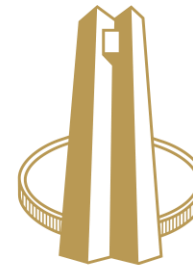


An overview of the experience of long-term insurers in South Africa for 2017



South African Reserve Bank

Prudential Authority

Introduction

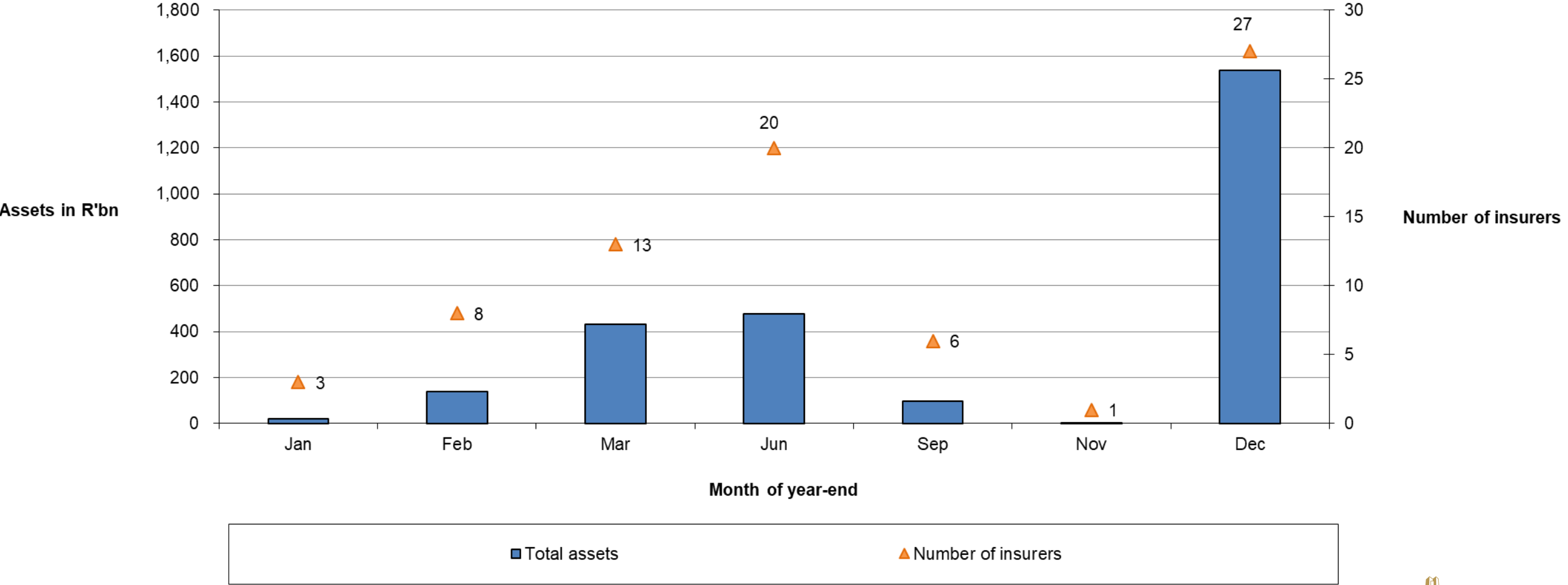
- Representative South African Statutory Valuation Method bases reported in 2017, including the following:
 - Actual experience for certain key elements
 - CPR 2017 Q1 – 2018 Q1 results

Overview of the long-term insurance market in 2017

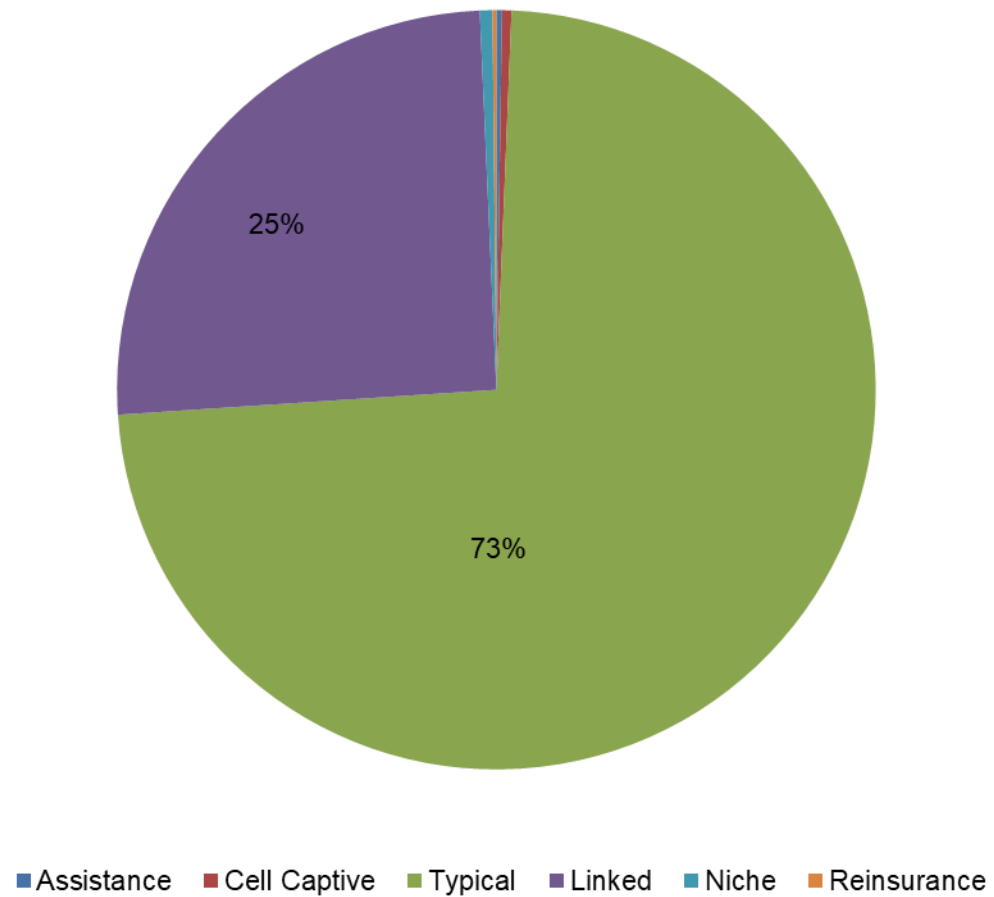
Rankings by Assets

Rank	Insurer	Industry	% of Market assets
1	Old Mutual Life	Typical	23.43%
2	Sanlam Developing Markets Limited	Typical	16.51%
3	MMI Group	Typical	13.04%
4	Liberty	Typical	12.75%
5	Alexander Forbes Investments Limited	Linked	9.82%
6	Investec Assurance Limited	Linked	4.68%
7	Allan Gray Life Limited	Linked	4.05%
8	Discovery Life Limited	Typical	2.13%
9	Coronation Life	Linked	1.89%
10	Sygnia	Linked	1.56%

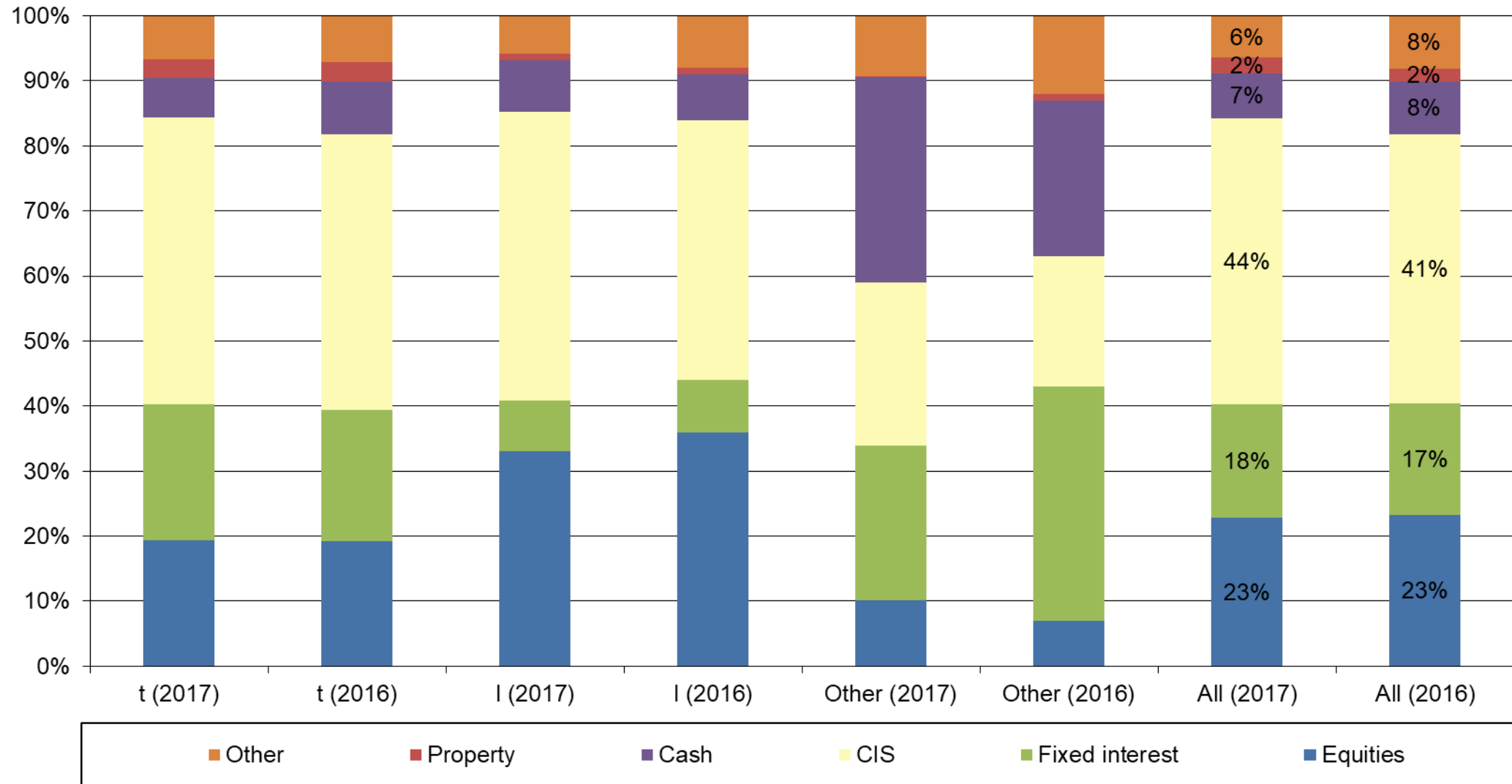
Number of insurers per year-end



Proportion of assets per class



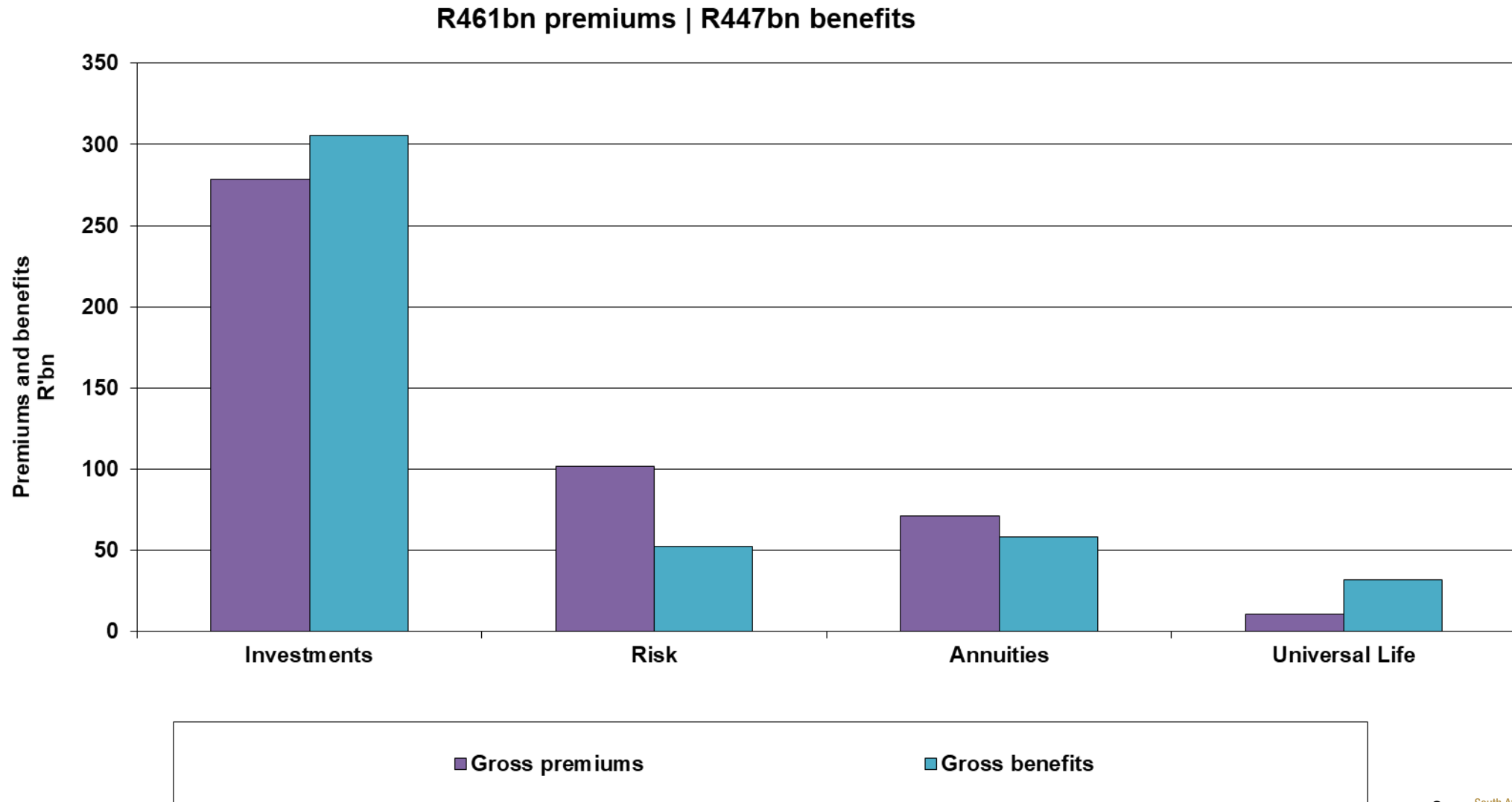
Total Asset composition



Key indicators - CAR

	2017	2016	2015
Total assets (<i>R'bn</i>)	2 698.0	2 617.8	2 575.8
Total liabilities (<i>R'bn</i>)	2 540.8	2 514.5	2 422.5
Excess assets (<i>R'bn</i>)	157.2	157.3	153.3
CAR BMA (<i>R'bn</i>)	102.1	102.1	86.6
CAR AMA (<i>R'bn</i>)	43.0	41.8	40.4
CAR AMA/ CAR BMA	42%	41%	47%
CAR Cover (Average)	3.65	3.77	3.8
CAR Cover (Median)	2.64	2.99	2.67

Premiums and Benefits by Business class



Key indicators – Premiums and Benefits

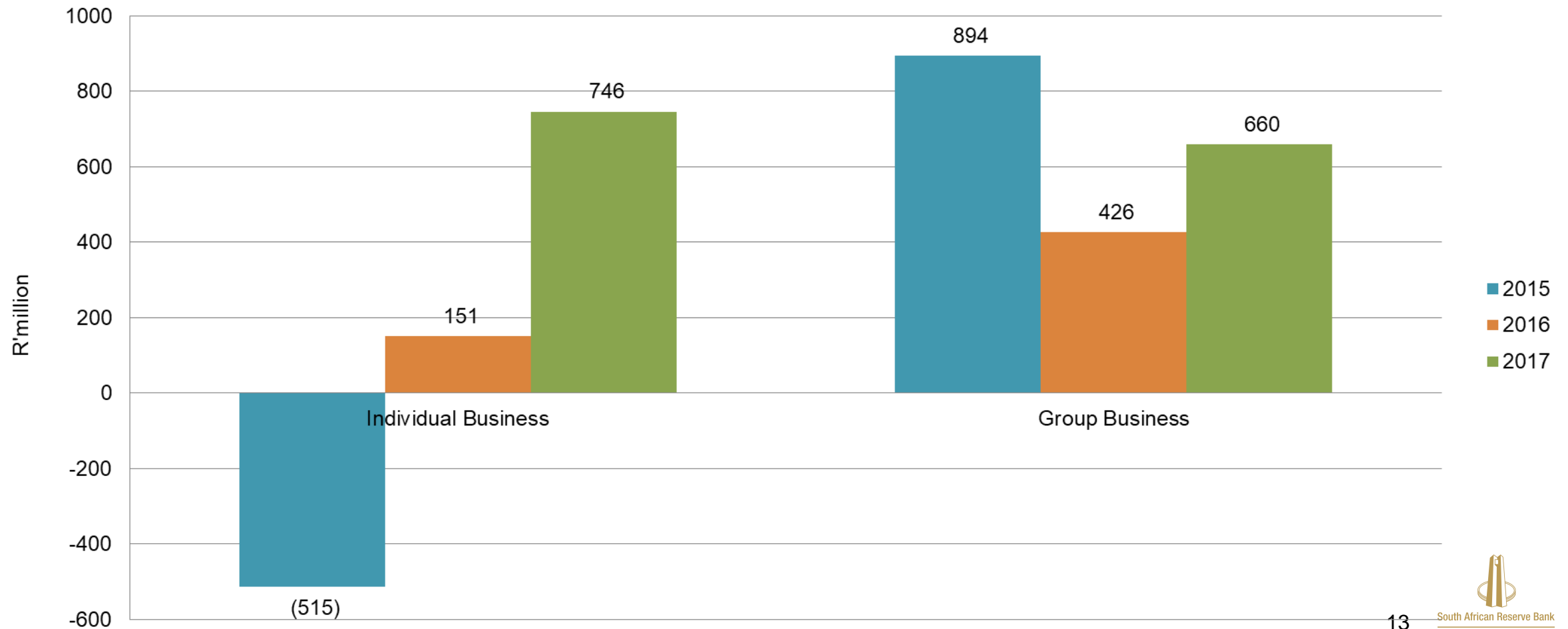
	Industry						Total		
	t	l	r	a	n	c	2017	2016	2015
Number of active insurers	28	15	7	7	13	6	76	76	75
Net new premiums received	46.5%	51.6%	0.6%	0.6%	0.3%	0.5%	R202bn	R205bn	R216bn
Net total premiums received	66.6%	29.7%	0.7%	0.7%	0.6%	1.6%	R448bn	R472bn	R456bn
Net benefits paid	67.0%	35.2%	0.5%	0.2%	0.3%	0.8%	R432bn	R439bn	R440bn

Expenses

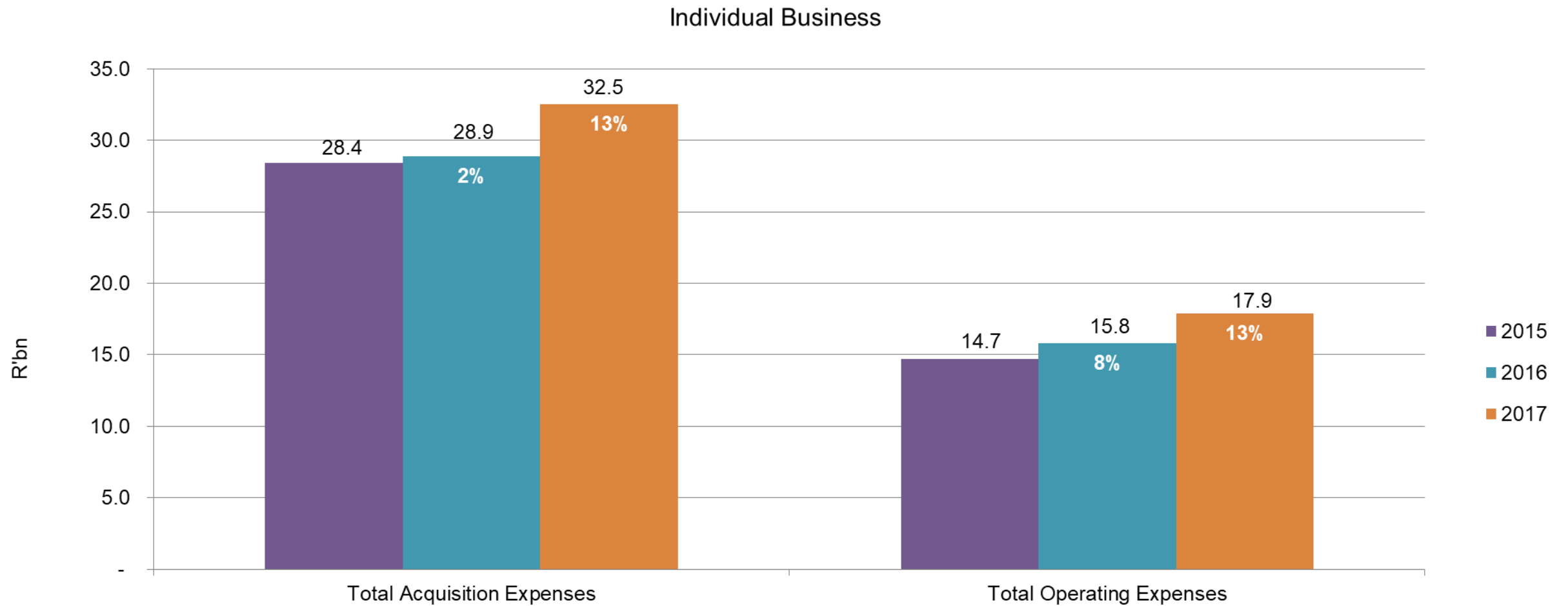
Expense ratio

Total Expenses as a % of Total Liabilities			
Industry	2017	2016	2015
Assistance	151.4%	121.0%	95.6%
Cell Captive	25.2%	17.6%	17.1%
Linked	0.4%	0.4%	0.4%
Niche	20.4%	18.2%	7.8%
Reinsurer	8.5%	9.3%	12.5%
Typical	3.4%	3.3%	3.3%

Expense experience



Actual expenses

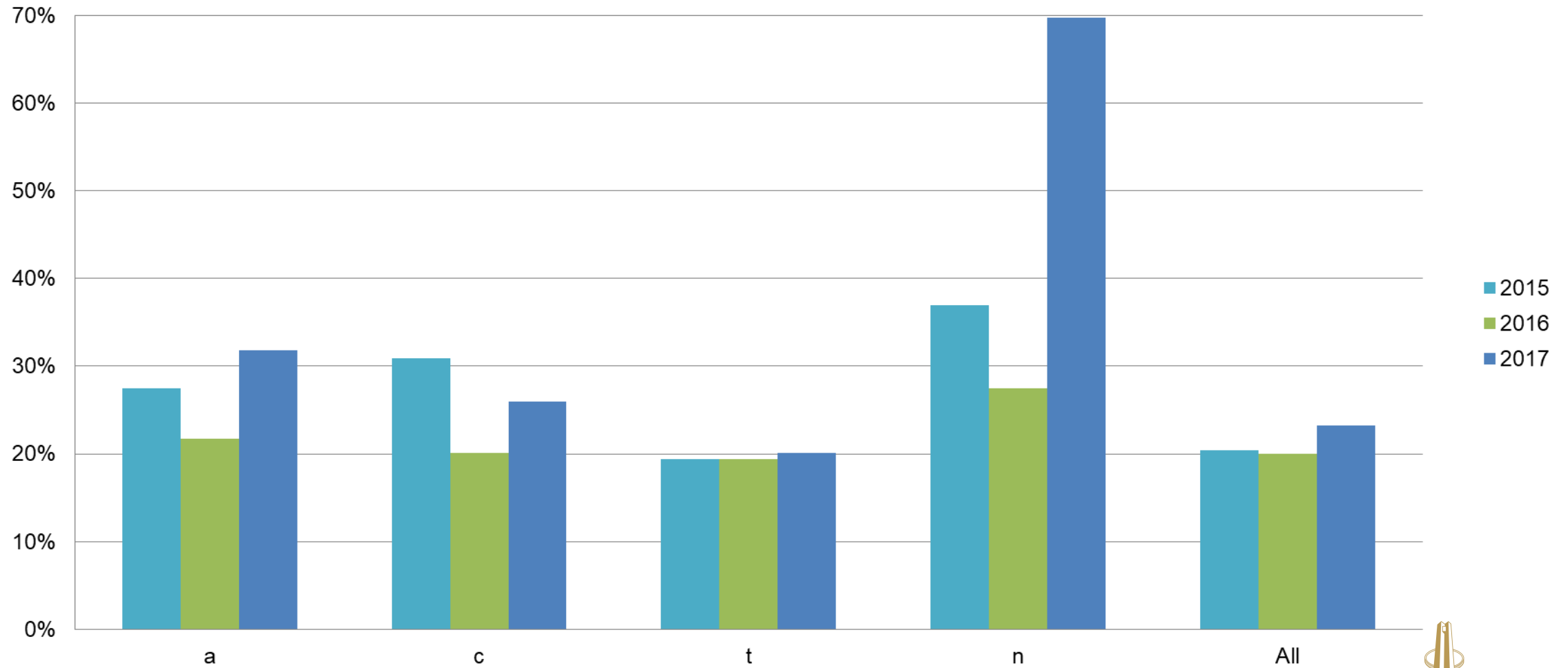


Actual operating expense (Individual business)

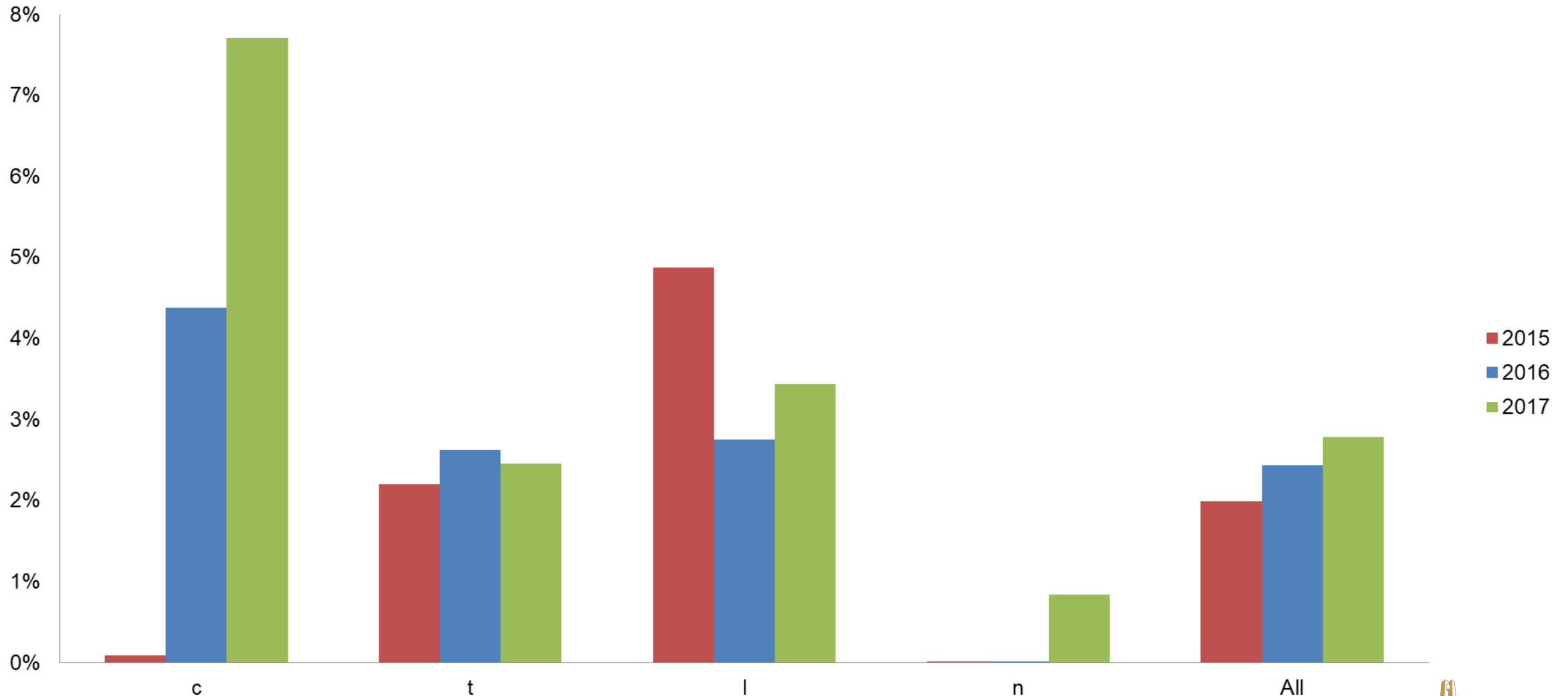
Industry	Average Operating Expense per policy		
	2017	2016	2015
Assistance	R 110	R 117	R 95
Cell captive	R 271	R 161	R 163
Linked	R 150	R 162	R 223
Niche	R 105	R 60	R 164
Typical	R 371	R 392	R 335
All	R 343	R 382	R 322

Withdrawal Rates

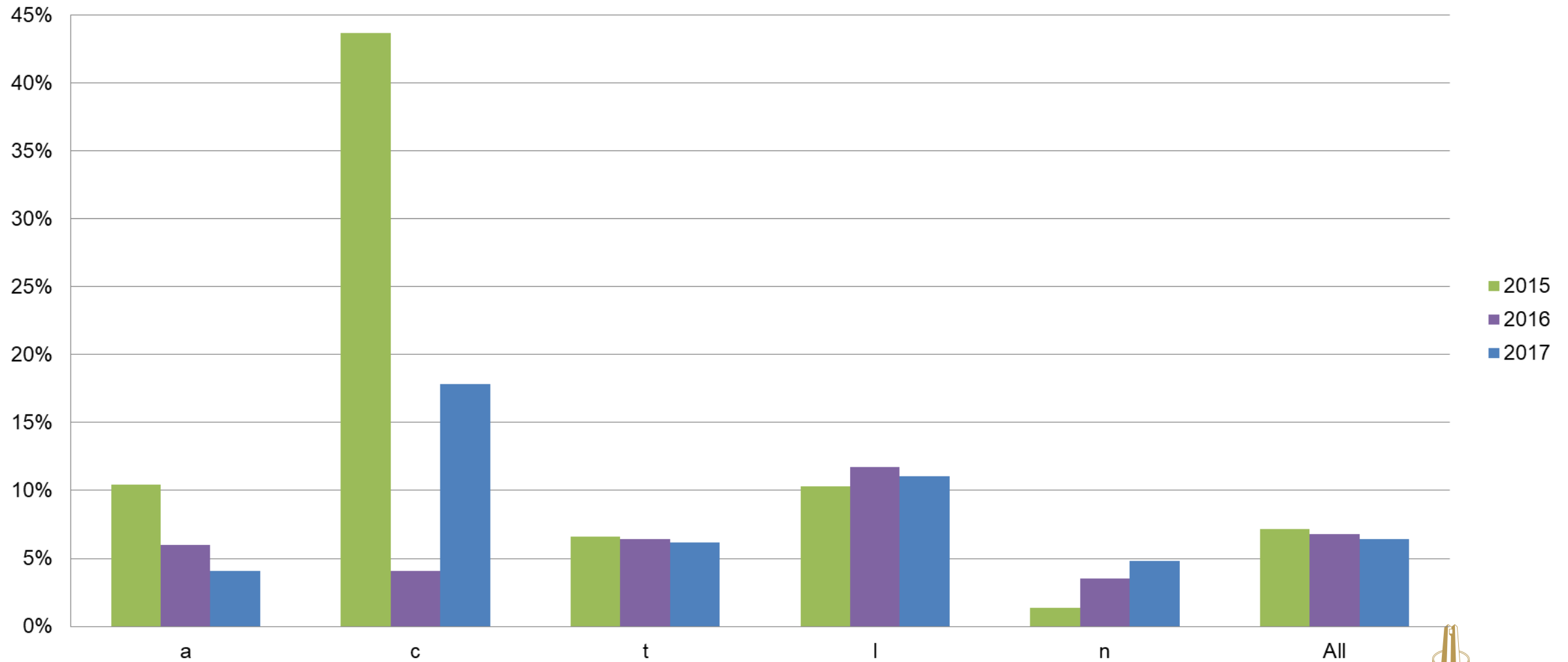
Observed lapse rates (Individual business)



Observed surrender rates (Individual business)



Observed withdrawal rates (Group business)



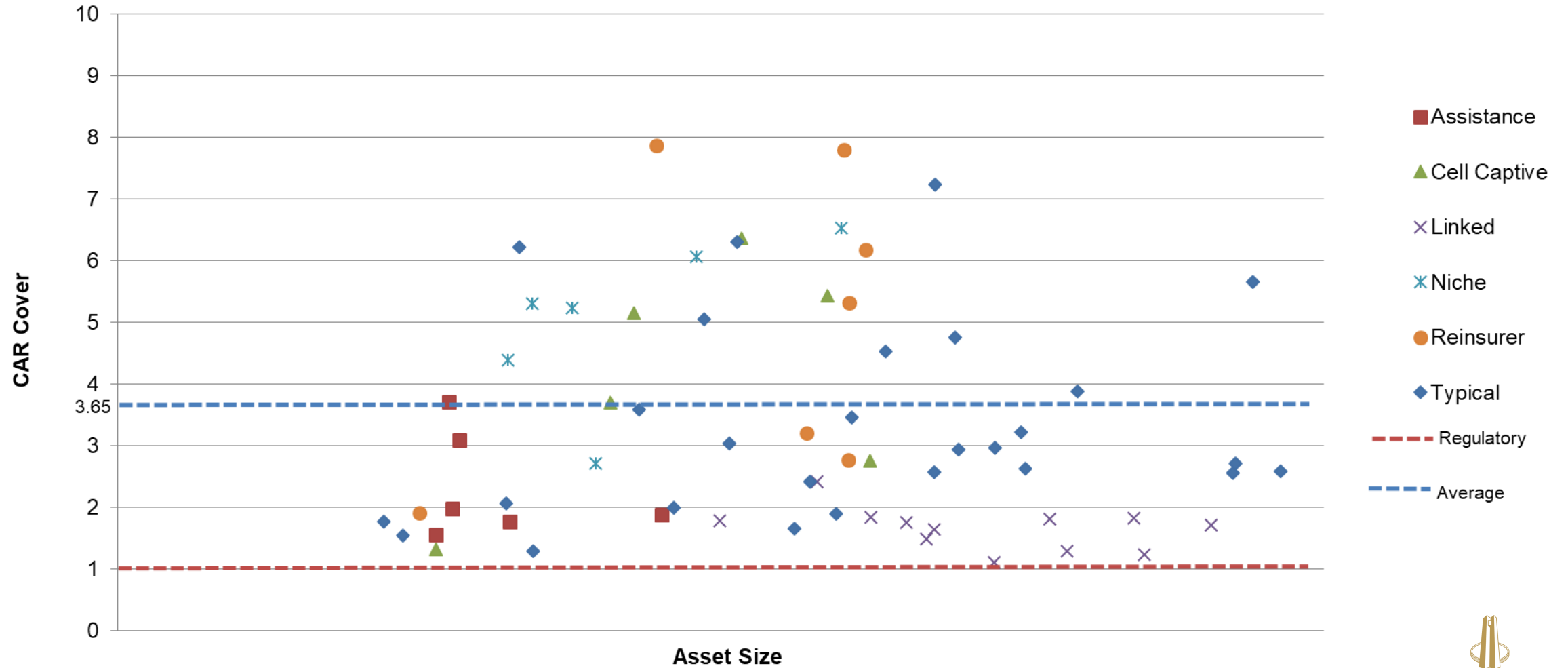
Analysis of Surplus (AOS)

Analysis of Surplus: Overview

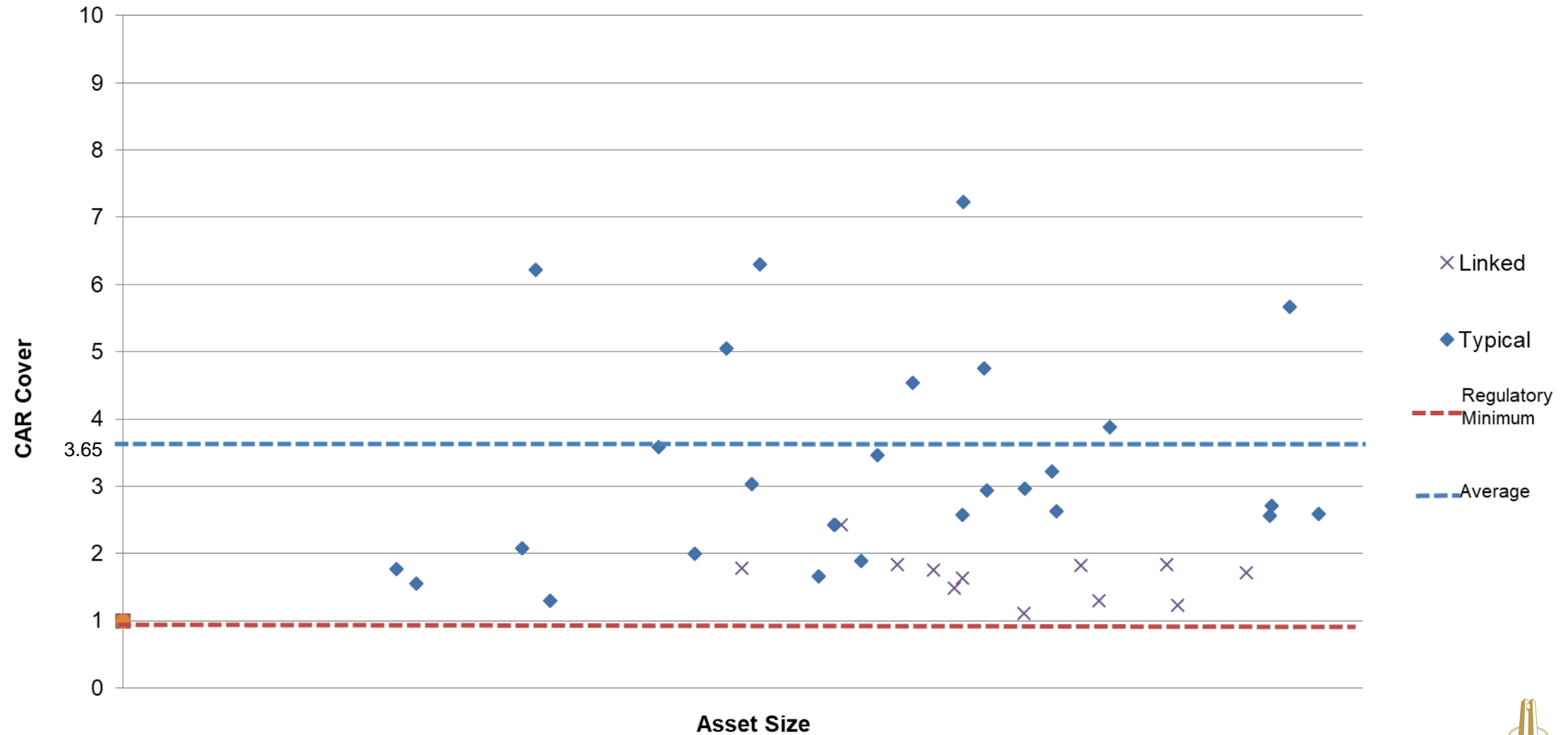
	2017	2016
Excess assets at start (R'bn)	157.2	153.3
New business	(10.9)	(10.7)
Change in valuation basis	(0.1)	1.1
Alterations	(0.2)	(0.2)
Adjustment to asset values	(7.7)	(8.3)
Adjustment to capital	1.6	2.9
Release of margins	29.8	29.3
Investment experience	24.5	21.5
Mortality experience	4.7	5.0
Morbidity experience	(0.6)	(0.4)
Expense experience	(1.2)	(1.3)
Early withdrawals	(0.5)	(1.2)
Tax	(8.9)	(7.7)
Other	(0.8)	-
Income from subsidiaries	0.6	0.5
Dividends paid	(25.8)	(26.6)
Excess assets at end	161.6	157.2

Capital Adequacy Requirement (CAR)

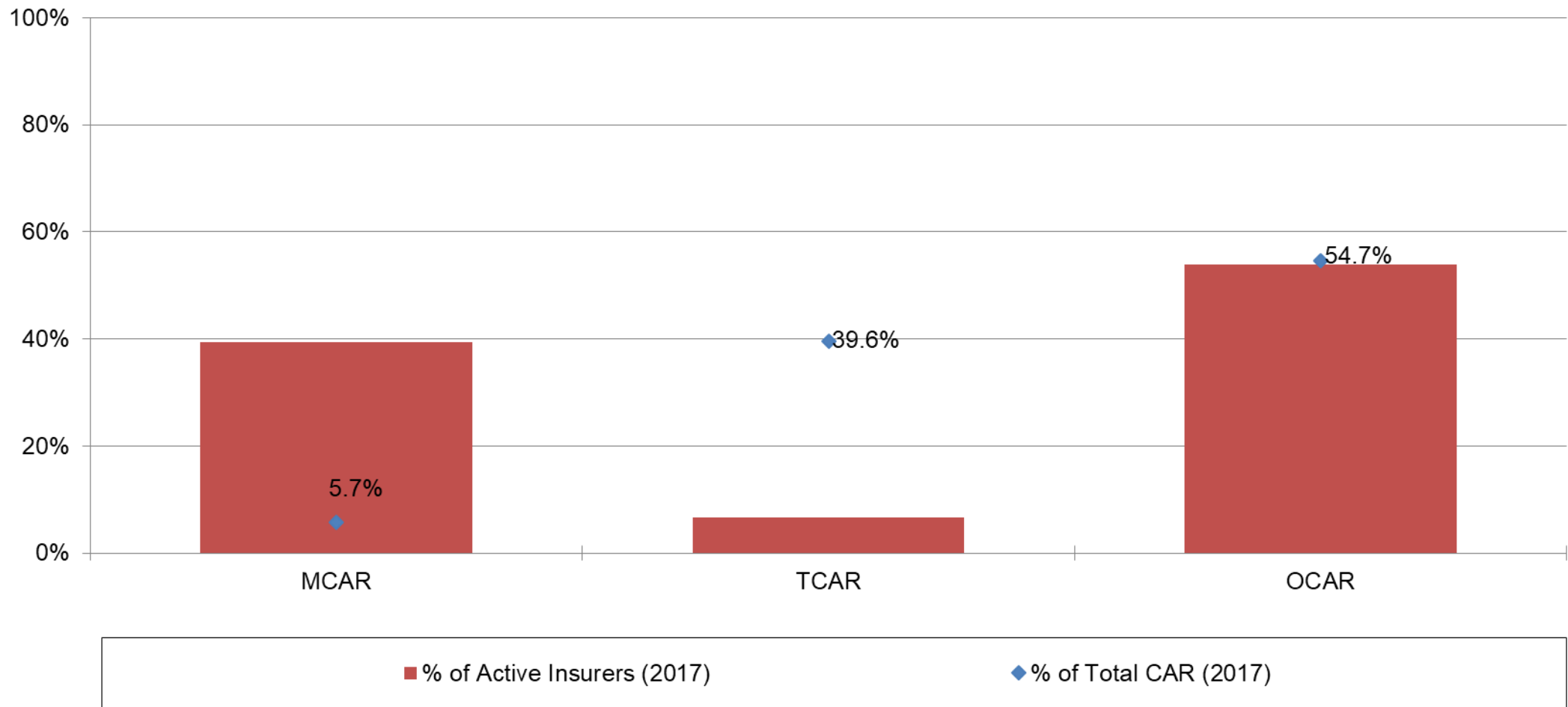
CAR Cover



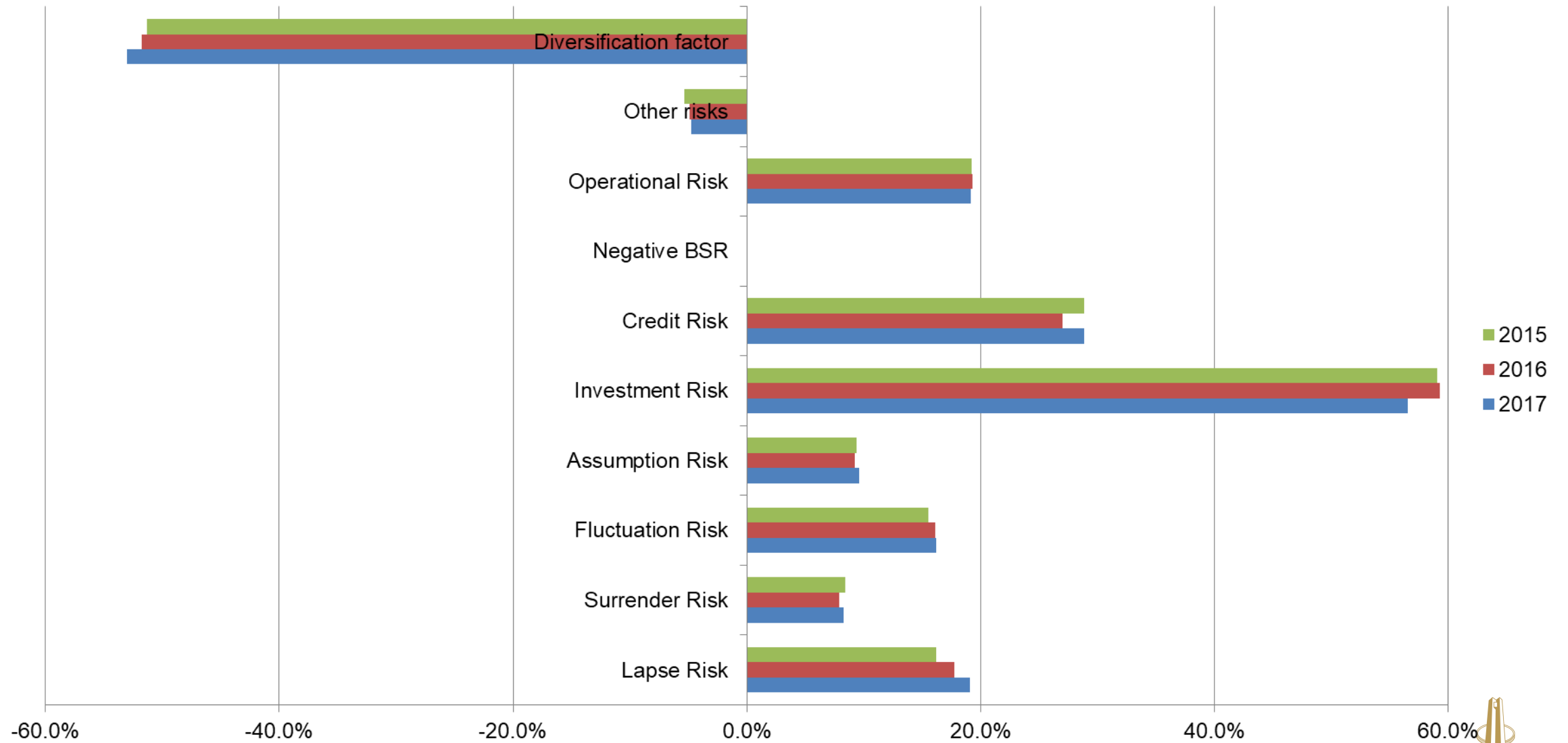
CAR Cover (Linked and Typical insurers)



Distribution of CAR



IOCAR

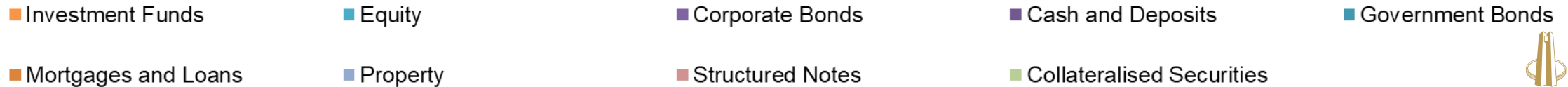
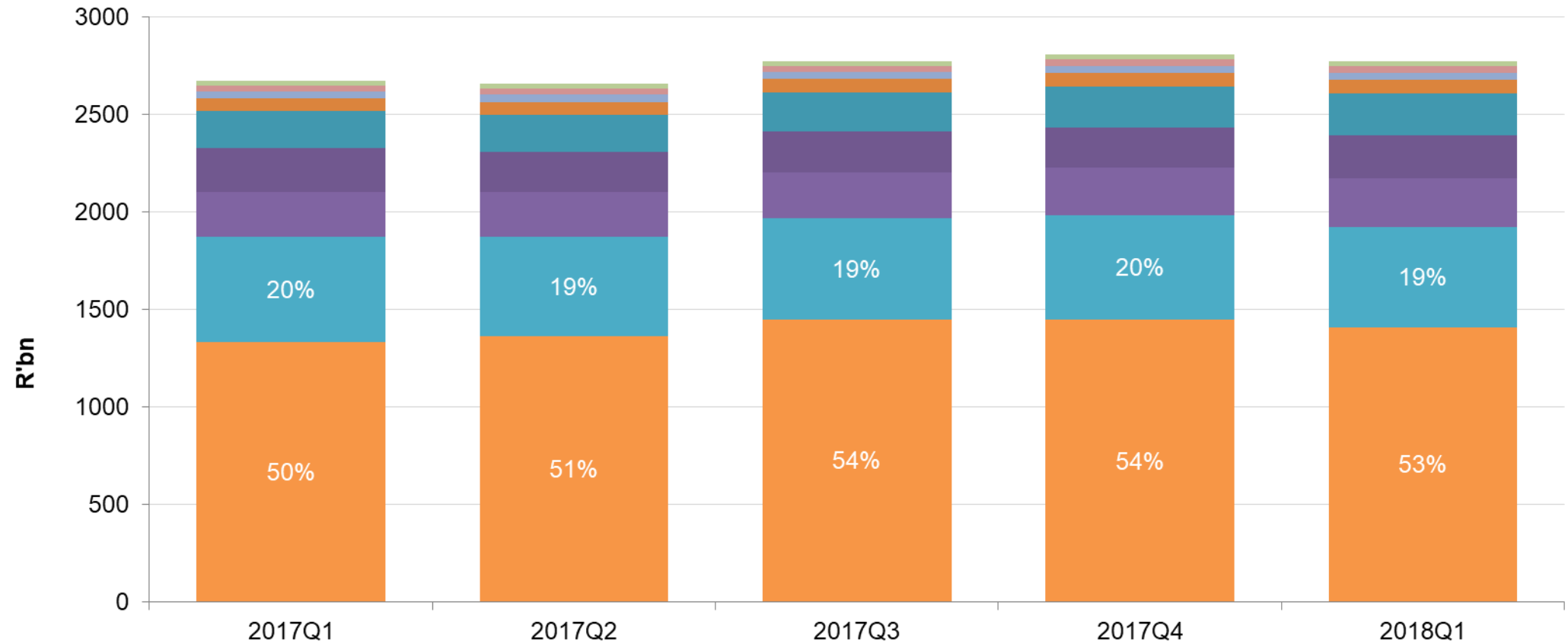


Proportion of insurers using management action

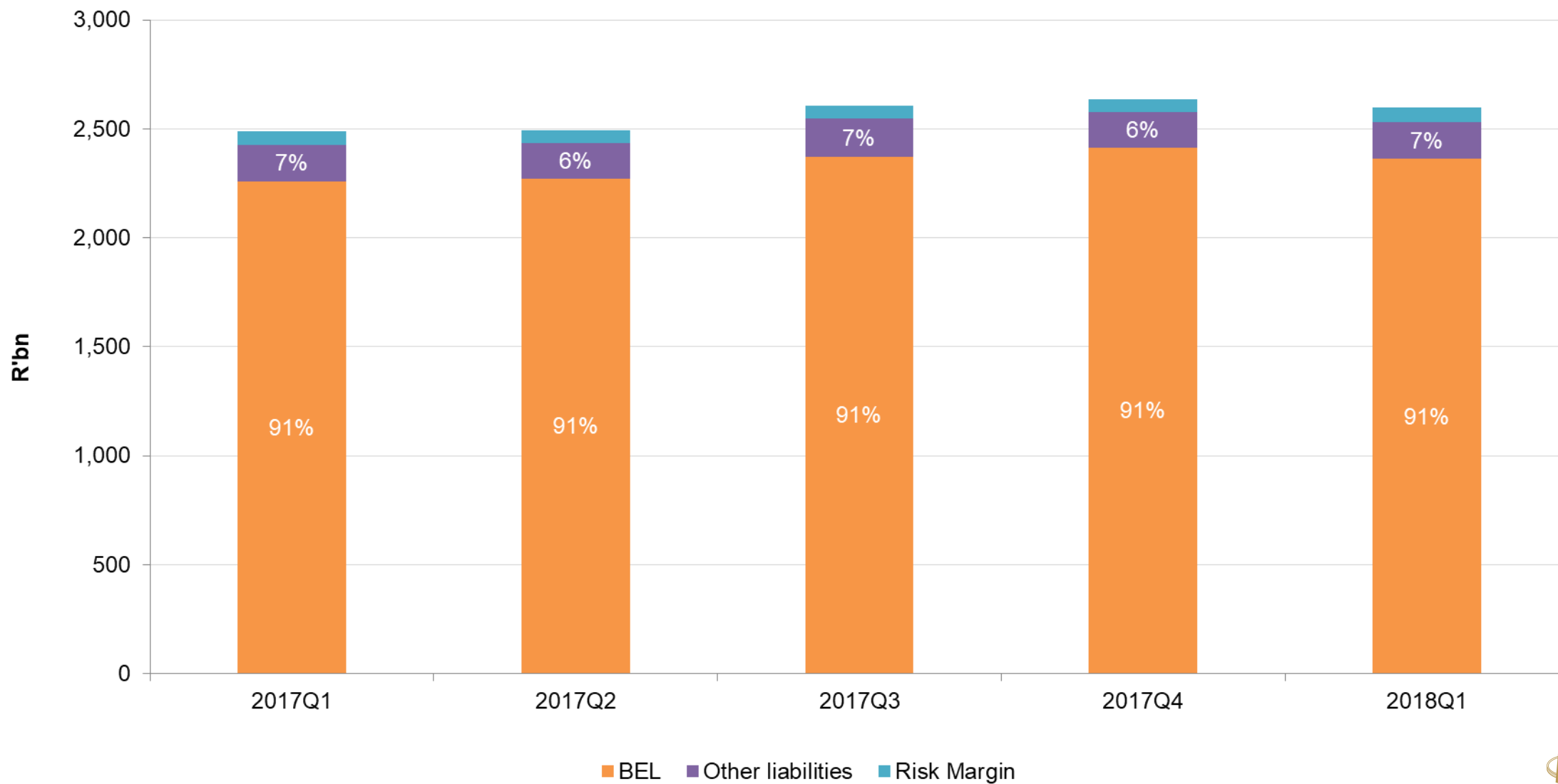
Industry	Proportion of insurers using management action
Assistance	14%
Cell Captives	67%
Niche	17%
Linked	0%
Typical	37%
Reinsurers	0%
Total	22%

SAM: CPR 2017 Q1 – 2018 Q1

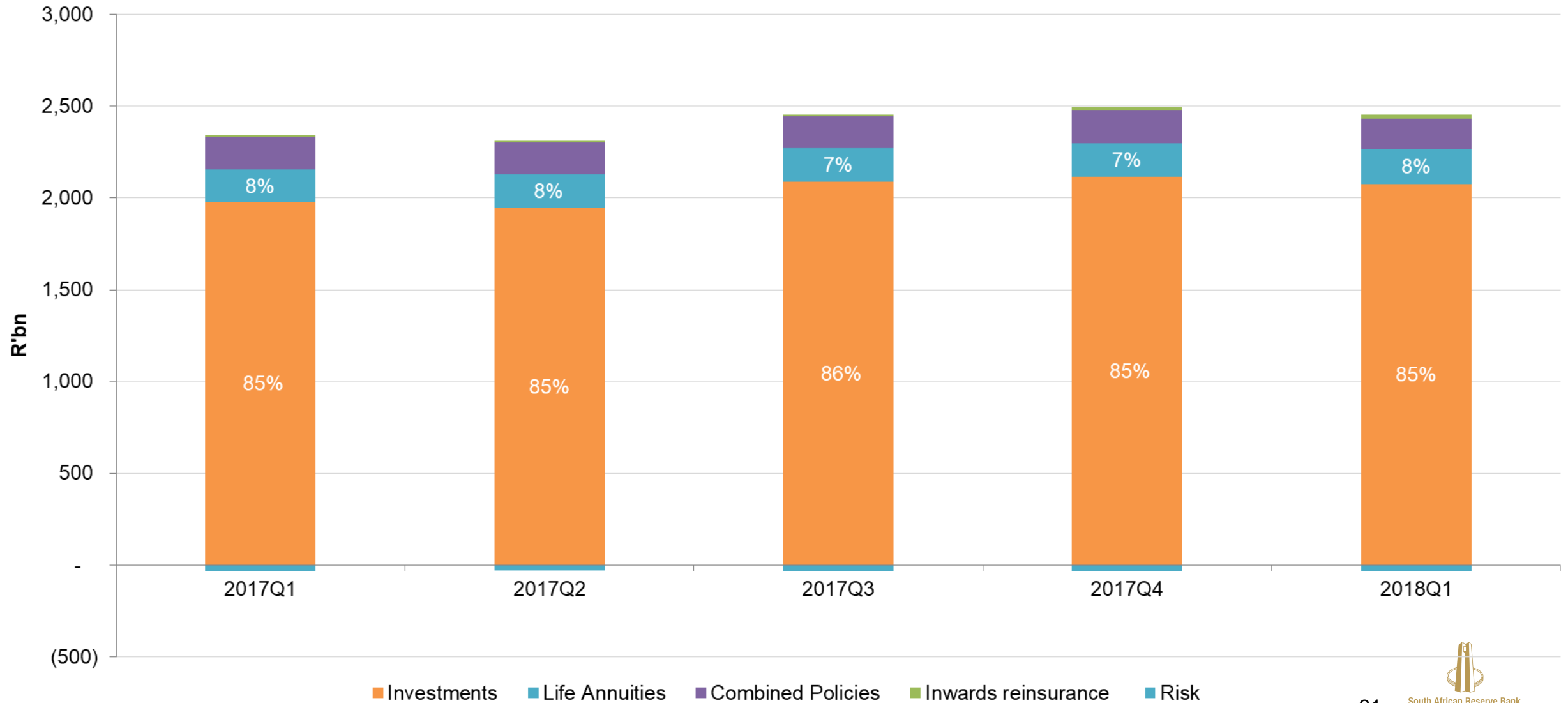
Asset Composition



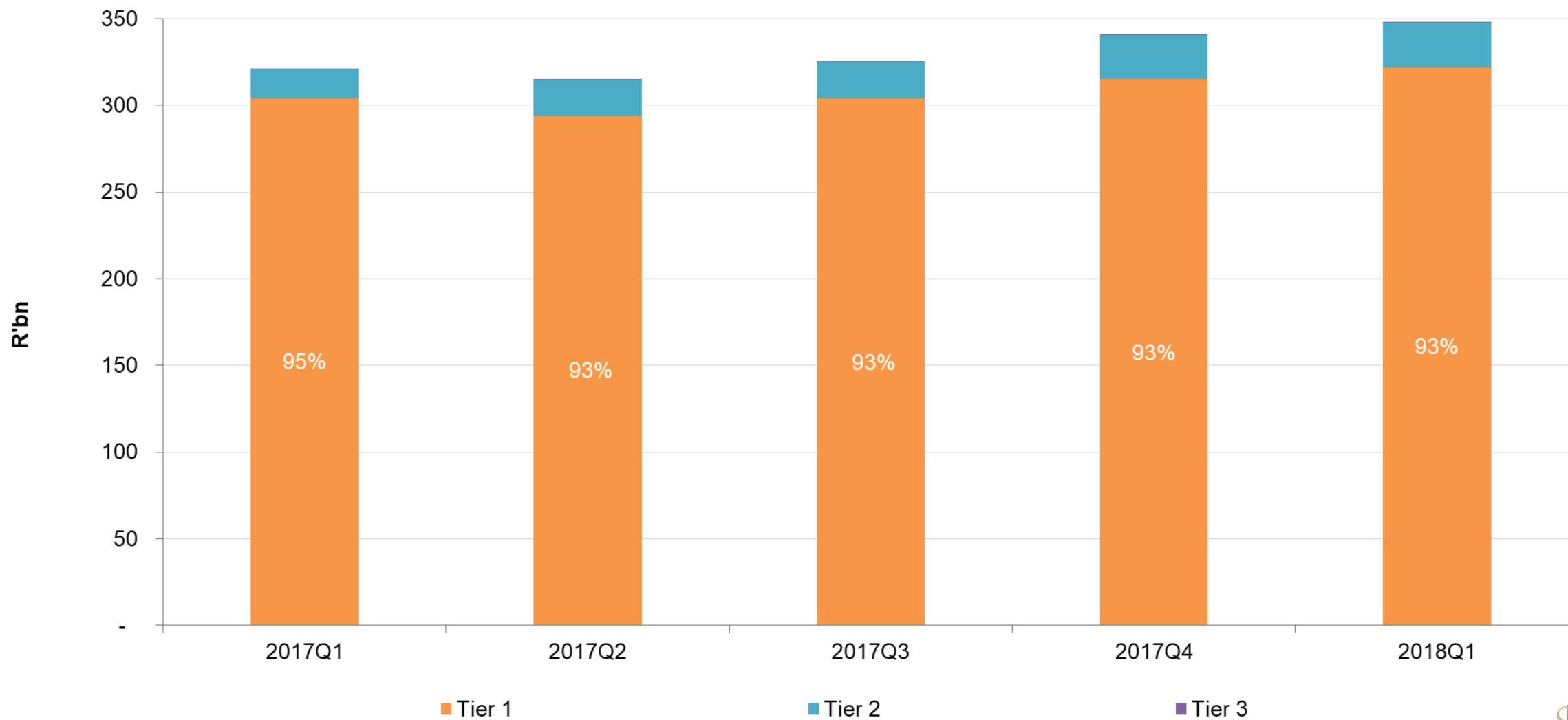
Liabilities



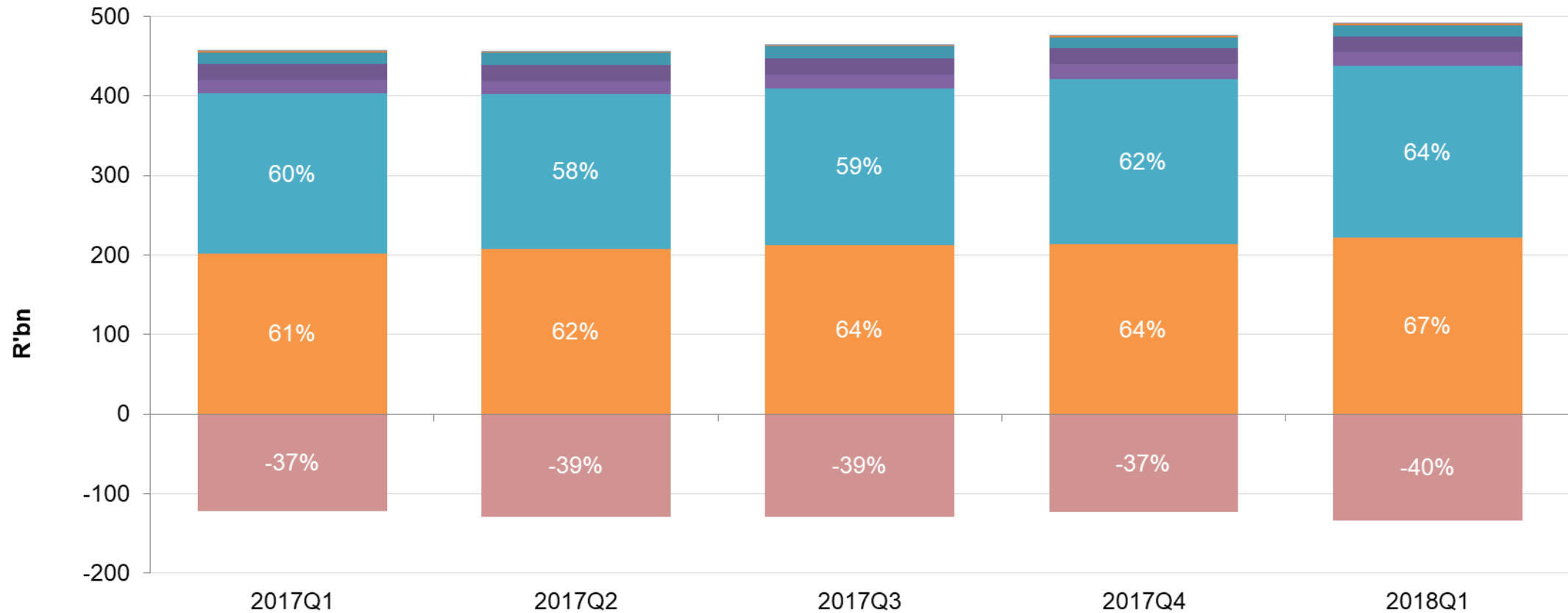
TP - Line of Business



Tiering of BoF



Composition of BoF

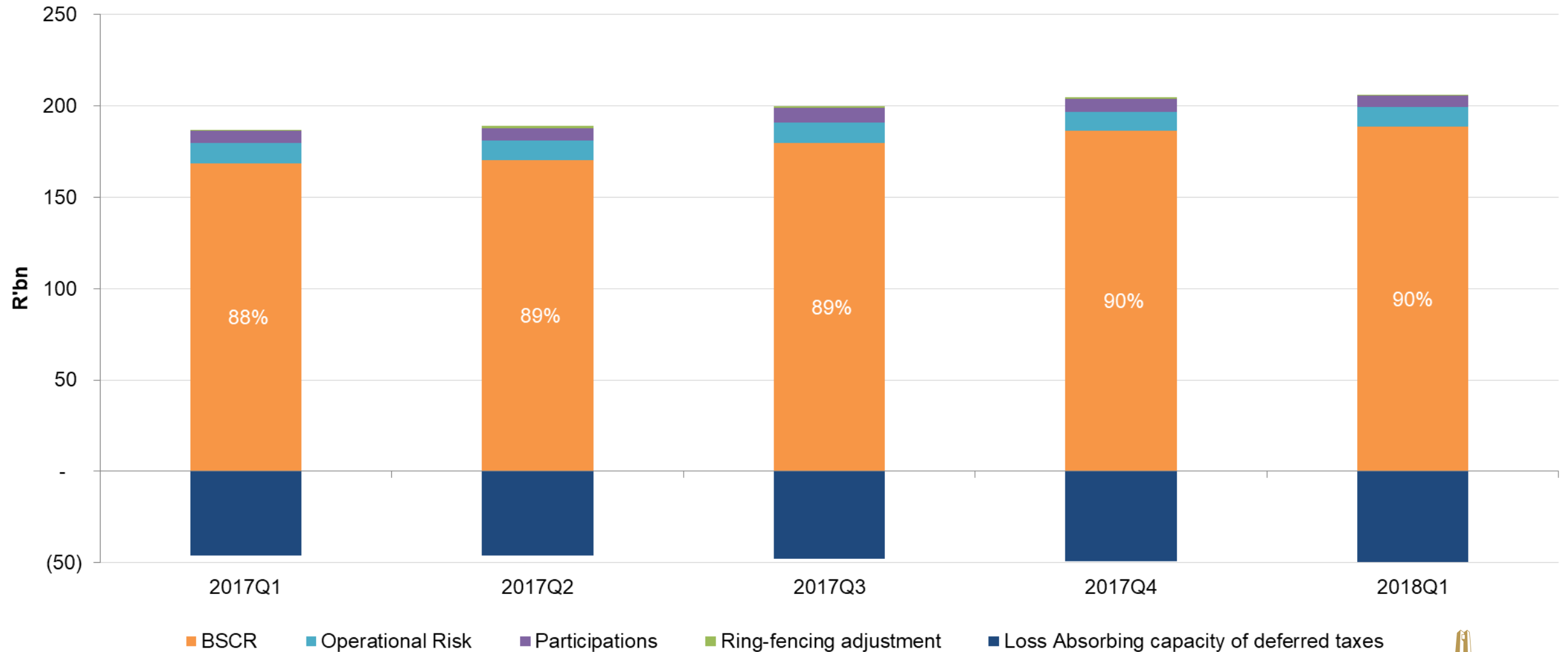


- Surrender value gap (SVG excl. risk margin)
- Share premium
- Others

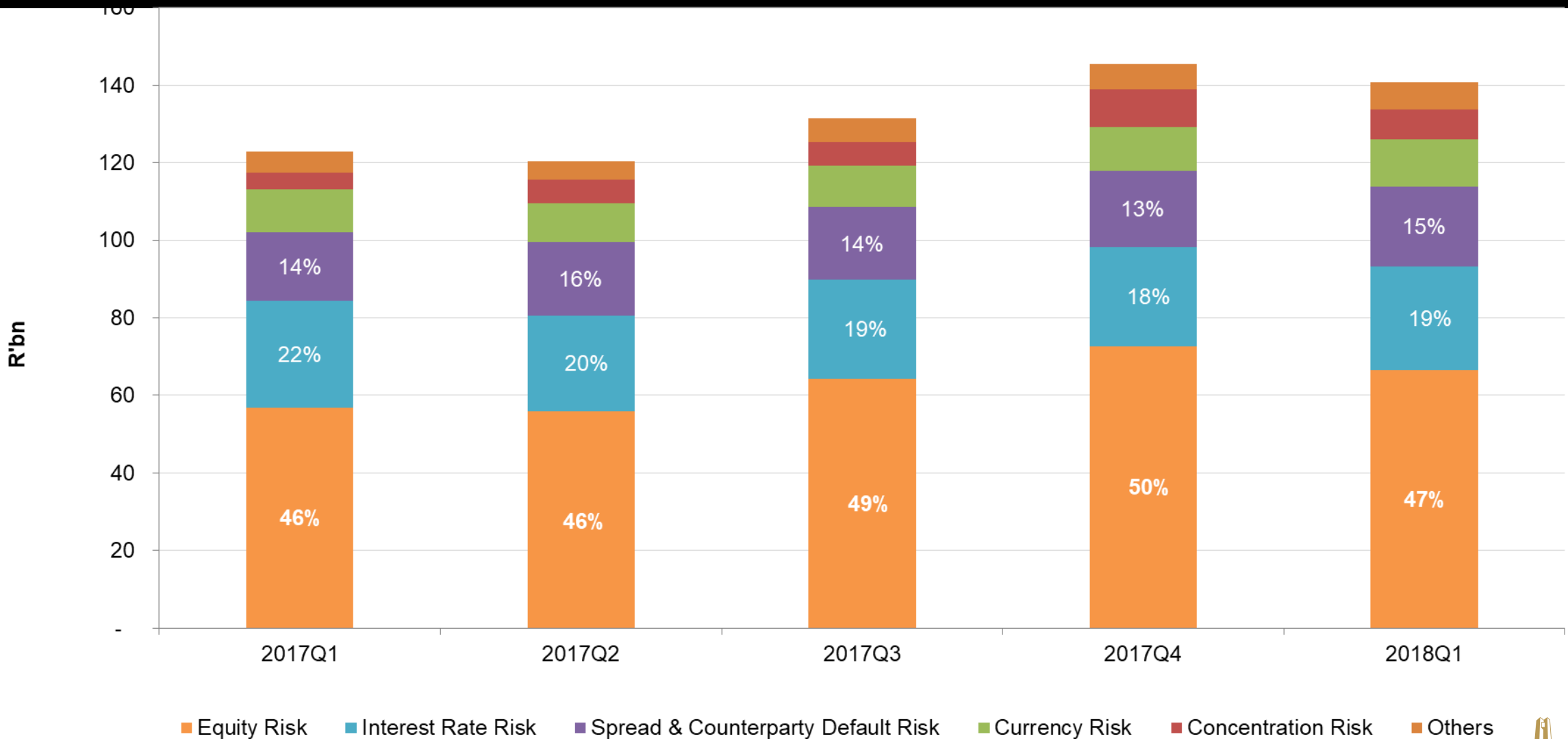
- Retained earnings
- Other reserves
- Reconciliation reserve

- Subordinated liabilities
- Ordinary share capital

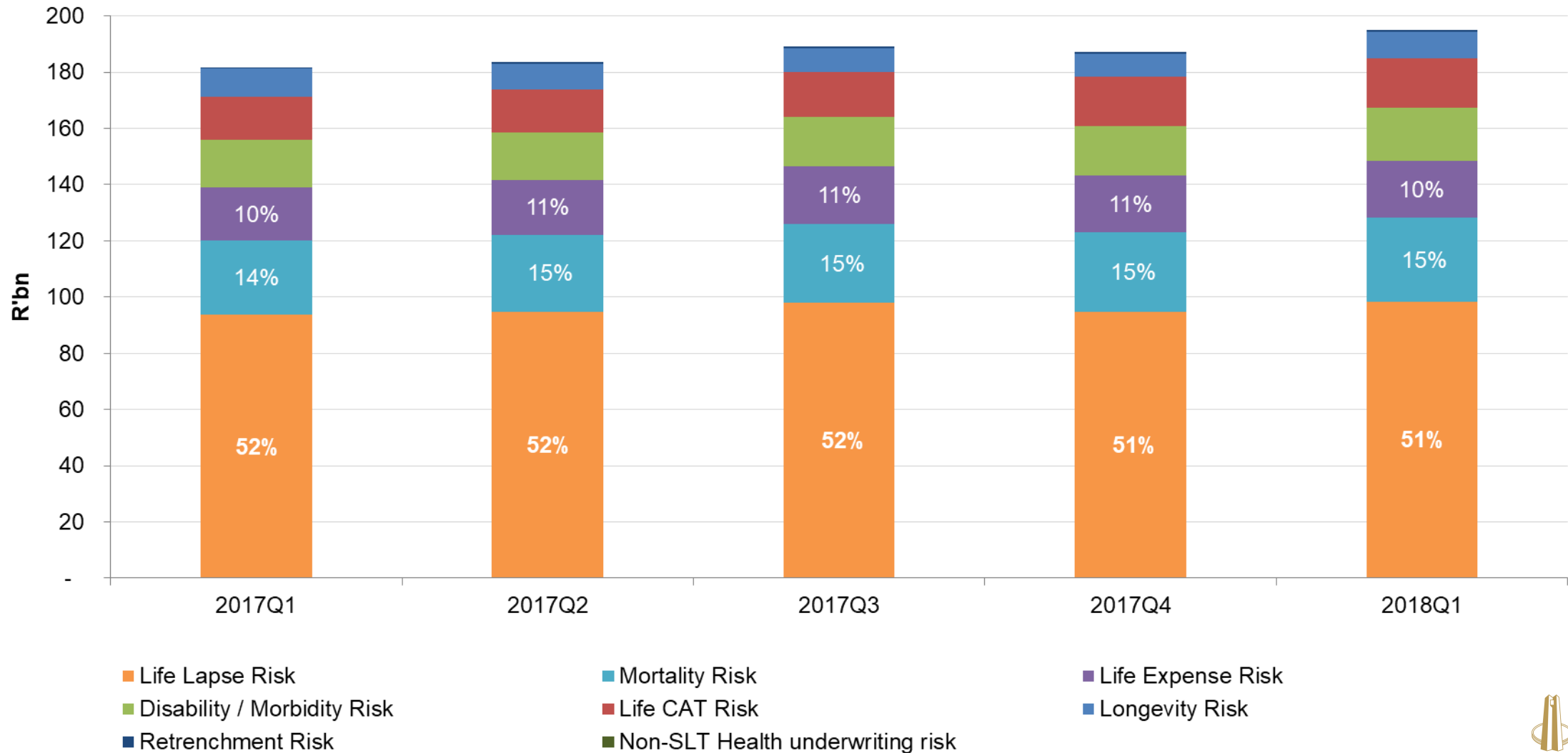
SCR Components



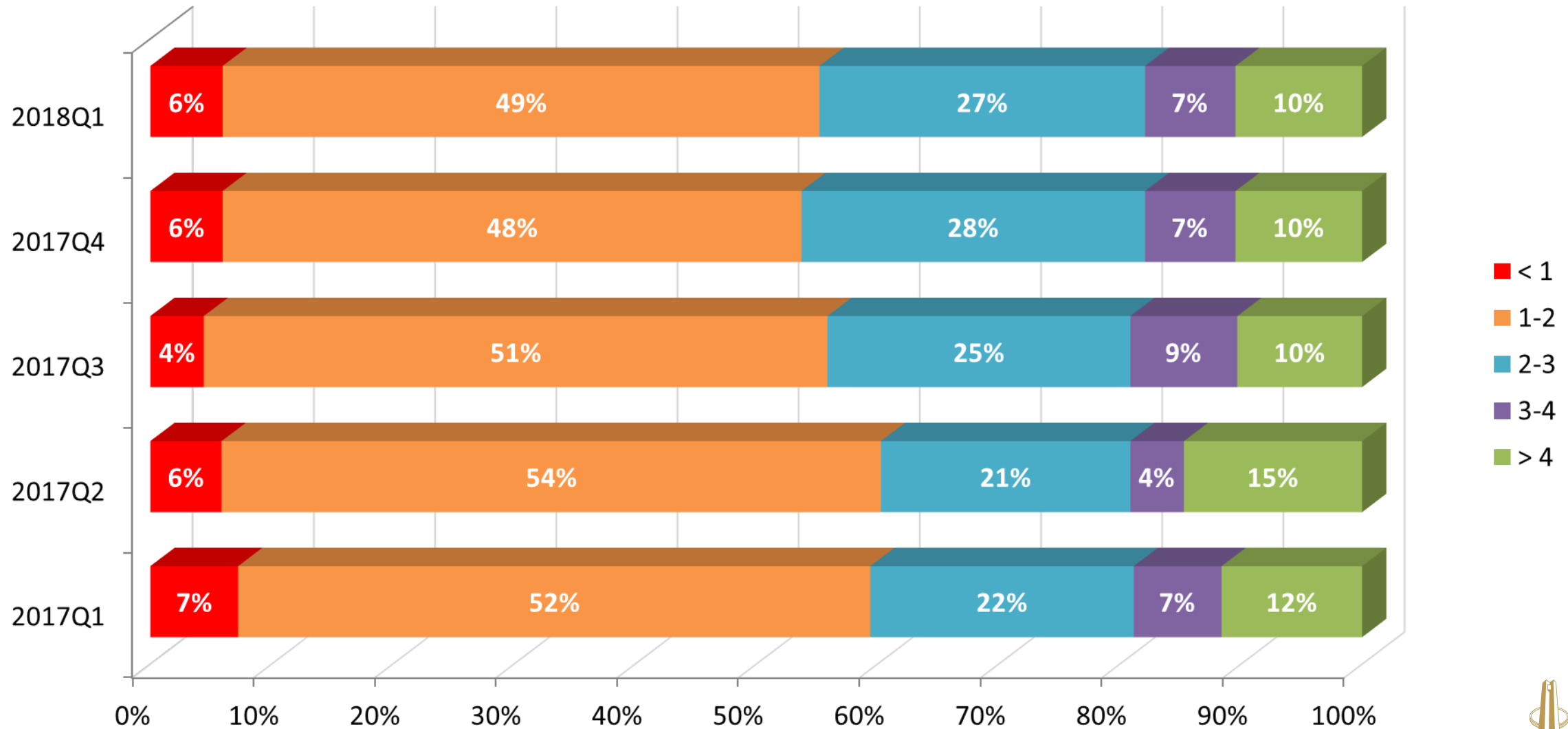
Market Risk



Life Underwriting Risk



SCR Cover



Thank you

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