Media Release
Association for Savings and Investment South Africa (ASISA)
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Life insurers continue to weather adverse conditions

The past two years severely stress tested the financial resilience of South African life insurers as a result of the COVID-19 pandemic, severe market volatility and a steep increase in the cost of living for consumers. Nevertheless the life industry remains in robust financial health and well capitalised to honour the long-term contractual promises made to customers, according to the long-term insurance statistics released today by the Association for Savings and Investment South Africa (ASISA).

The ASISA long-term insurance statistics show that the life insurance industry held assets of R3.51 trillion at the end of June 2022, while liabilities amounted to R3.18 trillion. This left the industry with free assets of R335.8 billion, which is more than double the reserve buffer required by the Solvency Capital Requirements (SCR).

Hennie de Villiers, deputy chair of the ASISA Life and Risk Board Committee, points out that this is the first time since 2020 that the industry's collective reserve buffer was more than double the requirement.

He explains that a healthy reserve buffer is of critical importance, because it enables insurers to pay claims and policy benefits even in times of extreme market turmoil and/or unusually high claims.

De Villiers reports that policyholders and beneficiaries received claims and benefit payments worth R270.2 billion from South African life insurers in the first half of 2022. Payments made to policyholders and beneficiaries included retirement annuity and endowment policy benefits as well as claims against life, disability, severe illness and income protection policies.

"These payments would have been received by consumers following either a tragic life event like death or disability, or a life stage change like retirement," explains De Villiers.

The life industry in numbers

	June 2020	Dec 2020	June 2021	Dec 2021	June 2022
Assets held	R3.10 trillion	R3.23 trillion	R3.43 trillion	R3.71 trillion	R3.51 trillion
Liabilities	R2.76 trillion	R2.89 trillion	R3.10 trillion	R3.36 trillion	R3.18 trillion
Free assets	R330.2 billion	R333.5 billion	R334.6 billion	R350.6 billion	R335.8 billion
Solvency Capital Requirements (SCR) ratio	2.13	2.11	1.97	1.96	2.04
Claims & benefits paid per half-year	R229.5 billion	R294.2 billion	R315.4 billion	R292.4 billion	R270.2 billion

Struggling consumers sacrifice life and disability cover

The harsh economic realities imposed on South African consumers during the first half of this year placed a damper on their appreciation of the value of long-term risk protection such as life and disability cover gained during the COVID-19 pandemic.

The ASISA long-term insurance statistics show that in stark contrast to the same period last year, consumers not only bought fewer risk policies in the first six months of this year, but also lapsed a higher number of policies. A lapse occurs when the policyholder stops paying premiums for a risk policy with no accumulated fund value.

Last year, while the country was still suffering the full impact of the COVID-19 pandemic, the long-term insurance industry had recorded a significant increase in new risk policies bought in the first half of the year with lapses also much lower.

De Villiers points out that consumers have had to absorb unprecedented fuel price increases as well as higher food prices and rising interest rates in the first half of this year. At the same time, 64% of South Africans between the ages of 25 to 34 were unemployed according to the Quarterly Labour Force Survey (QLFS) for the first quarter of 2022.

"South Africans in this age group are meant to be economically active and under normal circumstances be concerned with buying risk cover to offer financial protection to their growing families as well as cover credit purchases such as mortgage bonds," says De Villiers. He adds, however, that many of those who are employed are likely to be reluctant to commit to monthly premium payments while living costs are at an all-time high.

De Villiers notes that even credit life policies failed to achieve meaningful growth in the first half of 2022, which indicates that consumers were struggling to access credit or practicing greater restraint when buying on credit.

At the start of 2022 there were 34.3 million recurring premium risk policies (life policies, funeral policies, credit life policies, disability policies, severe illness policies and income protection policies) in force. However, while consumers bought 4.4 million new risk policies in the first six months of this year, 4.3 million risk policies were lapsed and claims against 199 023 policies submitted. This resulted in a marginal drop of 0.1% to 34.2 million in force recurring premium risk policies at the end of June 2022.

On a more positive note, says De Villiers, the number of claims reduced significantly in the first half of this year relative to the same period last year when the country was still in the midst of the COVID-19 pandemic.

De Villiers also reports a further marginal decline in the number of individual recurring premium savings policies (endowments and retirement annuities) from 5.75 million policies at the start of 2022 to 5.71 million at the end of June 2022. At the end of June 2021, there were 5.96 million in force recurring premium savings policies.

Of particular concern is the high number of policy surrenders, says De Villiers. While 293 423 new policies were sold during the six month period to the end of June 2022, 319 318 policies were surrendered. A surrender occurs when the policyholder stops paying premiums and withdraws the fund value before maturity.

"This is not surprising since consumers are far more likely to surrender their savings policies during tough times to access their savings to cope with financial hardship."

Message to consumers

With an unemployment rate at record highs and living costs climbing relentlessly, consumers may be tempted to let go of their life, disability, severe illness and income protection policies, says De Villiers. However, as the COVID-19 pandemic has shown, the true value of having long-term insurance cover in place is generally only realised during times of crisis.

De Villiers therefore urges consumers to consider long-term risk protection cover as a valuable financial asset, which can become impossible to replace as you grow older.

"If you are struggling to make ends meet the temptation to let go of your life and/or disability cover can be overwhelming. But before you do, weigh up the expense of your monthly premium against the dire financial impact the loss of your income could have on your family. Rather speak to your financial adviser or insurer first if you are struggling to keep up with premium payments."

Ends

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ASISA represents the majority of South Africa's asset managers, collective investment scheme management companies, linked investment service providers, multi-managers, and life insurance companies.