

Media Release

Association for Savings and Investment South Africa (ASISA)

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Life insurers remain well-capitalised despite tough operating conditions in 2022

South African life insurers navigated volatile investment markets and a tough operating environment in 2022, emerging well-capitalised and in a strong position to continue honouring contractual promises made to policyholders and their beneficiaries.

The long-term insurance statistics released today by the Association for Savings and Investment South Africa (ASISA) show that life insurers held assets of R3.7 trillion at the end of 2022 while liabilities amounted to R3.4 trillion, both the same as at the end of 2021. This left the industry with free assets of R347 billion at the end of December 2022, almost double the capital required by the Solvency Capital Requirements (SCR).

Hennie de Villiers, deputy chair of the ASISA Life and Risk Board Committee, points out that the assets held by the country's life insurers at the end of 2022 were significantly higher than at the end of 2019 before the COVID pandemic. "While liabilities also increased substantially, there was only a slight downward adjustment in the average SCR ratio over the same period, from 2.14 in 2019 to 1.96 in 2022, demonstrating the industry's resilience during the COVID pandemic."

He notes that the experience of the long-term insurance industry in 2022 was similar to that of the local Collective Investment Schemes industry, which ended 2022 where it finished 2021 with R3.14 trillion in assets under management. This means that the South African life and CIS industries mirrored the JSE All Share Index, which also ended 2022 almost exactly where it finished in December 2021, closing at 73 709 on 30 December 2021 and 73 048 on 30 December 2022.

The life industry in numbers

	2019	2020	2021	2022
Assets held	R3 trillion	R3.2 trillion	R3.7 trillion	R3.7 trillion
Liabilities	R2.7 trillion	R2.9 trillion	R3.4 trillion	R3.4 trillion
Free assets	R360 billion	R334 billion	R351 billion	R347 billion
Solvency Capital Requirements (SCR) ratio	2.14	2.11	1.96	1.96
Claims & benefits paid	R491 billion	R523 billion	R608 billion	R578 billion

Claims and benefits paid

Policyholders and beneficiaries received claims and benefits payments worth R578 billion from South African life insurers in 2022, the second highest paid in a year. The payments included claims against life, disability, critical illness and income protection policies, and retirement annuity and endowment policy benefits.

De Villiers says that while the value of claims and benefits paid had come down from the R608 billion paid in 2021 when death claims as a result of the COVID pandemic were at their highest, the statistics show that the impact of COVID is likely still a threat and is still costing lives.

"Last year, life insurers paid 501 785 death claims, 26% lower than in 2021, but still 24% higher than in 2019," says De Villiers.

Lapses and surrenders

De Villiers says that hidden deeper in the statistics is evidence of South African consumers' unprecedented hardship. For many, this means stopping risk insurance premiums and cashing investment policies to survive financially.

The ASISA statistics show 689 888 recurring and single premium savings policies were surrendered in 2022. A surrender involves a policyholder withdrawing the fund value before a savings policy matures. While this is lower than in 2021, when 938 148 savings policies were surrendered, this is still too high and therefore concerning, says De Villiers.

The ASISA statistics also show 8.4 million recurring premium policies lapsed last year – a million more than in 2021. A lapse occurs when the policyholder stops paying premiums for a risk policy with no fund value. "On the other hand, almost 1.2 million fewer recurring premium policies were sold in 2022 than in 2021, further demonstrating the financial pressure experienced by consumers," notes De Villiers.

He describes life cover as your most valuable financial asset, which can become impossible to replace as you grow older.

"If you struggle to make ends meet, the temptation to let go of your life cover can be overwhelming. But before you make this irreversible mistake, weigh up the expense of your monthly premium against the dire financial impact the loss of your income could have on your family. As the COVID pandemic has shown, the true value of having long-term insurance cover is generally only realised during times of crisis."

According to De Villiers, the best approach to dealing with financial trouble is acknowledging that you need help and consulting a professional financial adviser.

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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.