

Media Release

Association for Savings and Investment South Africa (ASISA)

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Policyholders benefit from R230 billion in claims and benefit payments during Covid-19

South African life insurers provided more than 458 000 policyholders with premium relief assistance to the value of over R1 billion between March and July this year, in an effort to help policyholders whose earnings were impacted by the Covid-19 lockdown preserve their risk cover and savings policies. Life insurers also paid claims and benefit payments of R230 billion to policyholders and their beneficiaries in the first half of this year.

The Association for Savings and Investment South Africa (ASISA) today released the half yearly long-term insurance statistics gathered from ASISA members in line with new regulatory reporting requirements introduced by the Insurance Act of 2018. Hennie de Villiers, deputy chair of the ASISA Life and Risk Board Committee, says the statistics show that despite the impact of the significant premium relief afforded to policyholders and the sizeable claims and benefit payments made, the life industry remains in robust financial health and well capitalised to weather the prevailing tough economic environment.

De Villiers says the life insurance industry held assets of R3.1 trillion at the end of June 2020, while liabilities amounted to R2.8 trillion. This left the industry with free assets of R330 billion, which is more than double the reserve buffer required by the new Solvency Capital Requirements (SCR). According to De Villiers the South African life insurance industry therefore remains well positioned to deal with economic pressures exacerbated by the COVID-19 pandemic.

"This means that we can give policyholders and their beneficiaries the assurance that the industry is well positioned to weather this storm and that we will be able to honour every single valid claim," says De Villiers.

De Villiers explains that a healthy reserve buffer is of critical importance, because it enables insurers to honour long-term promises made to policyholders. "When people buy our products, they have an expectation that we will honour their claim and maturity values, often only many years later, even when the unthinkable happens like the Covid-19 pandemic."

Marginal declines in risk and savings policies

At the end of June 2020, there were 41.3 million individual recurring premium policies in force, compared to 42.5 million at the end of December 2019, representing a marginal decline of 2.85%.

De Villiers explains that while 4.6 million new individual recurring premium risk policies (life, disability, dread disease and income protection cover) were bought in the first six months of this year, more than 5.4 million were lapsed. A lapse occurs when the policyholder stops paying premiums for a risk policy that has no fund value. As a result the number of risk

policies in force declined from 34.6 million at the end of December 2019 to 33.8 million at the end of June 2020.

De Villiers also reports a decline of 3.59% in the number of individual recurring premium savings policies (endowments and retirement annuities) from 6.5 million at the end of December 2019 to 6.3 million at the end of June 2020. While 282 467 new policies were sold during the six month period, 364 887 policies were surrendered. A surrender occurs when the policyholder stops paying premiums and withdraws the fund value before maturity.

De Villiers says while this is concerning, it did not come as a surprise given the impact of the Covid-19 lockdown on the earning ability of thousands of South Africans. "When times are tough consumers are less likely to take out new savings policies. At the same time more policyholders surrender their savings policies to access their savings due to financial hardship."

The number of single premium policies declined marginally from 2.9 million at the end of December 2019 to 2.8 million at the end of June 2020.

De Villiers points out that since financial intermediaries were not considered an essential service during the hard lockdown period, it limited their ability to advise clients. This contributed to the significant reduction in new business volumes for the first six months of this year.

Premium relief to consumers

According to De Villiers, ASISA members assisted policyholders who were in good standing, but suddenly unable to pay their monthly long-term insurance premiums due to Covid-19, in various ways. Relief measures included premium holidays on savings policies of three to six months.

He adds that in his experience, the majority of policyholders who were granted premium relief resumed their payments at the end of the premium relief period to ensure that their policies remain in force. According to De Villiers for many policyholders the Covid-19 pandemic hit home the true value of having long-term insurance cover in place.

De Villiers says life insurers will continue to try and assist policyholders who may be struggling financially as a result of COVID-19 measures, but adds that this will be done on a case by case basis.

"Policyholders who continue to face financial difficulties and who might not be able to afford their premiums at the end of their premium relief period should contact their financial adviser or insurer with urgency to discuss potential solutions."

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To set up interviews please contact:

Lucienne Fild
Independent Communications Consultant
082 567 1533
lucienne@fild.co

Issued on behalf of:

Hennie de Villiers
Deputy chair: Life and Risk Board Committee
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.