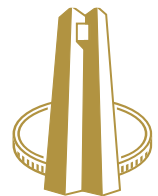




Life Industry Experience 2019

By: Brian Mapaure and
Dikeledi Matsimela

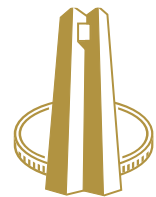
Date: 4 December 2020



SOUTH AFRICAN RESERVE BANK
Prudential Authority

Presentation Scope and Data

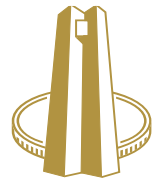
- Presentation based on the 2019 annual quantitative reporting templates submitted to the Prudential Authority.
- Total number of insurers included – 73 insurers.
- Microinsurers were not included.
- Rounding.
- Quality of data still an issue.



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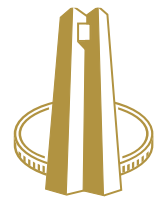
- General Overview
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- Life Underwriting Experience Analysis
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- Basic Own Funds
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- Liabilities
- Solvency Capital Requirement



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Prudential Authority

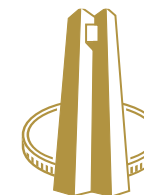
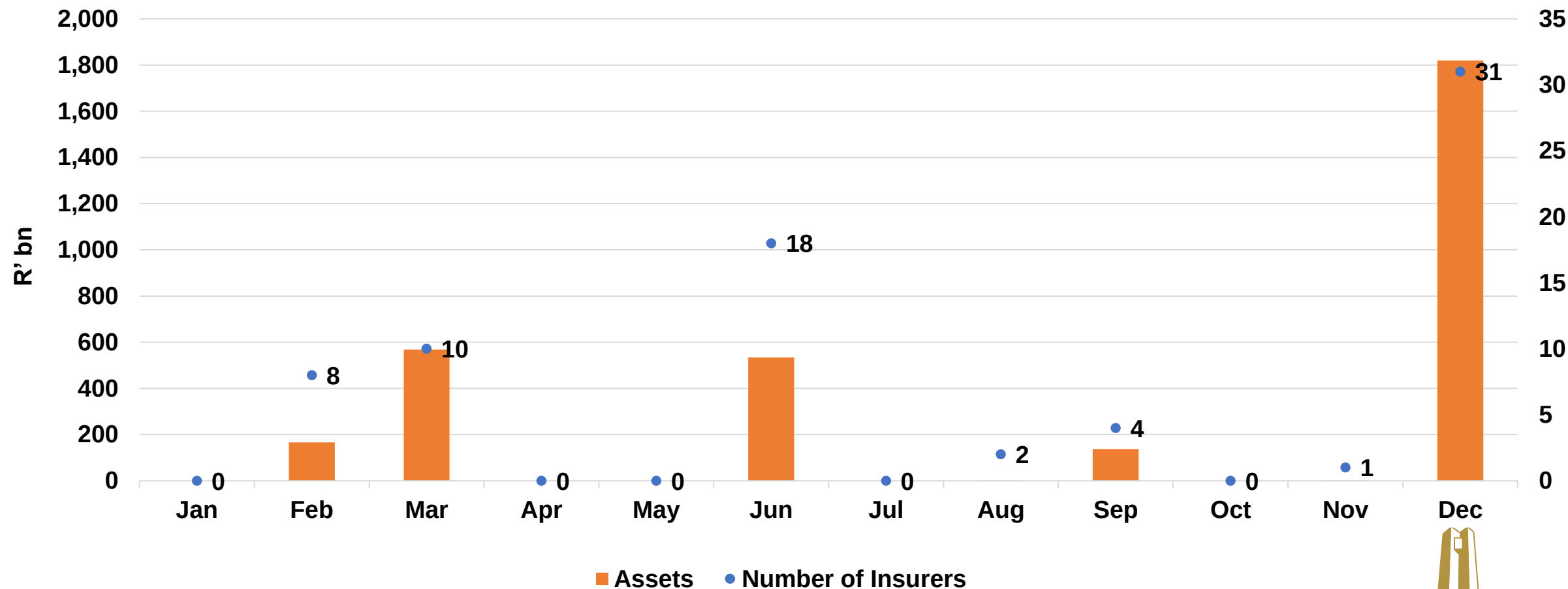
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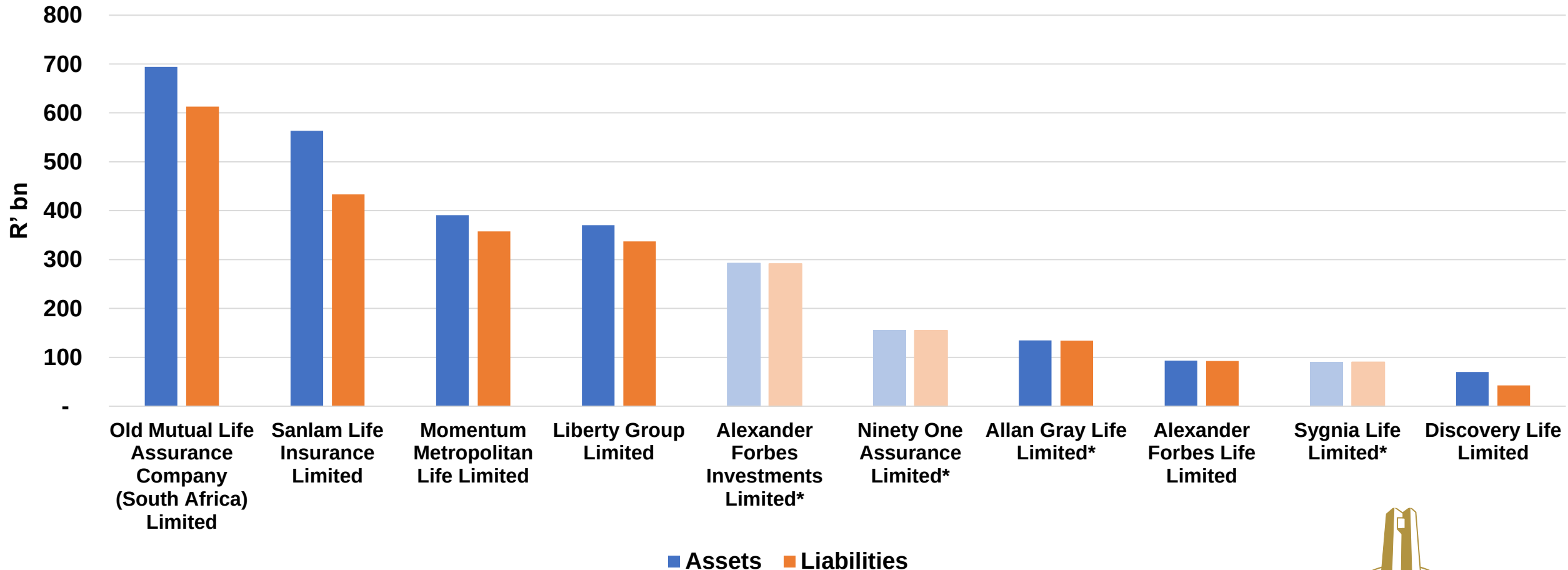


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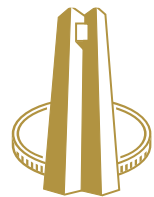
Number of Insurers per year-end



Top 10 insurer rankings by assets

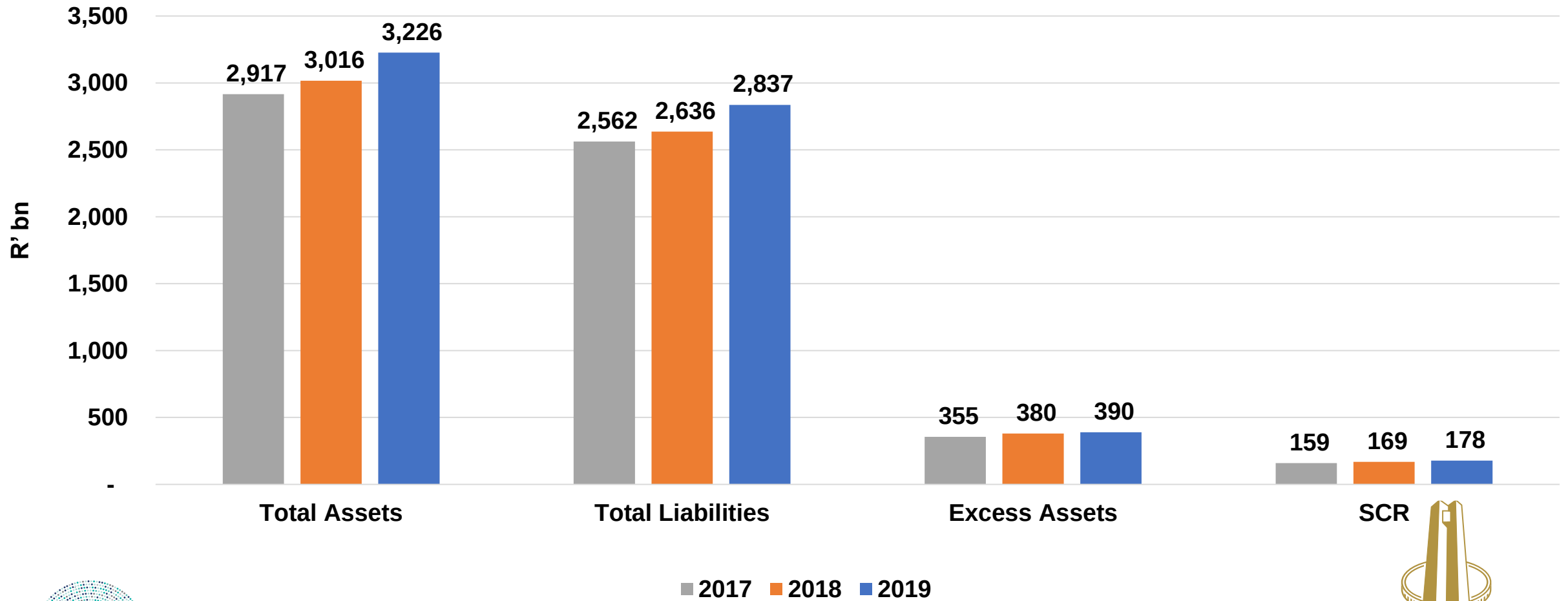


* Linked Investments Insurers



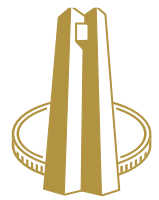
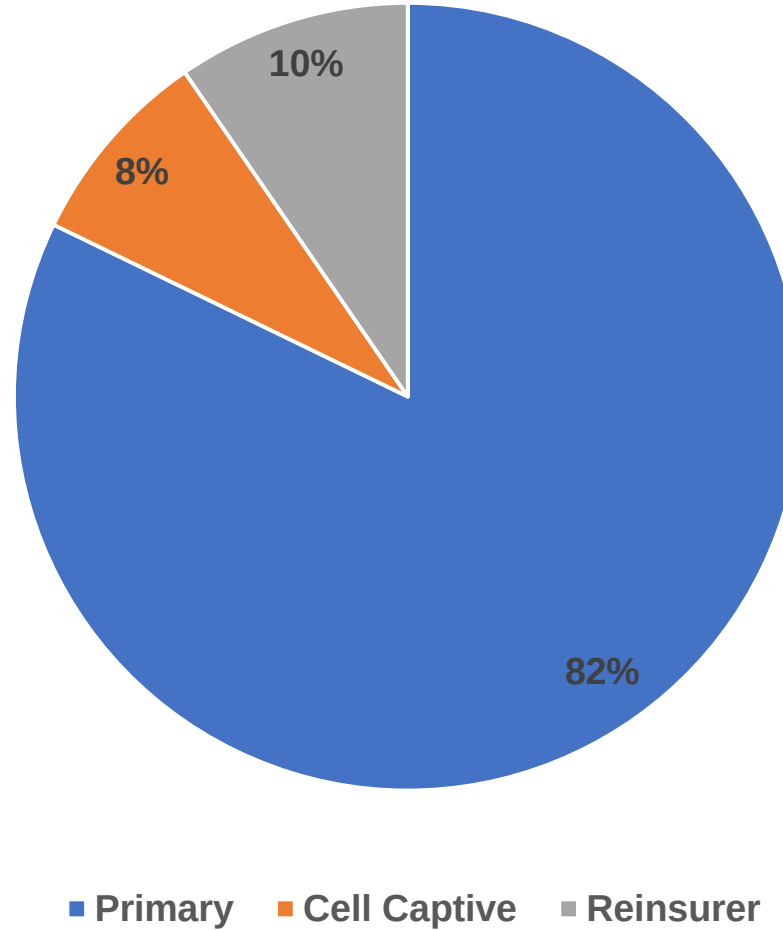
SOUTH AFRICAN RESERVE BANK
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Overview



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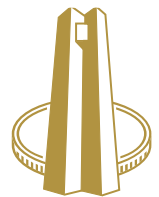
Proportion of Insurers by class



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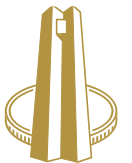
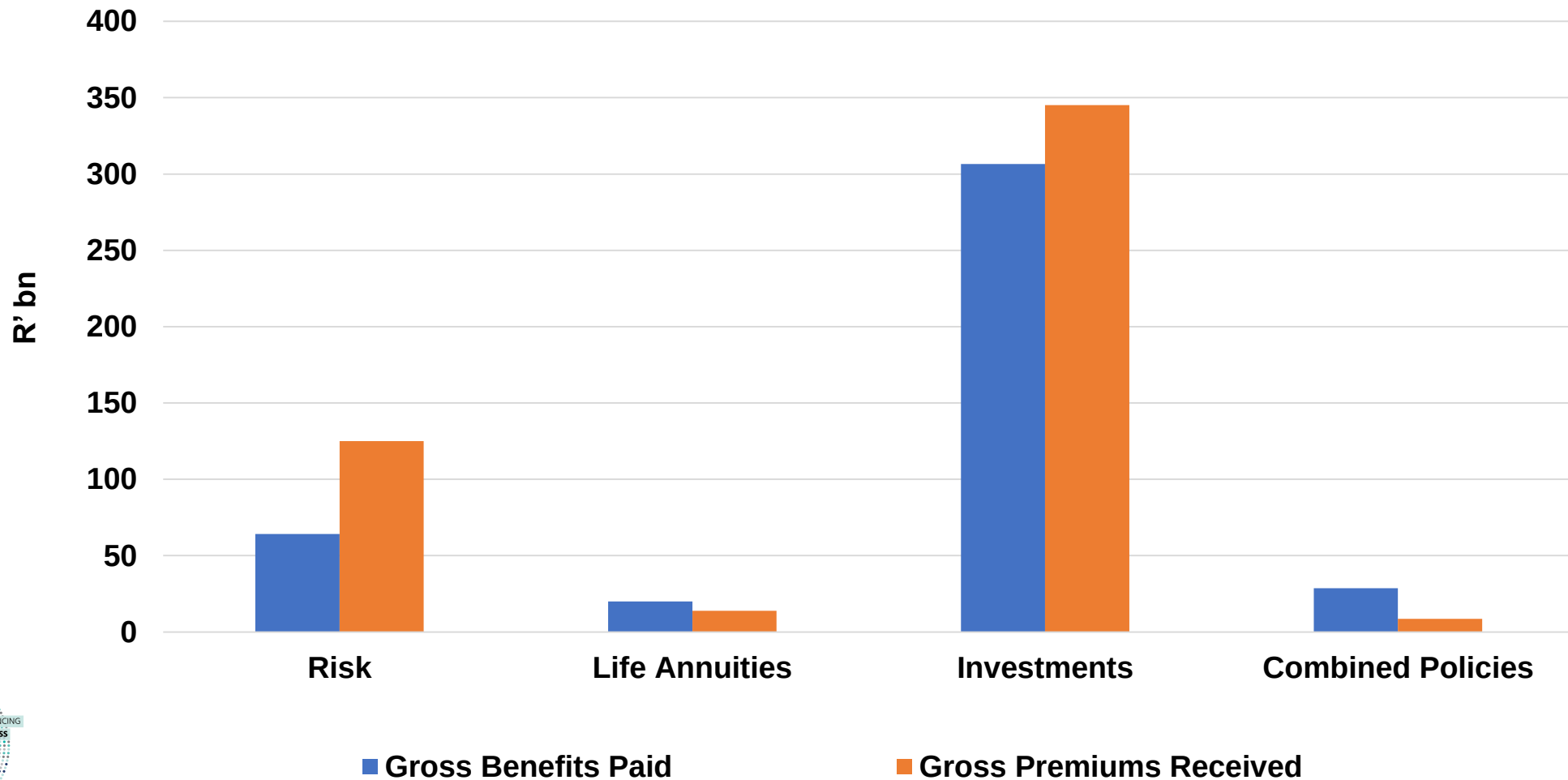
Gross Premiums and Benefits

Gross Premiums			
(R'bn)	2017	2018	2019
Primary	422.8	464.0	485.0
Cell captives	8.7	10.4	11.8
Reinsurers	14.2	15.6	17.7
Total Industry	445.8	490.0	514.5

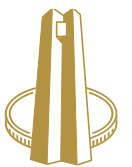
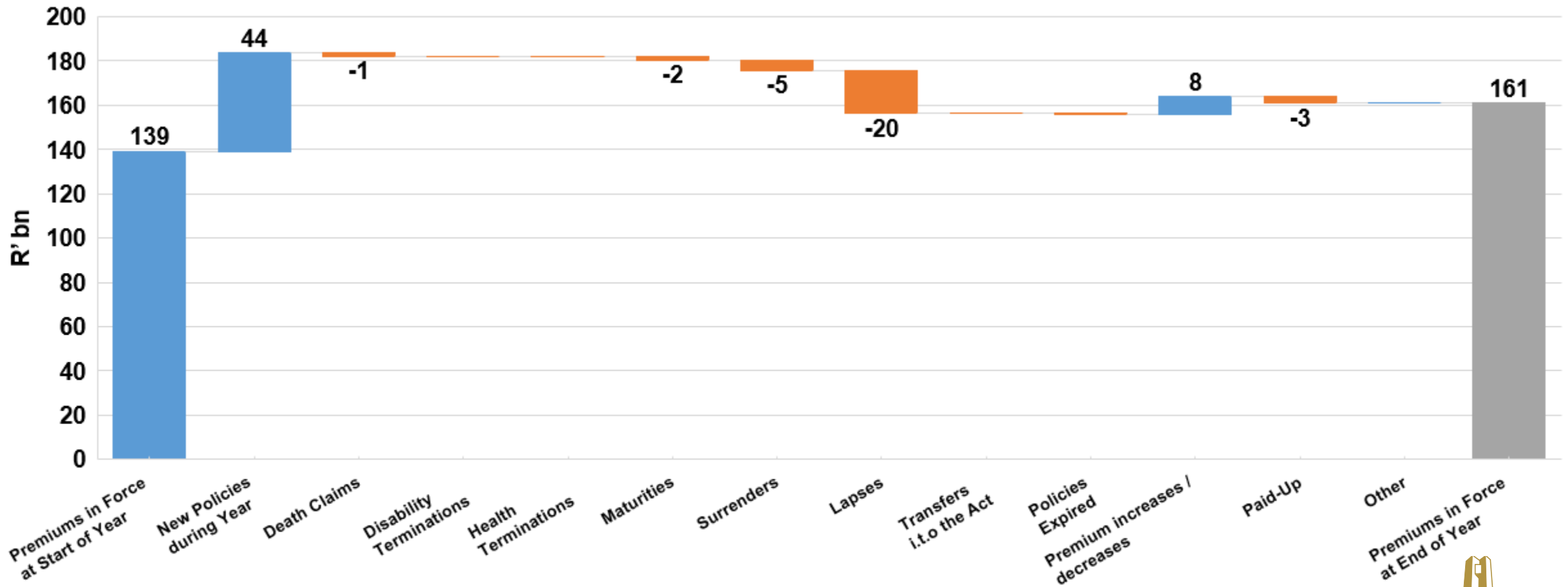
Gross Benefits			
(R'bn)	2017	2018	2019
Primary	399.7	377.1	418.8
Cell captives	72.5	4.2	3.5
Reinsurers	2.4	6.5	13.9
Total Industry	474.6	387.9	436.2



Premiums and Benefits per class of business

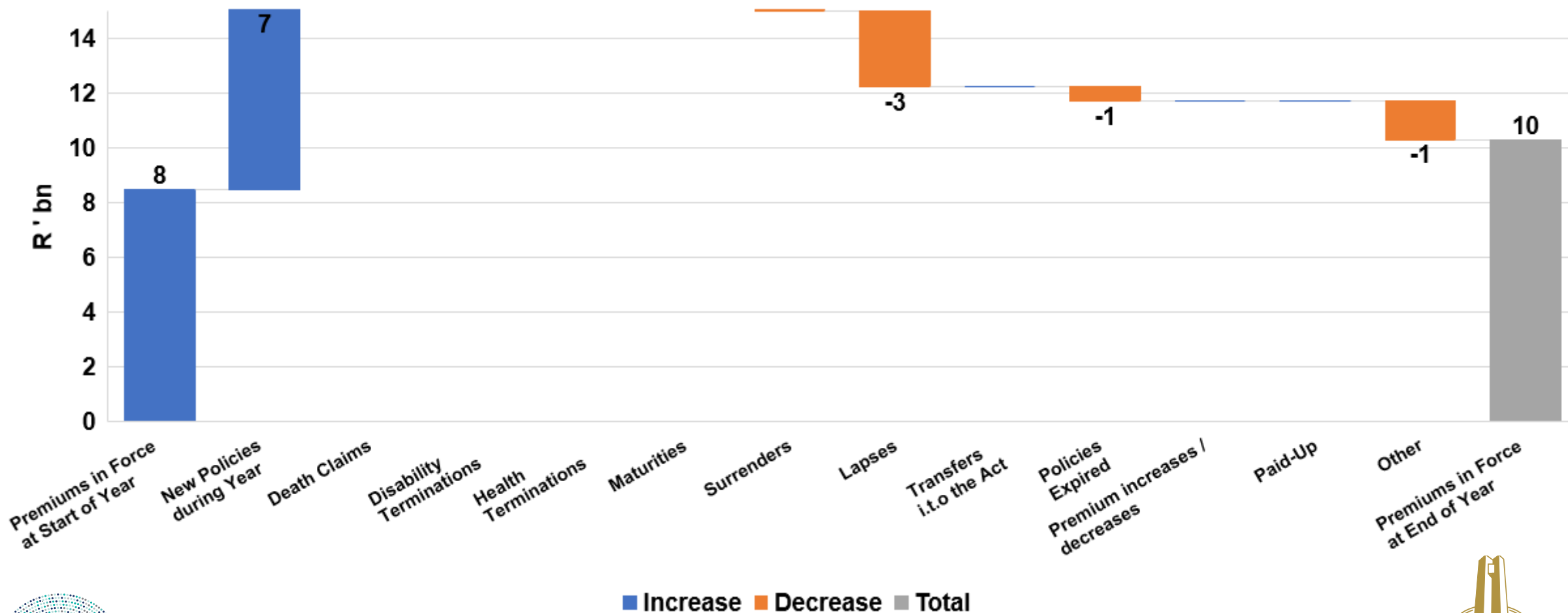


Individual business movements - Primary



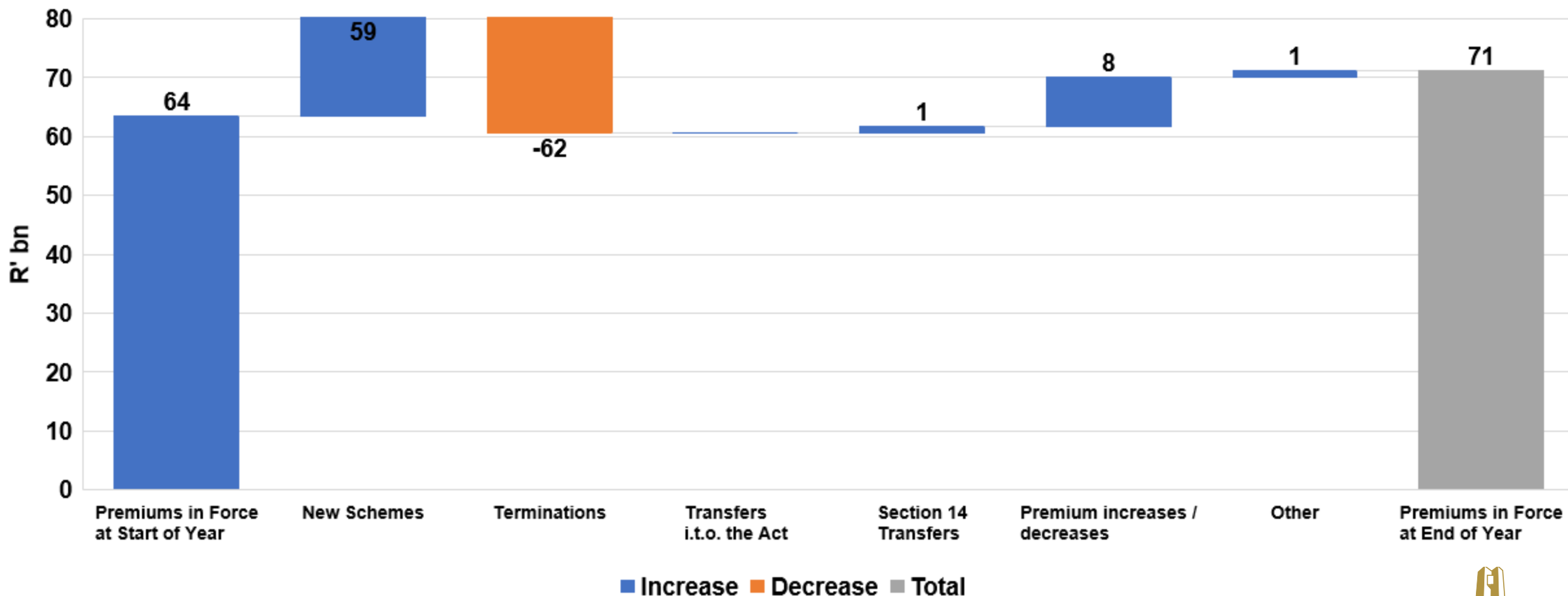
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Individual business movements – Cell Captives



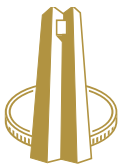
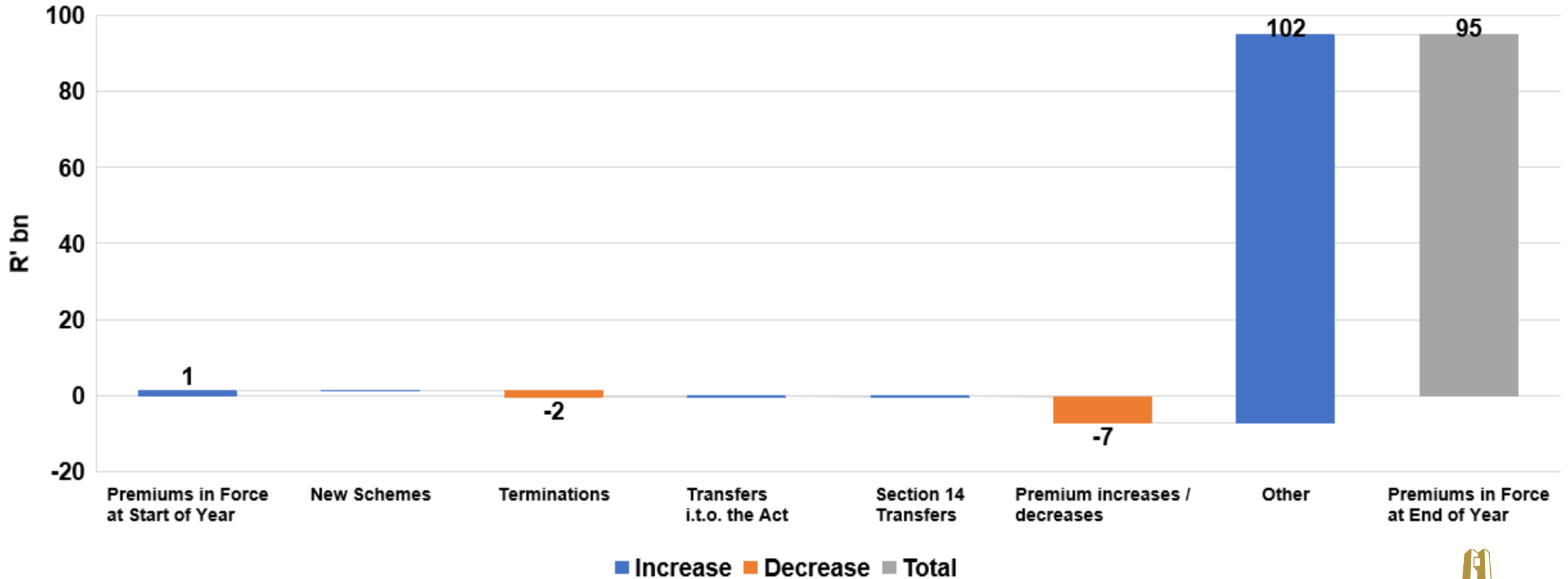
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Group business movements - Primary



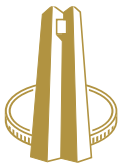
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Group business movements – Cell Captives



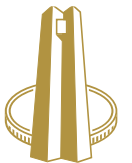
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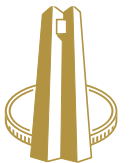
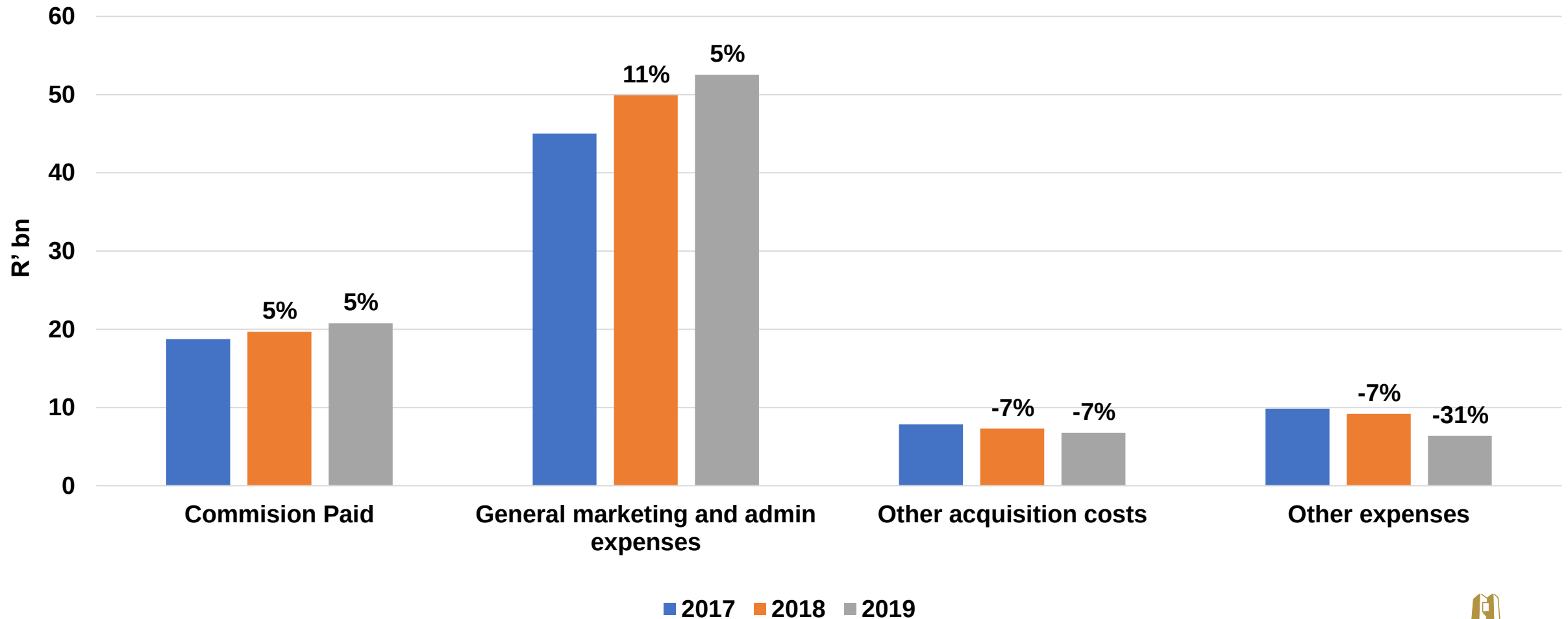


Total Expense Experience - Primary

	2017	2018	2019
Risk	99%	98%	98%
Life Annuities	123%	90%	103%
Investments	117%	102%	103%
Combined Policies	107%	101%	115%

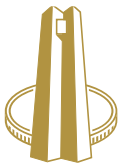


Trends in Expenses



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Mortality Experience - Primary

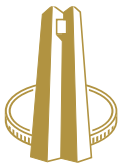
	2017	2018	2019
Individual Risk	92%	95%	78%
Individual Investments	86%	73%	81%
Individual Combined	100%	99%	77%
Group Risk	99%	97%	97%
Life Annuities	115%	105%	103%

Morbidity Experience - Primary

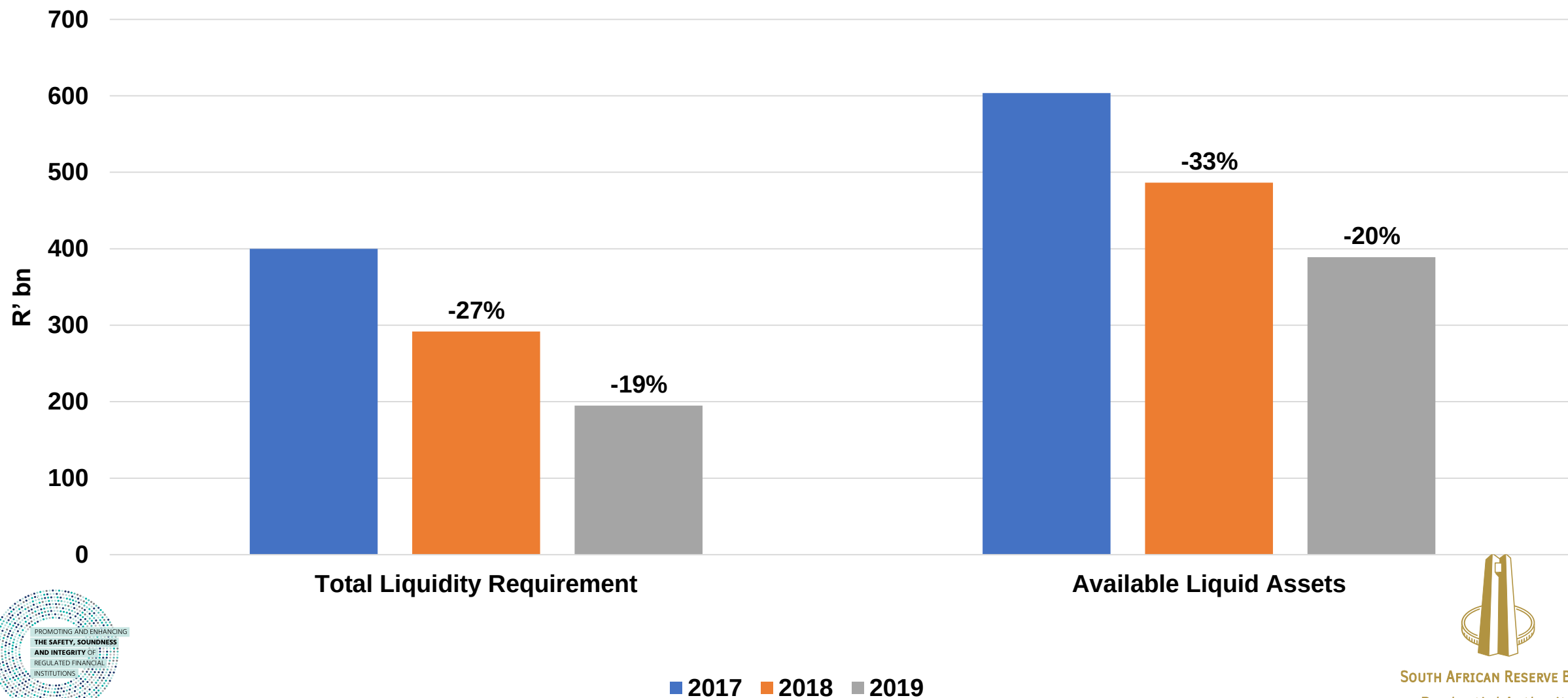
	Primary		
	2017	2018	2019
Individual Risk - Lump Sum disability	93%	98%	99%
Group Risk - Lump Sum disability	104%	99%	105%
Individual Risk - Income disability	101%	107%	112%
Group Risk - Income disability	107%	113%	103%

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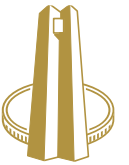
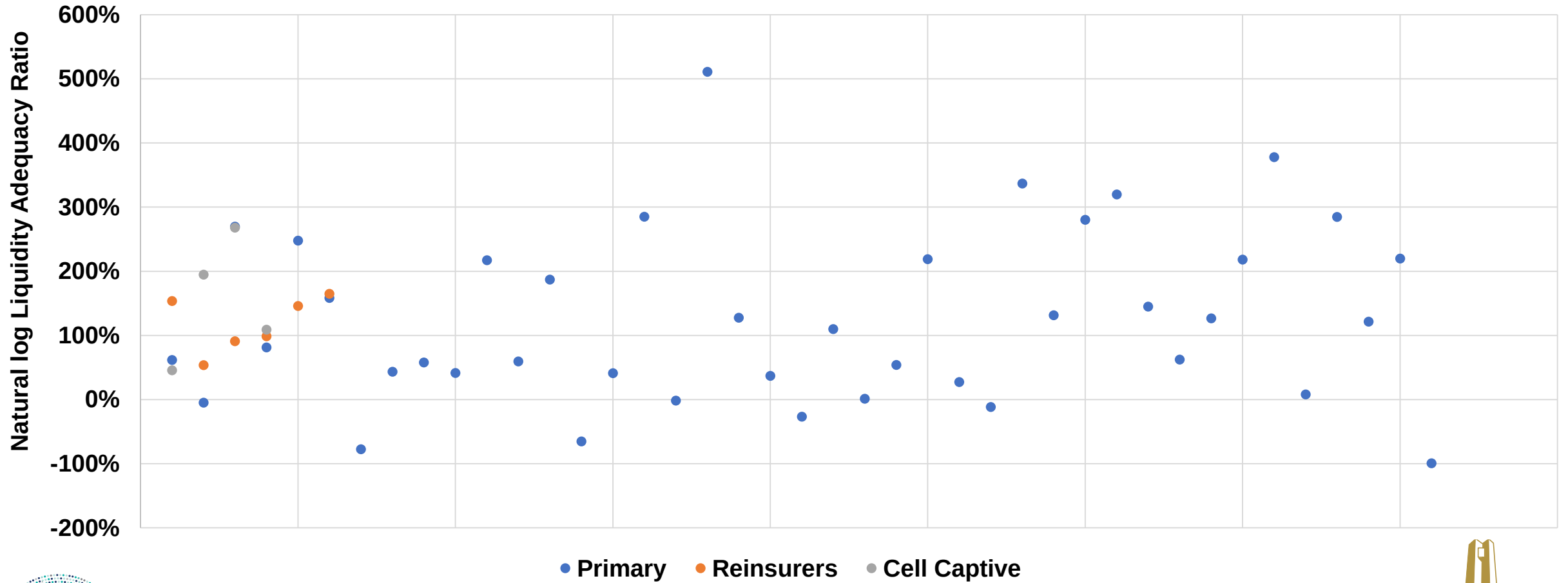
Total Liquidity Requirement



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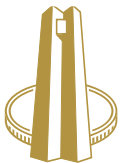
Prudential Authority

Liquidity Adequacy Ratio



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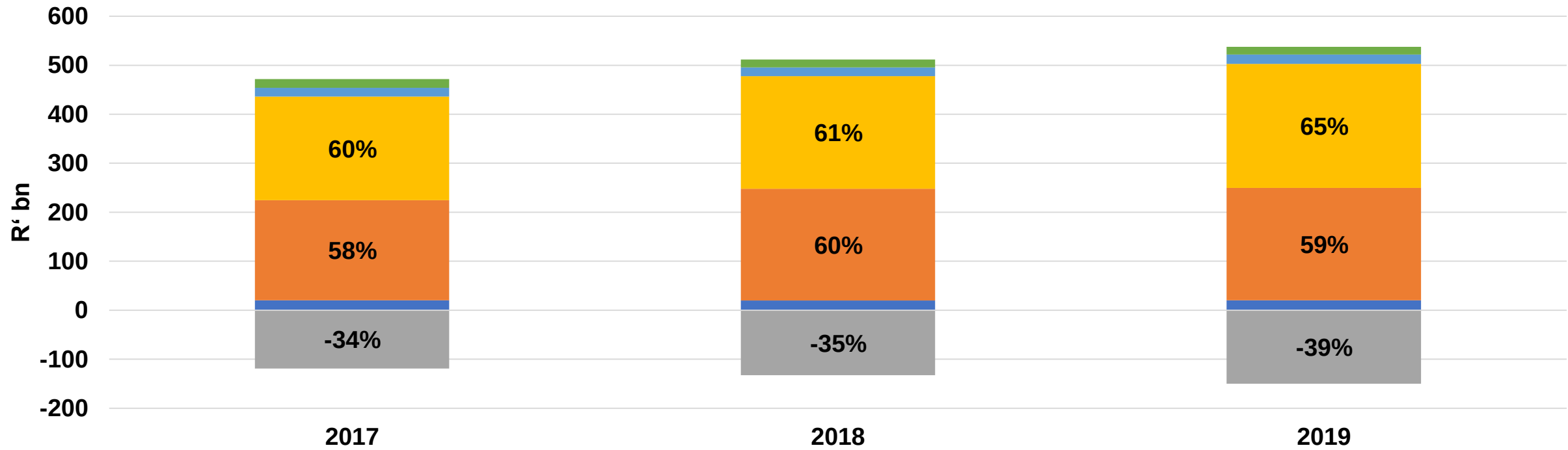
Prudential Authority

Basic Own Funds

(R' bn)	2017	2018	2019
Total Assets	2 917	3 016	3 226
Total Liabilities	2 562	2 636	2 837
Basic Own Funds	355	380	390
Basic Own Funds Growth Rate		7%	2%
Own Funds Eligible to meet SCR	96%	94%	96%
Own Funds Eligible to meet MCR	90%	88%	89%



Composition of BOF



■ Share premium account

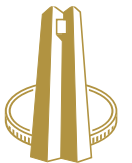
■ Reconciliation reserve

■ Subordinated liabilities

■ Retained earnings including profits for year net of foreseeable dividends

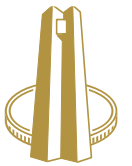
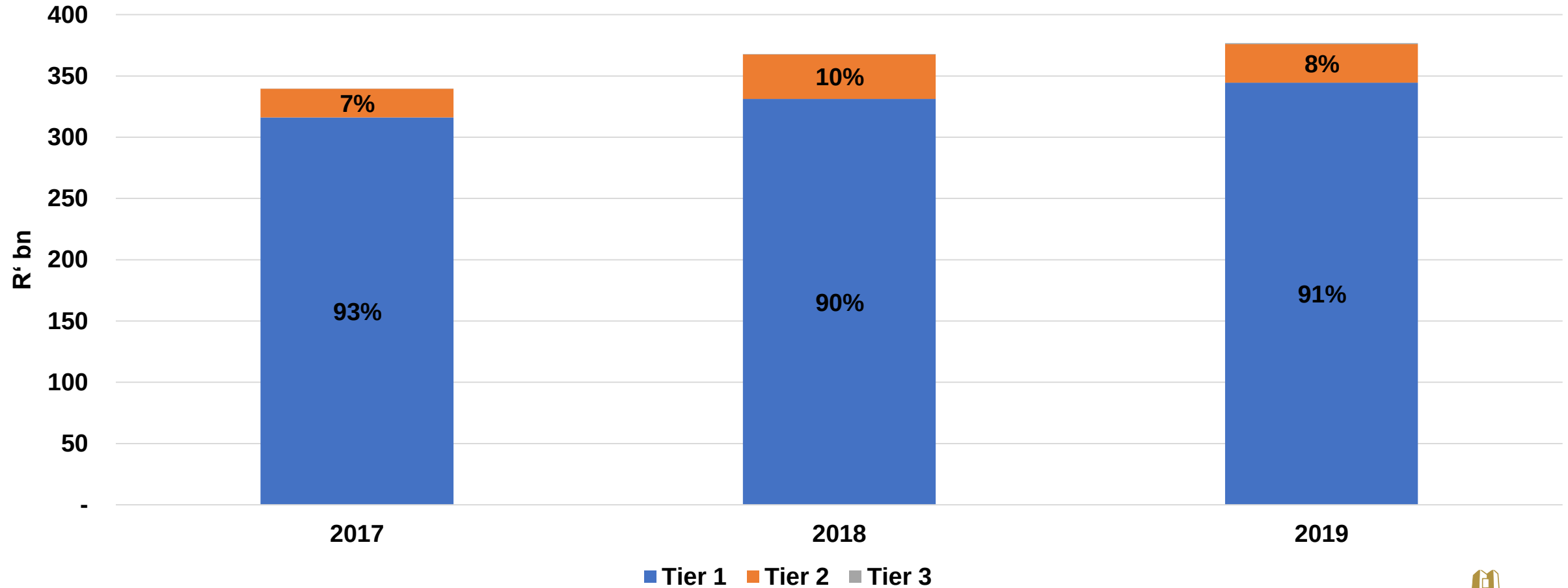
■ Surrender value gap (SVG excl. risk margin)

■ Other

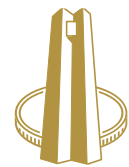
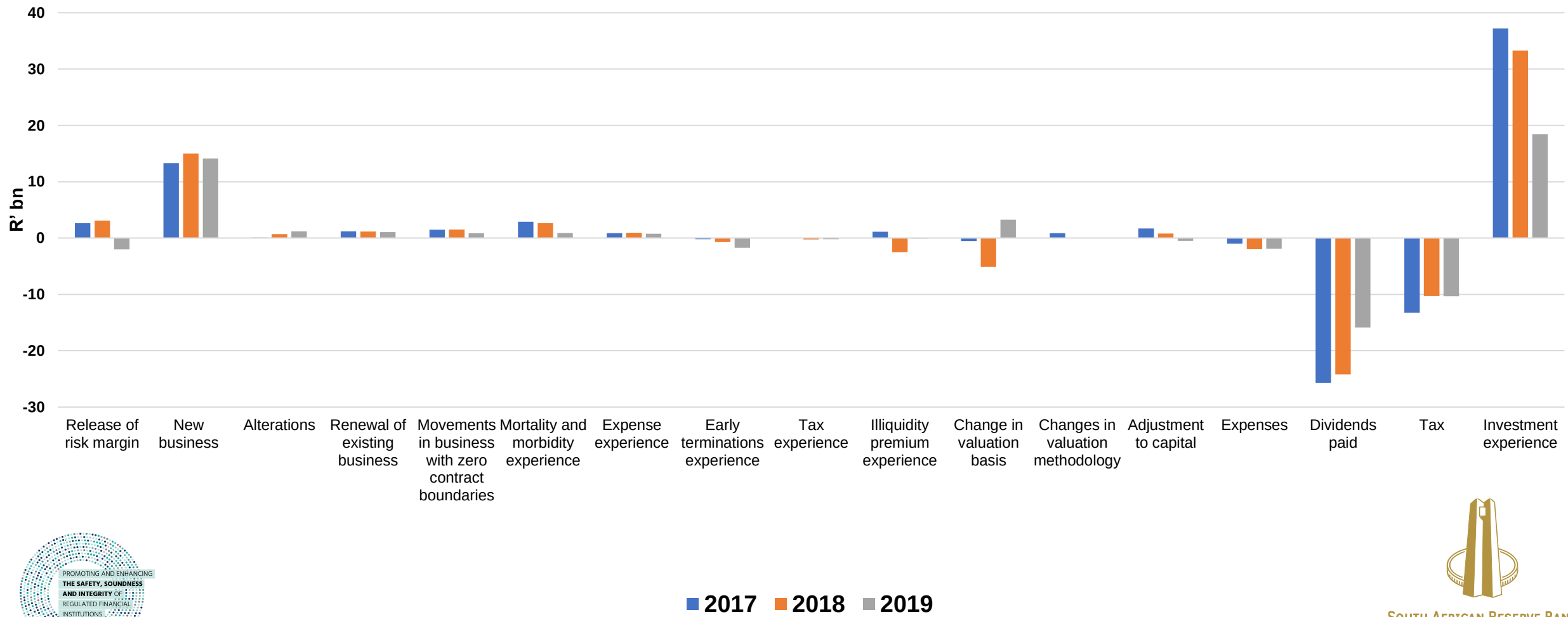


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Tiering of BOF

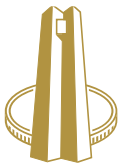


Analysis of Movement in BOF



Agenda

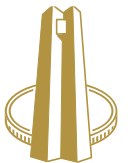
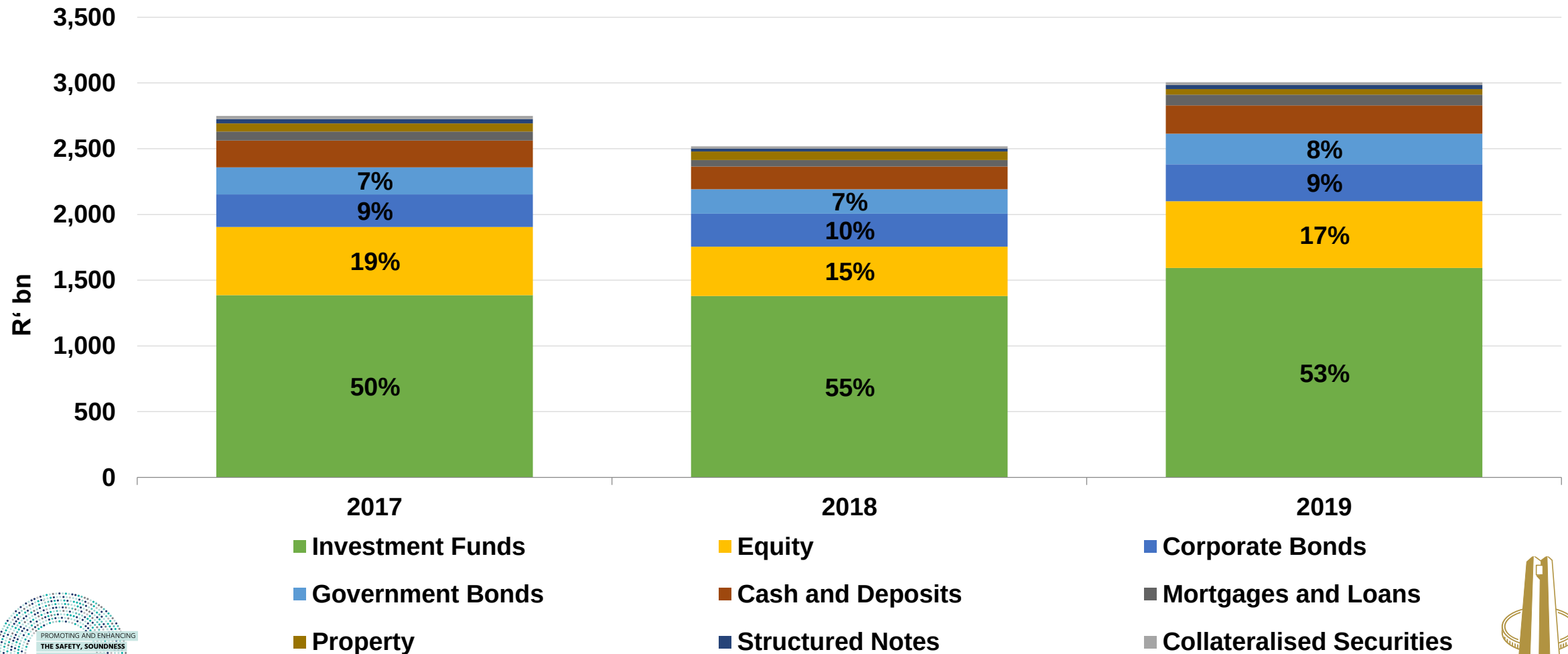
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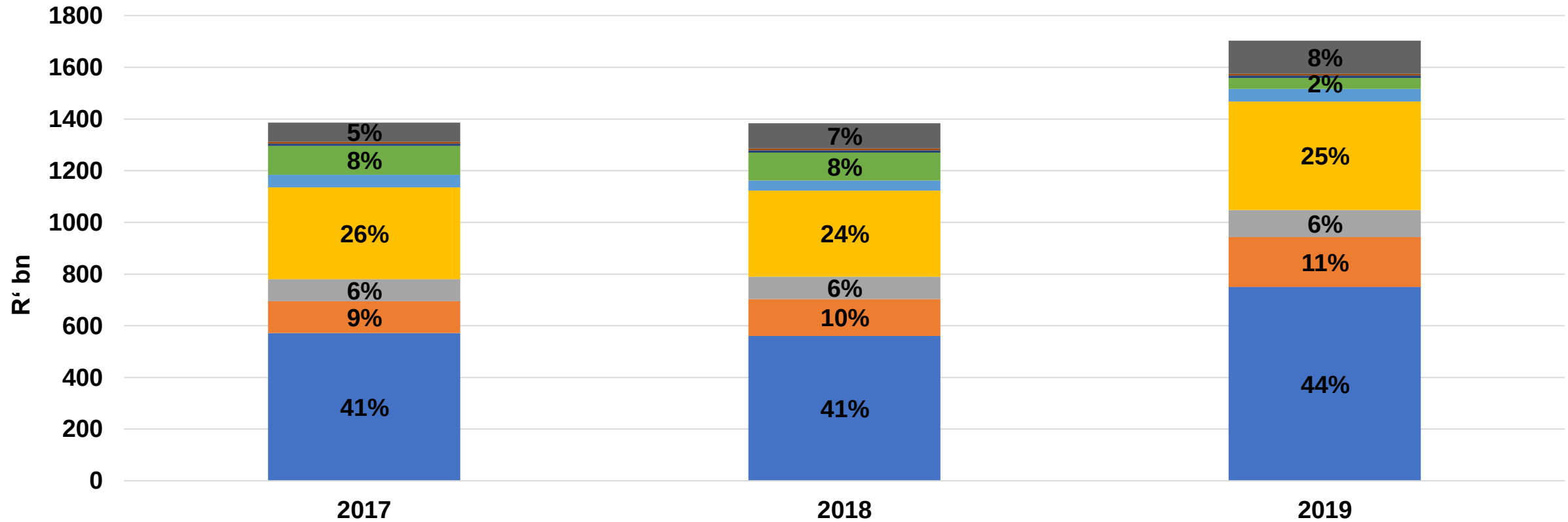
SOUTH AFRICAN RESERVE BANK

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Composition of Investments



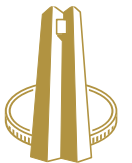
Composition of Investment Funds



■ Equity Funds
 ■ Asset Allocation Funds
 ■ Private Equity Funds

■ Debt Funds
 ■ Real Estate Funds
 ■ Infrastructure Funds

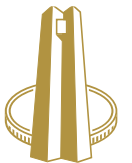
■ Money Market Funds
 ■ Alternative Funds
 ■ Other



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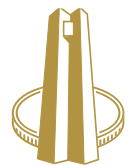
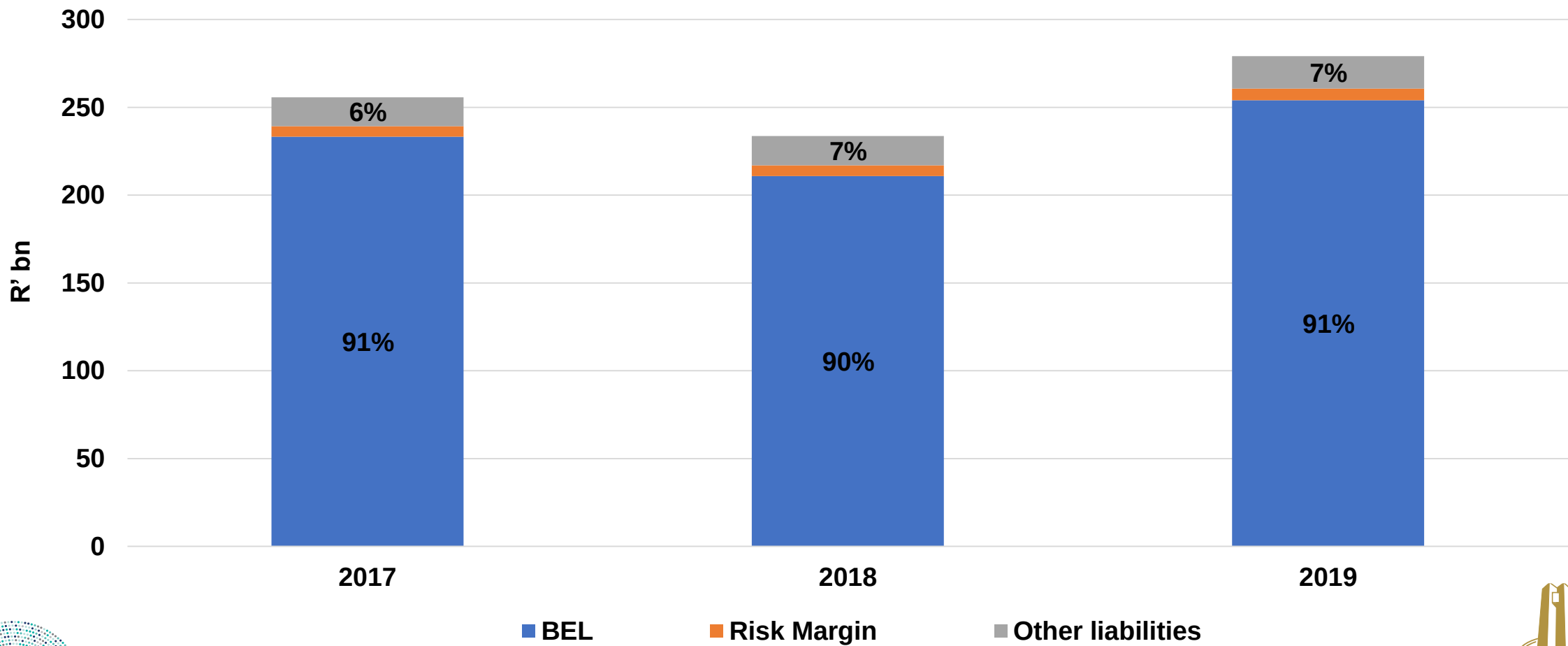
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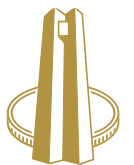
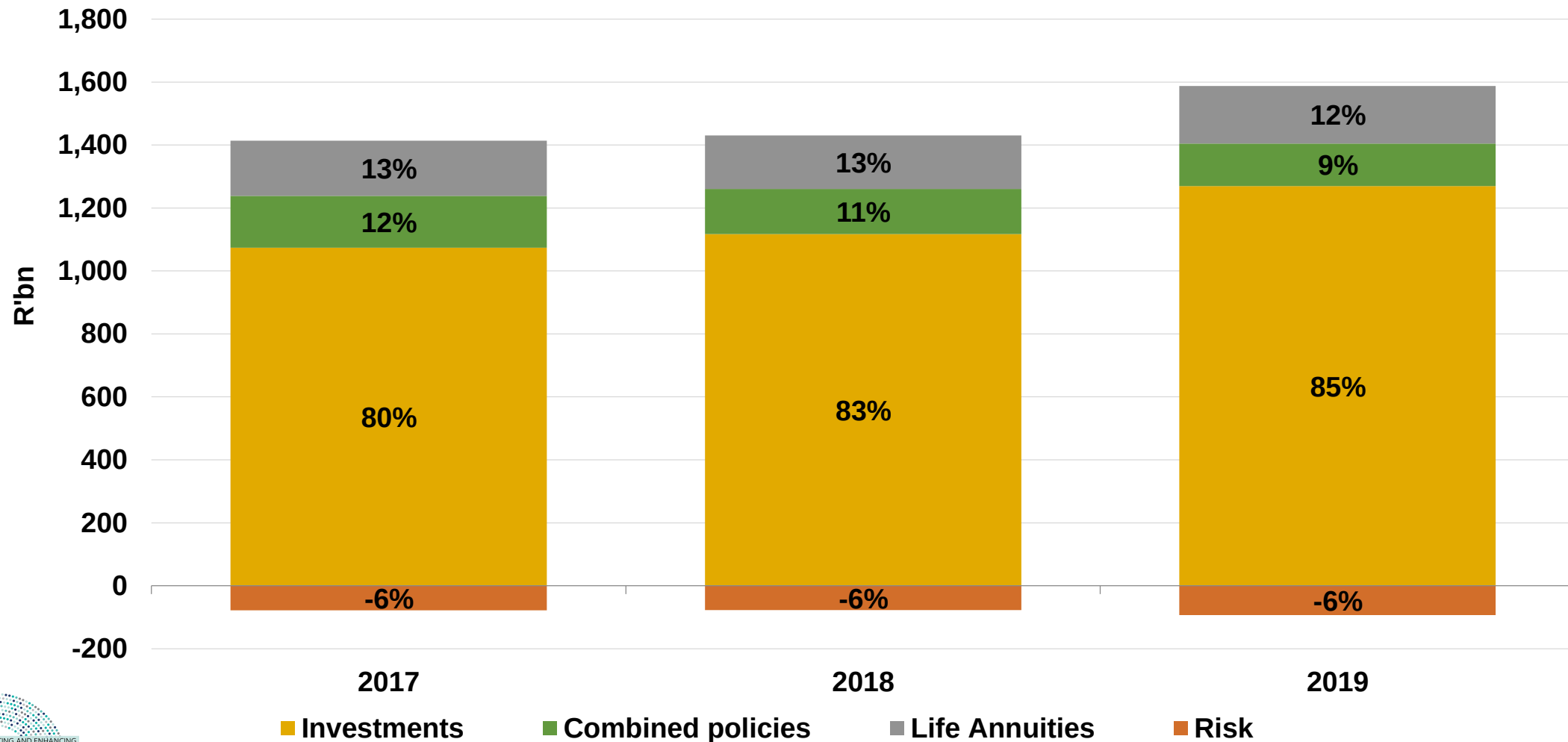
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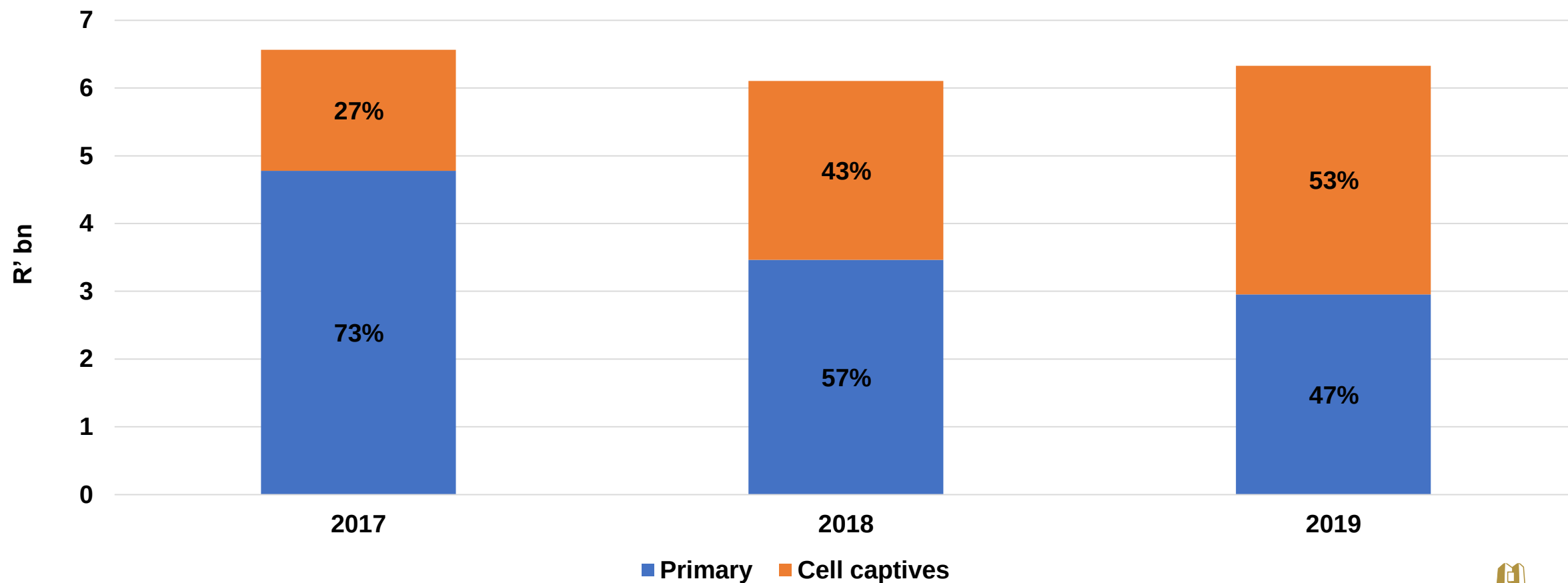
Total Liabilities



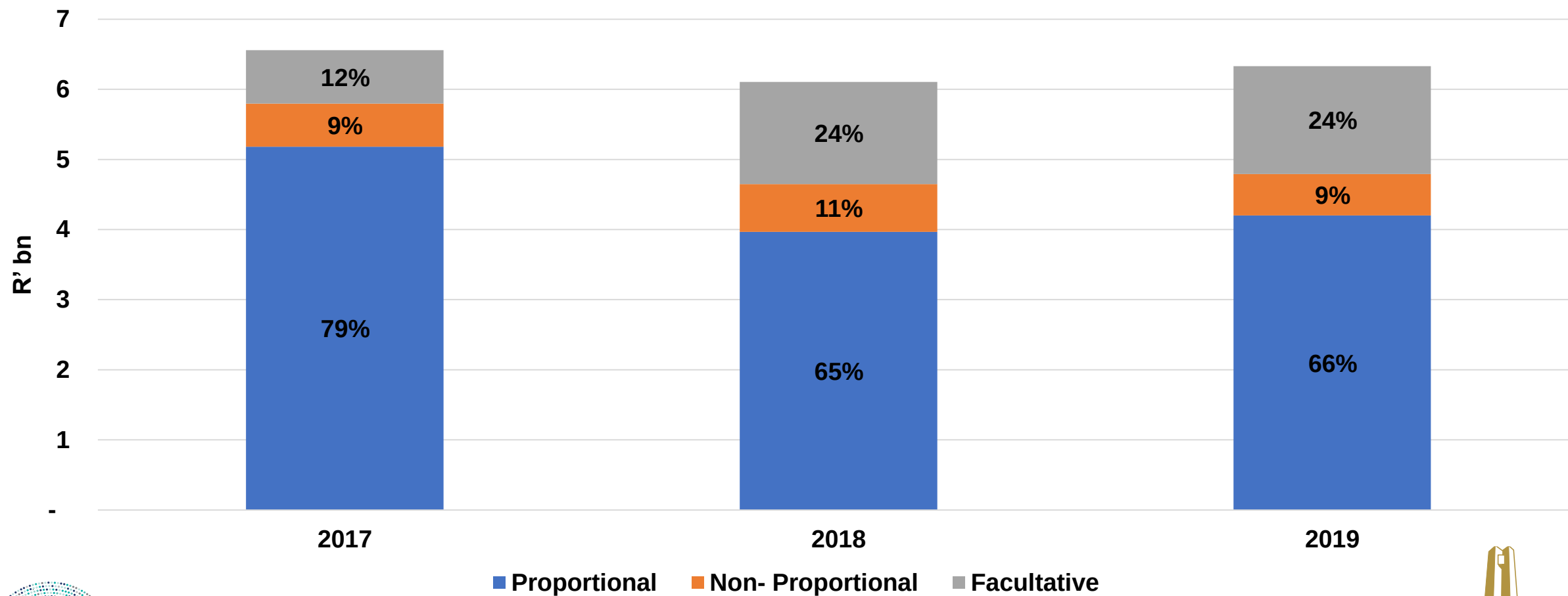
Technical Provisions by class of business



Reinsurance

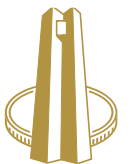


Type of Reinsurance



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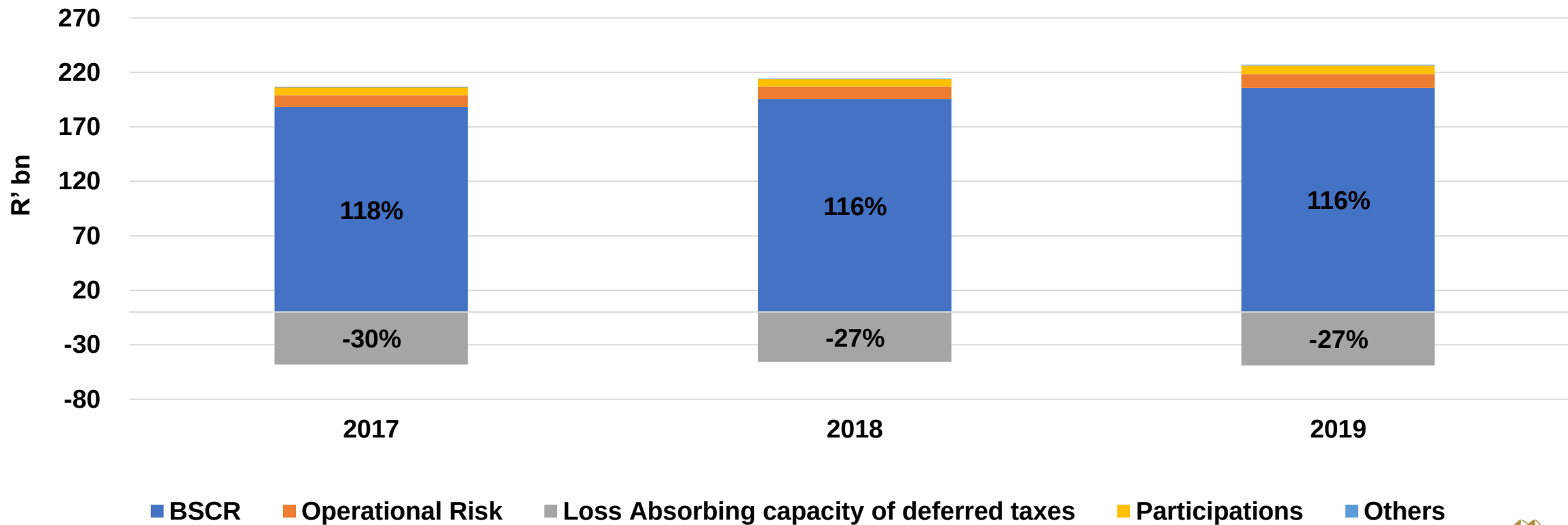
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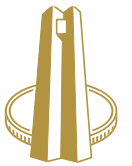
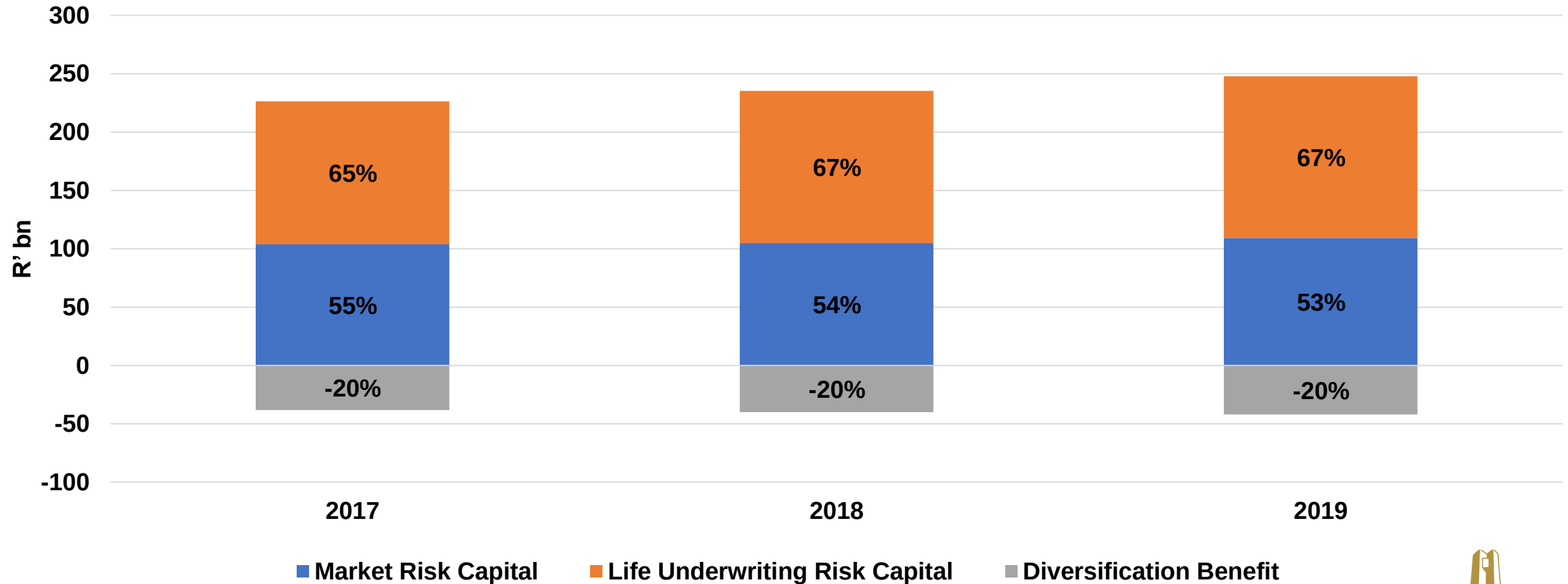
Prudential Authority

SCR Components

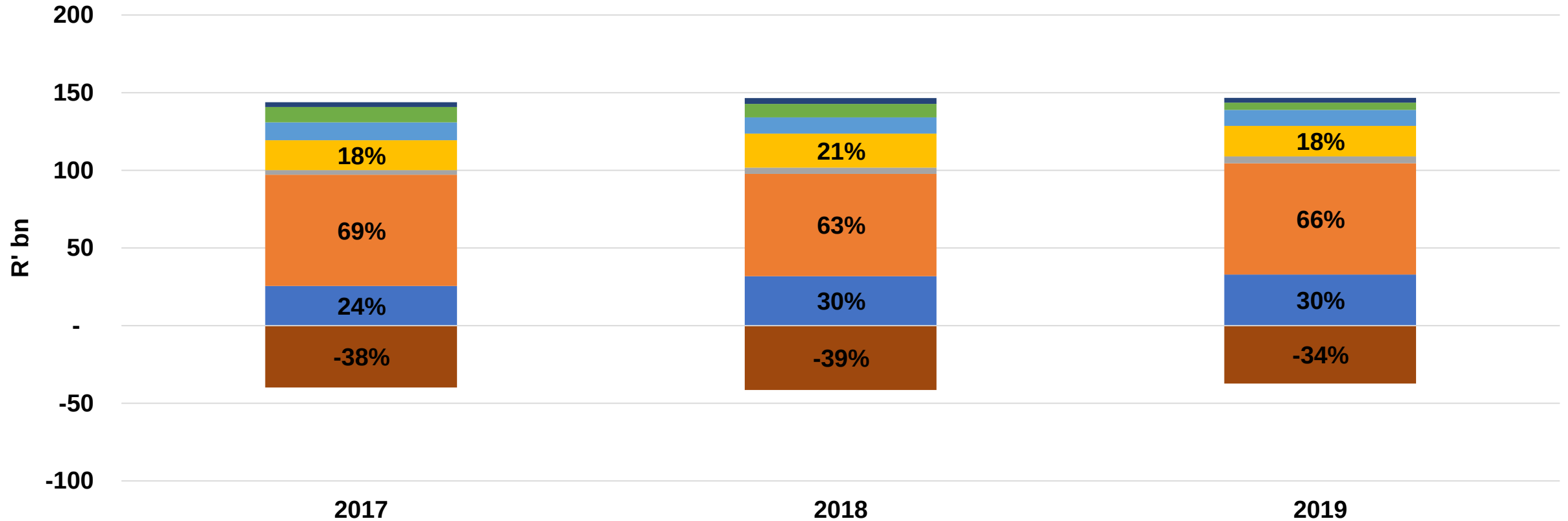


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BSCR Components



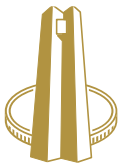
Market Risk Components



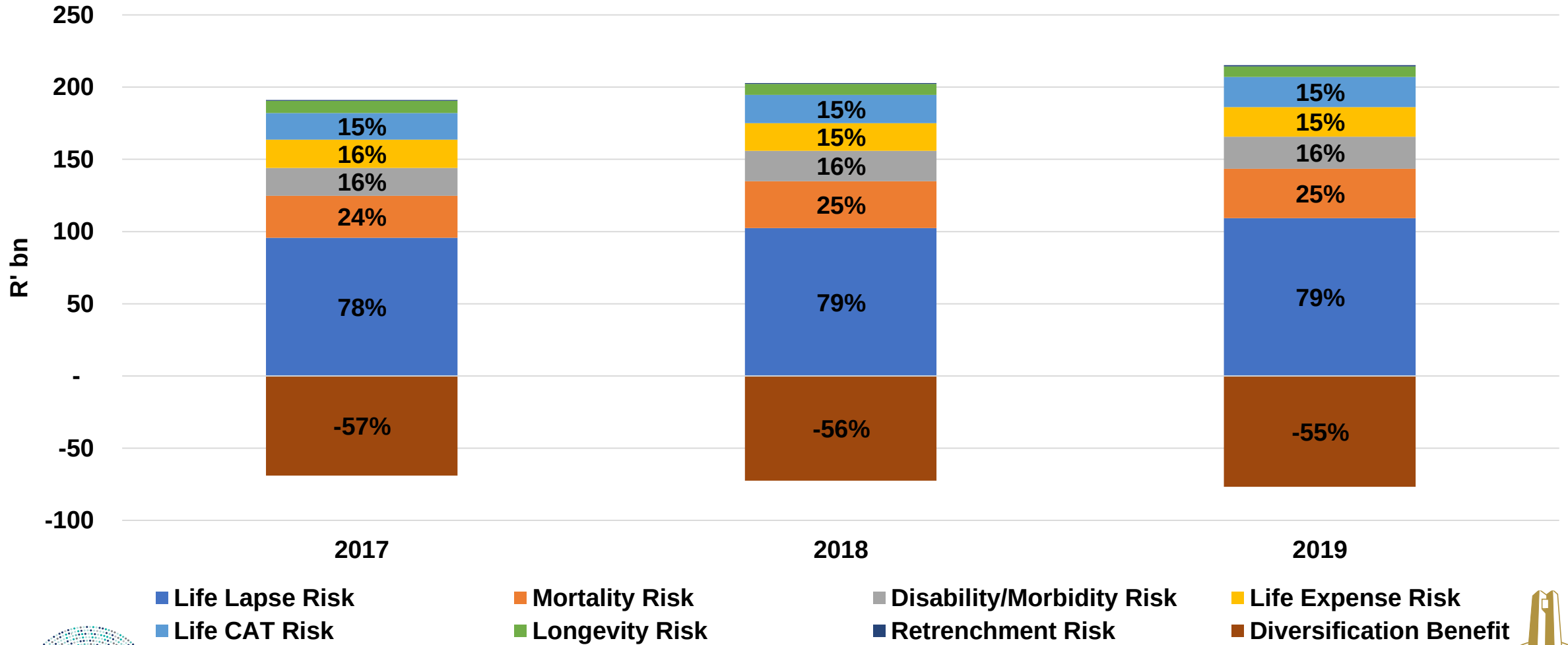
- Interest Rate Risk
- Spread & Counterparty Default Risk
- Other

- Equity Risk
- Currency Risk
- Diversification Benefit

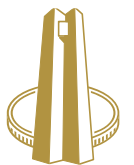
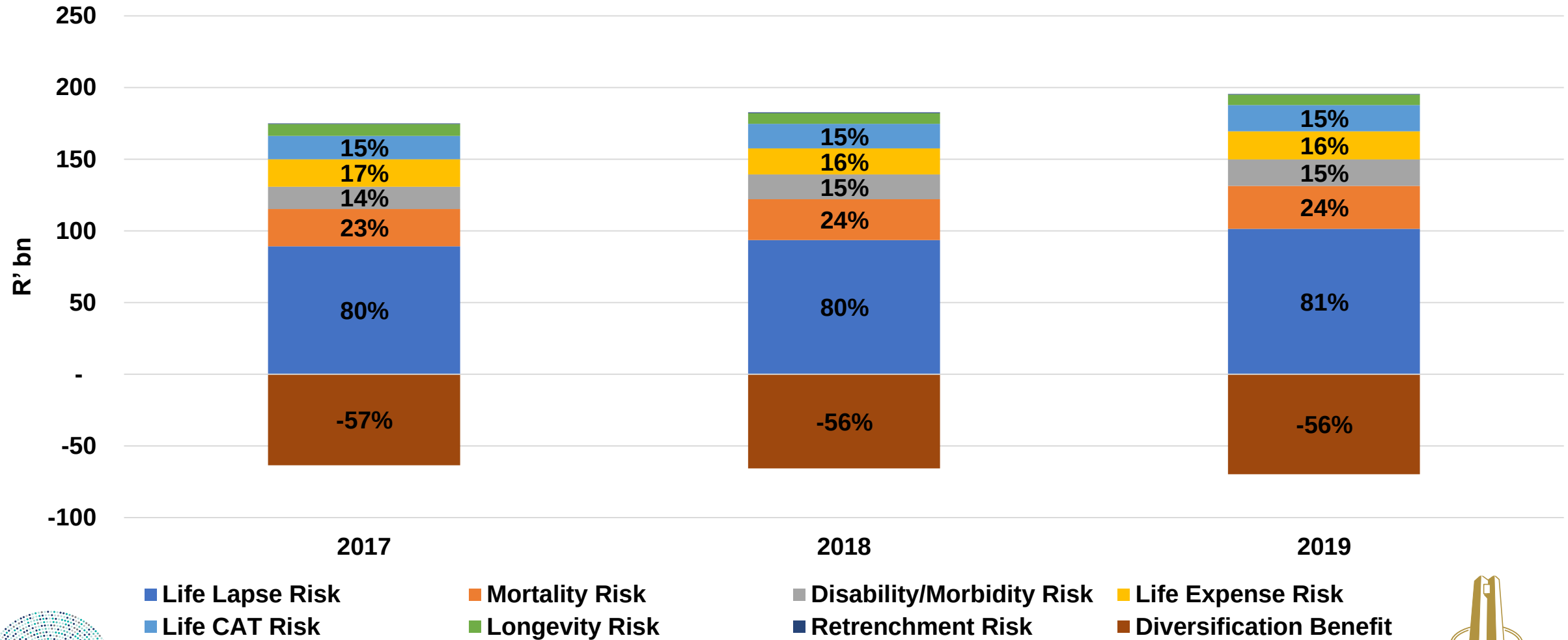
- Property Risk
- Concentration Risk



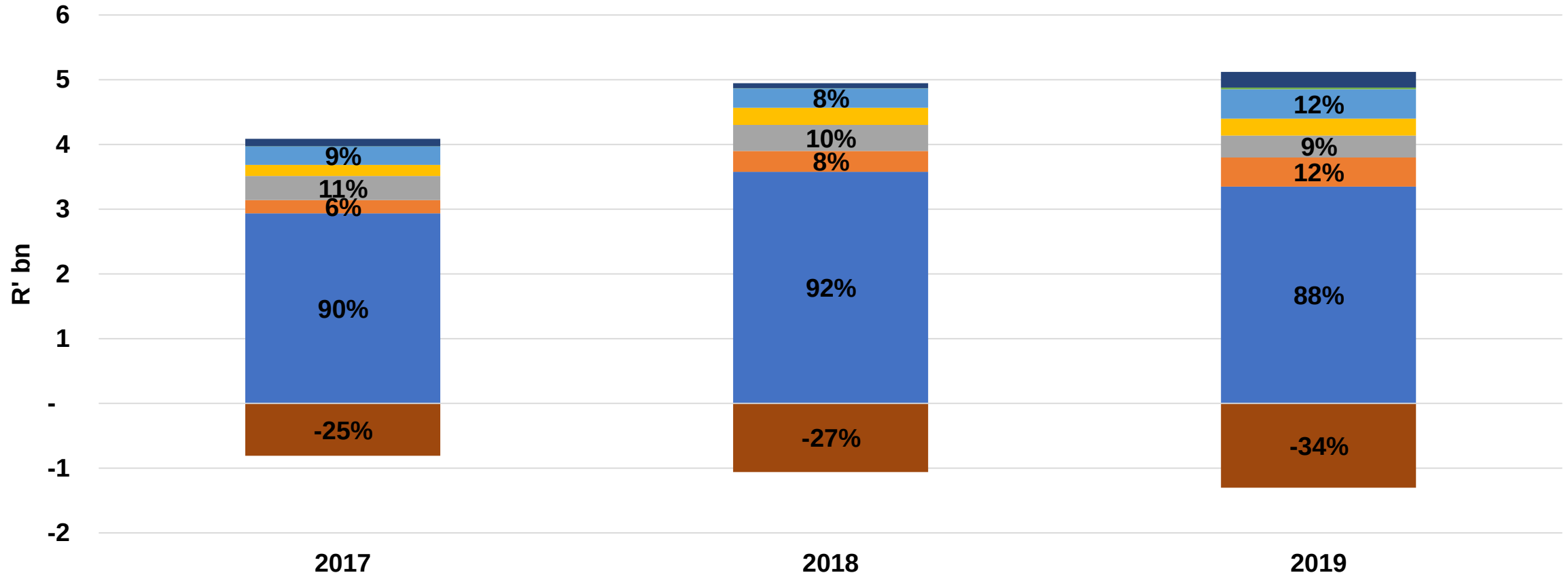
Life Underwriting Risk



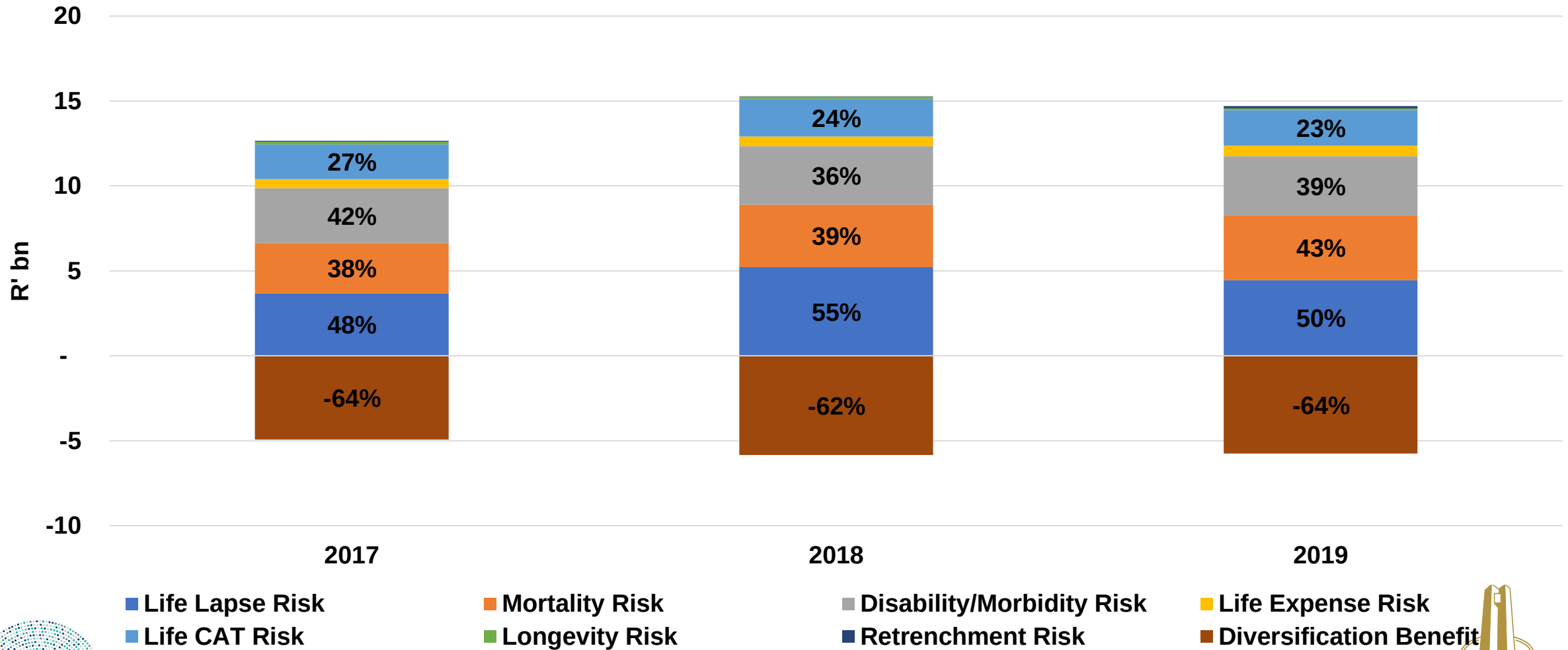
Life Underwriting Risk – Primary Insurers



Life Underwriting Risk – Cell Captives

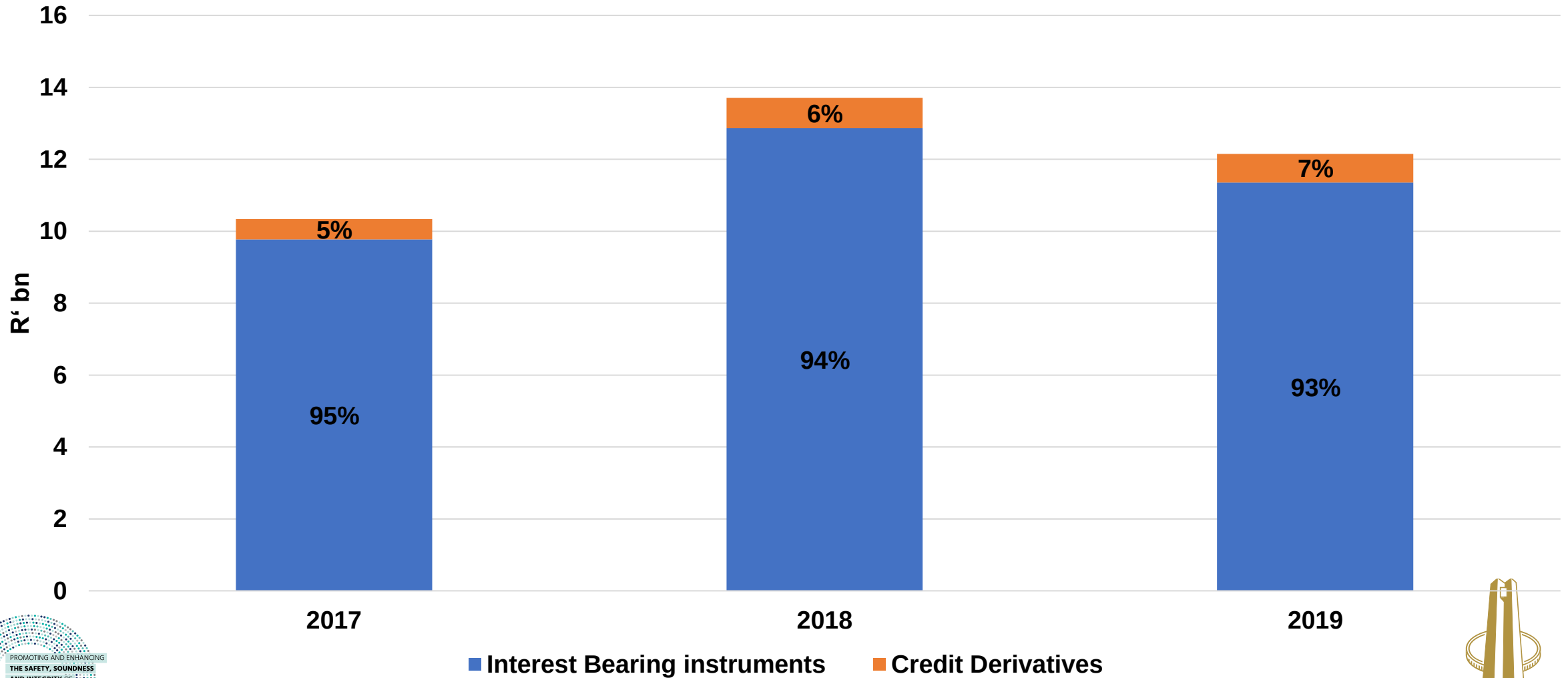


Life Underwriting Risk - Reinsurers

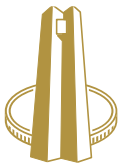
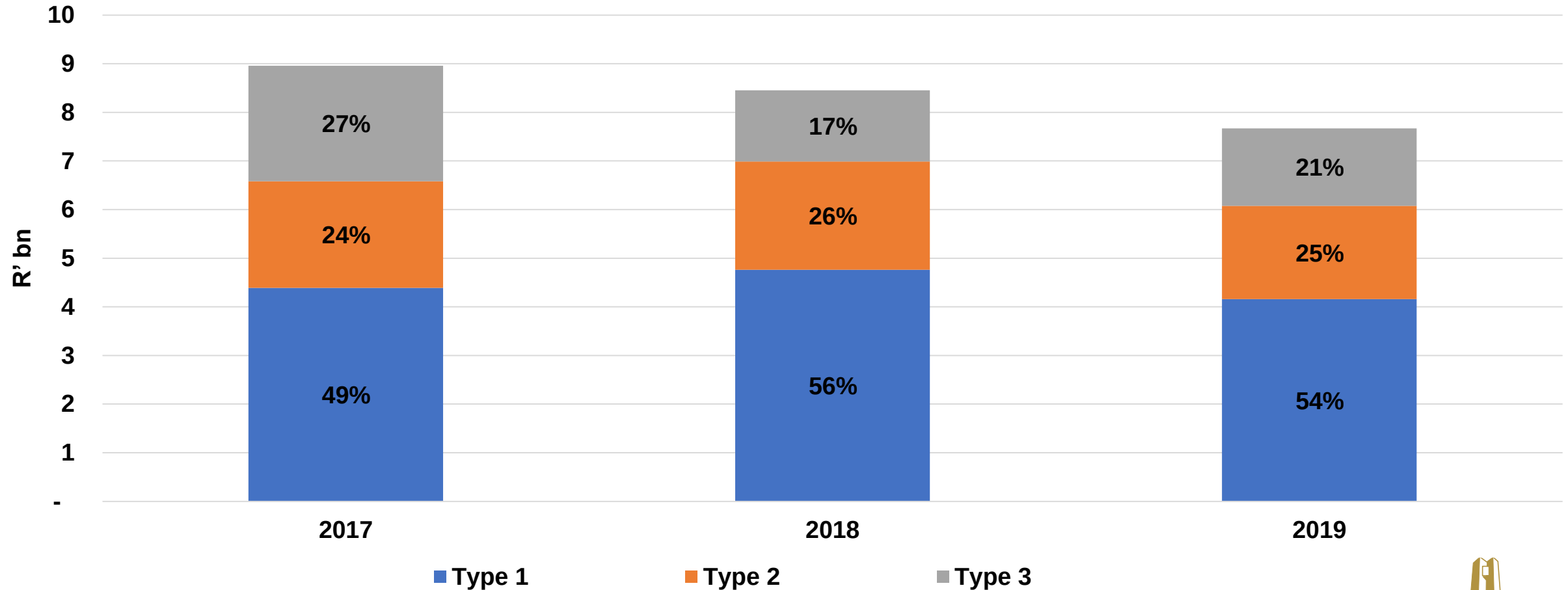


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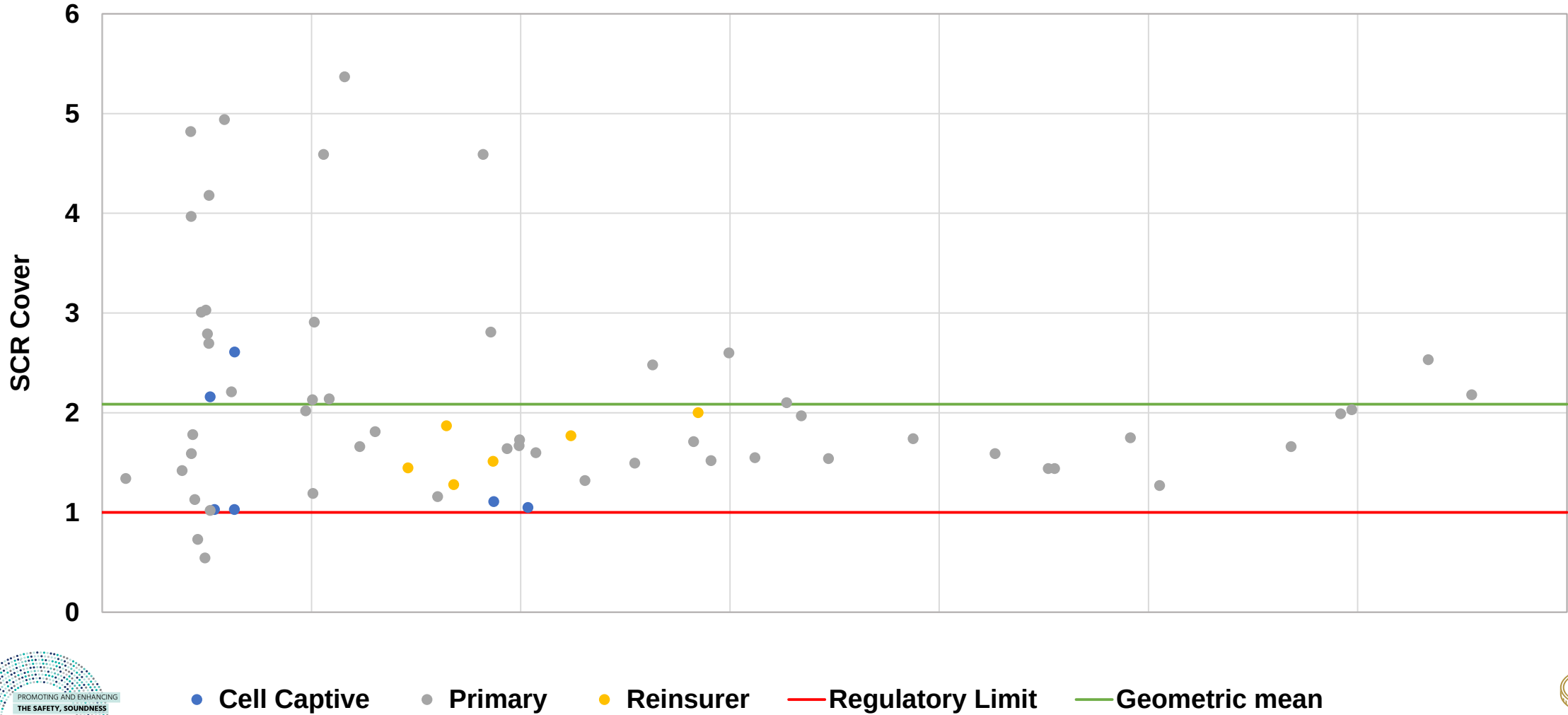
Spread Risk



Credit Default Risk



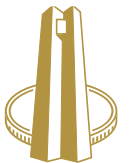
SCR Cover Distribution



Questions?

Contact Details:

Brian.mapaure@resbank.co.za
Dikeledi.matsimela@resbank.co.za



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