

Media Release**Association for Savings and Investment South Africa (ASISA)****14 March 2022****Life insurers well capitalised despite historic pay-outs of R608 billion in 2021**

Policyholders and beneficiaries received claims and benefit payments worth R608 billion from South African life insurers in 2021, the highest ever paid in a single year. The payments included claims against life, disability, critical illness and income protection policies, as well as retirement annuity and endowment policy benefits.

The long-term insurance statistics released today by the Association for Savings and Investment South Africa (ASISA) show that despite these historic pay-outs, the industry remains well capitalised and in a strong position to honour contractual promises made to policyholders and their beneficiaries.

Life insurers held assets of R3.7 trillion at the end of 2021, while liabilities amounted to R3.4 trillion. This left the industry with free assets of R351 billion, which is almost double the capital required by the Solvency Capital Requirements (SCR).

Hennie de Villiers, deputy chair of the ASISA Life and Risk Board Committee, comments that the ratio of free assets to the SCR reduced only marginally from 2019 to 2021 despite the significant impact of the COVID pandemic on life insurers, which points to the resilience of the South African long-term insurance industry.

De Villiers points out that the importance of this R608 billion pay-out becomes evident when seen in the context of the Government's R364.4 billion Social Development budget for 2022.

"During 2020 and 2021, the first two years of the pandemic, life insurers paid claims and benefits to beneficiaries and policyholders worth R1.1 trillion, thereby supporting the South African economy in a time when many industries were left largely paralysed by measures taken to curb the spread of COVID-19."

At the same time, according to De Villiers, the long-term insurance industry also provided critical growth funding to both government and corporates in the form of bonds. Life insurers directly held government bonds worth R343 billion at the end of 2021 and corporate bonds (including SOE debt) worth R217.6 billion. Life companies also invested directly in viable infrastructure projects including renewable energy, student accommodation, urban regeneration, agriculture and roads, amongst others, to a value of R120 billion as at the end of December 2021.

The life industry in numbers

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

Recognising the value of life cover

Following several years of a concerning upwards trend in policyholders stopping their risk policy premiums, life insurers have welcomed a drop in lapses for 2021.

The ASISA statistics show that 7.4 million risk policies were lapsed last year compared to 10.4 million in 2020 and 8.8 million in 2019. A lapse occurs when the policyholder stops paying premiums for a risk policy that has no fund value.

According to De Villiers, there has also been a strong uptake by consumers of recurring premium risk policies (life, disability, dread disease and income protection cover).

The statistics show that 10.4 million new individual recurring premium risk policies (life, disability, dread disease and income protection cover) were bought in the 12 months to the end of December 2021, compared to 8.9 million in 2020.

De Villiers explains that the COVID-19 pandemic has highlighted the importance of having risk cover and savings in place like no other event in the history of South Africa.

"The reality is that most of us know at least one person who lost his or her life due to COVID-19. We also know of many more people who lost their income during the pandemic, highlighting the importance of having access to savings."

He believes that witnessing the financial hardship faced by so many families as a result of the pandemic has played a big role in consumers placing greater value on having in place life cover and income protection cover.

De Villiers notes that unfortunately policyholders continued to surrender their savings policies at an increasing rate to access funds in a time of need. A surrender involves a policyholder withdrawing the fund value before a savings policy matures.

The statistics show that 938 148 savings policies were surrendered in 2021, compared to 825 548 the year before and 901 342 in 2019.

Message to consumers

With an unemployment rate at record highs and living costs climbing relentlessly on the back of unrelenting petrol price increases, consumers may be tempted to let go of their life policies. 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 crises.

De Villiers therefore urges consumers to consider life 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 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. Speak to your financial adviser or insurer if you are struggling to keep up with premium payments.”

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

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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.