

Media Release

Association for Savings and Investment South Africa (ASISA)

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Life insurers pay claims and benefits worth R298 billion in the first half of 2024

South African life insurers paid R298 billion in claims and benefits to beneficiaries and policyholders in the first six months of 2024, according to the long-term insurance statistics released by the Association for Savings and Investment South Africa (ASISA). Payouts were for retirement annuity and endowment policy benefits, as well as claims against life, disability, critical illness and income protection policies.

Gareth Friedlander, a member of the ASISA Life and Risk Board Committee, says the R298 billion would have been paid to individuals following a tragic event like death or disability or a significant life stage change like retirement.

Despite the sizeable pay-outs, life insurers remained well-capitalised and in a solid position to honour the long-term contractual promises made to customers. Friedlander reports that the life insurance industry held assets of R4.3 trillion at the end of June 2024, while liabilities amounted to R3.9 trillion. This left the industry with free assets of R377 billion, more than double the reserve buffer required by the Solvency Capital Requirement (SCR). The SCR is regulated by the South African Reserve Bank's Prudential Authority and is designed to protect policyholders.

"The life industry has maintained resilient capital strength and stable reserves, even during the Covid years," says Friedlander. "Strong reserves provide policyholders with the peace of mind that the long-term insurance industry is in good health and that life insurers will be in a position to pay claims and policy benefits, even when extreme events like a pandemic result in unusually high claims."

The life industry in numbers

	June 2021	Dec 2021	June 2022	Dec 2022	June 2023	Dec 2023	June 2024
Assets held	R3.4 trillion	R3.7 trillion	R3.5 trillion	R3.7 trillion	R3.9 trillion	R4.1 trillion	R4.3 trillion
Liabilities	R3.1 trillion	R3.4 trillion	R3.2 trillion	R3.4 trillion	R3.6 trillion	R3.7 trillion	R3.9 trillion
Free assets	R335 billion	R351 billion	R336 billion	R347 billion	R364 billion	R366 billion	R377 billion
SCR ratio	1.97	1.96	2.04	1.96	2.05	2.07	2.05
Claims & benefits paid per half-year	R315 billion	R292 billion	R270 billion	R308 billion	R287 billion	R311 billion	R298 billion

Risk policies

At the end of June 2024, South African life insurers held 35.2 million risk policies for policyholders paying monthly premiums. Some 15 million were funeral policies, just over 7 million were credit life policies, and nearly 13 million were life, disability, severe illness, and income protection policies.

The ASISA statistics show a modest growth of 1.7% in recurring premium risk policies in the first six months of 2024.

Friedlander says while the increase in the number of recurring premium risk policies was slight, the growth was still a positive sign given the challenging economic environment. "By the second quarter of 2024, the official unemployment rate had climbed to 33.5%. In addition, consumers faced high living costs driven by high interest rates and increasing fuel and food prices. Against that backdrop, the increase in risk policy sales was encouraging."

According to Friedlander, any increase in life and disability policies is good news since most South African households remain severely underinsured. The 2022 ASISA Life and Disability Insurance Gap Study, conducted every three years, showed that South Africa's 14.3 million income earners had only enough life and disability insurance to cover 45% of the total insurance needs of their households. The average South African household supported by at least one income earner would, therefore, be forced to drastically cut living expenses should the earner die or become disabled, and no other source of income can be found.

Friedlander says it is concerning, therefore, that some 4.3 million recurring premium risk policies lapsed in the first half of 2024. This means that 4.3 million policyholders and their beneficiaries are now living either without risk cover or with reduced cover. A lapse occurs when the policyholder stops paying premiums for a risk policy with no accumulated fund value.

Savings policies

At the end of June 2024, some 5.1 million individual recurring premium savings policies (endowments and retirement annuities) were in force. While consumers took out 294 138 new recurring premium savings policies in the first six months of this year, policyholders also surrendered 287 707 recurring premium savings policies. A surrender occurs when the policyholder stops paying premiums and withdraws the fund value before maturity.

Friedlander comments that consumers are more likely to surrender their savings policies during tough times to cope with financial hardship.

Message to consumers

Friedlander says for many families job losses, rising living costs and more expensive debt have meant that their monthly expenses equal or exceed the joint household income. Instead of taking a holistic approach to managing their finances by carefully considering all options and devising a realistic plan to reduce expenses, a panic reaction often leads to lapsing valuable risk cover.

He says policyholders often do not consider that they may no longer be eligible for risk cover due to age or medical reasons once they have cancelled their cover. Even if risk cover is still an option at a later stage, it will almost always be more expensive because the policyholder is older.

Friedlander is cautiously optimistic that there is light at the end of the tunnel for consumers and encourages policyholders to hold on to their valuable insurance cover, if possible.

He says the recovery in the Rand strength, if sustained, will positively impact fuel prices, while the 0.25% interest rate cut, although small, will hopefully be the first of many, bringing relief to indebted consumers and stimulating economic growth. He adds that overall, sentiment seems to have changed for the positive following the peaceful transition to a Government of National Unity post the elections and the suspension of load-shedding.

Consumers struggling to make ends meet are encouraged to complete the [Financial Health Check](#) assessment on [SmartAboutMoney.co.za](#) and to use the [Budget Planner](#) and [Debt Repayment Calculator](#) to help with a viable financial plan. [SmartAboutMoney.co.za](#) is a consumer financial education website supported by ASISA.

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Issued on behalf of:

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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.