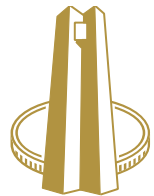




Life Industry Experience 2020

By: Dikeledi Matsimela and Stian Smit

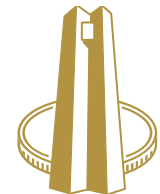
Date: 24 November 2021



SOUTH AFRICAN RESERVE BANK
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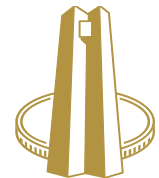
Presentation Scope and Data

- Presentation based on the 2017, 2018, 2019 and 2020 Annual Quantitative Reporting Templates (QRTs) submitted to the Prudential Authority
- Total number of insurers considered: 73
- 5 out of 7 reinsurers are composite reinsurers
- Microinsurers not included yet
- Quality of data



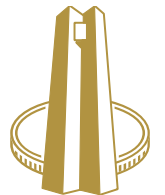
Agenda

- General Overview
- Premiums and Benefits
- Expenses
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- Liquidity
- Basic Own Funds
- Assets
- Liabilities
- Solvency Capital Requirement
- COVID - 19 Analysis

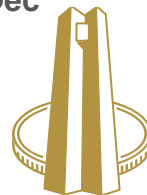
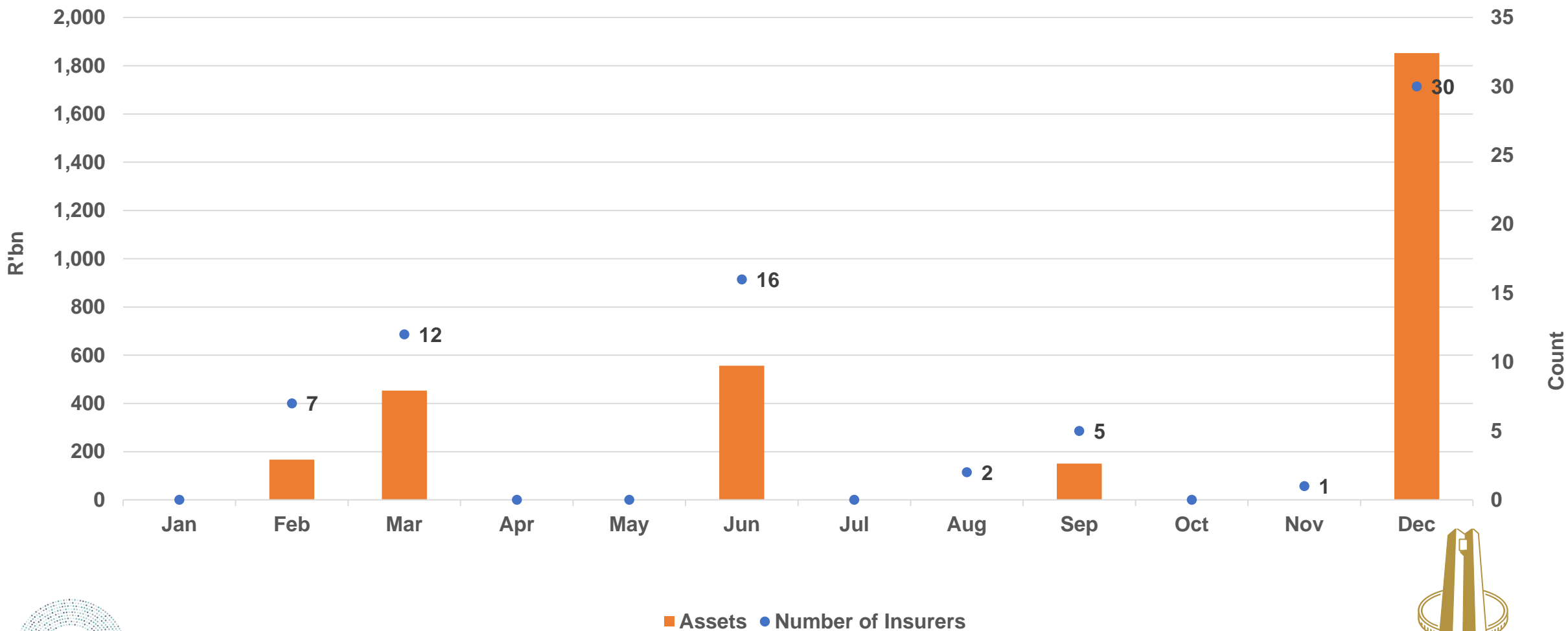


Agenda

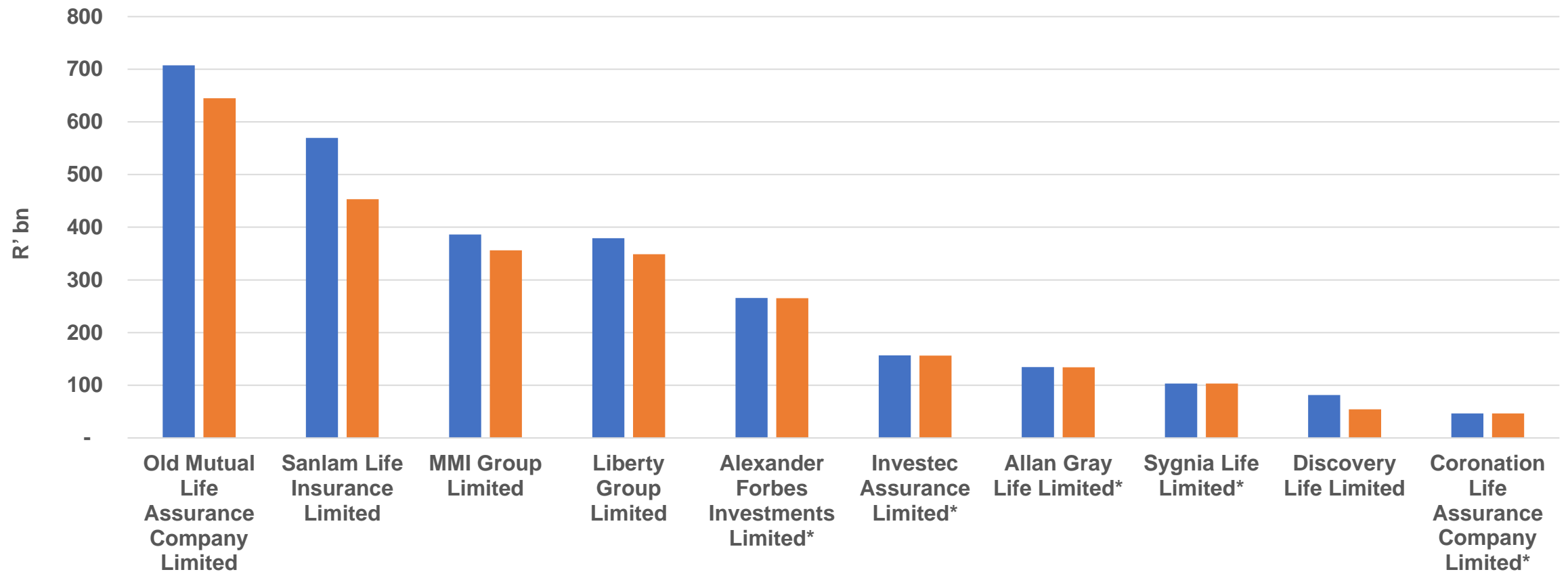
- **General Overview**
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Number of insurers per year-end



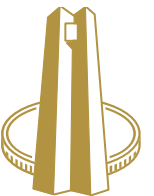
Top 10 insurer rankings by assets



2020 QRTs

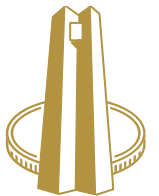
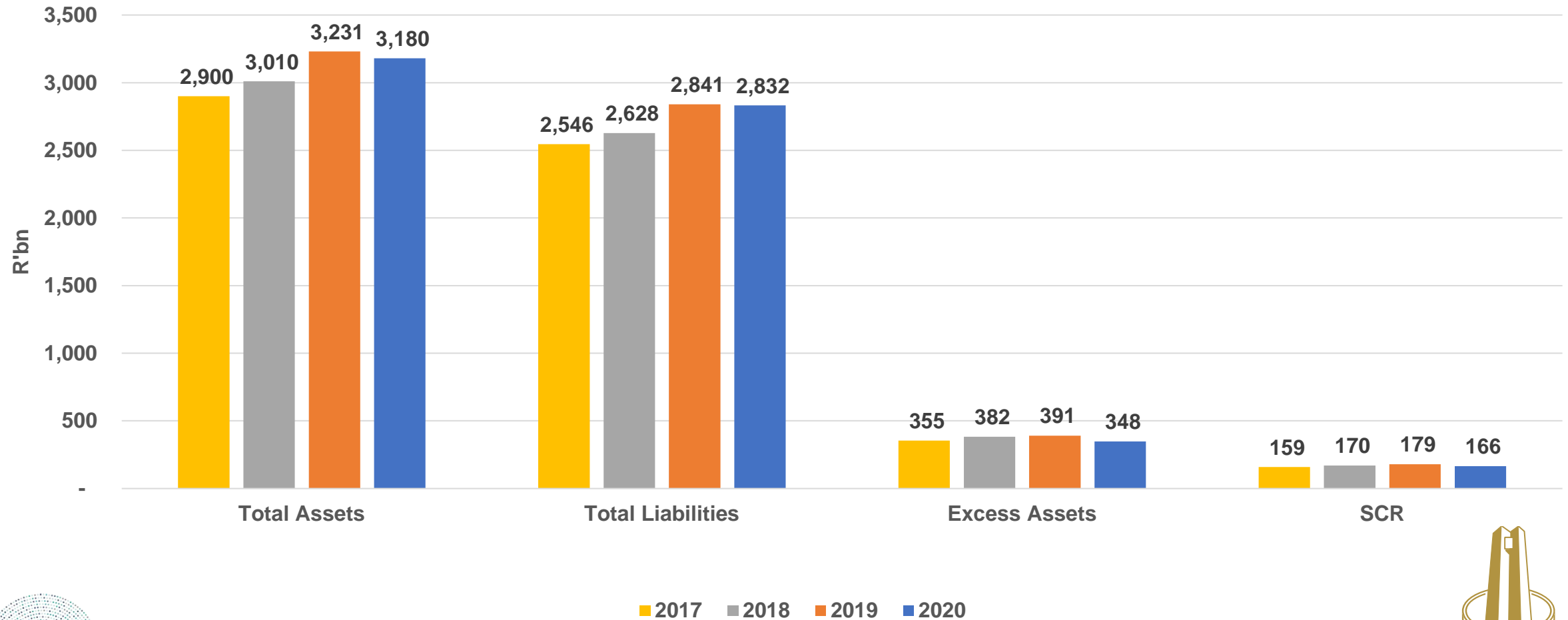
*Linked Investment Insurers

■ Assets ■ Liabilities

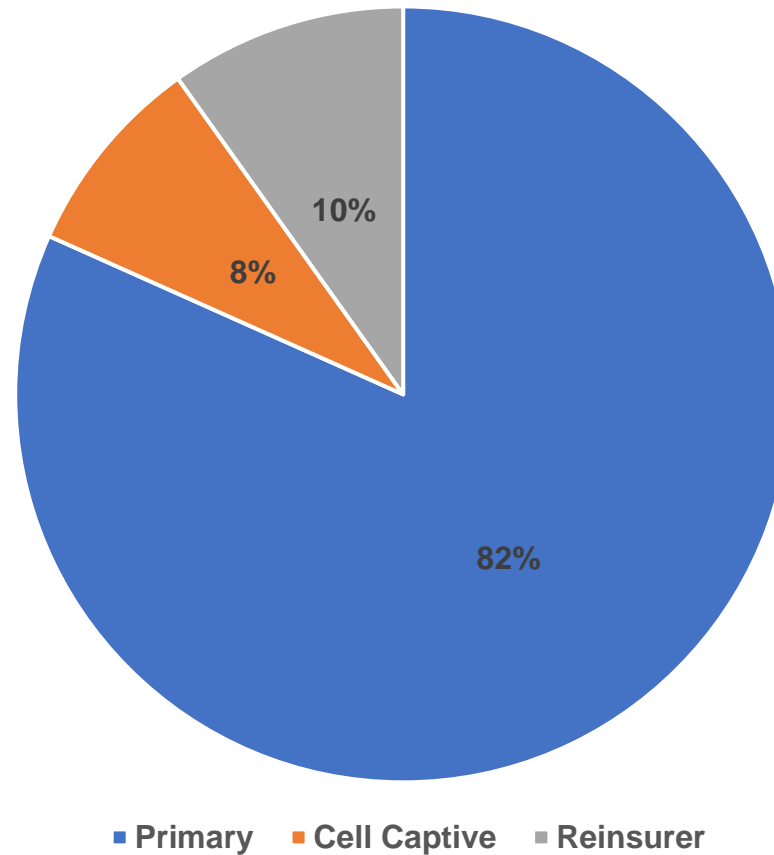


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Overview

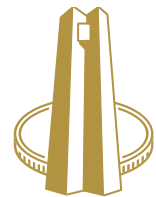


Proportion by insurer class



Agenda

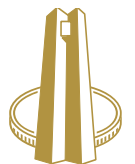
- General Overview
- **Premiums and Benefits**
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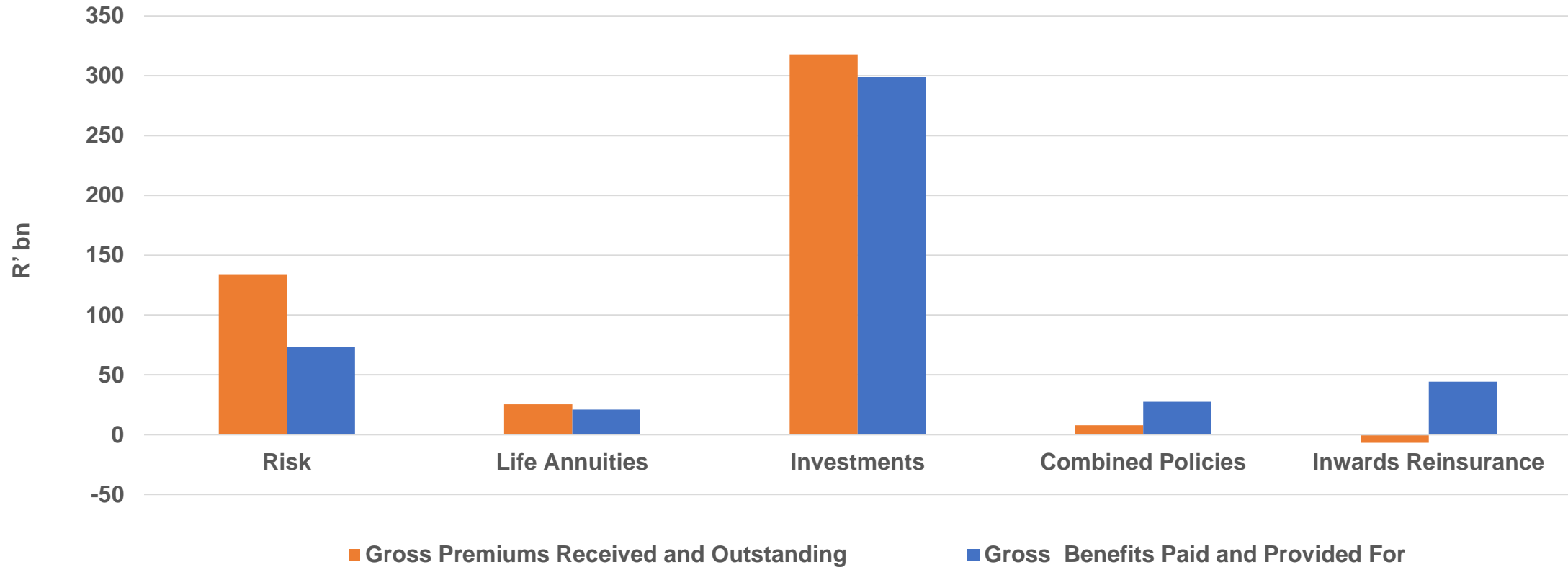
Gross Premiums and Claims

Gross Premiums Received and Outstanding				
(R'bn)	2017	2018	2019	2020
Primary – Linked	82	97	97	85
Primary – Non Linked	332	361	387	385
Cell Captives	8	10	12	14
Reinsurers	14	16	18	(7)
Total Industry	437	485	514	478

Gross Benefits Paid and Provided For				
(R'bn)	2017	2018	2019	2020
Primary – Linked	88	64	81	85
Primary – Non Linked	298	304	325	332
Cell Captives	4	4	4	4
Reinsurers	2	6	14	44
Total Industry	393	379	423	465



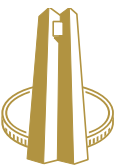
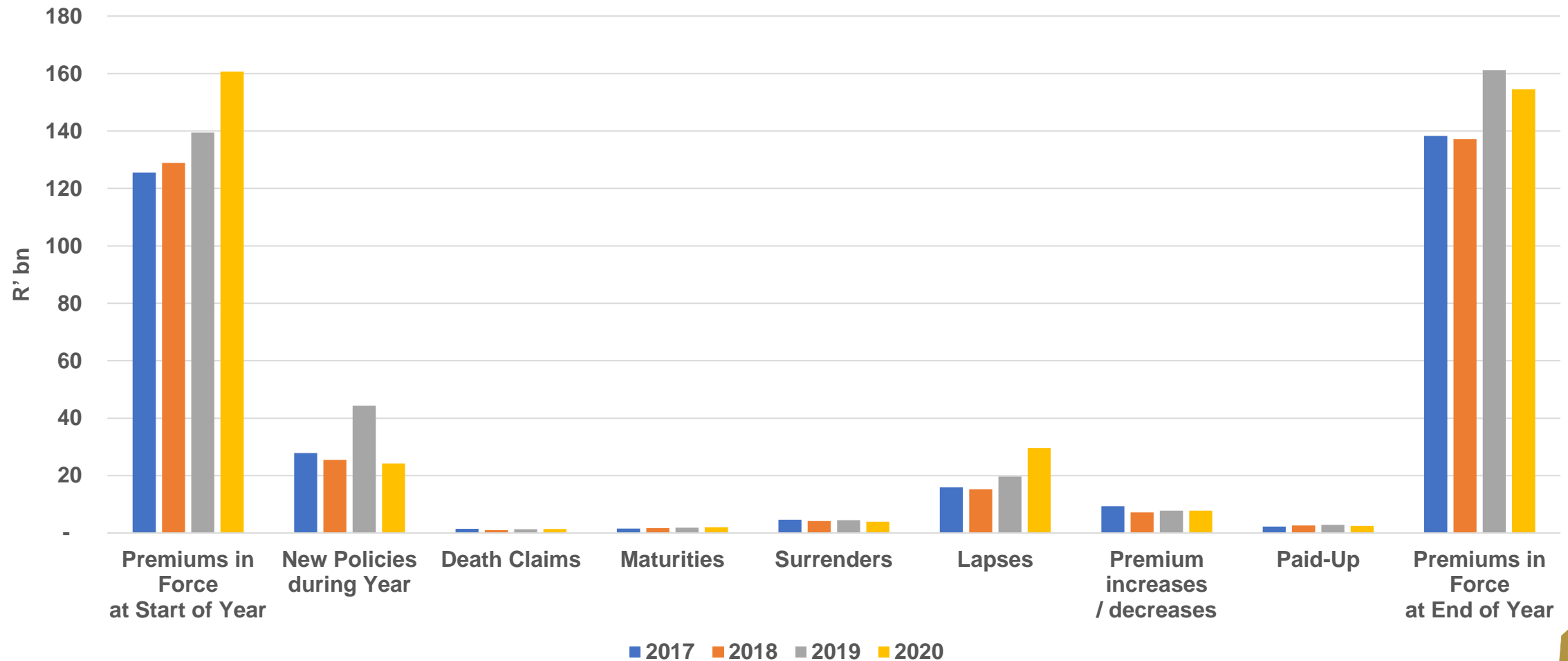
Gross Premiums and Benefits per class of business



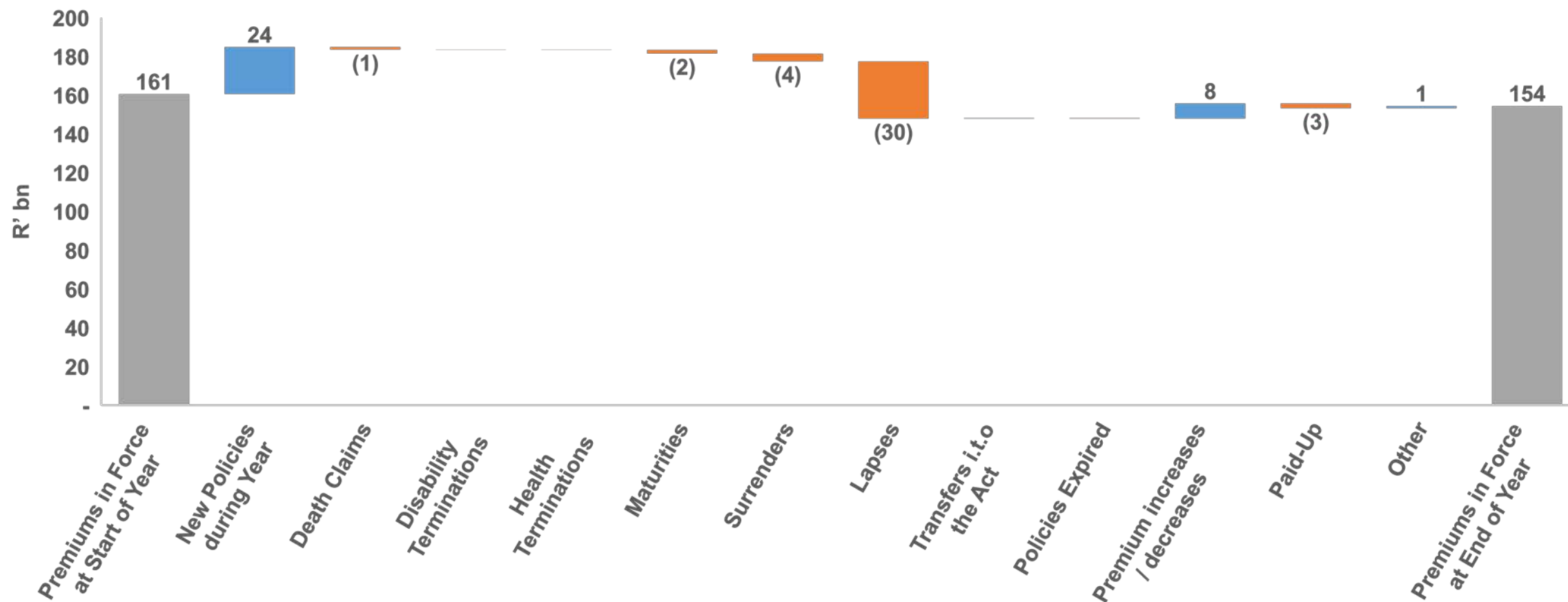
2020 QRTs



Primary - Individual business movements



Primary - Individual business movements

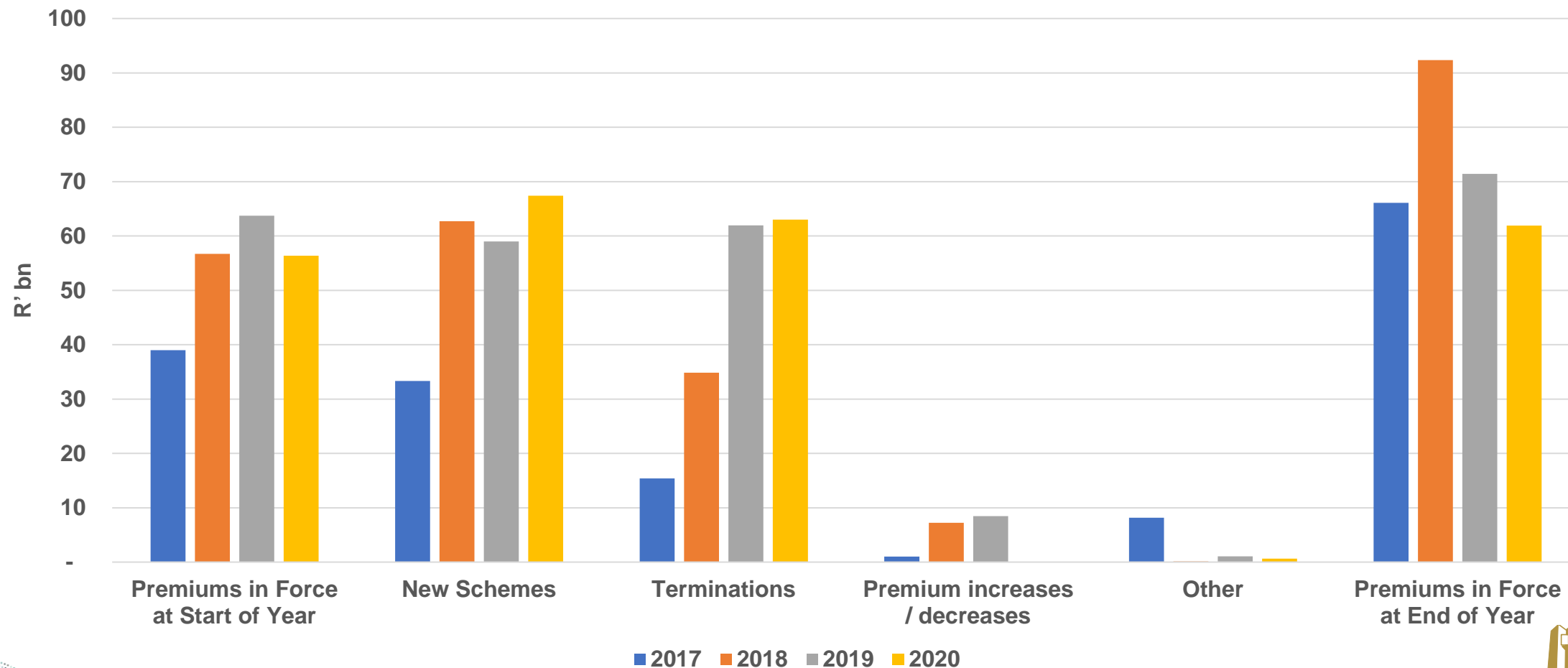


2020 QRTs

■ Increase ■ Decrease ■ Total



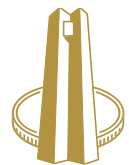
Primary - Group business movements



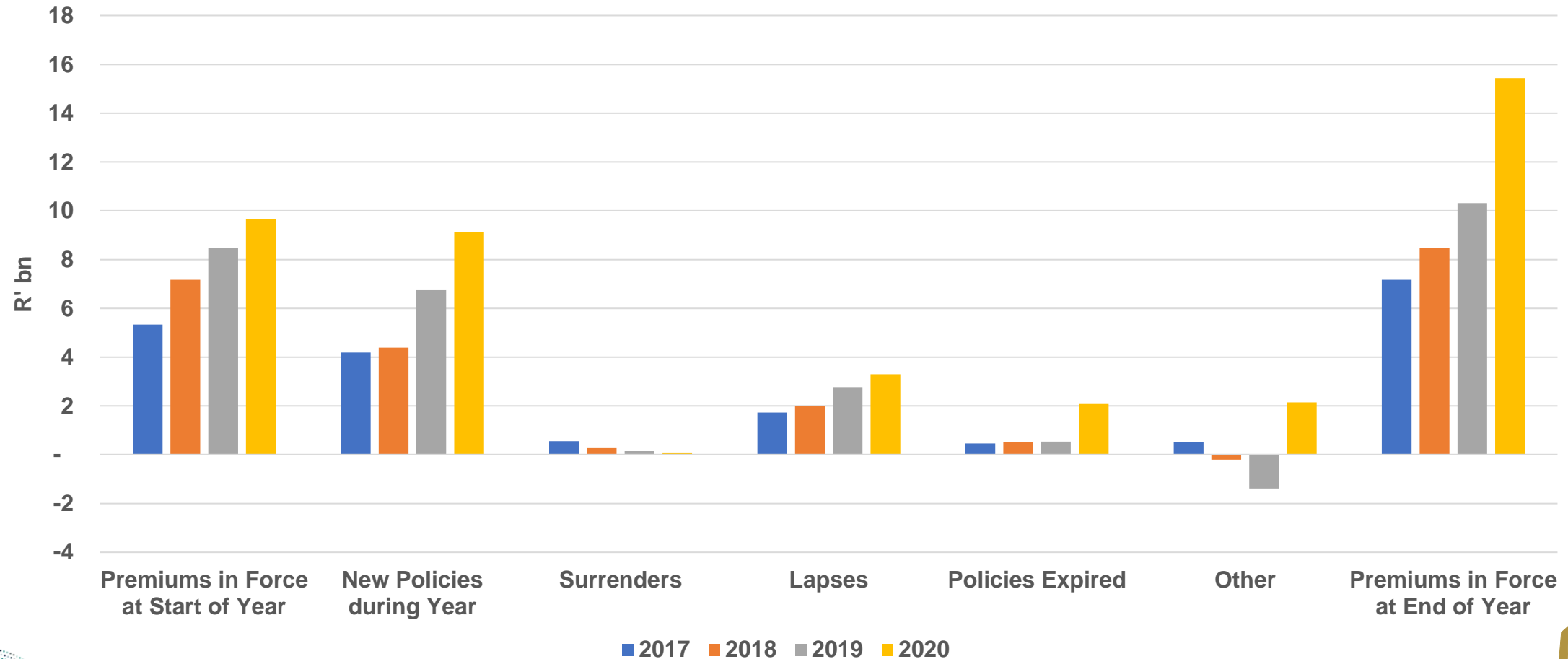
Primary - Group business movements



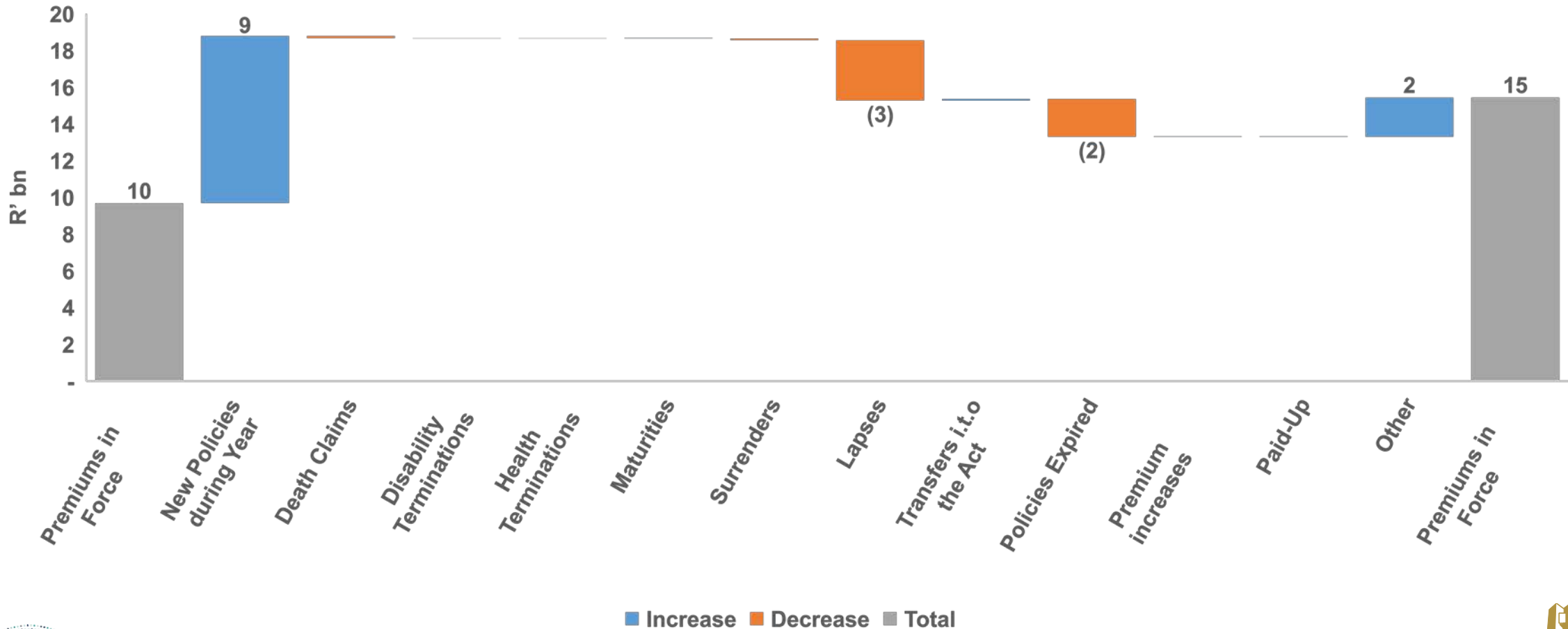
2020 QRTs



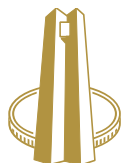
Cell Captives - Individual business movements



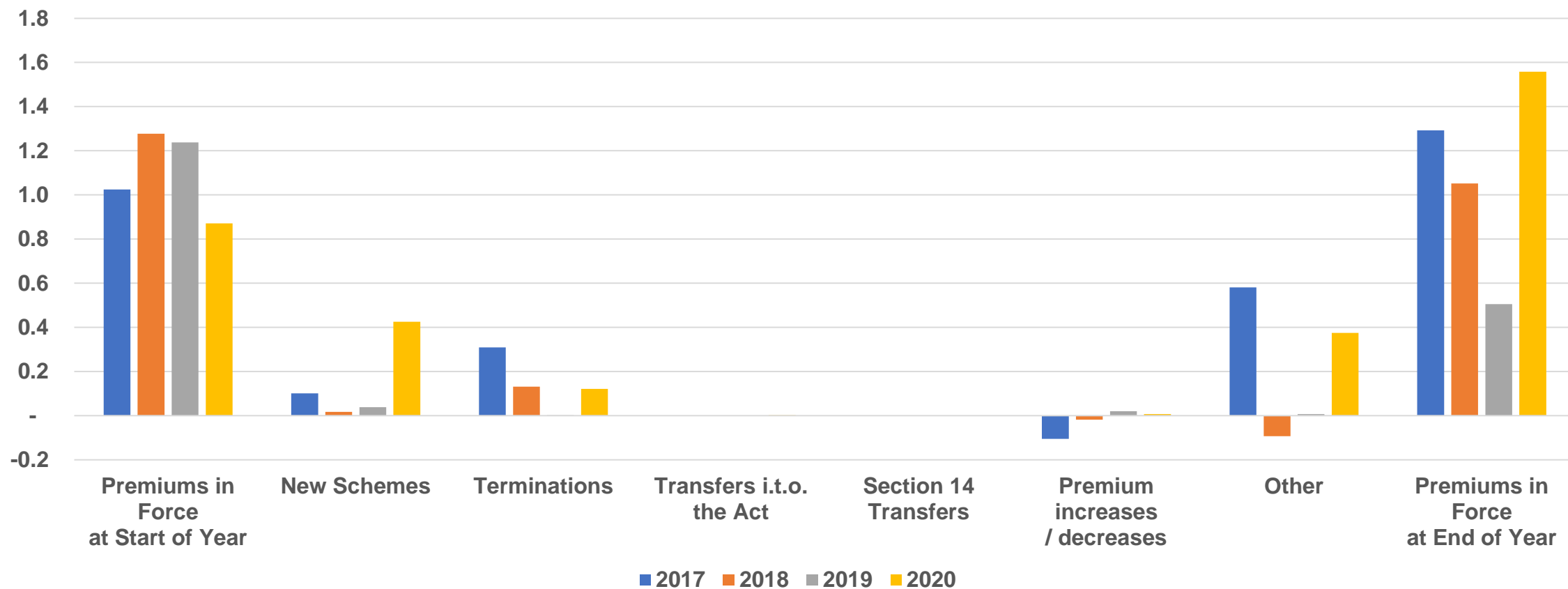
Cell Captives - Individual business movements



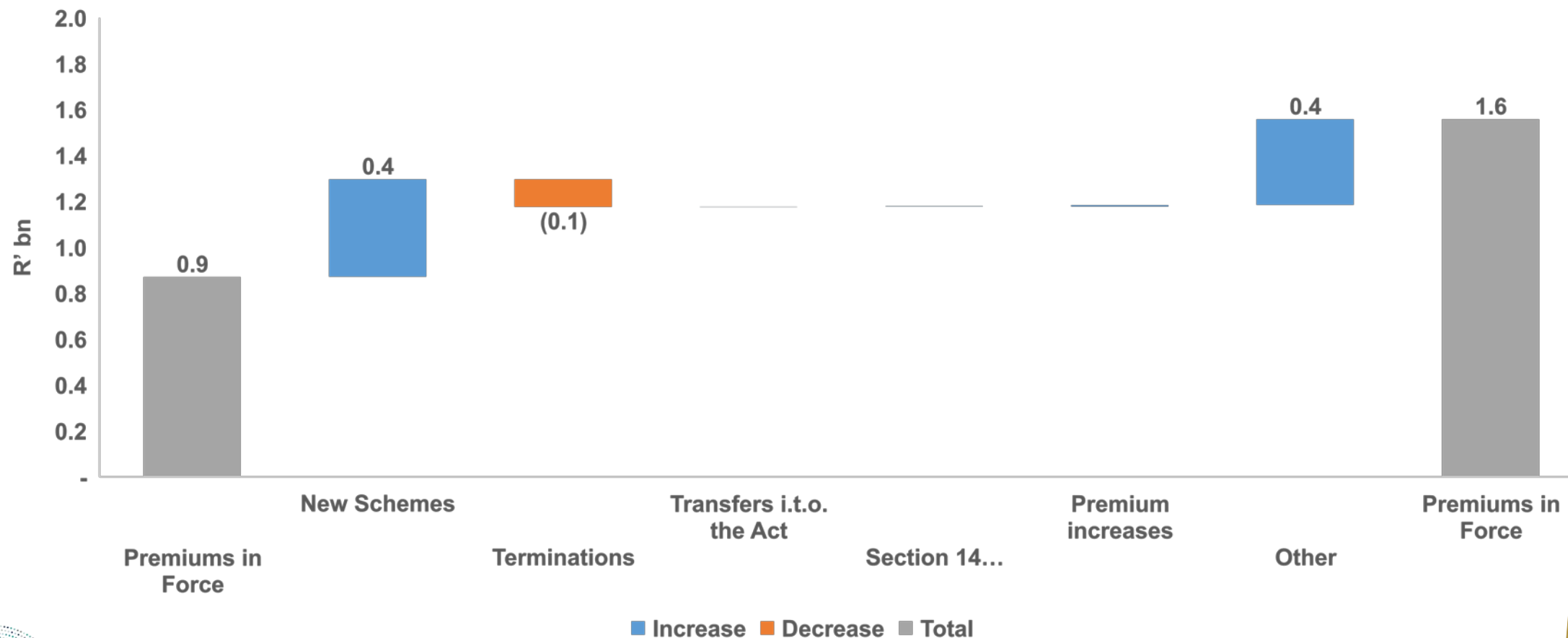
2020 QRTs



Cell Captives – Group business movements



Group business movements – Cell Captives

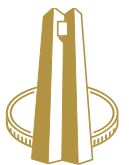


2020 QRTs

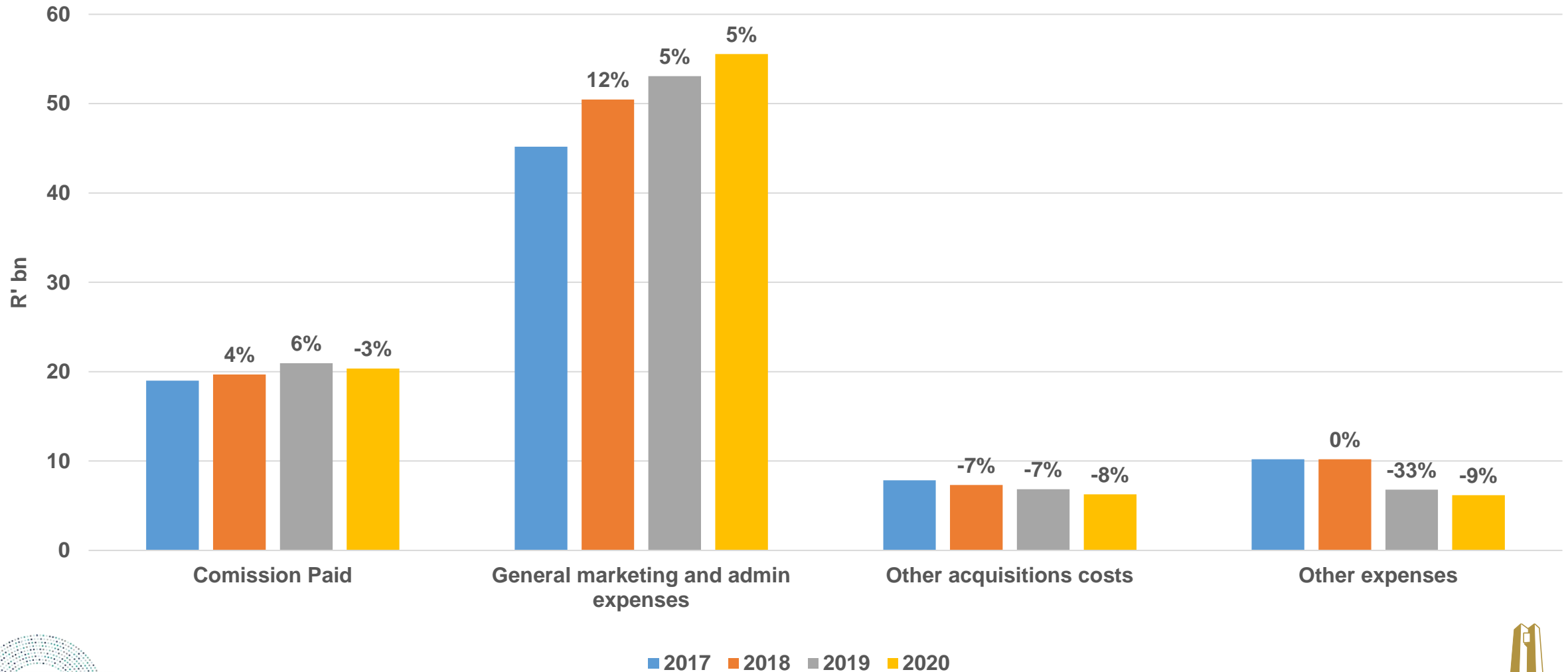


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- General Overview
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- Life Underwriting Experience Analysis
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- COVID – 19 Analysis

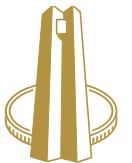


Trends in Expenses

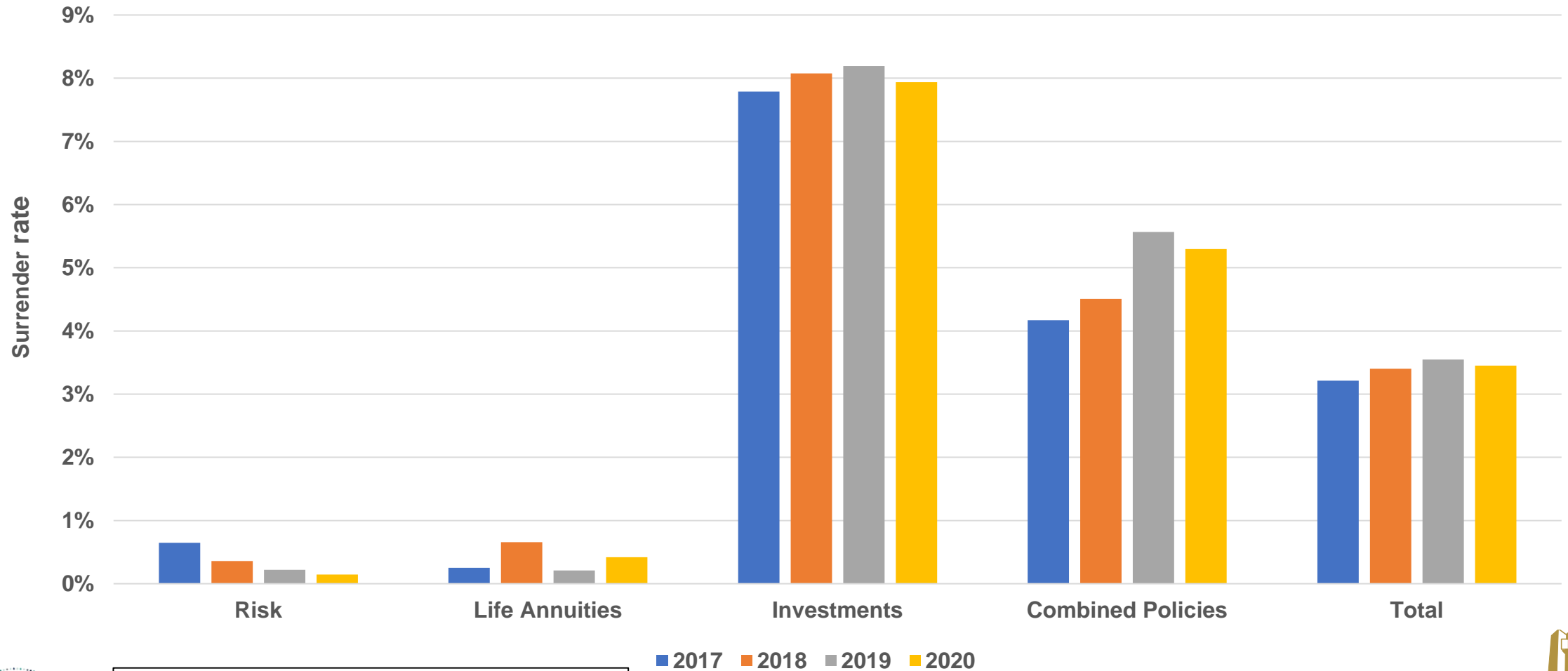


Agenda

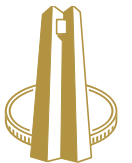
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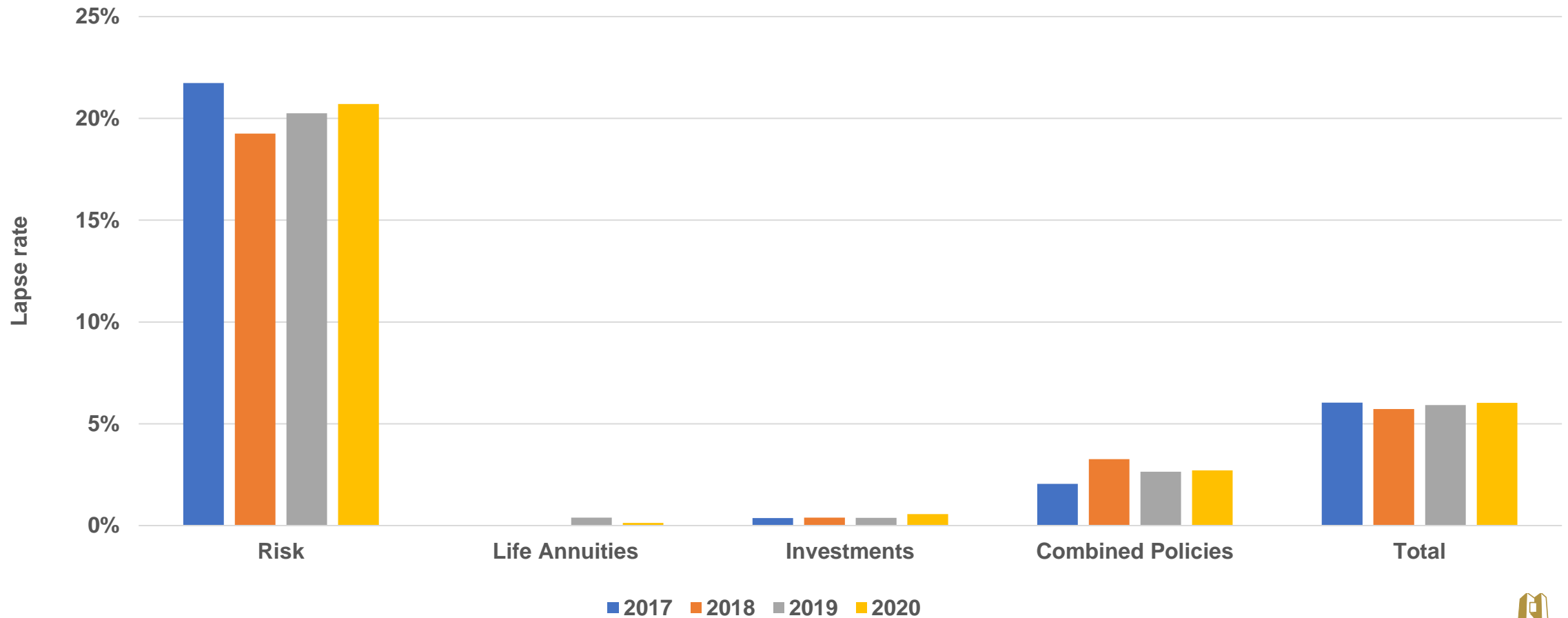
Surrender Rates



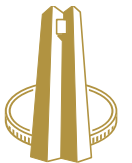
Surrender rate =
 Number of surrendered policies / Number of in-force policies



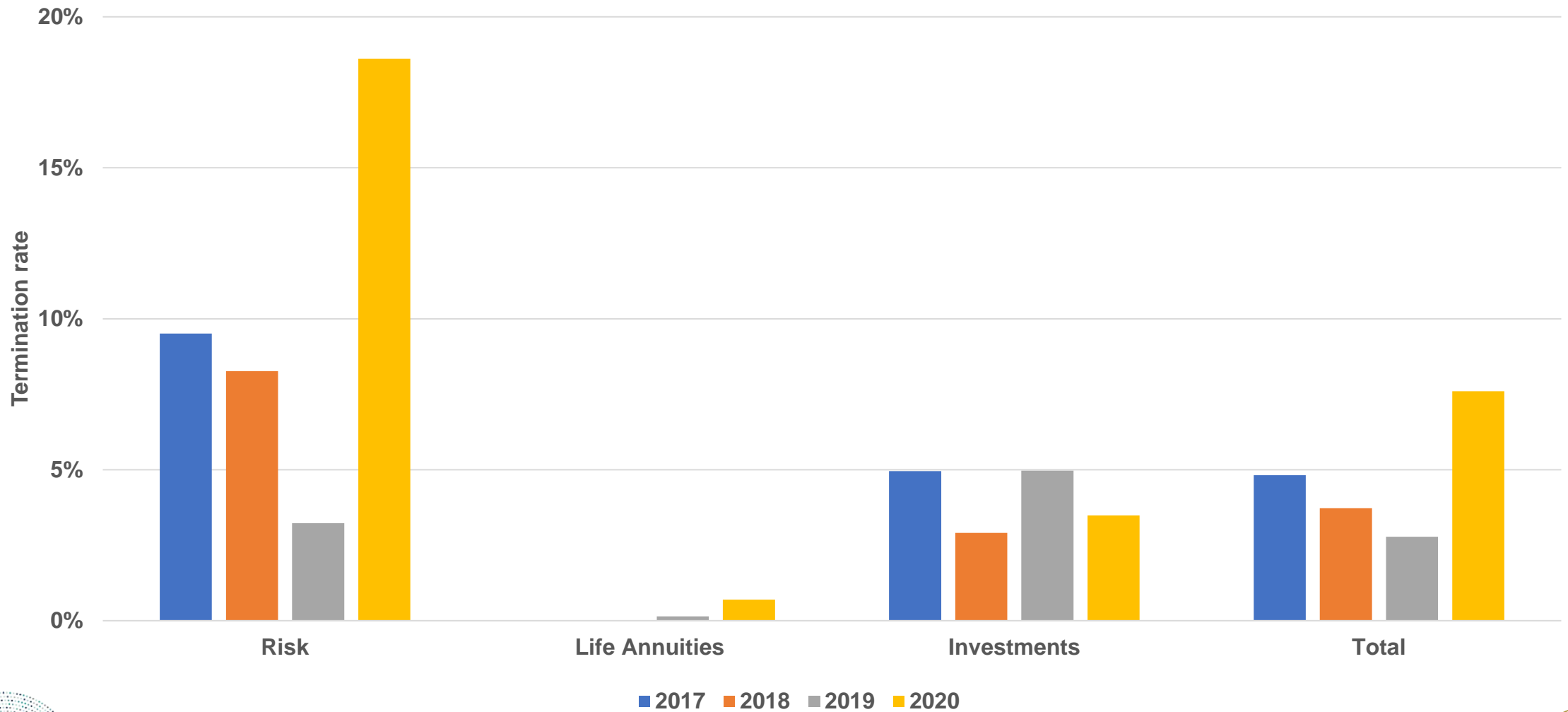
Lapse Rates



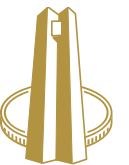
Lapse rate =
Number of lapsed policies / Number of In-force Policies



Termination Rates

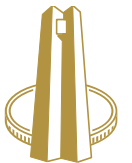


Termination rate =
Number of terminated schemes/ (Number of in-force schemes)

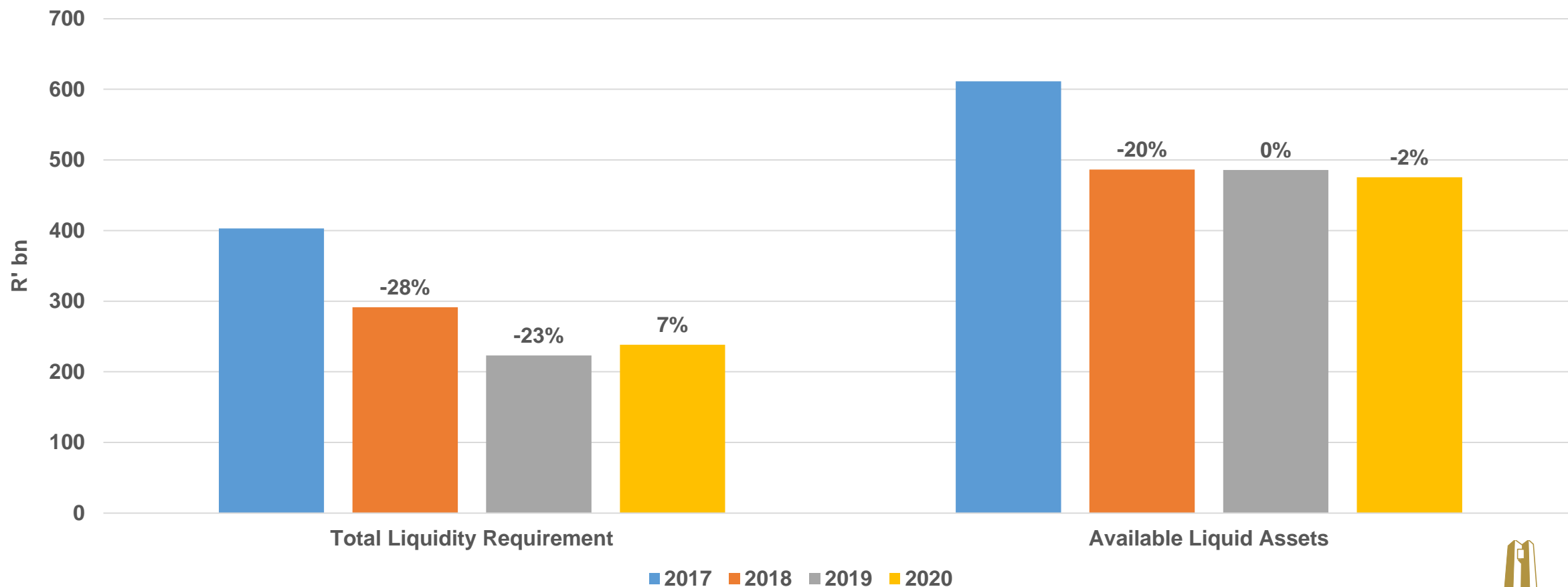


Agenda

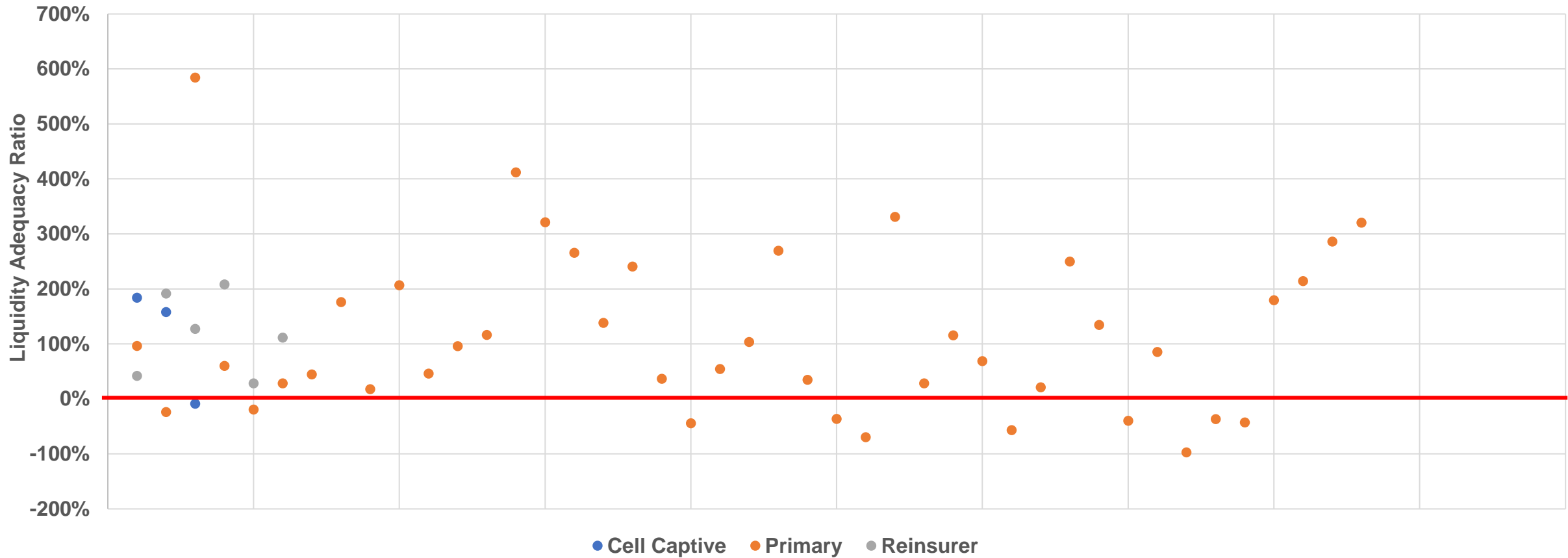
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Total Liquidity Requirement



Liquidity Adequacy Ratio



2020 QRTs

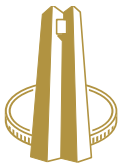
Liquidity Adequacy Ratio =

$$\frac{\text{In (Total Liquid Assets)}}{\text{Total Liquidity Requirement}}$$



Agenda

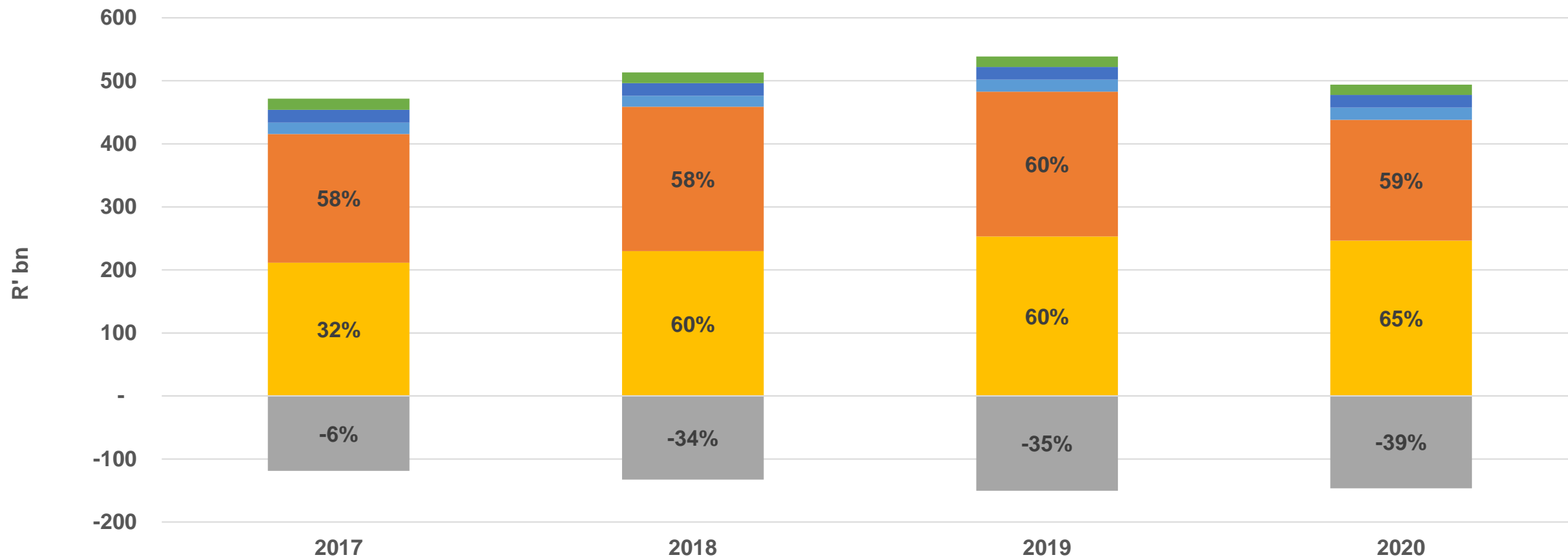
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Basic Own Funds

(R' bn)	2017	2018	2019	2020
Total Assets	2 900	3 010	3 231	3 180
Total Liabilities	2 546	2 628	2 841	2 832
Basic Own Funds	355	382	391	348
Basic Own Funds Growth Rate		8%	2%	(11%)
Own Funds Eligible to meet SCR	96%	94%	96%	98%
Own Funds Eligible to meet MCR	90%	88%	89%	94%

Composition of BOF

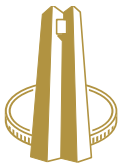
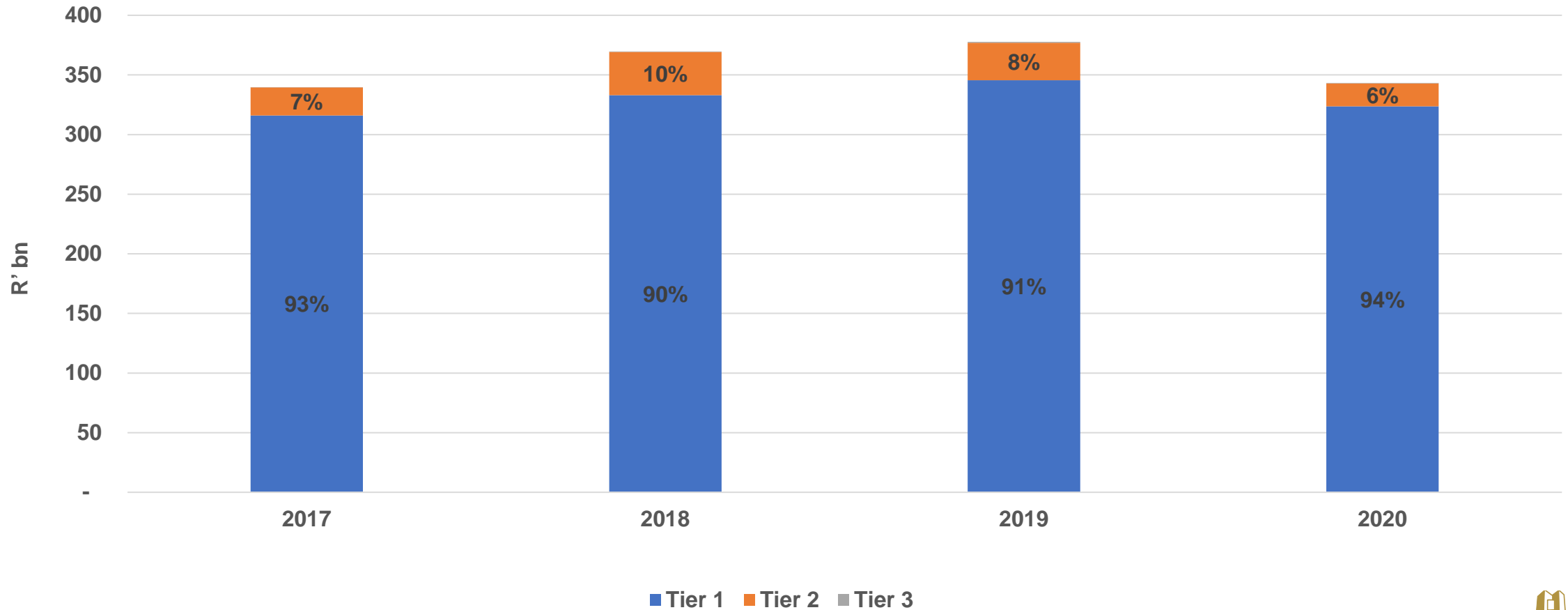


- Surrender value gap (SVG excl. risk margin)
- Retained earnings including profits for year net of foreseeable dividends
- Subordinated liabilities
- Share premium account
- Other
- Reconciliation reserve

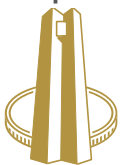
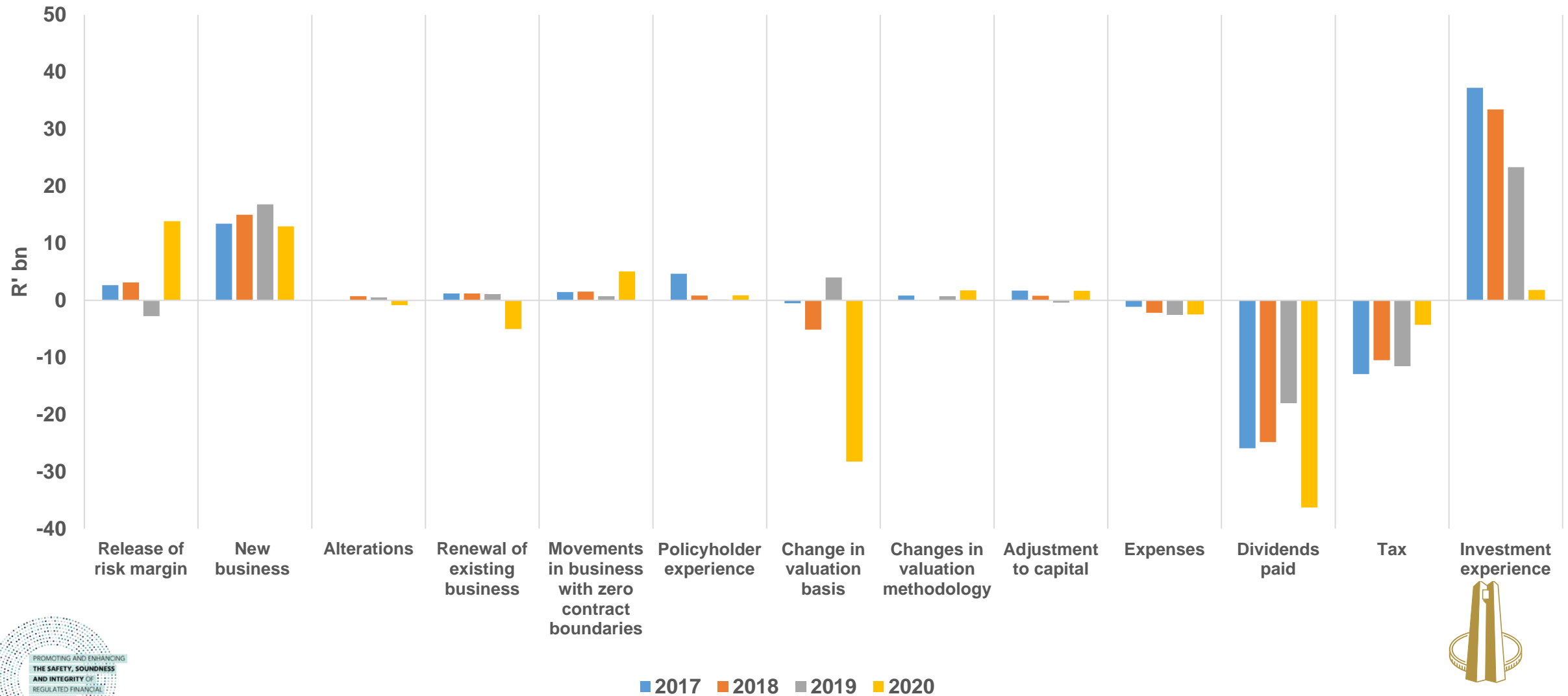


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Tiering of BOF

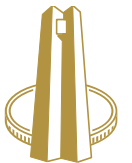


Analysis of Movement in BOF

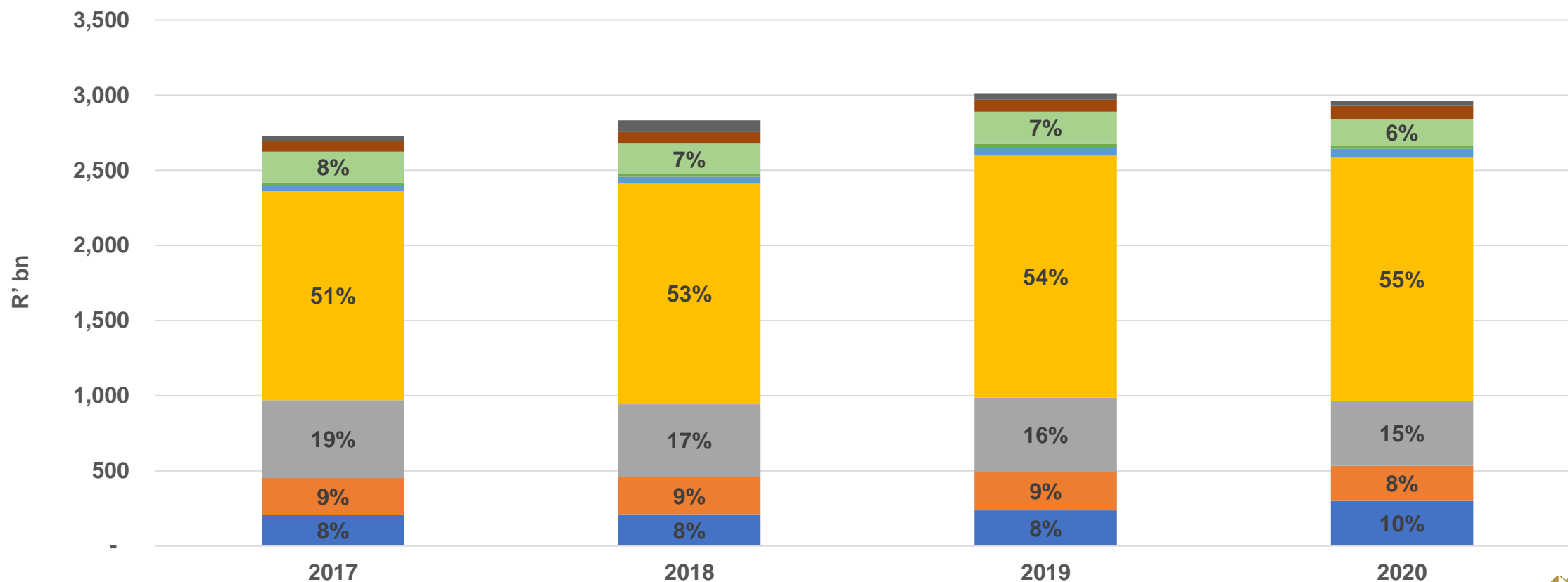


Agenda

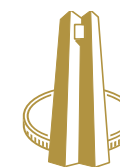
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Composition of Investments

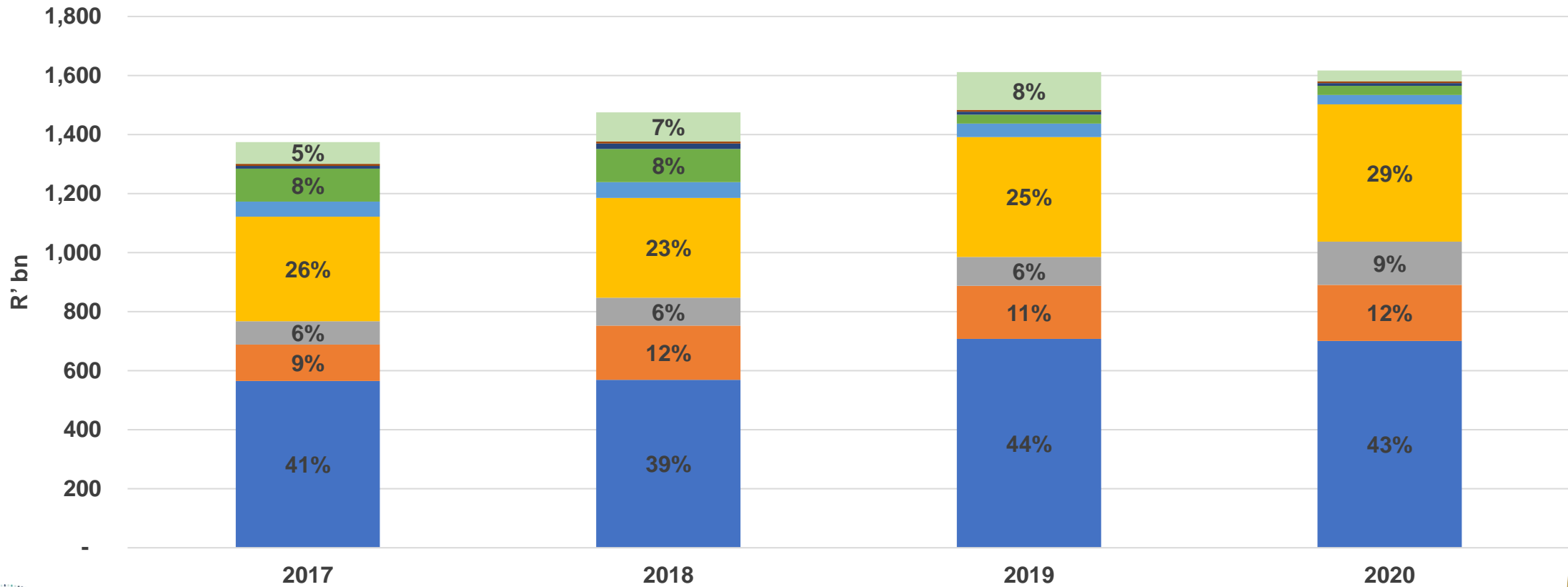


■ Government Bonds
 ■ Corporate Bonds
 ■ Equity
 ■ Investment Funds
 ■ Structured Notes
 ■ Collateralised Securities
 ■ Cash and Deposits
 ■ Mortgages and Loans
 ■ Property

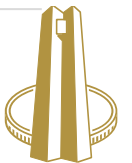


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Composition of Investment Funds

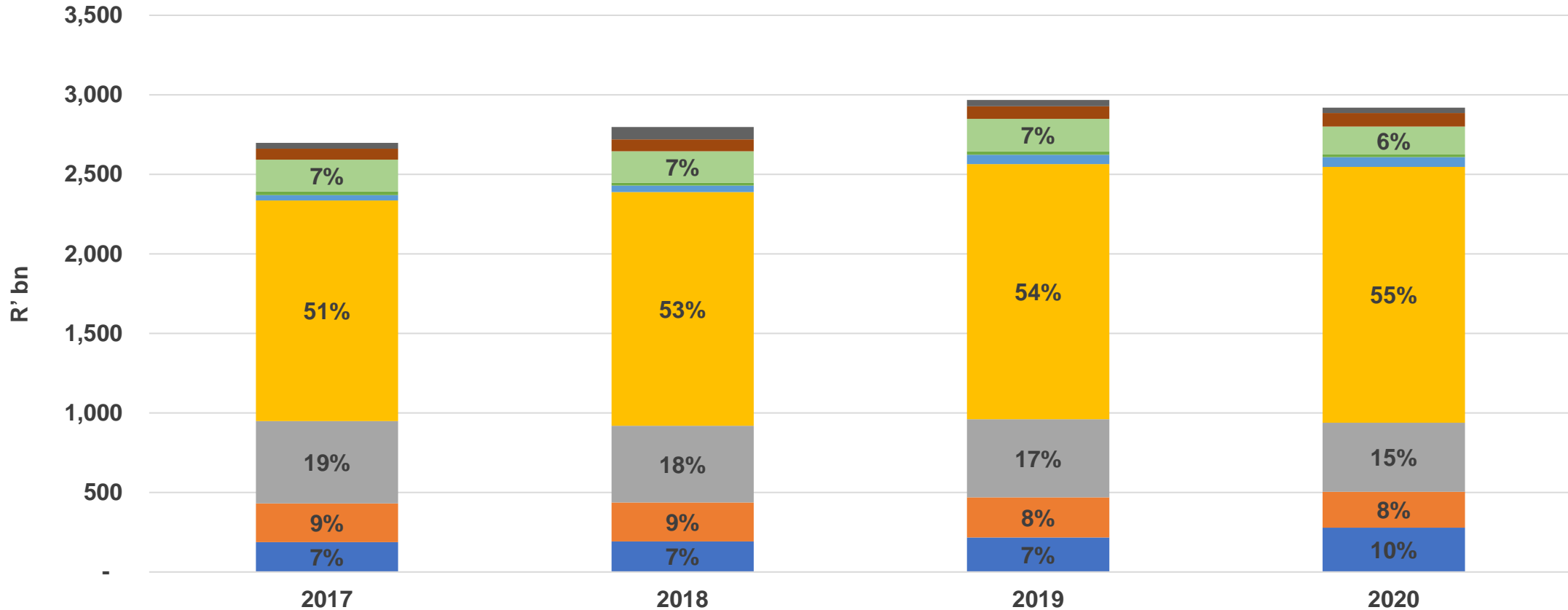


■ Equity Funds
 ■ Debt Funds
 ■ Money Market Funds
 ■ Asset Allocation Funds
 ■ Real Estate Funds
 ■ Alternative Funds
 ■ Private Equity Funds
 ■ Infrastructure Funds
 ■ Other

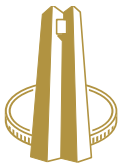


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Composition of Investments - Primary

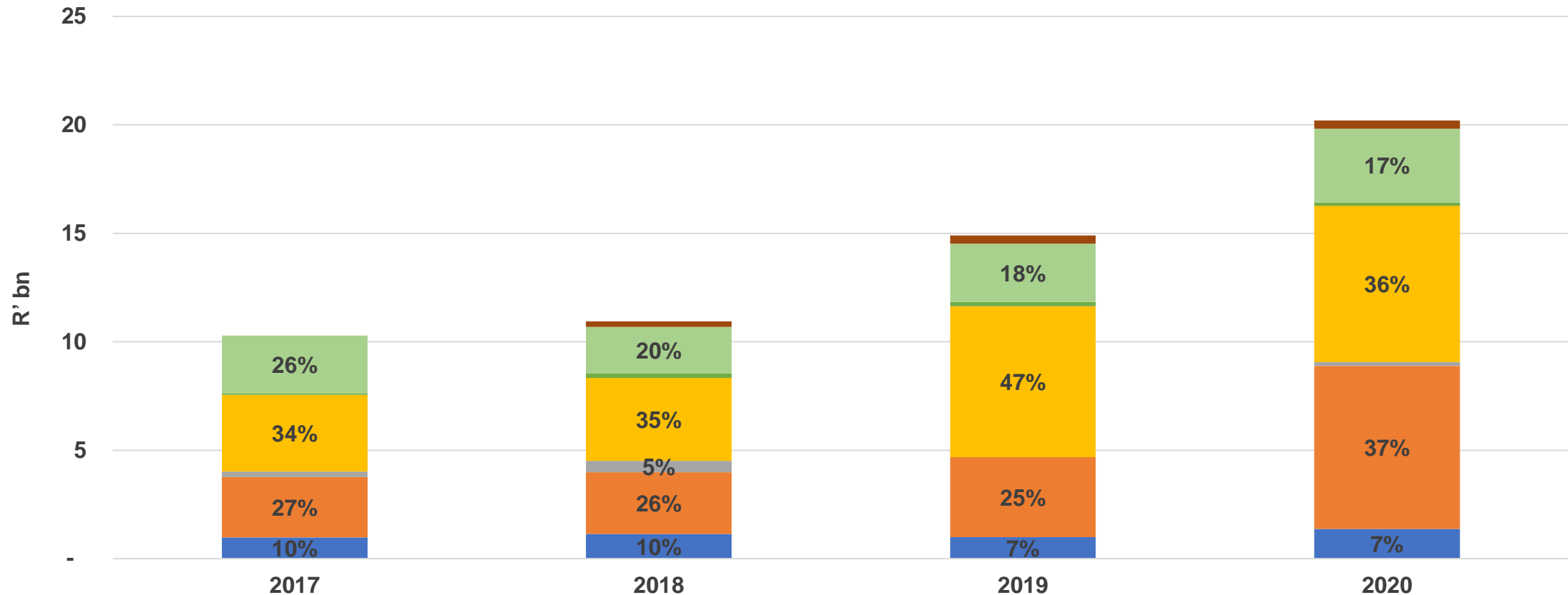


■ Government Bonds
 ■ Corporate Bonds
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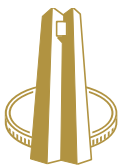
Composition of Investments – Cell Captives



■ Government Bonds
■ Investment Funds
■ Cash and Deposits

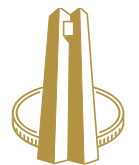
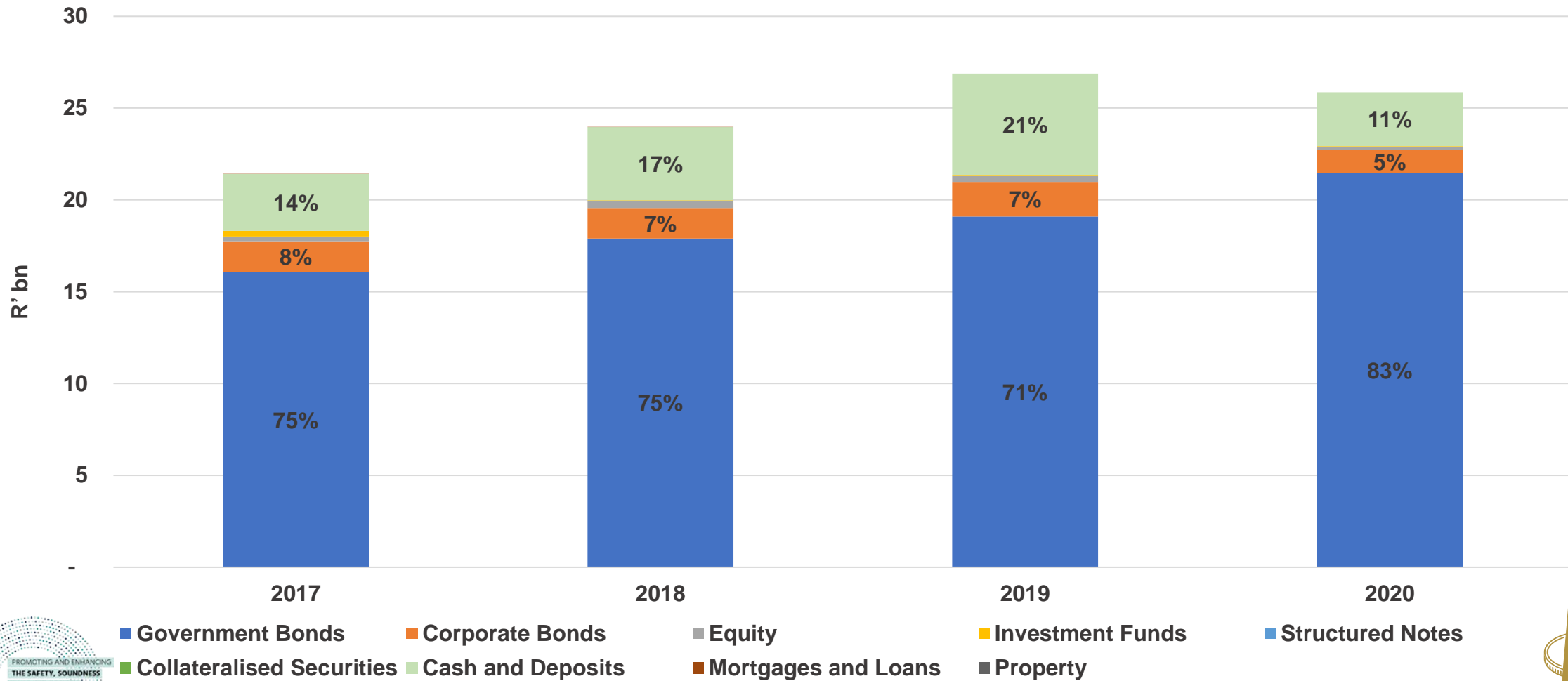
■ Corporate Bonds
■ Structured Notes
■ Mortgages and Loans

■ Equity
■ Collateralised Securities
■ Property



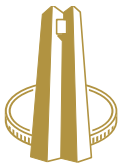
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Composition of Investments - Reinsurers

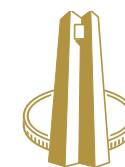
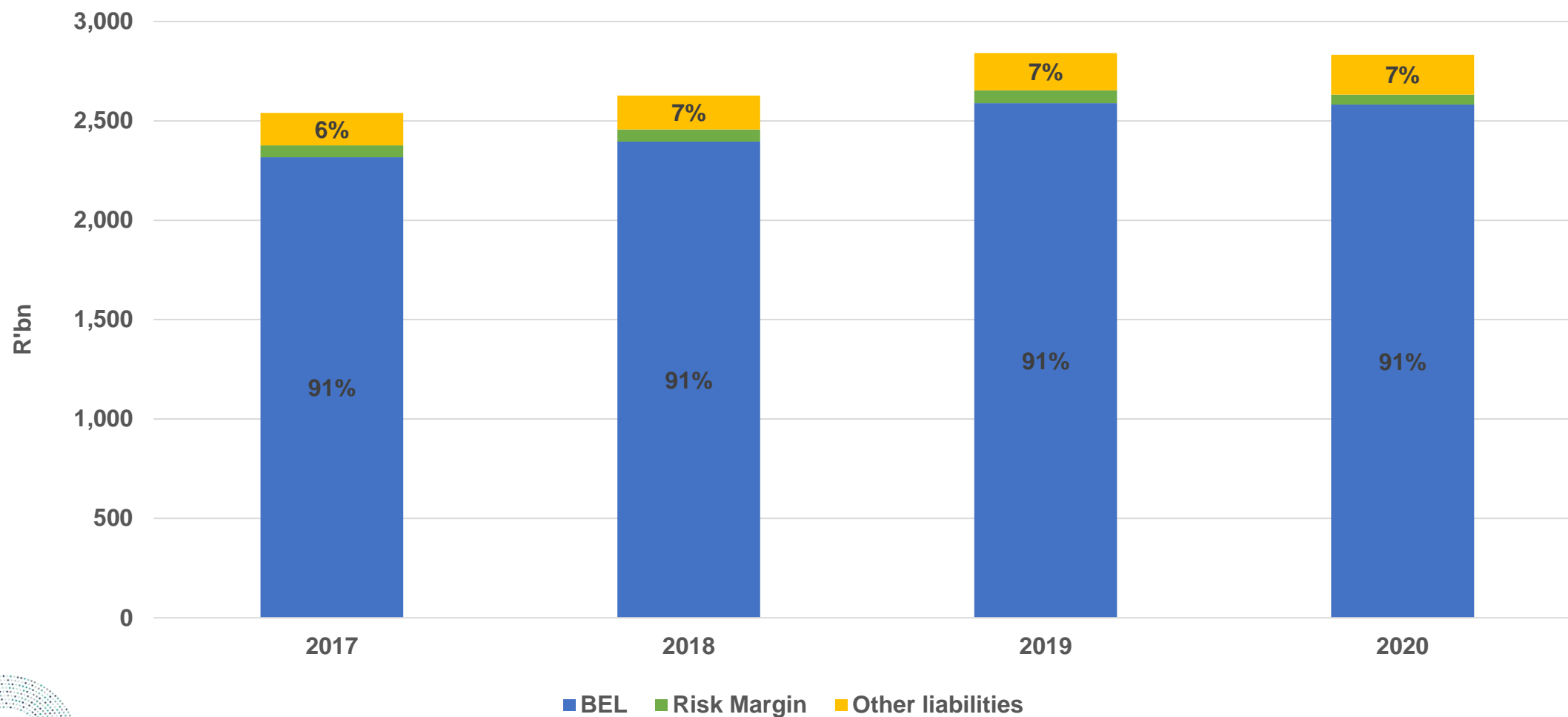


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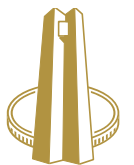
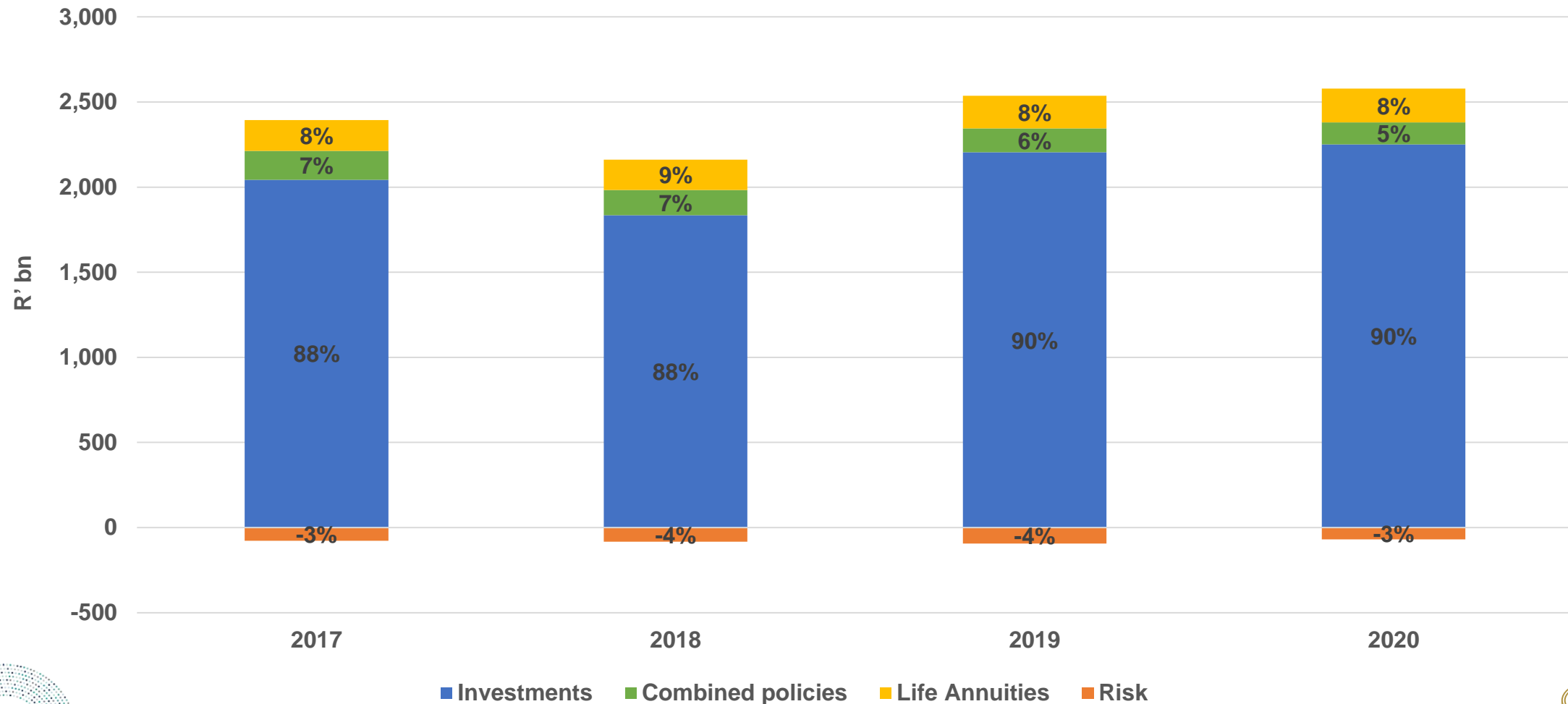


Total Liabilities



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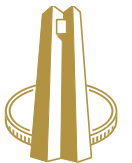
Technical Provisions by class of business



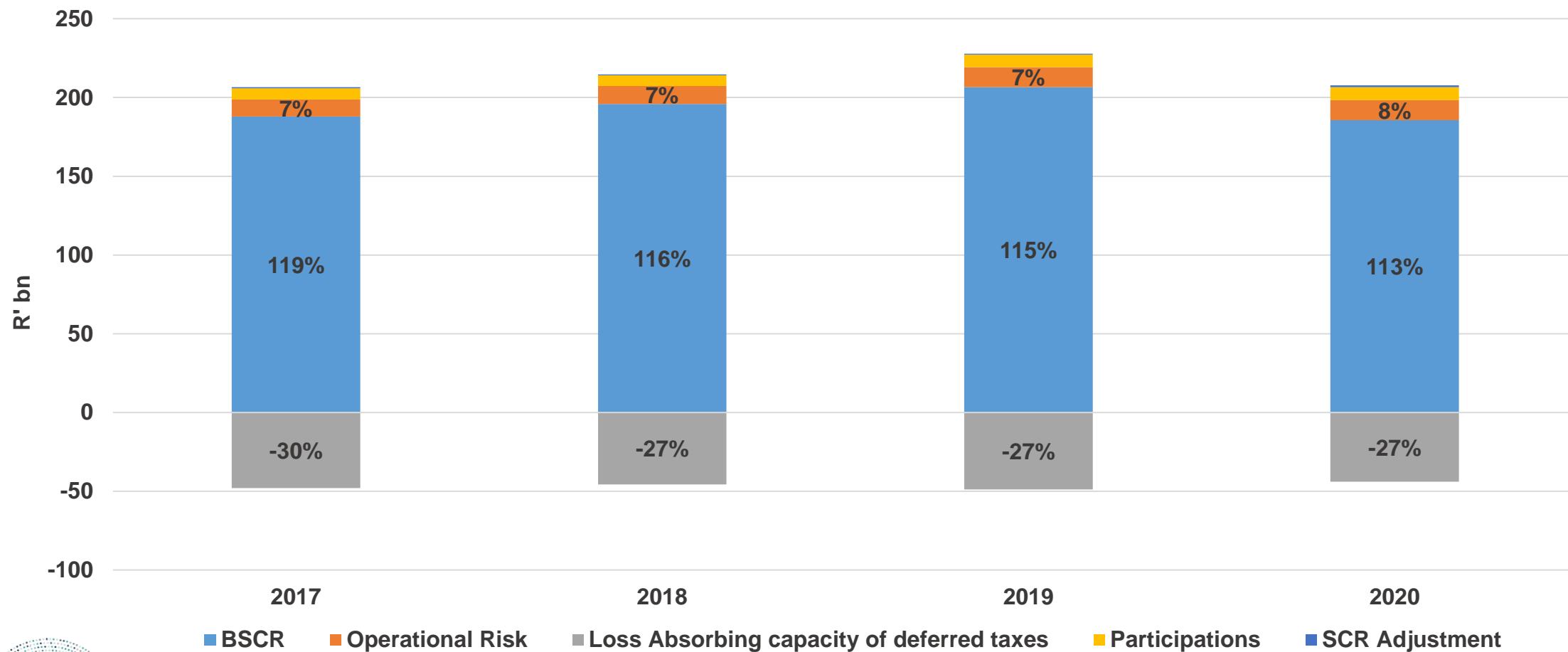
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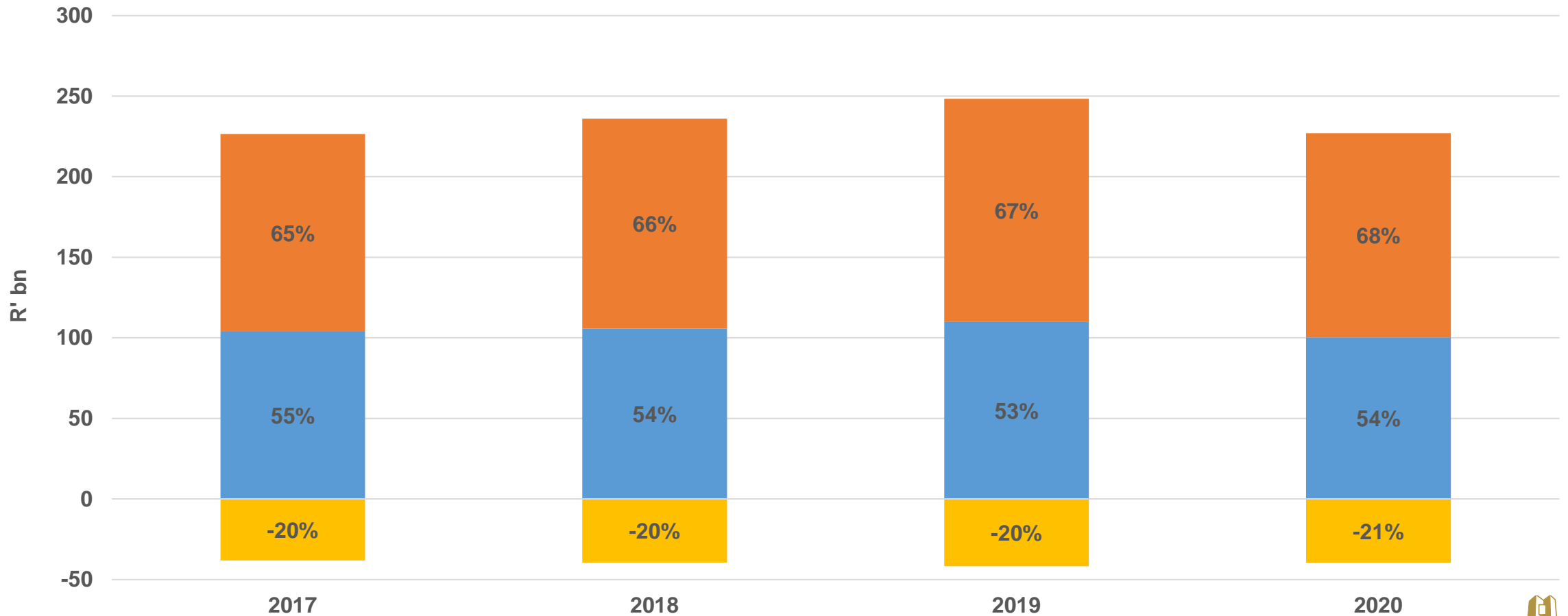
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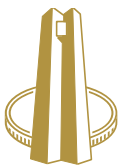
SCR Components



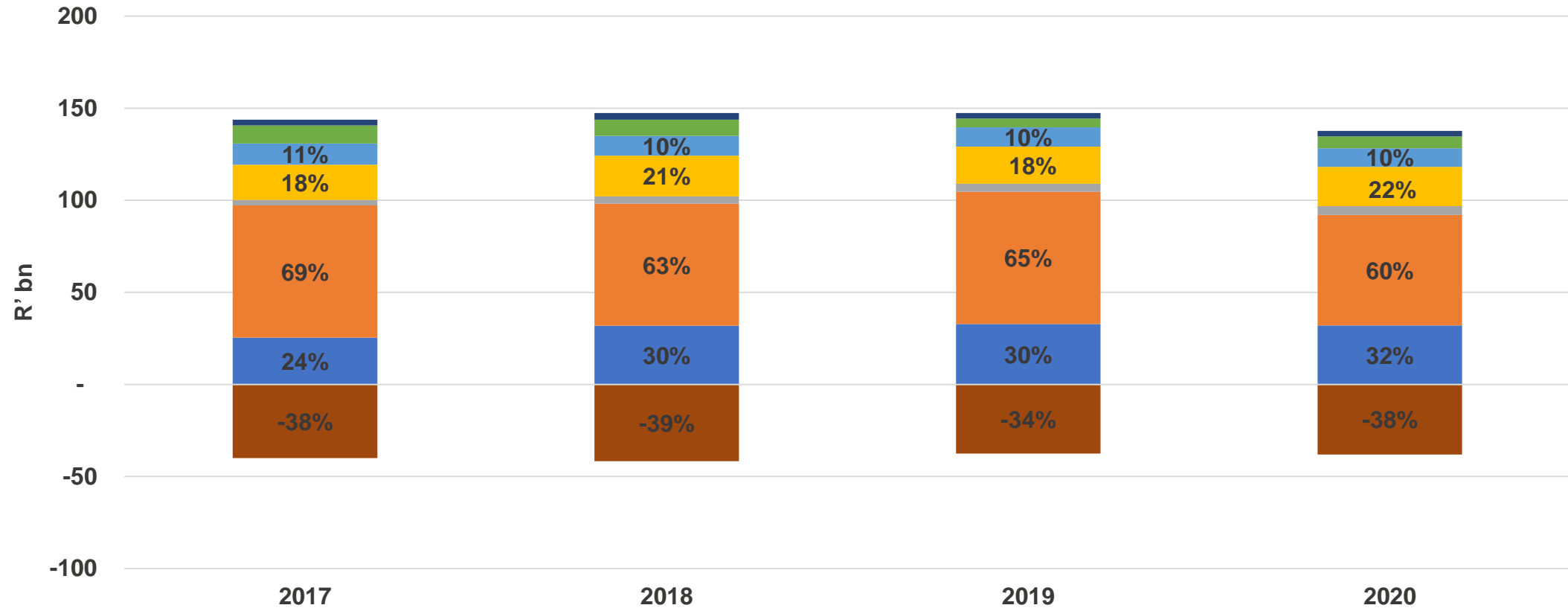
BSCR Components



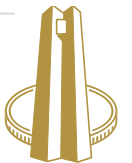
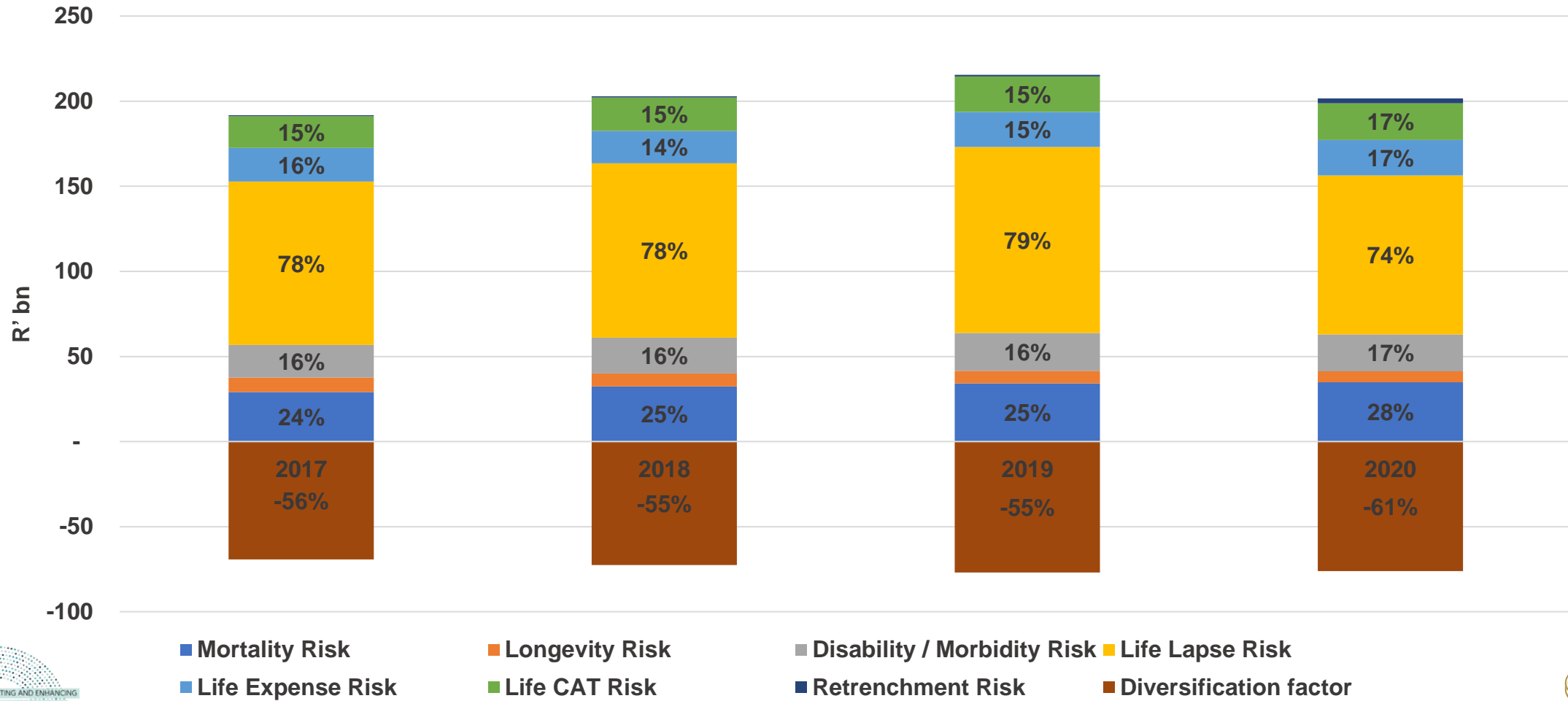
■ Market Risk ■ Life Underwriting Risk ■ Diversification Benefit



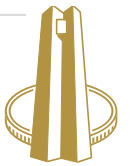
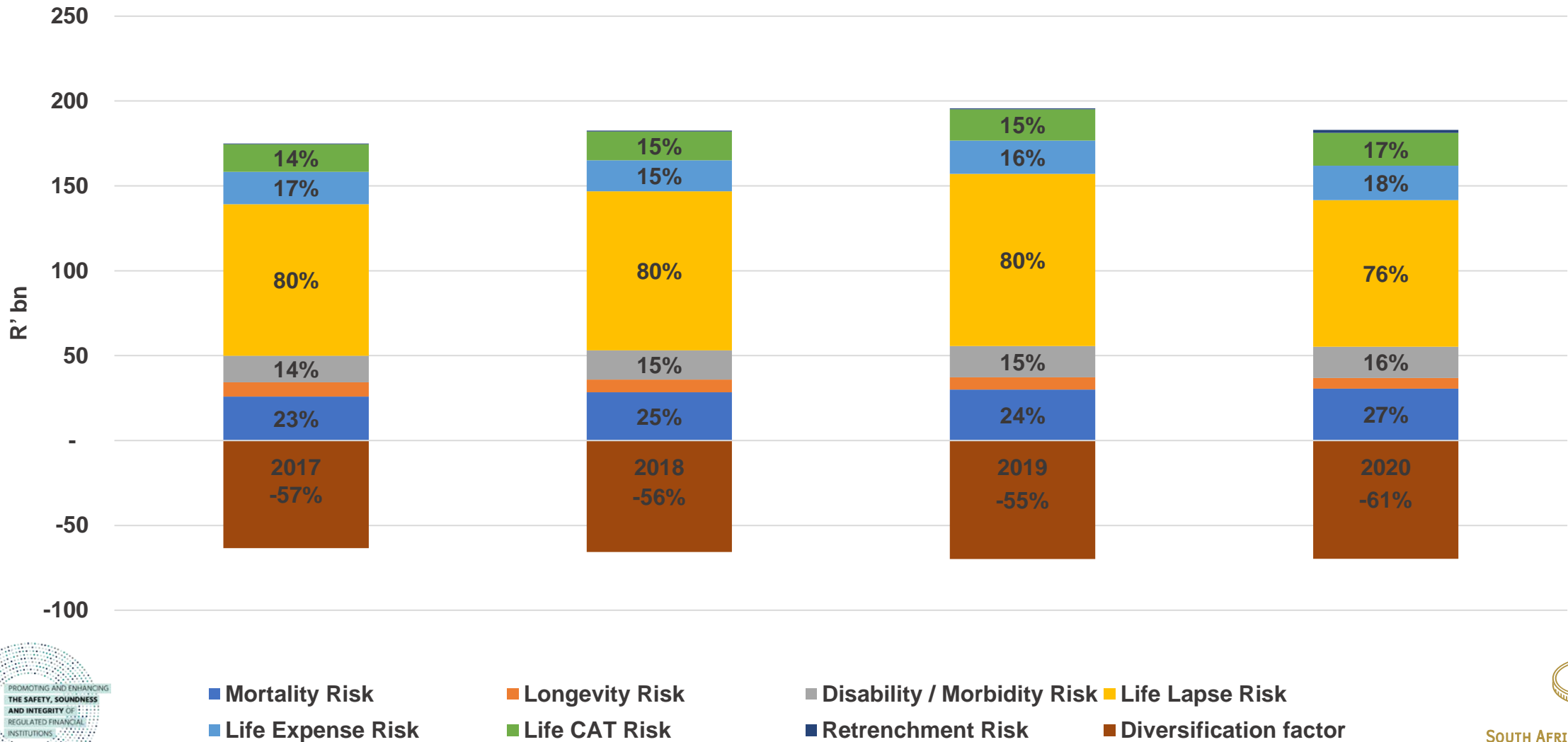
Market Risk Components



Life Underwriting Risk

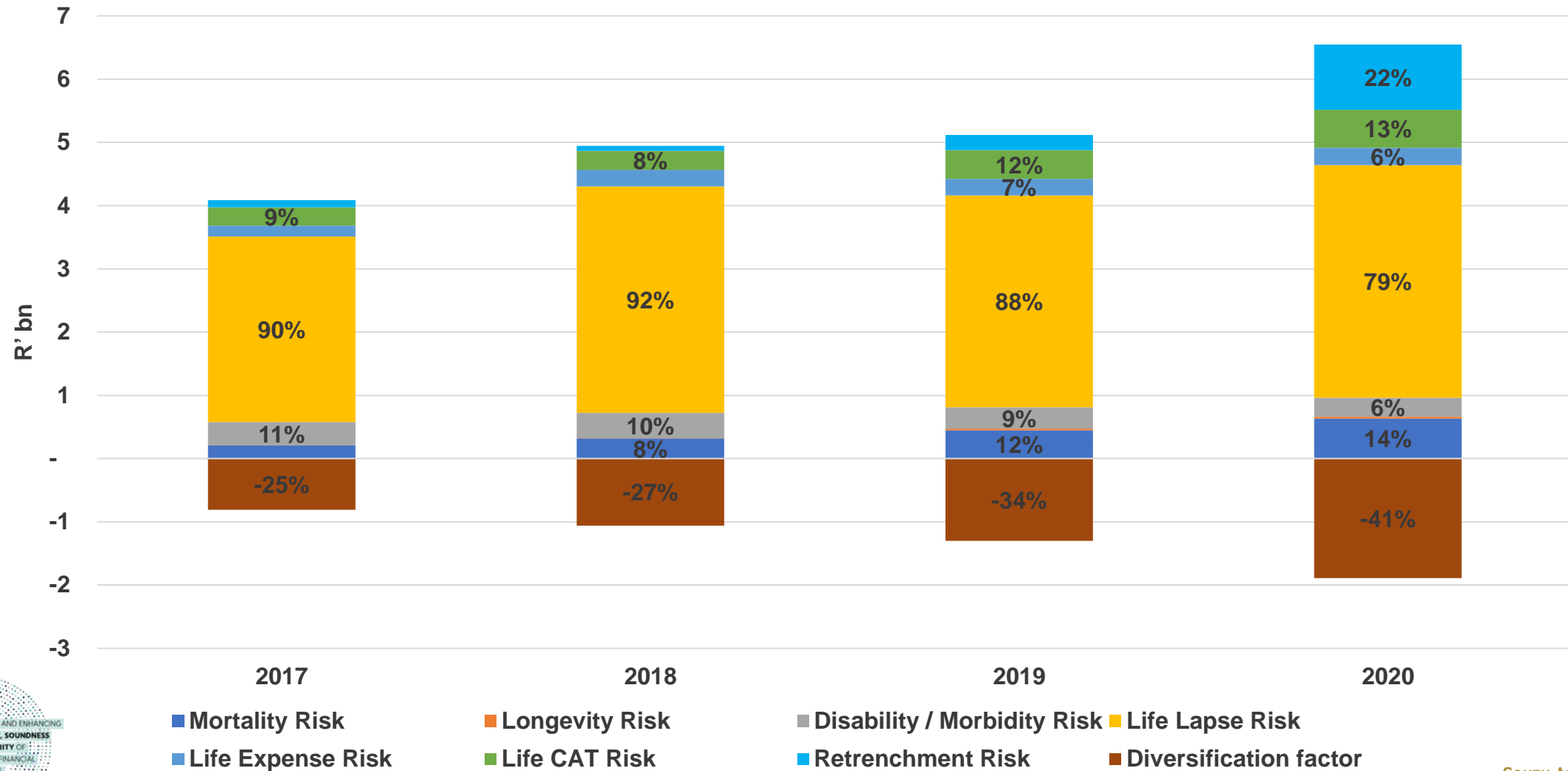


Life Underwriting Risk – Primary Insurers

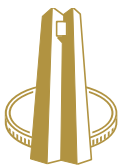
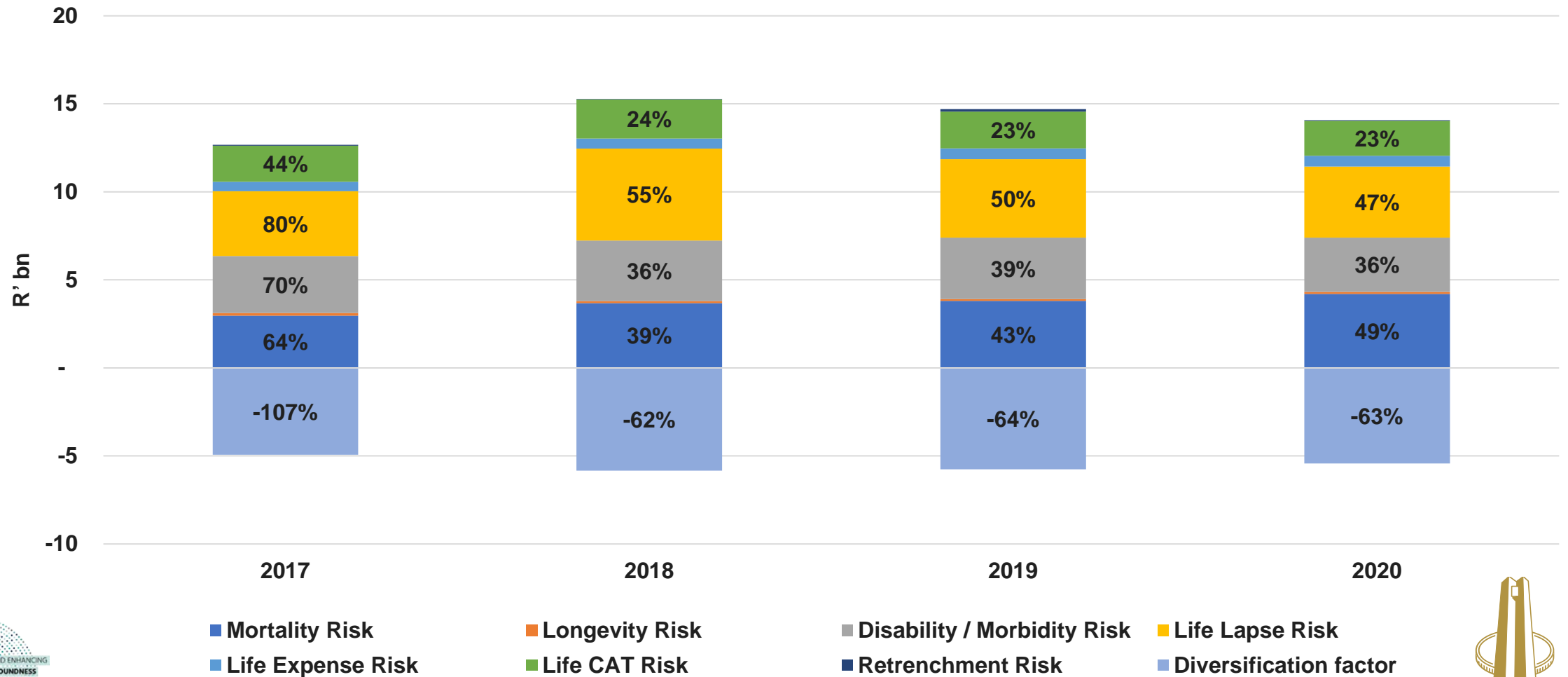


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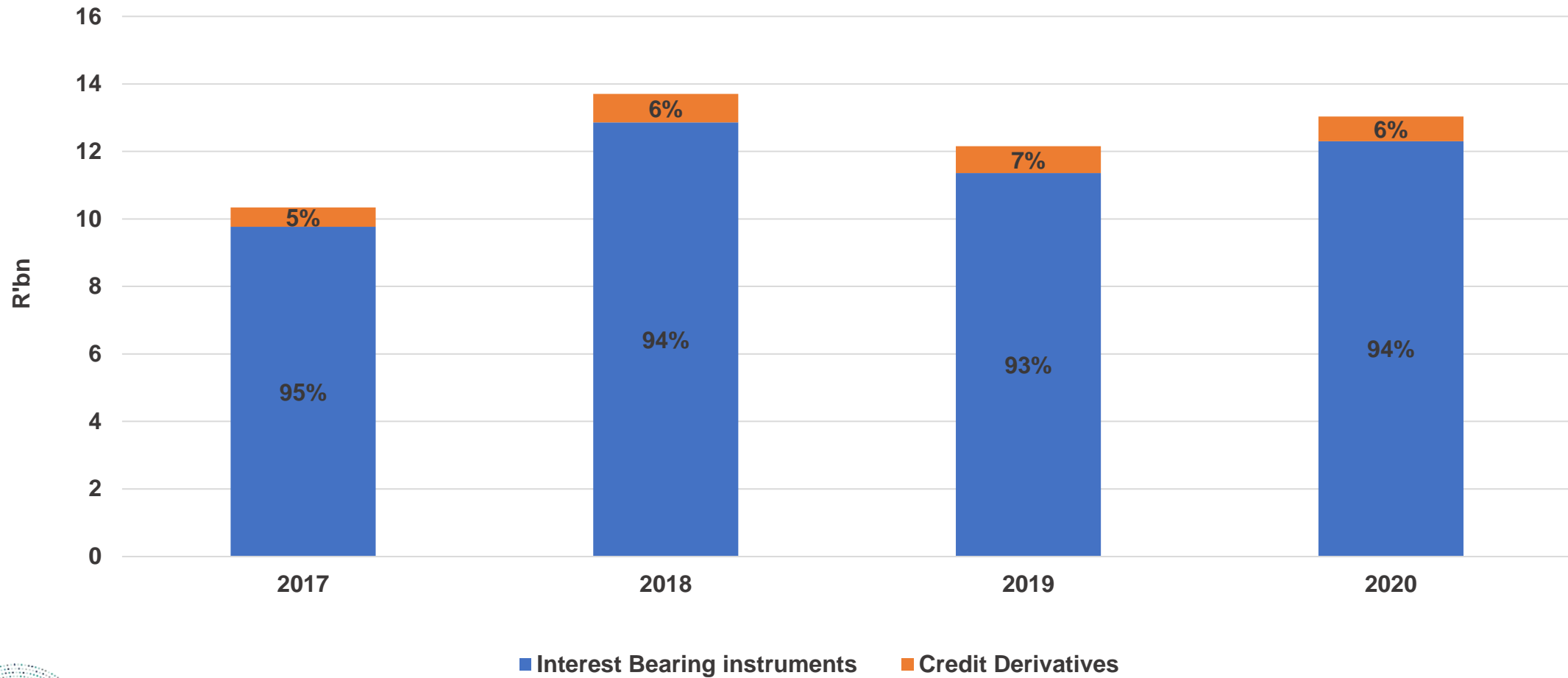
Life Underwriting Risk – Cell Captives



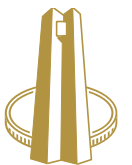
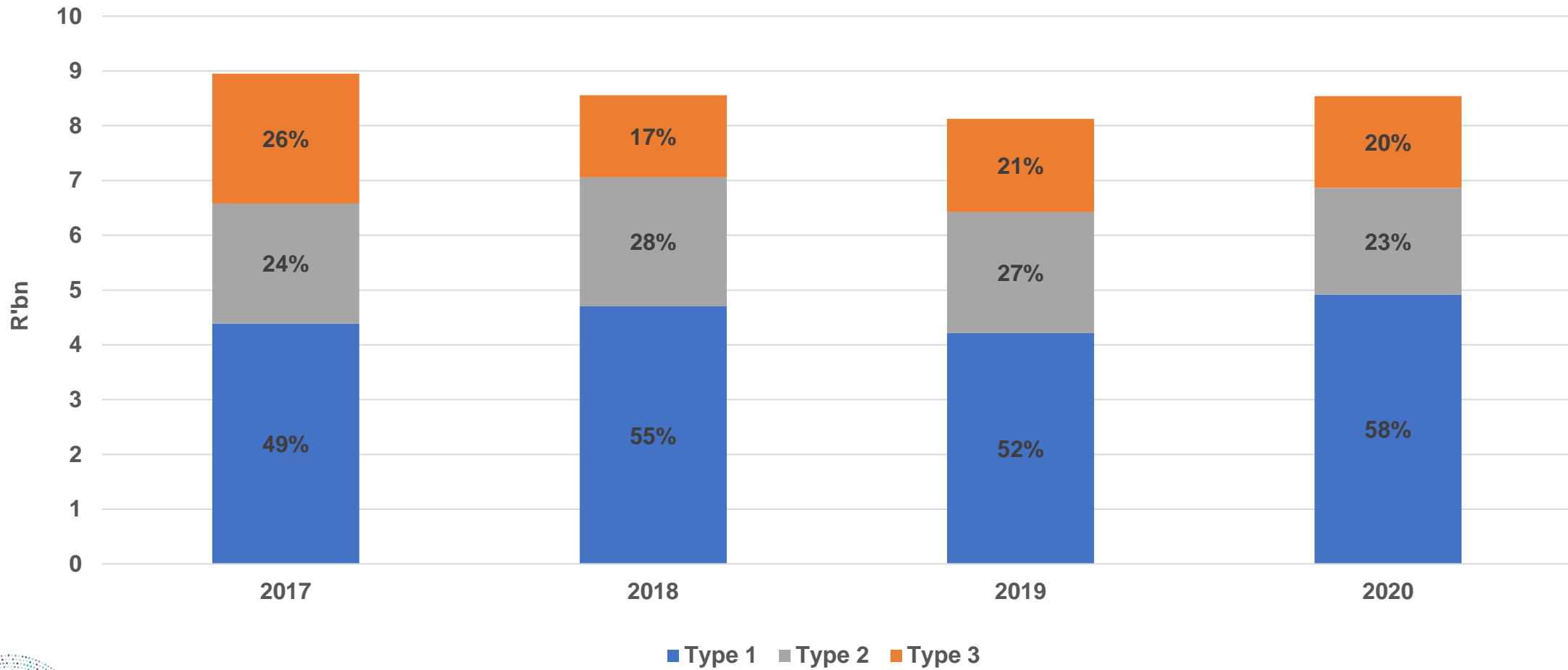
Life Underwriting Risk - Reinsurers



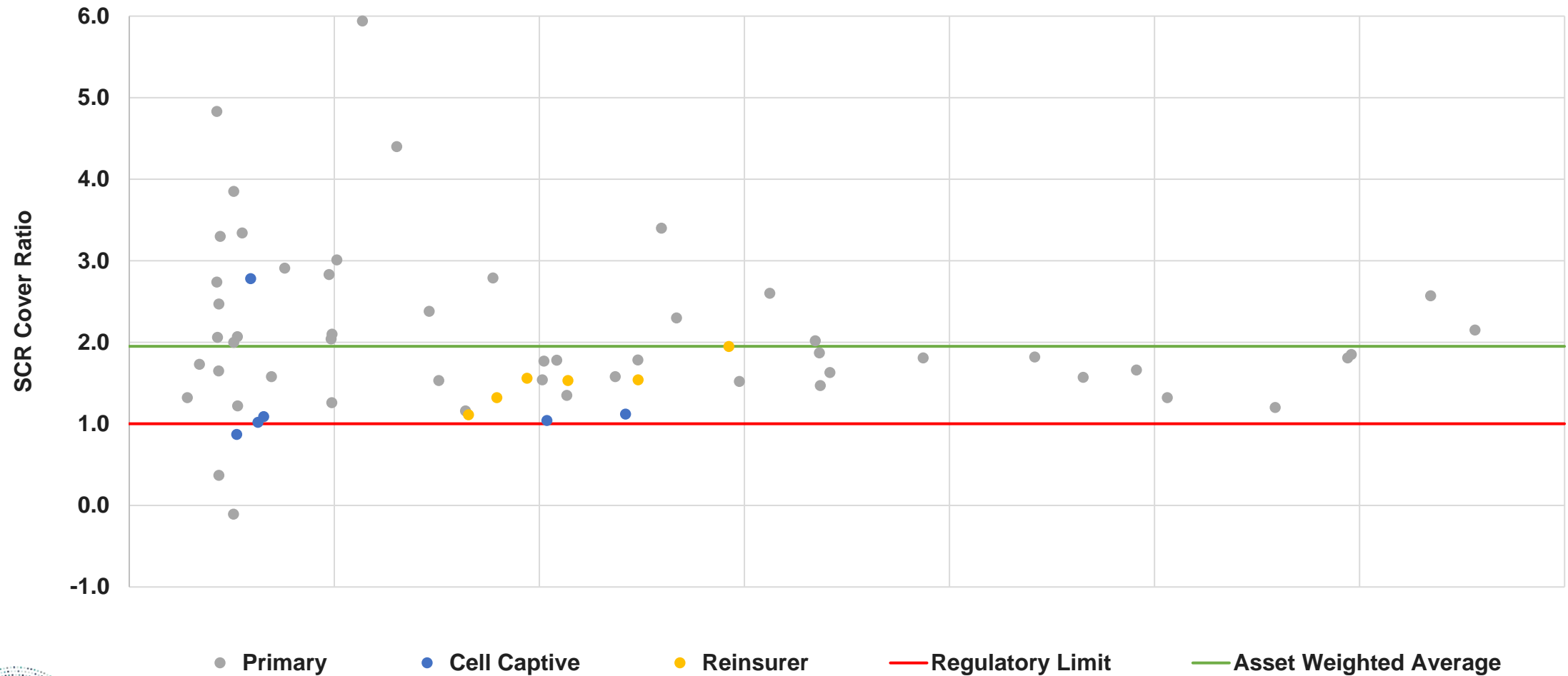
Spread Risk



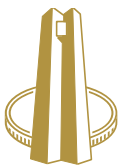
Credit Default Risk



SCR Cover Ratio Distribution

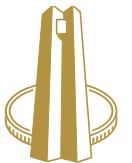


2020 QRTs



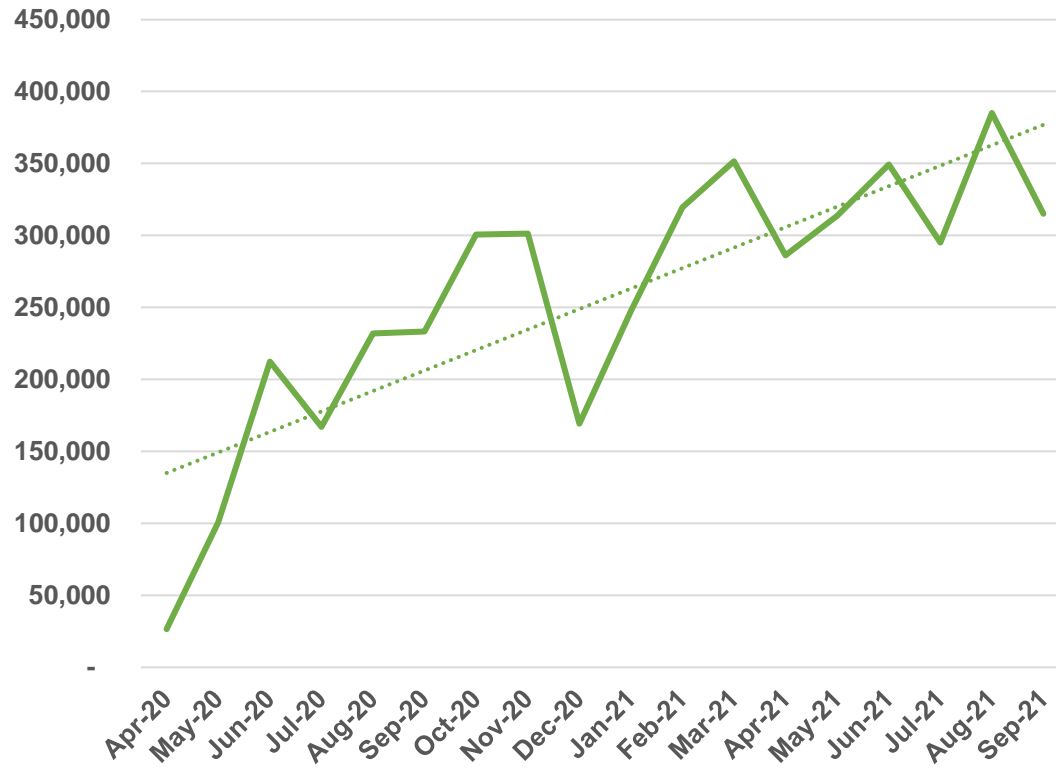
Agenda

- General overview
- Premiums and benefits
- Expense
- Life Underwriting experience analysis
- Liquidity
- Basic Own Funds
- Assets
- Liabilities
- Solvency Capital Requirement
- **COVID – 19 Analysis**

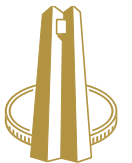
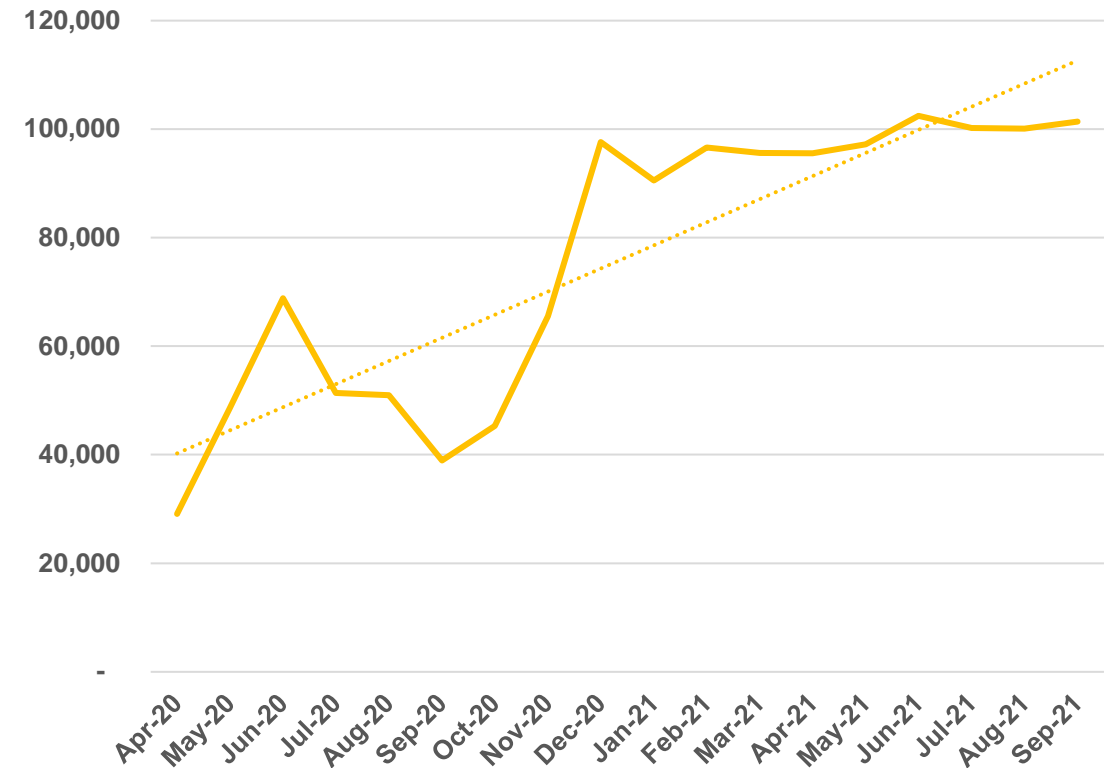


COVID - 19 Analysis

Total Number of new policies

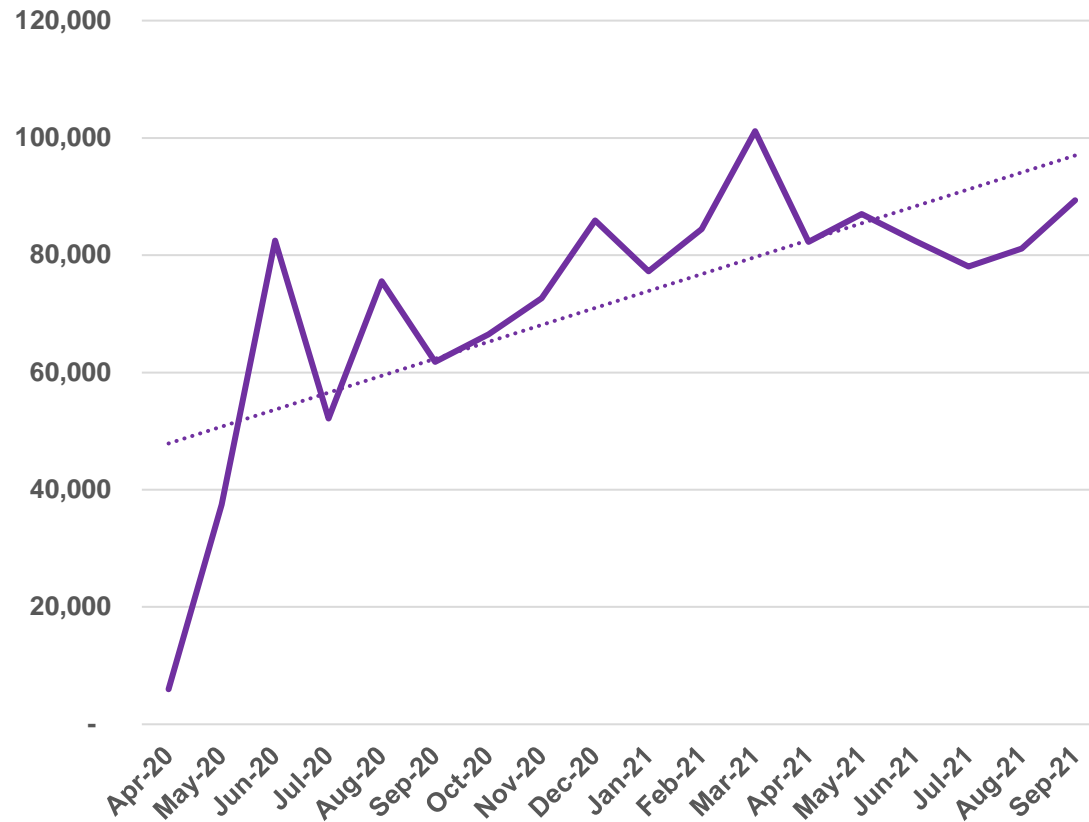


Total Number of lapses

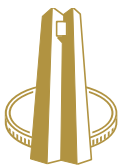
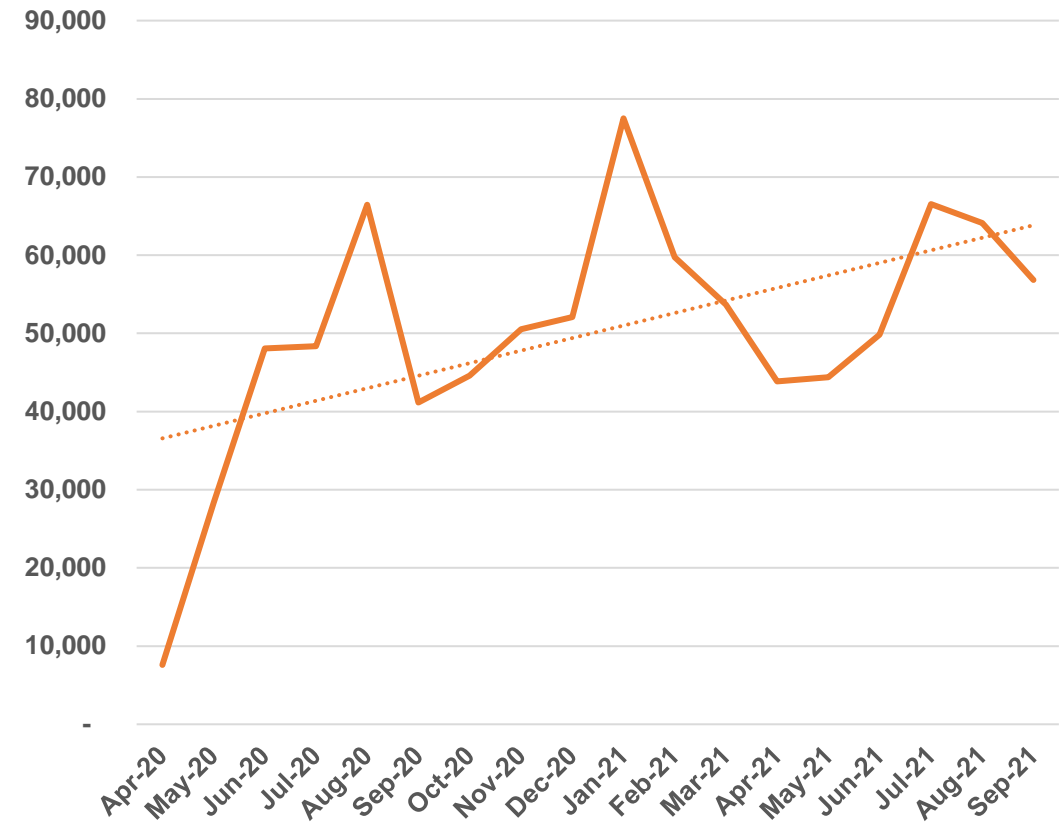


COVID - 19 Analysis

Total Number of surrenders



Total Number of claims



Questions?

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