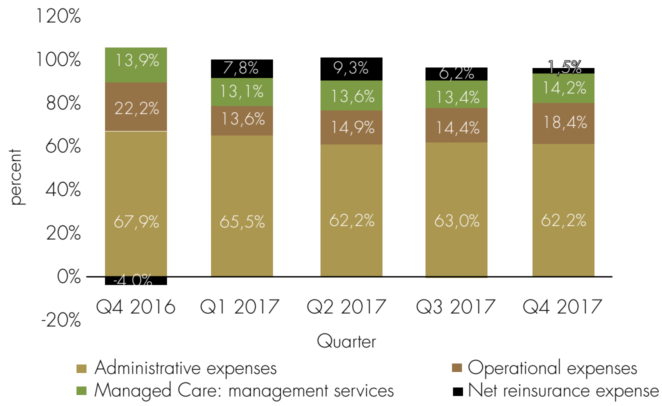
The "other" category depicted in Figure 18 includes mainly dental specialists and therapists, psychiatric institutions and oncology benefit claims, and gym rebates[8].

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$97.9 million during the quarter ending 31 December 2017, a decrease of 0.7 percent in total non-healthcare costs from the previous quarter.

The industry's low net reinsurance expense during the quarter under review, due to higher reinsurance claims, lowered the non-healthcare expense. Administration costs remained the highest contributor to total non-healthcare costs (Figure 19).

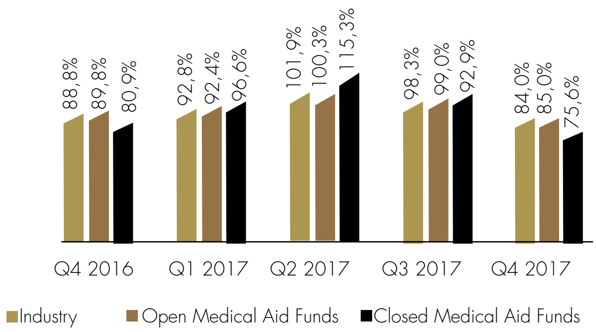
Figure 19: Non-healthcare expenditure



Loss ratio

The industry recorded a loss ratio of 84.0 percent during the quarter ended 31 December 2017, indicating that the industry's income from contributions was sufficient to cover total expenditure during the quarter under review. The improvement in the loss ratio is attributable to the decrease in healthcare and non-healthcare expenditure reported during the fourth quarter (Figure 20).

Figure 20: Total costs as a percentage of contributions received (Loss Ratio)

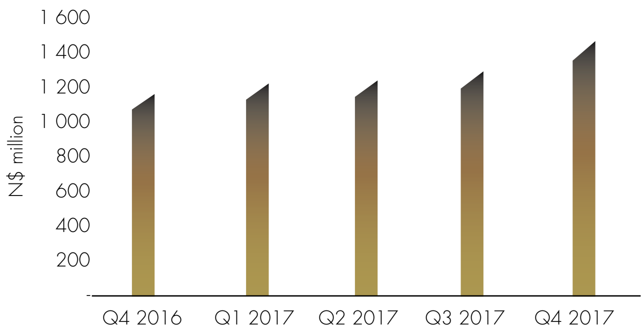


Investments

Total investments increased by 13.1 percent to N$1.5 billion during the fourth quarter of 2017, mainly due to investment of surplus cash.

[8] Gym rebates, under wellness benefits, were stopped effectively 14 December 2017. During October to 14 December 2017 medical aid funds paid gym rebates.

Figure 21: Total investments



As at 31 December 2017, the medical aid funds industry held 57.1 percent of their investments in Namibia, thus complying with Regulation 9 (Government Notice No. 1496) of the Medical Aid Funds Act (Act 23 of 1995). The Act requires all medical aid funds to hold a minimum of 35.0 percent of their investment assets in Namibia.

Most of the N$580.9 million assets of the medical aid fund industry is invested in unit trust schemes with 39.9 percent and 29.9 percent in cash and equivalents (call accounts) in the quarter, such choice is due to the short term liabilities of the industry.

Investments (Close versus Open medical aid funds)

The open medical aid funds industry held 47.5 percent of their investments in unit trusts as at 31 December 2017, and 24.2 percent in cash and other cash equivalents. Conversely, closed medical aid funds held only 1.0 percent in unit trusts and 59.5 percent in cash and cash equivalents. As a result of the aforementioned investment allocation, the open fund industry attained a 4.7 percent return on their investments[9], whereas the closed fund industry recorded a 9.2 percent return on investment.

The industry continues to hold the majority of its investments in highly liquid assets in order to have sufficient cash to settle unexpected healthcare expenses.

Accounts receivables

The industry's accounts receivable balance of N$42.6 million as at 31 December 2017 comprised of contributions receivable balances of N$33.3 million and other receivable (reinsurance and investment income receivables) balances of N$8.8 million. Contribution receivables consisted of current contributions of N$14.6 million and arrear contribution receivables (aged between 30 and 120+ days) amounting to N$18.7 million.

The arrear contributions were 2.0 percent of total contributions received for the quarter under review compared to 2.4 percent during the previous quarter, which indicates slight improvement in the timely collection of contributions collected by the industry. The industry wide benchmark for arrear contributions as a percentage of total contributions is 1.5 percent, and therefore the Authority remains concerned with the industry's high arrear contributions balances. These arrear contributions continued to be the result of government funded or state-owned enterprises (SOEs) that were experiencing cash flow difficulties.

The Authority has directed all registered medical aid funds to take all reasonable steps to ensure that arrear contributions and interest payable thereon, if any, are

Table 5: Industry investment allocation (percent)

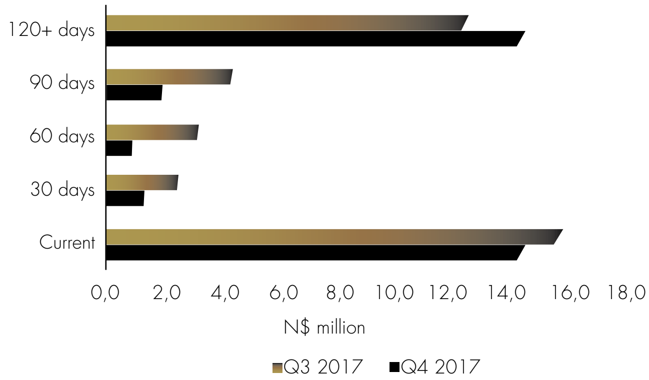
Investment class	Q4-2016	Q3-2017	Q4-2017
Unit trust schemes	11.7%	38.7%	39.9%
Cash and equivalents (call accounts)	21.1%	30.2%	29.9%
Government and other stock (bonds)	35.3%	9.2%	10.7%
Shares/equities	0.8%	20.7%	16.4%
Properties	0.2%	0.8%	0.7%
Loan stock investments	0.1%	0.2%	0.2%
Debentures	0.8%	0.2%	0.2%
Treasury Bills	0.0%	0.0%	2.1%
Total investment assets	**100%**	**100%**	**100%**

[9] 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.

fully recovered on behalf of the respective funds. The trustees of all funds were further directed to ensure the strict enforcement of the provisions pertaining to arrear contributions as contained in their funds' rules. The intervention has resulted in the reduction of long outstanding arrear contributions balances. Medical aid funds are required to provide the Authority with monthly status reports on the payment of contribution premiums by each government funded and SOE employer group, including the amounts outstanding, if any, by the 15th day of each month. The Authority will continue to monitor the arrear contributions through the monthly submissions.

There has been a decrease in the industry's arrear contribution balances aged 90 days and 120+ days between 30 September 2017 and 31 December 2017. The Authority will continue to monitor the industry's progress with regards to the collection of arrear accounts receivables through the aforementioned monthly status reports (Figure 22).

Figure 22: Arrear contributions ageing quarter-on-quarter

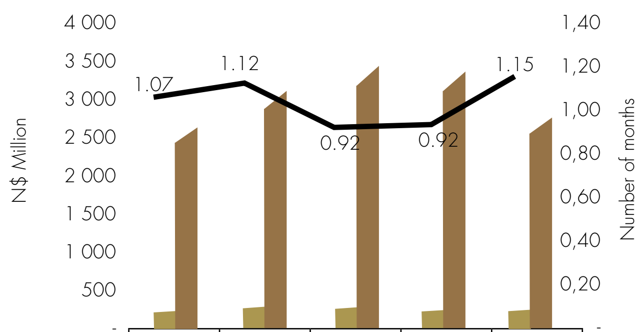


Medical aid fund liquidity

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$1.3 billion as at 31 December 2017. The industry was therefore able to settle its current liabilities with its current assets during the period under review.

The cash coverage[10] is the number of months for which the industry can pay claims from its existing cash and cash equivalents. During the quarter under review, the industry experienced an increase in cash and cash equivalents, due to lower expenses experienced. The decrease in healthcare expenditure along with the increase in cash and cash equivalents raised the industry's cash coverage ratio to 1.1 in the fourth quarter 2017 compared to 0.92 as at 30 September 2017. The ratio indicated that the industry had cash and cash equivalents sufficient to settle more than a month's claims as at 31 December 2017 (Figure 23).

Figure 23: Cash coverage of claims Q4 2016 – Q4 2017



	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Cash and cash equivalents	239	295	267	260	270
Healthcare expenditure (annualised)	2,681	3,158	3,493	3,380	2,824
Months of cover	1.07	1.12	0.92	0.92	1.15

The industry reported an increase in current assets due to growth in investments that resulted from lower healthcare and non-healthcare expenses and additional investments made the fourth quarter of 2017. The savings plan liability and accounts payable increased during the quarter under review. The increases in the investment assets were slightly higher than the increase in the savings plan liability and accounts payable and resulted in an increase in the industry's liquidity ratio from 4.0:1 as at 30 September 2017 to 4.1:1 as at 30 December 2017. The liquidity ratio (current assets/ current liabilities) measures whether the industry held sufficient current assets with which to settle its current liabilities.

A liquidity ratio ranging between 1.5:1 and 3:1 is considered ideal. The industry therefore reported an excess current asset balance as at 31 December 2017, however, it is considered appropriate due to the unpredictability of healthcare expenditure.

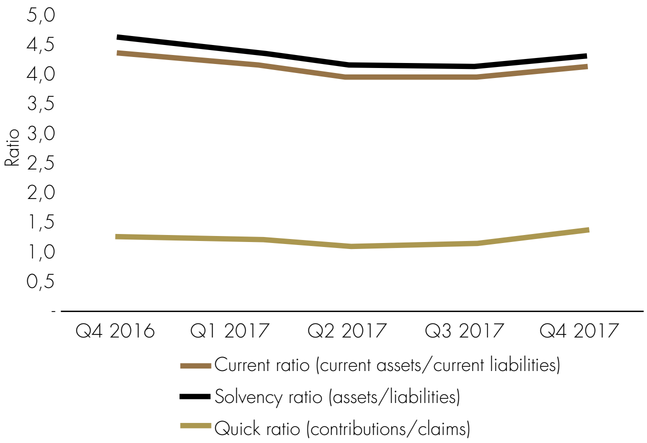
Similarly, the industry's solvency ratio (total assets/total liabilities) increased from 4.1:1 as at 30 September

[10] 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.

2017 to 4.3:1 as at 31 December 2017. This indicates that the industry's total assets amounted to more than four (4) times its total liabilities, which the Authority deems satisfactory.

Moreover, the industry held the majority of its total assets in liquid investments and all its liabilities were current as at 31 December 2017. Therefore, the industry was deemed liquid and solvent as at 31 December 2017.

Figure 24: Liquidity indicators Q4 2016 – Q4 2017



Reserves

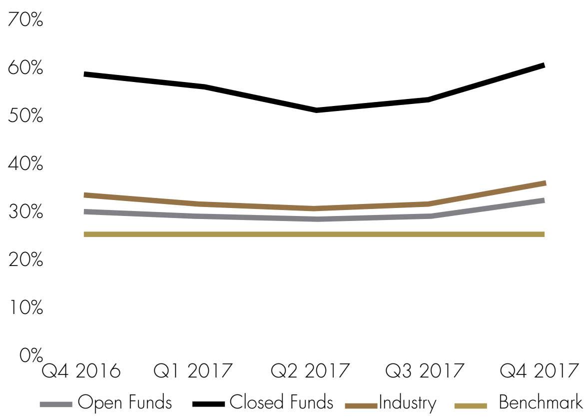
The sub-sector's accumulated funds/reserves (total assets minus total liabilities) increased by 12.1 percent to N$1.4 billion as at 31 December 2017. The change in the sub-sector's reserve level was attributed to the net surplus reported during the quarter under review.

Medical aid funds are required to maintain a minimum prudential reserve level[11] or solvency margin of 25.0 percent of gross contributions. The sub-sector reserve level increased by 3.9 percent to 35.4 percent as at 31 December 2017.

The open funds sub-sector recorded a reserve level of 32.3 percent, an increase of 3.6 percent and the closed funds industry recorded an increase of 6.4 percent in the reserves level to 59.6 percent as at 31 December 2017.

All closed medical aid funds reported reserve levels above the prudential requirement, whereas two (2) open medical aid funds, who represent 7.2 percent of the sub-sector's total beneficiaries as at 31 December 2017, reported reserve levels below that of the required prudential minimum requirement of 25.0 percent. The Authority continues to monitor the two open funds closely to ensure that remedial measures are taken to improve their reserves levels; and that their solvency risk is minimized as much as possible.

Figure 25: Sub-sector Reserve Levels (percent): Q4 2016 – Q4 2017



[11] The reserves level is determined by dividing accumulated funds by the annualized gross contributions received.

Retirement Funds

Performance review

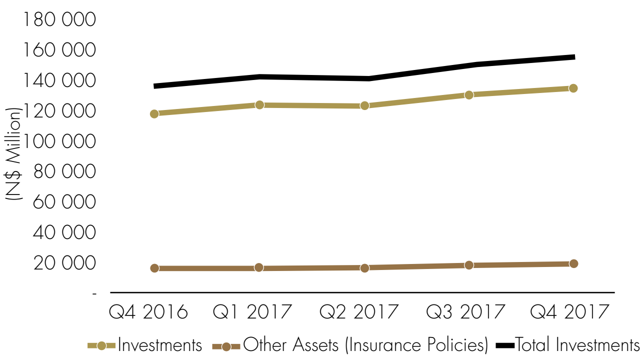
The value of retirement fund assets increased during the quarter under review. With the global economy expected to recover from the current slowdown towards the end of 2017 and the beginning of 2018, future investment performance of the sector is expected to continue improving.

Assets

Total retirement funds investments[12] (including insurance policies) increased by 3.7 percent quarter-on-quarter to N$154.9 billion and increased by 13.5 percent year-on-year. Investments held in insurance policies amounted to 13.1 percent of the sub-sector's total investments.

Investments held directly by retirement funds increased by 3.0 percent to N$134.7 billion, quarter-on-quarter, while those held in insurance products grew by 7.5 percent to N$20.2 billion. The increase in the industry investments was attributed to an increase in new investments purchased and improved investment returns across the industry. Favourable performances in the South African equities market boosted the investment returns earned by the pension fund industry. The Namibian economy contracted by an estimated 0.8 percent during 2017[13]. Investments held by the industry outside Namibia and the CMA[14], i.e. in Africa and international markets registered slight decreases because of currency weakening, losses on equities and decreases in bond values.

Figure 27: Total retirement fund investments including insurance policies[15]



The top five pension funds in the industry held 78.7 percent of the industries total investment holdings and the largest fund's investment holdings was 69.7 percent of the industry investment holdings. The proportion of investment holdings creates a concentration risk and may have other consequences to the Namibian economy should these five pension funds experience extreme shocks.

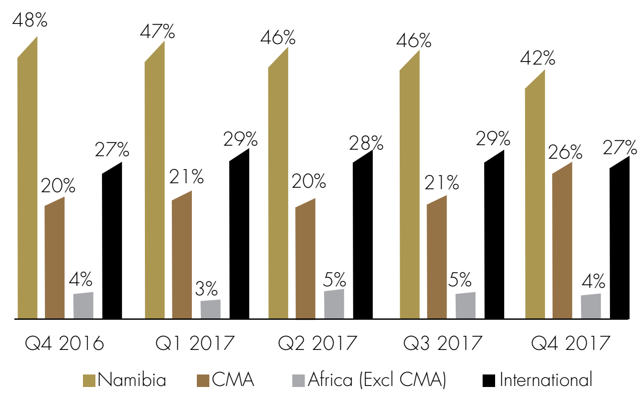
Asset allocation

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 were done and as is evident, the retirement industry is in compliance with the set prudential limits (Table 6).

Geographical asset allocation

The industry has been compliant with the statutory requirement of at least 35.0 percent in domestic assets during the quarter under review and for the past five quarters. Investments in the domestic, African and International markets, decreased from 45.7 percent to 41.8 percent, 4.7 percent to 4.5 percent and 28.8 percent to 27.3 percent, respectively. Investments in the common monetary area (CMA) increased from 20.8 percent to 26.4 percent (Figure 28).

Figure 28: Geographical Asset allocation



12 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.
13 Preliminary National Accounts 2017 prepared by the Namibia Statistics Agency, March 2018
14 CMA is the Common Monetary Area comprised of Namibia, South Africa, Lesotho and Swaziland whose currencies are pegged to the South African rand.
15 The figures for Q3 2017 were restated with additional information and corrections submitted after the publication of the Statistical Bulletin for Q3 2017.

Asset class allocation

The industry continued to show a strong appetite for investments in equities in relation to other asset classes, with an exposure of 65.1 percent. The long-term growth of equities is commensurate with the industry's long-term liabilities. The second most popular asset class is Namibian Government bonds with an investment holding of 11.6 percent (Table 6).

The unlisted investments class recorded drawn-down capital of 0.5 percent while committed capital is at 2.0 percent and well within the permitted limits of 1.75 percent to 3.5 percent. All other asset classes as defined in Regulation 28 remained fairly stable with minimal movements and exposures of below 10.0 percent per asset class.

Overarching limits

The sub-sector as a whole did not contravene any overarching exposure limits as per the different sub-regulations to Regulation 28. The sub-sector complied with the overarching limits as prescribed in sub-regulations 28(2)(a) & (b) and sub-regulation 28(3)(a)(ii) (Table 7).

These provisions prescribe that the aggregate market value of investments in property and shares, expressed as a percentage of total assets may not exceed 90.0 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 95.0 percent, respectively. In addition, 10.0 percent compared to 8.6 percent in quarter 3 of 2017 of the sub-sector' assets were invested in dual listed shares, in compliance with the 15.0 percent limit applicable from 1 January 2017 as per sub-regulation 28(3)(a)(ii).

Table 6: Allocation per asset class Q4 2017 versus Q3 2017

Asset class	Q4 2017	Q3 2017	Change	Regulation 28 limit
Credit Balances	8.1%	6.9%	1.3%	95%
Government Bonds	11.6%	11.9%	-0.3%	95%
SOE Bonds	4.9%	4.8%	0.2%	30%
Corporate Bonds	1.9%	2.1%	-0.2%	50%
Foreign Bonds	5.6%	6.7%	-1.2%	50%
Property	2.3%	2.1%	0.2%	25%
Shares	65.1%	63.8%	1.2%	75%
Other Claims	0.0%	1.2%	-1.2%	25%
Other Assets	0.1%	0.2%	-0.1%	2.5%
Unlisted Investment[16]	0.5%	0.3%	0.1%	Min 1.75% Max 3.5%
Total assets	**100.00%**	**100.00%**		

Table 7: Overarching limits

Overarching limit	Q4 2017 % of total assets	Q3 2017 % of total assets	% Change	Regulation 28 Limit
Regulation 28(2)(a)	64.9%	55.8%	9.1%	<90.00%
Regulation 28(2)(b)	64.9%	56.0%	9.0%	<95.00%
Regulation 28(3)	42.1%	39.0%	3.1%	>35.00%
Regulation 28(3)(a)(iii)	10.0%	8.6%	1.3%	<20.00%
Regulation 28(4) (Commitment)	2.0%	1.7%	0.2%	>1.75%

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

Friendly Societies

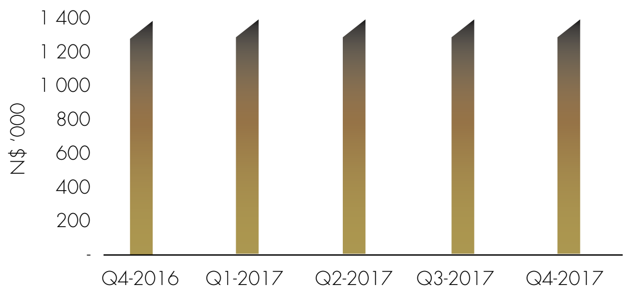
Performance review

The industry, comprised of one active friendly society, reported an increased net surplus for the quarter under review and growth was observed in the members' accumulated reserves. In addition, the society held sufficient liquid assets to settle its liabilities, and is considered financially sound and solvent as at 31 December 2017.

Total assets and liabilities

Friendly society assets grew by 2.1 percent quarter-on-quarter, and 12.7 percent year-on-year to N$1.4 million. This growth was attributed to contributions consistently exceeding claims and expenses, as well as income earned on investments. Cash and cash equivalents, however, decreased from N$90 810 to N$22 115 as a result of additional investments made with surplus cash and cash equivalents during the quarter under review.

Figure 29: Total assets



Total liabilities decreased by 18.3 percent to N$16 181as a result of accounts payable declining, while provision for claims and bad debts remained at N$50 000 and N$9 000, respectively.

Contributions and expenses

Contribution premiums increased by 2.8 percent to N$47 025 commensurate with the increase in the number of members (contributions are fixed at a flat rate per member per month). The Society's operational costs were unchanged at N$15 710 quarter-on-quarter.

Investments

Investment income amounted to N$20 594 which was a 6.0 percent increase from the previous quarter, and the result of favorable investment returns. After accounting for claims operational expenditure and positive investment returns a net surplus of N$61 134 was recorded, which contributed to investment assets increasing to N$1.3 million for the quarter ending 31 December 2017.

Capital Markets

Performance review

The local and overall equity markets, shown by the market capitalization, improved both on a quarterly and annual basis. Similarly, there is an improvement in the FTSE/JSE during the fourth quarter of 2017. Assets under management (AuM) also increased during the period under review in line with growth in sources of funds. The growth in the NBFIs assets was mainly driven by contributions, savings, premium payments and investment income and gains. Moreover, liquidity of the local market continued its recovery and the volume of shares traded increased on a quarterly basis during the period under review.

Financial markets

The performance of equity markets improved during the period under review which generated significant market returns for NBFIs as reflected in the asset growth of the non-banking industry. In the debt market, the total nominal Government debt outstanding increased which constituted the bulk of total outstanding debt for 2017.

The overall market capitalization (CAP) of the companies listed on the Namibian Stock Exchange (NSX) increased by 14.8 percent to N$2.08 trillion quarter-on-quarter, the market cap was 20.7 percent higher from a year ago. Whilst, the local market capitalization (CAP) of the companies listed on the Namibian Stock Exchange (NSX) increased by 0.86 percent to N$36.0 billion quarter-on-quarter.

Of the recorded N$2.08 trillion of the overall market capitalization, the main board increased by 15.5 percent to N$2.05 trillion, the exchange traded funds decreased by 16.8 percent to N$31.9 billion whilst the development capital board increased by 17.8 percent to N$1.3 billion as at 31 December 2017.

The NSX overall index gained 15.2 percent to record 1300 points in the fourth quarter, while the JSE/FTSE All Share Index gained 7.1 percent to record 59 505 points in the quarter. The liquidity on the overall market remained at 0.12 percent in the fourth quarter of 2017 same as in the previous quarter.

Figure 30a: NSX overall market cap, N$ million

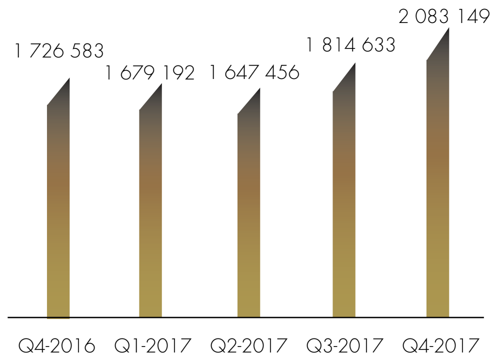
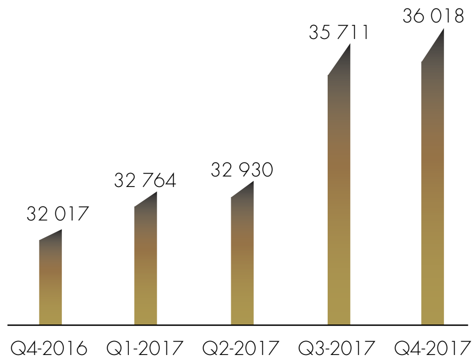


Figure 30b: NSX local market cap, N$ million



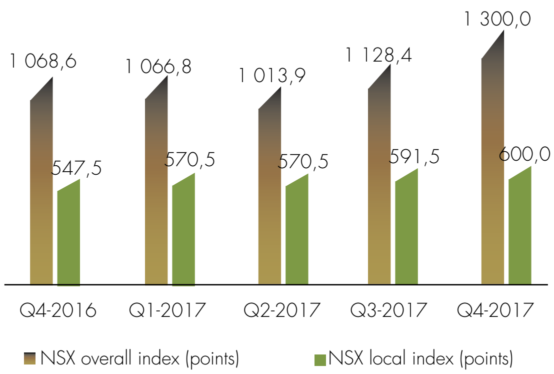
Source: NSX

In the debt market, the total nominal Government debt outstanding increased which constituted the bulk of total outstanding debt for 2017.

The local market cap increased by 0.9 percent during the quarter to N$36.0 billion, the increase in the market CAP can be attributed to the increase in the prices of securities with the values traded in the local market increasing by 5.6 percent to N$254 million at the end of the quarter.

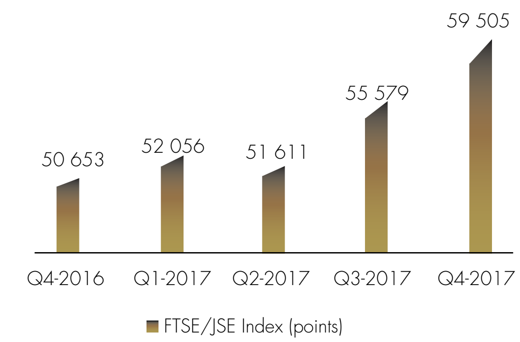
The prices of securities of the local index increased quarterly by 1.4 percent to 600 points in the quarter. The local market liquidity continued to improve to 0.71 percent in the quarter compared to 0.67 percent in the third quarter attributed to the increase in volumes by 17.8 percent to 8.9 million shares and values traded.

Figure 31a: NSX indices, points



Source: NSX

Figure 31b: JSE/FTSE All Share Index, points



Source: NSX

The securities of a total of 45 companies were listed on the NSX as at the end of the quarter. The companies include 36 listings on the Main Board (of which 10 are primary listings) and five on the Development Capital Board. The NSX has four exchange-traded funds (ETFs) listed on the exchange.

In the debt markets, the total nominal Government debt outstanding increased by 1.3 percent for the quarter to N$45.1billion. The treasury bills outstanding increased by 8.8 percent to N$17.9 billion at the end of the quarter.

Investment management

Investment managers continue to attract investors from different sources. The investment managers' assets under management increased by 2.4 percent during the quarter to N$164.3 billion at the end of the quarter. The growth in assets under management can be attributed to growth in the assets held, income from the assets, and net new inflows of assets.

Pension funds, unit trust schemes and long-term insurers provided 87.2 percent of the assets. The pension funds and CIS constituted 52.0 percent and 19.1 percent of the funds under management, respectively. During the quarter pension fund assets increased by 2.1 percent, whilst CIS assets declined by 25.0 percent, attributed to a reclassification of assets under the relevant categories by asset managers.

Geographic allocation

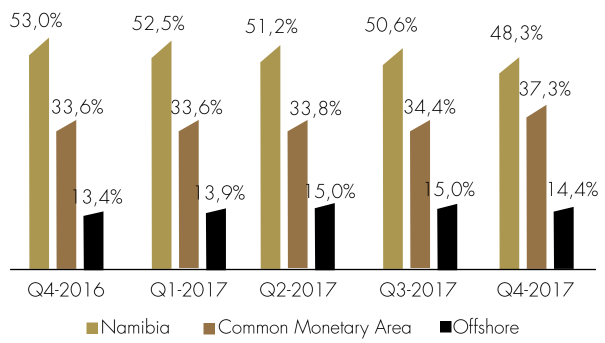
The managers invested 51.7 percent of the assets in the CMA and offshore markets, with the CMA accounting for 37.3 percent as at the end of the quarter. Investments in the CMA grew by 11.2 percent to N$61.3 billion on a quarterly basis. This growth was largely underpinned by capital growth and investment income.

The relative size of the Namibian markets and the need for diversification makes the CMA and offshore markets that are well-developed, more liquid and diversified attractive, and likely to give investors access to attractive returns for similar risk in the long term.

The assets invested in Namibia decreased by 2.3 percent to N$79.4 billion at the end of the quarter compared to N$81.2 billion the previous quarter. The local assets were 48.3 percent of the total funds under management as at the end of the quarter.

Investments in listed equity, which made up 45.8 percent of funds under management for the quarter, increased by 1.4 percent to N$75.3 billion in the fourth quarter. This can be attributed to the capital growth in investment income from the equity markets. The NSX markets and the JSE all experienced growth during the quarter.

Figure 32: Assets per geographic allocation, percent of total



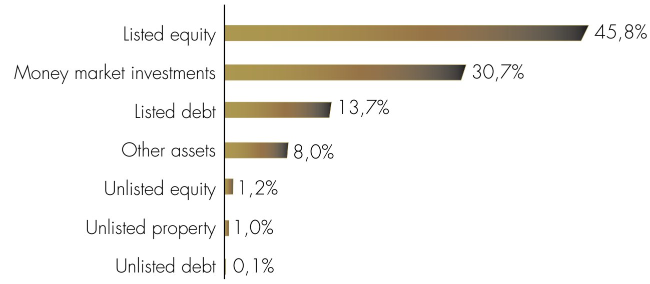
Source: NAMFISA

Asset allocation

AuM generally increases due to listed equities during the period under review. Investment managers continue to keep a larger portion of AuM in listed shares with assets invested in listed equity increasing by 1.4 percent to N$75.3 billion owing to an increase in prices of securities in the industrial sector by 16.3 percent, and an increase of 0.23 percent in new shares issued in the financial sector. Similarly, listed debt increased by 2.3 percent to N$22.5 billion, respectively in the quarter. Investments in unlisted equity and unlisted debt grow by 0.44 percent and 0.01 percent for the quarter to N$2.0 billion and N$105.1 million, respectively. These increases represent the most marked increase in asset allocation.

Listed equity accounted for 45.8 percent and listed debt accounted for 13.7 percent of the assets, followed by 30.7 percent in money market instruments. The asset allocation mainly reflects that pension funds, insurance and unit trust scheme investments prefer to invest in long term investments bonded by contractual obligations. Asset allocation is also influenced by the limited investable assets in Namibia, which is necessitated by the prescribed legislative framework.

Figure 33: Assets per class, percent of total

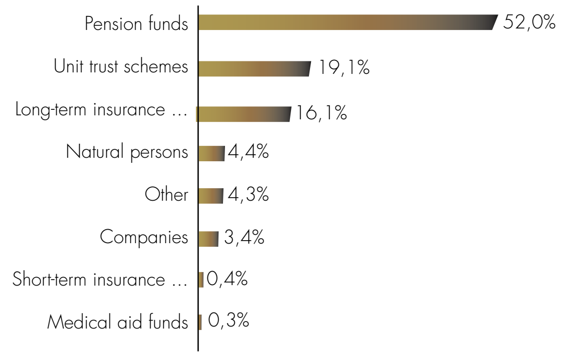


Source: NAMFISA

Sources of funds

Pension funds continued to be the largest sources of funds under management. Assets managed on behalf of pension fund increased by 2.1 percent to N$85.4 billion representing 52.0 percent of total assets. Unit trust schemes and long-term insurers accounted for 19.1 percent and 16.1 percent converting to N$31.4 billion and N$26.4 billion, respectively, for the quarter. Unit trust scheme assets reduced significantly by 25.4 percent to N$31.4 billion, as a result of reclassification of assets under the relevant categories by asset managers.

Figure 34: Assets per investor, percent of total



Source: NAMFISA

Collective Investment Schemes

Performance review

The total assets under management for Collective Investment Schemes increased during the period under review. The total AuM by unit trust schemes was largely sourced from companies, unit trusts and households. Further, the geographical asset allocation reported that most of the CIS funds were invested domestically.

Geographic allocation

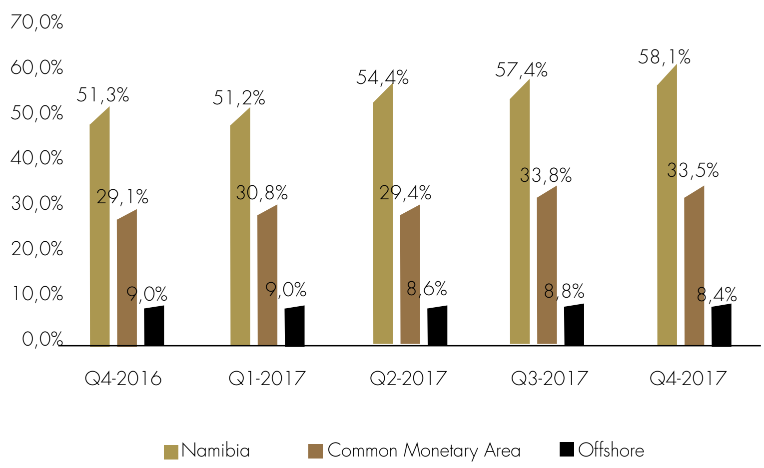
The CIS continued to invest mostly in Namibia with a total of 58.1 percent of assets, whilst in the CMA a total of 33.5 percent assets were invested. About 64.2 percent of these assets were in money market instruments, with the bulk in banking institutions.

The assets invested in the Namibian market increased by 4.9 percent to N$32.5 billion at the end of the quarter, accounting for 58.1 percent of the CIS assets. Liquidity needs associated with CIS assets may be the main reason for local investments, in the absence of statutory local investments. Investments in the CMA increased by 2.3 percent to N$18.7 billion, while offshore investments declined further by 0.6 percent to N$4.7 billion during the quarter, this decline could be attributed to impact of amendment in statutory laws. The CMA and offshore may mainly be held in listed equity and debt instruments.

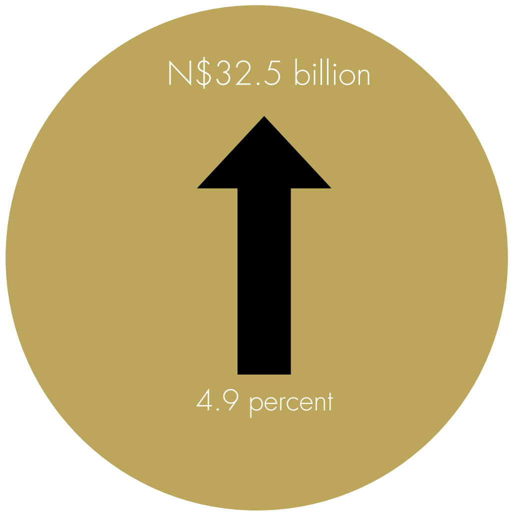
Asset allocation

CIS continued to allocate more funds to investments in money market instruments, which increased by 5.2 percent and accounted for 64.2 percent of the assets under management. Of the instruments, CIS invested 46.9 percent in bank instruments. The exposure to negotiable certificates of deposit continued to be significant. Listed equity and debt accounted for 19.1 percent and 10.3 percent, respectively. The limited instruments in the financial markets as well as the maturity of instruments continues to influence asset classes invested in. In addition, the predominance of investments by natural persons may influence the asset classes, since they prefer to have

Figure 35: Assets per geographic allocation, % of total



Source: NAMFISA



Assets invested in the Namibian market

access to their funds and therefore would invest in the most liquid funds – the money market funds.

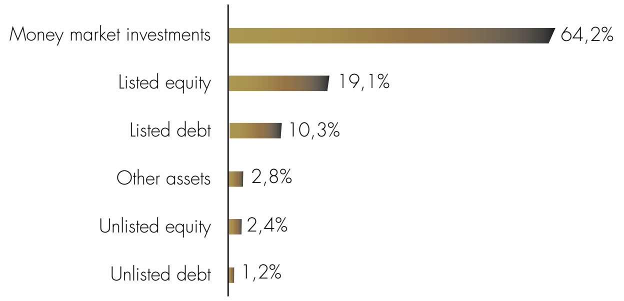
Sources of funds

The largest source of funds for the CIS in the quarter was from companies that increased by 33.4 percent to N$15.1 billion, these investors accounted for 26.9 percent of CIS assets. The second largest source of funds were the unit trust schemes with 24.9 percent followed by households with 23.9 percent.

In the preceding quarters, the household assets averaged 33.8 percent of CIS assets. Contributing factors to this decline is mainly attributed to the reclassification of assets under the relevant categories by asset managers and to a lesser degree to the volatility of preference from households to invests monies where better returns are guaranteed and assets are easily liquated.

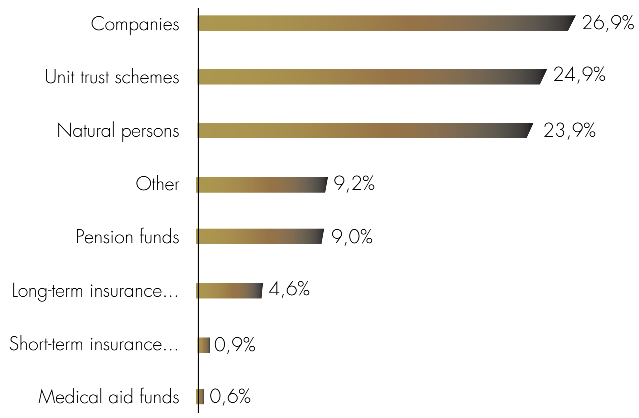
The assets sourced from other CIS increased by 1.3 percent to N$13.9 billion and made up 24.9 percent of CIS assets accounting for 24.9 percent of total assets in CIS. The assets in the "other" category increased by 95.8 percent to N$5.1 billion in the quarter. Trusts, foundations, public enterprises and educational institutions invested these assets. These funds made up 9.2 percent of CIS assets at the end of the quarter.

Figure 36: Assets per class, percent of total



Source: NAMFISA

Figure 37: Assets per investor, percent of total



Source: NAMFISA

Microlending

Performance review

Driven by the credit transactions of both the term-loan and payday-loan lenders during the quarter under review, the value of the microlending loan book at the end of the same period rose both on a quarterly and yearly basis. The growth was driven by the value of the disbursements that rose both annually and quarterly, augmented by increased number of term-loan and payday-loan household borrowers.

Loan book value

At the end of the fourth quarter of 2017, the value of the loan book rose by 7.1 percent, quarter-on-quarter, and 29.3 percent, year-on-year, to N$5.5 billion (Figure 38). The observed growth in the value of the stock (loan book) is a continuation of an upward trajectory since the fourth of 2016, and the trajectory is similar to that observed in the banking sector[17]. The upward trajectory in the value of the loan book is a phenomenon driven amongst others by tight economic conditions wedging a steady shortfall in households' disposable income bridged by borrowings from the microlending marketplace. The steady growth over the period is evident in the increased number of household borrowers that continued benefiting from the microlending transactions.

Number of borrowers

At the end of the fourth quarter of 2017, the cumulative number of household borrowers transacting with micro lenders, grew by 6.5 percent quarter-on-quarter and 16.1 percent, year-on-year to 326 164. The growth in the number of household borrowers emanated from both the number of the term loan borrowers and payday loan borrowers (Figure 39).

Disbursements

During the fourth quarter of 2017, the value of disbursed loan increased, quarter-on-quarter, driven only by the transactions of

Figure 38: Loan book value

Figure 39: Number of household borrowers

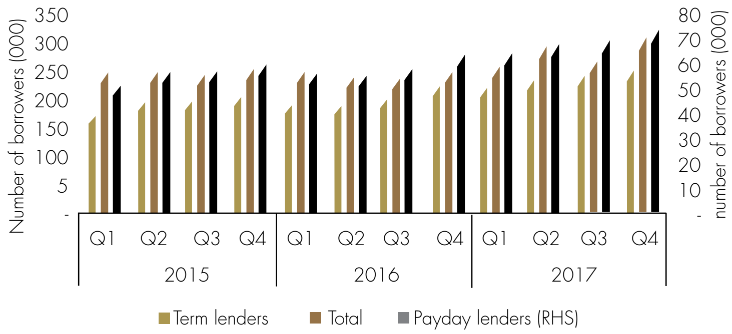
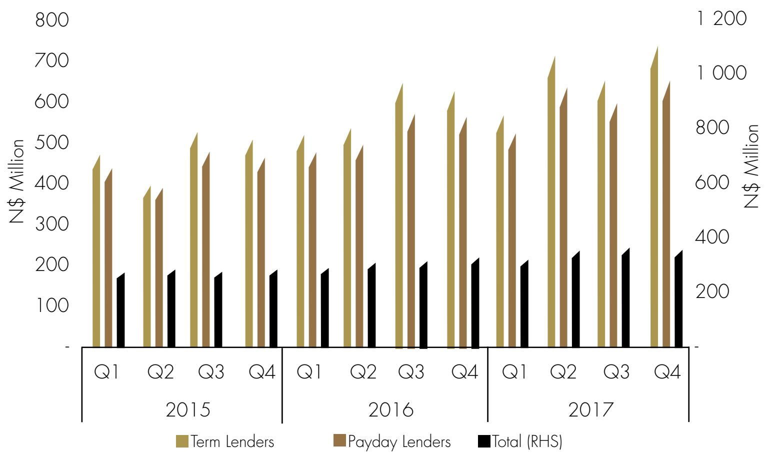


Figure 40: Loan disbursements



[17] A gradual upward trending stock value of the banking sector was observed over the same period with the values rising marginally from N$ 52.2 billion to N$53.4 billion.

term loan lenders as that of the payday loan lender declined (Figure 40). In this regard, the quarterly growth in the amount of the new loans disbursed country-wide was by 8.8 percent. On the contrary, on annual basis, the amount of the disbursement increased, driven by both categories (Table 8).

Number of new loans

The number of the new loans issued over the same period declined, quarter-on-quarter, but increased year-on-year. In this regard, driven by the number of new loans extended by the payday loan lenders. The number of new loans issued decreased by 3.9 percent to 178 310 loans on a quarterly basis mostly due to a 5.6 percent contraction in payday lenders. Conversely, on an annual basis, the number of new loans grew by 2.2 percent driven by term lenders.

The quarterly decline and yearly increase in the number of new loans extended over the same period was consistent with that of the payday loan lenders[18].

On the contrary, the average value of the amount of the loan extended rose both on a quarterly and yearly basis. The increase was driven by the average value of the loans extended by both categories. The average amount for term lenders and payday lenders stood at N$23 777 and N$1620, respectively, as at the end of the fourth quarter of 2017 (Figure 42).

Table 8: Loan Disbursements (Percentage Changes)

Quarter-on-Quarter	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Term Lenders	1.6	3.5	20.8	-3.1	-9.9	26.1	-8.6	13.0
Payday Lenders	3.0	5.7	2.4	4.4	-2.2	10.4	3.5	-2.5
Total	2.0	4.11	15.72	-1.3	-7.9	21.8	-5.6	8.8
Year-on-Year	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Term Lenders	10.4	36.6	23.6	23.0	9.1	32.9	0.5	17.3
Payday Lenders	6.0	8.5	10.1	16.4	10.6	15.5	16.8	9.0
Total	9.2	27.43	20.00	21.3	9.5	28.1	4.5	15.2

Figure 41: Number of new loans

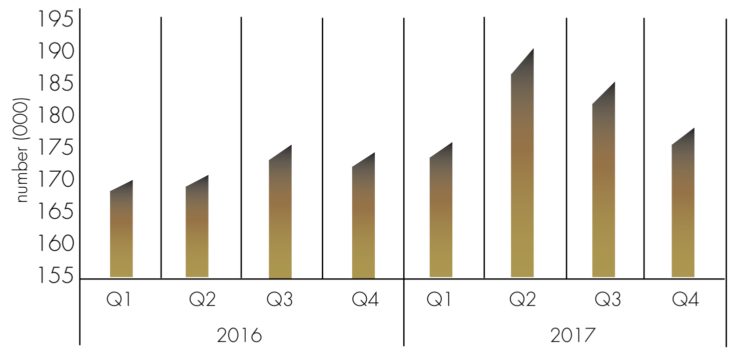
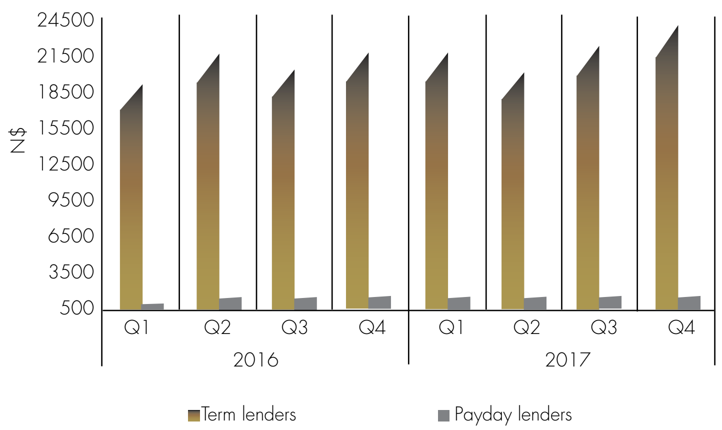


Figure 42: Average loan amounts



18 In terms of the number of the new loans issued, term loan lenders only account for 17 percent on average, while the payday loan lenders account for 83 percent of the total number of the new loans.

Consumer complaints

NAMFISA's Complaints Department received 221 complaints from consumers of financial services during the quarter, of which 81.0 percent were resolved. Further, out of the 221 complaints, 99.0 percent jointly originated from only four sectors, namely micro lending and credit agreements, long-term insurance, retirement funds and short-term insurance (Figure 43).

The resolution of complaints resulted in consumers receiving a total of N$10.1 million from financial institutions, of which retirement funds, short-term insurance and long-term insurance sector accounted for N$8.7 million, N$721 319, and N$605 554, respectively. NAMFISA continues to ensure that consumers are protected as per its mandate. These payments broadly relate to wrongful deductions, repudiation of claims, unpaid pension benefits and non-cancellation of contracts (Table 9).

Figure 43: Complaints received per industry

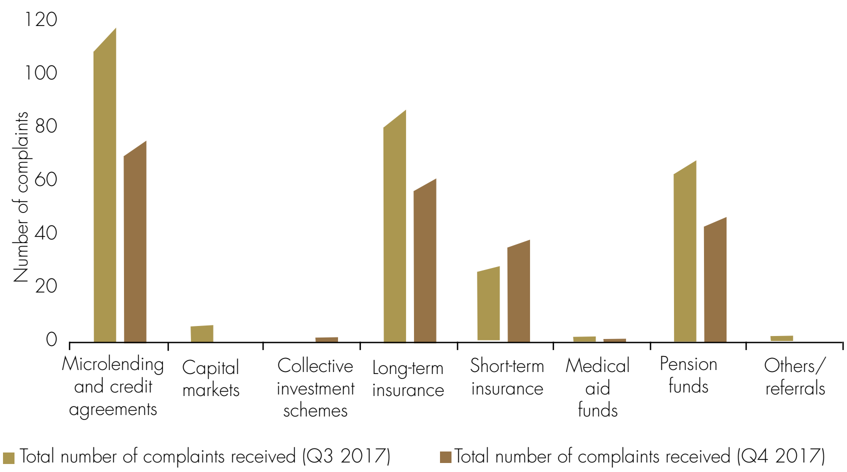


Table 9: Four quarter 2017 number of complaints vs. resolved complaints

Division	Total no of complaints received	Total no of complaints resolved	Funds recovered (N$)
Micro Lending and Credit Agreements	74	64	163,681
Capital Markets	0	0	-
Collective Investment Schemes	1	1	3,585
Long-Term Insurance	61	52	605,554
Short-Term Insurance	38	29	721,319
Medical Aid Funds	1	1	-
Pension Funds	46	30	8,651,672
Others / Referrals	0	0	-
Total complaints	**221**	**177**	**10,145,812**

Part B: Supervisory and Regulatory Developments

NAMFISA Supervisory Ladder

Table 10, 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 non-banking financial sector achieved full compliance status of 59.0 percent i.e. 323 out of the total number of entities were categorized as stage 1 entities. On the contrary, 14.0 percent or 74 out of the total number of registered entities were fully non-compliant and hence categorized as stage 5. Retirement funds comprise the bulk of non-compliant entities under stage 5 as 55 of the 74 non-compliant entities are retirement funds. The number of non-compliant retirement funds are significantly high due to the reclassification of 54 previously inactive funds as active funds. Some of these funds were placed under stage 5 due to the fact that financial soundness assessments could not be performed on these funds to date to determine their viability and solvency as statutory information on these funds has not been submitted to the Registrar.

In terms of compliance monitoring conducted as per the "Ladder of Supervisory Intervention", 63.0 percent (357) of regulated institutions were fully compliant, with no regulatory problems posed to the financial system. In this respect, 13.0 percent (75) were classified as stage 5 (fully non-compliant) mostly dominated by 56 pension funds, which was as a result of 54 previously inactive pension funds that were reclassified as active.

Full compliance status (stage 1): The collective investment schemes recorded the highest level of full compliance which came out at 100.0 percent, followed by capital markets which came at 82.0 percent. Friendly societies reported the lowest compliance rate of zero percent (figure 44).

Full non-compliance status (stage 5): Retirement funds reported the highest level of full non-compliance which was reported at 40.0 percent, followed by short-term insurance at 14.0 percent, and medical aid funds at 10.0 percent. The non-compliant retirement funds increased after funds previously classified as inactive were reclassified as active. The reclassified funds will remain under stage 5 until they demonstrate their compliance with the Pension Funds Act, 1956 (Act no 25 of 1956) and regulations, directives and other subordinate legislation issued thereunder. The Authority continues with close monitoring of all entities not fully compliant (figure 44).

Figure 44: Comparison per sector (Stage 1 vs. Stage 5) of supervisory ladder of intervention

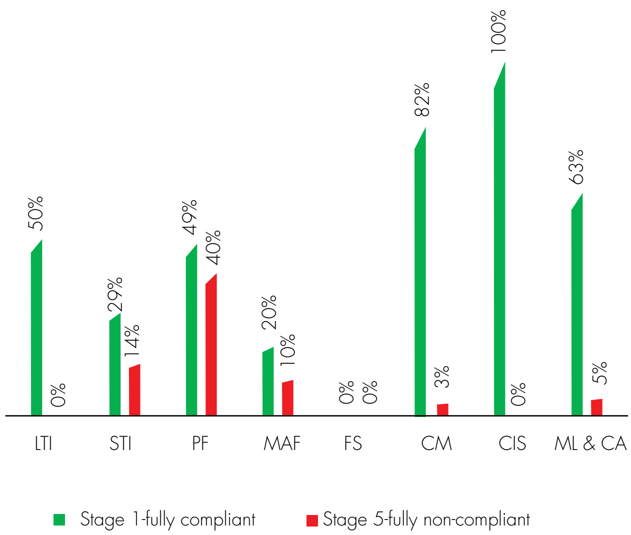


Table 10: Supervisory and regulatory developments

Indicators for supervisory concerns, Q4- 2017												
Stage of intervention	Rating Description	Rating Code	LTI	STI	PF	MAF	FS	CM	CIS	ML & CA	Total (actuals)	Total (%)
Stage 1	No significant problems		8	4	68	2	0	28	13	200	323	59%
Stage 2	Early Warning		6	5	10	4	1	1	0	48	75	14%
Stage 3	Risk to Viability or Solvency		2	3	5	2	0	2	0	28	42	8%
Stage 4	Future Viability in Serious Doubt		0	0	0	1	0	2	0	26	29	5%
Stage 5	Entity Not Viable or Insolvency Imminent		0	2	55	1	0	1		15	74	14%
Total			**16**	**14**	**138**	**10**	**1**	**34**	**13**	**317**	**543**	**100%**

Regulatory review

Legislative developments

- The NAMFISA Financial Institutions and Markets (FIM) and Financial Services Adjudicator (FSA) bills have been certified by the Minister of Finance and are being prepared for tabling in Parliament.
- During February 2018, the Micro-lending Bill was tabled in Parliament with all critical subordinate legislation under the Microlending Bill being submitted to the Minister of Finance for his certification.
- The Bills will be implemented in a phased-in approach, that is consideration of which provision are implementable immediately and which provision can be delayed to allow both industry and the Authority to prepare.
- All Phase 1 standards with the exception of the Cell Captive and Exemption Standards, have been presented to the industry and finalized. The Capital Adequacy standards have been presented to industry for consultation and industry has made written representations that NAMFISA is currently busy considering. The Lloyds and Exemption Standards have been drafted but are awaiting formal industry consultation.

- The Standard that deal with exemptions/reinsurance will be converted into a Directive under the current legislative regime

- Regulation 15 is scheduled to be amended to increase the minimum domestic asset requirement from the current limit of 35 percent to 45 percent, it was expected to be gazetted in September 2017, however further input was required. This is a policy decision which resonates with one of the key initiatives of the Namibia Financial Sector Strategy, namely deepening and developing the local financial markets. The increase in the minimum limit will be introduced in three phases to afford the industry sufficient time to comply with the overall limit as follow:

Effective implementation dates	Minimum domestic asset requirement
1 January 2018	40%
1 April 2018	42.5%
1 October 2018	45%

- Guidance Note 7 December 2017 - The Registrar of Medical Aid Funds ("the Registrar") published a "Declaration of Undesirable Practice in terms of Section 4(9) of the Medical Aid Funds Act, 1995 (Act no. 23 of 1995)" in the Government Gazette, No. 6399 on 1 September 2017. The Registrar declared certain restrictions and certain exclusions pertaining to third party claims an undesirable practice in terms of the Act. A guidance note on the aforementioned Declaration of Undesirable Practice was issued to industry on 7 December 2017, to provide guidance on the treatment of reimbursements received by a medical aid fund ("Fund"), or a member of a medical aid fund or his/her beneficiary from a third party for medical expenditure incurred by the member of a medical aid fund or his/her beneficiary.

- *Directive PI/MAF/DIR/01/2017* – The Registrar issued a Directive pursuant to the Namibia Financial Institutions Supervisory Authority's ("NAMFISA") Board of Appeal judgment which was delivered on 14 December 2017, in relation to the appeal lodged against the Directive PI/MAF/DIR/01/2017 pertaining to the discontinuation of the practice of providing gym rebates and other wellness benefits in its current form by Medical Aid Funds, insofar as Funds were given until 31 December 2018 to comply to the aforementioned Directive. By order of the NAMFISA Board of Appeal, the Medical Aid Funds were directed to comply with Section 1 of the Medical Aid Funds Act, with immediate effect. Registered Funds have been sensitized on the aforementioned Directive on 15 December 2017. Furthermore, all registered Funds were required to amend their rules and related benefit structures containing the provision of Gym rebates and to submit the amended rules to the Registrar by not later than 15 March 2018.

Supervisory developments

Regulatory interventions

Long term insurance

Table 11: Regulatory interventions for long-term Insurance companies

Intervention	Q2 2017	Q3 2017	Q4 2017
General			
- Cautionary Notices & Information	0	0	0
- Voluntary License Cancellations	0	0	
Inspections			
- Scheduled	16	16	16
- Targeted / Prompted	1	0	0
Remedial Actions Taken			
Penalties Imposed	0	N$ 47 000	N$147 000

Table 12: Statistics summary of intervention activities on short-term insurance industry

Short-term insurance department

Intervention	Q3 2017	Q4 2017
General		
- Cautionary Notices & Information	0	0
- Voluntary License Cancellations	46	31
- Deceased License Cancellations	0	0
Regulatory Interventions		
- Notices to Cancel Issued	0	0
- License Cancellations (forced)	0	0
Inspections		
- Scheduled	14	27*
- Targeted / Prompted	0	0
Remedial Actions Taken		
Resolved Cases	0	0
Open Cases	0	0
Penalties Imposed	0	0
Consumer Complaints		
- Complaints launched	29	38
- Complaints Resolved	26	29

Note: * Relates to quarterly off-site monitoring, audited annual financial statements (AFS) off-site inspections and on-site inspections.

There were no penalties imposed against any registered short term insurer and intermediaries, for the period under review.

Retirement funds industry

The retirement fund industry as a whole generally remains compliant 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 growth during the quarter under review, recovering from a decline experienced in the preceding quarter. All active entities submitted their statutory submissions, i.e. Statements of Investment Holdings on time for the quarter under review. Complaints received during the quarter under review decreased with cases of non-payment of pension contributions and benefits that 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

One thematic on-site inspection was completed during the quarter under review. Off-site surveillance was conducted on 14 retirement funds based on the Statements of Investment Holdings submitted for the quarter ended 31 December 2017.

Industry forums and meetings

There were no industry meetings and no industry consultations conducted during the period under review.

Consumer education developments

The Pensions department wrote one article namely, "What choices can one expect to make, what annuity options are available and what are the types of fees one can expect to pay". The focus of the article was to educate and enhance retirement fund members' and trustees' knowledge on this critical topic.

Complaints

During the quarter under review 46 complaints, a decrease of 21 complaints, were lodged against the retirement funds industry with the Registrar. The complaints had a resolution rate of 65.2 percent as at 31 December 2017 with the remaining complaints being resolved after the quarter ended. The complaints are classified according to their type and the regularity of various types of complaints is used in conducting thematic on-site inspections on the industry. Members of pension funds are thus urged to approach the NAMFISA Complaints and Consumer Education Department when clarity or intervention is sought.

Medical aid fund

The Authority's new levy structure was published in the Government Gazette of 10 October 2017 (Government Notice No. 265 of Gazette No. 6438 on the "Imposition of Levies on Namibia Financial Institutions: Namibia Financial Institutions Supervisory Authority Act, 2001). With effect from 1 November 2017 Medical Aid Funds are required to pay an annual levy equal to 0.14 percent of gross contributions received. Medical aid funds were provided with guidance notes to this effect on 23 October 2017.

Friendly societies

The Authority's new levy structure was published in the Government Gazette of 10 October 2017, (Government Notice No. 265 of Gazette No. 6438 on the "Imposition of Levies on Namibia Financial Institutions: Namibia Financial Institutions Supervisory Authority Act, 2001) and was effective from 1 November 2017. All registered friendly societies are required to pay an annual levy equal to 1.4 percent of the total income (excluding investment income and other income not related to the business of a society). The first provisional levy payment for friendly societies under the new levy structure for the period 1 November 2017 to 31 December 2017 was due on or before 25 January 2018.

Capital markets

The registrar approved one investment manager and one linked investment service provider during the quarter. The responsible division conducted inspections on 14 investment managers. In addition, the division also carried out group-wide examinations at two NBFI group entities. The inspection reports were submitted to the entities for comment. The division transmitted standards under the FIM Bill to the industry for comment and finalized these standards, and issued a circular to clarify the extension of the drawdown period contemplated in Regulation 29(14)(b) under the Pension Funds Act.

In terms of supervisory interventions and remedial action, the division assessed the risks financial institutions pose. Of the 34 capital markets institutions, NAMFISA determined that 28 financial institutions were fully compliant and as posing no significant problems. While four entities remained in the categories of "risk to viability or solvency" and "Future Viability in Serious Doubt," the entity placed in the "Entity Not Viable or Insolvency Imminent" category also remained in this category during the quarter.

Collective investment schemes

A total of 52 management companies of CIS, special purpose vehicles (SPVs) and unlisted investment managers (UIMs) remained registered during the quarter. NAMFISA assessed the risks posed by the institutions. Of these entities, the 13 management companies were classified as posing "no significant problems," while the 39 SPVs and UIMs were not assessed at the date of this publication. The division responsible for CIS conducted inspections at five management companies.

Microlending

Inspections conducted

During the period under review, there were two on-Site Inspections (themed Joint Inspections) from 18 September to 27 October 2017.

The main purpose of the on-site inspection was to assess the status of the registered entities in terms of their Corporate Governance and Risk Management function, systems and processes.

Registrations, de-registrations, suspensions and cancellations

During the period under review, eighteen (18) new applications for registration as microlenders were approved after it went through a vigorous internal assessment process. The registration of a further five (5) microlenders was cancelled during the period under review. As at 31 December 2017, a total number of 317 microlenders were registered with NAMFISA, representing an increase, quarter-on-quarter, of 4.28 percent.

Penalties and/or fines

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

Drafting, issuing and/or implementation of circulars/directives

There were no circulars issued during the period under review.

Industry forums and meetings

No industry forums took place during the period under review.

Consumer education developments

No Consumer Education developments took place during the period under review.

ICT developments over the quarter

No new ICT developments took place during the period under review.

Part C: Statistical Appendix

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Supervisory Developments

Table 1: Registered entities

	Entities as at end	Entities registered during	Entities de-registered during	Entities as at end
	Q3-2017	Q4-2017	Q4-2017	Q4-2017
Financial Institutions:				
Long-term insurers (LTIs)	16	0	0	16
Short-term insurers (STIs)	14	2	0	16
Reinsurers (both LTIs and STIs)	2	0	0	2
Medical aid funds	10	10	10	10
Pension funds	139	0	1	138
Collective investment schemes	16	0	0	16
Management companies	13	1	0	14
Investment managers	25	1	0	26
Special Purpose Vehicles (SPVs)	17	0	0	17
Unlisted Investment Managers	22	0	0	22
Microlenders	304	18	5	317
Stock exchanges	1	0	0	1
Stock brokers (including sponsors)	4	0	0	4
Linked Investment Services Provider (LISPS)	2	1	0	3
Friendly societies	2	0	1	1
Sub-total	587	33	17	603
Financial Intermediaries:				
Long-term insurance brokers	588	26	1	613
Long-term insurance agents	4 141	290	46	4 385
Short-term insurance brokers	497	13	9	501
Short-term insurance agents	931	45	22	954
Subtotal	6 157	374	78	6 453
Total	**6 744**	**407**	**95**	**7 056**

Table 2: Indicators for Supervisory concerns

Indicators for Supervisory Concerns, Q4- 2016													
Q4-2017													
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	4	68	2	0	28	13	200	323	59%
Stage 2	Early Warning		Staggered submission of returns. Resultant levies not paid	6	5	10	4	1	1	0	48	75	14%
Stage 3	Risk to Viability or Solvency		Irregular submission of returns. Irregular submission of levies.	2	3	5	2	0	2	0	28	42	8%
Stage 4	Future Viability in Serious Doubt		No trading, no submission of AFS, no submission of returns, some payment of levies	0	0	0	1	0	2	0	26	29	5%
Stage 5	Entity Not Viable or Insolvency Imminent		Dormancy, no payment of levies, no submission of returns and owe NAMFISA levies	0	2	55	1	0	1		15	74	14%
Total				16	14	138	10	1	34	13	317	543	100%

Long-term Insurance Industry

Table 3: Income and expenses

Long-term insurance

N$ 000					
STATEMENT OF COMPREHENSIVE INCOME					
	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Single Premiums	722 027	776 676	825 441	1 057 231	940 927
Recurring Premiums	1 364 643	1 312 803	1 400 313	1 286 364	1 475 827
Gross premiums written	2 086 670	2 089 479	2 225 754	2 343 595	2 416 754
Less: Reinsurance premium	80 437	53 501	73 779	78 928	73 404
Net premiums written	2 006 233	2 035 978	2 151 975	2 264 667	2 343 350
Gross policyholder benefits paid	1 428 449	1 447 110	1 651 469	1 548 141	1 427 184
Reinsurance recoveries	46 139	53 236	44 502	46 507	53 824
Net policyholders benefits	1 382 310	1 393 874	1 606 967	1 501 634	1 373 360
Change in policyholder liabilities	63 306	876 835	257 124	1 498 575	1 596 949
Commission paid	133 978	137 073	142 393	167 990	153 509
POLICYHOLDER BENEFITS AND COMMISSION	1 579 594	2 407 782	2 006 484	3 168 199	3 123 818
GROSS PROFIT/(LOSS)	**426 639**	**(371 804)**	**145 491**	**(903 532)**	**(780 468)**
NET INCOME OVER EXPENSES	119 030		451 712	1 738 150	887 969
Investment income	414 395	1 029 345	670 762	1 853 856	1 104 587
Other income	(561)	113 869	70 230	206 595	131 005
TOTAL INCOME	413 834	1 143 214	740 992	2 060 451	1 235 592
Management expenses	227 745	249 151	231 982	256 875	282 015
Other expenses	66 695	11 323	57 020	64 850	62 677
Finance costs	364	42947	278	576	2931
TOTAL EXPENSES	**294 804**	**303 421**	**289 280**	**322 301**	**347 623**
PROFIT BEFORE TAXATION	545 669	467 989	597 203	834 618	107 501

Table 4: Assets and liabilities

Long-term insurance

N$ 000					
STATEMENT OF FINANCIAL POSITION					
	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Immovable Property	516 530	517 272	522 022	524 591	520 856
Property, plant and equipment	27 587	27 607	33 071	33 098	34 249
Intangible assets	364 088	354 865	362 945	375 437	403 739
Deferred tax	0	0		0	0
Other assets	3 679 789	3 745 396	3 819 640	4 162 516	4 310 864
Investments	31 883 062	31 820 663	30 390 889	33 138 088	37 079 041
NON-CURRENT ASSETS	36 471 056	36 465 803	35 128 567	38 233 730	42 348 749
Reinsurer's debtors	275 942	231 997	225 896	258 066	292 034
Premium debtors	131 945	132 162	140 918	161 477	179 052
TECHNICAL ASSETS	407 887	364 159	366 814	419 543	471 086
Cash and cash equivalents	3 017 075	2 499 265	3 813 983	3 265 255	3 101 637
Receivables	1 513 148	1 766 516	1 829 814	1 413 313	1 446 986
Investments	6 144 814	7 084 554	7 532 660	6 688 280	6 565 744
CURRENT ASSETS	10 675 037	11 350 335	13 176 457	11 366 848	11 114 367
TOTAL ASSETS	47 553 980	48 180 297	48 671 838	50 020 121	53 934 202
Ordinary share capital	74 942	74 942	74 942	74 942	70 952
Share premium	971 153	971 153	955 951	940 463	1 710 453
Retained earnings	6 836 357	6 472 886	6 865 220	7 576 534	7 942 226
Other reserve	(1 061 847)	(1 067 867)	(1 056 549)	(1 038 256)	(1 033 788)
CAPITAL AND RESERVE	6 820 605	6 451 114	6 839 564	7 553 683	8 689 843
Deferred taxation	0	0	0	0	0
Other liabilities	27 823	34 833	44 127	42 398	32 161
NON CURRENT LIABILITIES	27 823	34 833	44 127	42 398	32 161
Policyholder liabilities	38 769 944	39 646 779	39 908 809	41 407 384	43 002 615
Reinsurance creditors	70 035	35 504	21 530	31 524	42 220
TECHNICAL LIABILITIES	38 839 979	39 682 283	39 930 339	41 438 908	43 044 835
Trade and other payables	627 932	993 938	923 115	859 731	1 084 393
Current income taxation	1 402	4 028	-3 081	4 654	-4 293
CAR	219 694	219 694	231 520	307 444	295 848
Other liabilities	1 016 545	794 407	706 254	812 807	791 415
CURRENT LIABILITIES	1 865 573	2 012 067	1 857 808	1 984 636	2 167 363
TOTAL LIABILITIES	40 733 375	41 729 183	41 832 274	43 465 942	45 244 359
Excess Assets	6 820 605	6 451 114	6 839 564	6 554 179	8 689 843

Short-term insurance

Table 5: Income and expenses
Short-term insurance

N$ 000					
Income statement	Q4-2016	Q1-2017	Q2-2017	Q3-2017	Q4 2017
Gross premiums written	795 539	1 008 197	848,35	899 515	958 074
Less: Reinsurance expense	239 206	277 675	191 825	232 519	303 583
Net premiums written	556 333	730 522	656 525	666 996	654 491
Change in provision for UPR	(65 860)	100 576	(13 615)	32 957	41 868
Net Premiums earned	622 193	629 946	670 140	634 039	612 623
Gross claims and loss adjustment expenses	460 938	469 435	433 256	424 552	374 976
Change in IBNR	(6 659)	4 092	2 132	(238)	7 164
Less: Gross claims and loss adjustment expenses recovered from reinsurers	123 393	103 592	97 211	82 978	66 795
Net Claims incurred	330 886	369 935	338 177	341 336	315 345
Commission incurred	112 448	103 443	106 635	109 587	138 001
Less: Commission earned	57 606	52 055	53,68	53 714	85 350
Net commission incurred	54 842	51 388	52 955	55 873	52 651
CLAIMS AND COMMISSION	385 728	421 323	391 132	397 209	367 996
				-	-
Underwriting surplus	236 465	208 623	279 008	236 830	244 627
Management expenses	180 119	162 795	150 297	169 063	184 447
Finance costs	8	672	(21)	(31)	(252)
Investment income	63 243	153 058	63 589	87 861	57 174
Other income	5 221	8 264	76 569	17 521	7 316
Other Expenses	9 197	4 318	1 231	31 242	3 091
				-	-
Profit before tax	115 605	202 160	267 659	141 938	121 831
LESS: Est. taxation (Current + def.)	22 090	26 660	42 658	28 143	63 993
PROFIT FOR THE YEAR	93 515	175 500	225 001	113 795	57 838
Other comprehensive income for the quarter	4 841	7 391	(48 914)	1 305	2 955
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER	98 356	182 891	176 087	115 100	60 793

Industry Performance Ratios	Q4-2016	Q1-2017	Q2-2017	Q3-2017	Q4-2017
Cession ratio	30%	28%	23%	26%	32%
Net loss ratio	53%	59%	50%	54%	51%
Expense ratio	39%	35%	31%	40%	39%
Net combined ratio	92%	94%	81%	94%	91%

Table 6: Experience ratio
Short-term insurance

	Q4-2016	Q1 2017	Q2 2017	Q3-2017	Q4 2017
Premium earned by class (% of total)					
Fire	15%	14%	12%	15%	14%
Marine	1%	0%	1%	0%	0%
Aviation	0%	0%	0%	0%	0%
Vehicles	27%	25%	24%	25%	25%
Guarantee	0%	1%	-1%	0%	0%
Miscellaneous	19%	17%	33%	21%	19%
Personal	39%	43%	31%	39%	43%
Loss ratio by class					
Fire	46%	54%	48%	31%	33%
Marine	30%	85%	17%	109%	130%
Aviation	-7%	0%	11%	16%	-186%
Vehicles	59%	66%	62%	69%	63%
Guarantee	-20%	54%	-113%	-343%	-112%
Miscellaneous	48%	47%	19%	35%	37%
Personal	55%	60%	72%	66%	54%
Underwriting results (% of premiums earned)					
Fire	6%	4%	5%	8%	8%
Marine	0%	0%	1%	0%	0%
Aviation	0%	0%	1%	0%	0%
Vehicles	8%	6%	7%	5%	7%
Guarantee	0%	0%	-2%	1%	-1%
Miscellaneous	9%	10%	26%	13%	11%
Personal	14%	13%	5%	10%	16%

Table 7: Balance sheet

Short-term insurance

INDUSTRY STATEMENT OF FINANCIAL POSITION					
N$ 000					
	Q4- 2016	Q1-2017	Q2-2017	Q3-2017	Q4 2017
NON-CURRENT ASSETS	1 419 997	1 507 329	1 089 791	1 550 896	1 285 276
Immovable property	1 763	1 720	1 693	1 996	2 281
Property, plant and equipment	11 023	16 668	16 861	16 901	20 018
Intangible assets	26 994	25 700	25 697	25 680	27 427
Deferred tax	10 889	11 580	10 962	12 985	39 138
Other assets	357 086	369 746	382 017	404 429	52 554
Investments	1 012 242	1 081 915	652 561	1 088 905	1 143 858
TECHNICAL ASSETS	1 045 961	1 159 899	1 034 249	1 078 613	1 061 675
Reinsurers' share of unearned premiums	404 342	442 216	383 626	389 674	387 673
Reinsurers' share of outstanding claims	242 165	262 139	269 206	253 145	222 715
Reinsurers' share of claims incurred but not reported	73 476	69 895	69 723	69 577	62 180
Commission Receivable	17 865	18 456	16 151	19 467	21 375
Premium debtors	308 113	367 193	295 543	346 750	367 732
CURRENT ASSETS	3 303 352	3 440 879	3 978 829	3 649 403	3 885 821
Cash and cash equivalents	1 081 237	1 135 771	1 184 438	1 294 341	1 080 674
Other Receivables	110 570	86 408	99 672	114 119	538 600
Investments	2 111 545	2 218 700	2 694 719	2 240 943	2 266 547
TOTAL ASSETS	**5 769 310**	**6 108 107**	**6 102 869**	**6 278 912**	**6 232 772**
CAPITAL AND RESERVES	1 825 174	1 960 419	2 069 650	2 154 837	2 080 299
Ordinary share capital	63 598	66 598	68 998	73 935	80 602
Share premium	180 901	180 901	182 839	182 839	187 506
Retained earnings	1 427 261	1 541 205	1 655 617	1 734 332	1 734 598
Contingency reserve	151 727	170 013	162 082	162 756	75 963
Other reserve	1 687	1 702	114	975	1 630
NON CURRENT LIABILITIES	31 432	32 105	33 372	40 197	34 621
Deferred taxation	20 572	20 991	22 314	27 336	29 600
Other liabilities	10 860	11 114	11 058	12 861	5 021

TECHNICAL LIABILITIES	3 232 651	3 407 215	3 302 637	3 366 063	3 421 446
Gross provision for unearned premiums	1 832 533	1 970 264	1 897 797	1 936 800	1 976 667
Gross outstanding claims	755 587	827 860	816 375	763 699	686 300
Gross claims incurred but not reported	222 762	220 410	222 481	222 094	221 861
Commission Due	17 327	19 843	14,6	15 346	15 716
Reinsurance creditors	404 442	368 838	351 384	428 124	520 902
CURRENT LIABILITIES	680 047	708 368	697 210	717 761	696 406
Trade and other payables	317 825	352 811	351 753	342 542	414 692
Current income taxation	28 210	37 506	21 197	57 793	47 490
Other liabilities	334 012	318 051	324,26	317 426	234 224
TOTAL EQUITY AND LIABILITIES	5 769 304	6 108 113	6 102 869	6 278 864	6 232 778
Solvency Ratio	32%	32%	34%	34%	33%

Medical Aid Funds

Table 8: Membership
Medical aid funds

Membership	Q4-2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Number of Principal Members	79 979	83 834	83 143	83 801	82 698
Number of Dependants	100 757	102 083	102 206	101 662	103 398
Number of Pensioners	9 700	10 017	10 102	10 319	9 340
Total Members	**190 436**	**195 934**	**195 451**	**195 782**	**195 436**

Table 9: Contributions, income and expenses
MAFs

N$ 000					
Income and expenses					
	Q4-2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Gross Contribution received	846 746	954 726	956 573	960 133	956 851
Savings Plan Contributions/Roll-Over Contributions	27 963	30 258	31 176	31 986	30 663
Less: Net Reinsurance expenses	(3 232)	7 511	9 414	6 292	1 507
Net Contribution	822 015	916 956	915 983	921 855	924 681
Less: Net Claims Incurred	670 134	789 555	873 322	845 013	705 913
Underwriting surplus	151 881	127 402	42 662	76 842	218 767
Less: Administrative expenses	55 388	63 213	63 267	64 077	63 268
Less: Operational expenses	18 116	13 019	15 142	14 607	18 748
Less: Managed Care: management services	11 346	12 682	13 841	13 641	14 374
Total Expenses	**84 851**	**88 914**	**92 250**	**92 325**	**96 502**
Surplus/(Deficit) from operations	67 030	38 487	(49 588)	(15 482)	122 266
Add: Other income (Sundry income)	8 643	1 807	1 788	7 671	(2 746)
Add: Net Investment income	8 284	32 963	12 506	42 233	31 989
Net Surplus/(Loss)	83 957	73 258	(35 294)	34 421	151 508

Table 10: Balance sheet
MAFs

	Q4-2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
N$ 000					
ASSETS					
Non-current Assets	68 535	68 497	68 748	68 700	68 639
Property, Plant & Equipment	3 867	3 843	4 119	4 091	4 051
Investments	64 668	64 654	64 628	64 609	64 588
Current assets	1 376 236	1 486 200	1 473 035	1 525 053	1 703 404
Investments	1 092 503	1 151 255	1 165 731	1 222 161	1 391 379
Accounts receivable (Debtors)	44 708	39 681	39 859	42 821	42 146
Cash & cash equivalents	239 025	295 264	267 445	260 072	269 879
Total Assets	**1 444 771**	**1 554 697**	**1 541 783**	**1 593 754**	**1 772 043**
FUNDS AND LIABILITIES					
Members' Funds	1 130 031	1 202 671	1 171 499	1 208 183	1 359 673
Accumulated funds	1 130 031	1 202 671	1 171 499	1 208 183	1 359 673
Non-current liabilities	-	0		0	0
Long-term loans (Borrowings)	-	0		0	0
Current liabilities	314 741	352 025	370 284	385 571	412 370
Accounts payable (creditors)	77 845	98 569	98 218	99 365	106 638
Provision for outstanding claims/ IBNR	198 624	250 503	269 071	264 822	257 854
Bank overdraft			0	0	0
Savings plan liability (other liabilities)	34 964	120	211	18 483	44 210
Provision for bad debt	1 558	1 084	1 034	1 150	1 919
Short-Term Loans (Borrowings)	1750	1750	1750	1750	1750
Total Funds and Liabilities	**1 444 771**	**1 554 697**	**1 541 783**	**1 593 754**	**1 772 043**

Investments					
(N$ 000)	Q4-2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Investments in Namibia	**643 231**	**602 984**	**665 178**	**734 212**	**928 096**
Government & Other stock/(Bonds)	107 541	104 542	103 691	91 342	127 265
Shares/equities	109 488	107 177	109 846	113 196	82 872
Unit trust schemes	142 307	160 837	169 767	169 702	280 723
Debentures	8 926	2 376	2 872	2 431	2 871
Loans Stock Investment	2 577	2 628	2 634	2 770	2 874
Fixed Deposit and Savings Accounts	804,52397	0	805	805	750
Properties	7 450	7 450	7 450	7 450	7 450
Cash & Equivalents (Call Accounts)	264 138	217 955	268 113	346 516	393 857
Unlisted Investments	0	0	0	0	0
Treasury bills	0	21	0	0	29 434
Investments outside Namibia	**513 940**	**612 924**	**565 182**	**552 558**	**527 871**
Cash Outside Namibia	82 994	111 929	80 515	41 356	41 514
Equities/shares	134 209	155 963	134 234	152 700	155 199
Government & Other stock/(Bonds)	20 462	6 397	6 476	7 805	8 057
Bonds	7 419	16 885	19 779	19 376	19 774
Properties	2 289	2 317	2 843	3 010	3 141
Unit trusts schemes	266 566	319 433	321 334	328 311	300 187
Total investment assets	**1 157 171**	**1 215 908**	**1 230 360**	**1 286 769**	**1 455 968**

Table 11: Claims typology

MAFs

N$ 000					
Claims typology					
	Q4-2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Hospitals	267 973	273 286	309 703	305 846	271 253
General Practitioners	63 781	63 287	77 267	83 785	62 849
Pharmacies/Medicine	109 785	124 963	138 132	139 895	115 508
Specialists	86 551	87 384	102 685	102 141	85 509
Auxiliary Services	38 150	34 163	45 562	42 630	37 977
Pathologists	32 701	40 557	41 747	41 631	33 406
Optometrists	17 466	28 483	26 819	25 614	21 177
Dentists	36 072	32 687	37 679	41 725	31 668
Radiologists	31 293	31 455	35 421	35 872	27 919
Dental Specialists	4 641	4 154	4 422	4 688	3 318
Dental Therapists	688	999	923	1 099	867
Psychiatric Institutions	1 386	861	1 830	1 869	1 474
Optic Payouts	0	0	0	0	0
Other	18 147	15 924	23 811	22 427	19 871
IBNR movement	(38 499)	51 351	27 322	(4 209)	(6 881)
Total	**670 134**	**789 555**	**873 322**	**845 013**	**705 913**

Friendly Societies

Table 12: Membership

Friendly societies

Membership					
	Q4-2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Principal Members	565	570	576	596	604
Dependants	1 384	1 290	1 306	1 362	1 390
Total members	**1 949**	**1 860**	**1 882**	**1 958**	**1 994**

Table 13: Balance sheet

Friendly societies

Balance Sheet (N$)					
	Q4-2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
ASSETS					
Non-current Assets	-				
Long-term Investments	-				
Current assets	1 209 472	1 270 142	1 292 682	1 334 892	1 363 435
Accounts receivable	27 051	28 988	22 194	19 284	16 023
Cash & cash equivalents	13 391	54 323	64 836	90 810	22 115
Short-term Investments	1 169 030	1 186 831	1 205 653	1 224 798	1 325 297
Total Assets	**1 209 472**	**1 270 142**	**1 292 682**	**1 334 892**	**1 363 435**
FUNDS AND LIABILITIES					
Members' Funds	1 172 398	1 162 818	1 195 782	1 234 695	1 281 604
Accumulated funds	1 172 398	1 162 818	1 195 782	1 234 695	1 281 604
Current liabilities	37 074	107 324	96 900	100 197	81 831
Accounts payable (creditors)	17 074	48 324	37 900	41 197	16 181
Provision for outstanding claims/ IBNR	20 000	50 000	50 000	50 000	50 000
Bank overdraft			-		
Savings plan liability(other liabilities)			-		6 650
Provision for bad debt		9 000	9 000	9 000	9 000
Total Funds and Liabilities	1 209 472	1 270 142	1 292 682	1 334 892	1 363 435

Investments					
	Q4-2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Investments in Namibia	**1 182 421**	**1 241 154**	**1 270 488**	**1 315 608**	**1 347 412**
Cash & Equivalents (Call Accounts)	1 182 421	1 241 154	1 270 488	1 315 608	1 347 412
Investments					
Investments outside Namibia	**0**	**0**	**0**	**0**	**0**
Total investments	**1 182 421**	**1 241 154**	**1 270 488**	**1 315 608**	**1 347 412**
% 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$)	Q4-2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Contributions received	**45 936**	**42 425**	**44 000**	**45 725**	**47 025**
Claims	23 218	10 000	10 000	25 000	5 000
Underwriting surplus / (deficit)	**22 714**	**32 425**	**34 000**	**20 725**	**42 025**
Administration fees					
Operational expenses	10 624	12 755	20 096	1 485	1 485
Consultant fees/professional fees					
Total Expenses	**10 626**	**12 755**	**20 096**	**1 485**	**1 485**
Surplus/ (deficit) operations	**12 088**	**19 670**	**13 905**	**19 240**	**40 540**
Other income		0	0		
Investment income	23 311	17 877	18 958	19 423	20 594
Net Surplus / (Deficit)	**35 599**	**37 547**	**32 863**	**38 663**	**61 134**

Pension Funds

Table 15: Membership
Pension funds

	2013	2014	2015	2016	2017
Active members	258 769	324 686	300 028	285 614	289 241
Pensioners	38 686	39 359	41 008	36 348	43 938
Total Members	**297 455**	**364 045**	**341 036**	**321 962**	**333 179**

Table 16: Contributions, income and expenses
Pension funds

N$ million	2013	2014	2015	2016	2017
Contributions received	4 414	5 627	6 151	6 371	6 790
Net investment income	13 288	9 143	7 104	3 333	12 240
Capital appreciation	2 298	1 443	250	27	677
Insurance proceeds	93	128	101	145	180
Other income	11	22	70	25	36
Total Income	**20 104**	**16 363**	**13 676**	**9 902**	**19 923**
Administration expenses	262	242	175	276	280
Investment fees	215	280	332	155	165
Insurance premiums	223	258	268	272	299
Other expenses	45	149	162	112	79
Total expenses	**745**	**929**	**937**	**814**	**823**
Net income before transfers and benefits	19 359	15 434	12 619	9 065	18 965
Net transfers	(288)	(472)	(461)	(734)	(1 103)
Benefits paid	3 885	4 855	5 398	6 323	6 644
Net transfers and benefits paid	3 597	4 383	7 850	5 226	5 541
Net income	15 762	11 051	4 769	3 840	13 424

Table 17: Balance sheet
Pension funds

N$ million					
Assets	2013	2014	2015	2016	2017
Non-current assets	103 997	118 044	131 414	135 861	151 233
Current assets	1 270	1 525	1 675	1 601	1 652
Total assets	**105 267**	**119 569**	**133 089**	**137 462**	**152 885**
Funds, reserves and liabilities					
Funds and reserves	103 886	116 980	131 108	135 280	148 785
Current liabilities	1 381	2 589	1 981	2 181	4 100
Total funds reserves and liabilities	**105 267**	**119 569**	**133 089**	**137 462**	**152 885**

Table 18: Contribution and cost experience
Pension Funds

N$ million					
Composition of contributions	2013	2014	2015	2016	2017
Member contributions towards retirement	1 585	2 319	2 623	2 747	2 464
Employer contributions towards retirement	2 487	2 905	3 099	3 448	3 824
Additional voluntary contributions (AVCs)	17	21	23	28	22
Contributions towards costs	320	359	387	425	456
Other	5	23	19	86	25
Total Contributions	**4 414**	**5 627**	**6 151**	**6 734**	**6 791**
Composition of costs (% of total)	2013	2014	2015	2016	2017
Administration fees	30,6%	26,0%	17%	29%	29%
Insurance premiums	29,9%	27,8%	25%	29%	31%
Other costs	10,5%	16,0%	27%	14%	22%
Investment fees	29,1%	30,1%	31%	28%	17%
Total Costs	**100,0%**	**100,0%**	**100,0%**	**100%**	**100%**
Supplementary Data					
Cost Experience	2013	2014	2015	2016	2017
Administration fees	228	242	175	276	280
Insurance premiums	223	258	268	272	299
Other costs	78	149	282	133	214
Total (excl. investment fees)	**529**	**649**	**726**	**680**	**793**
Investment fees	217	280	332	269	165
Total (incl. investment fees)	**746**	**929**	**1058**	**950**	**958**

Table 19: Investment of funds

Pension funds

N$ million	2013	2014	2015	2016	2017
Country allocation					
Namibia	40 270	47 558	40 127	59 939	66 759
Common Monetary Area (CMA)	27 357	32 099	33 483	35 120	39 380
Outside CMA	35 985	37 506	45 049	40 524	45 294
Total	103 612	117 163	118 660	135 583	151 433
	2013	2014	2015	2016	2017
Funds allocation					
Equities	68 627	76 563	63 550	78 371	85 399
Fixed interest	20 966	23 624	19 670	32 365	33 725
Property	1 035	1 522	3 147	1 860	3 389
Cash/money market	5 507	7 740	12 289	9 659	11 278
Unlisted investments	3 185	3 009	2 275	4 807	6 372
Other	4 292	4 705	17 730	8 521	11 270
Total investments	103 612	117 163	118 660	135 583	151 433

Collective Investment Schemes

Table 20: Allocation of funds under management
CIS

N$ million	Q4-2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Country allocation					
Namibia	27 723	27 671	30 435	31 001	32 506
Common Monetary Area	15 716	16 641	16 464	18 281	18 708
Offshore	4 874	4 868	4 830	4 732	4 705
Total country allocation	**48 313**	**49 180**	**51 729**	**54 014**	**55 920**
Asset allocation					
Money market investments:					
Treasury bills	3 275	3 535	3 888	3 814	4 450
Negotiable certificates of deposit	11 428	12 473	13 333	15 018	15 791
Banker's Acceptances	-	-	-	-	-
Debentures	63	101	97	149	144
Notice, call and other deposits	9 550	9 022	10 122	10 129	10 454
Other	5 010	4 779	5 145	5 004	5 045
Listed equity	10 568	10 641	10 551	10 372	10 698
Listed debt	4 993	5 112	4 850	5 882	5 765
Unlisted equity	1 375	1 414	1 410	1 360	1 356
Unlisted debt	617	679	563	615	657
Unlisted property	-	-	-	-	-
Other assets	1 434	1 424	1 770	1 671	1 558
Total asset allocation	**48 313**	**49 180**	**51 729**	**54 014**	**55 920**

Table 21: Sources of funds
CIS

N$ million Source	Q4-2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Pension funds	5 693	5 667	5 907	5 104	5 047
Short-term insurance companies	409	412	481	409	529
Long-term insurance companies	2 427	2 449	2 072	2 361	2 551
Medical aid funds	175	210	217	231	310
Unit trust schemes	11 317	11 532	12 720	13 756	13 928
Companies	9 459	9 175	10 139	11 289	15 054
Natural persons	16 611	17 417	17 986	18 236	13 355
Other	2 222	2 318	2 207	2 628	5 145
Total Assets	**48 313**	**49 180**	**51 729**	**54 014**	**55 920**

Financial Markets

Table 22 Equity market performance

Indices	Q4-2016	Q1 2017	Q2 2017	Q3 2017	Q4-2017
NSX overall index (points)	1 069	1067	1 014	1 128	1 300
NSX local index (points)	547	571	571	591	600
JES All Share Index (points)	50 654	52056	51 611	55 579	59 505
Securities Traded					
Overall value of equity securities traded (N$ m)	2 137	3 339	5 672	2 193	2 552
Local value of equity securities traded (N$ m)	159	258	100	241	254
Overall volume of securities traded (m)	37	69	82	35	34
Local volume of securities traded (m)	9	29	4	8	9
Shares In Issue					
Overall market shares in issue (m)	30 697	29 042	29 224	29 748	29 818
Local market shares in issue (m)	4 192	2 500	2 583	3 084	3 100
Total shares in issue (m) DCB	2 665	961	1 044	1 045	1 051
Total shares in issue (m) ETFs	257	266	264	274	240
Market Capitalization					
Overall market capitalization (N$ m)	1 726 583	1 679 192	1 611 382	1 814 633	2 083 149
Local market capitalization (N$ m)	32 017	32 764	32 930	35 711	36 018
Liquidity (%)					
Overall market	0,12%	0,20%	0,35%	0,12%	0,12%
Local market	0,50%	0,79%	0,30%	0,67%	0,71%

Investment Management

Table 23: Allocation of funds under management
Investment management

N$ million					
Country allocation	Q4-2016	Q1-2017	Q2-2017	Q3 2017	Q4-2017
Namibia	79 881	79 464	77 989	81 200	79 367
Common Monetary Area	50 677	50 775	51 593	55 162	61 318
Offshore	20 217	20 982	22 882	24 014	23 598
Total country allocation	**150 775**	**151 221**	**152 464**	**160 376**	**164 283**
Asset allocation					
Money market investments:					
Treasury bills	18 278	18 028	19 755	20 089	20 850
Negotiable certificates of deposit	7 224	6 271	7 499	7 590	8 136
Banker's Acceptances	-	-	-	-	23
Debentures	63	102	97	149	163
Notice, call and other deposits	12 473	13 666	14 243	15 653	17 368
Other	4 891	4 729	4 771	4 237	3 884
Listed equity	71 655	73 218	69 230	74 196	75 267
Listed debt	21 679	21 146	20 916	21 984	22 487
Unlisted equity	1 450	1 510	1 320	1 250	2 006
Unlisted debt	88	88	82	84	105
Unlisted property	768	789	780	808	823
Other assets	12 206	11 674	13 772	14 335	13 171
Total asset allocation	**150 775**	**151 221**	**152 464**	**160 376**	**164 283**

Table 24: Sources of Funds
Investment Management

N$ million					
Source	Q4-2016	Q1-2017	Q2-2017	Q3 2017	Q4-2017
Pension funds	79 613	78 616	77 949	83 673	85 431
Short-term insurance companies	525	536	662	566	687
Long-term insurance companies	23 697	24 861	24 466	25 642	26 430
Medical aid funds	610	656	524	557	540
Unit trust schemes	38 710	39 048	39 318	41 909	31 417
Companies	2 971	2 942	3 999	2 957	5 533
Natural persons	91	85	944	80	7 175
Other	4 559	4 476	4 602	4 990	7 071
Total Assets	**150 775**	**151 221**	**152 464**	**160 376**	**164 283**

Microlending

Table 25: Microlender credit extension

Microlending

N$ million	Q4-2016	Q1 2017	Q2 2017	Q3 2017	Q4-2017
Value of loans disbursed (N$ million)	**846**	**779**	**944**	**884**	**974**
Term lenders	627	565	712	650	735
Payday lenders	219	214	233	234	239
Number of loans	**174 406**	**168 338**	**187 649**	**177 295**	**178 310**
Term lenders	28 898	26 053	35 600	29 320	30 913
Payday lenders	145 508	142 285	152 049	147 975	147 397
Average amounts (N$)					
Term lenders	21 680	21 668	19 989	22 176	23 777
Payday lenders	1 505	1 506	1 530	1 581	1 620
Total value of loan book (N$ million)	**4 222**	**4 432**	**4 855**	**5 084**	**5 460**
Term lenders	4 122	4 330	4 746	4 979	5 341
Payday lenders	100	102	109	104	119
Number of clients	**281 050**	**284 320**	**302 006**	**306 144**	**326 164**
Term lenders	223 413	224 817	234 438	244 661	254 873
Payday lenders	57 637	59 503	67 568	61 483	71 291

Consumer complaints

Table 26: Consumer complaints

Complaints Received	Q4-2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Microlending and credit agreements	42	64	90	117	74
Capital markets	1	0	0	6	0
Collective investment schemes	1	0	0	0	1
Long-term insurance	59	58	71	86	61
Short-term insurance	26	36	36	28	38
Medical aid funds	2	1	4	2	1
Pension funds	60	46	50	67	46
Others/referrals	0	6	0	1	0
Total	**191**	**211**	**251**	**307**	**221**

Table 27: Consumer complaints progress

Q4 2017			
Division	Total no of complaints received	No of resolved complaints	Funds recovered (N$)
Micro Lending and Credit Agreements	74	64	163 681
Capital Markets	0	0	-
Collective Investment Schemes	1	1	3 585
Long-Term Insurance	61	52	605 554
Short-Term Insurance	38	29	721 319
Medical Aid Funds	1	1	-
Pension Funds	46	30	8 651 672
Others / Referrals	0	0	-
Total complaints	**221**	**177**	**10 145 812**

Table 28: Consumer Complaints Typology

The total number of complaints received per quarter					
	Q1-2016	Q2-2016	Q3-2016	Q3 2017	Q4 2017
Micro Lending and Credit Agreements	**47**	**61**	**57**	**117**	**74**
Non-cancellation of contract	10	23	4	12	8
Queries	18	12	5	10	2
Overcharged interest	1	3	17	18	17
Non-payment of refunds	5	2	4	13	8
Overpayment	0	0	1	2	3
Illegal deductions	6	6	5	9	7
Extension of loan repayment period	6	12	19	23	17
Dispute	1	2	0	11	2
Service not delivered	0	1	2	10	3
Listing on Credit Bureau				7	6
Retention of Identification Card				2	1
Capital Markets	**0**	**2**	**1**	**6**	**0**
Non-payment of refunds	0	2	0	0	0
Low investment/saving value		1	1	6	0
Collective Investment Schemes	**3**	**0**	**0**	**0**	**1**
Low investments / Savings value	3	0	0	0	0
Query				0	1
Long-Term Insurance	**62**	**71**	**59**	**86**	**61**
Repudiation of funeral benefits	10	11	6	19	17
Repudiation of Hospital benefits			1	2	0
Repudiation of death benefits	2	3	5	3	1
Policy lapsed	2	5	0	4	3
Repudiation of disability benefits	0	0	4	3	1
Non-cancellation of insurance policies	17	7	15	27	14
Dispute	1	17	5	2	5
Queries	18	2	14	7	3
Non-payment of refunds	1	15	1	3	3
Non-payment of investment benefits // unit trust benefits	0	4	0	2	0
Low investment//saving value	0	0	2	6	4
Illegal deductions	11	7	6	8	10
Short-Term Insurance	**25**	**36**	**29**	**28**	**38**
Repudiation of motor vehicle accident	5	8	7	5	9
Repudiation of medical insurance	0	0	0	1	2
Repudiation of legal insurance	2	0	1		2

Repudiation of house content insurance	3	3	1	2	2
Queries	6	13	4	1	4
Non-cancellation of insurance policy	0	1	0	1	4
Repudiation of third party	1	0	0	3	1
Repudiation of loss of income	0	0	0	0	
Illegal deduction	1	3	7	1	
Repudiation of motor cycle replacement	0	0	0	0	5
Non-payment of refund	0	3	2	7	
Dispute	4	4	5	7	7
Cancellation of policy	1	0	0	0	
Cancellation of motor vehicle policy	1	0	0	0	
Repudiation of cellphone claim	1	1	2	0	
Repudiation of property insurance claim				0	2
Medical Aid Funds	**3**	**4**	**4**	**2**	**1**
Query	0	1	0	1	0
Repudiation of hospital benefit	2	0	0	1	0
Repudiation of medical benefit	1	3	4	0	1
Pension Funds	**22**	**54**	**53**	**67**	**46**
Non-payment of pension benefits	19	39	41	49	29
Non-payment of pension contributions	0	0	1	3	2
Non-payment of life annuity	0	10	1	1	3
Queries	2	5	9	4	4
Dispute	1	0	1	10	8
Others / Referrals	2	3	7	1	0
Queries	2	3	2	1	0
Overcharged interest	0	0	5	0	0
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**	**307**	**221**

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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Notes