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THE ROYAL INSURANCE COMPANY AND THE INSURANCE MARKET

SWAZILAND

REPORT BY

Edward C. Dobbs

CENTER FOR PRIVATIZATION

2000 Pennsylvania Avenue, Washington, D.C. 20006

Project No. 38

December 1987

Prepared for
BUREAU FOR PRIVATE ENTERPRISE
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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PURPOSE OF THE PROJECT: SCOPE OF WORK

As a result of a 75% increase in the cost of the obligatory Motor Vehicle Act insurance, and also increases in other motor insurance premiums, the Swaziland Royal Insurance Company, the Minister of Finance and the Government of Swaziland have recently come under sharp criticism. There is a general complaint that the Swaziland Royal Insurance Company (SRIC), which is 51% owned by the Swazi government and has a monopoly (at least theoretically) on all insurance covering risks in Swaziland, is slow, poorly managed, lacks fresh ideas and enthusiasm, and is probably overcharging for its services.

Because of the complaints, the Minister of Finance asked USAID to arrange for someone to investigate the Swazi insurance industry, answer a series of questions regarding rate levels, range of products and quality of service offered by SRIC, and offer suggestions regarding possible alternative arrangements for the insurance industry.

This report is a follow-up on a study of the SRIC and the Swazi insurance market made by Robert T. Freeman, Jr. in March 1987.

EXECUTIVE SUMMARY: FINDINGS

1. The Swazi government has deviated from the original plan of creating a domestic insurance market protected by a law requiring that all insurances be placed with the SRIC, be permitting many exceptions to the law, and by not enforcing the prohibition against agents representing foreign companies. As a result, most pension plans and many group life schemes are placed abroad, as well as a good share of the ordinary life business and some short-term business. Premium leaving the country is difficult to calculate with any degree of accuracy, but probably exceeds E20,000,000.

2. If the Swazi government wishes to give Swazis access to the cheapest possible insurance coverages, it should allow foreign companies, brokers, and agents to operate with little or no restriction. This should tend to lower the cost of insurance, but will destroy the Swazi insurance industry, cause loss of foreign exchange and investment in the country, reduce sources of tax revenue, and might result in fraudulent insurance schemes being foisted on the public.

3. If the aim is to encourage development of a local insurance industry, then the government should enforce the laws requiring insurance in the country. Unfortunately, this will raise the cost of insurance for those now purchasing their coverages abroad.

4. If all insurance must be purchased in Swaziland, it would reduce public complaints if no one company had a monopoly in the country. Furthermore, eliminating the SRIC monopoly by introducing one or more other companies would bring an interchange of ideas between companies, encourage better service and perhaps lower rates, etc.

5. Permitting one or more other insurance companies to operate in Swaziland would require an insurance law which, among other things, should specify that all companies invest their reserves in the country. In addition, a commissioner of insurance knowledgeable in insurance matters would also be needed to supervise the companies and enforce the law.

6. Although there may be justification for the government to hold a controlling interest in the SRIC if it has a monopoly in the Swazi insurance market, there is no reason to continue this ownership arrangement if the market is a competitive one. SRIC has never paid a dividend, so that share ownership by the state has not been a source of revenue for the country. Disengaging SRIC from the Swazi government would enable it to offer different wage levels and working conditions (because it would no longer be tied to the Civil Service), and this might help motivate the personnel and thus improve efficiency and quality of service. Accordingly, it would appear to be advisable for the government to sell its 51% interest in the SRIC. Among potential buyers might be Swaki (largest Swazi conglomerate which in turn is about 50% government owned), the Swaki sugar interests (associated with Lonrho), one of the present minority stockholders, or other foreign insurance companies.

7. However, at the moment the SRIC is providing Motor Vehicle Act (MVA) coverage which produced a substantial loss in 1986 and is likely to produce greater losses in 1987 and later. This coverage is more of a social service than an insurance coverage, and at the present rates will bring the SRIC to bankruptcy shortly. Before anything else can be done, the SRIC must be relieved of the MVA obligation. The most practical solution would probably be to incorporate the Swazi MVA coverage into the South African MVA Fund which is financed by a levy of R0.025 or 0.026 per liter on sale of petrol and diesel fuel. If this is politically unacceptable, an alternative would be to set up a Swazi MVA Fund financed by a similar tax and administered by the SRIC. The tax for a Swazi MVA Fund would have to be quite high--probably E0.14-0.15 per liter.

   In addition, firm steps should be taken to contain the increase in MVA claims, and if possible reduce them. Increases in number and amount of these claims has so far been dramatic, and the trend is likely to continue.

REVIEW OF SWAZI INSURANCE INDUSTRY

In the "Swaziland Royal Insurance Corporation Order" (see Appendix 3 of Freeman's report) the objectives of the Swaziland Royal Insurance Corporation are expressed as follows:

> As from the date of commencement of this order the Corporation shall provide adequate and proper insurance business of all classes including both short and long term insurance in accordance with the conditions appropriate in the normal and proper conduct of insurance business:
>
> Provided that in the conduct of its business it shall act fairly and impartially to all persons, having regard only to economic considerations and such other factors as are normal and proper in the conduct of insurance business.

To support the SRIC in its endeavors, the "Control of Insurance Order" (Appendix 4 of Freeman's report) was also issued, requiring that all insurance be placed with the SRIC. Exceptions are life policies effective before January 1, 1974. In addition, the Minister of Finance is permitted to grant exemptions.

The resulting monopoly situation has brought on many complaints about the SRIC, principally alleging that the SRIC rates are higher than those offered elsewhere, that coverages are less generous and that service is slow. As a result, the Minister of Finance has been induced to grant numerous exceptions to the SRIC monopoly. In addition, there are a considerable number (perhaps 8 or 10) life insurance agents selling on behalf of South African insurers. As a result, some of the most desirable life insurance business is slipping out of Swaziland. No agent has ever been penalized for selling illegal coverages.

The first step, then, is that the Swazi government must define its objectives and priorities with respect to insurance matters: is the objective to provide a system to give Swazi citizens access to the most inexpensive insurance coverages, or is it to set up a system whereby Swaziland will have its own insurance industry?

The first objective--lowest rates--would imply opening the Swazi market to foreign insurers, agents, and brokers with only minimum restrictions--perhaps no restrictions. The costs would be:

1) Destruction of the SRIC and consequent loss of employment.

2) Outflow of all or most insurance premiums to South Africa or other major insurance areas such as London, and consequently loss of investment of the reserves.

3) Loss of tax revenue now being collected on the operation of the SRIC.

4) Loss of control of insurance by the Swazi government. The government would not be able to penalize fly-by-night operators, and Swazi insureds would have difficulty bringing legal action against insurers in South Africa or London.

5) A probable increase in fraudulent or questionable schemes.

If the government wishes to encourage development of a domestic Swazi insurance industry, then it should minimize the granting of permission to place insurance abroad, and strictly enforce the law with respect to the prohibition of insuring outside of Swaziland without Ministry approval. The benefits to be expected would be:

1) Increased funds in country, increased possibility of investment, and reduced loss of foreign exchange.

2) Increased employment.

3) Growth of a domestic insurance industry which can be overseen and controlled by the Swazi authorities.

4) Increased sources of tax revenue.

5) Reduction in number of questionable insurers or agents from abroad and fraudulent insurance schemes.

Compared to an open market, the costs of such a protected market would be:

1) Probable higher premiums and reduced availability of unusual coverages.

2) The necessity to penalize a few agents of foreign insurance companies and holders of foreign policies to show that the government is serious about stopping the outflow of insurance premiums.

No doubt some complaints from the public would result. Such complaints could be minimized by an effective public relations campaign to explain the long term benefits to the country.

On balance, a protected market seems more advantageous.

If this suggestion is accepted, the next question is whether to maintain the present monopoly or permit entry of other insurers. Since the monopoly situation has brought many complaints, it would be advisable, I believe, to permit the entry of branch office of one or more foreign insurance companies under an insurance law requiring foreign companies operating in Swaziland to assign capital to the Swazi branch and keep all reserves in Swaziland. The advantages of eliminating the monopoly would be:

1) Cross fertilization of ideas between the insurers.

2) Give a choice of insurers to the brokers and public.

3) Increased pressure on insurers to develop new products, improve service.

4) Perhaps (but not likely) lower insurance rates.

5) And, consequently, reduced complaints from the public.

6) In addition, of course, all the advantages mentioned above in having a domestic insurance industry.

It might be asked if the Swazi insurance market is large enough to support two or three insurance companies. At this moment the SRIC does about E20,000,000 in short-term premium, equivalent to about $10,000,000. At the time the SRIC was set up, the short-term premium was estimated to be one tenth of what it is now. At that time branches of two South African companies were writing short-term business in Swaziland, and the branch of one life company was operating.

Granted, these insurance operations in Swaziland were strictly branch sales offices, depending on head offices in South Africa for accounting, processing, top level management and other services. However, most insurers feel that premium of $2-3,000,000 is sufficient to support a foreign branch operation which must handle its own accounting, policy issuance, reinsurance processing, etc.

Furthermore, it should be mentioned that considerable new foreign investment is now flowing into Swaziland partly as a result of foreign investors withdrawing from South Africa. This will expand the market.

Another question is whether the Swazi government should maintain its current 51% ownership of the SRIC. At present it would appear that the main argument in favor of this ownership is tradition or sentiment--the SRIC was set up by the late King. If the SRIC is no longer a monopoly, then there would appear to be less reason for government to hold shares. Thus it would seem desirable to privatize the SRIC.

Under present conditions, however, it would be impossible to privatize the SRIC because of the heavy losses resulting from the MVA coverage. This obligatory insurance developed an estimated E4,876,000 in claims on the SRIC compared to E1,027,000 in premiums in 1986. In 1987 the MVA coverage is likely to put the SRIC into a state of technical bankruptcy, although cash flow will continue for several years.

ANALYSIS OF THE MVA PROBLEM

No matter what decisions are made with respect to the current SRIC monopoly and government ownership of the company, it is essential that the MVA problem be solved promptly. The SRIC is not in financial condition to continue with this coverage for another year.

If politically acceptable, perhaps the simplest and most economical way to solve the MVA problem would be to incorporate the Swazi MVA coverage into the South African MVA Fund. This fund is financed by a levy of about R0.025 per liter of petrol sold (I was not able to get official information as to the exact amount of the levy) and is operating satisfactorily.

Another solution is that adopted by Botswana--create a Swazi MVA Fund. The Fund could be managed and the claims handled by the kSRIC since they are already organized and experienced in this work.

The advantages of a petrol tax to cover the MVA obligations are:

1) Easier acceptance by the public since the cost of coverage will be spread over the year as part of the cost of petrol, rather than have to be paid in a lump sum in the form of an insurance premium. This should make future increases (which will surely be needed) easier to achieve

2) Vehicles from outside the country will contribute to the fund when they require petrol.

3) In some ways the cost would be more equitably distributed--the car which is driven more and thus uses more petrol would pay more than a vehicle which is little used.

4) There is now a suspicion that not all MVA tokens are renewed--some counterfeit tokens may be in use. The petrol tax would be collected from all auto users.

The major disadvantage of incorporating the cost of the MVA coverage in the price of petrol is that this cost will disappear from view. The long-term solution to the MVA problem is to reduce the incidence and severity of accidents--this objective may be overlooked if the cost of MVA coverage, and the periodic increases in this cost, are not readily visible.

The amount of tax to be imposed on petrol and diesel fuel will of course depend on the expected claims and the amount of fuel sold. MVA claims in 1986 were estimated at E4,876,000, up from E1,217,000 in 1985. In the first quarter of 1987 incurred claims were exceptionally low--only E223,000. It is therefore conceivable that the high claims level in 1986 was due to freak conditions which will not be repeated. A much more likely situation, however, is that claims will continue to rise as inflation lifts medical expenses, claimants become more aware of the possibilities of making claims, and lawyers become more ingenious and aggressive. This matter could be the subject of an actuarial study to be made about November 1, 1987, when three-quarters of 1987 MVA results are available, but provisionally one can say that an MVA Fund for 1988 of E8,000,000 might be sufficient.

However, claims tend to be presented and settled rather slowly, so that the full E8,000,000 fund need not be available immediately; thus, petrol taxes collected can be invested for a period to build up to E8,000,000 at a later date. The length of this period will vary in relation to the prescription period. Under the present two year prescription period no appreciable amount of The Fund need be available for two years. Thus, assuming 7% per annum investment return for two years, the amount to be raised from the petrol levy need only be about E6,987,500 in 1988. However, if the prescription period is shortened (which would be desirable as indicated below), then the period during which The Fund could be invested would also be shortened. This matter must be the subject of careful study depending on prevailing interest rates, the length of the prescription period, and the probable future speed with which claims can be settled, but for the moment let us assume that The Fund can be invested for one year at 7% before it must be available to pay claims. The amount to be raised from the petrol levy would then have to be about E7,477,000 during 1988.

Statistics on fuel consumption by motor vehicles are not readily available, but I was informed verbally that petrol sales for Swaziland are expected to be as follows:

1986	44,445,000 liters
1987	46,573,000
1988	48,785,000
1989	50,736,000
1990	51,979,000

Diesel fuel sales for 1986 are believed to be about 16,596,000 liters, but information as to how much of this goes to road vehicles and how much to railroads or fixed equipment is not immediately available. If we assume that 20% of diesel oil goes to road vehicles, and that consumption is increasing at 3.5% per annum (roughly the rate at which the population is growing), then in 1988 diesel oil used by road vehicles would be 3,555,000 liters. Adding petrol consumption mentioned above, the tax base would be a total of 52,340,000 liters in 1988. To generate an adequate MVA Fund the tax would have to be E0.143 per liter. Assuming the foregoing assumptions are correct, this level of tax would develop a fund of E7,484,600. Since fuel prices in Swaziland now range from E0.61 per liter for diesel to E0.73 for high test petrol, this is a substantial charge.

A variant which would permit a lower tax on petrol would be to have the SRIC continue to charge premiums on all cars at the same rate as at present, and then subsidize the MVA coverage by means of the petrol tax. The MVA premium charged by SRIC should generate about E1,750,000. A levy of E0.11 per liter would generate an additional E5,757,400, giving a total fund for 1988 of E7,507,400.

This levy would be collected by the government and passed to the SRIC as a subsidy for the MVA coverage. The only attraction of this solution is that it would permit a lower petrol levy, otherwise it appears to combine the worst of both systems, and therefore does not seem acceptable.

It is possible that this fund will prove excessive for 1988--but under present conditions the adequacy of the fund will not be known until the end of 1990 because claimants have two years to bring a claim. In fact, even by 1991 the adequacy of the fund will only be judged on the basis of estimates because the majority of claims take several years to settle, especially the larger claims which go though the courts. During the course of so many years outside factors such as inflation may increase the amount of average claim settlements so that a fund which might seem excessive at the end of 1988 may later prove to be entirely inadequate.

It should be mentioned that MVA has resulted in some extremely large claims. The accident in which Robert Zwame ran into a regiment of the King's soldiers (July 17, 1984), resulted in 38 claims; 12 have alread been rejected. The remaining 26 claims total E777,834 but the SRIC is carrying a reserve of E503,500 based on their estimate of the amounts for which the claims can be settled. Compare this figure with the MVA premium for 1984, which was E577,703; a single accident will consume 87% of the premium which was supposed to cover all the cars in the nation for an entire year!

Since the numbers are large, there may be a temptation to provide a smaller MVA Fund than that suggested. What is likely to happen if The Fund is inadequate? There would appear to be the following possibilities:

1) Part of the MVA Funds for succeeding years would be used to pay claims resulting from 1988 accidents.

2) The government would have to use money from other sources to settle MVA claims.

3) Eventually the MVA Fund would run out of money to pay claims, and claimants might sue the government for unsettled claims--at the very least there would be a substantial public outcry.

Unfortunately, as indicated above, MVA claims take a long time to settle (although this delay will be shortened if the prescription period is reduced), so that it will be years before any inadequacy of 1988 Fund will become apparent.

As implied by the foregoing, the real solution to the MVA problem is to reduce the incidence of motor accidents and the amount of claims. Here are some steps which might be taken:

1) Reduce the present two-year prescription period to six months, or, even better, 90 days from the date of accident. At this moment many of the larger claims are presented towards the end of the two year period, apparently in the hope that SRIC will have a more difficult defence because police records will have been lost, witnesses disappeared, etc. An amendment to the existing law giving 30 days in which to present pending claims, and thereafter only 90 days from date of accident, would no doubt result in an immediate avalanche of claims, but would provide a better situation in the future.

2) The Ministry of Finance should refrain from waiving the prescription period. An examination of the latest outstanding claims list shows 22 claims totalling about E600,000 reported more than two years after date of accident. The majority of these cases have a Ministry of Finance waiver.

3) Change the MVA claim form to allow only for tangible claims--amounts of which can be proven, eliminating "Future Earnings" and "General Damages (specify whether for pain and suffering, permanent disability, etc.)." (see Appendix 1) Worthy as it may be from a social point of view to idemnify for "pain and suffering", it is likely to result in a crushing expense--already this item represents more than 50% of overall claims presented.

4) Legislation should be prepared providing that the MVA is the exclusive remedy for motor accidents; i.e., claimants should

be prohibited from resorting to common law suits in case of motor accidents. Then, the law should contain reasonable indemnity limits such as four years' salary in case of death subject to E100,000 maximum, half as much for loss of a leg, etc., E10,000 for pain and suffering, etc., and a maximum indemnity of E300,000 to be paid by the MVA Fund for all claims arising from a single accident.

For the occasional car owner who feels that he would like to be able to idemnify injured third parties for higher amounts than specified in the law, the insurance industry might offer a "Double MVA" coverage under which the insurer would duplicate the indemnity from the MVA Fund. Of course, this coverage would have to be properly rated--it might cost 3 to 4 times the present MVA premium.

In addition, even though under the law the MVA Fund would be the exclusive remedy for injured third parties, there would still be room for a motor third party coverage for personal injury in order to cover the costs of legal assistance in those cases where a third party brings action against the car owner or driver under common law in spite of the statute.

5) Arrange to have the licenses of all drivers who are found responsible for accidents resulting in property damage or personal injury marked so that such drivers are immediately recognized by the police when they are stopped for traffic violations, and subject such drivers to extra penalties for infractions while the vehicle is moving, such as speeding, reckless driving, or drunken driving.

6) Penalize drivers who are found to be responsible for two or more motor accidents in any three year period by suspending their driver's licenses for two years.

7) Take steps to reduce the number of traffic accidents. Among programs which might be carried out are driver training courses, stricter control of driver licensing procedures, more careful road tests of new drivers, stricter enforcement of traffic regulations (particularly with respect to drunken driving), inspection of vehicles, etc. (see Appendix 2)

8) The SRIC should keep statistics on MVA claims by type of vehicle, age of driver, and by major fleets of vehicles. Unexpected patterns in these statistics will indicate corrective steps to be taken. For example, if one large fleet of trucks shows exceptionally high incidence of losses, it might indicate habitual overloading of vehicles or inadequate selection and training of drivers--both are conditions which can be corrected.

COMMENTS ON OTHER QUESTIONS

1. Are premium rates charged by SRIC higher than those charged elsewhere in region?

Insurance rates are dictated by the level of claims. In the case of third party liability coverages (other than automobile) claims are lower than in South Africa and consequently rates charged by SRIC are lower than those available in South Africa.

In the case of motor coverages, both the comprehensive coverage and the MVA, claims have been very high and consequently premiums are higher than in South Africa.

In life insurance SRIC's rates are higher than those available in South Africa partly because South African insurers have access to higher yielding investments, and more of them, as well as an active and recently booming stock market. In addition, South African life insurers use a different mortality table reflecting generally higher living standards and levels of medical care available in that country.

The SRIC should review with their actuaries the possibility of adjusting individual life rates downwards and compensating by increasing expense charges, thus reducing total premium charges on larger and more desirable accounts.

When comparing SRIC's rates with those available in South Africa, one should bear in mind that South Africa is a large, highly developed insurance market in which price competition is fierce. If SRIC's rates were compared to those available in, say, Kenya or Nigeria, the results would be different--SRIC's rates would be comparable.

2. Are SRIC's range of products and quality of service adequate?

Up to now, SRIC has not offered the life insurance extension known as "Permanent Disability", and this shortcoming has resulted in the approval of numerous applications for waiver of the obligation to insure in Swaziland. However, SRIC is now offering this coverage. In addition, they are now also offering "Waiver of Premium" and "Additional Accidental Death Benefit", two other minor coverages often attached to life insurance policies. With these extensions SRIC should be in a position to satisfy most life insurance requests.

However, it must be understood that with the small market available to it, SRIC will never be in a position to offer the more unusual coverages such as Professional Indemnity, Long Term Disability, Aviation Coverages, etc., except possibly on a fronting basis. In addition, SRIC is not in a position to offer equity linked life insurance policies, which are now the most popular life products offered in South Africa, because it does not have access to a stockmarket. Possibly some solution could be worked out through the Central Bank whereby SRIC would have access to the South African or other stock markets.

It should also be borne in mind that clients or brokers seeking permission to place business outside Swaziland can be expected to demand unusual extensions to standard coverages in order to claim that the coverage is not available from SRIC. The Ministry of Finance should avoid granting a waiver in these cases.

With respect to quality of service, the main complaint is slowness in preparing documents and paying claims. This shortcoming is endemic in Third World insurance companies, and can only be cured by more experienced, better trained, and better motivated personnel. Privatizing the SRIC should help with motivation of personnel by separating salary scales and working conditions from those of the Civil Service. Introduction of competition should encourage a more client-oriented attitude on the part of the personnel and make them more dedicated.

3. What are the causes of the shortcomings mentioned above?

This question is answered above. A successful insurance industry requires well-trained, conscientious, reliable and hard-working clerical, accounting, underwriting and administrative personnel as well as intelligent and dedicated executives. Until a country develops a pool of such personnel, it is unlikely to have an efficient insurance industry.

It has been asked if SRIC's monopoly status contributes to its shortcomings. The usual opinion is that personnel of a monopoly tend to feel a sense of security which does not encourage great energy and creativity, and permits an arrogant attitude towards clients because the clients cannot go elsewhere. It may well be that even if a monopoly does not display these attitudes, it will be perceived by the public as displaying them because that is the usual expectation.

It is difficult to say whether the personnel of SRIC are in fact more lethargic, unimaginative and arrogant than they would be if they were in a competitive situation. However, since the public believes this to be the case, perhaps the reality is irrelevant. In other words, even if a competitive situation does not bring a materially better insurance market in Swaziland, at least the public's opinion of insurance would tend to be less critical.

4. What is the connection between premium money retained in Swaziland and SRIC's monopoly status?

Since SRIC is a Swazi company obliged to invest its reserves in Swaziland, it retains more premium in the country that it would if it were a foreign company, say South African, permitted to place its funds wherever it wished. However, this does not result from SRIC being a monopoly. Rather, it results from SRIC's obligation to invest its reserves in the country.

If the Swazi insurance market were opened up to foreign companies without restriction, one would expect these companies to invest their reserves and any free funds for minimum risk and maximum return, which at this time probably means in South Africa. However, if foreign companies operating in Swaziland are required to maintain reserves in Swaziland, then the funds stay in the country.

This distinction is perhaps not of great importance in the case of short-term insurance, where reserves are relatively small and claims and expenses consume most of the premium each year. But in the case of life insurance or pension plans the situation is quite different. In the case of individual life insurance the clients pay premiums for many years before claiming, and a well-run life insurance company builds up extremely substantial reserves after some years. Similarly, pension plans build up large funds before payments are made to pensioners.

It might be argued that Swaziland suffers no real loss of foreign exchange if life insurance and pensions are placed abroad since the premiums which go out of the country eventually return when the insured dies. But is it desirable for Swaziland to lose foreign exchange for many years (perhaps 15, 20, or 30 years) even if the funds do eventually return to the country?

In addition, the insurance company presumably makes a profit on its life insurance portfolio and consequently pays taxes. Would it not be preferable if these taxes were paid to the Swazi government?

5 An outline of alternative legislative frameworks for the insurance industry.

In the time available I was not able to prepare much information on this. However, enclosed is a summary of the insurance laws in force in Panama (see Appendix 3) which include most of the features recommended.

Writing an insurance law is a highly technical matter requiring a great deal of research and thought.

6. What are possible disadvantages of alternative forms of organization of the insurance industry? What can be done?

A possible danger in permitting the Swazi branch of a foreign company to compete with the SRIC (whether government owned or not) is that the foreign company may attempt to drive SRIC out of business by cutting rates drastically and taking losses for a number of years, with the expectation of eventually having a monopoly. In the short run the Swazi insurance buyers would have the advantage of lower rates from the new company. In the longer term the existence of a private foreign-owned monopoly might be less desirable than the present SRIC monopoly.

As mentioned above, the creation of a competitive insurance market in Swaziland would require an insurance law and a commissioner of insurance who is knowledgeable about insurance matters to supervise the industry and enforce the law. This individual should watch out for signs of cutthroat competition such as repeated offering of uneconomic premiums (that is to say, premiums so low as to bring losses to the insurer), and intervene if appropriate. He should also carefully review the quarterly returns of each insurer for signs of weakness. In the worst of cases, he might have to impose a tariff on certain lines of insurance.

However, the possibility of this danger arising is remote. Most responsible insurance people are aware that unbridled rate competition is suicidal.

7. An analysis of the overhead and other costs of the Life Department of SRIC.

Under the former Life Department manager this department appears to have been overstaffed. This situation is being overcome because business is going up without adding new personnel--the manager expects business to expand 20-25% per annum without hiring new personnel for 3-5 years. In addition, there is a plan to computerize the life operation which will also reduce overhead and increase efficiency and accuracy.

8. How to finance the MVA coverage--

Comments on financing the fund partially or completely through a charge on petrol and the level of charge required are contained above.

The experience of South Africa in handling its MVA obligations by means of a petrol levy has so far proven successful. However, it should be mentioned that this system has only been in effect since January 1986, and MVA claims take several years to develop--see Appendix 4 for figures on the development of claims against the SRIC resulting from accidents which occurred in 1984. Although full confidence was expressed in South Africa regarding the adequacy of the Fund, it may prove in the future to be insufficient.

9. Guidelines for setting up and administering the proposed MVA Fund.

The MVA Fund should be a separate legal entity to be managed by the SRIC, since this organization has the administrative staff and experience required to handle claims and invest and administer the money. Taxes on petrol should be collected monthly by the government and delivered to the SRIC as administrators of The Fund before the 15th of the following month. If the proposed MVA Fund starts to operate January 1, 1988, then the first tax money should be delivered to SRIC not later than February 15. If, due to processing or administrative delays, it is impossible to deliver taxes collected in January by February 15, then application of the tax and collection thereof should start before January 1, 1988--perhaps November 1, 1987--so that money is available within six weeks of the commencement of the new Fund for prompt settlement of claims. This is important since delayed settlements will give The Fund a bad name immediately.

The SRIC, as administrators of The MVA Fund, should be required to invest money not immediately needed to pay claims, and to submit quarterly accounts to the Ministry of Finance showing funds received, interest earned, claims and expenses paid, claims received but as yet unpaid, estimates of "Incurred But Not Reported" claims, and such other accounting and statistical information as may assist in the economical and efficient administration of The Fund and settlement of the claims.

The Fund should pay a monthly fee to the SRIC for administration. This fee should be calculated at the beginning of each year to cover SRIC's total expenses in administering and investing the funds, doing the accounting, and negotiating and settling the claims, plus a modest profit. In addition, The Fund should pay the SRIC at the end of each year an additional fee designed to give SRIC an incentive to settle claims economically. This fee might be based on a percentage of the difference between the total value of claims originally presented and the amount for which these claims are finally settled: i.e., if in the first year of operation five claims are settled for a total of E250,000, if the original amount requested in these five claims was E1,000,000 and if the additional fee agreed to is 3%, then The Fund would pay the SRIC 3% of E750,000 or E22,500. Since third party claims often require three years or more to settle, this additional fee for SRIC would be small in the first years, but would build up in time. Exact details and percentages of this additional fee should be worked out by negotiation between the Ministry of Finance and the SRIC.

Granting the SRIC an additional fee as incentive for settling claims economically is important. In South Africa The Fund pays a minimum fee to insurers for settling the claims and no incentive for settling economically. As a result there is a suspicion that agents charged with settling claims pay more than is strictly necessary. The South African MVA Fund endeavors to control this situation by auditing the claims records.

If the SRIC ceases to be a monopoly, then provision should be made for the other company or companies to handle claims. The SRIC might sub-contract this service to the other companies, paying on a per claim basis. SRIC would also have to audit the claims handling of the other companies to ensure that settlements are arranged economically and without favoritism.

Detailed advice on all of these arrangements is available from experienced personnel at the South African MVA Fund.

10. An initial draft of legislation for the MVA Fund:

The existing "Compulsory Motor Vehicle Insurance Order 1973" should be rewritten with the following modifications:

a) Art 1—Change name to eliminate "Insurance"--perhaps call it "Motor Vehicle Accident Order."
b) Art 2—Eliminate "applicable tariff", "authorised insurer", "insurance period" etc., include definition of "MVA Fund", to be financed by petrol levy.
c) Art 3--"Prohibition against driving uninsured motor vehicle" can be eliminated since all vehicles registered in Swaziland will automatically be covered through the petrol levy.
d) Art 6--"Committee on Motor Vehicles Insurance Premiums" should be replaced by similar mechanism to adjust the petrol levy.
e) Art 7, 8, 9, 10, 11, 12, 13, 14, 15, 16 referring specifically to insurance matters, insurance tokens, etc., can be eliminated.
f) Art 17--"Giving of information..." should be rewritten to require owners and drivers to inform The MVA Fund promptly of accidents involving death or personal injury and should empower The MVA Fund itself to impose a significant penalty (perhaps a E500 fine) in case of non-compliance. This is important because at present the SRIC frequently does not hear of accidents until the third party claim arrives, and by then preparation of defense may be difficult.
g) Art 18--Change wording so that "The MVA Fund shall, subject to the Order, be obliged to compensate..." etc.
h) Art 21--Reduce prescription period to 90 days, or at most 6 months, and eliminate clauses permitting the Minister of Finance to waive the prescription period.
i) Art 22, 23, 24, 25--Change references to "the insurer" to "The MVA Fund."
j) Art 26--"Security in lieu of insurance"--eliminate, since coverage will be provided automatically to all Swazi registered vehicles through the petrol levy.
k) Incorporate an article in the law stating that action under the present law is the only recourse in case of claims for personal injury arising from motor accidents (i.e.,

prohibiting claims under common law) and setting reasonable limits of indemnity. This is important to prevent MVA claims from ballooning out of all proportion.

l) Incorporate an article stating that drivers responsible for one MVA claim will be subject to higher fines for future motor vehicle infractions, and drivers responsible for two or more accidents resulting in MVA claims in a three year period will be penalized by suspension of driver's license for two years.

11. If a determined effort is made to bring all insurance on Swazi risks into Swaziland, what should be done about holders of individual life policies placed abroad?

Although it is theoretically possible for foreign insurers to transfer their portfolios of life insurance on residents of Swaziland to companies authorized to operate in Swaziland, it would be difficult or impossible to force them to do so. Accordingly, individual life policies written before the effective date from which the rules are to be enforced should be allowed to remain in effect.

12. What steps can be taken to improve the SRIC, regardless of whether it continues with its monopoly situation and 51% government ownership or not?

First, I should mention that the SRIC appears to be a well-organized, well-run company, especially when it is compared to other government owned companies in third world countries. The personnel with whom I came in contact appeared to be capable, conscientious and well-intentioned. The company has never required additional funding from the government or the other stockholders since its founding in 1974--a statement which cannot be made about the other parastatals. But some improvements could be made.

The recommendations contained in the recent Coopers and Lybrand report on parastatals in Swaziland with respect to budgets and financial controls should be instituted at the SRIC. Budgets should be drawn up each year for the following three to five year period. Budgeting should involve all departments, and not be permitted to become merely a formality carried out by the accounting department.

The budget should then be submitted and reviewed by the board. The board should request justifications and clarifications of all aspects of the budget from the managers and department heads. Once the budget is accepted by the board, procedures should be set up so that at least once a quarter results actually achieved are compared with the budget figures. Substantial deviations from the budget should be reviewed to determine what can be done to improve performance.

Another area in which SRIC performance should be improved is that of public relations. The SRIC premium charges for motor insurance are certainly not exaggerated considering the level of claims, yet the public is not aware of this. The frequent newspaper articles I saw regarding traffic accidents never mentioned the insurance implications. If the public were constantly reminded that frequent accidents, more cars on the road, and inflation are three conditions which inevitably bring higher insurance premiums, possibly the final announcement of such premium increases would not cause so much resistance.

Finally, an effort should be made to improve communication between the Ministry of Finance and the SRIC (or the insurance industry generally if there is more than one company). At this moment the SRIC does not feel that it is getting adequate support from the Ministry, but some of the ideas about the Ministry in the minds of SRIC personnel are in fact not true. It is likely that Ministry personnel, not being insurance specialists, do not understand the problems and attitudes of the SRIC people. Frequent informal meetings between SRIC and Ministry personnel to discuss mutual problems should give both sides a clearer understanding of the other, tend to minimize misunderstandings, and help to harmonize points of view.

13. If it is decided to privatize the SRIC and open the Swazi market to one or two additional companies, what companies would be likely to come in?

The most likely purchaser of the 51% of SRIC now owned by the Swazi government is one of the present minority stockholders who are already familiar with the market and the company. However, any company that buys up an additional 51% will want assurances that they will be permitted to run the business according to their own standards; i.e., they will insist on bringing in expatriate management and personnel, will resist political pressure to accept doubtful risks or pay questionable claims, etc.

With respect to possible new companies entering the market, insurance companies tend to follow their clients. Since there is considerable South African and British investment in Swaziland, insurers from these countries are most likely to be interested in entering. Since US investment is now also entering Swaziland, it is possible that US insurers might also be interested in coming in. Publicizing the decision to open the market through diplomatic channels and insurance publications should generate interest among foreign insurers.

With the possible exception of Swaki, it appears unlikely that Swazi entrepreneurs would be interested in buying up the SRIC or forming a new company at this time because of lack of insurance know-how, but possibly this will change in two or three years.

14. What might be a reasonable price for shares of SRIC?

This is the subject of a separate report by Mr. James R. Ryan, a specialist in appraising companies.

15. What would be the reaction of the minority stockholders of the SRIC if the company loses its monopoly?

This question arose during an informal and unofficial discussion with one of the minority stockholders. Apparently when the SRIC was created no promises were made that the monopoly would continue indefinitely. I had the impression that loss of or continuance of the monopoly was not a question of great moment. It should be understood that in most parts of the world the insurance business is highly competitive and even cutthroat, and insurers are accustomed to operating under these conditions. For international insurers to be involved in a monopoly is highly unusual.

Of course breaking the monopoly will cause SRIC to lose some business, and this will result in a lower price for SRIC shares if the decision is made to privatize.

APPENDICES

1. Official MVA Claim Form
2. Articles from Swazi newspapers regarding motor vehicle accidents
3. Summary of Panamanian insurance laws
4. Statistics showing development of claims under MVA
5. Persons contacted during assignment
6. Accomplishments

ANNEXURE 'A'

APPENDIX 1

COMPULSORY MOTOR VEHICLE INSURANCE ORDER, 1973
(King's Order-in-Council No. 47 of 1973)

Claim for Compensation and Medical Report in terms of sections 18 and 22 of King's Order-in-Council No. 47 of 1973.

Note:(i) A separate form must be completed and lodged with the authorised insurer concerned in respect of each person or deceased person for whose injury or death compensation is claimed and in the event of a claim being made against more than one authorised insurer arising out of the same accident, a separate form must be completed and lodged with each such authorised insurer.

(ii) Section 22 of King's Order-in-Council No. 47 of 1973 provides, inter alia, that a claim for compensation under section 18 shall contain the particulars set out in a form prescribed by regulation. The Compulsory Motor Vehicle Insurance Regulations, 1974 provide, inter alia, that this form (including the medical report which forms part thereof), must be completed in all its particulars. A clear reply must be given to each question and if a question is not applicable to the claim, "not applicable" must be inserted. Ticks, dashes, deletions and alterations not confirmed by a signature will not be regarded as proper completion of the form.

(iii) The said section further provides that such claims shall be sent by registered post or delivered by hand to the authorised insurer as its registered office or local branch office, and that the authorised insurer shall, in the case of delivery by hand, at the time of delivery acknowledge receipt thereof and the date of such receipt in writing.

(iv) In order to enable the insurer to deal with this claim it is essential that all the required supporting vouchers and statements accompany this form, and in the case of paragraph 9 of this form it is desirable also to—
(a) attach all medico-legal reports in the possession of the claimant; and
(b) indicate in regard to a claim for future loss of earnings on a separate statement how such loss is calculated.

(v) Written authority for the inspection by or on behalf of the authorised insurer of all records of the injured or deceased person which may be in the possession of any hospital or medical practitioner should also accompany this form or be furnished on request.

1. Name of authorised insurer from whom compensation is claimed.....
SWAZILAND ROYAL INSURANCE CORPORATION

2. Claimant:
(a) (i) Full name and residential address.....
.....
(ii) Postal address.....

(b) If the claimant is claiming compensation on behalf of a person or persons other than himself/herself, state—
(i) capacity in which claimant is acting.....
(ii) name and address of person(s) on whose behalf compensation is being claimed.....
.....
(iii) relationship of claimant to such person(s).....
(In the case of a claim for loss of support or on behalf of other persons, photocopies of relevant marriage and birth certificates, as case may be, should accompany the form)

3. Particulars of motor vehicle insured by the authorised insurer named in paragraph 1:
(a) Name and address of owner.....
(b) Registration letters and number.....
(c) Token/Insurance declaration number.....
(d) Name and address of driver at time of accident (if known).....

4. Particulars of accident in which the vehicle described in paragraph 3 was involved:

(a) Date ..... time .....

(b) Place.....

(c) Police station to which reported and Police reference number (if known).....

.....

(d) Is claimant in possession of a police report and plan?.....
If so, attach copies.

5. Particulars of any other vehicle involved in accident (if known):

		(i)	(ii)	(iii)
(a)	Registration letters and number	.....	.....	.....
(b)	(i) Name of owner.....	.....	.....	.....
	(ii) Address (if known).....	.....	.....	.....
	(ii) Occupation (if known)	.....	.....	.....
(c)	Name of driver at time of accident.....	.....	.....	.....
(d)	Token/Insurance declaration number (if known)	.....	.....	.....
(e)	Name of insurer.....			.....

6. Particulars of person in respect of whose bodily injury or death compensation is claimed

(a) Full name and address .....

.....

(b) Sex.....

(c) Date of Birth.....

(d) Marital status at date of accident (state whether never married, married, divorced, widowed or legally separated).....

(e) If married, state whether in or out of community of property or in accordance with Swazi law and custom .....

(f) Business or occupation.....

(g) At the time of the accident was he/she travelling in one of the vehicles described in either paragraph 3 or paragraph 5? *(Yes or No)* .....

(h) If *Yes*, state registration letters and number of vehicle and whether passenger or driver .....

(i) If he/she was not travelling as a passenger or driver in one of the vehicles described in either paragraph 3 or paragraph 5 what was his/her mode of conveyance, or was he/she a pedestrian? .....

(j) Name and address of usual medical attendant (if any) .....

.....

(k) Names and addresses of all medical practitioners who attended him/her after the accident (if known) .....

.....

.....

(l) (i) At which hospital or nursing home or other place, if any, did he/she receive treatment after the accident..... .....

(ii) for what period as in-patient (from.....to.....)
and/or out-patient (from.....to.....)?

(iii) Classification for hospital purposes (hospital patient or private patient).....

(m) Was he/she suffering from any physical defects or infirmities immediately prior to the accident? *(Yes or No)*.....

(n) If *yes*, give details.....

.....

(o) Name and address of employer at date of accident and how long employed by such employer (if more than one employer, state names and addresses of all).....

.....

.....

(p) Was he/she injured or killed in the course at his/her employment?.....

(q) State his/her income for the 12 months immediately preceding the accident—

(i) from employment.....E .....

(ii) from any other source (give details).....E .....

.....E .....

Total.....E .....

7. If the person named in paragraph 6 was fatally injured the following additional information is required in respect of such person:

(a) Place where death occurred .....

(b) Date of death .....
(Attach copy of report on the post mortem examination, if available).

(c) Is it known whether an inquest has been held? *(Yes or No)*.....

(d) If known state, in what court .....
date.....and reference number.....

(e) Names and addresses of all dependants of the deceased whether or not compensation is being claimed on their behalf under paragraph 8.....

.....

.....

(f) Name and address of the executor of the deceased's estate.....

.....

8. If the person named in paragraph 6 was fatally injured and compensation is claimed by or on behalf of dependants of that person the following information is required in respect of each such dependant. (If compensation is claimed by or on behalf of more than one dependant the information required by this paragraph in respect of each dependant should be set out on a separate statement and attached to this form.)

(a) Full name and address .....

.....

(b) Sex.....

(c) Date of birth.....

(d) Relationship to deceased person .....
(Attach photocopy of relevant marriage and birth certificates, as the case may be)

(e) Marital status at date of accident (state whether never married, married, divorced, widowed or legally separated).....

(f) If married, state whether in our out of community of property or in accordance with Swazi law and custom

(g) Business or occupation .....

(h) Is he/she suffering from any physical defects or infirmities? *(Yes or No)* .....

(i) If *Yes*, give full particulars .....

.....

(j) Name and address of employer at date of accident and how long employed by such employer (if more than one employer, state names and addresses of all) .....

.....

.....

.....

(k) State his/her income for the 12 months immediately preceeding the accident—

(i) from employment ..... E .....

(ii) from any other source (give details) ..... E .....

..... E .....

Total ..... E .....

(L) Details and amount of any inheritance or any other benefits received from the estate of the deceased or accruing from any other source as a result of the death of the person referred to in paragraph 6, other than insurance and/or pension moneys

.....

.....

.....

9. Compensation claimed:

(a) Precise details must be given in respect of each of the following items and supported by vouchers where applicable. (If necessary, the information required by this section may be set out on a separate statement duly signed and attached to this form):

Item	*Amount* E
(i) Hospital expenses	.....
(ii) Medical expenses	.....
(iii) Estimated future medical expenses	.....
(iv) Loss of earnings (from date of accident to date hereof)	.....
(v) Estimated future loss of earnings	.....
(vi) General damages (specify whether for pain and suffering, permanent disability, etc.)	.....
Total	.....

10. (a) Is the claimant entitled to recover, or has the claimant already recovered, any amount from any other source, e.g. employer, medical aid society/or fund *(Yes* or *No)* .....

(b) If *Yes*, give full details and any reference .....

.....

.....

(c) (i) If the person mentioned in paragraph 6 above was killed or injured in the course of his/her employment, is the claimant entitled to compensation under the Workmen's Compensation Proclamation (No. 4 of 1973), as amended? *(Yes* or *No)* .....

(ii) If *Yes*, state whether the Labour Commissioner or his/her employer, as the case may be, has been notified that a claim is being lodged against the authorised insurer named in paragraph 1 above *(Yes* or *No)*.....

(iii) If *Yes*, give date and details of such notification and state by whom given

.....

(iv) If the claimant has already been compensated in terms of the Workmen's Compensation Proclamation, state amount received.... and Labour Commissioner's reference.....

I hereby declare that to the best of my knowledge and belief all the information contained in this form is true and correct.

Signed at.....this.....day of.....19.....

As witnesses:

1.....

2.....

.....

Signature of claimant (named in paragraph 2) or his/her authorised representative. (If the above signature is not that of the claimant, state the capacity in which the authorised representative is acting.)

MEDICAL REPORT

(PLEASE COMPLETE IN BLOCK LETTERS)

Note.—The regulations provide that this report must be completed by the medical practitioner who treated the deceased or injured person for the bodily injuries sustained by him in the occurrence out of which this claim arises or by the superintendent (or his representative) of the hospital in which the deceased or injured person was treated for such bodily injuries.

(Where blocks are provided for the purpose of a reply to a question, place a cross in the appropriate block and, if answer is yes, provide appropriate details).

1. Are you satisfied that the person to whom this report relates is the person named in paragraph 6 of the claim form?..... *Yes* ☐ *No* ☐

2. Date when first seen after accident.....

3. Did you treat him/her at any time before the accident?..... *Yes* ☐ *No* ☐
   If *Yes*, give date of last such treatment and nature of ailment.....

.....

4. Are the injuries: Minor? ☐ Moderately severe? ☐ Severe? ☐

5. Indicate the parts of the body injured:

Head	☐	Chest	☐	Neck	☐	Abdomen	☐
Back	☐	Upperlimbs	☐	Lowerlimbs	☐	Pelvis	☐

6. *(a)* Give full details of the nature of the injuries and any complication (e.g. fractured ribs with haemothorax, compound fracture left tibia, disfigurement, etc.).....

   ..... and;

   (b) state treatment given to date.....

   .....

7. Is permanent disability expected?..... *Yes* ☐ *No* ☐
   If *Yes* give full details.....

   If *No*, has his/her condition become stabilized?.....

8. Is specialist treatment being given? ..... *Yes* ☐ *No* ☐

.....

9. Give full details of nature and expected duration of any future treatment .....

.....

10. Has the injuries aggravated any pre-existing pathological condition? *Yes* ☐ *No* ☐

11. Has any such pre-existing pathological condition been aggravated by effects of trauma? ..... *Yes* ☐ *No* ☐

.....

.....

14. If in employment at date of accident, state date when return to employment is expected

.....

15. Where there has been a fatal termination, indicate:

(a) Date of death .....

(b) Cause.....

(c) Did any pre-existing pathological condition contribute to death? *Yes* ☐ *No* ☐

(d) If *Yes*, give full details.....

.....

16. Please provide any other relevant medical detail.

.....

.....

.....

.....

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.....

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.....

.....

.....

.....

.....

.....

.....

.....

Name of medical practitioner .....

Signature .....

Qualifications .....

Address .....

.....

Date .....

APPENDIX 2

ROADS TURNED TO BATTLEFIELDS

By Prince Makhubu

THE carnage on Swaziland roads is a matter of national concern because our highways have been turned into battlefields. Statistics lack to demonstrate the numbers of people who die on the road daily, weekly and over a much longer period.

The fact remains that people die daily, more on weekends, and many more during festive seasons.

Again statistics fail to give us a clear picture of losses in assets. Statistics lack once more to demonstrate losses as a result of down tool whilst workers recover in hospital or other institutions after they have been involved in traffic accidents.

Claims from insurance, workmen's compensation and other provisions do not exist to highlight road accidents per se.

The number of the maimed is also unknown. There appears a need to compile data specifically on this issue in order to educate this nation.

Many factors, besides the driver, contribute much to road accidents in this country. Whilst the driver is responsible, other factors, perculiar to Swaziland roads, exist and contribute, to a very large extent, to the ever-increasing number of accidents. These will be discussed later.

At the root of accidents is lack of discipline among drivers. This is manifest in many ways, one of which is impatience.

Motorists are seen overtaking on a solid barrier, often with an on-coming car. With patience, such accidents can be avoided. Sometimes, trucks fail to yield to faster vehicles by swerving to the left. This failure results in go-slow traffic and tempers flare. As a result of lack of consideration by driver of heavy vehicles, some drivers overtake on the left. This act in itself is, of course, against the traffic laws and is extremely irresponsible. It is another manifestation of impatience, which is a sign of indiscipline in itself. That act will cause accidents of a wide variety.

Drivers in this country are indifferent to the welfare of pedestrians to an alarming extent. If apprehending them crossing the zebra crossing, most drivers want to see how fast the poor, aged person can cross if threatened with death itself. It is indeed a perculiar charasteristic of a Swazi that he is regarded internationally as a courteous person until he gets behind a steering wheel. Then he becomes a wild, callous stupid pig.

The basic problem seems to be that a

Stock Clearance SALE

We are "giving away" the following items from our old stock. So why not grab this chance to save money on genuine bargain?!

29

Swazi driver is impatient aggressive, incompetent and simply just does not know how to drive a car.

A Swazi driver is a dealer in death. Government officials - top to bottom - are a good example of this. They, as drivers of state vehicles, by the manner in which they drive, give the impression that bad driving is accepted in Government circles.

Minister's cars are no exception. You find them tearing down the road, the national flag flying high. They sometimes drive past a stop sign, overtake a string of cars down the notorious Malagwane hill. Ministers and Principal Secretaries and senior administrators themselves are a bad example to the nation.

If accidents are a national concern, the laws relating to traffic must be applied vigorously to all. In Swaziland, nobody is above the law, except the King and Indlovukazi.

The world over, speeding is not abhorred as an offence against society like theft and murder are. The leniency is clearly reflected in the attitude of the law towards a driver who has exceeded the speed limit and earned himself a ticket. It compromises.

Here in Swaziland the driver who has knocked down a pedestrian is not boycotted, even where he was driving madly. Public sympathy is to the deceased and the driver equally.

Drunken driving continues unabated. Seldom do we hear of the breathalyser and other modern devices used elsewhere to detect the percentage of alcohol in the blood of a driver.

Some of these devices admittedly cost large sums of money. But probably compared with the costs resulting from drunken driving alone, be the cost of material or human life, the purchase could benefit this country in the short and long-term.

As it is, the whole mental attitude these days seems to be that once you have got a driving licence, you can drive anyhow. What you learnt before is regarded merely as the end. Thereafter, with the recognised ticket, you join the group of "dealers in death".

One wonders how many drivers hold false licences in this country.

Unless the driver has gone through the test and passed, he is a hazard on the road. Some hold licences illegally acquired. If the nation is serious about death on the road, why not mount a massive campaign and arrest all the drivers without the licence. Surely, properly handled, such an exercise could be done within a few days at a reasonable cost; a trivial one compared to the deaths caused by unlicenced drivers?

In sum, this nation needs a scoreboard to make drivers aware and scared about their behaviour on the road. This nation definitely needs statistics of the nation between drunken driving and road accidents.

The media tends to select points suiting their aim in informing the public about road accidents. No detailed information of comparative figures relating to similar periods are published. For instance, the public is not told about the number of accidents that occurred over the Christmas periods in the past three years. The information published lacks depth, direction and dimension. It is shoddy, perishable and is not traffic accidents in this country.

The law enforcing agencies must be congratulated for their effort to curb traffic accidents. Specifically, the police of Lobamba station should be mentioned favourably. They are regular with speed traps, in controlling and regulating traffic in built-up areas - like where children cross to school.

It seems there are not enough police on the road. The deployment of the limited numbers is dictated by numerous exigencies of the force. Be that as it may, with regards to traffic accidents, there are not enough traffic police patrolling Swaziland roads. This is clearly demonstrated by the frequency of cattle roaming the roads, resulting in deaths; by the presence of learner drivers who drive without the "L" size plate; by the presence of drivers of motorbikes who drive without a helmet; by the number of unroadworthy buses who carry people daily over long distances; by vehicles with defective lights, brakes, tyres etc.

The mere presence of a policeman in uniform along the road has a phyiogical effect on the driver. An experiment on dummy policeman elsewhere fooled many to behave. Some drivers go through the red light with impunity, with traffic officers in sight. One is sometimes forced to conclude that traffic authorities exist to enforce the law to raise

BUTCHERY

TO RENT

OFFERS are invited from interested persons to rent a butchery situated inside DEE BEE Supermarket in Manzini. Please contact Mr Peters on telephone 52325.

6 killed in road smashes

By HANSON NGWENYA

A TOTAL of six people were killed in 14 accidents on the country's roads during the busy weekend.

Saturday was the worst day, when four people travelling in motor vehicles died in various areas in the country.

Five of the weekend accidents were fatal, three were serious and six minor.

The most gruesome accident occurred at Hlane along the Lonhlupheko-Simunye road where two South Africans driving in a car with a South African registration number died instantly when the car struck a truck that had broken down on the road.

Eye witnesses said the car was damaged beyond recognition, and the road was a gory scene of blood and limbs strewn over the road. The accident occurred shortly before midnight on Saturday.

Another accident occurred at Luhlangotsini when a driver lost control and his vehicle overturned killing a passenger, a male adult aged 36 years. The vehicle was extensively damaged while the driver suffered minor injuries. The incident occurred at 9.30p.m on Saturday.

A male adult aged 20 years died on the spot and three others were rushed to the Hlatikulu government hospital in a critical condition after the tractor they were travelling on overturned.

On Sunday, a driver of a motor vehicle also died on the spot when the car overturned after he had lost control at Mbabane farm, along the Bethany-Dwaleni Power Station road. Two passengers who were in the car escaped unhurt.

You tell more people for less money when you advertise in The Times of Swaziland.

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COUNTRY SUMMARY OF INSURANCE REQUIREMENTS

Citations are as follows:

DL 17/56	-	Law Decree 17 of 1956
DL 16/62	-	Law Decree 16 of 1962
D344/70	-	Cabinet Decree 344 of 1970
12/76	-	Reinsurance Law No. 72 of 12/22/76

I SUPERVISION

The Superintendent of Insurance, under the Ministry of Commerce and Industry, is responsible for the supervision of the insurance industry.

II CURRENCY AND EXCHANGE

(a) Exchange Rate

The Balboa is the unit of currency and is at par with and equivalent to the U.S. dollar. As Panama has not issued paper currency, the U.S. dollar is the circulating medium. U.S. currency and coins and Panamanian coins are circulating freely, at face value.

(b) Currency of Insurance Contract

There are no restrictions as to the currency in which insurance contracts may be written.

III CAPITAL AND SURPLUS REQUIRED

(a) Minimum Capital and Surplus

No surplus is required. Capital requirements are as follows:

(1) National Companies

(i) Life Insurance Lines (including accident, personal health and industrial life) . . . B./200,000.

Fire Insurance Lines (including Marine and Allied Lines) .....B./400,000.

Fortuitous Risks (including automobile, bonding, civil liability, theft, robbery, glass, funeral, etc.).. B./100,000.

When operations are conducted in two or more lines of insurance the minimum paid-up capital will be the greater amount.

(ii) The Minimum capital must be fully paid before operations can be started.

(2) Foreign Companies (through branches or general agencies)

(i) and (ii) Same as for National Companies.

(iii) Home office capital is recognized.

(b) Guarantee deposits are credited toward reserve requirements.

(c) Impairment of capital below the minimum capital requirement is not permitted.

IV. DEPOSITS

(a) Amount required

(1) National Companies

National Companies Life Insurance Lines (including accident, personal health and industrial life) ... B./100,000.

Fire Insurance lines (including Marine and Allied Lines) ..... B./200,000.

Fortuitous Risks (including automobile, bonding, civil liability, theft, robbery, glass, funeral, etc.) ... B./50,000.

When operations are conducted in two or more lines of insurance the minimum paid-up capital will be the greater amount.

(2) Foreign Companies

Foreign Insurance Companies which operate through branches or general agencies must make a deposit equal to the minimum paid-up capital required of insurance companies. (See III above). When operations are conducted in two or more lines, the deposit of guarantee will be the larger amount.

(b) COMPOSITION

(See VI - Investments below)

(c) DEPOSITARY

The depositary is the Banco Nacional de Panama (National Bank of Panama).

(d) TERMS OF DEPOSIT

Deposited assets are registered in the name of the company. They are reserved for claims against the company and may be withdrawn only three months after the Insurance Superintendent is satisfied that the company has liquidated all of its obligations in the country.

In the case that the deposit is used to pay claims or subject to levy or attachment, the company shall replenish it within 90 days.

V RESERVES

(a) Liability Reserves

(i) General Lines (Except Marine and Workmen's Compensation) premium reserves are no less than 50% of net premiums received in the 12 months prior to the date of valuation.

Life - Mathematical reserves on policies issued in Panama calculated in accordance with actuarial principles and unit values approved by the Insurance Superintendent.

(ii) The method of calculation is imposed as stated above.

(iii) Computation is the same for national and foreign companies.

(iv) National and foreign companies must maintain in the country 80% of mathematical reserves and 100% of the general insurance premium reserves.

(v) Reserve assets (except those constituted by the guarantee deposit) need not be deposited or trusteed, and may be freely substituted.

(vi) Guarantee deposits may be treated as part of reserves.

(vii) Deposits must be constituted on net writings, i.e. net of reinsurance.

II (b) Loss Reserve

Loss reserves must be constituted and maintained in the country. There is no deduction for reinsurance. Guarantee deposits may be used to cover these reserves.

(c) Profit Reserve

National insurance companies and branches of foreign insurance companies must build up and keep in the country an additional reserve fund to be made up as follows:

(1) Life and Capitalization - 20% of annual profit until constituting a fund equal to the company's paid-in capital, and 10% thereafter.

(2) Other Insurance lines - 15% of annual profit until constituting a fund equal to the company's paid-in capital, and 10% thereafter.

No income tax will be assessed on the profits set aside for reserve purposes as provided hereinbefore.
The above provisions are not applicable to foreign insurance companies operating in Panama through "agencies" or "general agencies", according to Resolution #12 of March 25, 1965, of the Insurance Superintendency.

(d) Other Reserves

Profit sharing reserves are required for insurances with profit sharing features.

(e) Miscellaneous

(i) Government bonds are valued at par. Other securities at market value.

(ii) It is unclear whether reserve assets should be adjusted at annual intervals or more often.

(iii) There is no specified time for making up a deficiency.

VI INVESTMENTS

a) Deposits

Deposits must be constituted in cash, bonds of the internal debt or bonds of autonomous national entities, guaranteed by the government. U.S. securities and/or U.S. Treasury bonds are not admissible.

b) Reserves

Reserves must be invested as follows:

1. Government bonds.

2. Loans on life insurance policies guaranteed by surrender value.

3. Mortgage bonds of national enterprises.

4. Income-producing urban real estate.

5. Real estate mortgage loans, up to 60% of appraised value.

6. Stock of national commercial and industrial corporations that have paid dividends for 5 years prior to the stock purchase, unless they are shares of insurance or financing companies, in which case it is necessary that more than 50% of the company's stock be held.

7. Cash deposits in local banks.

c) Other Assets

No less than 50% of the excess of capital of national companies over the minimum capital required and over the free and facultative reserves of national companies must be invested in the country in the same manner shown in b) above. The Insurance Superintendent may grant exception from this requirement.

VII EXCHANGE CONTROL

There is no exchange control is Panama. Remittances may be made at any time as long as the compulsory investment requirements are maintained. Insured may freely use US$ loss payments for replacements.

VIII COMPULSORY INSURANCE

The State has taken over the writing of Workmen's Compensation risks under its social security system.

IX NON-ADMITTED INSURANCE

(i) Non-admitted insurance is not permitted on goods or properties located in Panama or on lives of Panamanian residents.

(ii) Non-admitted insurance is permitted only when authorized by the Insurance Superintendent, upon evidence that the insurance cannot be obtained locally with an authorized insurance company.

(iii) Insurance contracts entered into in contravention of the above prohibition shall be deemed null and void. Additionally, a fine of twice the amount of the corresponding admitted premium had the insurance been placed locally on an admitted basis shall be imposed. The fine is payable by the insured. The same fine will be imposed on any intermediary or agent involved.

(iv) Premiums for non-admitted insurance may be deducted by the insured, whether paid directly or as a charge made by the Home Office, provided the conditions outlined under (ii) above have been duly complied with.

(v) A non-resident producer may not be recognized nor allowed commissions.

(vi) A non-resident loss adjuster may be employed.

X REINSURANCE

(1) Establishment of Reinsurance Companies (Reinsurance Law No. 72)

(i) Companies wishing to conduct reinsurance business must be authorized by the National Reinsurance Commission.

(ii) It is the Insurance Superintendency of the Ministry of Commerce and Industry who will supervise and who will issue one of the three kinds of licenses to companies approved by the commission. Reinsurance treaties and any amendments thereof, must be submitted to the Insurance Superintendency.

(iii) Requests for licenses to conduct reinsurance business will be presented in writing to the National Reinsurance Commission along with:

(a) A certificate issued by the Public Registry attesting that the company has been duly registered, the name of the Legal Representative or the holder of the general power of attorney in the Republic of Panama and his authority according to the respective inscriptions;

(b) A copy of the Articles of Incorporation and their modifications indicating the number of directors, their addresses and the amount of paid-up or assigned capital;

(c) A Balance Sheet prepared within the last ninety (90) days prior to the date of the request, duly certified by Certified Public Accountants;

(d) A certified check in the amount of one thousand balboas (B/.1,000) to defray the costs of investigation of the application; and

(e) Any other requirement established by law, the regulations or the National Reinsurance Commission. (Article 18)

(iv) To engage in the business of reinsurance brokerage a license issued by the National Reinsurance Commission is required. In addition to what is stipulated in (a) - (e) above (Article 18), in order to obtain the Reinsurance broker's license the following requirements must be met:

(a) Have a paid-up or assigned capital of not less than one hundred thousand balboas (B/100,000).

(b) Present proof of having made a guarantee deposit in Banco Nacional de Panama the sum of one hundred thousand Balboas (B/100,000). This deposit may consist of cash, bonds, certificates or other government securities or a credit guarantee issued by an insurance company that is duly authorized to operate in the Republic of Panama. The Insurance Superintendent may authorize the granting of this guarantee by an Insurer that operates abroad when the insurance firms operating in the Republic of Panama do not offer that type of guarantee.

(c) Offer ample references from insurance or reinsurance firms of recognized prestige as regards the executives who will run the reinsurance brokerage operations. (Article 32-33)

(v) Insurance or Reinsurance companies established in the country can place or accept reinsurance with other Insurers or Reinsurers, domiciled in Panama or abroad. The insuring companies must remit to the National Reinsurance Commission, within the first four (4) months of each year, the last financial balance sheet of each one of the firms with which they reinsured during the year immediately preceding. (Article 4)

(vi) Every company established in Panama to conduct the reinsurance business or the administration of reinsurance must maintain a paid-up or assigned corporate capital, as the case may be, of not less than two hundred and fifty thousand balboas (B/250,0000). (Article 27)

(vii) All reinsurance firms or reinsurance administration firms must constitute a reserve that will be increased by one quarter of one per cent (0.25%) of the premiums written or administered in each year. (Article 28)

No dividends can be declared, credited or paid or any part of the profits distributed or transferred until the provision dealt with in this article has been complied with. In exceptional cases, the National Reinsurance Commission can authorize total or partial use of said reserve.

(viii) All reinsurance firms or administrators of reinsurance, authorized in conformity with the provisions of this Law, will constitute technical or mathematical reserves of not less than thirty five per cent (35%) of the net premiums registered are retained in its own account, in the corresponding fiscal year, on all branches of insurance except transportation of merchandise or group life insurance. (Article 30)

(ix) The reserves referred to in (vii) and (viii) that stem from the reinsurance business on local risks, must be invested in the country in any one of the following areas:

1. Bonds, certificates and other securities of the State or any of its agencies.

2. Mortgage certificates of local firms.

3. Income-producing urban real estate, insured against fire for its destructible value.

4. Loans on real-estate with a first-mortgage guarantee, up to sixty per cent (60%) of the value of each property, according to evaluation.

5. Stocks or other securities representative of the capital of National commercial or industrial forms or societies.

6. Loans guaranteed by bonds, securities or certificates or stocks mentioned in numerals 1, 2 and 5 of this article, up to sixty per cent (60%) of the value quoted at the time of the transaction.

7. Cash deposits in local banks.

8. Premium reserve deposits in possession of reinsurance companies established locally.

9. Premiums to be collected from reinsured companies established locally up to the amount authorized by the National Reinsurance Commission.

10. Any others that are authorized by the National Reinsurance Commission after receiving a written request from the interested company. (Article 30)

(2) There is no compulsory reinsurance, and reinsurance is free anywhere in the world. However, National companies may not reinsure abroad more than 50% of their fire premiums, unless special permission has been granted by the Insurance Superintendent.

XI ENTRY REQUIREMENTS

(a) Eligibility

(i) Any foreign company is eligible. Foreign insurance companies transacting fire insurance may only operate through branches in Panama. All other lines may be operated either through branches or general agencies.

(ii) There are no retaliatory tests.

(iii) A foreign insurance company may operate in all lines of business (except Workmen's Compensation which is now operated as a state monopoly under the social security system).

(b) Papers and Procedure

Application to the Insurance Superintendency must be accompanied by, 1) certificate of registration in the Mercantile Registry, with reference to the legal representative and his powers; 2) proof of guarantee deposit; 3) copy of the articles of incorporation and by-laws, names of directors, their domiciles and state the paid-up capital; 4) description of insurance plans, general policy conditions, additional clauses, application forms, medical exam forms, policy forms and prospectuses of insurance advertisements. In addition, life insurance companies shall also submit a summary of the technical basis of insurance plans and tariffs, guaranteed values and reserve tables and corresponding calculation methods. Foreign companies must also submit a certificate issued by the controlling authority in its country of origin attesting that the company is duly incorporated in said country and that it has operated solvently for 5 years in the lines to be exploited in Panama.

(c) There is no restriction on foreign ownership of national companies. However, to operate as a national company, at least 50% of its capital must be Panamanian.

XII FORMS

(i) There are no statutory policy forms nor compulsory clauses.

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(ii) Policy forms to be used by the companies have to be filed with the Insurance Superintendency and once approved, they may not be changed without its previous approval.

XIII TARIFFS

There are two tariffs (Fire and Automobile) imposed by the local Insurance Association (APADEA).

XIV AGENTS AND BROKERS

Only duly licensed insurance agents and brokers may act as intermediaries. Licenses shall be granted only to Panamanians or foreigners with at least 5 years of residence in Panama.

1984 - CLOSED YEAR -

APPENDIX

Claims notified - Number of claims:

	Occurrence month	
1984	Jan	6
	Feb	8
	Mar	6
	Apl	11
	May	6
	June	8
	July	10 + 26 Regiment.
	Aug	7
	Sept	15
	Oct	5
	Nov	9
	Dec	8
		99 + 26 Regiment 125 in all

Amount claimed - as notified.

1984	220 000
1985	511 000
1986	2603 000
	£3,334,000

Date Estimate set up:	1984	1985	1986
January	1	1	3 + 1
February	2	4	-
March	1	4	1
April	1	3	6 + 9
May	2	3	3 + 1
June	7	4	2
July	6	1	3 + 4
August	1	2 + 4	1
September	5	1 + 1	4
October	3	1 + 1	3
November	4	3	4
December	6	2 + 5	1
	39	29 + 11	31 + 15
ESTIMATE OF CLAIMS	£220000	£511000	£2603000

Total 99
Regiment 26
125

1984 Account	PAID	+ increase (-) decrease ± Surplus/deficit	GROSS o/s.	Actual IBNR	
31.3.84	—				
30.6.84	—				
30.9.84	200	38 104000	103838		
31.12.84	1600	(627) 116000	217611		
1984	1800	(389) 220000	217611	179811	(100% NE to date
31.3.85	2200	104000	298812	194109	75%
30.6.85	7700	(389) 82000	372723	169702	50%
30.9.85	4900	(613) 35000	402210	145117	40%
31.12.85	600	380 290000	691990		
1985	36000	(621) 511000	691990	168643	(30% net
31.3.86	5700	(1333) 520000	1204957	308719	60%
30.6.86	21600	99 723000	1906456	476791	50%
30.9.86	18200	(816) 950000	2837440	353126	30%
31.12.86	48200	1546 410000	3200786		
1986	93700	(504) 2603000	3200786	100000	adh
31.3.87	12700	872 (385000)	2803958		
30.6.87					
30.9.87					
31.12.87					
1987					

ESTIMATE Claims Intimated (less Withdrawals)	2949000	
Paid adjusted	145042	
o/s 31.3.87	2803958	NO IBNR

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APPENDIX 5

PERSONS CONTACTED

Ministry of Finance

Honourable B.S. Dlamini, Minister of Finance
Mr. K. Mbuli, Principal Secretary
M. T. Vilane, Assistant Secretary
Mr. F. P. Stratford, Treasury Systems Adviser

Swaziland Royal Insurance Corporation

Mr. M. W. Mkwanazi, General Manager
Mr. N. F. Paul, Chief Accountant
Mr. R. E. Lewis, Claims Manager
Mr. T. Ratnarajah, Life Manager
Mr. Harold Currie, SRIC Attorney

USAID/Swaziland & American Embassy

Ambassador Nelson, American Embassy
Mr. R. Heusman, Director, USAID
Mr. H. Johnson, Deputy Director, USAID
Mr. David Martella, USAID
Mr. L. A. Brudvig, Third Secretary, American Embassy
Miss Leticia Diaz, USAID

Swaziland Organizations

Mr. Clark Thom, Institute of Chartered Accountants
Mr. C. Price, Institute of Chartered Accountants
Mr. P. Dodds, Federation of Swaziland Employers
Mr. F. A. J. Pettit, Swaziland Insurance Brokers
Mr. I. C. Finlay, Tibiyo Insurance Brokers
Mr. Zacheus M. Nkosi, Swaki International Trading
Mr. John R. Mason, Swaziland Milling
Mr. H. B. B. Oliver, Governor of Central Bank of Swaziland
Mr. John Reston, Life Care - Life Assurance Brokers
Mr. J. L. Ayton, Swaziland Chamber of Commerce
Mr. Albert Nkambule, Commercial Amadoda
Ms Harper, Commercial Amadoda

Johannesburg, South Africa

Mr. Peter Trustham, General Accident Insurance Co., South Africa, Ltd.
Mr. Vossie Kloppers, General Accident Insurance Co., South Africa, Ltd.
Mr. Edward Rodd, AI Insurance Co. Ltd.
Mr. Denny Uys, AI Insurance Co. Ltd.
Mr. David Roland, Clemans, Murfin & Rolland (Consulting Actuaries)
Mr. William Rutherford, Commercial Union Assurance Co. of South Africa
Mr. Don Marsden, Commercial Union Assurance Co. of South Africa

New York City

Mr. Randolph Drain, Attorney, American International Group

APPENDIX 6

ACCOMPLISHMENTS

1. Reviewed in detail the MVA insurance situation in Swaziland and examined various solutions.

2. Reviewed operations and statistics of SRIC over the last six years.

3. Reveiwed all legislation concerning insurance in Swaziland.

4. Read all files on insurance matters in the Ministry of Finance.

5. Met with several insurance brokers and life insurance agents, listened to their complaints and discussed possible solutions.

6. Met with the executives of several commercial and professional organizations and explained to each one the reasons for the increases in SRIC premium charges.

7. Had two meetings with the Minister of Finance and three with the Principal Secretary of Finance.

8. Investigated the Claims Department and the Life Department of the SRIC.

9. Met with the General Manager of SRIC and the Chief Accountant.

10. Assisted Mr. James Ryan in working up an appraisal of the SRIC.

11. Discussed the Life Department of SRIC with Mr. David Rolland of the actuarial firm, Clemans, Murfin and Rolland.

12. Met with representatives of the Commercial Union Assurance Co. South Africa to discuss the position of the minority shareholders of SRIC and the workings of the MVA Fund in South Africa.

13. Met with executives of several other insurance companies in South Africa to review the South African MVA Fund.

14. Met with members of the Legal Department of American International Group in New York to review insurance laws.

15. Prepared detailed report suggesting solutions to some of the problems of the insurance industry in Swaziland and answering the Minister of Finance's questions regarding the industry.

VALUATION ANALYSIS

A valuation analysis has been conducted to estimate the value of Swaziland Royal Insurance Company (SRIC) based upon the ability to generate future income. SRIC is divided organizationally into short term insurance and life assurance businesses. This valuation analysis concentrates on the valuation of the short term insurance for two reasons. First, the life assurance business represents a relatively small portion of total premiums (in 1986 life premiums totaled E482 972 while short term gross premiums totaled E21 790 782). Secondly, the valuation of a life assurance company is largely dependent upon the actuarial valuation of the insurance portfolio. Such an actuarial valuation is beyond the scope and time limitations of this study. Since the most recent valuation of the portfolio that was available at the time of this study (May 1987) was conducted as of 31 December 1985, conclusions drawn on the life insurance business are very rough approximations.

Premises for Valuation

Since the valuation of SRIC is conducted for the purpose of estimating a price for privatisation, the valuation must be made assuming the conditions of the firm after privatisation. Three important factors must be considered in estimating the value of the firm to a private purchaser. These factors are 1) resolution of the MVA insurance situation; 2) the government mandated monopoly of SRIC within Swaziland; and 3) consideration of the fact that only 51% of SRIC is currently owned by the Swaziland Government.

MVA Situation

Analysis of the MVA third party motor vehicle insurance has indicated that there are substantial and growing liabilities in this business. The rapid growth in the size of MVA claims makes prediction of future liabilities almost impossible. In this situation, it is doubtful that any private enterprise would consider accepting such liabilities, regardless of the price of SRIC. As discussed elsewhere within this report, a likely solution to the problem is the establishment of a government fund to pay MVA claims. It is probable that SRIC would administer such a fund. However, the financial risk of the MVA would not be born by SRIC. The valuation analysis assumes this will be the case.

Government Mandated Monopoly

Analysis indicates that the existing monopoly situation would provide a higher value of SRIC, but continuation of the monopoly may not be in the best interests of Swaziland. This valuation analysis has been conducted with both monopoly and non-monopoly assumptions.

Government Ownership of 51% of SRIC

The valuation analysis addresses the value of 100% of SRIC. In the simplest case, the value of the government share of SRIC would be 51% of the total value. However, a controlling interest in a corporation often commands a premium price. Thus, the government share of the corporation may command a value higher than 51% of the total. It is not clear how the current minority shareholders would be involved in privatisation (e.g. exiting shareholders may also sell, or they may purchase the government holding). Since it is unclear how the majority and minority interests would be held after privatisation, no quantification of a control premium is made, However, the existence of such a possibility is noted.

Discounted Future Earnings Analysis

The valuation of the future earnings capability of the short term insurance business of SRIC is conducted using the discounted future earnings method (DFE). This method is very similar to the discounted cash flow method (DCF) of valuation, but assumes that projected net income (earnings) are a reasonable surrogate for cash flow. In many valuation analyses, earnings differ substantially from cash flow because of the accounting treatment of fixed assets. A major cash outlay for purchase of fixed assets will appear on the income statement as a depreciation expense, spread over a period of years. However, SRIC has such a small amount of fixed assets (as a percentage of total capital) that any adjustment for depreciation and capital expenditure would be insignificant.

In the DFE analysis, pro-forma income statements are prepared for a ten year period. Detail is shown for projected income and expense items to calculated expected net earnings. In the analysis of the short term insurance businesses, each type of business was projected separately. This does not indicate that the businesses can be operated separately. Rather, the separate treatment allows for simpler analysis, since such variables as commission rates and claims rates vary among the types of business.

It must be noted that the projected amounts for income and expense items are estimates of the most probable values. In nearly all businesses there is some degree of variation from year to year in business performance. The insurance business shows extreme variation in financial performance, due largely to the unpredictability of the amount of claims in any period. In the DFE, claims are estimated based upon experience of the past six years. However, some areas of business have experienced claims widely different from the average.

In preparing the pro-forma statements, several assumptions were made. For all areas of business, the following assumptions were made:

> In general, revenues and the fixed portion of expenses will grow at a rate equal to a long term inflation rate of 7% per anum. This represents a rate substantially below current observed inflation. However, it is believed that extraordinary circumstances have driven inflation to a level higher t'an can be maintained for the long term. The nature of the valuation analysis is that, other things being equal, a higher inflation rate will result in a higher concluded value. Thus, a projection of 7% inflation may me regarded as conservative in the valuation analysis.
>
> Income tax is assumed to be applied to earnings at a flat rate of 37.5%. No provision is made for loss carry forward, even though recent losses do exist. Tax savings from any loss carry forward at the time of sale should be regarded as an additional element of value.
>
> It is assumed that short term investments of reserves will earn 12% annual interest.
>
> Operating expenses are assumed to be approximately 50% fixed, growing at the projected rate of inflation, and 50% variable, based upon gross premiums.
>
> Interest on reserves is calculated based upon the assumption that, on average, reserves are equal to half of the net annual premium, plus the entire amount of incurred claims. If annual premiums are collected approximately evenly over the year, one half of the total premium received will be unearned, and thus represented in the unearned premium reserve. It is assumed that, on average, claims reserves will exist for one year before payment is made for settlement.

Tables 1 through 13 show the pro-forma income statements for each type of short term business for both the monopoly and non-monopoly assumptions. There is, however, no distinction made between the monopoly and non-monopoly situation for the MVA fund management operations, since this business is assumed to be an exclusive service under either condition. In all other cases, the monopoly and non-monopoly assumptions differ only by the

amount of gross premiums. Since it is reasonable to expect that loss of the monopoly situation would reduce the total premiums received by SRIC, the non-monopoly projections of gross premiums are 12.0% less than the monopoly case in the first year, 22.6% less in the second year, and 31.9% less in each year thereafter. These amounts represent a 12% annual reduction compounded for each of the first three years.

Table 14 shows key assumptions that were made in projecting the income statements. The percentage of gross premium reinsured was established based upon stated policy of management. All other assumptions shown in table 14 were established based upon historical financial data of SRIC.

Tables 15 and 16 represent the compilation of the proforma net income figures for each line of business, for the monopoly and non-monopoly situations, respectively. The amounts are added to yield a total net income for each projected year. Then each year's income is multiplied by a present value factor to indicate a present value of the income amount. The present value factor (PVF) is calculated using the following formula:

$$PVF = (1+k)^{-(n-0,5)}$$

where k is the annual discount rate, and n is the number of years in the future the income is projected. For this analysis, the discount rate is 25%, which is the assumed equity rate of return. A pure equity rate is applied rather than a weighted average cost of capital (which considers the capital cost of long term debt) because insurance companies do not generally carry long term debt. The relatively high equity rate reflects the riskiness of SRIC as an investment.

In the PVF calculation 0,5 is subtracted from the number of years discounted, n, to provide for a mid-year discounting assumption. The basis for this assumption is that earnings are expected to be received somewhat uniformly throughout any year. It is reasonable, then, to calculate the present value assuming that, on average, all earnings are received at the midpoint of the year.

The present value of income for each of the ten years projected is totaled. The resulting sum is multiplied by the present value factor to yield a present value of projected earnings, as indicated on tables 15 and 16. It is assumed that the value of future earnings at the end of the ten year projected period will be four times earnings in the tenth year. This assumed value is discounted for a full ten year period, at the equity rate, to yield a present value of the reversion (future earnings beyond the projected period).

Valuation Conclusion - Short Term Business

Based upon the assumptions the used to project future income, the following values are estimated for the short term insurance operations of SRIC:

Assumption	Estimated Value
Monopoly	E5 439 000
Non-Monopoly	E2 441 000

It must be noted that concluded values assume that, at the time of valuation, there are appropriate reserves available to meet expected claims. As of this writing, it has recently become apparent the that the the MVA liabilities are significantly understated. The amount of the understatement is in the range of E1 000 000 to E4 000 000. Resolution of the extent of the understated liabilities must be made before a reasonable value of

the business can be estimated. It is further noted that an increase of the liabilities of this proportion could cause the value of the firm in the non-monopoly assumption to be negative.

Life Assurance Business

As indicated earlier, the valuation of the SRIC life assurance business is largely dependent upon the actuarial valuation of the life and pension portfolio. The most recent portfolio valuation was conducted with a valuation date of 31 December 1985, and yielded a net portfolio value of E336 987. As of this writing, this valuation is nearly 1,5 years old. In the ensuing time, the portfolio has become larger, and presumable somewhat more valuable. Additionally, there is some intangible value of the life business that is not reflected in the portfolio valuation (specifically, the ability to sell new policies in the future). Based upon these considerations, the value of the life business is roughly estimated at E500 000. Since there is a substantial amount of "bootlegging" of foreign life insurance, the existence of the monopoly of SRIC in the life business is largely illusory. Thus, no distinction is made between the value of the life business in the monopoly and non-monopoly cases.

Total Value

The total value of SRIC is the amount of value derived from the short term business DFE analysis, plus the estimated value of the life business, plus the market value of any investments that represent invested owner's equity. Since the life value estimate includes some amount of owner's equity (say E400 000), an adjustment is made to book equity as shown on the 31 December 1986 balance sheet, to show an additional equity value. This amount is estimated as E550 000. Based upon these assumptions, the value of SRIC is shown:

	Monopoly	Non-Monopoly
Short Term DFE Value	E5 939 000	E2 941 000
Estimated Life Value	E 500 000	E 500 000
Net Equity	E 550 000	E 550 000
Total Value	E6 989 000	E3 991 000

The above value conclusions must be carefully scrutinized, however, since the analysis was based upon financial data that pre-date the discovery of the large amount of MVA liabilities that exist. The value conclusion must be adjusted by an amount equal to the present value of the increase in expected MVA claims beyond the amount for which reserve provisions have been made.

DISCOUNTED FUTURE EARNINGS ANALYSIS
FIRE INSURANCE
SWAZILAND ROYAL INSURANCE COMPANY
MONOPOLY ASSUMPTION
(1 000'S OF EMALANGENI)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Premiums	7 200	7 704	8 243	8 820	9 438	10 098	10 805	11 562	12 371	13 237
Less Reinsurance	(6 624)	(7 088)	(7 584)	(8 115)	(8 683)	(9 291)	(9 941)	(10 637)	(11 381)	(12 178)
Net Premiums	576	616	659	706	755	808	864	925	990	1 059
Commission on Re-Ins.	1 590	1 701	1 820	1 948	2 084	2 230	2 386	2 553	2 732	2 923
Interest on Reserves	79	85	91	97	104	111	119	128	137	146
Total Revenue	2 245	2 402	2 571	2 751	2 943	3 149	3 370	3 605	3 858	4 128
Incurred Claims (Net)	374	401	429	459	491	525	562	601	643	688
Sales Commissions	1 224	1 310	1 401	1 499	1 604	1 717	1 837	1 965	2 103	2 250
Operating Expenses	624	668	714	764	818	875	936	1 002	1 072	1 147
Total Expenses	2 222	2 378	2 544	2 723	2 913	3 117	3 335	3 569	3 818	4 086
Pre-Tax Income	23	24	26	28	30	32	34	37	39	42
Income Tax	9	9	10	10	11	12	13	14	15	16
Net Income	14	15	16	17	19	20	21	23	25	26

DISCOUNTED FUTURE EARNINGS ANALYSIS
FIRE INSURANCE
SWAZILAND ROYAL INSURANCE COMPANY
NON-MONOPOLY ASSUMPTION
(1 000'S OF EMALANGENI)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Premiums	6 336	5 966	5 618	6 011	6 432	6 882	7 363	7 879	8 430	9 021
Less Reinsurance	(5 829)	(5 489)	(5 168)	(5 530)	(5 917)	(6 331)	(6 774)	(7 249)	(7 756)	(8 299)
Net Premiums	507	477	449	481	515	551	589	630	674	722
Commission on Re-Ins.	1 399	1 317	1 240	1 327	1 420	1 519	1 626	1 740	1 861	1 992
Interest on Reserves	70	66	62	66	71	76	81	87	93	100
Total Revenue	1 976	1 860	1 752	1 874	2 006	2 146	2 296	2 457	2 629	2 813
Incurred Claims (Net)	329	310	292	313	334	358	383	410	438	469
Sales Commissions	1 077	1 014	955	1 022	1 093	1 170	1 252	1 339	1 433	1 533
Operating Expenses	585	589	596	638	683	730	782	836	895	957
Total Expenses	1 992	1 914	1 843	1 972	2 110	2 258	2 416	2 585	2 766	2 960
Pre-Tax Income	(16)	(53)	(92)	(98)	(105)	(112)	(120)	(128)	(137)	(147)
Income Tax	(6)	(20)	(34)	(37)	(39)	(42)	(45)	(48)	(52)	(55)
Net Income	(10)	(33)	(57)	(61)	(66)	(70)	(75)	(80)	(86)	(92)

DISCOUNTED FUTURE EARNINGS ANALYSIS
MOTOR INSURANCE (EXL. MVA)
SWAZILAND ROYAL INSURANCE COMPANY
MONOPOLY ASSUMPTION
(1 000'S OF EMALANGENI)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Premiums	5 800	6 206	6 640	7 105	7 603	8 135	8 704	9 314	9 965	10 663
Less Reinsurance	(348)	(372)	(398)	(426)	(456)	(488)	(522)	(559)	(598)	(640)
Net Premiums	5 452	5 834	6 242	6 679	7 146	7 647	8 182	8 755	9 368	10 023
Commission on Re-Ins.	0	0	0	0	0	0	0	0	0	0
Interest on Reserves	851	910	974	1 042	1 115	1 193	1 276	1 366	1 461	1 564
Total Revenue	6 303	6 744	7 216	7 721	8 261	8 840	9 458	10 120	10 829	11 587
Incurred Claims (Net)	4 362	4 667	4 994	5 343	5 717	6 117	6 546	7 004	7 494	8 019
Sales Commissions	522	559	598	639	684	732	783	838	897	960
Operating Expenses	545	583	624	667	714	764	817	875	936	1 001
Total Expenses	5 428	5 808	6 215	6 650	7 115	7 613	8 146	8 717	9 327	9 980
Pre-Tax Income	874	936	1 001	1 071	1 146	1 226	1 312	1 404	1 502	1 607
Income Tax	328	351	375	402	430	460	492	526	563	603
Net Income	546	585	626	669	716	766	820	877	939	1 005

DISCOUNTED FUTURE EARNINGS ANALYSIS
MOTOR INSURANCE (EXL. MVA)
SWAZILAND ROYAL INSURANCE COMPANY
NON-MONOPOLY ASSUMPTION
(1 000'S OF EMALANGENI)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Premiums	5 104	4 806	4 525	4 842	5 181	5 544	5 932	6 347	6 791	7 267
Less Reinsurance	(306)	(288)	(272)	(291)	(311)	(333)	(356)	(381)	(407)	(436)
Net Premiums	4 798	4 518	4 254	4 552	4 870	5 211	5 576	5 966	6 384	6 831
Commission on Re-Ins.	0	0	0	0	0	0	0	0	0	0
Interest on Reserves	748	705	664	710	760	813	870	931	996	1 066
Total Revenue	5 546	5 222	4 917	5 262	5 630	6 024	6 446	6 897	7 380	7 896
Incurred Claims (Net)	3 838	3 614	3 403	3 641	3 896	4 169	4 461	4 773	5 107	5 464
Sales Commissions	459	433	407	436	466	499	534	571	611	654
Operating Expenses	512	517	524	561	600	642	687	735	787	842
Total Expenses	4 809	4 564	4 334	4 638	4 962	5 310	5 681	6 079	6 505	6 960
Pre-Tax Income	737	659	583	624	667	714	764	818	875	936
Income Tax	276	247	219	234	250	268	287	307	328	351
Net Income	460	412	364	390	417	446	478	511	547	585

DISCOUNTED FUTURE EARNINGS ANALYSIS
WORKMEN'S COMPENSATIONN INSURANCE
SWAZILAND ROYAL INSURANCE COMPANY
MONOPOLY ASSUMPTION
(1 000'S OF EMALANGENI)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Premiums	1 600	1 712	1 832	1 960	2 097	2 244	2 401	2 569	2 749	2 942
Less Reinsurance	(144)	(154)	(165)	(176)	(189)	(202)	(216)	(231)	(247)	(265)
Net Premiums	1 456	1 558	1 667	1 784	1 909	2 042	2 185	2 338	2 502	2 677
Commission on Re-Ins.	12	12	13	14	15	16	17	18	20	21
Interest on Reserves	166	178	190	203	218	233	249	267	285	305
Total Revenue	1 634	1 748	1 870	2 001	2 141	2 291	2 451	2 623	2 807	3 003
Incurred Claims (Net)	655	701	750	803	859	919	983	1 052	1 126	1 205
Sales Commissions	80	86	92	98	105	112	120	128	137	147
Operating Expenses	181	194	207	222	237	254	272	291	311	333
Total Expenses	916	980	1 049	1 122	1 201	1 285	1 375	1 471	1 574	1 684
Pre-Tax Income	717	768	821	879	940	1 006	1 076	1 152	1 232	1 319
Income Tax	269	288	308	330	353	377	404	432	462	495
Net Income	448	480	513	549	588	629	673	720	770	824

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DISCOUNTED FUTURE EARNINGS ANALYSIS
WORKMEN'S COMPENSATIONN INSURANCE
SWAZILAND ROYAL INSURANCE COMPANY
NON-MONOPOLY ASSUMPTION
(1 000'S OF EMALANGENI)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Premiums	1 408	1 326	1 248	1 336	1 429	1 529	1 636	1 751	1 873	2 005
Less Reinsurance	(127)	(119)	(112)	(120)	(129)	(138)	(147)	(158)	(169)	(180)
Net Premiums	1 281	1 206	1 136	1 216	1 301	1 392	1 489	1 593	1 705	1 824
Commission on Re-Ins.	10	10	9	10	10	11	12	13	13	14
Interest on Reserves	146	138	130	139	148	159	170	182	194	208
Total Revenue	1 437	1 354	1 274	1 364	1 459	1 561	1 671	1 788	1 913	2 047
Incurred Claims (Net)	577	543	511	547	585	626	670	717	767	821
Sales Commissions	70	66	62	67	71	76	82	88	94	100
Operating Expenses	169	381	400	428	458	490	524	561	600	642
Total Expenses	816	990	973	1 041	1 114	1 192	1 276	1 365	1 461	1 563
Pre-Tax Income	621	364	301	322	345	369	395	422	452	484
Income Tax	233	136	113	121	129	138	148	158	170	181
Net Income	388	227	188	201	216	231	247	264	283	302

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DISCOUNTED FUTURE EARNINGS ANALYSIS
MISCELLANEOUS ACCIDENT INSURANCE
SWAZILAND ROYAL INSURANCE COMPANY
MONOPOLY ASSUMPTION
(1 000'S OF EMALANGENI)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Premiums	3 800	4 066	4 351	4 655	4 981	5 330	5 703	6 102	6 529	6 986
Less Reinsurance	(3 420)	(3 659)	(3 916)	(4 190)	(4 483)	(4 797)	(5 132)	(5 492)	(5 876)	(6 289)
Net Premiums	380	407	435	466	498	533	570	610	653	699
Commission on Re-Ins.	735	787	842	901	964	1 031	1 103	1 181	1 263	1 352
Interest on Reserves	52	56	60	64	69	74	79	84	90	96
Total Revenue	1 168	1 249	1 337	1 431	1 531	1 638	1 752	1 875	2 006	2 147
Incurred Claims (Net)	247	264	283	303	324	346	371	397	424	454
Sales Commissions	570	610	653	698	747	799	855	915	979	1 048
Operating Expenses	458	490	524	561	600	642	687	735	787	842
Total Expenses	1 275	1 364	1 460	1 562	1 671	1 788	1 913	2 047	2 191	2 344
Pre-Tax Income	(107)	(115)	(123)	(131)	(141)	(150)	(161)	(172)	(184)	(197)
Income Tax	(40)	(43)	(46)	(49)	(53)	(56)	(60)	(65)	(69)	(74)
Net Income	(67)	(72)	(77)	(82)	(88)	(94)	(101)	(108)	(115)	(123)

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DISCOUNTED FUTURE EARNINGS ANALYSIS
MISCELLANEOUS ACCIDENT INSURANCE
SWAZILAND ROYAL INSURANCE COMPANY
NON-MONOPOLY ASSUMPTION
(1 000'S OF EMALANGENI)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Premiums	3 344	3 149	2 965	3 172	3 394	3 632	3 886	4 158	4 449	4 761
Less Reinsurance	(3 010)	(2 834)	(2 668)	(2 855)	(3 055)	(3 269)	(3 498)	(3 742)	(4 004)	(4 285)
Net Premiums	334	315	296	317	339	363	389	416	445	476
Commission on Re-Ins.	647	609	574	614	657	703	752	805	861	921
Interest on Reserves	46	43	41	44	47	50	54	57	61	66
Total Revenue	1 028	968	911	975	1 043	1 116	1 194	1 278	1 367	1 463
Incurred Claims (Net)	217	205	193	206	221	236	253	270	289	309
Sales Commissions	502	472	445	476	509	545	583	624	667	714
Operating Expenses	431	435	441	472	505	541	578	619	662	708
Total Expenses	1 150	1 112	1 079	1 154	1 235	1 321	1 414	1 513	1 619	1 732
Pre-Tax Income	(122)	(144)	(168)	(179)	(192)	(205)	(220)	(235)	(251)	(269)
Income Tax	(46)	(54)	(63)	(67)	(72)	(77)	(82)	(88)	(94)	(101)
Net Income	(76)	(90)	(105)	(112)	(120)	(128)	(137)	(147)	(157)	(168)

DISCOUNTED FUTURE EARNINGS ANALYSIS
MARINE CARGO INSURANCE
SWAZILAND ROYAL INSURANCE COMPANY
MONOPOLY ASSUMPTION
(1 000'S OF EMALANGENI)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Premiums	1 600	1 712	1 832	1 960	2 097	2 244	2 401	2 569	2 749	2 942
Less Reinsurance	(1 600)	(1 712)	(1 832)	(1 960)	(2 097)	(2 244)	(2 401)	(2 569)	(2 749)	(2 942)
Net Premiums	0	0	0	0	0	0	0	0	0	0
Commission on Re-Ins.	304	325	348	372	398	426	456	488	522	559
Interest on Reserves	0	0	0	0	0	0	0	0	0	0
Total Revenue	304	325	348	372	398	426	456	488	522	559
Incurred Claims (Net)	0	0	0	0	0	0	0	0	0	0
Sales Commissions	224	240	256	274	294	314	336	360	385	412
Operating Expenses	72	77	82	88	94	101	108	116	124	132
Total Expenses	296	317	339	363	388	415	444	475	509	544
Pre-Tax Income	8	9	9	10	10	11	12	13	14	15
Income Tax	3	3	3	4	4	4	5	5	5	6
Net Income	5	5	6	6	7	7	8	8	9	9

DISCOUNTED FUTURE EARNINGS ANALYSIS
MARINE CARGO INSURANCE
SWAZILAND ROYAL INSURANCE COMPANY
NON-MONOPOLY ASSUMPTION
(1 000'S OF EMALANGENI)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Premiums	1 408	1 326	1 248	1 336	1 429	1 529	1 636	1 751	1 873	2 005
Less Reinsurance	(1 408)	(1 326)	(1 248)	(1 336)	(1 429)	(1 529)	(1 636)	(1 751)	(1 873)	(2 005)
Net Premiums	0	0	0	0	0	0	0	0	0	0
Commission on Re-Ins.	268	252	237	254	272	291	311	333	356	381
Interest on Reserves	0	0	0	0	0	0	0	0	0	0
Total Revenue	268	252	237	254	272	291	311	333	356	381
Incurred Claims (Net)	0	0	0	0	0	0	0	0	0	0
Sales Commissions	197	186	175	187	200	214	229	245	262	281
Operating Expenses	68	68	69	74	79	85	91	97	104	111
Total Expenses	265	254	244	261	279	299	320	342	366	392
Pre-Tax Income	3	(2)	(7)	(7)	(8)	(8)	(9)	(10)	(10)	(11)
Income Tax	1	(1)	(3)	(3)	(3)	(3)	(3)	(4)	(4)	(4)
Net Income	2	(1)	(4)	(5)	(5)	(5)	(6)	(6)	(6)	(7)

DISCOUNTED FUTURE EARNINGS ANALYSIS
AVIATION AND MARINE HULL INSURANCE
SWAZILAND ROYAL INSURANCE COMPANY
MONOPOLY ASSUMPTION
(1 000'S OF EMALANGENI)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Premiums	1 100	1 177	1 259	1 348	1 442	1 543	1 651	1 766	1 890	2 022
Less Reinsurance	(1 100)	(1 177)	(1 259)	(1 348)	(1 442)	(1 543)	(1 651)	(1 766)	(1 890)	(2 022)
Net Premiums	0	0	0	0	0	0	0	0	0	0
Commission on Re-Ins.	160	171	183	195	209	224	239	256	274	293
Interest on Reserves	0	0	0	0	0	0	0	0	0	0
Total Revenue	160	171	183	195	209	224	239	256	274	293
Incurred Claims (Net)	0	0	0	0	0	0	0	0	0	0
Sales Commissions	121	129	139	148	159	170	182	194	208	222
Operating Expenses	34	36	38	41	44	47	50	54	58	62
Total Expenses	155	165	177	189	203	217	232	248	265	284
Pre-Tax Income	5	5	6	6	7	7	8	8	9	9
Income Tax	2	2	2	2	2	3	3	3	3	3
Net Income	3	3	4	4	4	4	5	5	5	6

DISCOUNTED FUTURE EARNINGS ANALYSIS
AVIATION AND MARINE HULL INSURANCE
SWAZILAND ROYAL INSURANCE COMPANY
NON-MONOPOLY ASSUMPTION
(1 000'S OF EMALANGENI)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Premiums	968	911	858	918	983	1 051	1 125	1 204	1 288	1 378
Less Reinsurance	(968)	(911)	(858)	(918)	(983)	(1 051)	(1 125)	(1 204)	(1 288)	(1 378)
Net Premiums	0	0	0	0	0	0	0	0	0	0
Commission on Re-Ins.	140	132	124	133	142	152	163	175	187	200
Interest on Reserves	0	0	0	0	0	0	0	0	0	0
Total Revenue	140	132	124	133	142	152	163	175	187	200
Incurred Claims (Net)	0	0	0	0	0	0	0	0	0	0
Sales Commissions	106	100	94	101	108	116	124	132	142	152
Operating Expenses	32	32	32	35	37	40	42	45	49	52
Total Expenses	138	132	127	136	145	155	166	178	190	204
Pre-Tax Income	2	0	(2)	(2)	(3)	(3)	(3)	(3)	(3)	(4)
Income Tax	1	0	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Net Income	1	0	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(2)

DISCOUNTED FUTURE EARNNIGS ANALYSIS
M.V.A. FUND MANAGEMENT
SWAZILAND ROYAL INSURANCE COMPANY
(1 000'S OF EMALANGENI)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Management Fees	105	112	120	128	137	147	157	168	180	192
Operating Expenses	95	102	109	116	125	133	143	153	163	175
Pre-Tax Income	10	10	11	12	12	13	14	15	16	17
Income Tax	4	4	4	4	5	5	5	6	6	7
Net Income	6	6	7	7	8	8	9	10	10	11

DISCOUNTED FUTURE EARNINGS ANALYSIS
SPECIFIC ASSUMPTIONS

	Fire	Motor exl. MVA	Workmen's Comp.	Misc. Accident	Marine Cargo	Aviation & Mar. Hull
1988 Gross Premium (Monopoly Assumption)	E7 200 000	E5 800 000	E1 600 000	E3 800 000	E1 600 000	E1 100 000
Reinsurance %	92,0%	6,0%	9,0%	90,0%	100,0%	100,0%
Reinsurance Commission	24,0%	0,0%	8,0%	21,5%	19,0%	14,5%
Claims Rate	65,0%	80,0%	45,0%	65,0%	60,0%	80,0%
Sales Commision Paid	17,0%	9,0%	5,0%	15,0%	14,0%	11,0%
1988 Operating Expense (Monopoly Assumption)	E624 000	E545 000	E181 000	E458 000	E72 000	E34 000

DISCOUNTED FUTURE EARNINGS ANALYSIS
SWAZILAND ROYAL INSURANCE COMPANY
MONOPOLY ASSUMPTION
(1 000'S OF EMALANGENI)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Fire	14	15	16	17	19	20	21	23	25	26
Motor (excl M.V.A.)	546	585	626	669	716	766	820	877	939	1 005
Workmen's Compensation	448	480	513	549	588	629	673	720	770	824
Miscellaneous Accident	(67)	(72)	(77)	(82)	(88)	(94)	(101)	(108)	(115)	(123)
Marine Cargo	5	5	6	6	7	7	8	8	9	9
Aviation and Marine Hull	3	3	4	4	4	4	5	5	5	6
M.V.A. Fund Management	6	6	7	7	8	8	9	10	10	11
Net Income	956	1 023	1 095	1 171	1 253	1 341	1 435	1 535	1 643	1 758
Present Value Factor	0,8944	0,7155	0,5724	0,4579	0,3664	0,2931	0,2345	0,1876	0,1501	0,1200
P.V. of Income	855	732	627	536	459	393	336	288	247	211

P.V. of 10 Year Income	4 684
P.V. of Reversion	755
Total Value	E5 439

Assumed Equity Rate	25,0%
Residual Multiple	4

DISCOUNTED FUTURE EARNINGS ANALYSIS
SWAZILAND ROYAL INSURANCE COMPANY
NON-MONOPOLY ASSUMPTION
(1 000'S OF EMALANGENI)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Fire	(10)	(33)	(57)	(61)	(66)	(70)	(75)	(80)	(86)	(92)
Motor (excl M.V.A.)	460	412	364	390	417	446	478	511	547	585
Workmen's Compensation	388	227	188	201	216	231	247	264	283	302
Miscellaneous Accident	(76)	(90)	(105)	(112)	(120)	(128)	(137)	(147)	(157)	(168)
Marine Cargo	2	(1)	(4)	(5)	(5)	(5)	(6)	(6)	(6)	(7)
Aviation and Marine Hull	1	0	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
M.V.A. Fund Management	6	6	7	7	8	8	9	10	10	11
Net Income	772	520	392	419	448	480	513	549	588	629
Present Value Factor	0,8944	0,7155	0,5724	0,4579	0,3664	0,2931	0,2345	0,1876	0,1501	0,1200
P.V. of Income	690	372	224	192	164	141	120	103	88	76

P.V. of 10 Year Income	2 171
P.V. of Reversion	270
Total Value	E2 441

Assumed Equity Rate	25,0%
Residual Multiple	4