

Insurance rubric · JSE-listed life, short-term and composite insurers

Insurers: four areas, scored out of 10.

The same four areas as the general rubric, with measures that suit companies that take on risk and hold policyholder money. Insurers are judged on returns, regulatory solvency and the quality of their underwriting.

Draft v0.95: revised after a first trial on three companies in this sector. Thresholds remain open to change until more companies are scored

Operations, Liquidity and Solvency

Points by band

SUB-SCORE	WHAT IT MEASURES	5	4	3	2	1	0
Operations (10)							
O1 Return on equity	The return on equity attributable to ordinary shareholders that the insurer publishes, latest year (normalised if that is the measure it leads with). If it publishes none, divide profit attributable to ordinary shareholders by average ordinary shareholders' equity. Return on group equity value and other embedded-value measures are not used. The reason text states which basis was used Where to find it: Financial highlights; income statement and statement of changes in equity	18% or more	15% to 18%	12% to 15%	9% to 12%	6% to 9%	Below 6%
O2 Insurance revenue growth	Compound annual growth in insurance revenue (gross premiums before IFRS 17) across the window Where to find it: Income statement; segment note	10% or more	7% to 10%	4% to 7%	1% to 4%	0% to 1%	Negative
Liquidity (10)							
L1 Cash conversion	Operating cash flow divided by profit after tax, latest year Where to find it: Cash flow statement	120% or more	100% to 120%	80% to 100%	60% to 80%	40% to 60%	Below 40%
L2 Liquid asset share	Financial assets measured at Level 1 (quoted prices) divided by total financial assets at fair value, latest year Where to find it: Fair value hierarchy note	70% or more	60% to 70%	50% to 60%	40% to 50%	30% to 40%	Below 30%

SUB-SCORE	WHAT IT MEASURES	5	4	3	2	1	0
Solvency (10)							
S1 Group solvency cover	The group's published solvency or capital cover ratio: eligible own funds divided by the capital requirement, latest year. Use the regulatory (SAM) group ratio if it is published. Otherwise use the group's economic or internal capital cover. The reason text states which measure was used Where to find it: Capital management or risk report	200% or more	170% to 200%	150% to 170%	130% to 150%	100% to 130%	Below 100%
S2 Debt to capital	Borrowings divided by borrowings plus total equity, latest year Where to find it: Statement of financial position; borrowings note	15% or less	15% to 25%	25% to 35%	35% to 45%	45% to 55%	Above 55%
S3 Trend deductions	Deduct 1 point if solvency cover fell by more than 20 percentage points across the window. Deduct 1 point if debt to capital rose by more than 10 percentage points across the window. Solvency cannot go below 0.						

Qualitative

Five yes/no rules, 2 points each

RULE	WHAT IT CHECKS	PASS	FAIL
Q1 Dividend reliability	A dividend was paid in every year of the window and the ordinary dividend per share was not cut Where to find it: Dividend note; results announcements	2 points	0 points
Q2 Dividend cover	Profit attributable to ordinary shareholders covered total ordinary dividends in at least 4 of the 5 years Where to find it: Income statement; dividend note	2 points	0 points
Q3 Underwriting profitability	The insurance operations were profitable in every year of the window: a positive insurance service result under IFRS 17, or a positive underwriting or operating result under IFRS 4 Where to find it: Segment note; insurance service result	2 points	0 points
Q4 Audit opinion	The independent auditor's opinion on the latest audited statements is unmodified, with no material uncertainty on going concern Where to find it: Independent auditor's report in the annual financial statements	2 points	0 points
Q5 No restatement	The latest audited statements do not restate prior-year figures to correct errors. A change in accounting standard applied across the market is noted but not counted Where to find it: Basis of preparation and prior-period notes	2 points	0 points

Notes

- IFRS 17 replaced IFRS 4 from financial years starting in 2023. Comparatives are restated by most insurers for one year only, so the earliest year or two of a five-year window may be on the old standard. The gap rule applies: a single unavailable year is kept and flagged; two or more unavailable years means the line is excluded and noted.
- Life insurers and short-term insurers earn money in different ways, so the same threshold can mean different things for each. Where that affects a score, the reason beside the score says so. A split of this rubric by insurer type may be needed once several insurers have been scored.
- Insurers do not all publish the same solvency measure or the same return on equity. The rubric takes the figure the insurer publishes and the reason text states which basis was used, so compare scores with that in mind.
- Cash conversion is the weakest measure for life insurers, because their operating cash flow includes policyholder money moving in and out. It is kept for consistency and flagged in the reason text.

5. **What the total is.** The sum of the four area scores (maximum 40). It describes the business across four areas. It is not an investment rating, a valuation or a recommendation, and it carries no buy, hold or sell bands.
 6. **Compare within a rubric.** Scores are comparable between companies scored on the same rubric. A bank's 30 and a retailer's 30 are not equivalent, because the measures differ.
 7. **How to read a score.** A higher or lower score is a point of comparison between companies, not a statement that one is better than another. Use the area scores and the stated reasons, not the total alone.
 8. **Window.** The five most recent financial years. Level measures use the latest year; change measures compare the first and last years of the window.
 9. **Missing data.** If one year is unavailable it is kept and flagged. If two or more years are unavailable the affected line is excluded and noted. Items that cannot yet be confirmed are shown as PENDING and score 0 until confirmed.
 10. **Fixed thresholds.** Thresholds are published in advance and applied identically to every company in the sector. They will be reviewed at most once a year, and any change will be dated and noted.
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This rubric describes how a descriptive score is calculated for jse-listed life, short-term and composite insurers. It does not constitute financial, investment or tax advice, or a recommendation to buy, hold or sell any security. Clearview Financial (Pty) Ltd is not a licensed financial services provider.

Source: company annual financial statements, risk and capital reports, and results announcements.