



2021 Life Insurance Industry Experience

By: Stian Smit & Tshepo Rakgolela

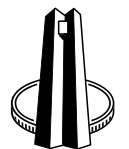
Date: 30 November 2022



SOUTH AFRICAN RESERVE BANK
Prudential Authority

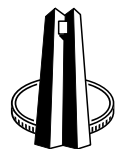
Presentation Scope and Data

- The presentation is based on the 2018 – 2021 Annual QRTs submitted to the PA
- Total number of insurers considered: 76
- 6 out of 7 reinsurers are composite reinsurers
- Microinsurers will be considered separately

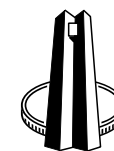


Agenda

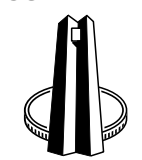
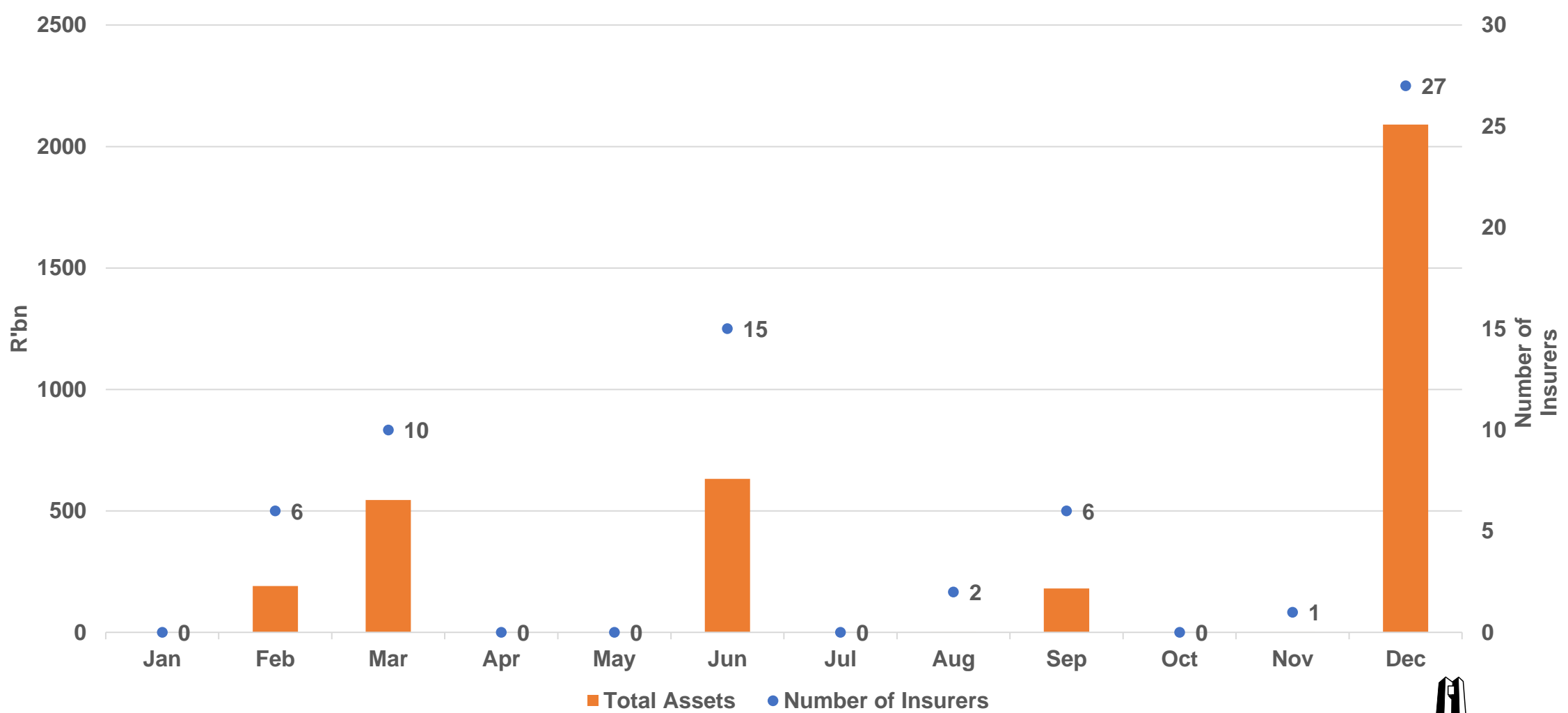
- General Overview
- Premiums and Benefits
- Expenses
- Life Underwriting Experience Analysis
- Basic Own Funds
- Assets
- Liabilities
- Solvency Capital Requirement
- Liquidity
- Microinsurance



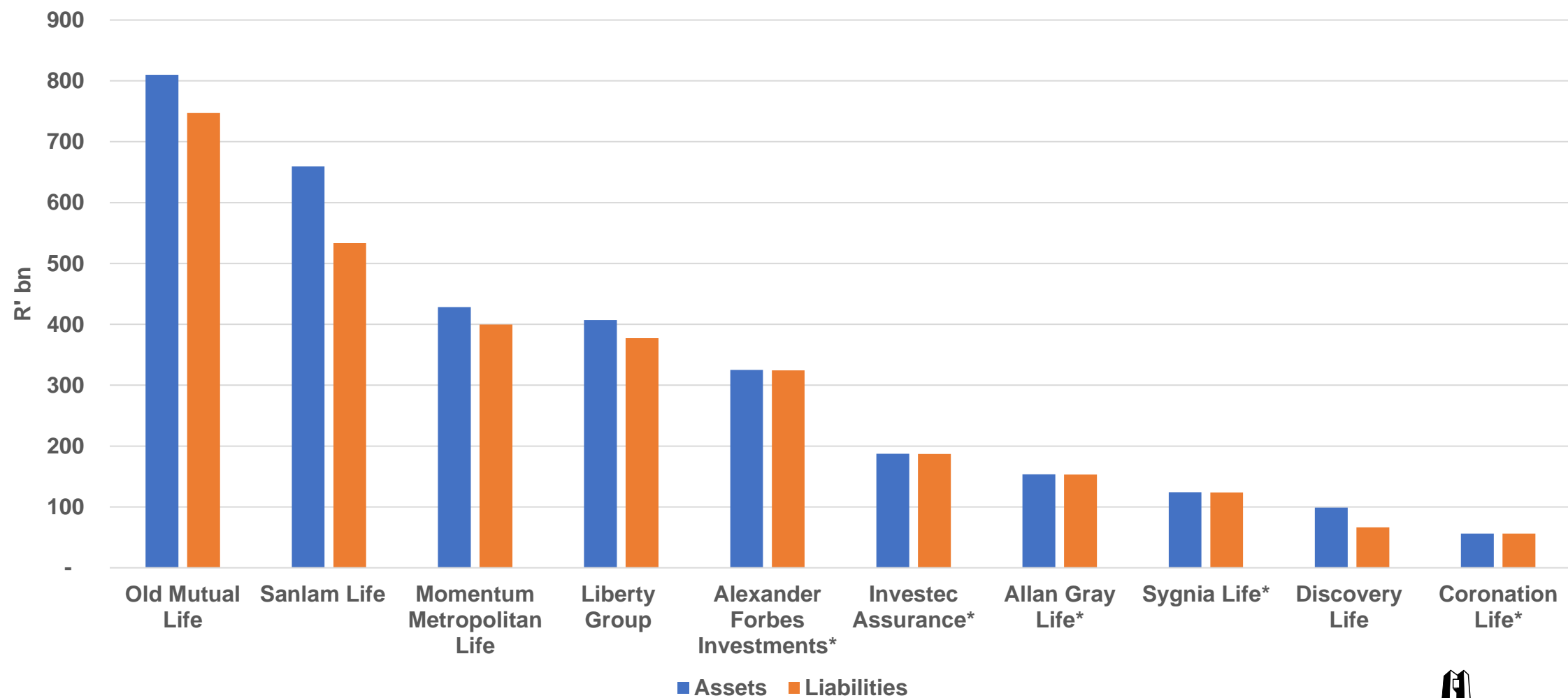
General Overview



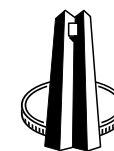
Number of insurers per year-end



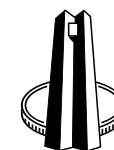
Top 10 insurer rankings by assets



* Linked Investment Insurers

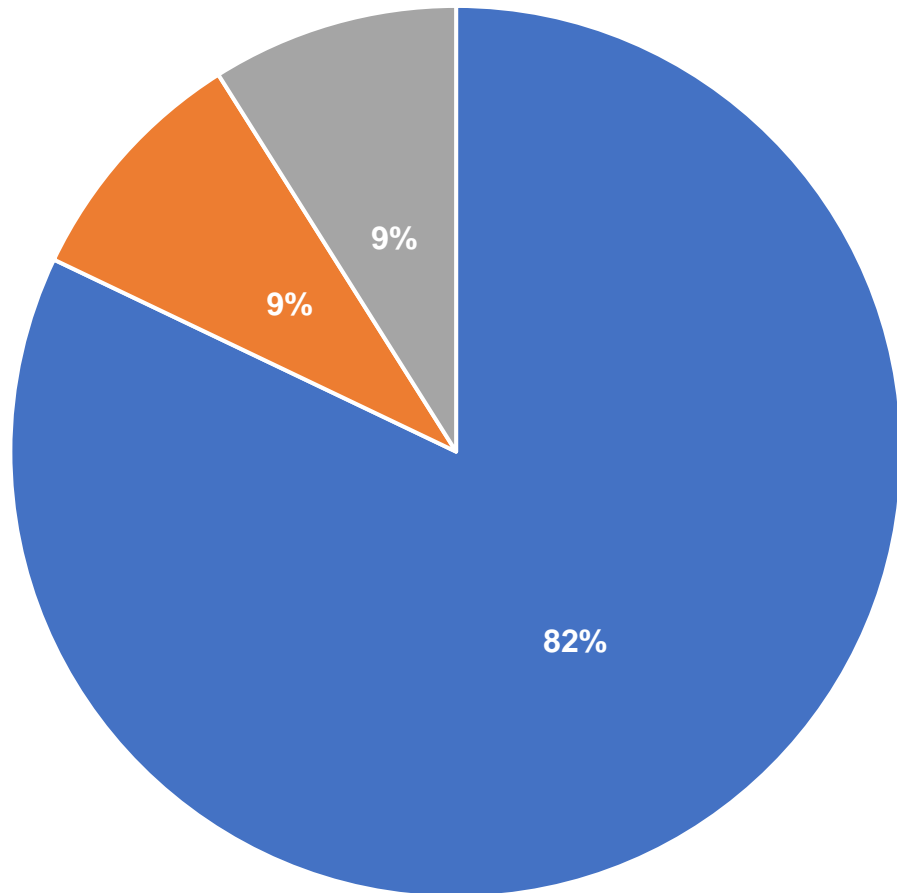


Overview



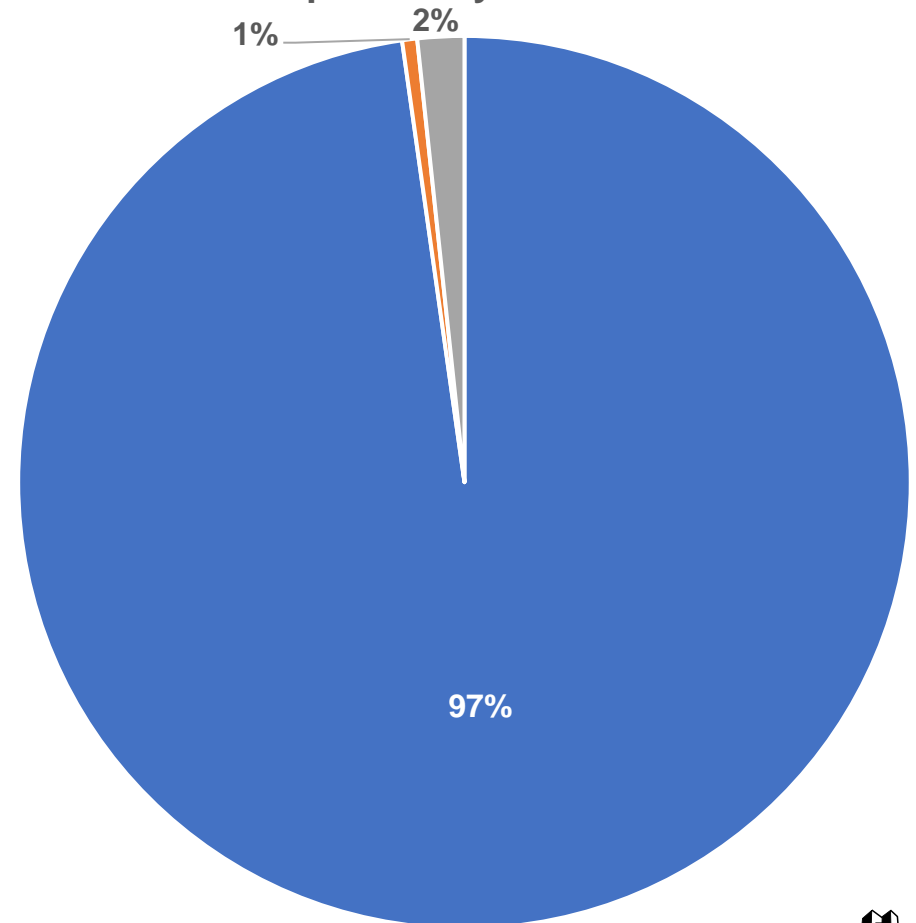
Proportion by insurer class

Proportion by count

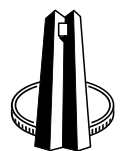


■ Primary ■ Cell Captive ■ Reinsurer

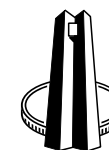
Proportion by asset size



■ Primary ■ Cell Captive ■ Reinsurer



Premiums and Benefits



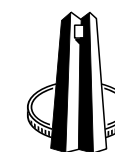
Gross Premiums and Benefits

| Gross Premiums | | | | |
|-----------------------|------------|------------|------------|------------|
| (R'bn) | 2018 | 2019 | 2020 | 2021 |
| Primary | 449 | 526 | 512 | 584 |
| Cell Captive | 10 | 13 | 17 | 17 |
| Reinsurers | 16 | 18 | 19 | 20 |
| Total Industry | 475 | 557 | 548 | 620 |

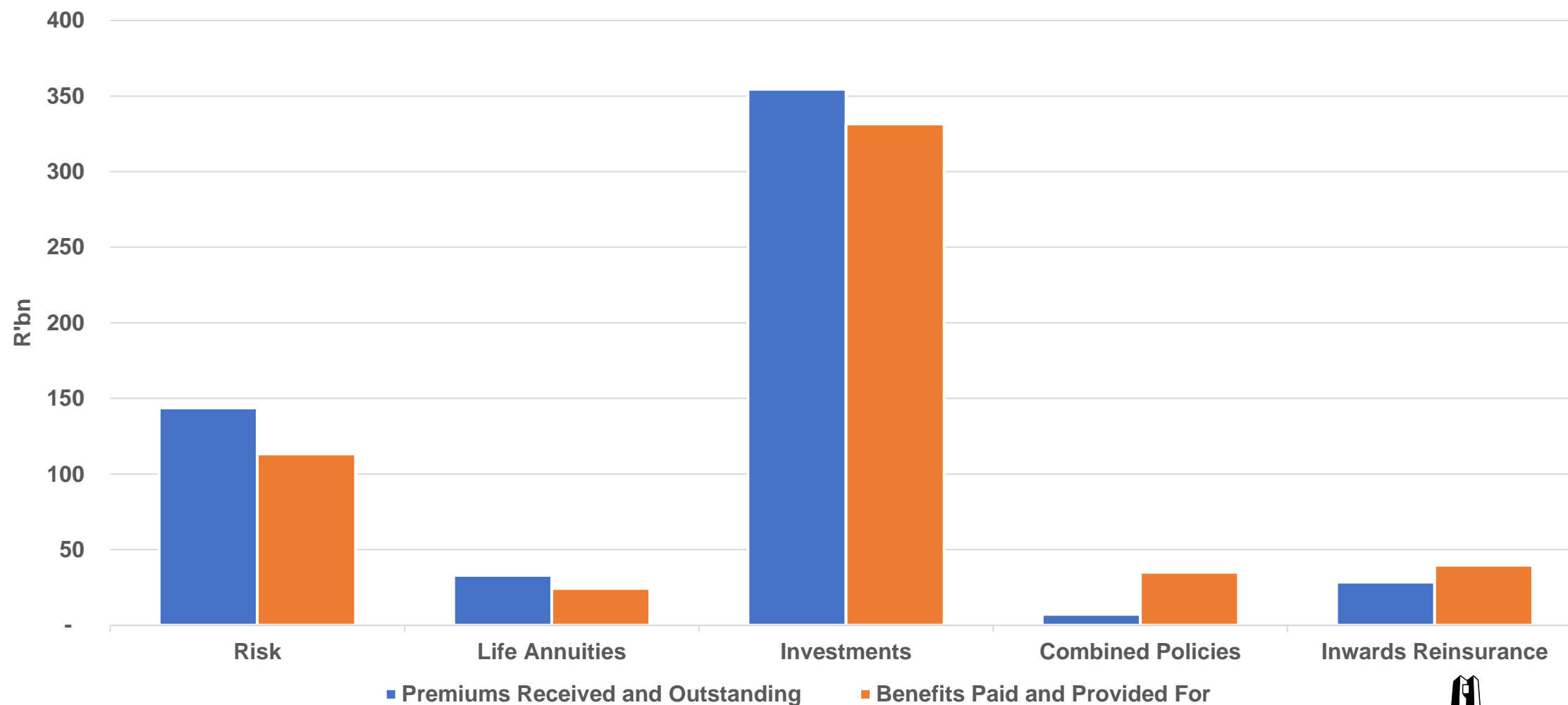
| Gross Claims and Policyholder Benefits | | | | |
|--|------------|------------|------------|------------|
| (R'bn) | 2018 | 2019 | 2020 | 2021 |
| Primary | 371 | 494 | 486 | 585 |
| Cell Captive | 4 | 4 | 6 | 8 |
| Reinsurers | 12 | 14 | 16 | 27 |
| Total Industry | 387 | 512 | 508 | 620 |

Gross Premiums = gross earned premiums during the reporting period

Gross Claims and Policyholder Benefits = gross claims paid during the report period

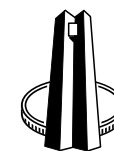


Gross Premiums and Benefits per class of business

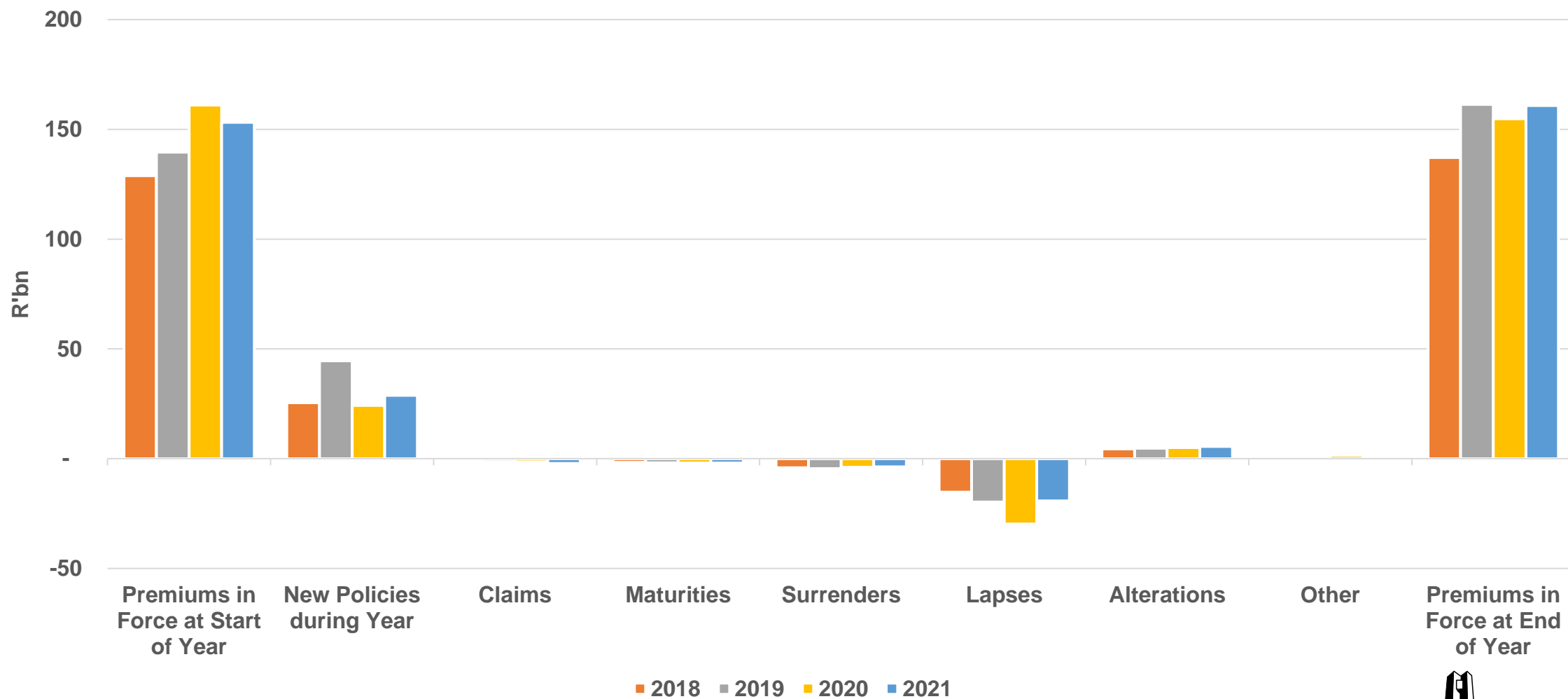


Gross Premiums = written premiums during the reporting period

Gross Benefits = gross claims paid during reporting period + IBNR claims + RBNS claims



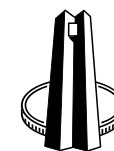
Primary - Individual business movements



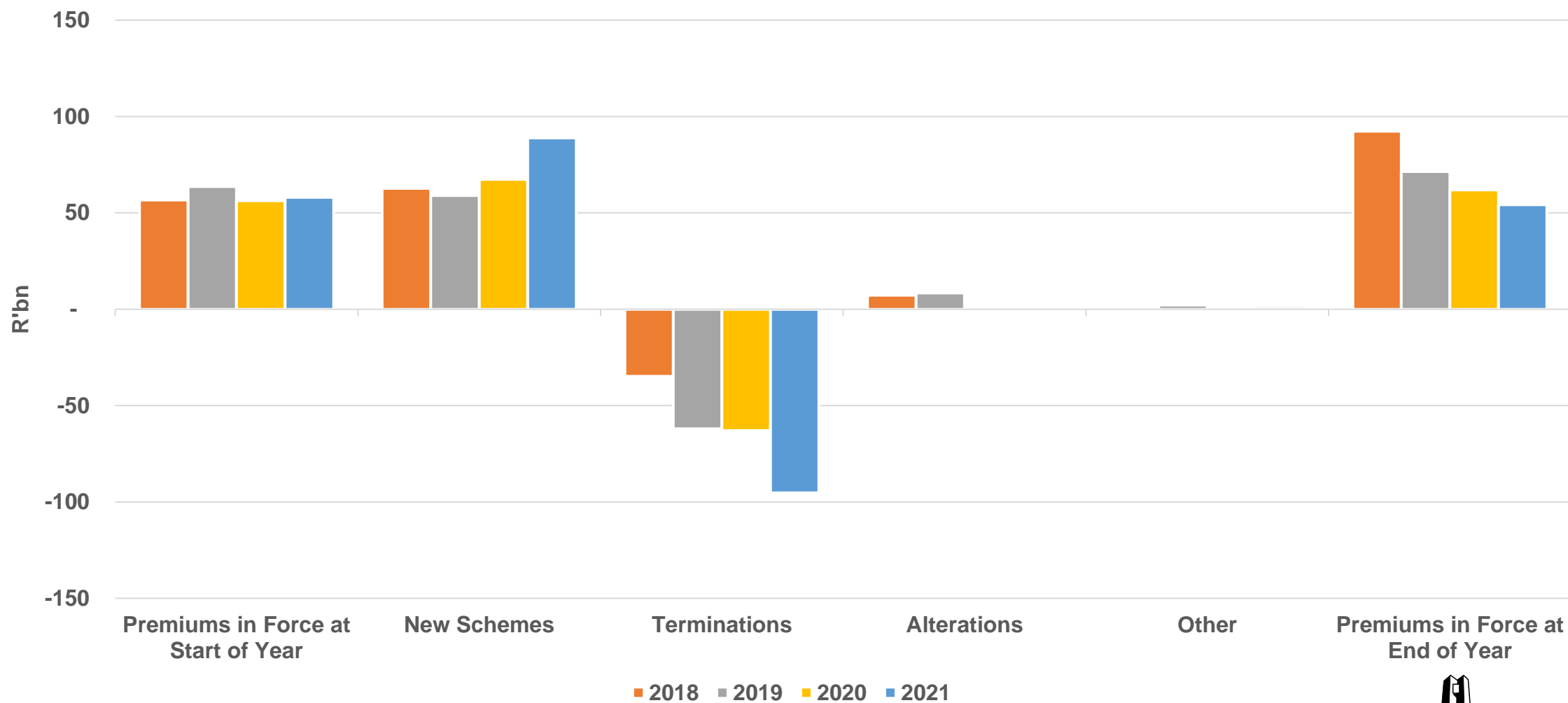
Claims include death claims, health terminations and disability terminations

Alterations include expired policies, paid-up and premium increases/decreases

Other includes transfers in terms of the Act

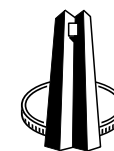


Primary - Group business movements

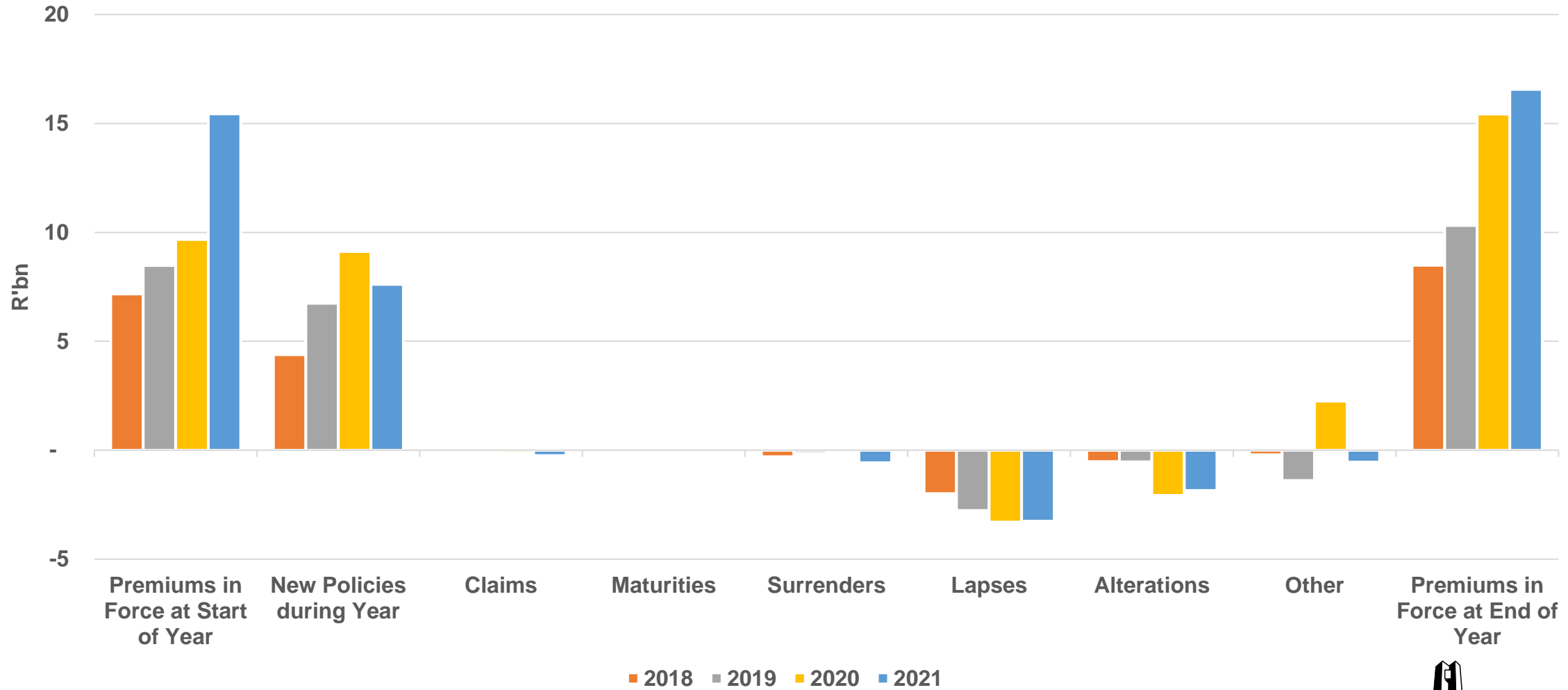


Alterations include premium increases/decreases

Other include transfers in terms of the Act and Section 14 transfers



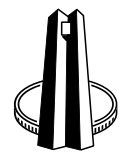
Cell Captives - Individual business movements



Claims include death claims, health terminations and disability terminations

Alterations include expired policies, paid-up and premium increases/decreases

Other includes transfers in terms of the Act

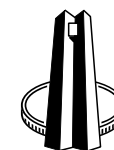


Cell Captives – Group business movements

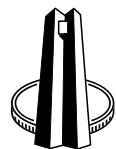


Claims include death claims, health terminations and disability terminations

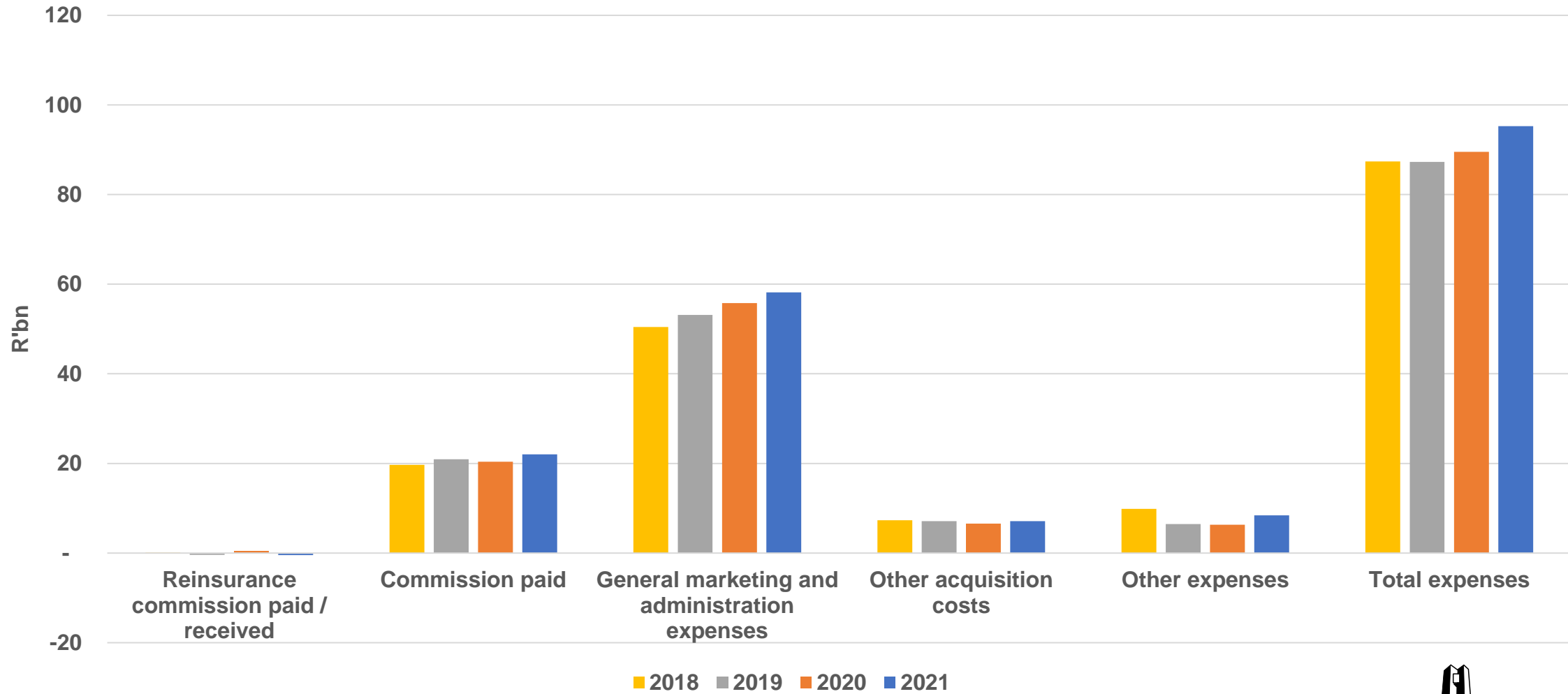
Alterations include expired policies, paid-up and premium increases/decreases



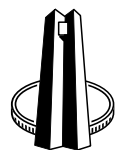
Expenses



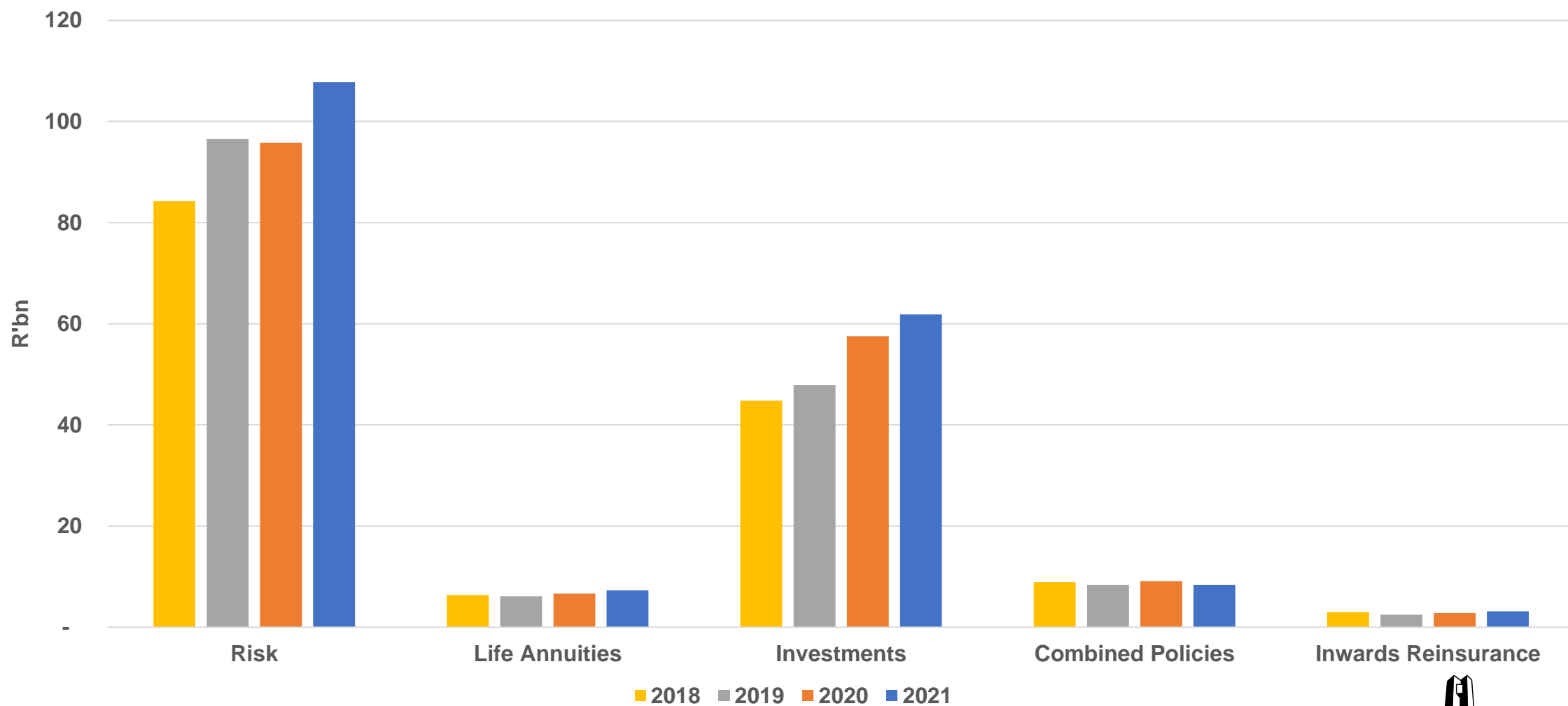
Trends in Expenses



Expenses relates to outgo during the reporting period

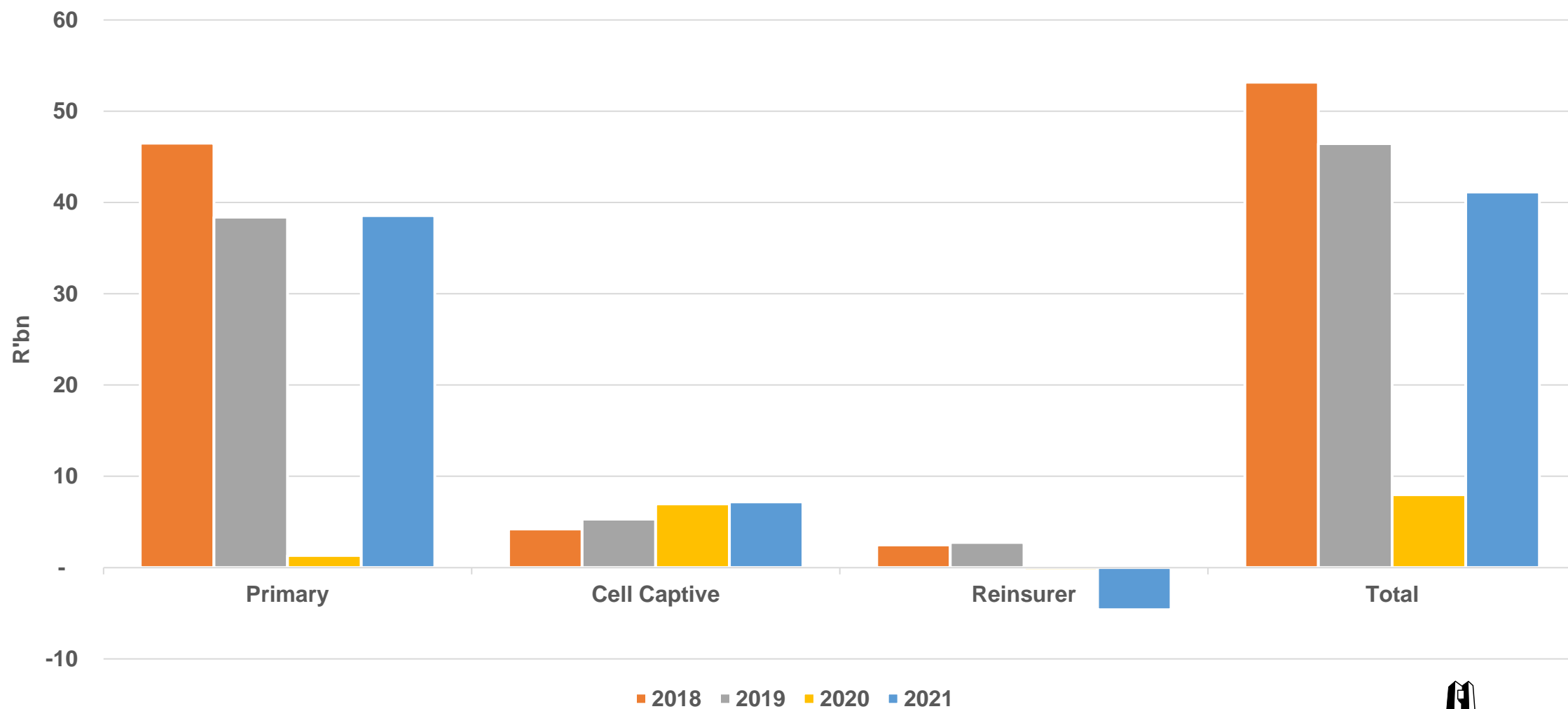


Expenses by class of business

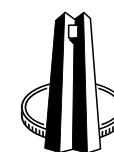


Expenses represent the present value of all expense cashflows used in the calculation of the BEL

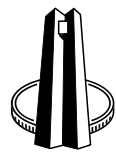
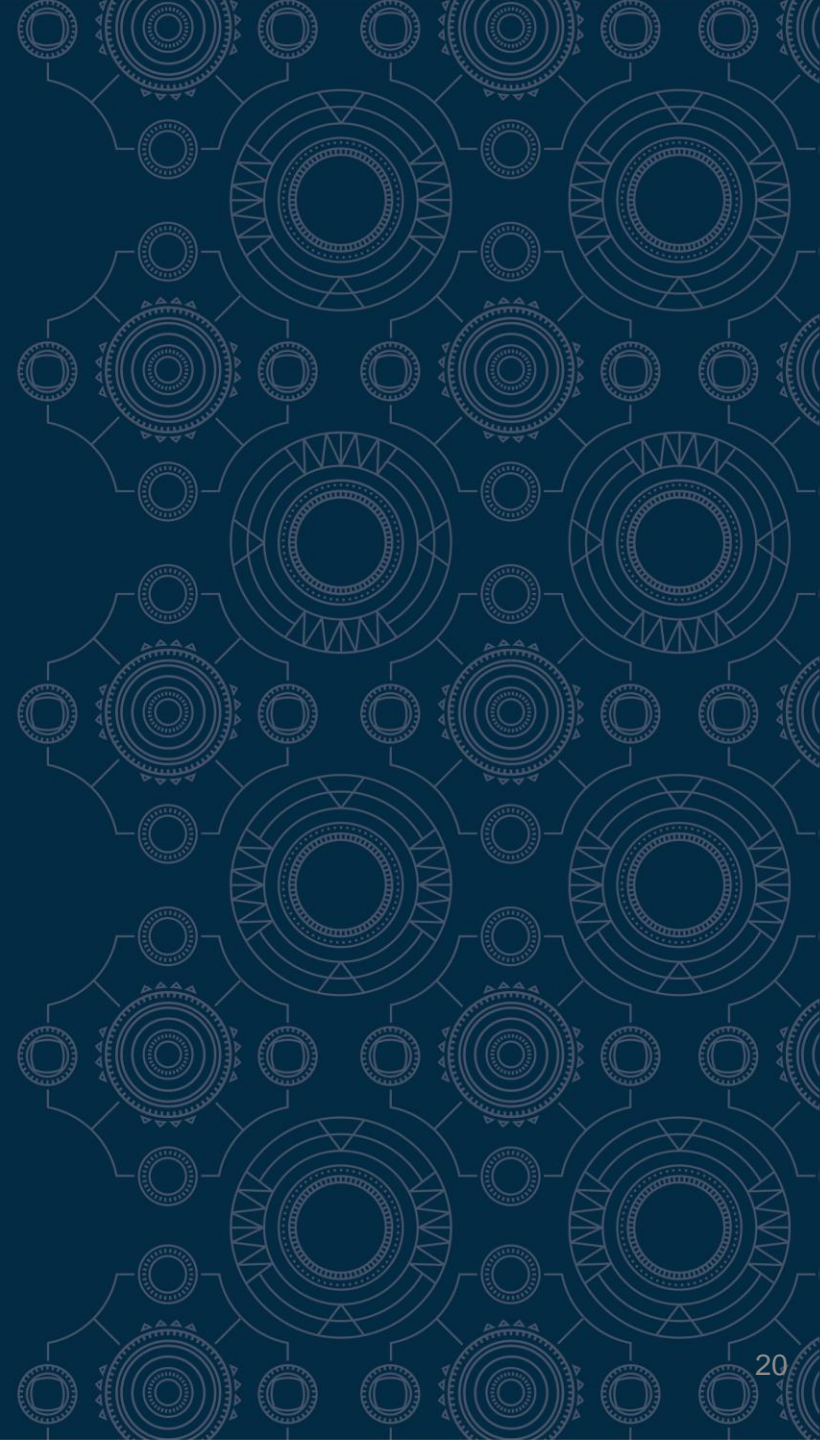
Profit by insurer class



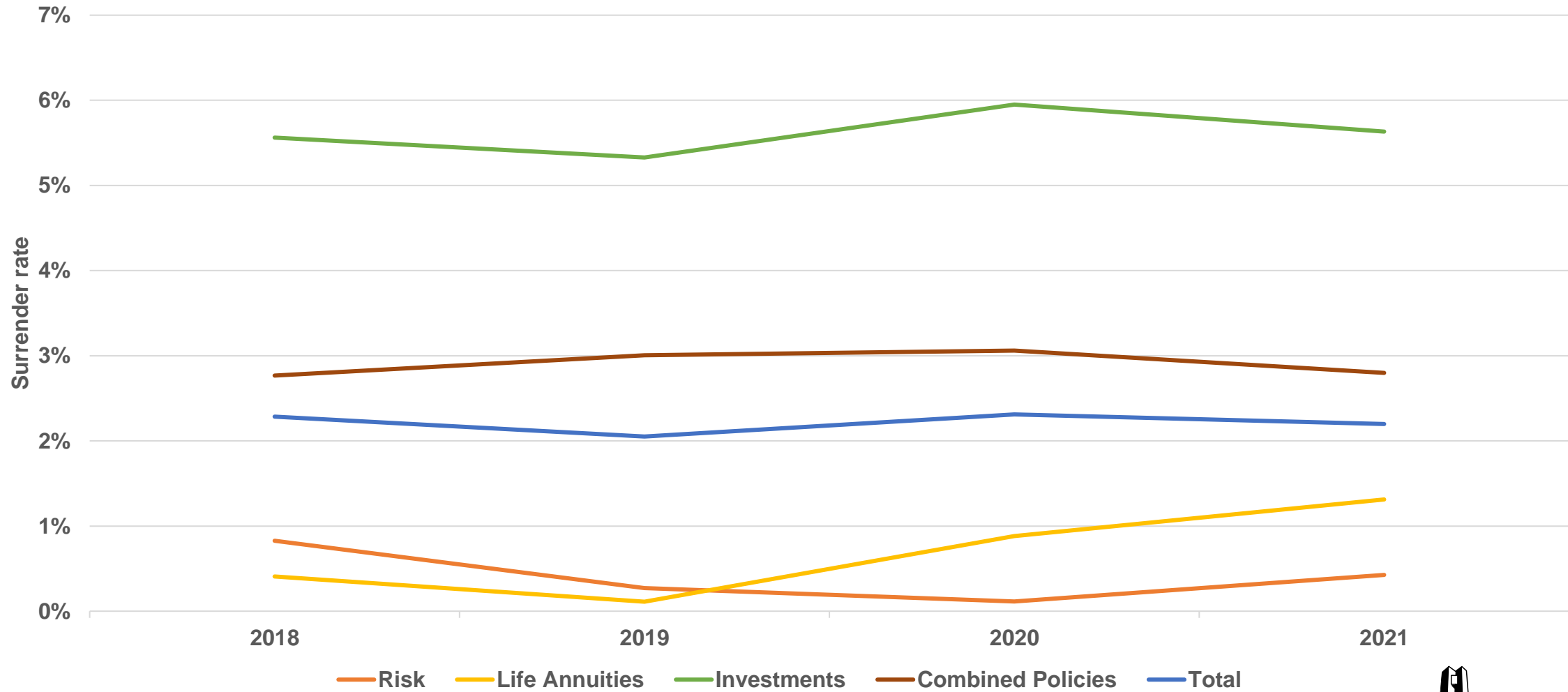
Profits refer to excess income over outgo before taxation and dividends



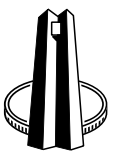
Life Underwriting Experience Analysis



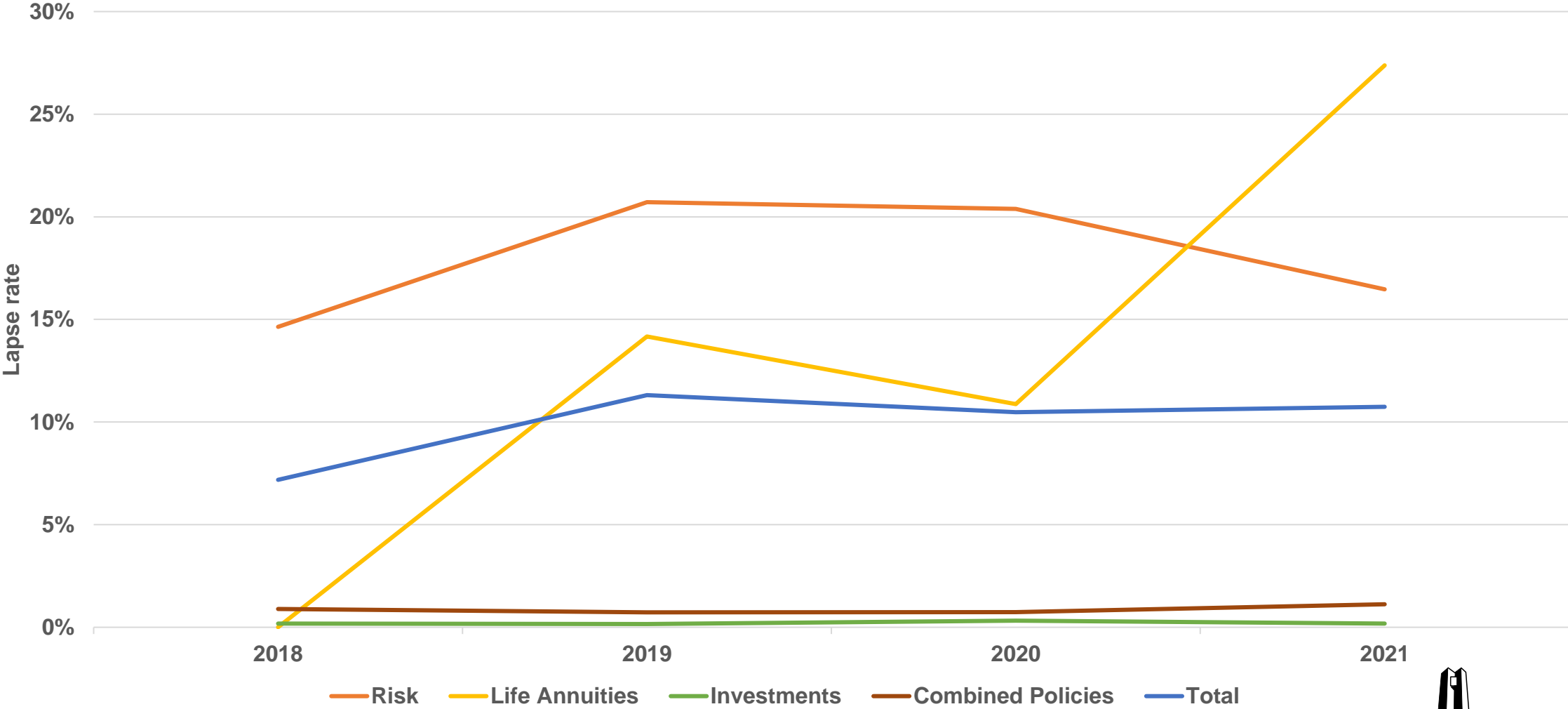
Surrender Rates



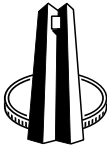
Surrender rate = Number of surrendered policies / Number of in-force policies



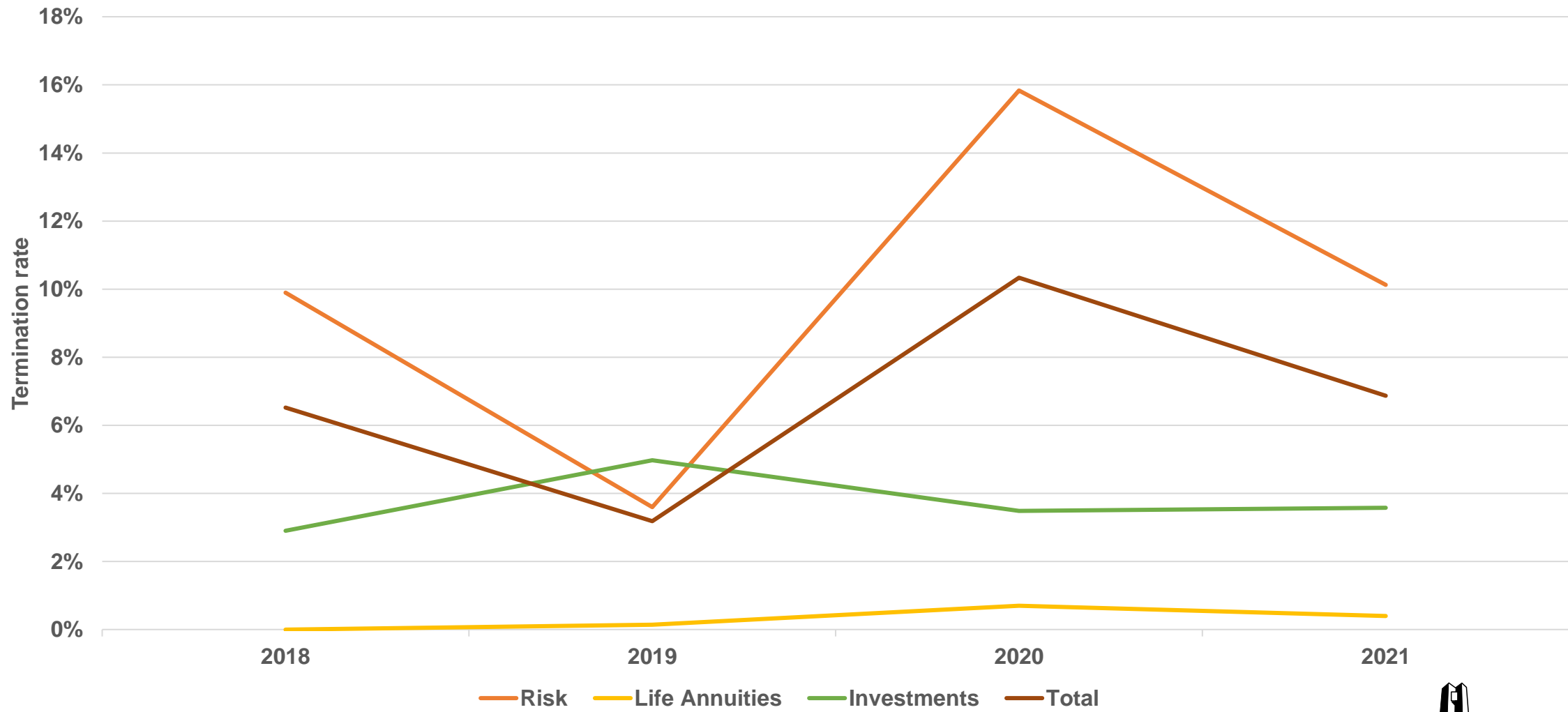
Lapse Rates



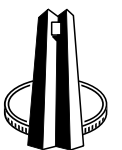
Lapse rate = Number of lapsed policies / Number of In-force Policies



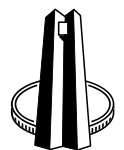
Termination Rates



Termination rate = Number of terminated schemes / Number of in-force schemes

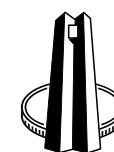


Basic Own Funds

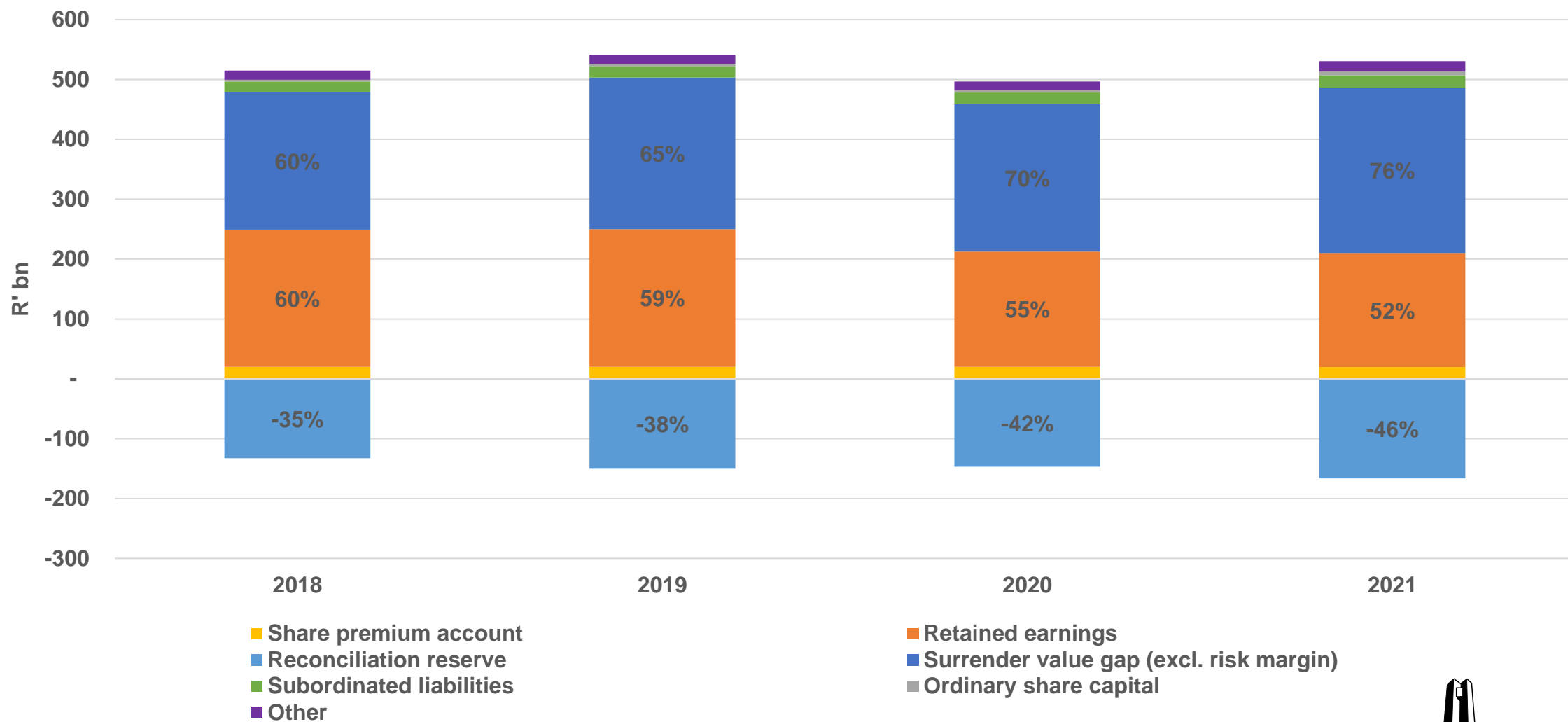


Basic Own Funds

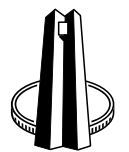
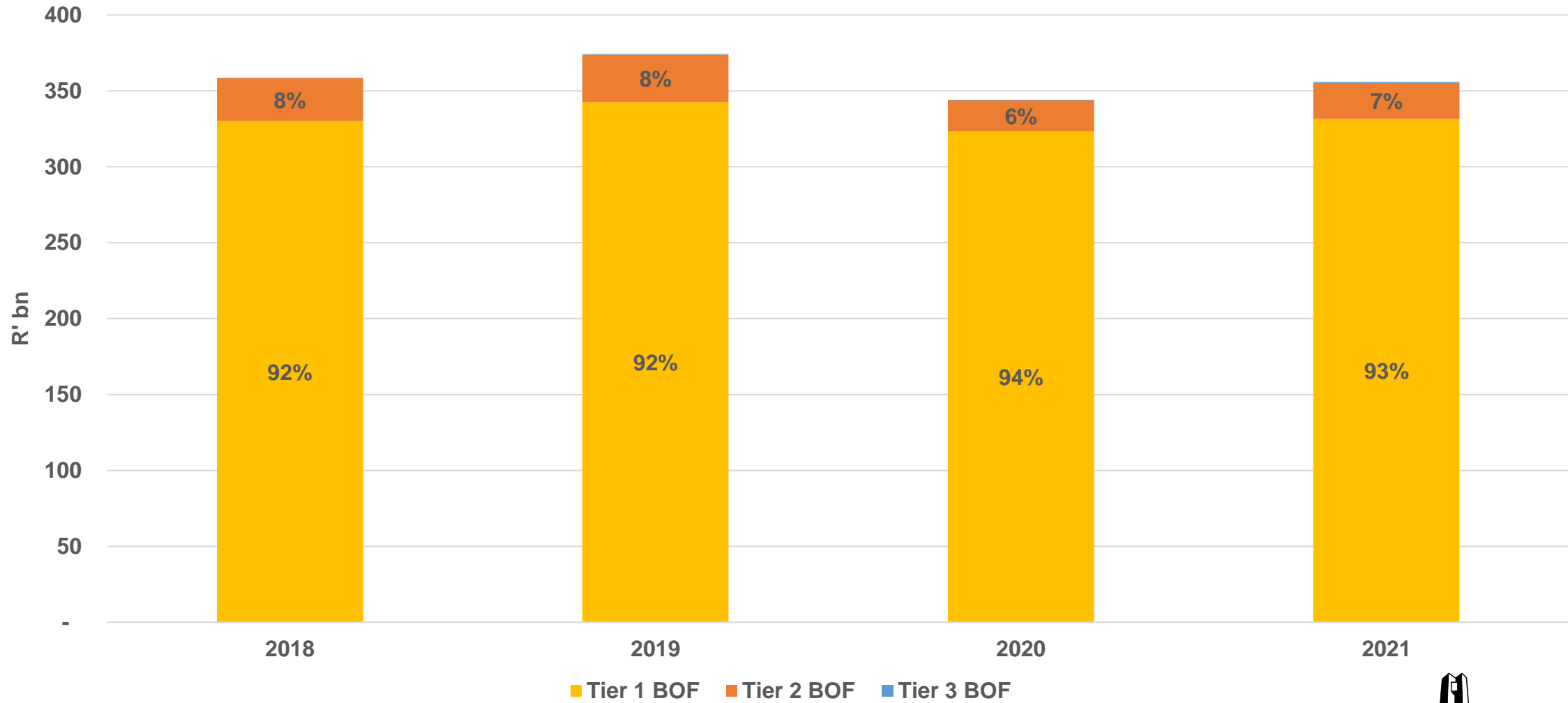
| (R'bn) | 2018 | 2019 | 2020 | 2021 |
|--------------------------------|-------|-------|-------|-------|
| Total Assets | 3 022 | 3 232 | 3 186 | 3 639 |
| Total Liabilities | 2 640 | 2 841 | 2 836 | 3 275 |
| Basic Own Funds | 382 | 391 | 350 | 363 |
| Basic Own Funds Growth Rate | | 2% | (11%) | 4% |
| Own Funds Eligible to meet SCR | 359 | 374 | 344 | 355 |
| Own Funds Eligible to meet MCR | 335 | 348 | 328 | 336 |



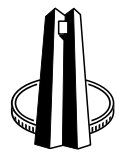
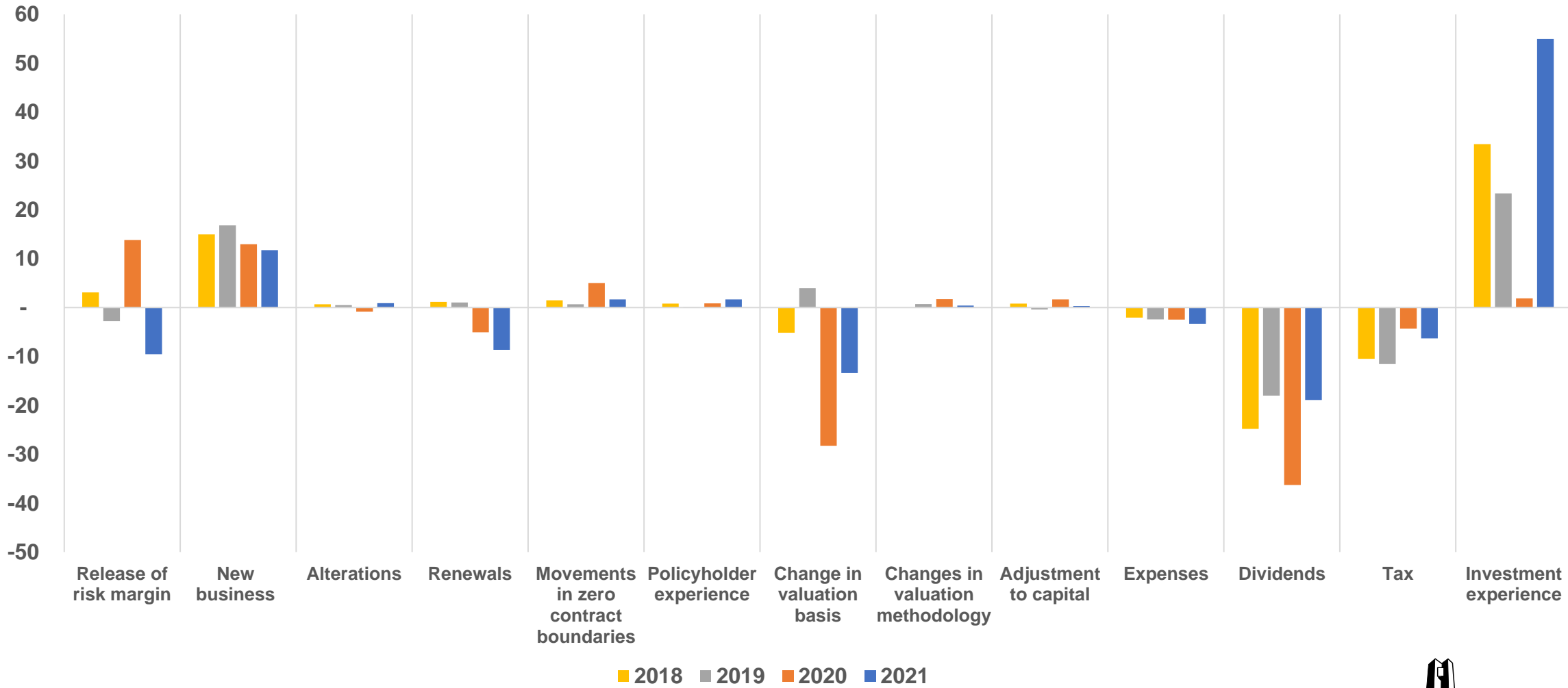
Composition of BOF



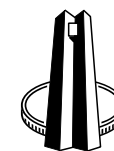
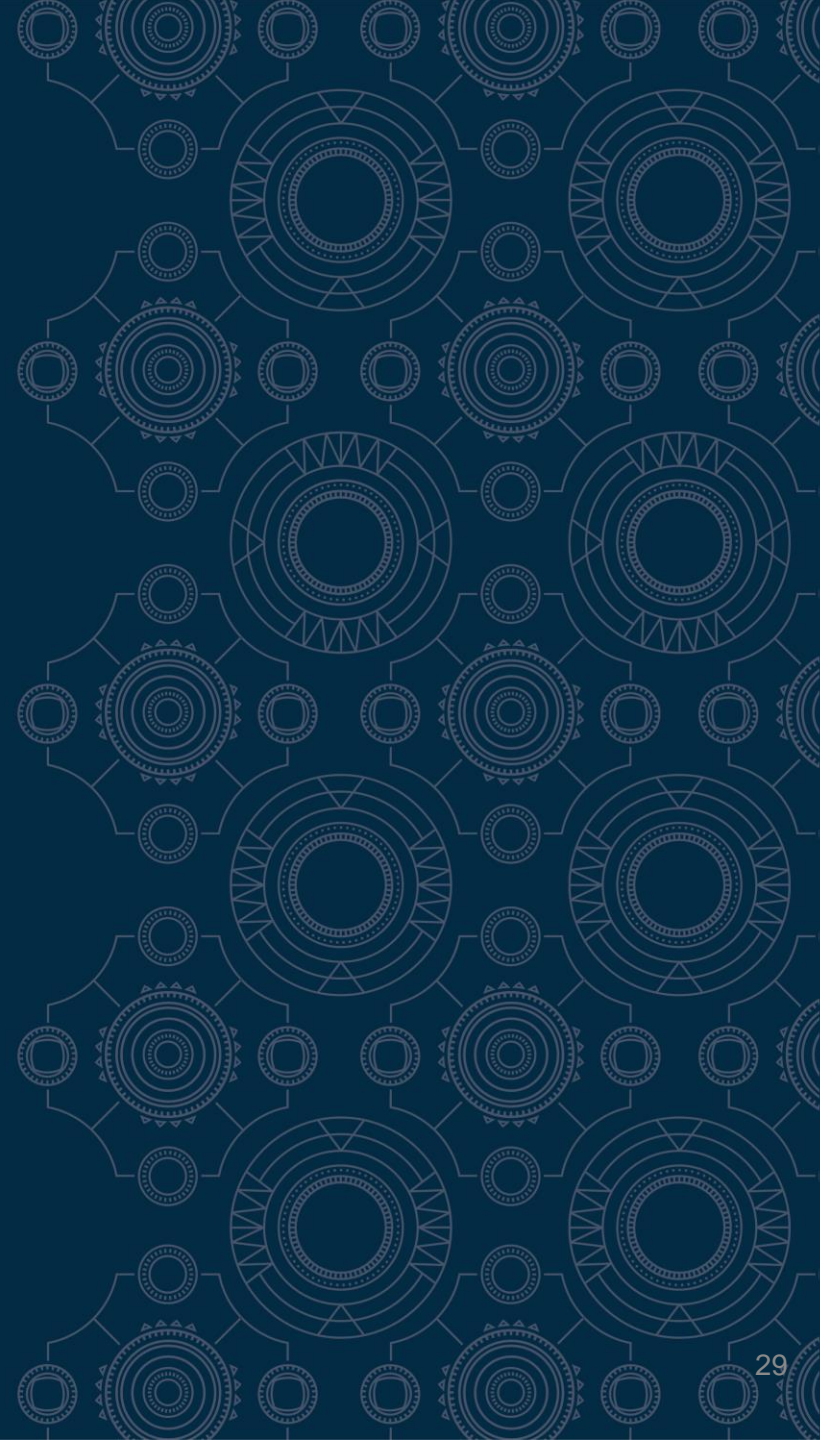
Tiering of BOF



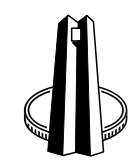
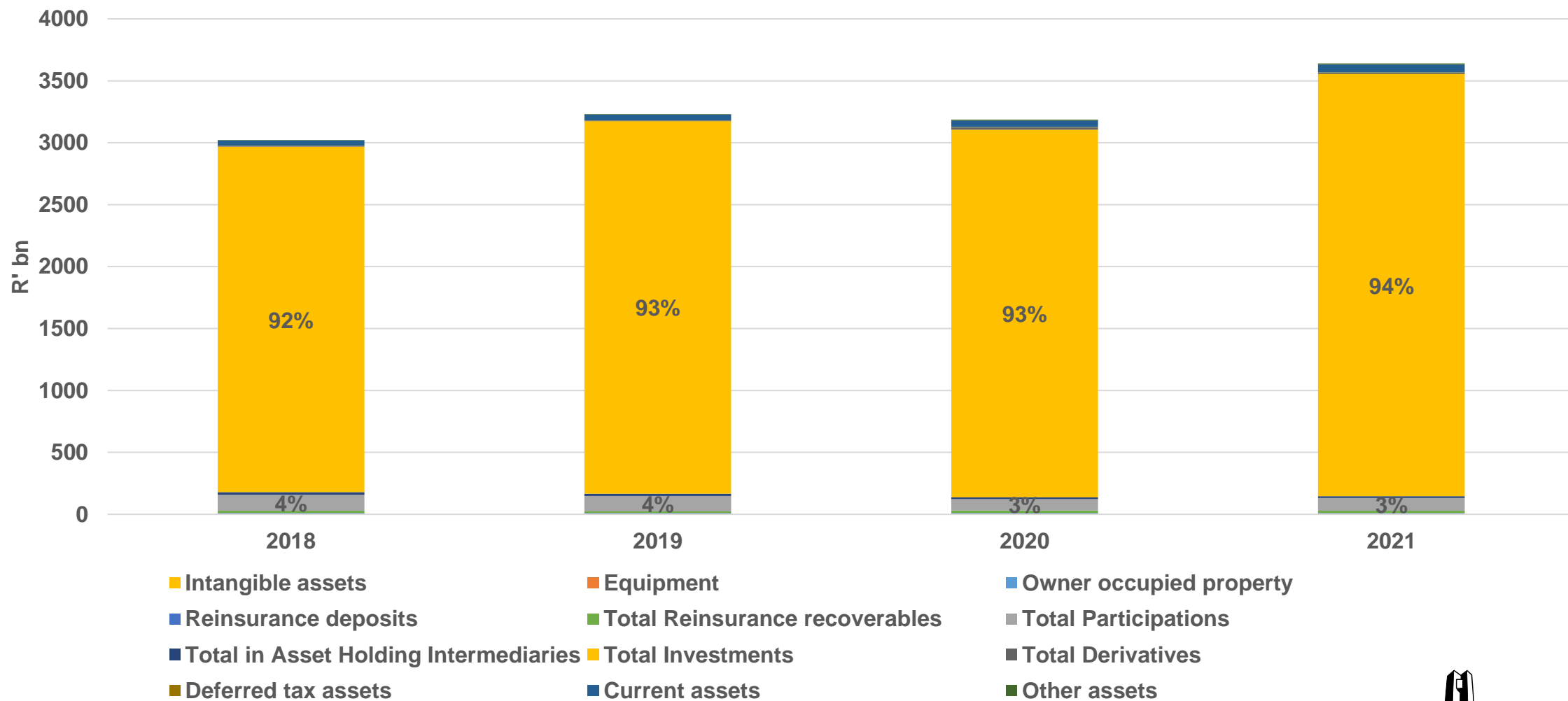
Analysis of Movement in BOF



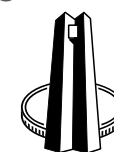
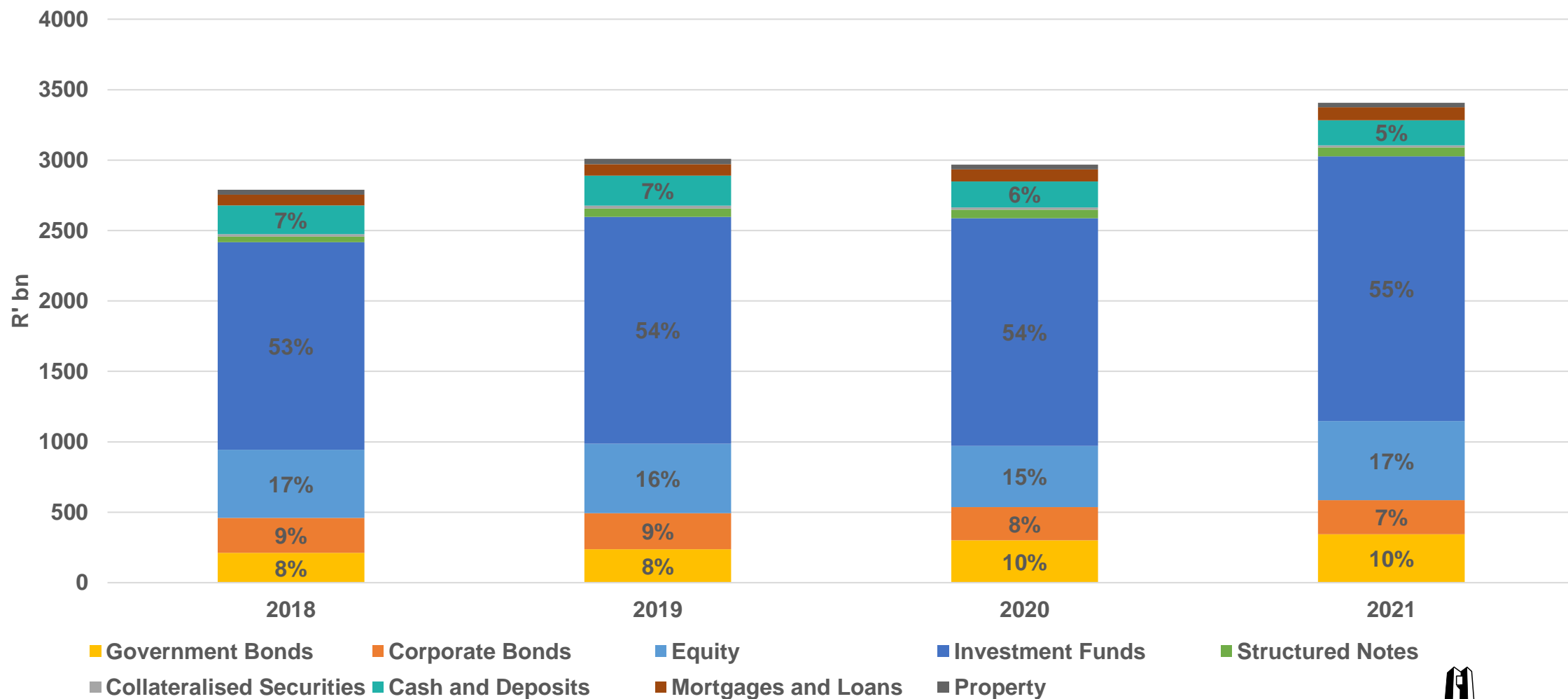
Assets



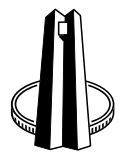
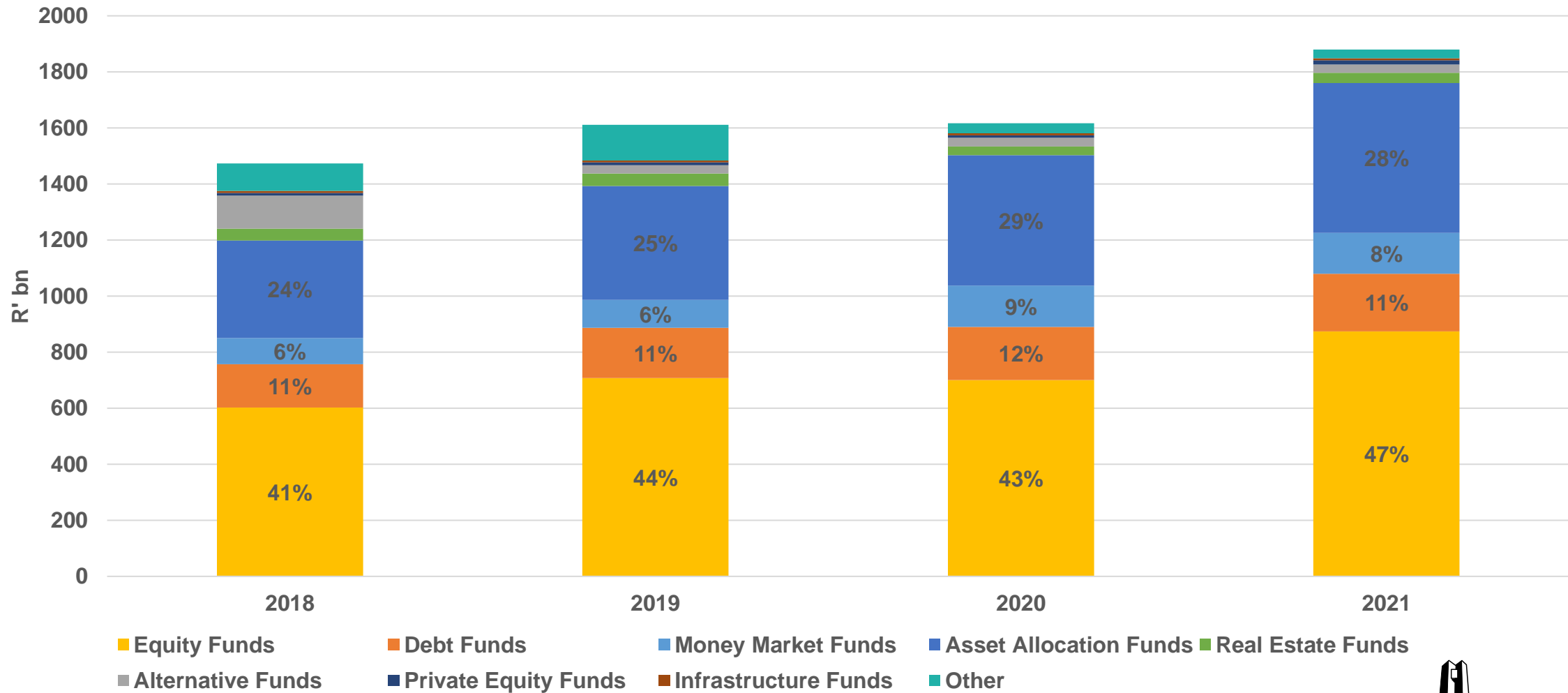
Composition of Assets



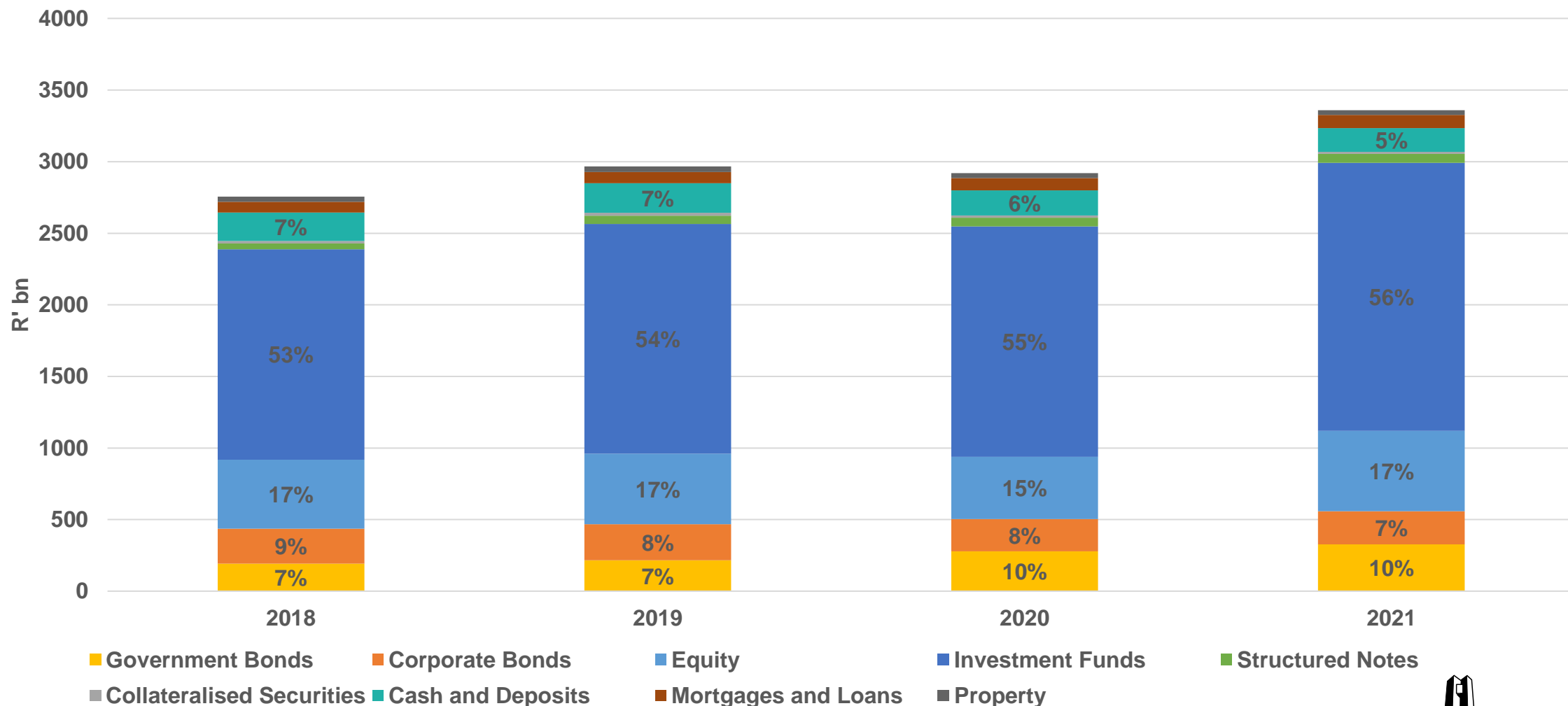
Composition of Investments



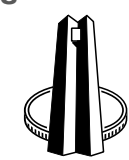
Composition of Investment Funds



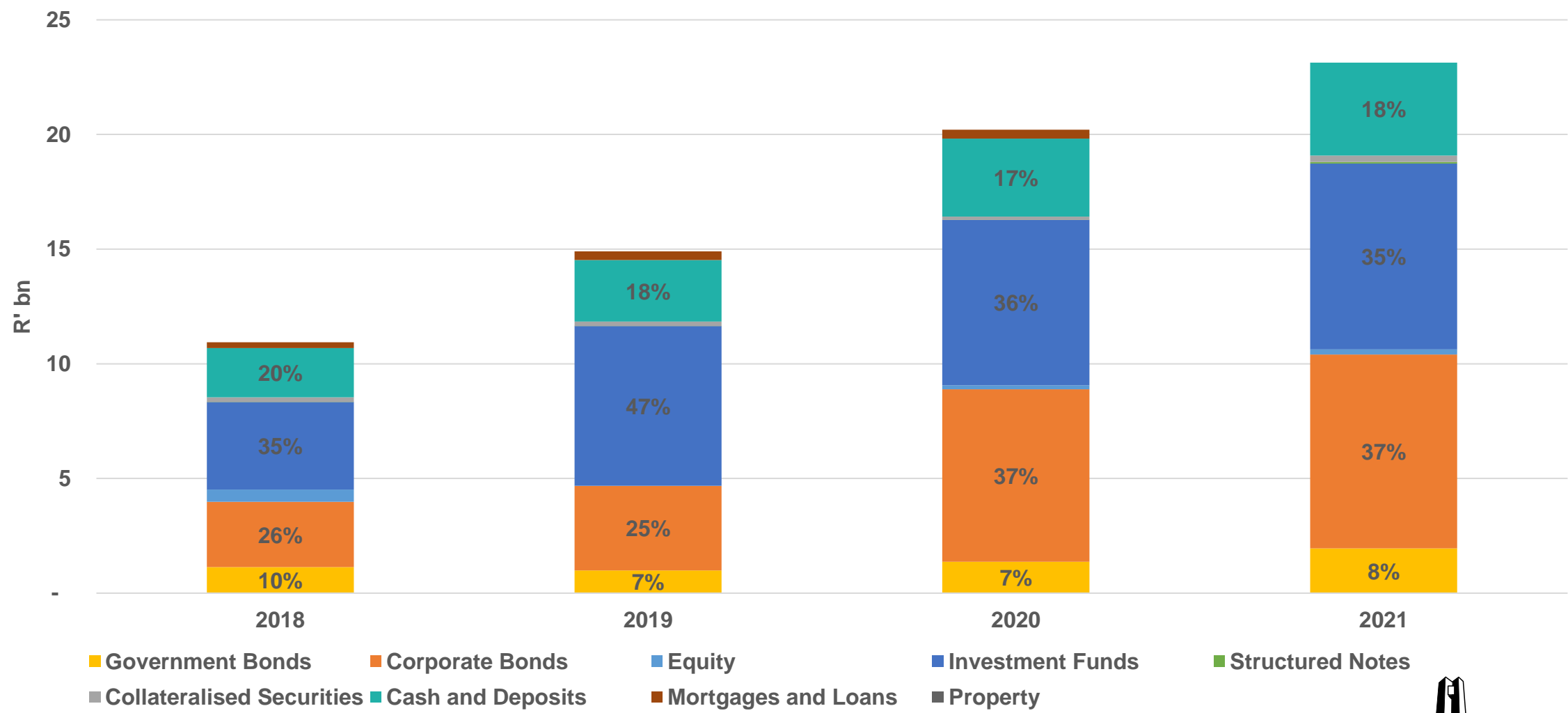
Composition of Investments - Primary



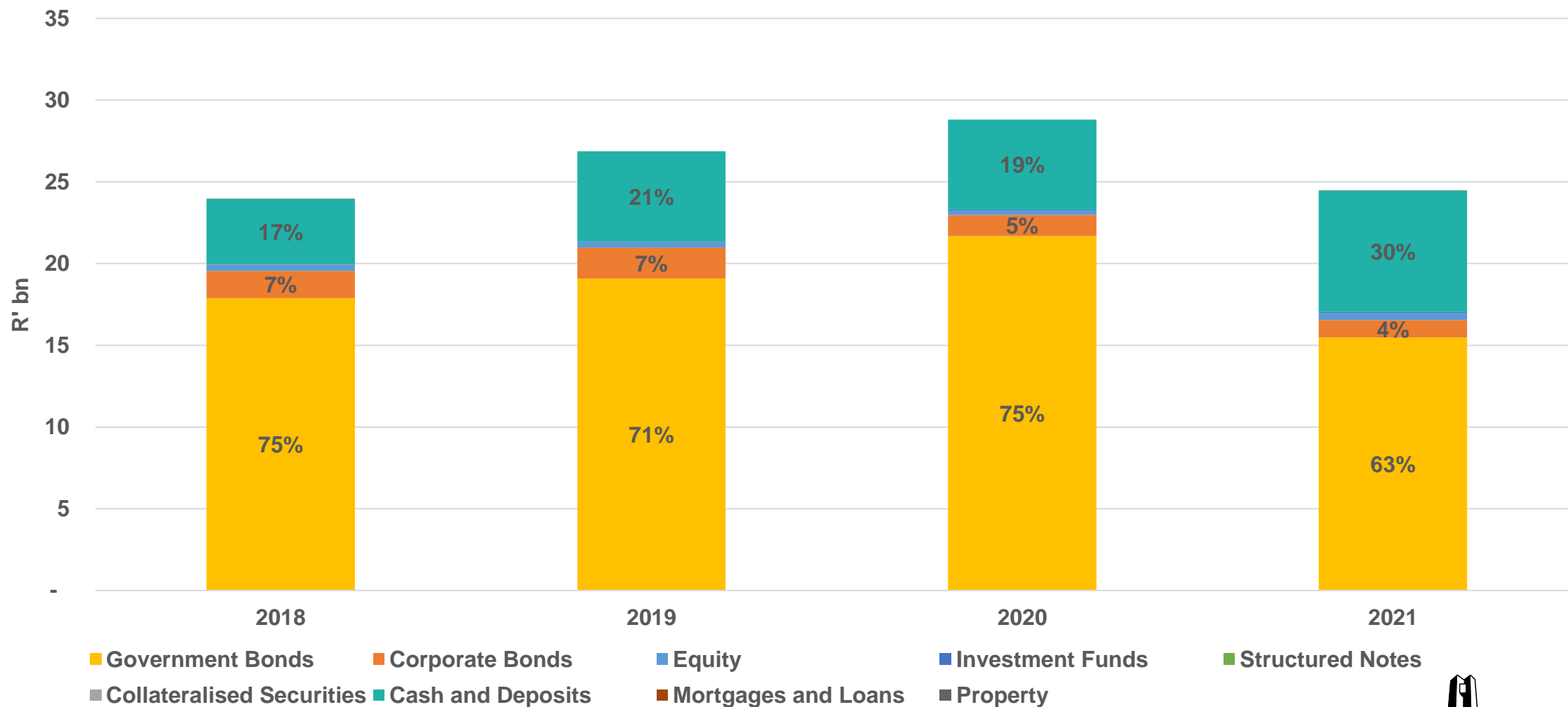
■ Government Bonds ■ Corporate Bonds ■ Equity ■ Investment Funds ■ Structured Notes
■ Collateralised Securities ■ Cash and Deposits ■ Mortgages and Loans ■ Property



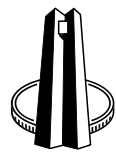
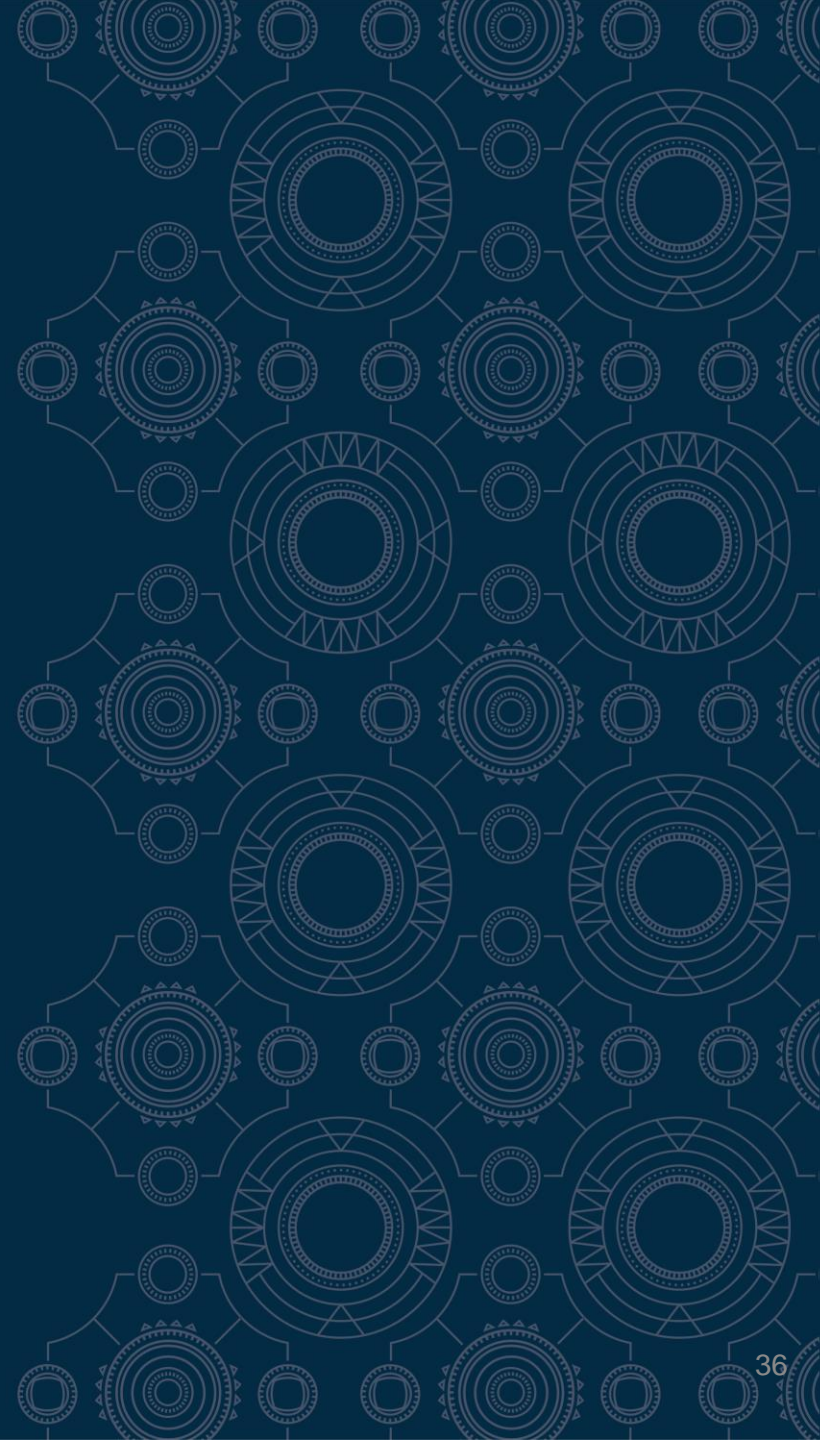
Composition of Investments – Cell Captives



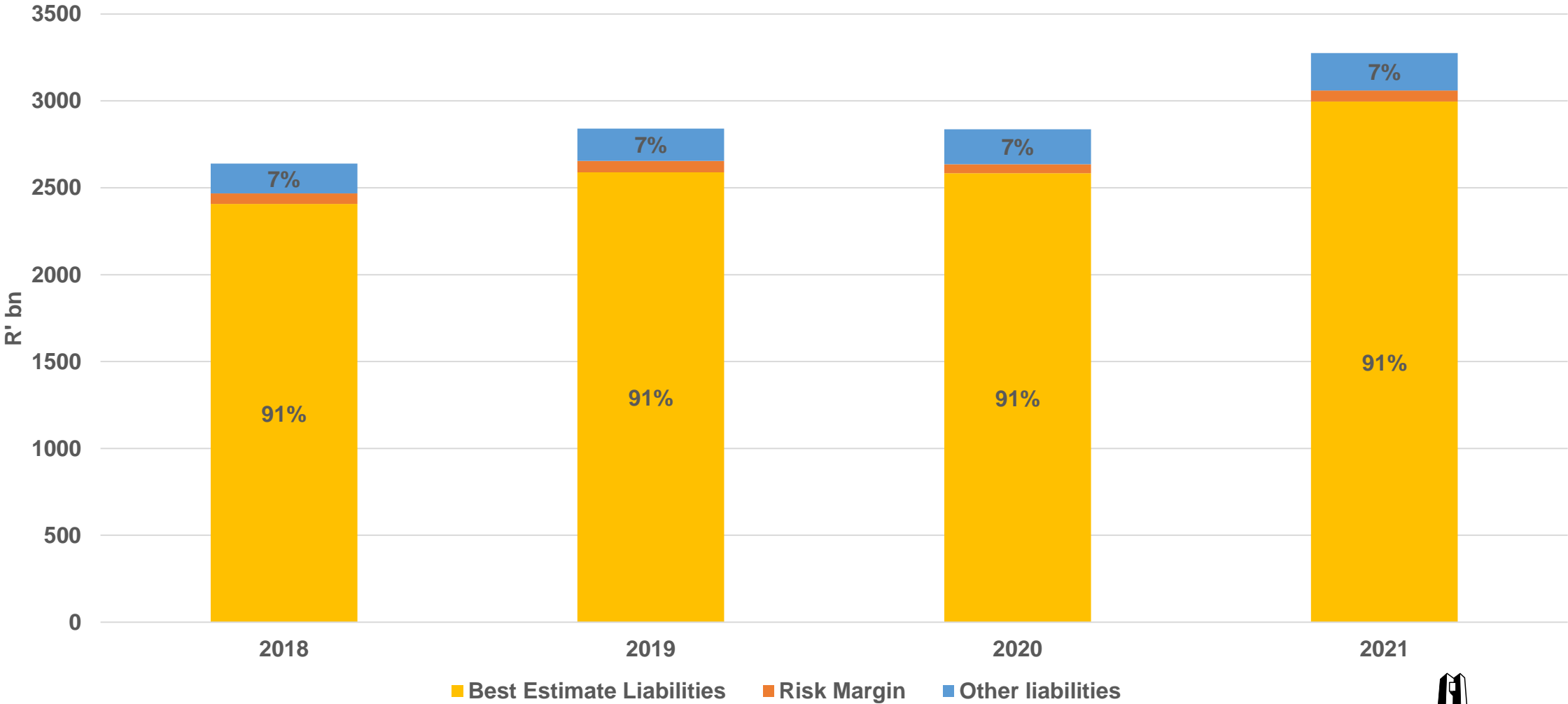
Composition of Investments - Reinsurers



Liabilities

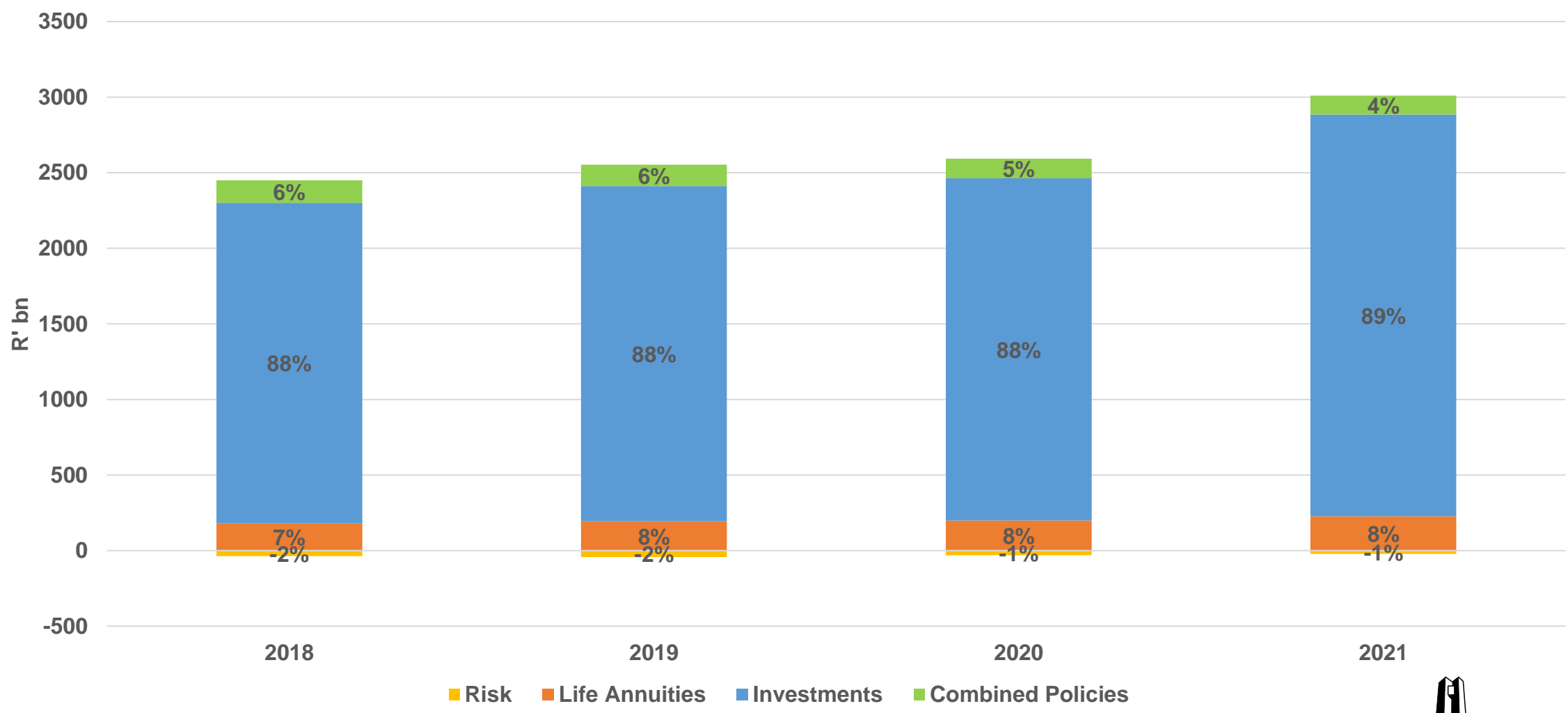


Total Liabilities



Best Estimate Liabilities are gross of reinsurance

Technical Provisions by class of business

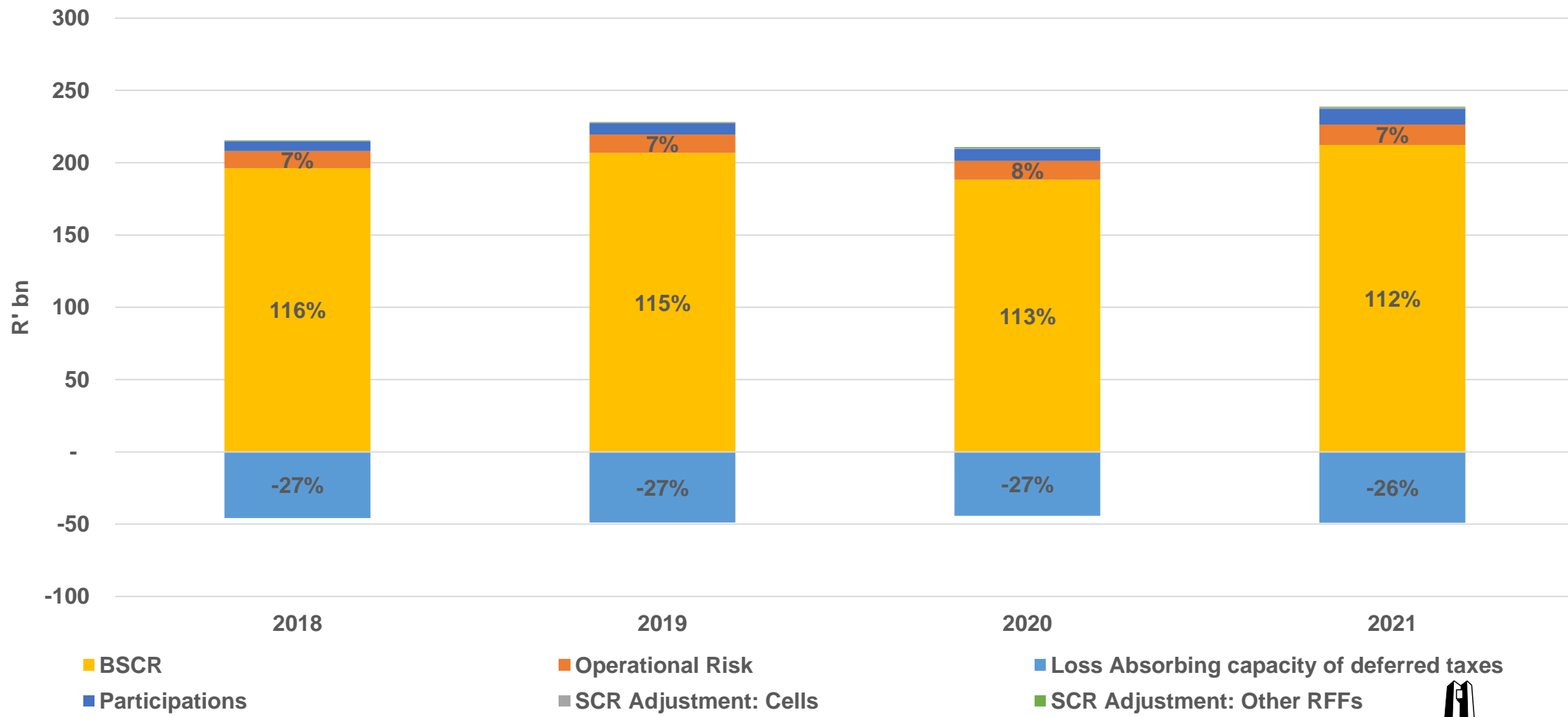


Technical provisions are net of reinsurance

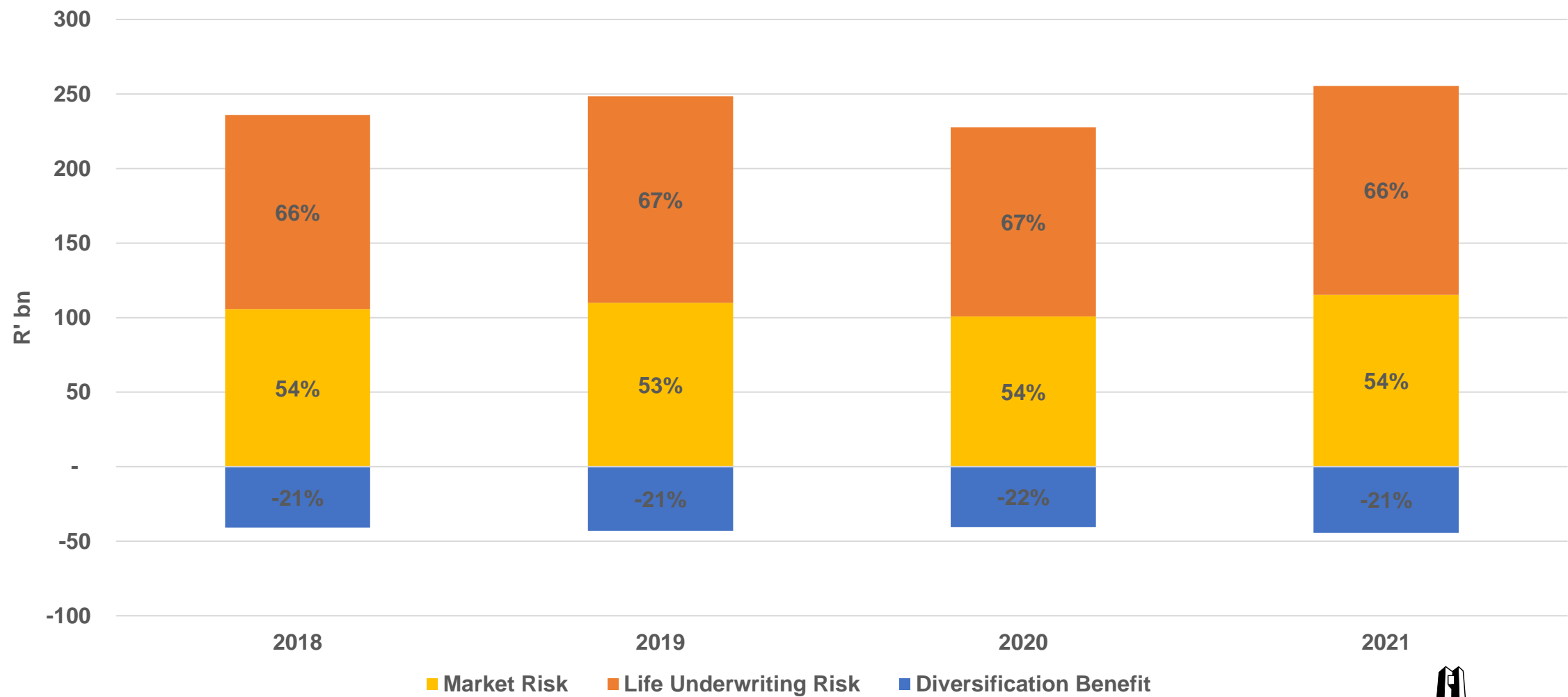
Solvency Capital Requirement



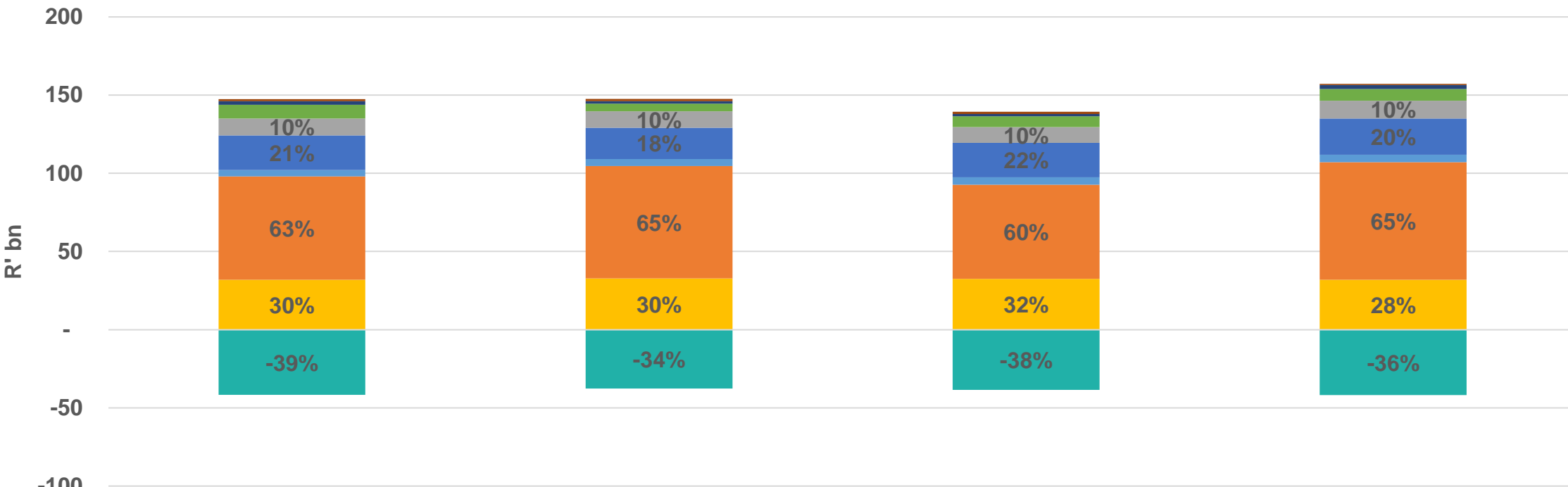
SCR Components



BSCR Components

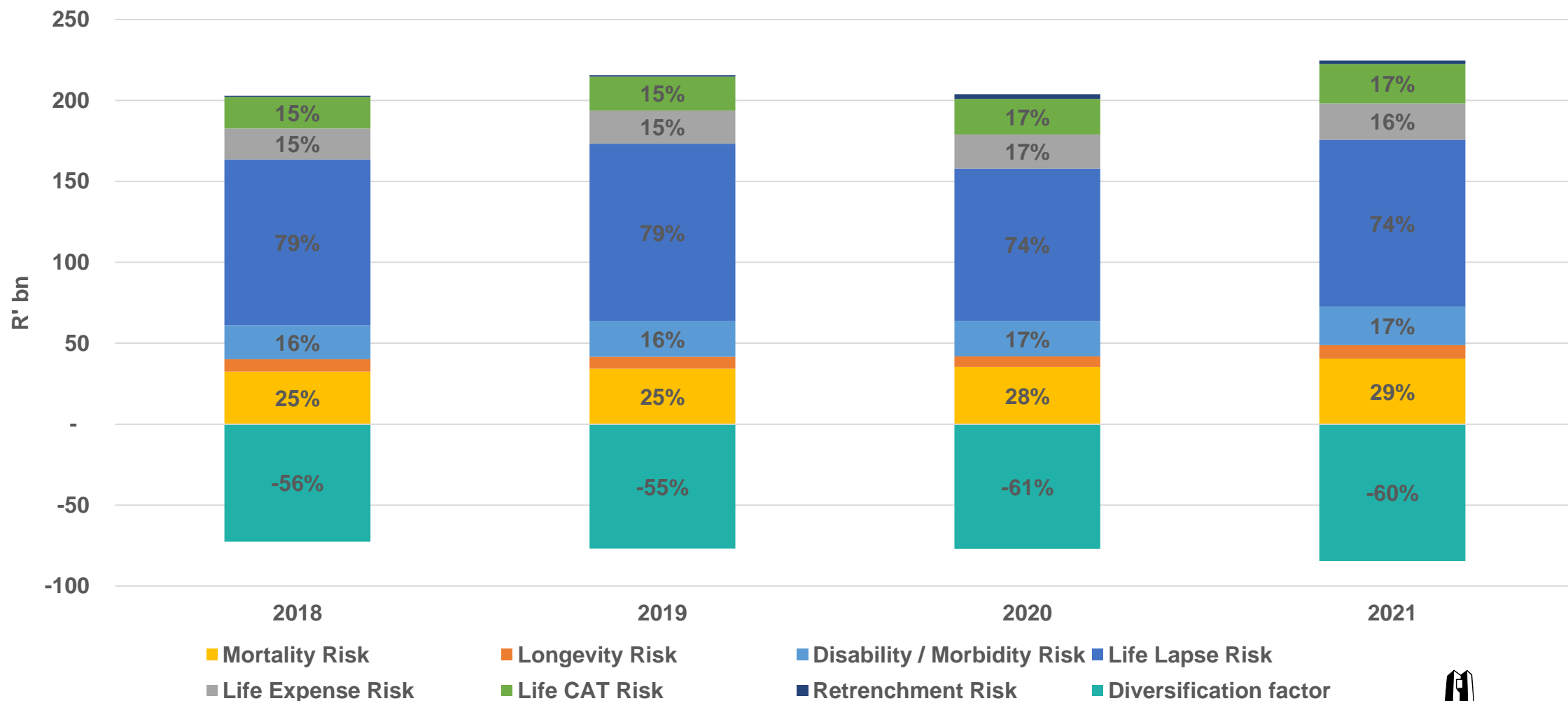


Market Risk Components

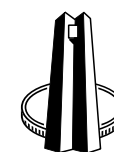
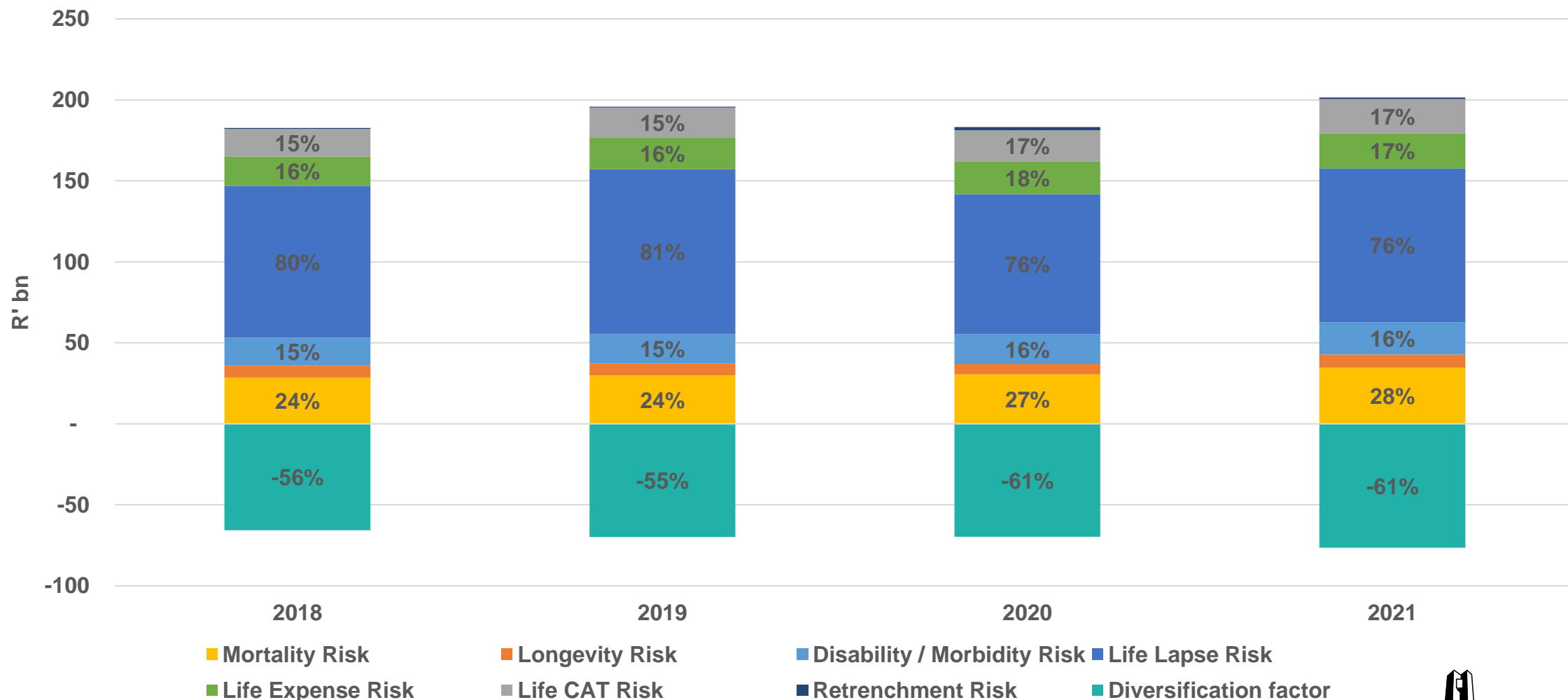


- Interest Rate Risk
- Equity Risk
- Property Risk
- Spread & Counterparty Default Risk
- Currency Risk
- Concentration Risk
- Illiquidity Premium Risk
- Single Equivalent Scenario adjust to management action
- Diversification factor

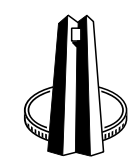
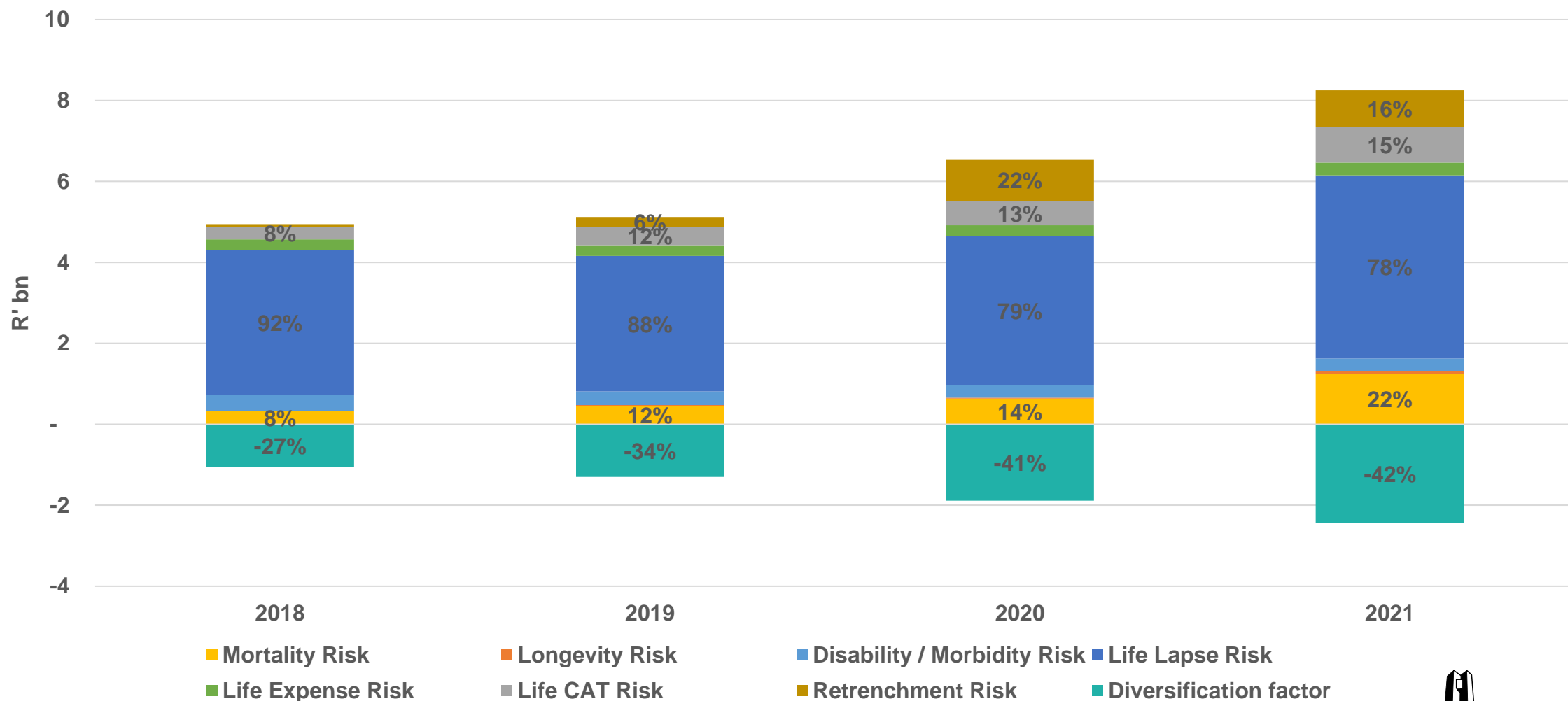
Life Underwriting Risk



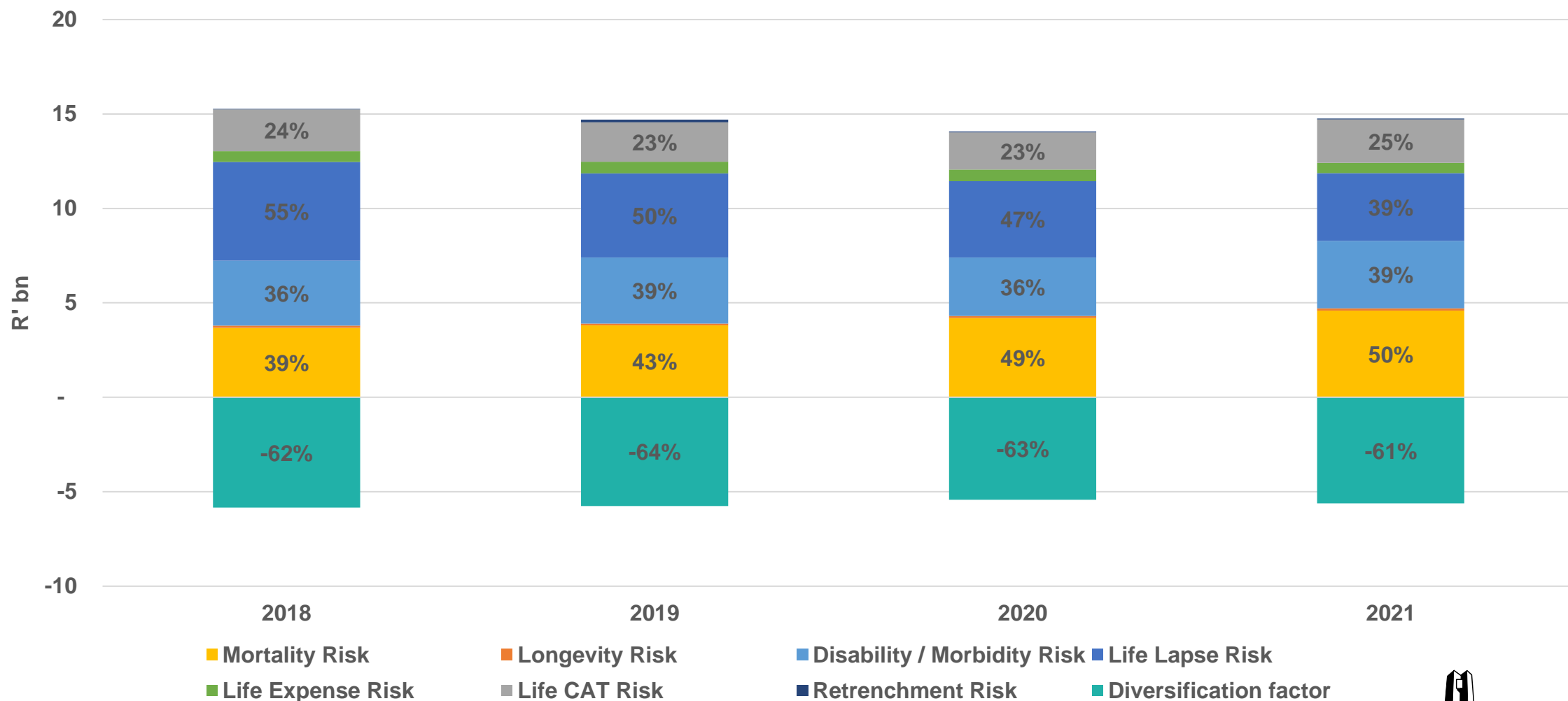
Life Underwriting Risk - Primary



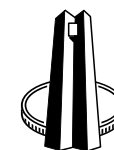
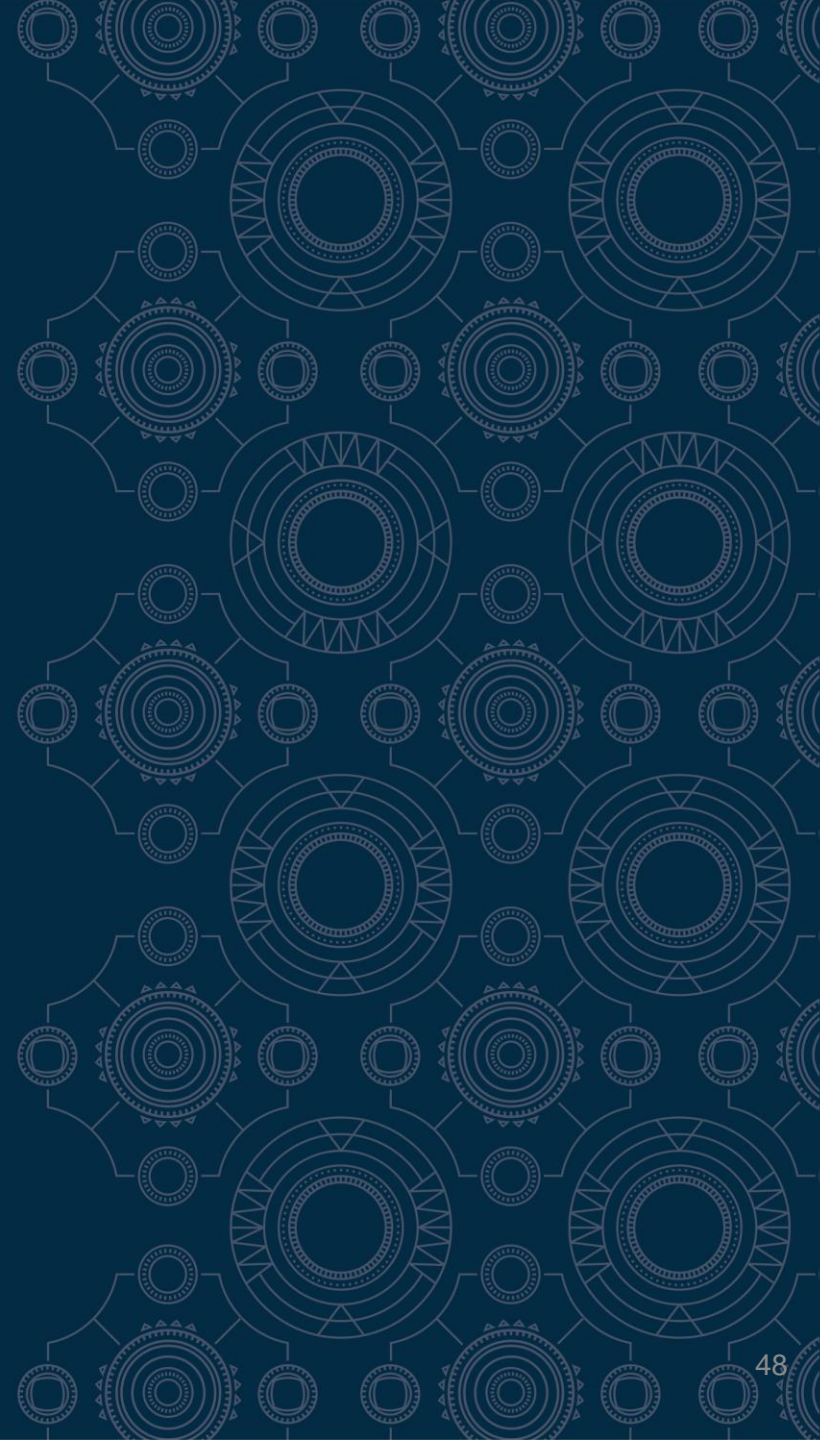
Life Underwriting Risk – Cell Captive



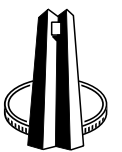
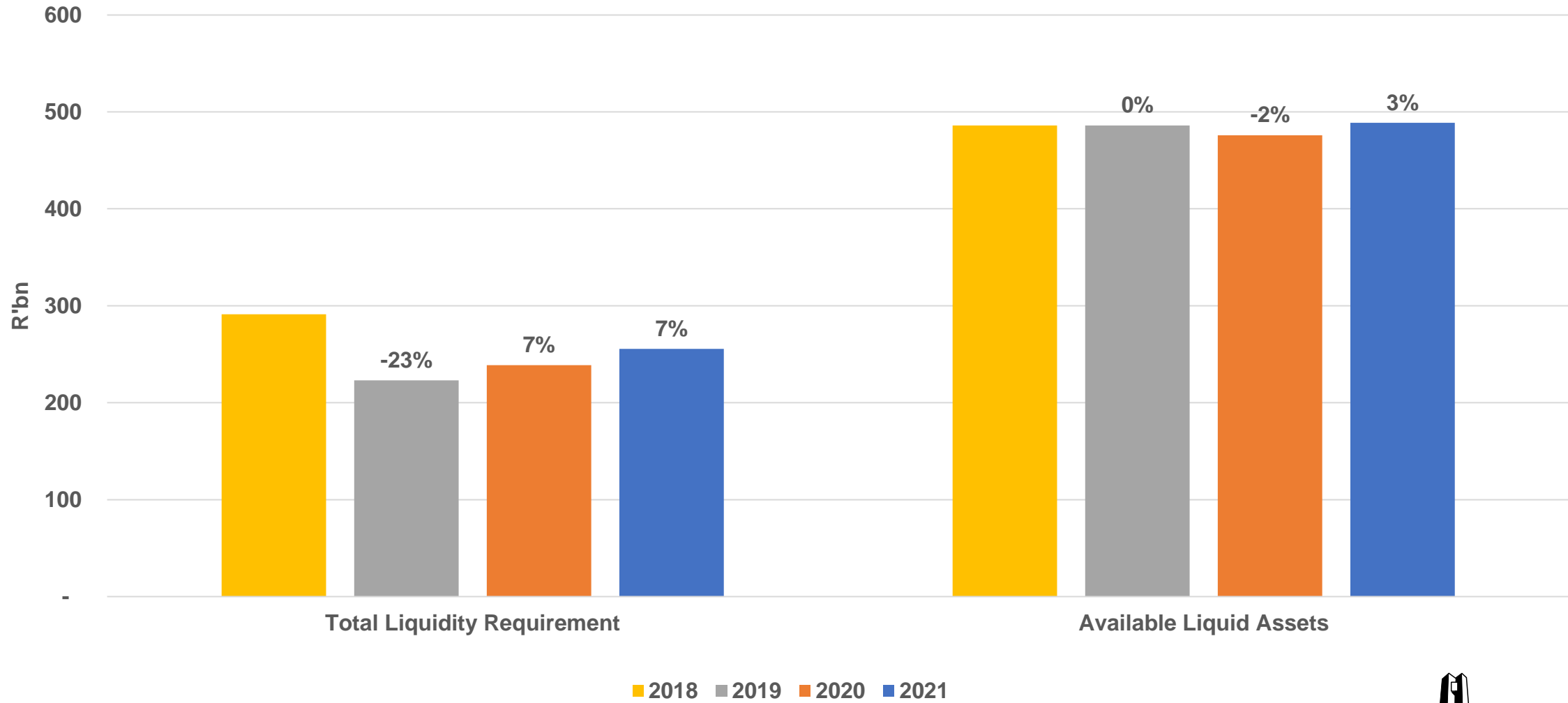
Life Underwriting Risk - Reinsurers



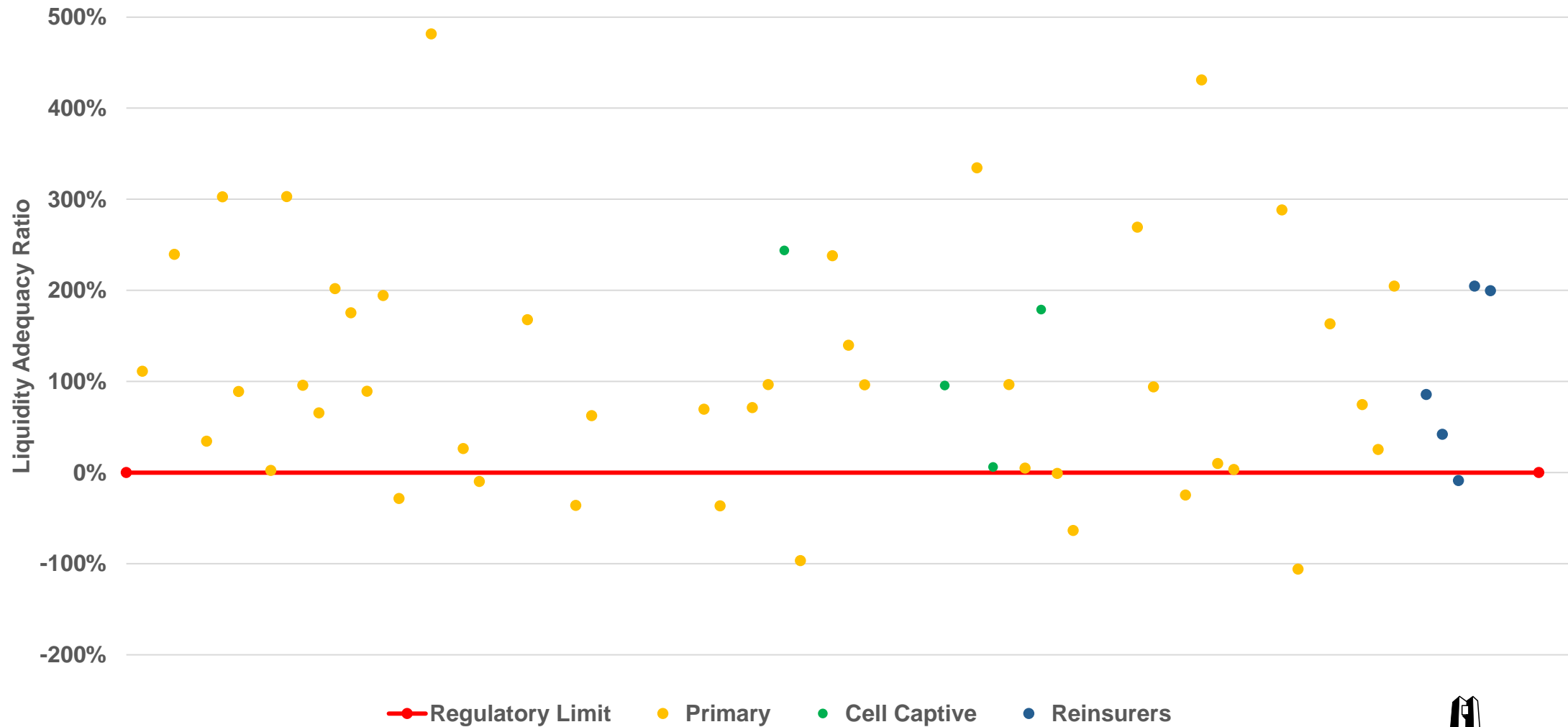
Liquidity



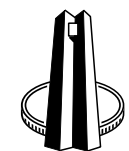
Total Liquidity Requirement



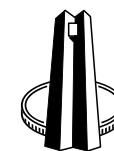
Liquidity Adequacy Ratio



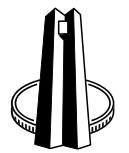
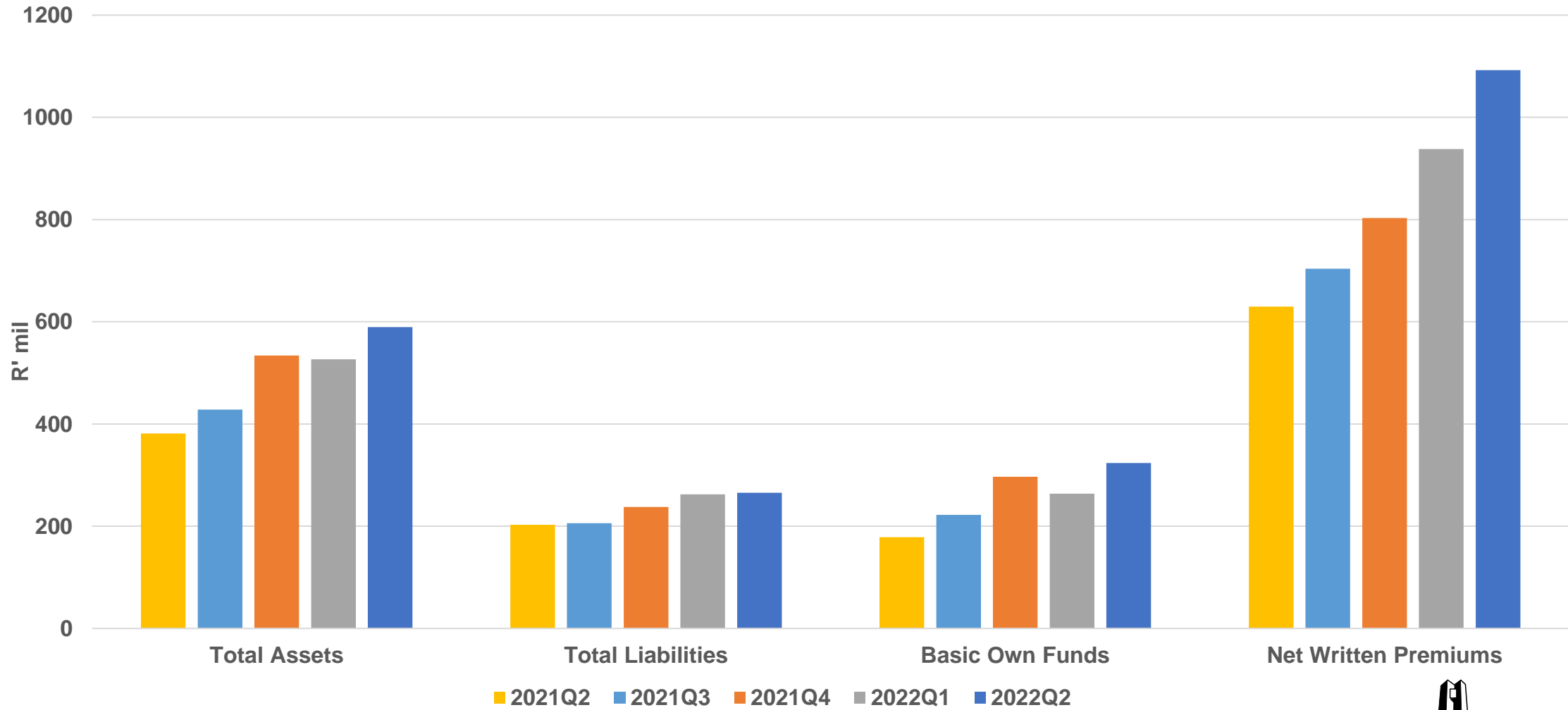
Liquidity Adequacy Ratio = $\ln(\text{Total Liquid Assets} / \text{Total Liquidity Requirement})$



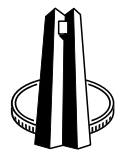
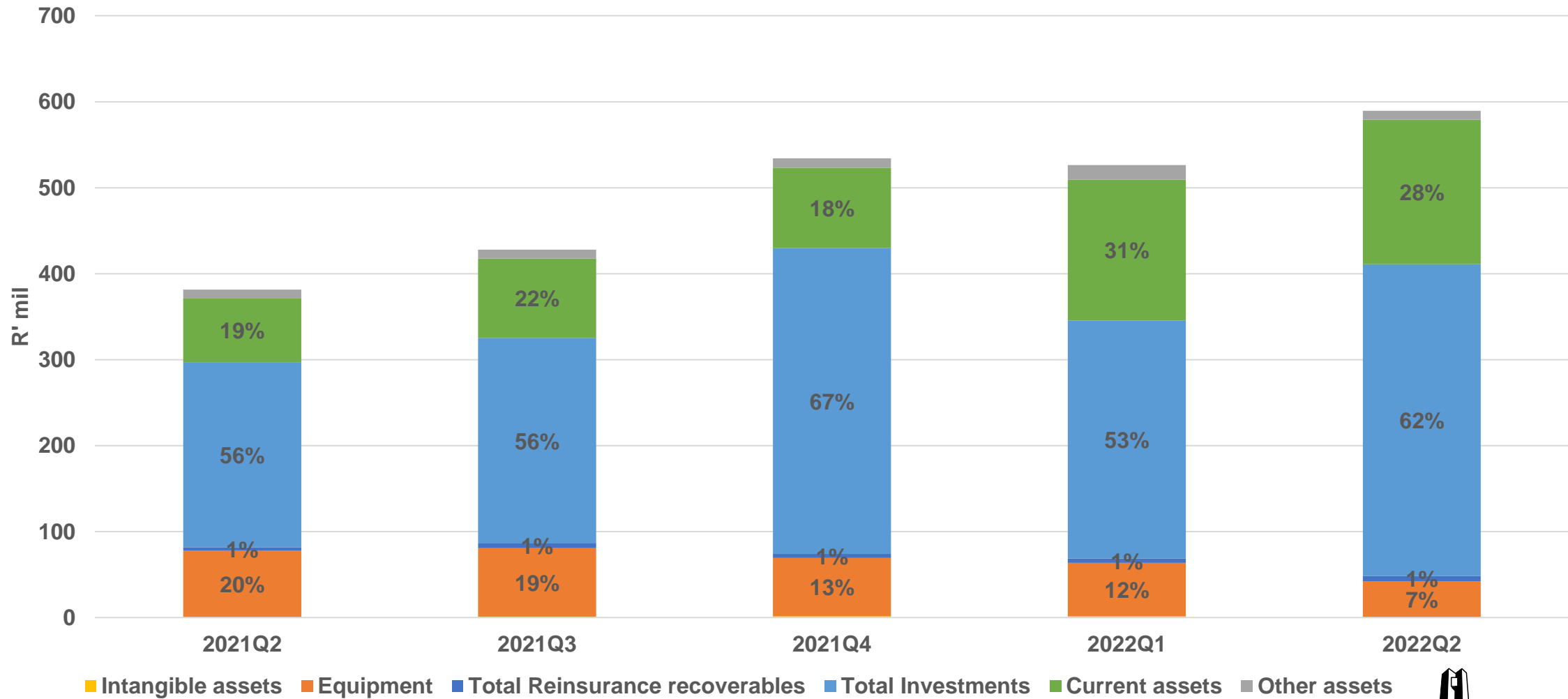
Microinsurance



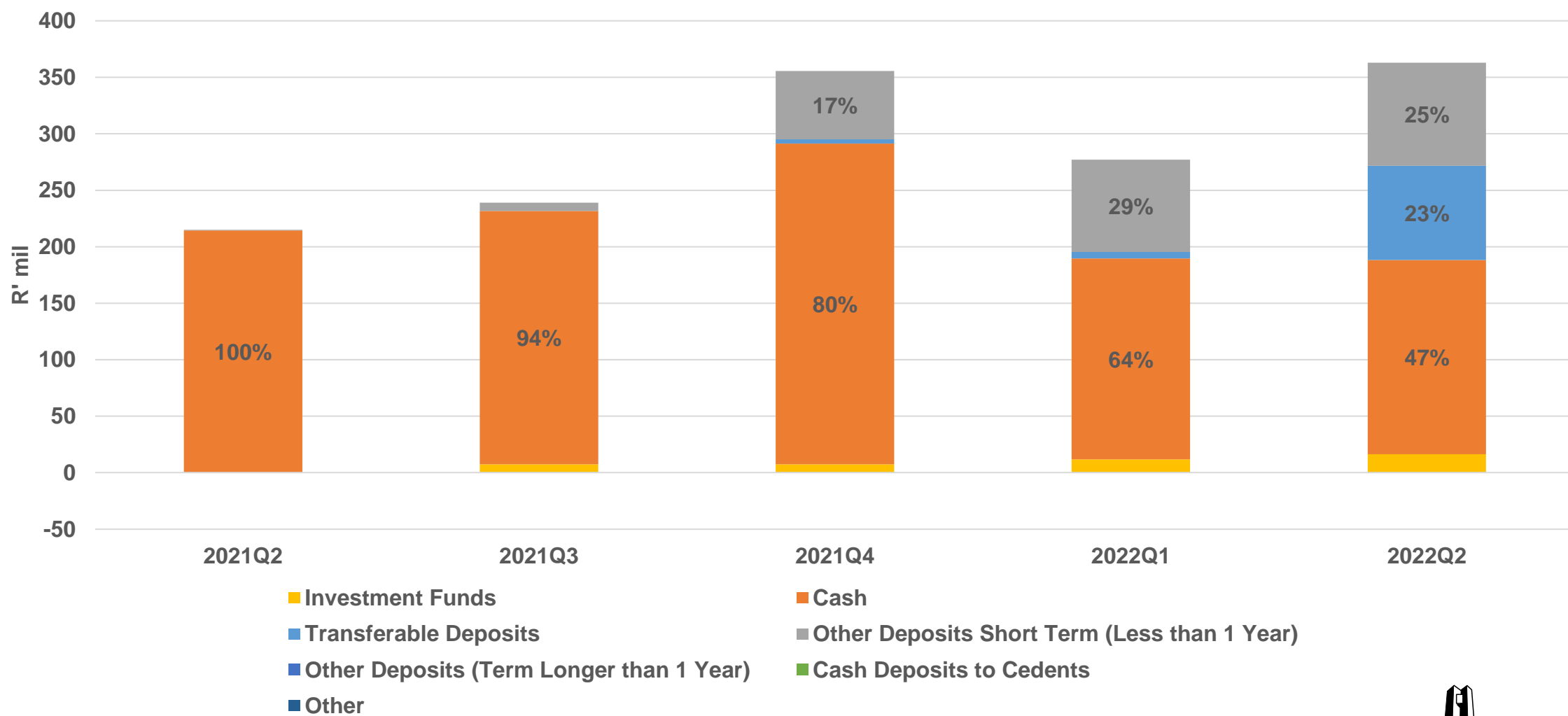
Overview



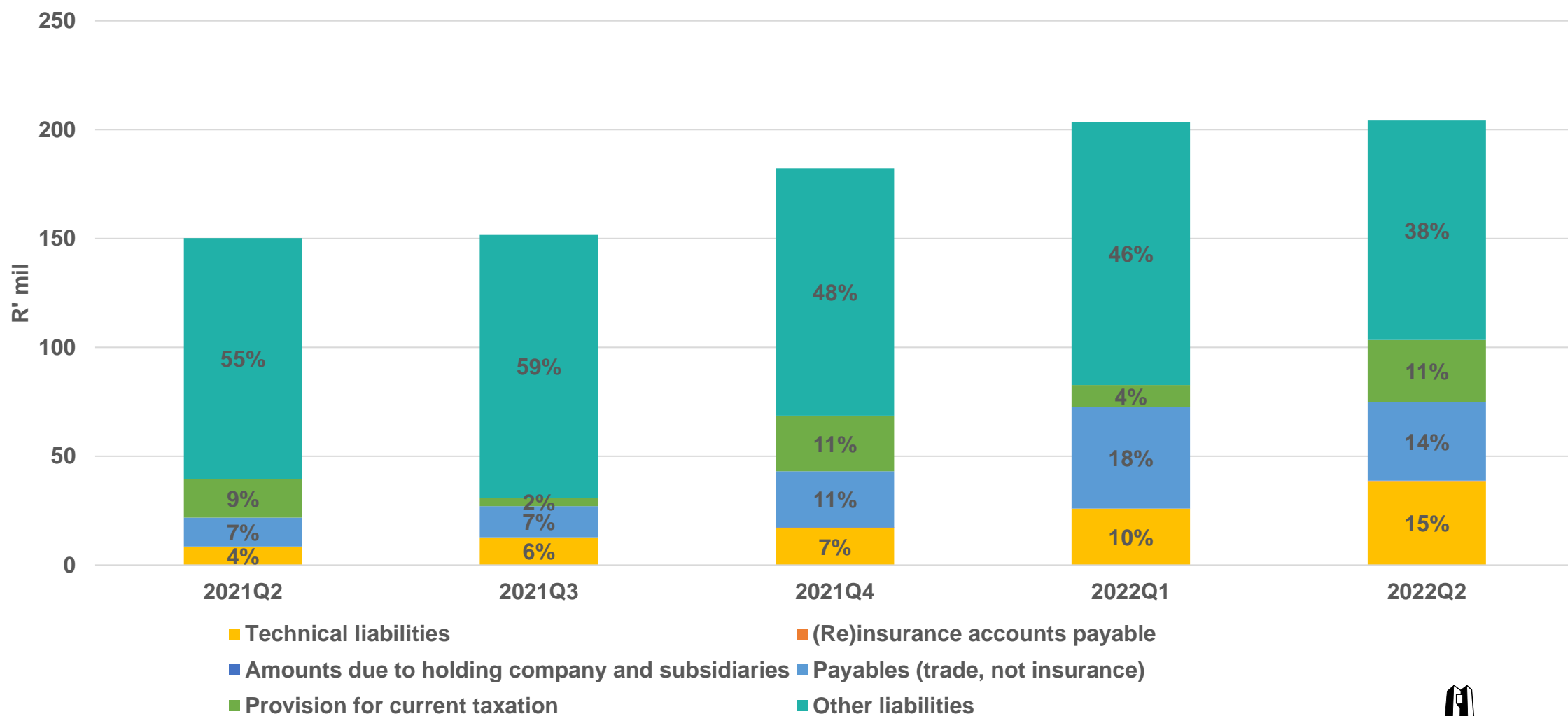
Composition of Assets



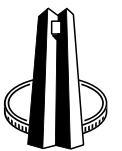
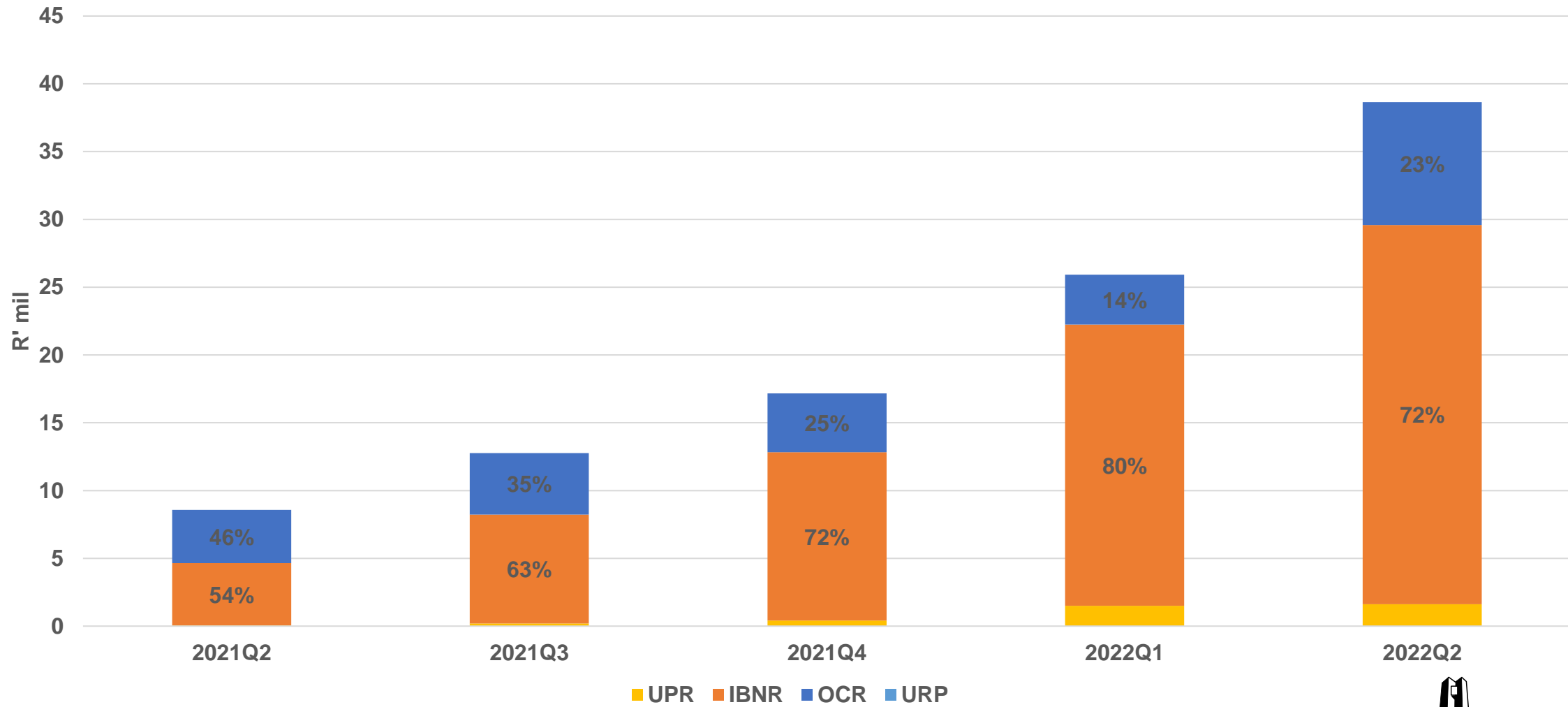
Composition of Investments



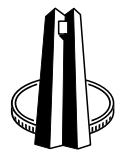
Composition of Liabilities



Composition of Technical Provisions



MCR Cover Ratio Distribution





Thank you

Contact Details:

stian.smit@resbank.co.za

tshepo.rakgolela@resbank.co.za



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