

ZEP Re (PTA Reinsurance Company) Limited

Kenya Reinsurance Analysis

July 2009

Security class	Rating scale	Currency	Rating	Rating watch	Expiry date
Claims paying ability	National	KShs	AA	No	07/2010
Claims paying ability	International	US\$	BBB-	No	07/2010

Financial data:

(US\$m)

	31/12/07	31/12/08
Total assets	53.4	64.5
Total capital	23.4	31.3
Cash and equiv.	21.8	34.3
GPI	37.9	46.0
U/w result	1.1	4.4
NPAT	1.9	7.9
Op. cash flow	10.0	5.8
Market cap		n.a.
Market share		n.a.

Fundamentals:

ZEP Re (PTA Reinsurance Company) Limited was established in 1990 to promote trade in the insurance and reinsurance sectors of the COMESA region. The company is exempt from taxation in the member states in which it operates. The company is headquartered in Nairobi, Kenya and operates regional offices in Sudan, Zambia and Cameroon. The Board of the company is comprised of 10 non-executive members elected every three years.

GCR contacts:

Marc Joffe

+2711 784-1771

joffe@globalratings.net

Website: www.globalratings.net

Rating rationale

The rating is based on the following key factors:

- ZEP RE's favourable strategic position given its legal mandatory cessions was positively viewed, while its well diversified sovereign equity participation serves to significantly reduce sovereign interference risk.
- The rate of capital accumulation has exceeded growth in net premiums over the past two years, driving a consecutive increase in the international solvency ratio to a review period high.
- Further capital raising initiatives are expected to see shareholders interest increase to approximately US\$48m in 2009, with solvency budgeted to pierce 100%.
- ZEP RE maintains a conservative investment policy with a strong focus on liquidity and the preservation of capital.
- The company continues to exhibit a high level of dependence on the Kenyan market, while the ability to price and accept risk in other regions is somewhat constrained by ZEP RE's limited participation in some of these markets.
- While retrocession arrangements on the excess of loss programme are led by counterparties rated at least A internationally, ZEP RE's exposure to various non-investment grade retrocessionaires implies a level of business risk.

Solvency and liquidity

Supported by the issue of new share capital of US\$6.6m, shareholders interest increased by 34% to US\$31m in F08. The international solvency ratio increased accordingly, to 85% in F08 (F07: 79%). The conservative reinsurance programme provides further protection to the capital base, whereby an XOL treaty limits maximum potential exposure to any single risk to US\$1m (around 3% of FYE08 capital). Cash holdings increased by 57% to US\$34m in F08, driving an increase in the cash claims coverage ratio to 22 months from 16 months previously. Cash and liquid assets accounted for 63% of total investments in F08, and are mainly held in US Dollars (47%) and British Pounds (31%).



Industry overview

In terms of geographical diversity, the Kenyan market dominates ZEP RE's gross premiums, accounting for around 40% of the reinsurer's business in 2008. Brief commentary on the Kenyan insurance industry follows.

General insurance

The Kenyan short term insurance market is highly fragmented, constituting a total of 36 participants, 15 of which are composite insurers. In recognition of the need to improve the financial stability of the insurance industry, new capital requirements were introduced under the Finance Bill of 2007, which was passed into law in October 2007. General insurance companies will be required to increase their paid up capital to KShs300m by 2010, from the current KShs150m capital requirement, while composite players will need to have paid up capital of KShs450m. Based on an analysis of shareholders funds at year-end F08, around 20 smaller sized companies will have difficulty meeting the minimum capital requirement (representing around 30% of short term industry gross premiums). Accordingly, the new legislation is expected to drive consolidation in the industry, which should alleviate competitive pressure to a degree. The industry is also set to benefit from the new "Cash and Carry" law, which stipulates that cover is only effective when premiums have been paid. This will facilitate an improvement in cash flow management, liquidity and investment returns.

Following a slowdown in economic performance, industry gross premium growth moderated to around 12% in 2008 (2007: 13%). Against average inflation of 26%, this represented a pronounced contraction in real terms (2007: real growth of around 3%). The fragmented nature of the market has made it increasingly difficult to adjust premiums relative to systemic changes in claiming patterns. This is particularly evident in the motor class, with claims frequency having risen significantly in recent years, as a result of the greater number of vehicles on the road, with minimal infrastructural expansion having taken place to accommodate traffic volumes. Furthermore, the prevalence of aged second hand vehicles and lack of standardisation of spare parts and replacement costs, have led to an increase in claims values. The motor class collectively represents more than 40% of industry gross premiums, with commercial lines accounting for around two thirds of this book. The high level of competition for motor business has resulted in relatively thin margins, particularly in personal lines. Accordingly, the motor account continues to undermine overall underwriting profitability, and reported an underwriting loss in 2008, compared with an underwriting profit margin of almost 10% for the other classes combined. The

Association of Kenya Insurers has engaged an actuarial company to investigate claims trends and segmentation of policyholder profiles, and determine more economic rates for this class of business. This is expected to be completed in early 2010 and will serve as an industry guideline for more sustainable pricing.

The Workers Injury Benefit Act ("WIBA") came into effect in 2008. This legislation requires companies to have insurance cover for potential employer liability claims. This provided substantial support to premium growth in the workmen's compensation class ("WCA"), which reverted to underwriting profitability for the first time in several years. However, it is noted that settlement of liability claims usually extends over several years, given the legal processes involved. This introduces reserving uncertainty, while the increase in exposures in this book (the quantum of reimbursement cannot be contractually limited) could exacerbate underwriting volatility. Overall, a rise in loss experience in several smaller classes was offset by the turnaround in WCA, as well as reasonably benign industrial property claims and an improvement in personal accident performance (around two thirds of which relates to medical insurance). This notwithstanding, the underwriting margin remained relatively subdued, at less than 5% in 2008.

Following robust equity market performance in 2006, a large portion of the gains posted by insurers have been reversed in the past two years, with 2008 reflecting a pronounced 35% contraction on the Nairobi Stock Exchange. Several years of sound economic growth have seen an increase in income levels and emerging demand for new residential and commercial complexes, supporting property market performance. As such, insurers have posted substantial revaluations of property investments, which have offset the aforementioned equity market losses to a degree. Interest rates remained subdued in real terms, with the 90 day T-bill rate averaging around 8% in 2008 (2007: 7%) and bank deposits returning a differential of only one or two percentage points. In this regard, low returns on liquid funds have prompted insurers to transfer investments into the equity and property markets over the past few years. However, cognisance is taken of the inherent volatility in market values of these investments, as well as their longer term nature, which implies a widening asset / liability mismatch for short term insurers.

Life insurance

Improving average income levels should translate to stronger demand for life protection and wealth preservation. This provides the impetus needed for the fund management and life assurance industries to bolster critical mass, therewith reducing the relative costs of administration, which has in the past been an

impediment to returns. Further, the amendments to retirement benefit regulations should assist in improving acceptance of life products from the consumer perspective, by promoting improved efficiency and certainty of policyholder rights. However, as with the short term business, life insurers will need to expand the scope of their target market to obtain volume increases, whilst placing emphasis on retaining persistency levels of new business. This has proven to be a challenge, and will require improved product innovation and extensive promotion and education, which could place further pressure on costs.

A recent Kenyan regulatory requirement that all life reinsurance business be placed domestically (effective 1 January 2009) bodes well for reinsurers participating in this line of business.

Competitive positioning

	Africa Re	ZEP Re	East Africa Re	TAN-Re
GPI*	401.0	46.0	14.8	24.2
NPAT	20.4	7.9	1.5	2.4
Capital	223.7	31.3	11.4	7.4
Solvency (%)	61.2	84.9	122.0	42.2
Retention (%)	91.1	80.2	80.4	80.0
Loss ratio (%)	66.9	53.0	52.9	44.2
Commission ratio (%)	27.7	25.1	32.3	29.5
Expense ratio (%)	4.9	9.4	14.6	12.7
U/W margin (%)	0.5	12.5	0.2	13.6
Cash coverage (mth)	n.a.	22.3	31.9	12.1

*Life and non-life

Regionally, ZEP RE continues to face competition from Kenya Re (owns 25.5% of ZEP Re), who receives an 18% legal mandatory cession from the Kenyan market, and Tan Re's 20% compulsory cession in Tanzania. Furthermore, Africa Re continues to successfully expand its operations across the African continent, enhancing its reputation as the dominant African reinsurer. Internationally, demand for foreign reinsurance also remains high, with lead lines often taken up by key international players. However, notwithstanding the aforementioned, ZEP RE has made strong inroads in terms of increasing capacity levels in recent years, typically writing in excess of its mandatory cession requirement of 10% (around 40% of GPI is derived through compulsory placements), while also leading a number of programmes. The company is also gradually expanding into West Africa, having recently opened up a branch office in Cameroon, and also underwrites a small amount of business from Asia and the Middle East.

Fundamentals

As mentioned previously, the Kenyan market accounts for a significant component of gross premiums. The company also has a fairly high cedent participation on a few portfolios in Sudan, which represented a further 14% of GPI in F08 (supported by oil related business). With the exception of

Tanzania (roughly 6.5%), all other countries in which ZEP RE participates comprise less than 5% of GPI.

While the largest client accounted for a higher 10.4% of GPI in F08 (F07: 6.7%), no other cedent comprised more than 4% of premium written. The book is fairly concentrated by intermediary, with the 3 largest brokers representing 47% of GPI in F08 (F07: 44%).

	F07	F08
Cedent 1	6.7	10.4
Cedent 2	6.2	4.0
Cedent 3	4.2	3.6
Cedent 4	3.5	2.8
Cedent 5	2.9	2.7
Cedants 6-10	7.3	11.2
Sub-total	30.8	34.7

Proportional business continued to dominate the reinsurer's book in F08, accounting for 71% of both GPI and NPI, from 69% and 70% respectively in F07. Non-proportional premiums decreased to 21% of GPI, from 23% in F07, with facultative business comprising the remaining 8%. While all business classes experienced growth during F08, this was particularly pronounced in the life business (overwhelmingly group life), with GPI almost doubling to US\$7.5m, to account for 16% of GPI and 20% of NPI (F07: 10% and 13% respectively). The overwhelming majority of business is, however, still garnered from the short term insurance market, in particular fire & accident (including medical) related risks. Marine and aviation premium growth was relatively subdued in F08, a direct result of the downturn in global economic activity.

	GPI (%)		NPI (%)	
	F07	F08	F07	F08
Fire & accident	75.9	72.8	70.8	67.3
Marine & aviation	13.9	10.8	16.1	12.2
Life	10.2	16.4	13.1	20.4
Total	100.0	100.0	100.0	100.0

In terms of claims experience, the dominant fire & accident book reflected a significant improvement in F08, driving a 17% underwriting margin compared to a 6% loss in F07. The marine and aviation book evidenced a doubling in its loss ratio, which in turn impacted its underwriting performance, albeit remaining profitable. In contrast, the life book witnessed a notable turnaround in underwriting performance, to a US\$0.4m loss from a US\$0.8m profit in F08, following a jump in the claims ratio to 77% (F07: 54%). The overall loss ratio, however, improved to 53% in F08, from 61% previously.

	Earned loss ratio		U/W ratio	
	F07	F08	F07	F08
Fire & accident	70.1	46.2	(6.1)	17.3
Marine & aviation	23.5	50.2	33.6	11.3
Life	54.0	77.4	21.8	(5.1)
Total	61.1	53.0	4.0	12.5

In terms of loss ratio by type of business, proportional business (71% of GPI) reflected a fairly constant earned loss ratio of 52.8% (F07: 53.4%), while the non proportional loss ratio decreased significantly, to 63.3% from 99.5% in F07. Facultative related claims reflected a loss ratio of 21% (F07: 26.7%).

Asset management

Driven by US\$6.6m in proceeds from the issue of new shares, cash and equivalents increased by 57% to US\$34.3m as at FYE08. Accordingly, cash holdings comprised a higher 63% of total investments (F07: 51%), supportive of the reinsurer's highly liquid and conservative investment stance. This, together with a well contained claims incidence for the year, drove a significant increase in cash claims cover to 22 months (F07: 16 months), a review period high.

Relatively liquid government securities of US\$8.5m (F07: US\$11m) accounted for an additional 16% of total investments. The reinsurer's equity exposure doubled to US\$2.1m in F08, albeit comprising less than 4% of total investments, with the largest counter representing 36% of quoted investments. Unrealised investment losses on the equity portfolio amounted to US\$0.8m in F08, compared to a US\$25,574 gain in F07. Investment property comprises two commercial properties, namely ZEP RE Place and Prosperity House in Nairobi, Kenya. Inclusive of fair value gains of US\$0.5m, these amounted to US\$9.2m as at FYE08. Total rental income derived from these properties increased to US\$0.9m in F08, from US\$0.7m in F07.

Table 5: Investment portfolio	F07		F08	
	US\$000	%	US\$000	%
Cash & equivalents	21,828	51.3	34,276	63.4
Govt. securities	10,995	25.8	8,480	15.7
Equity	1,023	2.4	2,092	3.9
Investment property	8,705	20.6	9,202	17.0
Other investments	20,724	48.7	19,775	36.6
Total investments	42,552	100.0	54,051	100.0
% of total assets	79.7		83.8	

Counterparty and currency risk

The bulk of cash investments are placed with Barclays Bank of Kenya (US\$13.5m; 40% of cash holdings) and Lloyds Bank plc - London (US\$10.7m; 31% of total cash). A further US\$3.8m is invested with PTA Bank. The composition of cash holdings by currency as at FYE08 reveals that 47% is denominated in US Dollar's, 31% in British Pounds, and a further 20% in Kenyan Shillings.

Solvency and reserving

Paid up share capital increased from US\$12.8m in F07 to US\$30m as at FYE08. This follows the issue of new share capital of US\$6.6m and the capitalisation of retained earnings of US\$9.9m. Inclusive of reinvested profits and unrealised investment movements, total shareholders interest amounted to US\$31.3m at FYE08, representing an increase of 34% over F07. Post F08, following a restructuring of the company's capital set up, the authorised share capital of the reinsurer was increased from US\$50m to US\$100m.

Comparatively stronger growth in reserves relative to net premiums drove an increase in the international solvency margin to a review period high of 85% in F08, from 79% previously. The UPR amounted to a conservative 35% of NPI (F07: 37%), while net outstanding claims expressed as a percentage of NPI totaled 39%, from 42% previously.

Retrocession

ZEP RE displays a well diversified retrocession participation policy, comprising both proportional and non-proportional treaties. Given the relatively small individual risk exposures, ZEP RE retains 100% of life business for its own account. Counterparties on the XOL programme are mainly international investment grade rated, and include Lloyds, Brit Insurance and Africa Re. On the surplus treaty, the larger cessions are placed with international investment grade counterparties Africa Re and Polish Re, although a number of non-investment grade counterparties (including GIC, Kenya Re, Sen Re and Continental Re) take up smaller cessions. An XOL treaty limits ZEP RE's maximum potential exposure to any single risk to US\$1m, or around 3% of the FYE08 capital base.

Table 6: Class (US\$)	Retention	Limit
Surplus treaty		
Fire & CAR	750,000	6.8m
Marine hull & cargo	600,000	4.2m
Miscellaneous/Accident	400,000	2m
Excess of loss		
Fire & CAR	1m	6m
Motor & accident	125,000	1.5m
Marine	250,000	2.5m
Marine hull & cargo	600,000	4.2m
Miscellaneous/Accident	300,000	1.5m
Fire CAT	1m	12.1m
Facultative		
Fire & CAR	3m	12m
Marine hull & cargo	500,000	3m
Miscellaneous/Accident	500,000	3m

ZEP RE effected a net transfer of US\$3m to the retro market in F08, up from US\$2.3m previously. This amounted to a slightly lower 9.6% of capital (F07: 10%).

Table 7: Retrocession account (US\$000)	F06	F07	F08
Premium ceded	(7,312)	(8,387)	(9,094)
Commission recovered	1,912	2,993	2,956
Claims recovered	3,197	3,050	3,125
Net result	(2,203)	(2,344)	(3,013)

Financial performance

A 5-year financial synopsis of the company is reflected at the back of this report and brief comment follows.

Table 8: F08 comparison to budget (US\$000)	Actual	Budget	% of budget
GPI	45,987	45,500	101.1
NPI	36,893	35,945	102.6
EPI	34,894	33,472	104.2
Claims incurred	(18,480)	(19,748)	93.6
Commission	(8,749)	(8,463)	103.4
Management expenses	(3,295)	(3,302)	99.8
Underwriting margin	4,371	1,959	223.1

Gross premium income increased by 21% to US\$46m in F08, slightly ahead of expectations. Following a lower relative level of retrocession premiums (20% versus 22% in F07), net premium income increased by a comparatively higher 25% to US\$36.9m.

Claims incurred were well contained in F08, increasing by 9% to US\$18.5m, compared to growth in earned premiums of 26%. Accordingly, the earned loss ratio registered at a level last seen in F05, of 53% (budget: 59%), which was 8 percentage points below the level posted in F07. In addition, both the net commission and management expense ratio declined marginally in F08, to 25.1% and 9.4 % respectively (F07: 25.4% and 9.6%). The combined effects of the aforementioned drove a significant jump in the underwriting profit to an all time high of US\$4.4m (F07: US\$1.1m), which was well above budget of US\$2m. This translated into an underwriting margin of 12.5% (F07: 4%).

The higher level of cash holdings supported enhanced investment income of US\$3.5m in F08 (F07: US\$2.6m), which was mainly comprised of interest received on deposits and government securities. Accordingly, ZEP RE recorded a significant increase in NPAT to US\$7.9m (F07: US\$1.9m), well above historical norms.

Notwithstanding the sound profitability, the reinsurer incurred losses of US\$6.5m relating to exchange rate translation movements (F07: US\$2.7m gain), which GCR has included in unrealised movements. These arose primarily on currency movements on fixed deposits, between the British Pound and Kenyan Shilling against the US Dollar, with the British Pound depreciating from 0.5/US\$ as at 1 January 2008 to 0.69/US\$ by the end of 2008 (or 38% depreciation; driving a US\$3.5m exchange rate loss) and the

Kenyan Shilling depreciating by 31%. Some of these “paper” losses have since been recovered, with the British Pound appreciating to 0.61/US\$ as at 30 June 2009. Also included in unrealised movements are investment gains on property revaluations of US\$0.5m (F07: US\$0.6m gain). Inclusive of the aforementioned currency movements, the company reported a sharp drop in ROE to 7%, compared to 26% in F07.

Future prospects

While it is expected that ZEP RE will encounter challenges in light of the global economic crisis, these circumstances may also offer certain opportunities, particularly where international players may look to withdraw from certain African markets.

The following table summarises the reinsurer’s year to date performance against the full year budget for 2009. The company is conservatively budgeting for growth in gross premiums of 8.7% to US\$50m in F09, which is well below the level of growth achieved over the prior three years. A higher relative level of claims and management expenses (compared to F08) is expected to see the underwriting ratio decrease to 5%, from 12.5% in F08. Solvency is expected to increase to 121% in F09 following further capital raising initiatives, with shareholders interest forecast at US\$47.9m as at FYE09. Solvency could, however, register at a lower than budgeted level given the strong growth in premium income achieved for the year to date. In this regard, ZEP RE is well ahead of relative full year targets on all income measurements, in particular NPI (43% of the full year budget was attained as at 30 April 2009). The underwriting performance for the year to date reflects a profit of US\$1m, or half the full year target.

Table 9: F09 YTD and budget (US\$000)	F09 YTD Actual*	F09 Budget	% of budget
GPI	21,466	50,000	42.9
NPI	17,233	39,750	43.4
EPI	15,295	38,343	39.9
Claims incurred	(8,595)	(22,238)	38.7
Commission	(4,585)	(9,586)	47.8
Management expenses	(1,110)	(4,513)	24.6
Underwriting margin	1,005	2,005	50.1
Key ratios			
GPI growth**	40.0	8.7	
Retention	80.3	79.5	
Earned loss	56.2	58.0	
Commission	30.0	25.0	
Management expense	7.3	11.8	
Underwriting/EPI	6.6	5.2	
Solvency margin**	n.a.	120.6	

* 4 months to 30 April 2009.

** Annualised

ZEP RE (PTA Reinsurance Company) Limited

(US\$ in thousands except as noted)

Year ended : 31 December

	2004	2005	2006	2007	2008	
Income Statement						
Gross premium income (GPI)	24,373.1	26,900.0	32,474.9	37,923.6	45,986.5	
Retrocession premiums	(5,539.0)	(7,379.5)	(7,311.7)	(8,386.6)	(9,094.0)	
Net Premium income (NPI)	18,834.1	19,520.5	25,163.2	29,536.9	36,892.5	
(Increase) / Decrease in insurance funds	220.0	(422.2)	(1,403.5)	(1,816.7)	(1,998.4)	
Net premiums earned	19,054.1	19,098.3	23,759.7	27,720.2	34,894.1	
Claims incurred	(9,943.5)	(10,181.6)	(14,562.7)	(16,927.2)	(18,479.7)	
Commission	(4,971.9)	(5,267.7)	(6,045.7)	(7,034.3)	(8,748.5)	
Management expenses	(1,781.0)	(1,822.2)	(2,098.5)	(2,649.0)	(3,295.0)	
Underwriting profit / (loss)	2,357.7	1,826.8	1,052.8	1,109.8	4,370.9	
Investment income	427.8	948.7	1,423.8	2,589.2	3,452.2	
Other income / (expenses)	(748.5)	(1,096.0)	623.6	(1,775.2)	74.1	
Taxation	0.0	0.0	0.0	0.0	0.0	
Net income after tax	2,036.9	1,679.5	3,100.2	1,923.8	7,897.2	
Dividends	(315.6)	(300.0)	(500.0)	(750.0)	(480.0)	
Retained income	1,721.3	1,379.5	2,600.2	1,173.8	7,417.2	
Unrealised gains / (losses)	0.0	254.9	(623.3)	3,332.2	(5,986.9)	
Cash Flow Statement						
Cash available from operating activities	2,793.1	3,833.1	10,724.5	10,007.2	5,793.5	
Dividends paid	0.0	(298.8)	(294.7)	(513.0)	(7.2)	
Cash flow from operating activities	2,793.1	3,534.3	10,429.8	9,494.2	5,786.3	
Cash flow from investing activities	(2,339.6)	(7,400.0)	(4,537.7)	(4,388.3)	(4,824.5)	
Cash flow from financing activities	2,433.6	841.8	410.1	1,037.0	6,909.7	
Net cash inflow / (outflow)	2,887.1	(3,023.9)	6,302.2	6,142.9	7,871.4	
Balance Sheet						
Shareholders interest	12,431.1	15,044.6	17,641.0	23,390.8	31,322.6	
Insurance funds	7,184.2	7,606.4	9,009.8	10,826.5	12,825.0	
Other liabilities	12,689.0	14,959.4	17,314.3	19,156.8	20,315.9	
Total capital & liabilities	32,304.2	37,610.3	43,965.1	53,374.1	64,463.4	
Fixed assets	4,779.6	1,683.9	1,587.0	1,482.0	2,207.1	
Investments	848.8	11,422.5	16,605.7	20,724.1	19,774.5	
Cash and short term deposits	14,196.4	11,181.9	17,488.7	21,828.0	34,276.4	
Other current assets	12,479.4	13,321.9	8,283.7	9,340.0	8,205.5	
Total assets	32,304.2	37,610.3	43,965.1	53,374.1	64,463.4	
Key Ratios						
Solvency / Liquidity						
Shareholders funds / NPI	%	66.0	77.1	70.1	79.2	84.9
Cash claims cover	months	17.1	13.2	14.4	15.5	22.3
Debtors days	days	181.3	171.6	88.5	85.5	62.1
Operating cash flow / NPI	%	14.8	18.1	41.4	32.1	15.7
Reserve adequacy						
Net outstanding claims/NPI	%	32.6	41.5	34.5	42.4	39.3
Insurance funds/NPI	%	38.1	39.0	35.8	36.7	34.8
Profitability						
ROaE (after unrealised gains / losses)	%	18.8	14.1	15.2	25.6	7.0
Investment yield (including unrealised gains / losses)	%	3.1	6.4	2.8	15.6	(5.3)
Cash investment yield (average)	%	3.1	5.0	5.1	6.8	7.2
Efficiency / Growth						
GPI Growth	%	(4.9)	10.4	20.7	16.8	21.3
Premiums reinsured / GPI	%	22.7	27.4	22.5	22.1	19.8
Earned loss ratio	%	52.2	53.3	61.3	61.1	53.0
Commissions / Earned premiums	%	26.1	27.6	25.4	25.4	25.1
Management expenses / Earned premiums	%	9.3	9.5	8.8	9.6	9.4
Underwriting result / Earned premium	%	12.4	9.6	4.4	4.0	12.5
Operating						
Effective tax rate	%	0.0	0.0	0.0	0.0	0.0
Dividend cover	X	6	5.6	6.2	2.6	16.5