

Media Release

Association for Savings and Investment South Africa (ASISA)

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Life insurers remain well capitalised despite unprecedented claims and benefit payments

Despite the unprecedented claims and benefit payments made to policyholders and beneficiaries as a result of the Covid-19 pandemic, the life industry remains in robust financial health and well capitalised to honour the long-term contractual promises made to customers.

The Association for Savings and Investment South Africa (ASISA) today released the half yearly long-term insurance statistics reported by ASISA members, which show that the life insurance industry held assets of R3.43 trillion at the end of June 2021, while liabilities amounted to R3.09 trillion. This has left the industry with free assets of R334.6 billion, which is almost double the reserve buffer required by the Solvency Capital Requirements (SCR).

Hennie de Villiers, deputy chair of the ASISA Life and Risk Board Committee, 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. "The Covid-19 pandemic is considered a once in a lifetime event, which has resulted in unprecedented death claims for our industry and yet life insurers are able to weather the fallout because of the reserve buffers that are in place."

De Villiers notes that despite the higher than usual death claims recorded by most life insurers over the three half yearly reporting periods since the start of the pandemic, the SCR ratio dropped only slightly indicating the resilience of the South African life insurance industry.

The life industry in numbers

	Jan to June 2020	July to Dec 2020	Jan to June 2021
Assets held	R3.10 trillion	R3.23 trillion	R3.43 trillion
Liabilities	R2.76 trillion	R2.89 trillion	R3.09 trillion
Free assets	R330.2 billion	R333.5 billion	R334.6 billion
Solvency Capital Requirements (SCR) ratio	2.13	2.11	1.97
Claims & benefits paid	R229.5 billion	R294.2 billion	R315.4 billion

Claims and benefits paid

De Villiers reports that policyholders and beneficiaries received claims and benefit payments worth R315.4 billion from South African life insurers in the first half of 2021. Payments made to policyholders and beneficiaries included retirement annuity and endowment policy benefits as well as claims against life, disability, critical illness and income protection policies.

"This means that R315.4 billion was paid to South Africans in the first six months of this year following either a tragic life event like death or disability, or a life stage change like retirement," says De Villiers.

He adds that this brings to R839.1 billion the total that was injected into the South African economy over 18 months during a period when many industries were left largely paralysed by measures taken to curb the spread of Covid-19.

Realising the value of risk cover

At the end of June 2021, there were 40.3 million individual recurring premium policies in force of which 33.2 million were risk policies (life policies, funeral policies, credit life policies, disability policies, severe illness policies and income protection policies).

De Villiers says while 5.9 million new individual recurring premium risk policies were bought in the first six months of this year, some 3.7 million risk policies were lapsed. A lapse occurs when the policyholder stops paying premiums for a risk policy, which has no accumulated fund value.

De Villiers says compared to the first and second half of 2020, there was a significant increase in new risk policies bought, while at the same time lapses were much lower.

"The increase in the uptake of risk policies and the decrease in lapses is positive and indicates that more than ever South Africans are realising the value of risk cover. While an insurance pay-out cannot make up for the loss of a loved one, it can ease the financial burden that falls on a family when a tragic life event occurs."

The annual death claims statistics released by ASISA recently show that 1 023 083 death claims were submitted between 1 April 2020 and 31 March 2021. The statistics reflect claims made against individual life, group life (offered by employers), credit life and funeral cover policies. Beneficiaries of the policyholders who died in this period received death benefits of R47.58 billion compared to the previous 12 month period when R29.08 billion was paid.*

Savings policies

De Villiers reports a decline in the number of individual recurring premium savings policies (endowments and retirement annuities) from 6.1 million policies at the end of December 2020 to 6 million at the end of June 2021. While 340 126 new policies were sold during the six month period, 316 023 policies were surrendered. A surrender occurs when the policyholder stops paying premiums and withdraws the fund value before maturity.

De Villiers says while this is concerning, it is not surprising given the impact of the Covid-19 pandemic on the earning ability of thousands of South Africans. "When times are tough consumers are more likely to surrender their savings policies to access their savings due to financial hardship."

De Villiers points out that there was a 3.4% increase in the number of single premium policies (annuities) from 2 million at the end of December 2020 to 2.1 million at the end of June 2021. He says unfortunately this might largely be due to people taking early retirement or investing retrenchment packages.

A strong case for vaccinations

De Villiers says the statistics clearly show that the Covid-19 pandemic has had a devastating impact on millions of South Africans. "Our industry has never before recorded such high numbers of death claims, and while life companies remain in a strong position to continue paying claims to grieving families, the money paid cannot make up for the life that was lost. We therefore urge all South Africans to get vaccinated rather than risk death or the long-term debilitating side effects often caused by Covid-19. Evidence from other countries with higher vaccination rates shows clearly that while Covid cases might still be relatively high in some of these countries, deaths have reduced materially."

Ends

***Note to editors:** The annual ASISA death claims statistics were collected for the first time in 2021 with the aim of tracking the full impact of the Covid-19 pandemic on death claims across all lines of business: individual life, group life (offered by employers), credit life and funeral cover policies. For this reason the measurement period of 1 April 2020 to 31 March 2021 was considered appropriate. Since the half yearly life statistics are consolidated from the reporting templates set by the Prudential Authority (PA) in line with the regulatory reporting requirements introduced by the Insurance Act of 2018, these statistics do not include detailed death claims statistics and benefit values and also exclude group life cover.

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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.