

## Media Release

Association for Savings and Investment South Africa (ASISA)

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### Life insurers paid R599 billion in claims and benefits in 2023

Policyholders and beneficiaries received R599 billion in 2023 from life insurers that are members of the Association for Savings and Investment South Africa (ASISA) following tragic life events like death and disability or significant life stage changes like retirement. 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.

The long-term insurance statistics released today by ASISA also show that members managed 43.8 million risk and savings policies on behalf of policyholders at the end of December 2023. In-force policies increased marginally from 43.2 million at the end of December 2022.

Gareth Friedlander, a member of the ASISA Life and Risk Board Committee, says the health of the long-term insurance industry is of significant importance to the policyholders of these 43.8 million policies. The key indicator of the industry's health is the average solvency buffer, which was just more than double (2.07) the Prudential Authority's Solvency Capital Requirement (SCR) as at the end of December 2023.

Friedlander explains that strong capital buffers ensure that life insurers are in a position to pay claims and policy benefits, even in times of extreme market turmoil and unusually high claims.

The life insurance industry managed assets of R4.08 trillion at the end of December 2023, while liabilities amounted to R3.72 trillion. This left the industry with excess assets of R366 billion, while the SCR was R176.7 billion.

Friedlander notes that the industry had managed to shore up capital in 2023 to levels last seen in the years before the COVID pandemic. "South African life insurers have shown remarkable resilience in a period marked by unprecedented claims due to the COVID pandemic with only a slight dip in solvency levels in 2021 and 2022," he adds.

He also points out that this is the first time the long-term insurance industry has reported assets above R4 trillion. The 10.2% growth in assets from R3.7 trillion at the end of 2022 to R4.1 trillion at the end of 2023 was largely due to market performance. The JSE All Share Index delivered a return of 9.3% over the 12 months to the end of December 2023.

Friedlander describes the long-term insurance operating environment as slow-growing, with individual life insurers achieving growth by dipping into the market share of competitors by offering better value and product innovation. He says this has created a highly competitive market, which is good news for consumers.

“We have the picture-perfect competitive industry with an enormous amount of innovation and a lot of digitisation,” says Friedlander.

“We have also seen an increasing number of industry participants with smaller players joining and banks coming in, which is representative of a competitive and innovative industry.”

Friedlander says despite the competitive pressures, the South African life industry remains a responsibly managed industry, delivering value without undermining the ability to pay claims and benefits, especially during tough times.

### The life industry in numbers

	2019	2020	2021	2022	2023
<b>Assets held</b>	R3 tn	R3.2 tn	R3.7 tn	R3.7 tn	R4.1 tn
<b>Liabilities</b>	R2.7 tn	R2.9 tn	R3.4 tn	R3.4 tn	R3.7 tn
<b>Free assets</b>	R360 bn	R334 bn	R351 bn	R347 bn	R366 bn
<b>Solvency Capital Requirements (SCR) ratio</b>	2.14	2.11	1.96	1.96	2.07
<b>Claims &amp; benefits paid</b>	R491 bn	R523 bn	R608 bn	R578 bn	R599 bn

### Risk policies

In 2023, consumers bought 9.97 million new individual recurring premium risk policies, of which 5.59 million were funeral policies. In 2022, some 9.19 million risk policies were sold, of which 4.39 million were funeral policies.

Friedlander says 8.25 million risk policies lapsed last year, a slight reduction from the 8.33 million policies lapsed in 2022. A lapse occurs when the policyholder stops paying premiums for a risk policy with no fund value.

“While even a slight reduction in the lapse rate is good news, policy lapses are concerning. With every risk policy lapsed, South Africa's sizeable insurance gap widens even further, leaving more families financially vulnerable should their breadwinner die or become disabled.”

The 2022 ASISA Life and Disability Insurance Gap Study, conducted every three years, showed that the average South African income earner had a combined life and disability cover shortfall of at least R2.4 million at the end of 2021. According to the study, South Africa's 14.3 million income earners had only enough life and disability insurance to cover 45% of the total insurance needs of their households.

### Savings policies

In 2023, 536 784 individual recurring premium savings policies (endowments and retirement annuities) were taken out, compared to 529 930 in 2022.

Policyholders also surrendered 563 326 recurring premium savings policies in 2023, compared to 585 265 in 2022. A surrender occurs when the policyholder stops paying premiums and withdraws the fund value before maturity.

Friedlander comments that the increase in new savings policies against a decrease in surrenders was an unexpected positive development, given the economic hardships that faced the majority of consumers in 2023. However, he adds, it is encouraging that consumers recognise the importance of disciplined savings, even under difficult circumstances.

### **Message to consumers**

Friedlander says the increase in recurring premium risk and savings policies bought in 2023 is encouraging. "The COVID pandemic years highlighted the importance of protecting your family financially by having sufficient life cover in place, as well as savings that can be accessed in an emergency. Hopefully, this motivates consumers to ensure they have enough cover and savings to protect them and their families when life happens."

Friedlander says the cost of living driven by high interest rates and fuel prices combined with the realities of a stagnant economy will likely drive some policyholders to give up their policies and cash in their savings.

He cautions that this should always be a last resort and encourages policyholders struggling to make ends meet to discuss options with their financial advisers before letting go of their policies. "A financial adviser can help you by taking a holistic view of your financial situation and helping you find sustainable solutions that are not driven by emotions."

### **Ends**

#### **To set up interviews please contact:**

Lucienne Fild  
Independent Communications Consultant  
082 567 1533  
lucienne@fild.co

#### **Issued on behalf of:**

Gareth Friedlander  
Life and Risk Board Committee  
Association for Savings and Investment South Africa (ASISA)

*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.*