

The ASISA logo consists of the word "ASISA" in a white, bold, sans-serif font, centered within a dark purple rounded rectangle.

ASISA

2022 ASISA Insurance Gap Study

(commissioned by ASISA and
conducted by True South Actuaries & Consultants)

www.truesouth.co.za

October 2022



Agenda

- Context
- Methodology
- Insurance gap
- Responses
- Segments



Insurance gap =
R34.3 trillion
(A trillion has 12 zeros)

Context within the SA population landscape

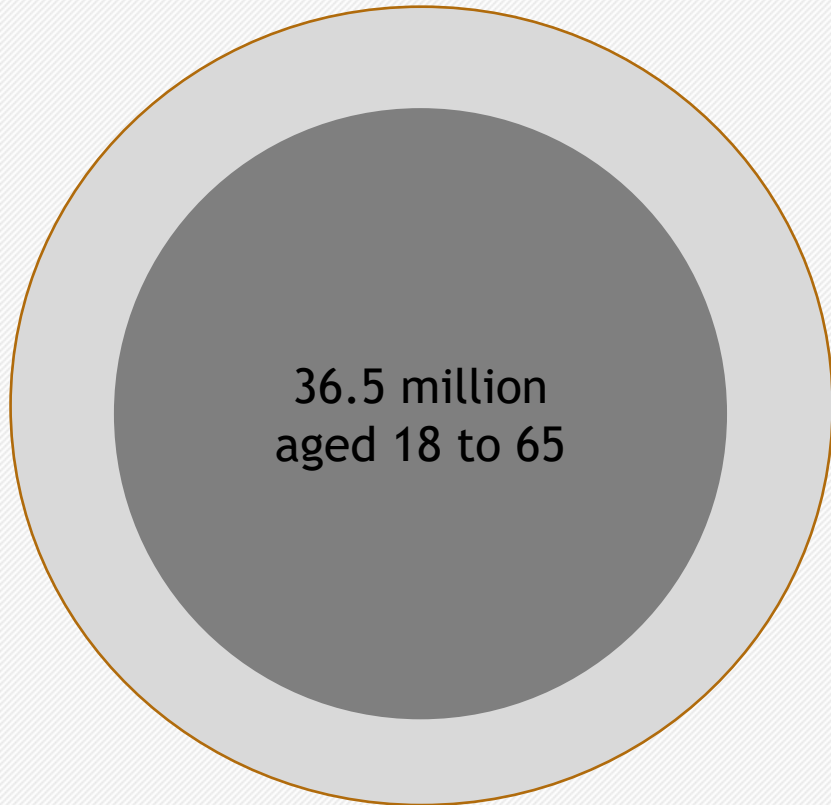
- Context
- Methodology
- Insurance gap
- Responses
- Segments

60.1 million people,
but how many earners?

60.1 million people in
South Africa

Context within the SA population landscape

- Context
- Methodology
- Insurance gap
- Responses
- Segments

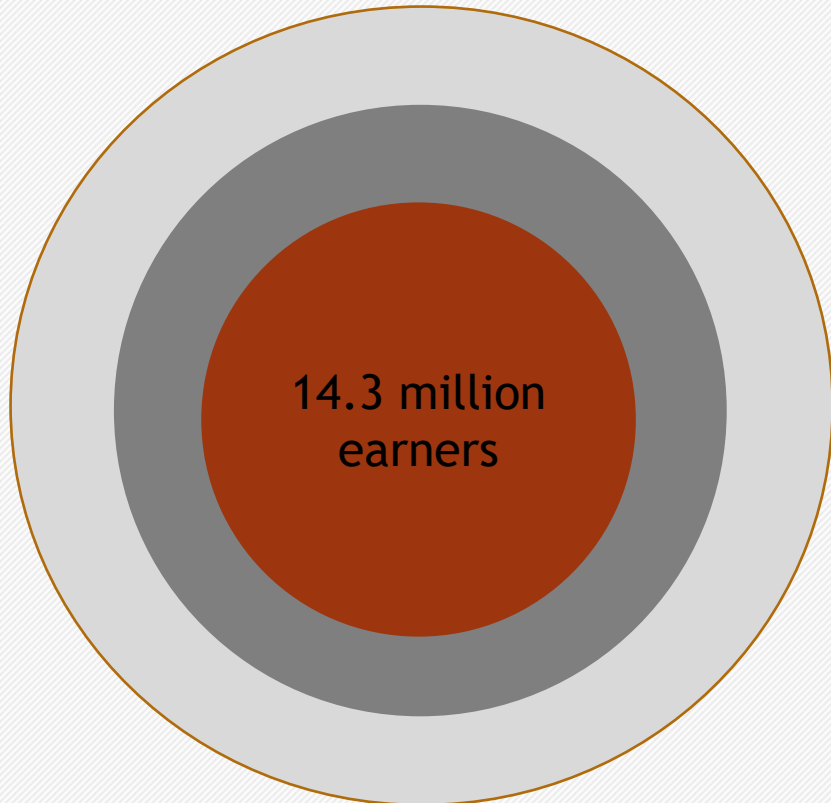


<18's: 33%
>60-65's: 6%

Context within the SA population landscape

- Context
- Methodology
- Insurance gap
- Responses
- Segments

Earners represent just less than $\frac{1}{4}$ of SA population



Context within the SA population landscape

- Context
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Age groups	Earners at end of 2018	Earners at end of 2021
Under 30	4.3m	3.7m
30-39	4.7m	4.3m
Over 40	6.6m	6.3m
Total	15.6m	14.3m

Earners that lost their jobs
1-in-7
1-in-11
1-in-25
1-in-12

1-in-12 earners lost their jobs from the end of 2018 to 2021

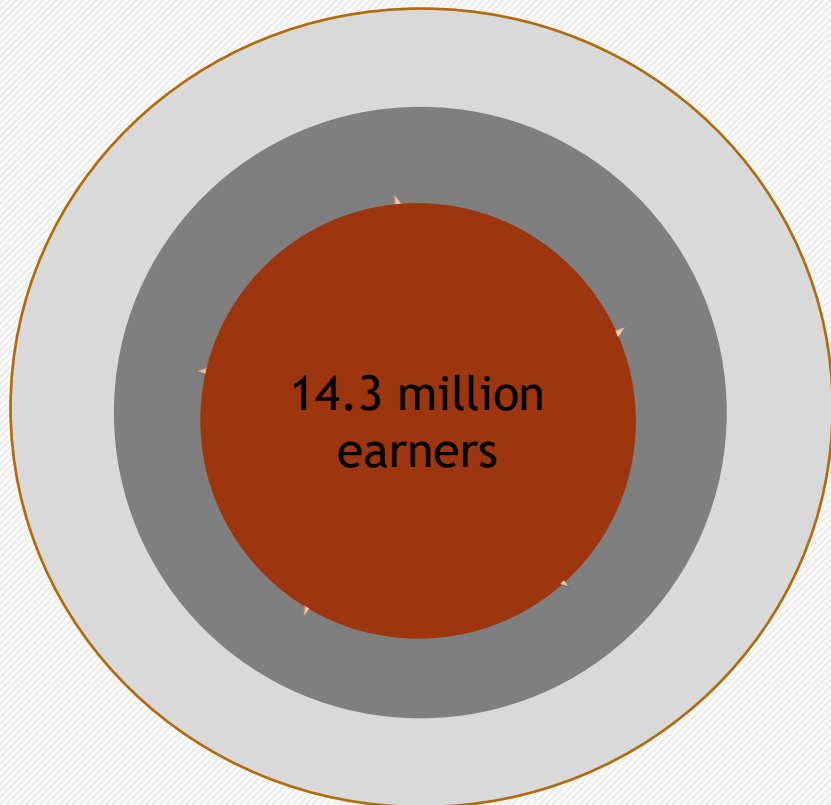
Education groups	Earners at end of 2018	Earners at end of 2021
PS or lower	1.7m	1.2m
Some HS	5.7m	4.9m
Matric/Diploma/Degree	8.2m	8.1m
Total	15.6m	14.3m

Earners that lost their jobs
1-in-3
1-in-8
Negligible
1-in-12

Context within the SA population landscape

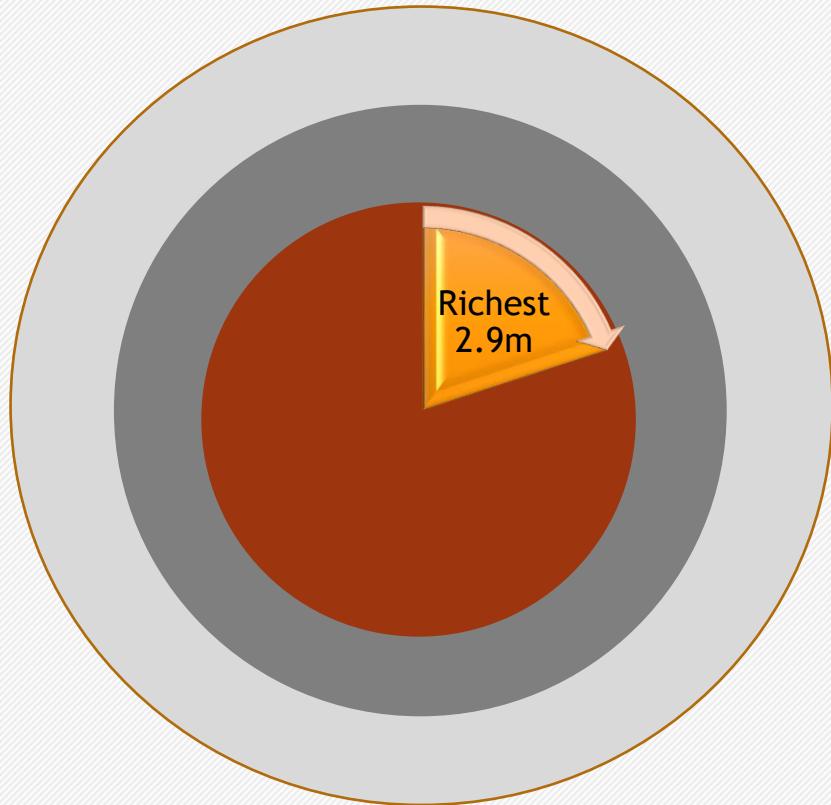
- Context
- Methodology
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Diversity in SA: difficult to grasp “Average Earner”



Methodology of estimating the insurance gap

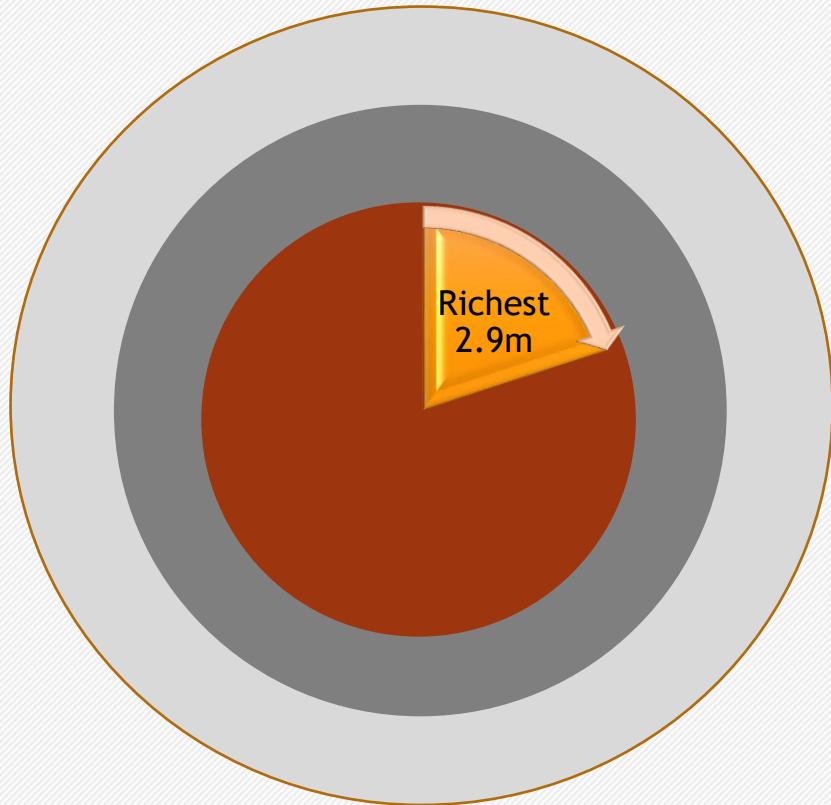
- Context
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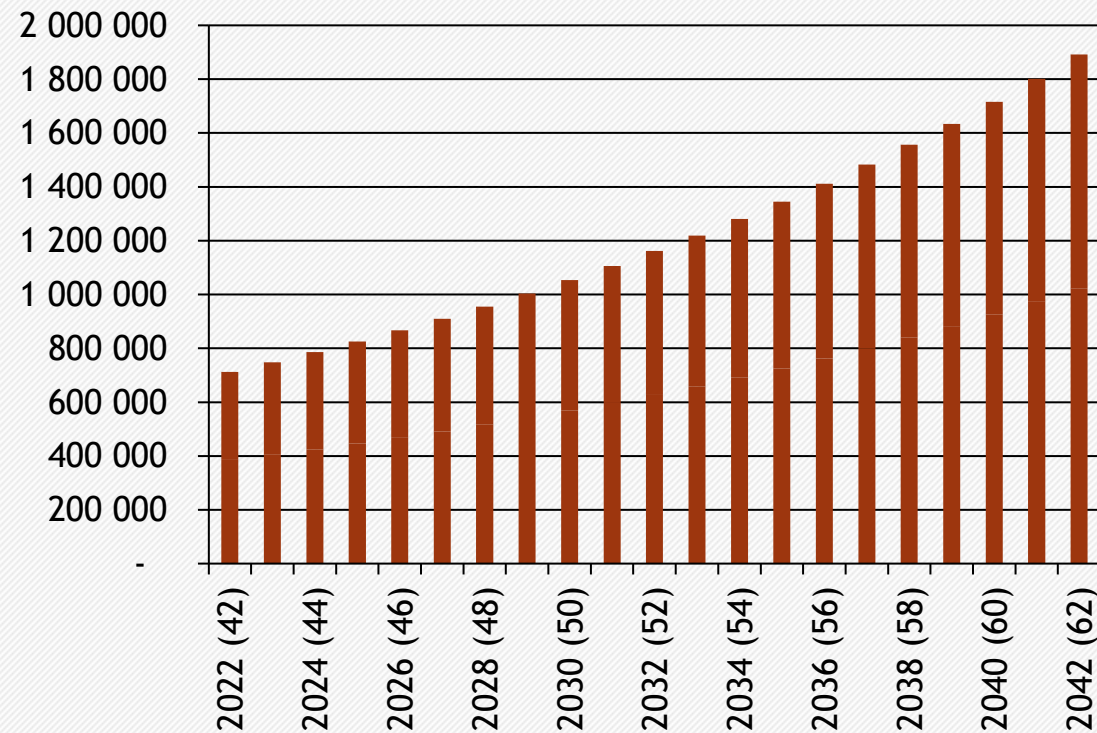
Consider 20% (R2.9m)
richest SA earners
(as an example)

Methodology of estimating the insurance gap

- Context
- Methodology
- Insurance gap
- Responses
- Segments



Average expected earnings profile



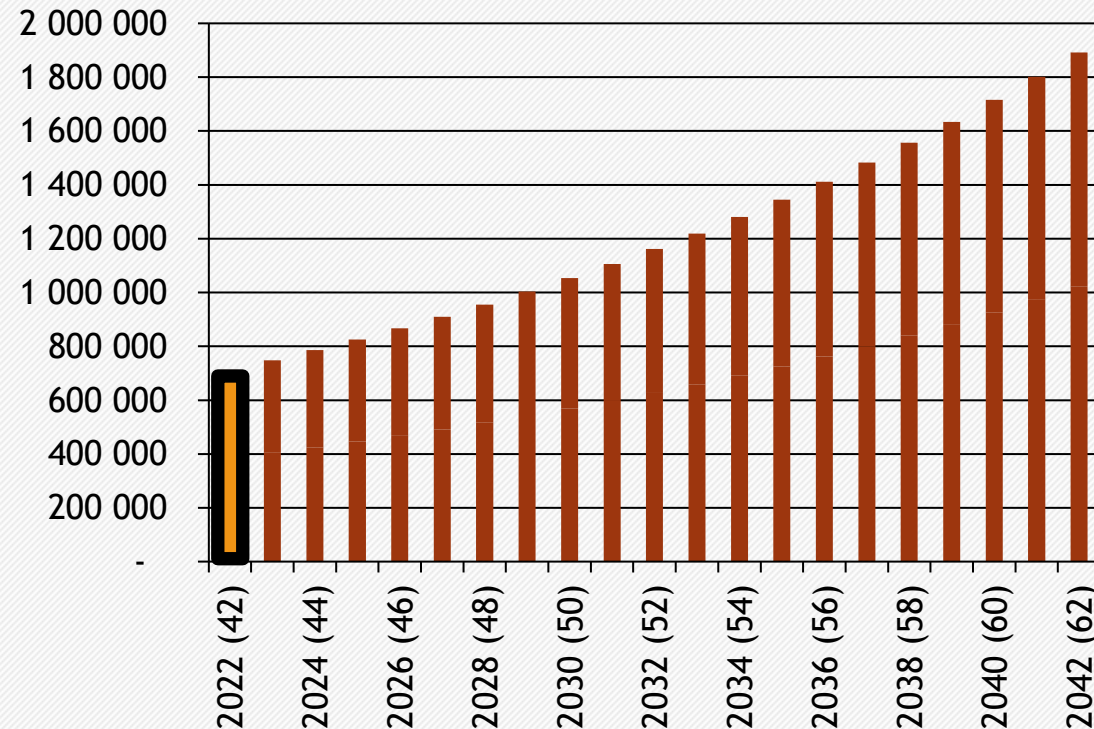
Methodology of estimating the insurance gap

Insurance need: How much insurance is needed?

- Context
- Methodology
- Insurance gap
- Responses
- Segments

20% Richest SA earners earn R713k p.a.

Need for insurance	
Earnings	R0.7m



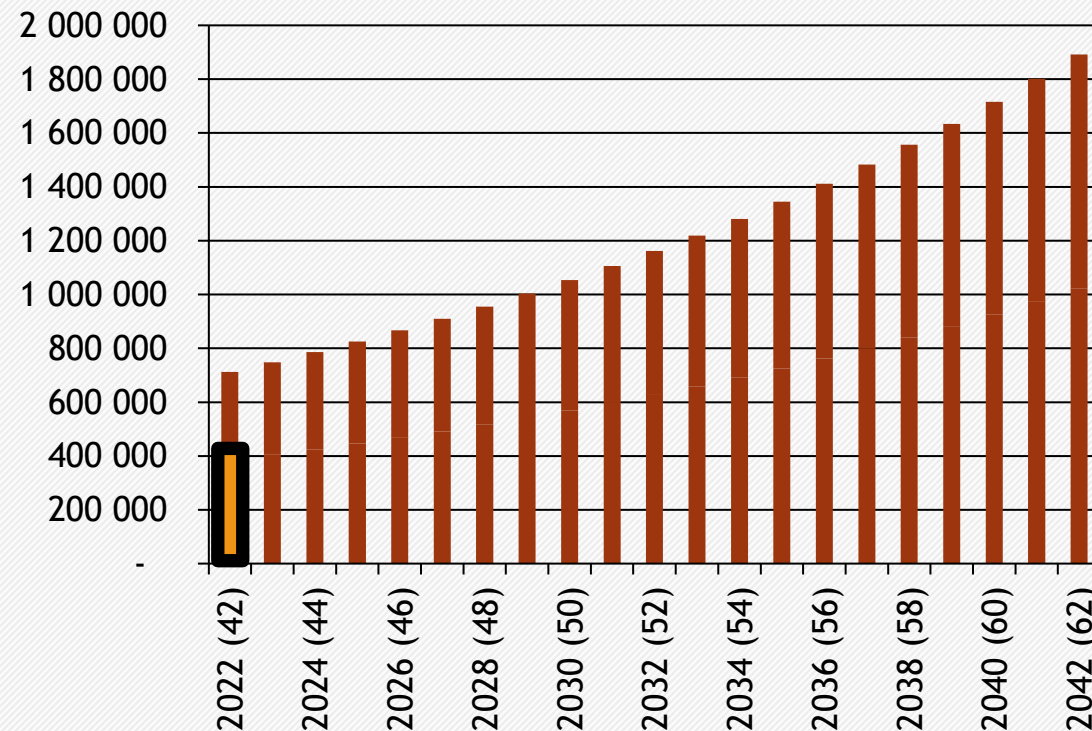
Methodology of estimating the insurance gap

Insurance need: How much insurance is needed?

- Context
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On average 54% of earnings at risk

Need for insurance	
Earnings	R0.7m
Replacement requirement	54%



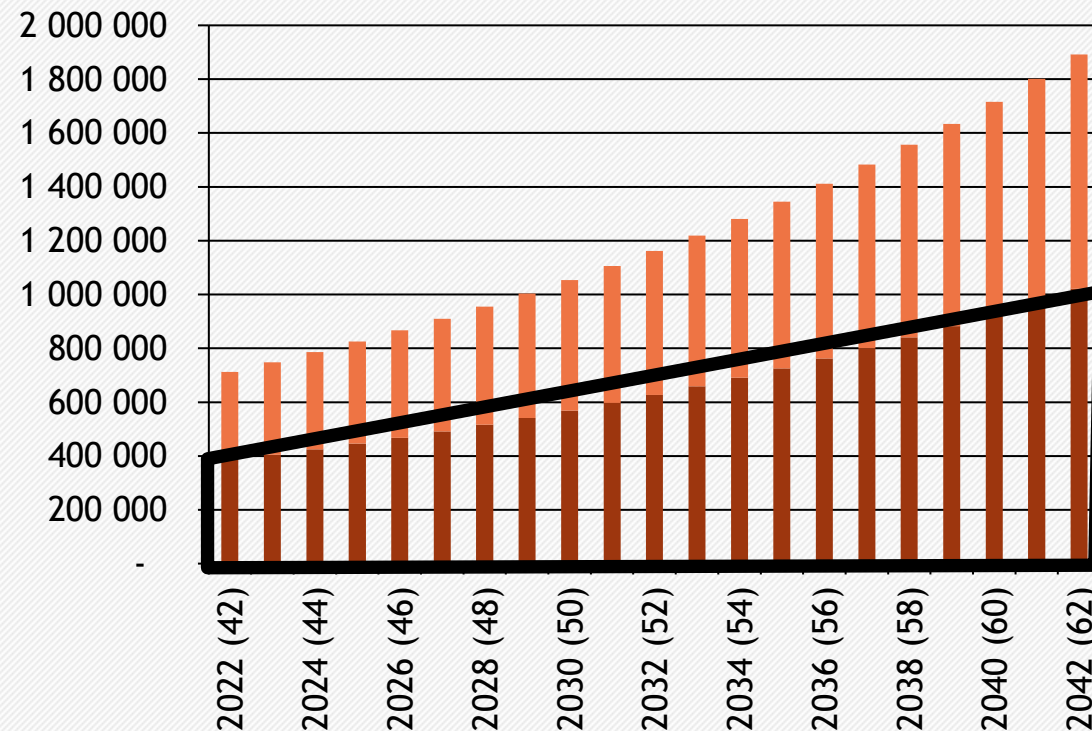
Methodology of estimating the insurance gap

Insurance need: How much insurance is needed?

- Context
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All future years need to be provided for

Need for insurance	
Earnings	R0.7m
Replacement requirement	54%
Capitalisation factor	13.6



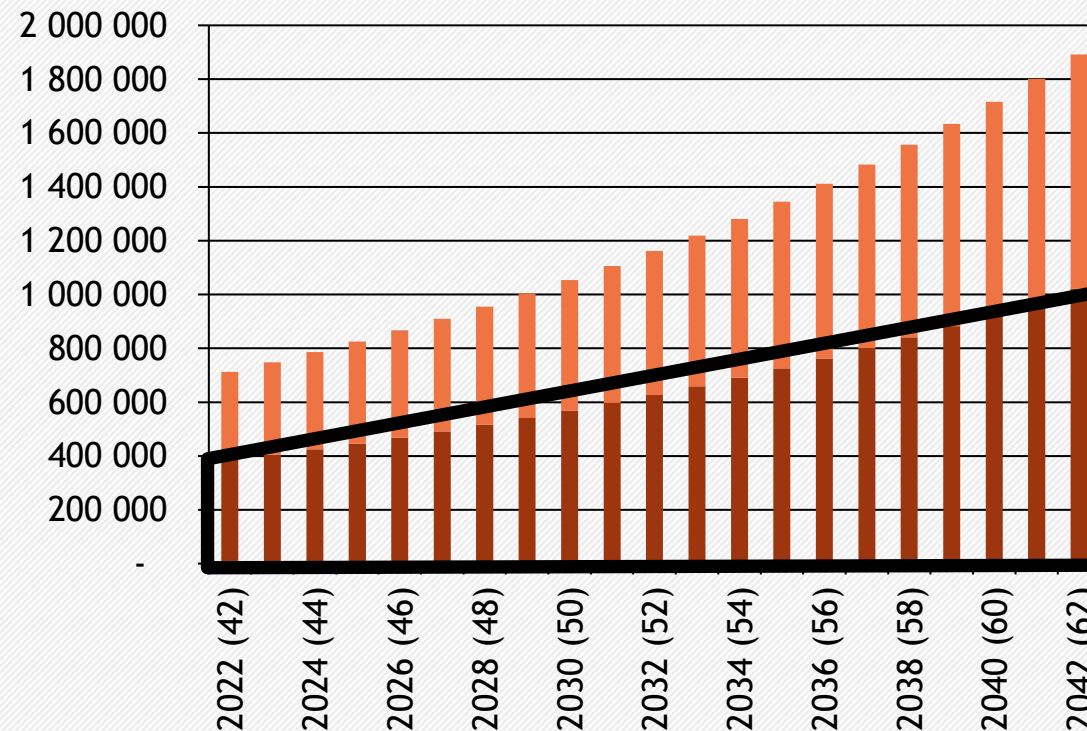
Methodology of estimating the insurance gap

Insurance need: How much insurance is needed?

- Context
- Methodology
- Insurance gap
- Responses
- Segments

At the “high end”, average need for life insurance: R5.3m ...

Need for insurance	
Earnings	R0.7m
Replacement requirement	54%
Capitalisation factor	13.6
Insurance need	R5.3m



Methodology of estimating the insurance gap

Actual cover: Total insurance cover

- Context
- Methodology
- Insurance gap
- Responses
- Segments

... but average actual life insurance cover is only R3.2m

Need for insurance	
Earnings	R0.7m
Replacement requirement	54%
Capitalisation factor	13.6
Insurance need	R5.3m

Actual insurance	
Retail	R2.0m
Group Life	R1.1m
Government grants	R0.0m
Total	R3.2m

Methodology of estimating the insurance gap

Insurance gap = Insurance need - Actual cover

- Context
- Methodology
- Insurance gap
- Responses
- Segments

**Average death gap:
R2.1m per earner (Those earning > R713k)**

Need for insurance	
Earnings	R0.7m
Replacement requirement	54%
Capitalisation factor	13.6
Insurance need	R5.3m

Actual insurance	
Retail	R2.0m
Group Life	R1.1m
Government grants	R0.0m
Total	R3.2m

$R5.3m - R3.2m = R2.1m$

Average death insurance gap for richest 20% of SA earning population

Insurance gap: R14.4tn death gap

- Context
- Methodology
- Insurance gap
- Responses
- Segments

**Average death gap:
R2.1m per earner (Those earning > R713k)**

	Average Need	Average Actual	Average Gap	Number people	Total GAP	Adequacy of cover
Poorest 20%	R0.1m	R0.01m	R0.1m	2.9m	R0.4tn	6%
Next 20%	R0.6m	R0.05m	R0.5m	2.9m	R1.4tn	9%
Next 20%	R1.1m	R0.2m	R0.9m	2.9m	R2.5tn	16%
Next 20%	R2.0m	R0.6m	R1.4m	2.9m	R4.0tn	29%
Richest 20%	R5.3m	R3.2m	R2.1m	2.9m	R6.0tn	60%
Total					R14.4tn	44%

Insurance gap: R19.9tn disability gap

- Context
- Methodology
- Insurance gap**
- Responses
- Segments

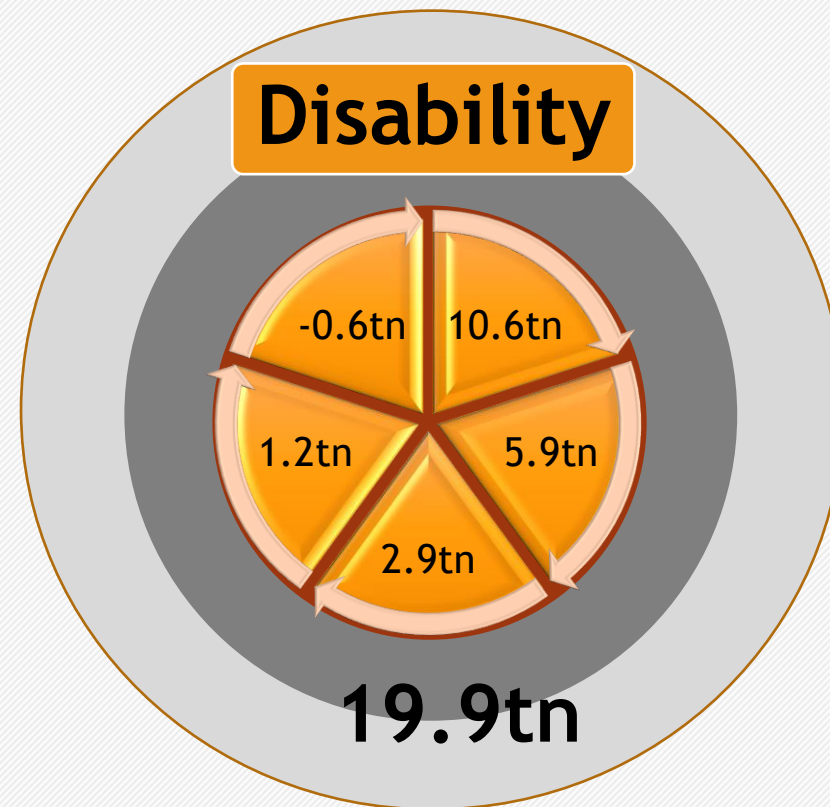
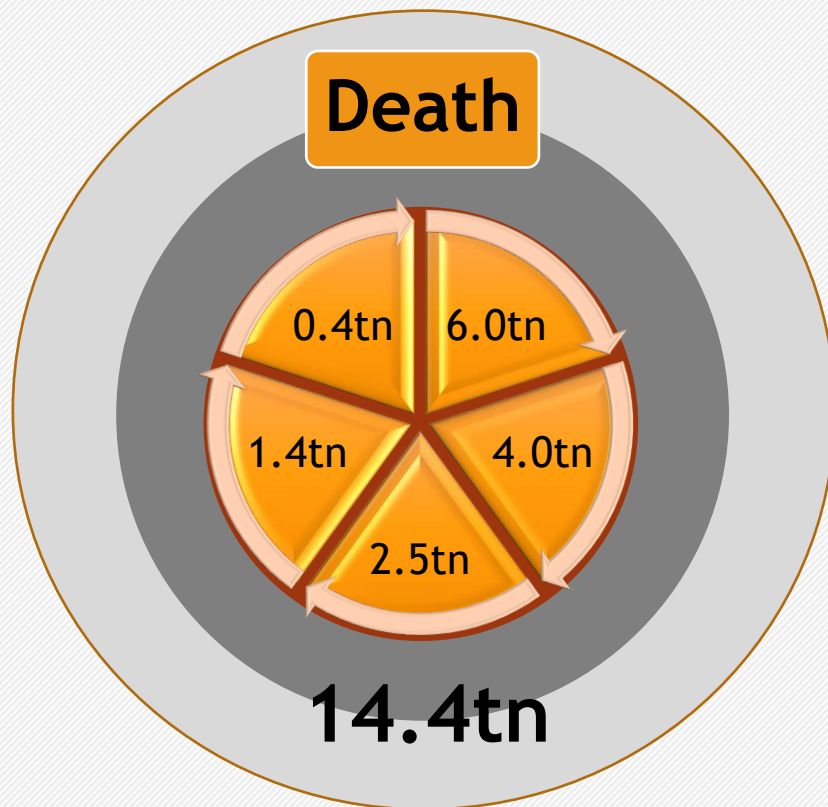
R1 trillion: Stack of R100 notes from Cape Town to Bloemfontein

	Average Need	Average Actual	Average Gap	Number people	Total GAP	Adequacy of cover
Poorest 20%	R0.3m	R0.5m	R-0.2m	2.9m	-R0.6tn	>100%
Next 20%	R0.9m	R0.5m	R0.4m	2.9m	R1.2tn	56%
Next 20%	R1.6m	R0.6m	R1.0m	2.9m	R2.9tn	38%
Next 20%	R3.0m	R0.9m	R2.1m	2.9m	R5.9tn	31%
Richest 20%	R7.2m	R3.4m	R3.7m	2.9m	R10.6tn	48%
Total					R19.9tn	46%

Insurance gap: R34.3tn death & disability gap

- Context
- Methodology
- Insurance gap
- Responses
- Segments




Death Gap: R14.4tn Disability : R19.9tn Total: R34.3tn



Responses to the insurance gap

- Context
- Methodology
- Insurance gap
- Responses
- Segments

Reactive responses to the insurance gap include cutting expenses or seeking additional employment after the death/disability event.

			Death	Disability
	Buy insurance	(% earnings)	4.5%	2.6%
	Cut expenses	(% reduction)	30%	33%
	Seek Employment	(extra income)	R5 630	R7 443

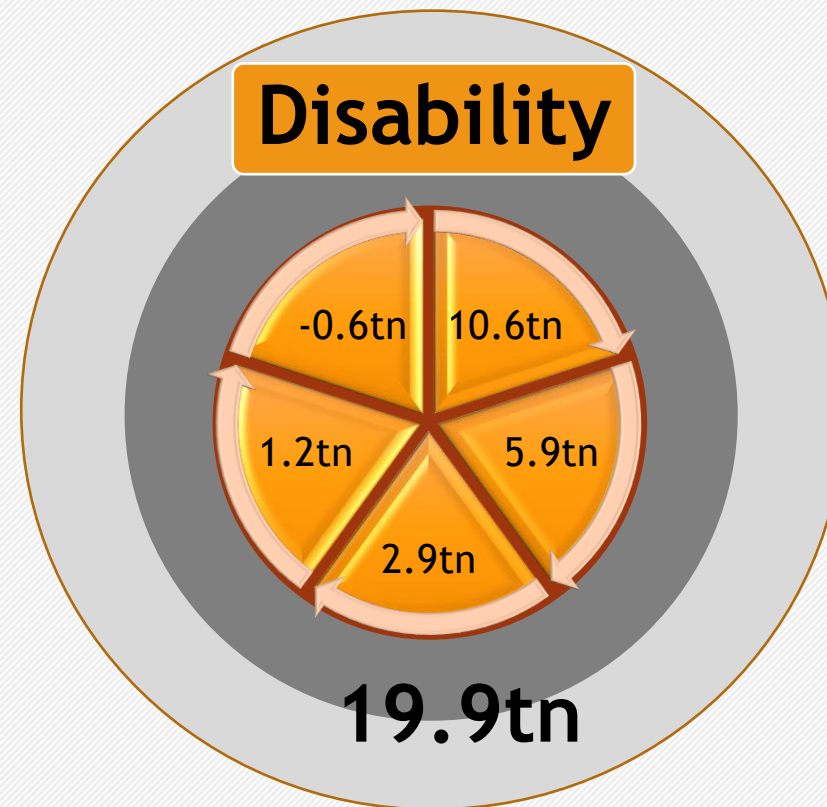
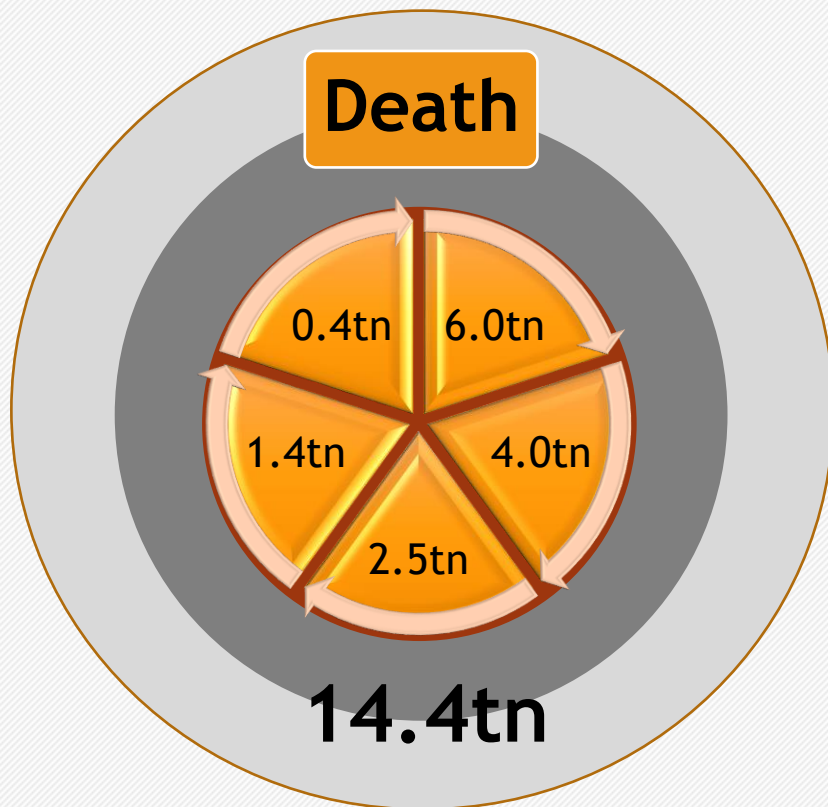
Segments: Insurance gap per income group

- Context
- Methodology
- Insurance gap
- Responses
- Segments

Death Gap: R14.4tn

Disability : R19.9tn

Total: R34.3tn



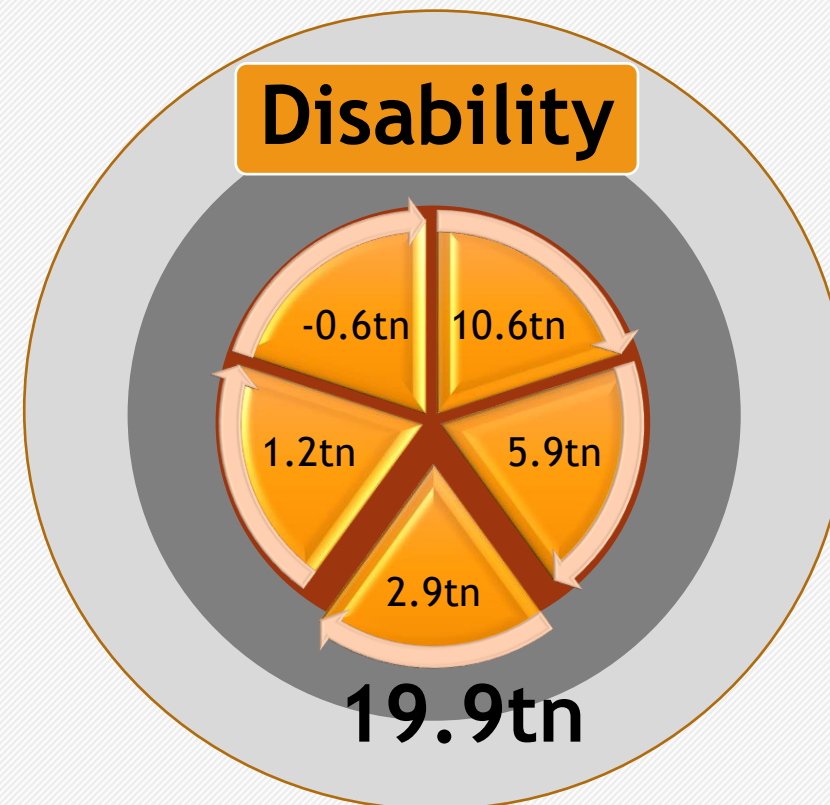
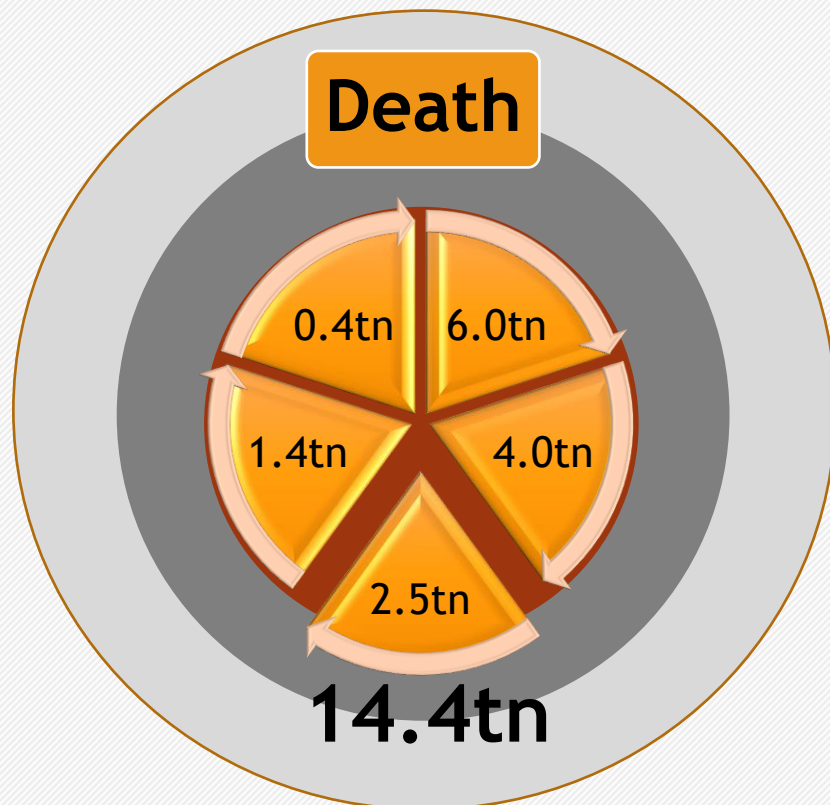
Segments: Middle-income group only (R67k to R118k per annum, after-tax)

- Context
- Methodology
- Insurance gap
- Responses
- Segments

Death Gap: R2.5tn

Disability: R2.9tn

Total: R5.4tn



Segments: Middle-income group only

Death Gap: Effect of Age

- Context
- Methodology
- Insurance gap
- Responses
- Segments**

Adequacy of life cover increases in line with age (possibly due to lump sum nature of risk cover)

	Average Need	Average Actual	Average Gap	Number people	Total GAP	Adequacy of cover
18-29	R1.5m	R0.1m	R1.4m	0.8m	R1.1tn	8%
30-34	R1.3m	R0.2m	R1.1m	0.5m	R0.5tn	16%
35-39	R1.1m	R0.2m	R0.9m	0.5m	R0.4tn	19%
40-44	R1.0m	R0.2m	R0.8m	0.4m	R0.3tn	18%
45-50	R0.7m	R0.2m	R0.6m	0.3m	R0.2tn	22%
50-54	R0.4m	R0.2m	R0.3m	0.2m	R0.1tn	40%
55+	R0.2m	R0.2m	R0.0m	0.2m	R0.0tn	86%
Total	R1.1m	R0.2m	R0.9m	2.9m	R2.5tn	16%

Segments: Middle-income group only

Disability Gap: Effect of Age

- Context
- Methodology
- Insurance gap
- Responses
- Segments**

Adequacy of disability cover is relatively similar across age for the middle-income group

	Average Need	Average Actual	Average Gap	Number people	Total GAP	Adequacy of cover
18-29	R2.3m	R0.8m	R1.5m	0.8m	R1.2tn	36%
30-34	R2.0m	R0.8m	R1.2m	0.5m	R0.5tn	40%
35-39	R1.7m	R0.7m	R1.0m	0.5m	R0.5tn	40%
40-44	R1.4m	R0.6m	R0.9m	0.4m	R0.3tn	40%
45-50	R1.1m	R0.4m	R0.7m	0.3m	R0.2tn	40%
50-54	R0.7m	R0.3m	R0.4m	0.2m	R0.1tn	40%
55+	R0.3m	R0.1m	R0.2m	0.2m	R0.0tn	40%
Total	R1.6m	R0.6m	R1.0m	2.9m	R2.9tn	38%

Segments: Middle-income group only

Death Gap: Effect of Education

- Context
- Methodology
- Insurance gap
- Responses
- Segments

Cover adequacy is much higher for the group with a degree as the highest education level

	Average Need	Average Actual	Average Gap	Number people	Total GAP	Adequacy of cover
PS or lower	R0.7m	R0.1m	R0.6m	0.2m	R0.1tn	16%
Some HS	R0.9m	R0.2m	R0.8m	1.2m	R0.9tn	16%
Matric	R1.2m	R0.2m	R1.1m	1.3m	R1.4tn	14%
Diploma	R1.0m	R0.2m	R0.7m	0.1m	R0.1tn	25%
Degree	R0.6m	R0.3m	R0.4m	0.1m	R0.0tn	42%
Total	R1.1m	R0.2m	R0.9m	2.9m	R2.5tn	16%

Segments: Middle-income group only

Disability Gap: Effect of Education

- Context
- Methodology
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Cover adequacy is slightly higher for the group with a degree as the highest education level

	Average Need	Average Actual	Average Gap	Number people	Total GAP	Adequacy of cover
PS or lower	R1.1m	R0.4m	R0.7m	0.2m	R0.2tn	33%
Some HS	R1.4m	R0.5m	R0.9m	1.2m	R1.0tn	38%
Matric	R1.9m	R0.7m	R1.2m	1.3m	R1.5tn	38%
Diploma	R2.0m	R0.9m	R1.1m	0.1m	R0.1tn	44%
Degree	R1.8m	R0.8m	R1.0m	0.1m	R0.1tn	45%
Total	R1.6m	R0.6m	R1.0m	2.9m	R2.9tn	38%

Segments: Middle-income group only

Death Gap: Effect of Geography

- Context
- Methodology
- Insurance gap
- Responses
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Death cover adequacy for the middle-income group is highest in Gauteng and Western Cape

	Average Need	Average Actual	Average Gap	Number people	Total GAP	Adequacy of cover
Gauteng	R1.1m	R0.2m	R0.9m	1.1m	R0.9tn	18%
Western Cape	R1.0m	R0.2m	R0.8m	0.5m	R0.4tn	23%
KwaZulu-Natal	R1.1m	R0.1m	R1.0m	0.5m	R0.5tn	12%
Eastern Cape	R1.2m	R0.2m	R1.0m	0.2m	R0.2tn	15%
North West	R1.0m	R0.1m	R0.9m	0.1m	R0.1tn	12%
Free State	R1.0m	R0.1m	R0.9m	0.1m	R0.1tn	9%
Mpumalanga	R1.0m	R0.1m	R0.9m	0.2m	R0.2tn	8%
Limpopo	R1.0m	R0.1m	R1.0m	0.2m	R0.1tn	5%
Northern Cape	R1.1m	R0.1m	R0.9m	0.1m	R0.0tn	14%
Total	R1.1m	R0.2m	R0.9m	2.9m	R2.5tn	16%

Segments: Middle-income group only

Disability Gap: Effect of Geography

- Context
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Disability cover adequacy for the middle-income group is highest in Western and Eastern Cape

	Average Need	Average Actual	Average Gap	Number people	Total GAP	Adequacy of cover
Gauteng	R1.6m	R0.6m	R1.0m	1.1m	R1.0tn	39%
Western Cape	R1.6m	R0.7m	R0.9m	0.5m	R0.4tn	45%
KwaZulu-Natal	R1.7m	R0.7m	R1.0m	0.5m	R0.5tn	39%
Eastern Cape	R1.7m	R0.7m	R1.0m	0.2m	R0.2tn	42%
North West	R1.5m	R0.5m	R1.0m	0.1m	R0.1tn	36%
Free State	R1.7m	R0.5m	R1.2m	0.1m	R0.2tn	28%
Mpumalanga	R1.6m	R0.5m	R1.1m	0.2m	R0.2tn	31%
Limpopo	R1.7m	R0.5m	R1.2m	0.2m	R0.2tn	27%
Northern Cape	R1.7m	R0.6m	R1.1m	0.1m	R0.1tn	36%
Total	R1.6m	R0.6m	R1.0m	2.9m	R2.9tn	38%

Segments: Middle-income group only

Death Gap: Effect of Gender

- Context
- Methodology
- Insurance gap
- Responses
- Segments**

Cover adequacy is fairly similar for male and female earners

	Average Need	Average Actual	Average Gap	Number people	Total GAP	Adequacy of cover
Male	R1.0m	R0.2m	R0.9m	1.6m	R1.5tn	15%
Female	R1.1m	R0.2m	R0.9m	1.2m	R1.1tn	16%
Total	R1.1m	R0.2m	R0.9m	2.9m	R2.5tn	16%

Segments: Middle-income group only

Disability Gap: Effect of Gender

- Context
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Cover adequacy is fairly similar for male and female earners

	Average Need	Average Actual	Average Gap	Number people	Total GAP	Adequacy of cover
Male	R1.6m	R0.6m	R1.0m	1.6m	R1.7tn	39%
Female	R1.6m	R0.6m	R1.0m	1.2m	R1.2tn	38%
Total	R1.6m	R0.6m	R1.0m	2.9m	R2.9tn	38%

Questions

- Context
- Methodology
- Insurance gap
- Responses
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