Media Release
Association for Savings and Investment South Africa (ASISA)
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Policyholders and beneficiaries receive R63.7 billion in death, disability and critical illness payouts from life insurers

South African life insurers paid R63.7 billion to individuals who had experienced death, disability or a severe illness in their family circle in the 12 months ended June 2018. This marks an increase of more than R6.3 billion from the previous 12 months to the end of June 2017.

The long-term insurance industry statistics for the 12 months to 30 June 2018, released today by the Association for Savings and Investment South Africa (ASISA), show that life insurers reported the biggest percentage increase in claims for disability policies. Claims against individual disability policies increased by 14%, while claims against employer disability cover increased by 21%.

Hennie de Villiers, deputy chair of the ASISA Life and Risk Board Committee, says disability claims tend to increase when the economy is under strain, resulting in job losses and an increase in the cost of living. This is because financial stress leads to both mental and physical illness, which invariably results in higher disability claims, he explains.

According to Statistics South Africa, the official unemployment rate increased to 27.2% in the second quarter of this year as a result of a further 102 000 jobs lost between the first and second quarters of 2018.

De Villiers points out that without these benefit payments at a time of crisis many families would have been left financially destitute.

Over the same 12-month period consumers bought 5.7 million long-term insurance policies for financial protection in the event of death, disability and critical illnesses, committing to premiums of R13 billion. This represents a 12% increase in the number of risk policies bought compared to the previous year.

De Villiers says considering the tough economic conditions that continue to prevail, it is particularly encouraging that consumers are committing their money to policies that offer financial protection in the event of a calamity.

The health of the industry

Since a significant portion of the country's long-term savings pool has been entrusted to South African life insurers, the health of the long-term insurance industry is critically important.

De Villiers reports that the industry remains in robust financial health and well positioned to honour future policy claims.

The life insurance industry held assets of R2.88 trillion at the end of June 2018, an increase of 7% from the R2.69 trillion held at the end of June 2017.

He explains that industry assets exceed liabilities by R233.5 billion, which is more than five-and-a-half times the legal reserve buffer required. The legal reserve buffer, referred to as the industry's capital adequacy requirement (CAR), was R42.9 billion at the end of June 2018.

"Our industry has demonstrated financial stability and resilience in a difficult environment, while at the same time consistently honouring benefit payments."

Long-term Savings

De Villiers reports that recurring premium savings policies also recorded strong growth over the 12 months to the end of June 2018. Recurring premium savings policy sales increased by a healthy 17%.

De Villiers believes that the increase continues to be driven by consumer demand for the tax-free savings and investment products. This shift in demand is likely to have contributed to the lower recurring premium retirement annuity sales, which dropped by 20%.

All single premium business categories, however, recorded a significant drop in new policies sold.

In the 12 months to the end of June 2018 there was a decrease of 7% in the number of single premium living annuities sold and a 3% drop in retirement annuities. Sales of compulsory annuities decreased by 27%, largely driven by the introduction of the "de minimis rule", which increased the level below which the proceeds of a retirement annuity may be taken as a lump sum.

In terms of the "de minimis rule" retirement fund members may take in full proceeds that fall below the threshold of R247 500. The threshold increased from R75 000 in March 2016.

Surrenders and Lapses

- **Surrenders of savings policies**

Policyholders accessed R70.2 billion in benefits in the 12 months to the end of June 2018 by surrendering their savings policies.

De Villiers says this represents a 10% decrease in surrenders from the previous 12 month period.

A surrender occurs when the policyholder stops paying premiums and withdraws the fund value before maturity. Surrenders are often prompted by policyholders desperate to access their savings due to financial hardship.

- **Lapses of risk policies**

De Villiers says the fact that consumers are under financial pressure was also evidenced by the increase in the first-year lapse rate for risk policies. In the 12 months to the end of June 2018, some 2.2 million policies less than 12 months old were lapsed compared to 1.8 million in 2017.

A lapse occurs when the policyholder stops paying premiums.

De Villiers says while lapsing a risk policy may seem like a good way of freeing up extra cash in times of financial difficulties, it is important to weigh up the cost of risk cover against the financial impact that death or disability could have on your family.

Ends

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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.