MAURITIUS UNION GROUP

2016

ANNUAL REPORT

"After another positive and fulfilling year, it is fitting for me to pay tribute to our teams across six countries, for their dedication and remarkable effort."

INTRODUCTION

Chairman's Review

by Dominique Galea

Dear Shareholder,

On behalf of the Board of Directors, I am pleased to submit the Annual Report of The Mauritius Union Assurance Cy. Ltd for the year ended 31 December 2016.

+8%

Turnover Growth

The Group turnover grew by 8% to reach a new threshold of Rs 3,760 billion

3,652 billion

Group Premiums

The gross earned premiums for the Group increased by 8% to Rs 3,652 billion

1,905 million

Gross Written Premiums

The Mauritian short-term business saw gross written premiums rise by 7% from Rs 1,789m to reach Rs 1,905m

+14%

Gross Premiums

Our local long-term business grew its gross premiums by a solid 14% to Rs 779m

OVERVIEW OF 2016

The challenging and competitive environment which had marked the previous year persisted in the local insurance market, as the Group embarked on the second phase of its African strategy.

On the international front, the continued sluggish global recovery and the added financial volatility weighed on investors. GDP growth recovered from the previous year to reach 3.1% in 2016.

Nonetheless, world growth is projected to reach 3.4% in 2017, supported by increased economic activity in advanced economies and emerging markets. Advanced economies are projected to grow by 1.9%, surpassed by growth of 4.5% in emerging markets.

In our review of the 2016 global insurance sector, the low-yield interest environment continues to impact on the profitability of insurance companies. The challenging local market conditions notwithstanding, insurance companies have continued to support their underwriting profits through new businesses and greater cost efficiencies.

In Mauritius, the real GDP growth was around 3.4% in 2016, unchanged from the previous year. Inflation was at a subdued 1% and the repo rate was stable at 4%. The financial services sector posted satisfactory results in 2016, in similar market conditions to those experienced in 2015.

RESULTS

The Mauritian market continued to be characterised by fierce competition in 2016, most particularly in the motor insurance segment. This business line has suffered from a substantial increase in the number and severity of road accidents, notably in the first three months of the year.

Despite the challenging market conditions, The Group maintained its solid performance with a stronger balance sheet, driven by good growth from Mauritius Union General Insurance and La Prudence Life Insurance in Mauritius. The Group turnover grew by 8% to reach a new threshold of Rs 3,760 billion.

The gross earned premiums for the Group increased by 8% to Rs 3,652 billion and the profit before tax reached Rs 167m.

CHAIRMAN'S REVIEW

Group profit after tax was Rs 120m, representing a decrease of 65% from 2015, impacted to a large extent by the derecognition of a deferred tax asset and goodwill for an amount of Rs 84m. This had no impact on cash flow, but contributed positively to the solvency position.

In contrast, the Mauritian short-term business saw gross written premiums rise by 7% from Rs 1,789m to reach Rs 1,905m, supported by **prudent risk selection** and a **cautious pricing strategy**. On the other hand, the net claims incurred increased by 11% to Rs 917m. **Investment and other income increased by 39% to reach Rs 113m**, explained by an increase in the fair value of bonds and increased interest income following a review of our investment strategy. Taking into account the unfavourable claims expenses, the results reflect a 15% increase in profit before tax, before the partial derecognition of our investment in Phoenix Transafrica Holdings Ltd. Profit after tax decreased from Rs 125m to Rs 57m. These results are satisfying, especially in light of the increasingly competitive and crowded local market, and the increase in road accidents.

Our local long-term business grew its gross premiums by a solid 14% to Rs 779m, driven by continued growth in new business. Additionally, despite the poor performance of the local equity markets, **investment income increased from Rs 347m in 2015 to Rs 398m in 2016**. The appreciable performance of our long-term business has led to a profit after tax of Rs 112m, a 10% increase from the previous year. The Life business has been guided by a clear strategy aimed at maximising capital, and reducing risk for both shareholders and policyholders.

The gross earned premiums for our African subsidiaries collectively amounted to Rs 1,028m, representing a 5% increase, with strong increase from Tanzania and Rwanda. Satisfactory operating results in Rwanda, Tanzania and Uganda were negated by disappointing results in Kenya, leading to the derecognition of Rs 104m of our African investment.

The Group has made some ambitious choices in Africa aimed at long term growth, which we are confident will bear fruit in the coming years.

DIVIDEND

The Board has declared a total dividend of Rs 112.7m, equivalent to a dividend of Rs 2.50 per share.

OUR INVESTMENT IN EAST AFRICA

It has been two years since the Group expanded into Africa with the takeover of Phoenix TransAfrica Holdings Ltd (PTHL). We have entered the second phase of our acquisition strategy by implementing an integration plan aimed at harmonising the African subsidiaries to the Mauritian structure, unlocking further synergies and economies of scale. We have a **long term vision of our investment on the African continent**, confident in the region's growth potential, and our ability to further develop the strong foundations already in place.

SUSTAINABILITY & INTEGRATED REPORTING

For the fourth year, we have incorporated a comprehensive Sustainability section in our Annual Report. We are committed to the principles of greater transparency and robust monitoring around issues of sustainability, as these inevitably touch many aspects of our operations.

The Group continues to work towards adhering to the guidelines laid out in the International Integrated Reporting Framework and the Principles for Sustainable Insurance (PSI) of the UNEP-FI, reviewing and improving key aspects of its reporting every year. We acknowledge the value this approach will ultimately unlock for all our stakeholders.

ACKNOWLEDGEMENTS

We welcomed two new board members in 2016, reinforcing our already considerable collective experience in terms of accounting, audit and insurance.

Mr Mushtaq Oosman is a Chartered Accountant with over 25 years' professional experience in audit and financial advice. He retired from PwC at the end of 2015, and we are pleased to have the benefit of his extensive experience. Our second appointee, **Ashraf Musbally**, has a 20 year career with La Prudence and Mauritius Union. He was appointed Group Managing Director of Phoenix of East Africa Assurance Company Limited (PEAL) in April 2016 and will report on our African business, as second executive director.

Mr Lakshamana (Kris) Lutchmenarraidoo resigned from the board in December 2016. This brings to a close ten years of service within the Group, where he has shown outstanding leadership and dedication. We thank him for all these excellent years of service. I would also like to take this opportunity to thank all my fellow board members for their time, insight, commitment and support throughout this past year.

After another positive and fulfilling year, it is fitting for me to pay tribute to the staff of the Mauritius Union Group for their dedication and remarkable effort. Our teams across six countries have been instrumental in achieving the significant goals outlined in this year's Annual Report.

Finally I would like to recognise the **significant contribution of all our key partners, the brokers, accredited agents and salespersons** who continue to accompany our clients on their insurance journey. Your collaboration strengthens our business and you have our gratitude.

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Chairman

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