

Earnings – First Quarter 2023

Dynamic and increasingly profitable growth in East Africa. Growth for General Insurance in Mauritius but profits affected by prior years' run-off, with prices still catching up to claims inflation.

Press Release

15 May 2023

MUA Ltd (MUA) today released its financial results for **three months ended 31 March 2023**. Some of the key highlights for the period include:

- **Gross Premium Earned increased by 8%** to Rs 1,845m (compared to Rs 1,712m as at March 2022).
- **General Insurance premiums in Mauritius grew by 10%** while East African subsidiaries expanded by 27% despite the continued strategy of very selective underwriting, especially in Kenya.
- **MUA Life Ltd Gross Written Premium remained high** but dipped by 3% as increasing interest rates prompted some single-premium customers to invest in other fixed income products.
- General Insurance results in the first quarter of 2023 were negatively affected by claims in motor and health originating from 2022, impacting the results by Rs 100m. While our Mauritian entity has taken all necessary measures to **adjust premiums in the face of inflationary pressures** on claims cost, the **positive impact of these actions will only gradually manifest itself** as contracts are renewed. The entity posted a loss of Rs 55m for the quarter.
- By contrast in East Africa, our entities posted **strong growth and increasing profitability**. Most notably, operating results in MUA Kenya increased drastically after a loss in the corresponding quarter in 2022. Profitability was also strong in the other African entities - East Africa reported **operating profit of Rs 39m**, up from a loss of Rs 15m in 2022 before consolidation adjustments.
- The weakness of the Kenyan Shilling meant that **PAT was impacted by exchange rate losses** of Rs 21m on the loan to MUA Kenya issued by MUA Ltd.
- Overall, the **group recorded a loss of Rs 32m** compared to a PAT of Rs 1.3m as at March 2022.
- The outlook for the **bond credit rating of MUA Ltd remains stable** at CARE MAU AA-Positive (issued by CARE Ratings (Africa) Limited).
- **Net Assets per Share remained at Rs 81.21** as at 31 March 2023 compared to Rs 81.26 as at 31 December 2022.



MUA Ltd, the largest insurance company by market capitalisation in Mauritius, today reported results for the first quarter ended 31 March 2023. The General Insurance operations in both Mauritius and East Africa recorded **top line growth though bottom line was heavily impacted by inflationary pressures**. The **group posted a loss of Rs 32m** amidst challenging economic conditions and cost increases outpacing revenue growth. However, with the group strategy having sights firmly set on the **growth in the East African region, the strong operational improvement** in each of the countries' results was a positive sign for the future and testament to success of actions taken over the past years.

General insurance operations in Mauritius reported **Gross Premium Earned of Rs 758m, up 20% compared to March 2022**. However, profitability suffered as a result of higher claims incurred on the back of galloping inflation on the price of spare parts and significant increases in clinic fees resulting in higher cost of claims for motor and health lines of business whereby the level of reserving for the 2022 financial year had to be complemented by circa Rs 100m in the first quarter of 2023. **PAT is expected to improve gradually** over the coming quarters following the implementation of a series of corrective actions such as **revision of premium rates and rationalisation of our acquisition costs**. On a positive note, our **robust reinsurance program mitigated the adverse impact of weather-related claims** incurred following cyclones and torrential rain in the first quarter and resulted in an **improvement in loss ratio on the non-motor segment**. The business operations were also impacted by higher management expenses which attributed to project costs related to the implementation of the new IFRS 17 accounting standard which becomes effective in 2023.

MUA Life Ltd's Gross Written Premium remained robust, despite a 3% dip to Rs 355m. Single premium sales were under pressure, as rising interest rates attracted investors to other fixed income products. **Bancassurance business grew comfortably by 18%**, driven by unit linked and protection business. The Life insurance entity reports profit on a bi-annual basis and the continued improvement in local fixed income yields is expected to support profitability in June 2022. **MUA Pension performed well, posting a 38% increase in Profit after Tax to Rs 10.5m**.

All East African entities reported strong growth and improved profitability compared to previous periods. The region reported a loss of Rs 20m due to provision for non-operational costs and IFRS-17-related expenses. **MUA Kenya profit increased by 103%** compared to a loss posted in the corresponding period for 2022. Profitability was positively boosted by a lower motor loss ratio and dividends paid by subsidiaries. **Gross Written Premiums in the region were up by 27%** and better operational metrics such as lower loss and commission ratios demonstrated the improvement in profitability for the East African market. The **health segment in Kenya boosted Gross Written Premium**, however the positive impact was diluted by a drop in motor premiums following a



cancellation of loss-making accounts, in line with the **target of cleansing portfolios across the group**. **MUA Rwanda maintained its level of profitability** whilst the Tanzanian entity posted a PAT of Rs 18m, down 20% compared to March 2022. **MUA Uganda continued its growth trend** both on top line and bottom line.

“**The improvement in our East African operations** reinforces our conviction in the region and the opportunity for **ProfitableGrowth**. Our aim is to continue striving for long-term shareholder value and recent **cost control measures, more stringent underwriting processes and pricing reviews** are expected to flow through to the bottom line going forward. We remain certain that MUA is well positioned to **grow market share in the region** whilst continuing to **strengthen the Mauritian operations** to weather headwinds, both now and in the future. With the launch of the “**4X + 1**” **transformation program**, recently presented at our investor meeting, which includes a focus on excellence across four pillars, notably **customer, technical, human resources, and operations and sales**, I am confident in our ability to **achieve steady improvements in client experience and satisfaction**, shareholder return, and stakeholder engagement” said MUA’s Group CEO, Joerg Weber.

Details of the results for the quarter ended **31 March 2023** are available for download at **mua.mu**.

For further information on **TRANSITION 2023**, our **Socially Responsible Investments** and our **strategic plan objectives**, please click **HERE**.