Sustaining impact – Reflecting on the past resilience and future challenges of life insurers in South Africa

Analysis of major life insurers' results for 31 December 2021

Contents

Introduction 3

Summary 3

Reflecting on past resilience 3

Sustaining profitable growth 5

Analysis of the VNB results 6

Interpreting the current results and growth trajectory 8

Macroeconomic factors constraining profitable growth 9

FY21 results summarised 12

Embedded value (EV) 12

Mortality (included in risk experience variance) 15

Expense variances 16

Persistency variances 17

Assumption changes 17

IFRS earnings 19

Looking ahead to IFRS 17 21

Appendices 22

Statistics 22

Basis of information provided 24

Recent thought leadership 24

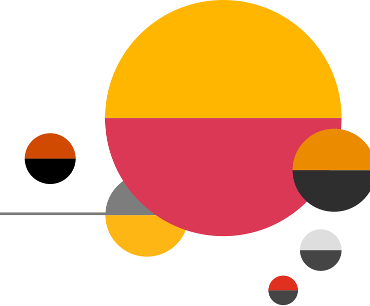
About this publication

We are pleased to present our analysis of the major life insurers' results covering the year ended 31 December 2021. Insurance groups analysed in this publication include:

- Discovery Limited (Discovery)
- Liberty Holdings Limited (Liberty)
- Momentum Metropolitan Holdings Limited (MMH)
- Old Mutual Limited (Old Mutual)
- Sanlam Limited (Sanlam)

Due to some differences in reporting periods and changes in presentation and accounting policies, the information is not always comparable across insurers. Areas where there are differences are highlighted in the 'basis of information provided' appendix on page 24.

Introduction



Summary

The COVID-19 crisis, its economic consequences and the accompanying financial market volatility, have tested local life insurers. To its credit, the industry was able to meet its escalating obligations to policyholders whilst maintaining required capital and liquidity positions and dealing with the interruption to its businesses. Insurers also reported the acceleration of digital transformation across their businesses in the last two years, especially in the areas of distribution and claims management, as well as continued development of ESG strategies.

We have performed an analysis of the major life insurers' results for the year ended 31 December 2021 compared to prior years' results to illustrate their financial performance, with a particular focus on the performance of the core life business units. It is important to acknowledge the diverse nature of the major life insurers' group portfolio mix, as well as the significant contribution that improved performances in other areas of their operations, the improved investment environment and continued recovery in stock market valuations through the period under analysis, made to their overall performance. However, we have focused on the life components of the businesses given their relative size and that they are common to all the groups.

The results are presented in the context of the rapidly changing circumstances in which the insurers are conducting their businesses. External events beyond the COVID-19 pandemic are impacting the industry, the latest being the invasion by Russia of Ukraine, and the floods in KwaZulu-Natal (KZN). The current estimate by the KZN government of the overall damage from the floods is R17 billion and in addition to damaged and destroyed property, 300 km of road infrastructure as well as the electricity and water infrastructure needs to be restored. Events impacting not only the economy but environmental and social conditions as well, together with ongoing shifts in customer expectations and needs, all have the potential to continue to materially influence future performance – even as the direct impact of the COVID-19 pandemic starts to moderate for the life insurers' results.

It is against this backdrop that the industry has to deliver 'business as usual' sustainable growth and profitability, deliver on its purpose and be impactful to all stakeholders.

Reflecting on past resilience

The combined key indicators for the last decade demonstrate that real growth in profitability had been muted even before the COVID-19 pandemic. Combined IFRS earnings grew with inflation and VNB margins trended slightly downwards.

Figure 1: Key indicators combined for 31 December 2011 to 31 December 2021

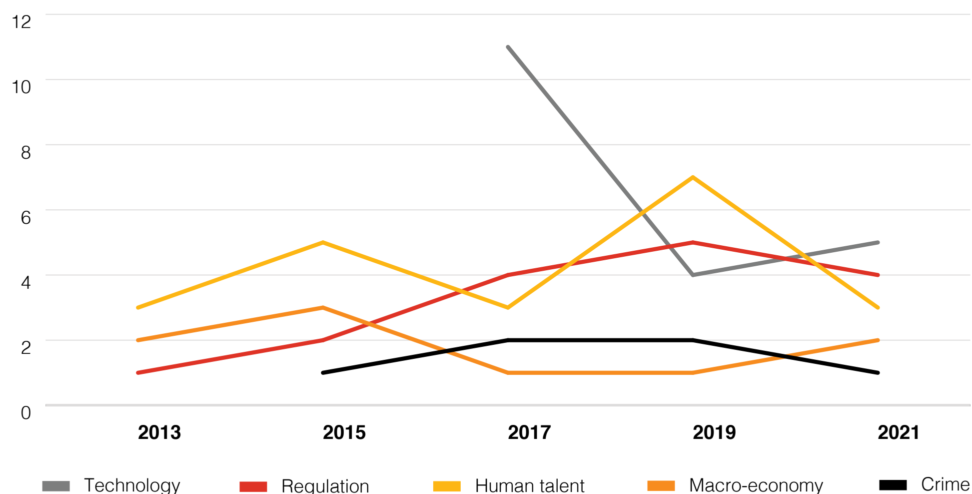
R millions	2011	2012	2013	2014	2015	2017	2018	2019	2020	2021	2021 vs 2019
Combined IFRS earnings/losses	19,136	18,982	24,267	28,347	33,427	38,458	68,566	22,144	(3,092)	28,661	29%
Value of new business	4,071	4,752	5,318	5,933	5,921	7,464	7,711	7,436	4,691	6,932	(7%)
Margin on new business	2.70%	3.10%	3.10%	2.90%	2.70%	2.63%	2.42%	2.35%	1.49%	1.90%	(19%)
Combined embedded value profit	25,389	38,941	39,207	39,427	33,097	33,898	25,831	32,166	(8,341)	39,821	24%

31 Dec 2011 – 31 Dec 2015 statistics from previous editions of PwC's Analysis of major South African insurers' results. 31 Dec 2016 statistics not available

Source: PwC analysis

In addition, business and risk themes for insurers locally as illustrated in Figure 2 have remained mostly the same, albeit with a change in emphasis.

Figure 2: Evolution of South Africa's top risks



Source: CSFI/PwC Insurance Banana Skins 2021: South Africa, PwC analysis

Aligned to the Banana Skins themes and the insurers prior year reports, insurers continued to report on the following in FY21:

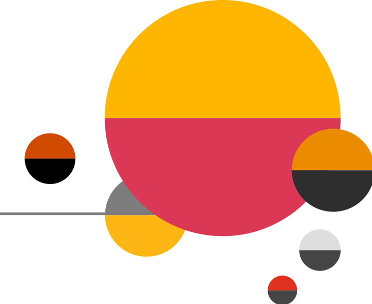
- Cost structures and sharpening of productivity.
- Digital transformation and the creation of a digital enterprise, including cloud transformation, as well as replacing product administration platforms which have significant legacy issues.
- Carving out new revenue streams.
- Omni-channel distribution with a strong focus on digital.
- Enhanced customer experience focused on customer onboarding and ongoing servicing and claims.
- Leveraging the power of platforms or ecosystems to deliver an innovative business model.
- Reskilling and consideration of the workforce.

In conclusion, this year, the industry reporting has had a renewed focus on growth and profitability and it is in this context that our analysis focuses on new business written and the question of what may drive sustainable profitability in future.

"The risks around the industry's technological modernisation continued to rank high. The focus of concern is on the ability of the insurance industry to stay at the forefront of change, and on the operational risks in managing the transition to digitised services. The availability of human talent, much needed as the industry undergoes its expected technological transformation in the face of strong competition from new entrants was a rising concern. Regulatory risk, reflects the view that regulation has become excessive and, increasingly, an impediment to sound business."

Extract from, PwC's Insurance Banana Skins 2021, https://www.pwc.com/gx/en/industries/financial-services/insurance/banana-skins-2021.html

Sustaining profitable growth



To sustain profitable growth, insurers need to find new customers and address unmet needs – including new and evolving needs – whilst retaining ample margin. As reflected in the industry's view of its top risks in Figure 2, insurers incur a high cost from, and are constrained by, regulations deemed necessary to protect policyholders and others, such as the adoption of *IFRS 17: Insurance Contracts.* Whilst in the past they have been able to generate value from their investment strategies, these regulatory costs and constraints have meant that innovation with regard to products, integrated services and partnerships have proven to be key necessary drivers for continued financial success within the industry globally.

The volumes and profitability of new business written are leading indicators of the future relevance and prosperity of the industry. They reflect the current strategies of insurers and their effectiveness in delivering profitable growth into the future. Life insurers show this prominently in their disclosures of the value of new business (VNB), which is the increase to an insurer's embedded value[1] over the year from writing new business, and VNB margin, which is the VNB as a percentage of the present value of new business premiums (PVNBP).

In 2021, the five insurers achieved a VNB of R6.9bn, significantly more than the R4.7bn gained in 2020, but still below the VNB results for 2018 and 2019. Whilst the PVNBP increased by 13% from 2019, new business margins have not yet recovered to their pre-pandemic levels – leading to an overall reduction in the VNB, as shown in Figure 3.

A key theme in 2020 was the focus on the large decline in new business sales during the hard lockdown in Q2, but attention must now turn to understanding the decline in margins and areas in which the industry is struggling to achieve profitable growth.

[1]See page 12 for further explanation of embedded values

Figure 3: Industry VNB and VNB margin for four years

R millions	Combined				
	2021	2020	2019	2018	2021 vs 2019
PVNBP	321,033	259,740	283,595	278,615	13%
VNB	6,932	4,691	7,436	7,711	(7%)
VNB margin	1.90%	1.49%	2.35%	2.42%	(19%)

*PVNBP and the VNB margin exclude Health and Vitality for Discovery as no VNB margin is disclosed for this business

Source: PwC analysis

Analysis of the VNB results

Figure 4 shows how the industry VNB results in 2021 - a VNB of R6.9bn and VNB margin of 1.90% - are below the results from the two years preceding the COVID-19 pandemic. It also shows how each of the five major insurers have contributed to the industry VNB.

MMH and Sanlam have been able to achieve both growth and recovery of margins to pre-COVID-19 levels in total, but the other three insurers have posted overall margins below those that they achieved in 2018 and 2019 (see Figure 5). As a result, MMH and Sanlam are the only insurers to have grown their VNB relative to 2018 and 2019.

Figure 4: Industry VNB and VNB margin

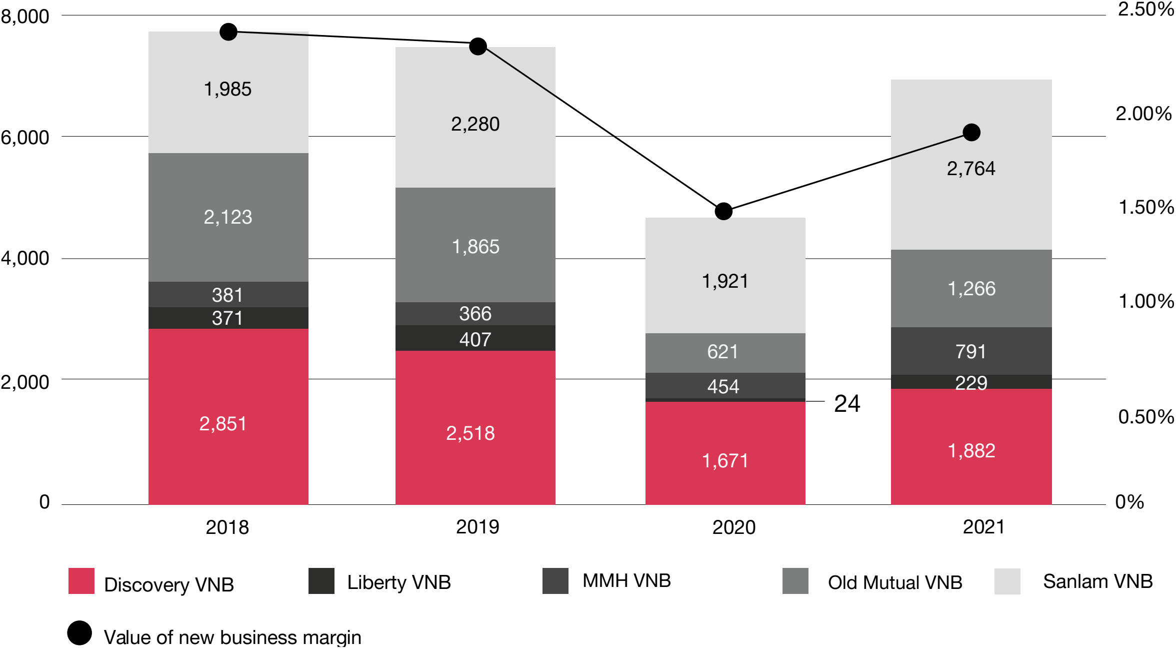


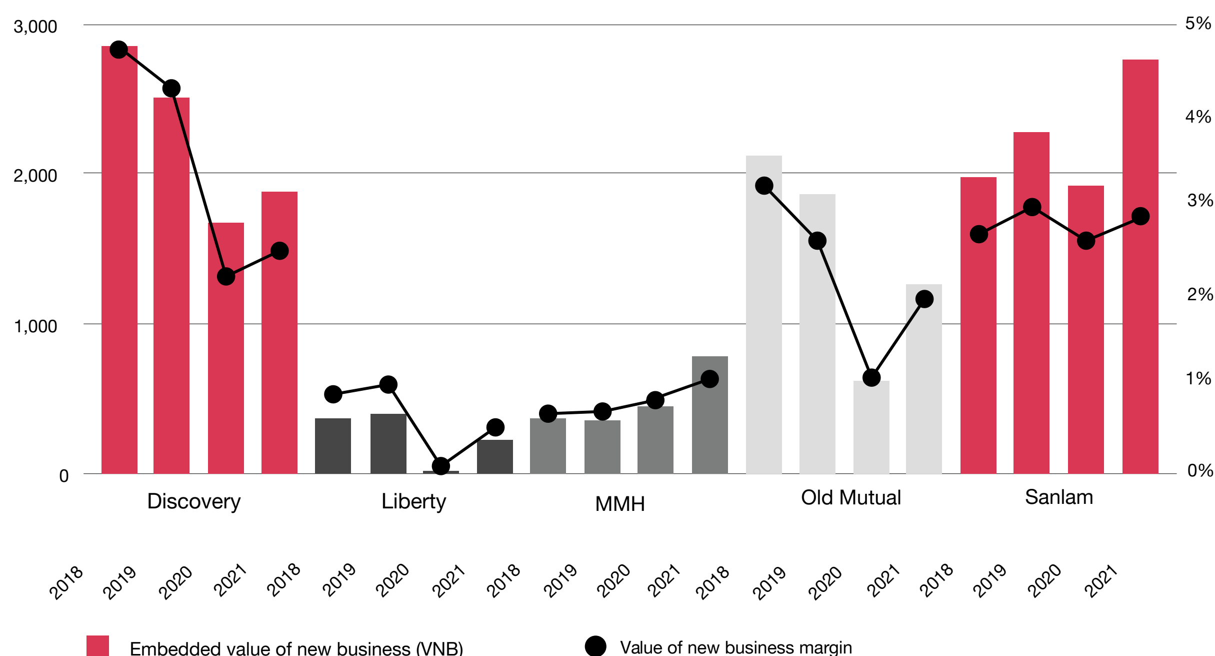
Figure 5: Industry VNB and VNB margin for four years – by insurer

R millions	Discovery					Liberty					MMH					Old Mutual					Sanlam				
	2021	2020	2019	2018	2021 vs 2019	2021	2020	2019	2018	2021 vs 2019	2021	2020	2019	2018	2021 vs 2019	2021	2020	2019	2018	2021 vs 2019	2021	2020	2019	2018	2021 vs 2019
PVNBP	42,013	39,024	40,811	39,603	3%	44,801	34,390	40,919	43,389	9%	72,901	54,205	53,227	54,598	37%	65,136	57,530	72,192	66,647	(10%)	96,182	74,591	76,446	74,378	26%
VNB	1,882	1,671	2,518	2,851	(25%)	229	24	407	371	(44%)	791	454	366	381	116%	1,266	621	1,865	2,123	(32%)	2,764	1,921	2,280	1,985	21%
VNB margin	2.49%	2.20%	4.29%	4.72%	(42%)	0.51%	0.10%	1.00%	0.90%	(49%)	1.09%	0.84%	0.69%	0.70%	58%	1.94%	1.10%	2.60%	3.20%	(25%)	2.87%	2.58%	2.98%	2.67%	(4%)

*PVNBP and the VNB margin exclude Health and Vitality for Discovery as no VNB margin is disclosed for this business

Source: PwC analysis

Figure 6: VNB and VNB margin



Source: PwC analysis

Figure 6 demonstrates the close relationship between VNB and VNB margin. As a critical leading indicator for the future success of the industry, it is helpful to examine a longer-term progression of the VNB margin. The PwC analyses of the life insurers' results we published in 2011 – 2015 provide a useful benchmark for longer-term margins. The industry achieved margins of between 2.7% and 3.1% in each year of that period. Whilst already experiencing some downward pressure over the period, margins continued to fall before the pandemic, to 2.4% in 2018 and 2019. They are now still below pre-COVID-19 levels at 1.9% in 2021. The key contributors to this at a company level are unpacked below.

Note that whilst it may be helpful to understand the trajectories of margins achieved by different insurers, comparisons of the absolute levels of margins between insurers are complicated by various factors, including product mix and corporate structure.

Discovery

Discovery has achieved relatively stable volumes of new business over the past four years, as measured by the PVNBP (detailed on page 23 in Annexure). Overall, growth in 2021 relative to 2019 is moderate at 3%. The VNB written in 2021 is, however, 25% lower than that written in 2019, at R1.9bn. This is a result of downward pressure on margins in its South African Life and Invest businesses and UK Life and Health businesses. The adjusting of assumptions to allow for COVID-19-related experience were cited as a major factor driving this.

Liberty

After a difficult year in 2020, where lower than expected value was added from writing new business, Liberty demonstrated a partial recovery in 2021, writing new business of R229m. This is only 56% of the 2019 VNB, although volumes were 9% higher than in 2019, measured on a PVNBP basis. A much lower average margin in 2021 (0.5% compared with 1.0% in 2019) explains the decline. A need to improve margins is reflected in management's commentary on the results that the focus remains on improving revenue generated from sales and ensuring sales volumes are balanced with costs incurred.

MMH

MMH has increased volumes significantly in its Momentum Investments and Metropolitan Life businesses relative to 2019. Overall, PVNBP for MMH was 37% higher in 2021 than 2019. Margins for these two businesses were also better in 2021 than in any of the preceding three years, leading to an overall higher margin for the group of 1.09% (0.84%, 0.69% and 0.70% in 2020, 2019 and 2018, respectively). The group's total VNB of R791m is more than double that achieved in 2019 and 74% higher than that achieved in 2020. The performance was mixed across all businesses, however, with the VNBs for Momentum Corporate and Momentum Metropolitan Africa slightly negative, and the largest existing business unit by embedded value – Momentum Life – only achieving a VNB of R31m in 2021.

Old Mutual

Old Mutual more than doubled its VNB in 2021 to post R1.3bn, although it was still 32% lower than the R1.9bn achieved in 2019 and 40% lower than the R2.1bn achieved in 2018. The Mass and Foundation Cluster accounts for most of the fall in VNB over the past few years, although all of the businesses have contributed to the decline. A margin of 6.2% was achieved by this business in 2021, below the 8.7% – 10.6% achieved in the pre-COVID-19 years, but still within Old Mutual's stated target range of 6% – 9%. Whilst its volumes are up 36% on 2020, the 2021 PVNBP is also below those achieved before the pandemic. A further reduction in VNB for the Personal Finance business, driven by lower margins, and a lack of recovery of the Corporate business whose volumes continued to decline, contributed to Old Mutual not yet being able to demonstrate a full recovery of VNB post-COVID-19. Old Mutual's overall VNB margin in 2021 is 1.9%, well below the margins above 3% achieved prior to 2019, but just below the stated target range of 2 – 3%.

Sanlam

Sanlam recovered well in terms of its sales performance in 2021, with a VNB 44% higher than that achieved in 2020, and 21% higher than in 2019. The Sanlam VNB now accounts for 40% of the industry value from new business at R2.8bn. The largest amount of growth in VNB over the past two years has come from the Emerging Markets business, where the margin achieved in 2021 has recovered to levels last achieved in 2018. Whilst the margins in the South African Retail Mass business have not fully reached their pre-pandemic levels, a c. 50 bps increase in VNB margin and rapidly accelerated volume growth represent the largest turnaround in VNB growth for the group in 2021. Overall, Sanlam has demonstrated a strong sales position in recent years, maintaining overall new business margins in line with historic levels (the average VNB margin has mostly remained in the 2.5 - 3% range for more than a decade with 2.87% posted in 2021), whilst at the same time achieving significant growth.

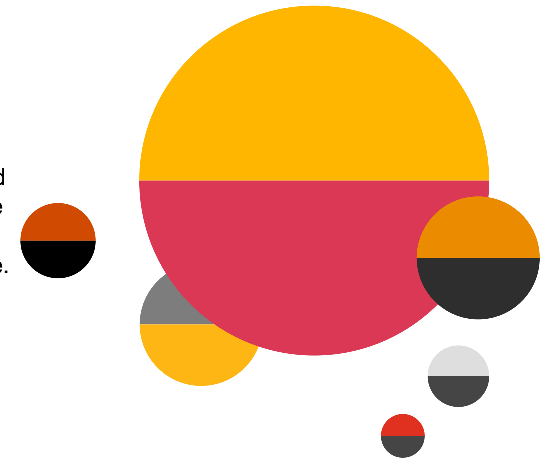
Interpreting the current results and growth trajectory

VNB and VNB margin results are influenced by a large number of factors and the role of each could be considered in attempting to interpret these results:

- Absolute volumes for the industry, and relative market share between the insurers.
- The mix of business sold. Changes in affordability by consumers in different target markets will affect both volumes and the mix of business sold between broad product lines and between specific products.
- Pricing, and whether or not this has changed in response to the COVID-19 pandemic, and whether it is in line with any changes to the basis used to measure the VNB.
- Competitive or competitor strategies aimed at enhancing or protecting market share in particular product areas or distribution channels.
- The effectiveness and productivity of the various distribution channels and whether digitisation is enhancing this and consumers' propensity to purchase, and also its impact on competition.
- The expense base of each insurer, cost-cutting initiatives and the impact of spreading expenses over changing volumes.
- Economic assumptions, especially yield curves, which impact both the numerator and denominator in the VNB margin (the latter being a primary measure of volumes), but potentially at a different rate (and which can differ between life insurers).

Whilst sales for the industry as a whole appear to be growing again, significant macroeconomic headwinds are expected to constrain growth in the short- to medium-term as customer affordability is negatively impacted. Saturation is a longer-term systemic factor which may be limiting natural growth in some more affluent markets, but macroeconomic factors are also undermining the growth of the more affluent groups themselves. Our current expectations for the impact of the macroeconomic environment on consumers, and consequently the life insurance industry, are discussed in the next section.

One hoped-for advantage of efforts to make the sales process more seamless and digitised is to increase sales overall. However, another potential consequence is increased competition, especially as consumers are more informed and may have various alternative options easily available to them. Increased competition may put pressure on pricing and/or drive the business mix towards cheaper alternatives, in addition to the issue of affordability mentioned above.



Whilst the economy and competition are factors beyond the control of individual insurers, strategic drivers of growth in profitability could include:

- Innovation – there is arguably still room to provide new solutions which meet customers evolving risk and savings needs in a more dynamic and effective way, including by providing holistic management of risk across prediction, prevention, intervention and insurance.
- Partnerships – which not only facilitate access to new customers and the delivery of sales, but also help in the meeting of customer needs in more holistic and effective ways.
- Continued cost reduction – costs could still come down as digital transformation efforts continue and insurers extricate themselves from legacy systems and outdated processes. Whilst some of the insurers reported reducing costs, the impacts of doing so have not been made visible in the results – at least not yet.
- Customer response and expectation with respect to insurer behaviour, purpose and values (including ease of engagement) given an increasing sense of these factors' relevance to the way different cohorts of customers buy from and select insurers.

Macroeconomic factors constraining profitable growth

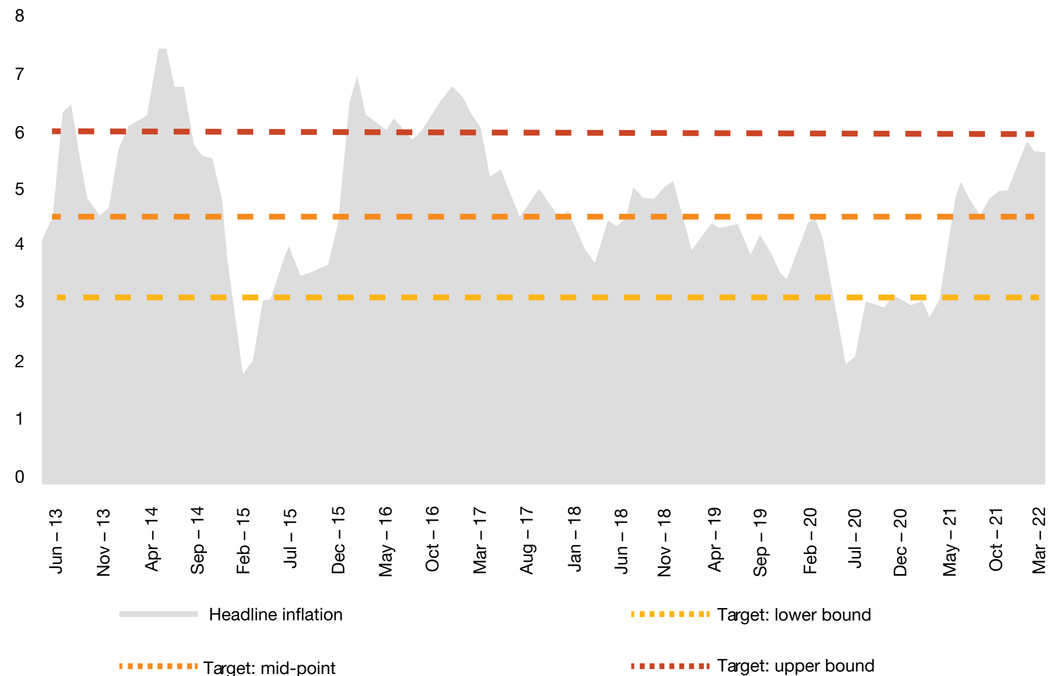
Statistics South Africa (Stats SA) reported on 8 March 2022 that real gross domestic product (GDP) increased by 4.9% in 2021. However, over the same period, the local population also increased by 2.5% — resulting in a net decline of 4.2% in real GDP per capita during 2020-2021. The Russian invasion of Ukraine has led to further supply chain disruptions and a sharp rise in various resource prices globally.

Given the consequent higher inflation, weaker external demand and an unreliable power supply (the country's largest growth inhibitor), we now forecast a real GDP growth rate of 2.0% this year (from 2.3% previously) with continued downside risk. Alongside this weaker economic outlook is even greater concern about the speed of the country's jobs recovery: there is little scope for South Africa's unemployment rate to improve (decline) this year if local business sentiment is weighed down by these international factors. Furthermore, as economic growth moderates back towards 1.5% over the long-term, the unemployment rate is likely to continue higher from its current rate of 35.3%.

A substantial and sustainable increase in economic and jobs growth is only possible if South Africa can improve on three key growth constraints: electricity reliability, workforce skills and private sector investment.

Apart from developments in Central and Eastern Europe, Argentina and Brazil have been facing abnormally dry conditions linked to the La Niña pattern. On the energy front, South Africans already paid 150 cents/litre more for petrol in March, with an increase of 36 cents/litre in April despite emergency interventions announced by National Treasury in cooperation with the energy department whereby the General Fuel Levy will be reduced by R1.50 until 31 May 2022.

Figure 7: Monthly consumer price inflation (% y-o-y)



Low to lower-medium income households are most vulnerable to higher food and transport costs, impacting their ability to afford new or existing insurance products

The upward pressure on food, fuel and electricity prices will adversely impact all households during 2022. However, due to varying spending abilities and priorities, households in different expenditure deciles will be impacted differently. Middle to higher income groups are re-evaluating their discretionary spending patterns and are either "buying down" or reducing insurance and savings products – especially considering that COVID-19 vaccines have alleviated some of the threat to serious illness or death. On the other hand, households in the lower to lower-middle income categories will struggle to sustain their monthly basket of goods purchases. Given increased costs of necessities, these households will need to carefully consider the affordability of other discretionary monthly expenses, including insurance products. Low-income households (deciles 1 & 2, based on Stats SA's latest consumer basket and income surveys) spend more than half of their money on food and non-alcoholic beverages. This includes grain products (like bread and maize) which in coming months will cost significantly more due to higher international commodity prices. In turn, higher income households spend a significantly smaller proportion of their money on foodstuffs.

Households from decile 3 upwards will feel direct pressure on food budgets as well as rising electricity and transport costs. There will also be second- and third-round effects from higher electricity and fuel tariffs impacting on the cost of producing / delivering other goods and services. Furthermore, once non-fuel prices are adjusted upwards due to an increase in fuel costs, these prices are sticky downwards and are unlikely to decline if fuel prices moderate in the future.

Figure 8: Household budget breakdown (% of total spending) by expenditure decile

	Decile 1	Decile 2	Decile 3	Decile 4	Decile 5	Decile 6	Decile 7	Decile 8	Decile 9	Decile 10
Annual expenditure	up to R20,140	R20,141 up to R33,619	R33,620 up to R48,673	R48,674 up to R65,213	R65,214 up to R84,698	R84,699 up to R109,163	R109,164 up to R143,174	R 143,175 up to R199,920	R199,921 up to R312,246	R312,247 and more
Food and non-alcoholic beverages	50.31	50.2	43.8	37.73	33.61	28.07	25.26	21.91	16.84	10.62
Alcoholic beverages and tobacco	3.65	3.82	4.52	5.57	5.14	6.29	6.78	7.07	7.49	5.88
Clothing and footwear	8.67	8.06	7.33	5.91	6.01	5.07	4.69	4.49	3.69	2.52
Housing and utilities (incl. electricity)	16.12	12.78	19.74	26.96	29.89	34.09	33.52	29.77	25.12	15.97
Household contents, equipment and maintenance	3.34	3.58	3.26	3.26	3.09	2.86	2.76	3.01	3.87	5.73
Health	0.68	0.72	0.59	0.58	0.57	0.55	0.59	0.7	0.77	2.13
Transport (incl. fuel, vehicle purchases, public transport)	1.4	2.09	2.91	3.45	4.36	6.54	8.05	10.74	13.85	21.71
Communication	5.85	4.63	3.89	3.06	2.75	2.52	2.34	2.34	2.34	2.15
Recreation and culture	1.98	2.3	2.4	2.78	2.89	3.32	3.57	4.44	4.56	6.26
Education	0.33	0.4	0.46	0.59	0.86	0.9	1.36	1.82	2.8	3.39
Restaurants and hotels	3.34	5.67	5.21	4.87	4.47	3.65	3.24	3.14	2.7	3.49
Miscellaneous goods and services (incl. insurance)	4.33	5.75	5.89	5.24	6.36	6.14	7.84	10.57	15.97	20.15

Source: Statistics South Africa

After raising interest rates in November, January and March, the upward trend should continue for the remainder of 2022

The SARB Monetary Policy Committee (MPC) warned on 24 March 2022 that South Africa's commodity price basket is forecast to rise by 8% for the year as a whole. This is a sharp departure from import deflation seen in recent years. The MPC decided in March to lift interest rates by another 25 basis points – three of the committee members favoured this increment while the other two called for a 50 basis point increase. The SARB's forward guidance currently suggests a year-end repo rate of 5.06% compared to a projection in January of 4.91%. There is not much difference in these two forecasts; this suggests that the SARB has not significantly altered its planned path of monetary policy tightening over the short- to medium-term. As such, we still expect the repo rate to close this year at 5.00% and return to its pre-pandemic level of 6.50% by the close of 2024.

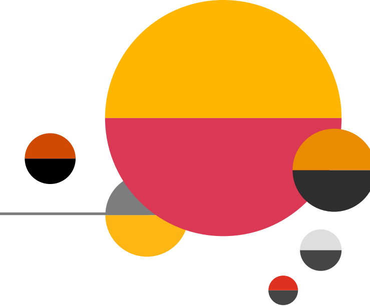
A repo rate of 4.25% reflects a comparatively accommodative monetary policy outlook compared to pre-COVID-19 levels. However, as with rising inflation rates, households at different income levels will face challenges with increasing interest rates within the context of a weakened economy. The expected increase in the repo rate of 100 to 125 basis points through 2022 from 2021 levels could well leave some lower-middle to middle-income households paying more for recently acquired vehicles or properties to the extent that they would be forced to 'buy down' or cancel other discretionary spending items such as (additional) insurance and savings products. Flexible insurance products might therefore benefit as these households look to minimise costs.

Summary

Stronger performances in FY21 for the major life insurers continued to demonstrate strong operational and capital management and the relative benefits of diversification amongst their business portfolios. The COVID-19 pandemic financial 'recovery' is pleasing to see, but the pre-pandemic comparison, coupled with the difficult macro-economic backdrop into the medium-term, demonstrates the need for the insurers to continue to innovate and invest on multiple fronts.

Progress to-date has been encouraging and the acceleration of non-traditional models and cost-out strategies can leave these businesses in better shape to pursue sustainable profitable growth into the medium-term. However, there remains, in the face of traditional and disruptive competition, the need to continue to accelerate and refine their approach across the insurance delivery and value chain – where data and analytics, combined with clear expression and execution of strategic intent, will allow those insurers who can address these elements continuously and successfully to deliver and differentiate on this basis, in spite of the continuing headwinds that they face.

FY21 results summarised



Embedded value (EV)

An insurer's embedded value represents the final result it expects from the policies it has written to-date. It reflects its view of the average outcome of the risks it has accepted, taking into account the probabilities of all possible scenarios, and allowing for the time value of money and compensation for the risk borne by the shareholders.

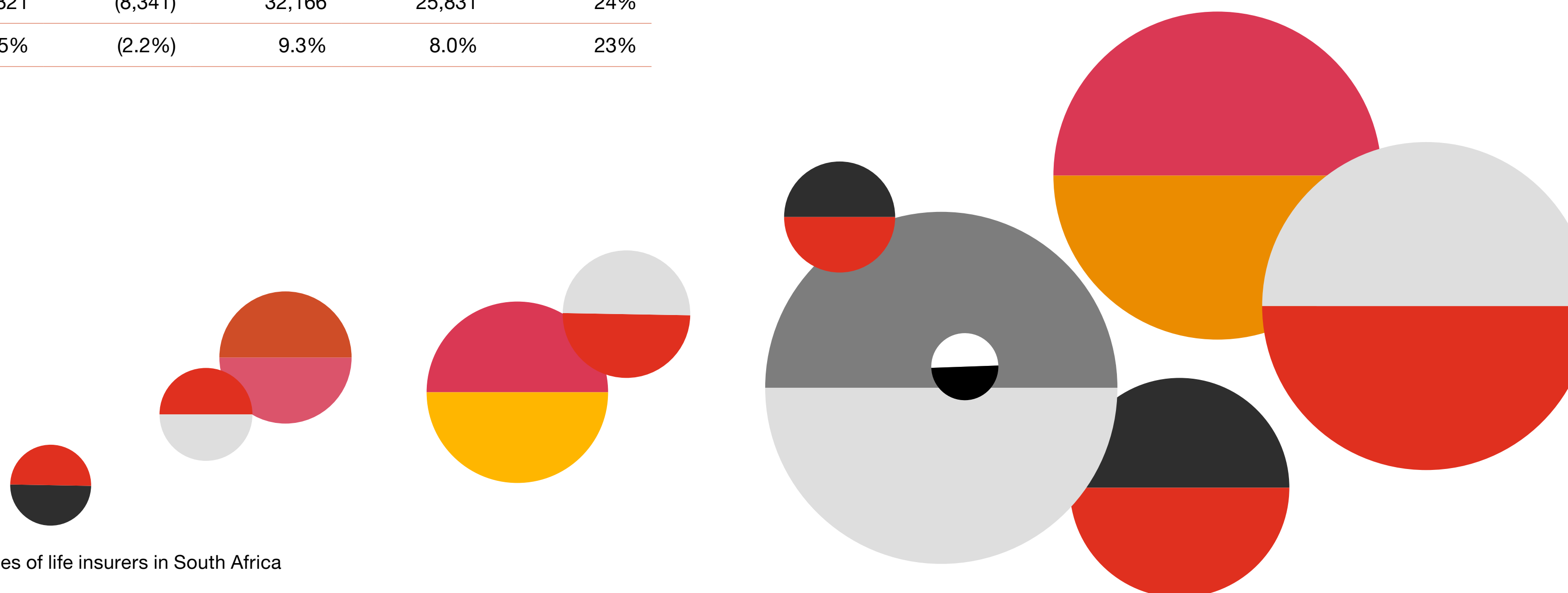
Embedded values aim to show the full impact of past and expected future experience on the profitability of the in-force business without being affected by the diversity of prudent reserving bases under IFRS 4. The growth of an insurer's embedded value as measured by embedded value profit, and the growth specifically due to new business written or the VNB, are therefore key benchmarks for the performance of the industry as a whole as well as individual insurers.

This year's embedded value results paint a picture of recovery from the direct and indirect effects of the COVID-19 pandemic. The industry has returned to profitability with the five insurers creating c. R40bn of value in 2021, a 24% increase on 2019's pre-pandemic result of R32bn. The results for the past four years are compared in Figure 9. The total return on group embedded value (embedded value profit relative to the start of the year embedded value) of 11.5%, whilst arguably measured relative to a low base, is higher than that seen in 2018 (8.0%) and 2019 (9.3%).

Figure 9: Group embedded value, Embedded value profit and Return on embedded value for four years - combined

R millions	Combined				
	2021	2020	2019	2018	2021 vs 2019
Group embedded value	398,619	377,727	416,670	403,241	(4%)
Group embedded value profit/(loss)	39,821	(8,341)	32,166	25,831	24%
Return on group embedded value	11.5%	(2.2%)	9.3%	8.0%	23%

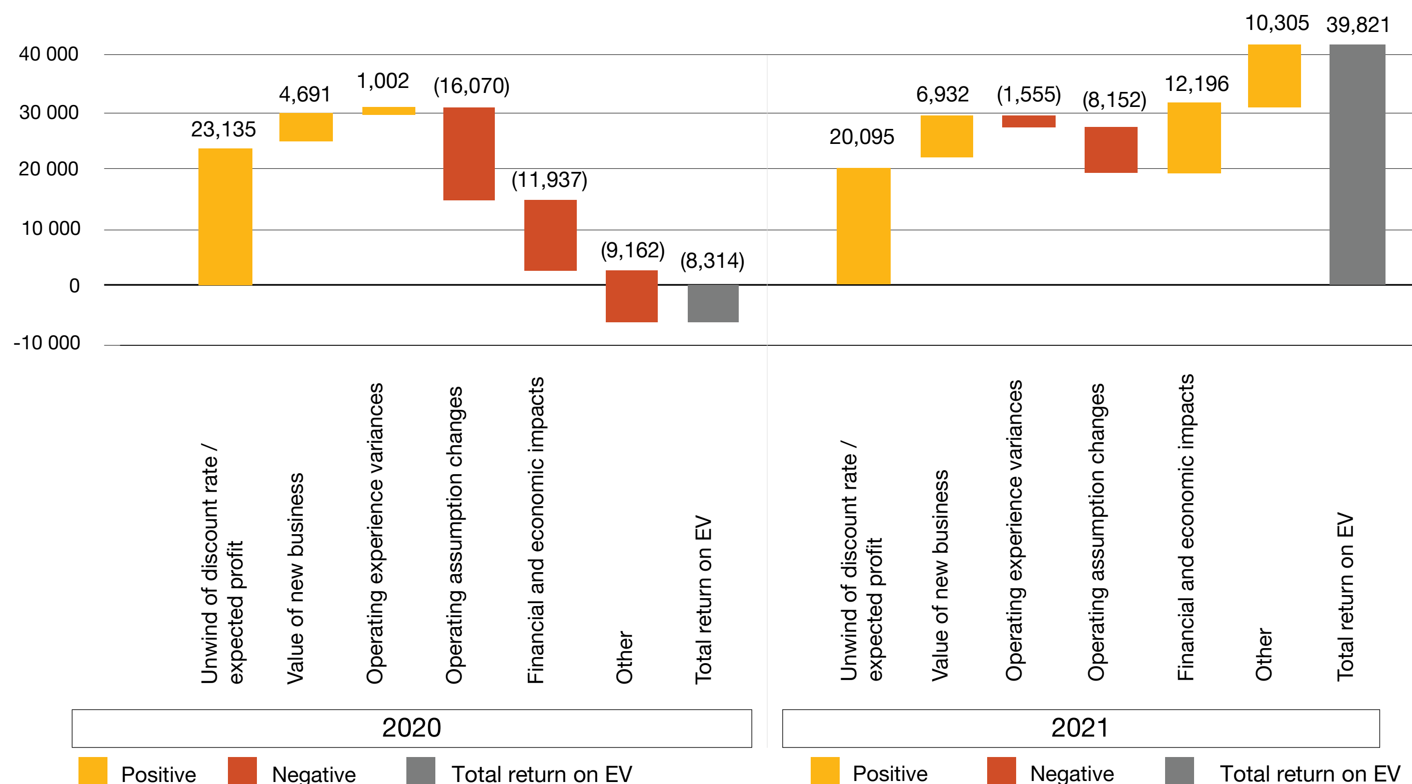
Source: PwC analysis



In comparison to the strong performance in 2021, the embedded value results in 2020 totalled a net loss of R8bn for the five insurers. Figure 10 summarises the key drivers of EV earnings over the past two years:

- Expected earnings due to unwinding of the discount rate were lower in 2021 (R20bn vs. R23bn in 2020) due to the decrease in interest rates that occurred during 2020, as well as the reduction in EV itself. The expected earnings for 2020 were based on the higher interest rate structure in place at the end of 2019.
- The improvement in VNB results from R4.7bn to R6.9bn partially offset this decrease in earnings in 2021.
- Operating assumption changes have resulted in losses of R24bn over the last two years – R16bn in 2020 and R8bn in 2021. Insurers reacted to the pandemic in the first half of 2020 by adjusting their claims and lapse assumptions for the short-to-medium-term to allow for the adverse experience expected, and updated them at 31 December 2020 as the pandemic unfolded. The allowances for COVID-19 mortality made at this date turned out to be inadequate to cover the claims arising from the second and third waves which were tragically much worse than expected. In addition to increasing allowances for COVID-19 mortality, persistency and expense assumptions also required significant strengthening for some businesses in 2021.
- Operating experience variances appear from the diagram to have been managed down, with most of the effects of the pandemic being absorbed in assumption changes. However, the loss of R1.6bn in 2021 contains a larger loss due to COVID-19 claims, offset by profits from more favourable persistency experience than was originally expected at the start of the pandemic. The next section unpacks the operating experience variances and assumption changes for the key profit drivers by insurer.
- Financial and economic impacts over the last two years due to market volatility and significant interest rate shifts demonstrate how sensitive insurers are to these factors. They incurred large losses in 2020, but these were offset by gains achieved in 2021.

Figure 10: Key drivers of Embedded Value profit over the past two years



Source: PwC analysis

Figure 11 shows the Group embedded value results for the last four years for each of the insurers. Of the five, Discovery and Sanlam demonstrated a return on group embedded value higher than that in 2019.

Figure 11: Group embedded value, Embedded value profit and Return on embedded value for 2021 – by insurer

R millions	Discovery					Liberty					MMH					Old Mutual					Sanlam				
	2021	2020	2019	2018	2021 vs 2019	2021	2020	2019	2018	2021 vs 2019	2021	2020	2019	2018	2021 vs 2019	2021	2020	2019	2018	2021 vs 2019	2021	2020	2019	2018	2021 vs 2019
Group embedded value	82,920	72,467	73,184	68,025	13%	38,087	35,210	40,907	38,684	(7%)	43,322	40,838	42,808	39,880	1%	91,900	97,400	116,500	122,600	(21%)	142,390	131,812	143,271	134,052	(1%)
Group embedded value profit	9,833	76	6,828	8,609	44%	2,838	(4,134)	4,418	1,488	(36%)	2,539	(1,235)	3,993	(1,461)	(36%)	7,403	826	8,436	4,337	(12%)	17,208	(3,874)	8,491	12,858	103%
Return on group embedded value	13.6%	0.1%	10.0%	14.3%	36%	8.1%	(10.1%)	11.4%	3.8%	(29%)	6.2%	(2.9%)	10.0%	(3.4%)	(38%)	11.2%	1.1%	13.2%	7.4%	(15%)	13.1%	(2.7%)	6.3%	10.6%	108%

Source: PwC analysis

Sanlam's strong performance in 2021, which had a significant impact on the overall industry earnings growth, even relative to the pre-pandemic years, includes earnings of R10bn from its non-covered business (compared with a loss of R1.4bn and R6bn in 2019 and 2020, respectively). Adverse operating experience and assumption change impacts on its general insurance, investment management and credit and banking businesses played a major role in the prior period losses. The five insurers would have seen lower total earnings and a lower return on embedded value relative to 2019 without these impacts from the non-covered business.

Operational experience variances included in EV

Traditionally, insurers have measured their underwriting success on their ability to manage operating experience positively against reserves set up. The COVID-19 pandemic has challenged this hypothesis and time will tell if there will be a return to consistent and more stable EV results. Figure 12 shows how significant adverse operating experience variances due to COVID-19-related mortality were experienced in 2021, with persistency experience being mixed during the pandemic, mainly as a result of insurers' strengthening their reserves in 2020 by more than what was required to allow for increased lapses.

Figure 12: Operating experience variances

R millions	Risk				Expenses				Persistency			
	2021	2020	2019	2018	2021	2020	2019	2018	2021	2020	2019	2018
Discovery	681	212	(308)	333	74	156	231	187	2,022	(5)	(5)	70
Liberty	(947)	(103)	124	250	N/A	N/A	N/A	N/A	178	(126)	(140)	(65)
MMH	(859)	126	237	372	140	217	79	(103)	(295)	(300)	(103)	(283)
Old Mutual	(1,521)	25	211	(7)	318	360	293	484	342	(183)	(282)	(577)
Sanlam	(4,205)	(125)	454	535	150	67	83	43	712	157	(22)	147
Total	**(6,851)**	**135**	**718**	**1,483**	**682**	**800**	**686**	**611**	**2,959**	**(457)**	**(552)**	**(708)**

Discovery numbers for persistency include lapses, surrenders and policy alterations lines as disclosed in the 30 June 2021 financial statements. Liberty does not disclose expense variances separately. The above Liberty specific numbers include only SA retail covered business. Liberty's risk variance above includes a line item in their published analysis of Group Equity Value Earnings called 'Excess risk claims not covered by the COVID-19 pandemic reserve' – the variances have been updated to include this line item for 2021 and 2020.

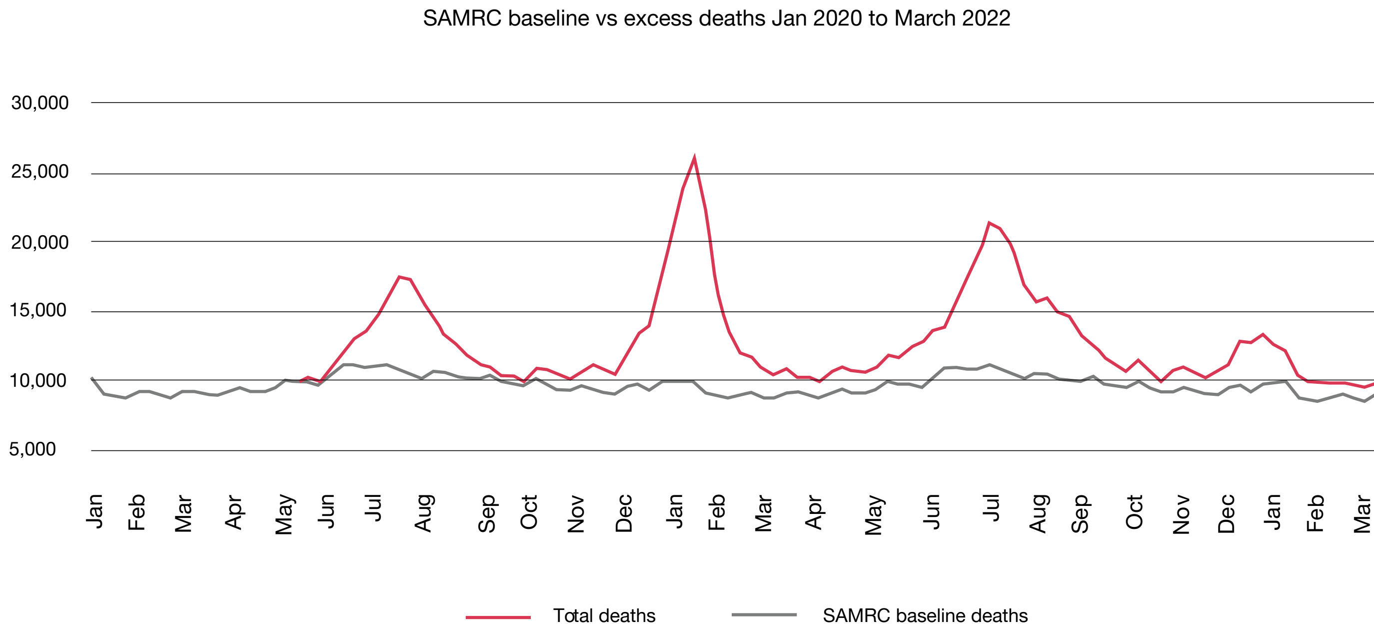
Source: PwC analysis

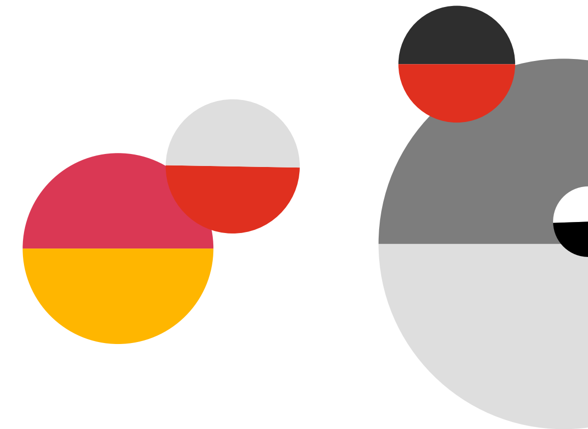
Mortality (included in risk experience variance)

Between the five largest life insurance groups in South Africa, approximately R6.8bn in risk variance losses were made over 2021, significantly worse than the prior-year experience of R135m in profit. The main driver of risk variances was again mortality losses due to COVID-19. The losses were to some extent lessened by the release of COVID-19 provisions (as was the case for 2020 results), and therefore the impact of COVID-19 gross of this release was significantly worse.

Unlike in the prior year where risk variances were fairly low, the variances in the current year are larger than normal. They demonstrate the severe impact that the second and third waves had on the life insurance industry relative to expectations. Figure 13 shows the severity of the second and third waves relative to the first in South Africa by plotting excess deaths vs. those expected over the period January 2020 to March 2022, as measured by the South African Medical Research Council.

Figure 13: SAMRC baseline vs excess deaths Jan 2020 to March 2022





Source: 'Report on Weekly Deaths in South Africa'." South African Medical Research Council. Last modified 28 March 2022. https://www.samrc.ac.za/reports/report-weekly-deaths-south-africa

Sanlam dominated this impact, contributing R4.2bn of risk losses. Corporate business within the Sanlam Life and Savings cluster was impacted to a much larger extent than the retail business, contributing R2.4bn of the Group's total excess mortality claims (on an embedded value basis) of R4.2bn. Liberty, MMH and Old Mutual all showed losses as well. The result of R681m for Discovery above was a combination of negative variances for the Life and Invest business offset by positive variances from the Vitality Health business in the UK.

At an overall level, negative experience was offset by positive experience from annuities due to longevity profits as noted by several of the insurers.

Over 2013 to 2018, risk variances across the industry averaged at around positive R1.7bn annually and have since been declining. One may argue that this is due to COVID-19, however, the decline was evident in 2019 as well. This trend together with reduced VNB margins may point to declining buffers in the life insurance business - whether that be through profit margins or margins in the valuation basis.

Expense variances

Positive expense variances are down compared to the prior year at an overall level as well as for all insurers except Sanlam. Expense variances were largely due to continued cost cutting and therefore expense savings. According to Figure 12, variance levels seem to be returning to pre-2020 levels.

There has been a significant drive across the industry towards cost cutting even before the pandemic, given the dampened underwriting profit and lower volumes. The positive variances in spite of depressed volumes show the success of these initiatives. The question remains as to what proportion of these successes is sustainable and what proportion will be short-lived.

Persistency variances

Persistency variances have improved significantly, with the substantial component of this change driven by Discovery. All entities showed persistency profits with the exception of MMH. The overall better experience was buoyed by releases in provisions in 2021 set up in the prior year for expected poor experience due to lockdown and other COVID-19 impacts. The benefit of these provision releases was obviously not available in 2020 at the start of the pandemic.

Discovery persistency profits are driven by better experience relative to a short-term stress allowed for previously in the Life and Invest business, and as captured by the negative assumption change in the prior year. Persistency variance was also supported by profits in other businesses within the Discovery EV.

Assumption changes

MMH was the only entity which showed a persistency loss. This was driven by losses in corporate business as well as Momentum Metropolitan Africa, although both of these showed improvement by December 2021.

Two years on from the start of the pandemic, it seems as though negativity on lapses has in fact largely not played out to the extent that the industry expected when COVID-19 hit. As always with lapses, this may be speaking too soon, especially in an environment of rising interest rates. Time will tell.

Figure 14: Assumption changes on EV

R millions	Risk				Expenses				Persistency			
	2021	2020	2019	2018	2021	2020	2019	2018	2021	2020	2019	2018
Discovery	148	(1,287)	(319)	0	(1,090)	(665)	(246)	197	(2,443)	(1,604)	0	(1,503)
Liberty	187	(606)	(101)	103								
MMH	(1,866)	(1,166)	(1)	(96)	3	211	(299)	(738)	(348)	(527)	(232)	(305)
Old Mutual	(2,769)	(3,690)	749	(55)	(455)	337	(65)	43	(746)	(1,335)	(781)	(680)
Sanlam	(867)	438	208	177	(91)	(353)	255	20	1,533	(1,856)	(98)	66
Total	**(5,167)**	**(6,311)**	**536**	**129**	**(1,633)**	**(470)**	**(355)**	**(478)**	**(2,004)**	**(5,322)**	**(1,111)**	**(2,422)**

Discovery and Momentum have June year ends whereas Liberty, Sanlam and Old Mutual have December year ends. In the table above, the June year ends allow for assumption changes at both the June and December points (i.e. year-end and interim). As a result, in the table above, the June year ends allow for 6 months 'more' of basis changes. Operating assumption changes were shown separately to the change in COVID-19 reserve in Liberty's published analysis of Group Equity Value Earnings, however, the table above shows the two in aggregate. Liberty numbers above include only SA covered business.

*Liberty assumption changes are across all categories i.e. Liberty does not split out the impact of risk, expense and persistency assumption changes separately

Source: PwC analysis

Risk assumption changes remained negative but decreased by 26% compared to the prior year. A substantial component of assumption changes is expected to be the impact of strengthening COVID-19 provisions. The sustained high cost of assumption changes for 2021 is potentially indicative of further severity of COVID-19 claims expected to emerge and decreases in discretionary reserves, both of which are negative for the industry.

Expense assumption changes have been volatile across entities, indicative of assumption changes not revealing an overall trend but rather specifics of the entity's structure. In total, the industry has strengthened assumptions with an increasing impact over the past four years.

Persistency assumption changes have decreased in severity since 2020 in line with better expectations. This is also in line with improved persistency variances shown in the table above. The sentiment in industry is that expectations of poor persistency in 2020 do not seem to have borne out to the degree expected and, going forward, expectations are more muted across the industry. That being said, persistency assumption changes were still negative for some insurers. On the face of it, insurers do seem to be making some allowance for the expected increase in interest rates and its consequent impact on affordability.

The table above alludes to some complexity in comparison of June to December year ends. This is largely because most entities don't make substantial assumption changes at the interim reporting date, rather opting to wait for a full year of experience to emerge at the year end. It's worth noting that, under IFRS 17, interim financials will need to stand on their own and hence assumption changes at interim will likely be more common going forward.

Conclusion

The year 2021 was another year of uncertainty. By the end of 2020 it seemed as though there was less clarity rather than more, or maybe it was rather that it became clearer just how complex the variables surrounding the pandemic were. This indeed played out as the year unfolded. Two of the highest impact waves occurred in 2021 – second wave and third wave. On the whole, it would be safe to say that these waves were largely underestimated at the start of 2021.

Now that we are out of the rollercoaster that was 2021, there is still a sense of greater uncertainty in the industry. Stakeholders are asking whether cost savings made during the lockdown will be sustainable, whether volumes and margins in businesses which have not yet recovered will still do so and, to get very actuarial, what allowance should be made in the basis for the effects of COVID-19 on long-term mortality and (said cautiously)...the effects of long-COVID.

IFRS earnings

Figure 15: Combined IFRS earnings

R millions	2021	2020	2019	2018
Total comprehensive income ("IFRS earnings")	28,661	(3,092)	22,144	68,566

2018 includes Old Mutual plc pre 'managed separation' into four separate businesses.

Source: PwC analysis

In 2021 the economy rebounded after the decline in 2020, supported by the roll out of vaccines and the relaxation or removal of COVID-19 related restrictions, resulting in increased demand and economic activity. The impact of this is seen through the increase in new sales volumes across all the insurers, albeit the mix of sales is yet to recover. The impact is also seen through the better than expected persistency that added to the insurers net underwriting results.

The year 2021 saw the insurers recovering strongly from the impact of the COVID-19 pandemic based on the combined IFRS earnings. The insurers posted a total comprehensive profit of R28,6 bn. This increase was despite the continued pressure from COVID-19 lockdown restrictions and the muted economic growth.

Themes from 2020 continued. Costs were carefully managed – increasing with 4% (2020:4%). Significant amounts of claims were paid in the current year as a result of increases in excess mortality claims above long-term actuarial assumptions. However, the impact of the excess death claims on the bottom line was offset by the increase in the market value of investment portfolios which were supported by the rebounding of the investment markets at the end of 2021. The gains in local and global equity markets had a positive impact on the average assets base of the insurers, which increased the net investment returns.

The COVID-19 impact on the combined IFRS earnings as reported by the insurers amounted to R10.3bn (2020: R16.7bn):

- The significant impact of mortality claims on the IFRS earnings in 2021 reduced by 38%. However, the pandemic reserves raised in 2020 were still insufficient to cover the high infection rates experienced in 2021. The waves of infection were worse than expected, resulting in excess death claims that drove insurers to raise additional pandemic provisions.
- The insurers took a number of actions during the year to mitigate the impact of COVID-19. These included price increases for individual underwritten new business (for unvaccinated lives).
- No additional reserves were raised by the insurers this year on business interruptions claims.
- Insurers remain comfortable that the remaining gross long-term reserves are adequate to cover future claims.

Figure 16: The impact of COVID-19 on earnings

COVID-19 impact (R millions)	Discovery	Liberty	MMH	Old Mutual	Sanlam	Total
Excess mortality claims/reserving	(3,100)	(3,468)	(2,319)	(6,815)	(4,197)	(19,899)
Release of existing pandemic provisions/margins	3,008	2,260	1,847	5,266	3,731	16,112
Additional COVID-19 provisions net of management actions	(1,630)	(1,751)	-	(3,383)	-	(6,764)
Net CBI claims	-	-	-	20	-	20
Other - including credit provisions and fair value adjustments	-	-	-	193	-	193
2021 Total COVD-19 impact	**(1,722)**	**(2,959)**	**(472)**	**(4,719)**	**(466)**	**(10,338)**
2020 Total COVD-19 impact	(3,372)	(3,427)	(1,783)	(6,079)	(2,082)	(16,743)
Change in COVID-19 impact from prior year	(49%)	(14%)	(74%)	(22%)	(78%)	(38%)
COVID-19 provisions 2021	564	1,126	741	2,864	-	5,295
COVID-19 provisions 2020	2,293	1,635	1,046	3,962	-	8,936

Source: PwC analysis

Of the R27bn incurred since the start of the pandemic, only R5,3bn (excluding Sanlam as the information has not been provided) remains provided for as at 31 December 2021. It is indicative that the insurers believe that the worst of the pandemic is behind us as vaccinations and immunity start to take effect.

In addition to the reduced COVID-19 impact, the insurers benefited positively from movements in exchange rates and interest rates. They also did not incur the same level of impairments and fair value losses as in 2020:

- The biggest contributor was the level of impairments experienced in 2021. It was significantly lower in the current year, amounting to R884m compared to R17bn in 2020.
- Insurers experienced an increase in positive foreign exchange differences amounting to combined gain of R4,1bn (2020: R3,6bn gain).
- Old Mutual recognised increased income from associates and joint ventures amounting to R1.4bn (2020: R592m).

The impact of the pandemic will however persist with continued uncertainty over the impact of future pandemic waves, new COVID-19 variants and the success of the roll out of vaccines. The COVID-19 provisions at the end of 2020 were insufficient – should we see a mortality experience similar to that of the second or third waves in 2021, the current provisions might also not be sufficient to cover future excess mortality.

Despite a subdued growth outlook, insurers remain confident about delivering on their medium-term targets. Their balance sheets remain well capitalised with strong liquidity to help them withstand the challenging operating environment. Solvency capital ratios (SCR) remained within targeted ranges with cautious approaches towards dividend declarations, albeit mostly within the dividend cover ranges.

Looking ahead to IFRS 17

The insurers have been investing heavily in developing new capabilities to report results under IFRS 17. The new accounting standard for insurance contracts, which will replace IFRS 4, will be effective on 1 January 2023. This means the large insurers will report their first set of interim results at 30 June 2023 (Liberty, Old Mutual and Sanlam) or 31 December 2023 (Discovery and MMH), but some early market disclosure of the impacts is likely. Whilst the standard will bring greater consistency, comparability and transparency to the IFRS results going forward, especially with regard to the setting and disclosure of margins included in policyholder liabilities, the impacts on the retained and future earnings of each individual insurer could vary significantly. This is given the diversity of bases that they currently employ under IFRS 4 and the three different transition approaches that will be used to transition to the IFRS 17 basis. The impact on deferred taxes and tax payments is also dependent on amendments to the tax basis to be made in light of IFRS 17, as well as any phase-in measures, which are yet to be decided on by National Treasury.

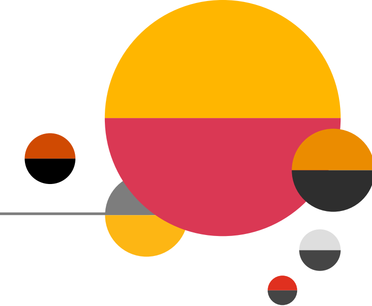
IFRS 17 will standardise the IFRS accounting for insurance contracts going forward. However, it is quite interesting how differently the Contractual Service Margin (CSM), which is the mechanism for recognising profits over the contract term, would have responded to December reporters compared to June reporters once they became aware of the pandemic in 2020 and its expected impact on profits in future periods – not to mention the different impact this will have on transition.

In short this is due to any claims incurred in a reporting period being recognised in the income statement. Changes in expected future claims (changes in assumptions) at balance sheet date are adjusted against the CSM, before an element of the CSM is amortised to profit for the period. With the COVID-19 outbreak occurring in March 2020, any excess mortality claims incurred in 2020 (e.g. the second wave) would have been expensed in the income statement for December reporters whereas the June years ends would have had to estimate the full extent of the expected future impact of COVID-19 claims at 30 June 2020 and spread this impact over the remaining duration of the contracts to the extent the book of business did not become onerous. For December reporters, only the future impact post 31 December 2020 would have been recognised against the CSM. In essence, some insurers would have expensed the cost of the second wave and others will spread that over many years to come.

It is therefore important that investors and analysts alike understand the mechanics and options available in IFRS 17. The kind of things investors and analysts may be interested in, going forward, to understand the impact of IFRS 17 on reported earnings may include:

- Which products are most impacted from operating profit and transition equity impact?
- What is the impact on tax, capital and dividends?
- Will we continue to see buffers and excess reserves?
- Reserving for pandemics - will that still be permitted?
- Will companies be looking to hedge the CSM?
- Will companies get differences between gross/direct and reinsurance?
- Will we see more interest rate volatility compared to today?
- How much flexibility is there in setting the discount rate?
- What will we see on transition and how comparable will companies' approaches be?
- Will we see a delay in reporting as a result of this?

Appendices



Statistics

R millions	Discovery					Liberty					MMH				
	2021	2020	2019	2018	2021 vs 2019	2021	2020	2019	2018	2021 vs 2019	2021	2020	2019	2018	2021 vs 2019
Group consolidated IFRS earnings															
Total comprehensive income attributable to equity holders	6,720	996	6,146	6,536	9%	119	(2,675)	3,644	3,411	(97%)	180	(196)	2,773	1,569	(94%)
Equity attributable to equity holders of parent	53,459	45,035	47,782	43,336	12%	27,693	27,997	32,389	31,393	(14%)	21,148	21,938	25,066	22,621	(16%)
Return on average equity	13%	2%	13%	16%	0%	0%	(9%)	11%	11%	(96%)	1%	(1%)	12%	7%	(93%)
Group consolidated embedded value															
Group embedded value	82,920	72,467	73,184	68,025	13%	38,087	35,210	40,907	38,684	(7%)	43,322	40,838	42,808	39,880	1%
Group embedded value profit	9,833	76	6,828	8,609	44%	2,838	(4,134)	4,418	1,488	(36%)	2,539	(1,235)	3,993	(1,461)	(36%)
Return on group embedded value	13.6%	0.1%	10.0%	14.3%	36%	8.1%	(10.1%)	11.4%	3.8%	(29%)	6.2%	(2.9%))	10%	(3.4%)	(38%)
VNB															
PVNBP	42,013	39,024	40,811	39,603	3%	44,801	34,390	40,919	43,389	9%	72,901	54,205	53,227	54,598	37%
VNB	1,882	1,671	2,518	2,851	(25%)	229	24	407	371	(44%)	791	454	366	381	116%
VNB margin	2.5%	2.2%	4.3%	4.7%	(42%)	0.5%	0.1%	1.0%	0.9%	(49%)	1.1%	0.8%	0.7%	0.7%	58%
Costs															
Acquisition costs	(5,211)	(6,296)	(6,281)	(5,701)	(17%)	(4,219)	(4,058)	(4,241)	(4,413)	(1%)	(7,300)	(6,717)	(6,334)	(6,028)	15%
General marketing and administration expenses	(23,902)	(21,920)	(21,291)	(18,455)	12%	(12,098)	(11,264)	(11,075)	(11,184)	9%	16,066	(15,322)	14,733	14,870	9%

VNB margin exclude Health and Vitality for Discovery as no VNB margin is disclosed for this business

Source: PwC analysis

R millions	Old Mutual					Sanlam					Combined				
	2021	2020	2019	2018	2021 vs 2019	2021	2020	2019	2018	2021 vs 2019	2021	2020	2019	2018	2021 vs 2019
Group consolidated IFRS earnings															
Total comprehensive income attributable to equity holders	8,274	(5,762)	5,793	41,950	43%	13,368	4,545	3,788	15,100	253%	28,661	(3,092)	22,144	68,566	29%
Equity attributable to equity holders of parent	65,301	69,323	77,925	81,420	(16%)	82,896	77,224	79,360	81,617	4%	250,497	241,517	262,522	260,387	(5%)
Return on average equity	12%	(8%)	7%	32%	69%	17%	6%	5%	21%	255%	12%	(1%)	8%	23%	37%
Group consolidated embedded value															
Group embedded value	91,900	97,400	116,500	122,600	(21%)	142,390	131,812	143,271	134,052	(1%)	398,619	377,727	416,670	403,241	(4%)
Group embedded value profit	7,403	826	8,436	4,337	(12%)	17,208	(3,874)	8,491	12,858	103%	39,821	(8,341)	32,166	25,831	24%
Return on group embedded value	11.2%	1.1%	13.2%	7.4%	(15%)	13.1%	(2.7%)	6.3%	10.6%	108%	11.5%	(2.2%)	9.3%	8.0%	23%
VNB															
PVNBP	65,136	57,530	72,192	66,647	(10%)	96,182	74,591	76,446	74,378	26%	321,033	259,740	283,595	278,615	13%
VNB	1,266	621	1,865	2,123	(32%)	2,764	1,921	2,280	1,985	21%	6,932	4,691	7,436	7,711	(7%)
VNB margin	1.9%	1.1%	2.6%	3.2%	(25%)	2.9%	2.6%	3.0%	2.7%	(4%)	1.9%	1.5%	2.4%	2.4%	(19%)
Costs															
Acquisition costs	(10,506)	(9,803)	(10,713)	(9,773)	(2%)	(14,724)	(14,319)	(13,246)	(10,139)	11%	(41,960)	(27,759)	(28,147)	(23,998)	49%
General marketing and administration expenses	(24,896)	(25,049)	(23,407)	(25,845)	6%	(28,446)	(27,882)	(27,805)	(21,562)	2%	(73,276)	(101,437)	(68,845)	(62,176)	53%

VNB margin exclude Health and Vitality for Discovery as no VNB margin is disclosed for this business

Source: PwC analysis

Basis of information provided

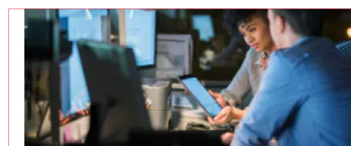
Basis of information

The aim of this publication is to consider the results of the South African major life insurance groups for the calendar year ended 31 December 2021. Where companies have 30 June year ends, the financial information has been reconstituted to reflect the calendar year ended 31 December.

Pertinent matters to note regarding the information presented:

- EV profit is the EV earnings published by the insurers, so is based on their methodologies as disclosed in their reports.
- Old Mutual follows the Market Consistent Embedded Value (MCEV) methodology, whereas the others follow the European Embedded Value (EEV) principles.
- The Old Mutual EV earnings and return on embedded value exclude non-covered business. It is included for the other four insurers.
- Discovery PVNBP and VNB margins exclude Health and Vitality.
- The operating experience variances presented relate to impacts on the embedded value of covered business.
- The operating experience variances presented for Discovery include the South African as well as the UK life and health entities.
- The operating experience variances for Liberty are shown for the South African Retail entity and therefore exclude the Corporate and Rest of Africa entities.
- The operating experience variances for all other entities are shown for total covered business.
- Discovery and Momentum have June year ends whereas Liberty, Sanlam and Old Mutual have December year ends. The assumption changes for the June year ends allow for the aggregate of the impact of changes at both June and December (ie. year end and interim). As a result, the June year ends allow for 6 months 'more' of basis changes than the December year ends.

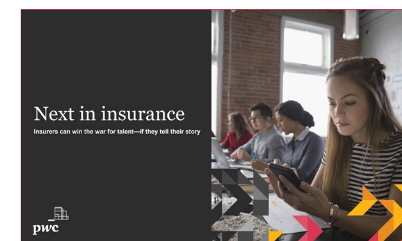
Recent thought leadership



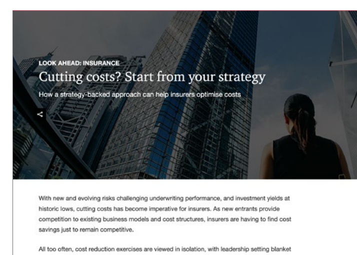
March 2022

How insurers can respond to higher interest rates

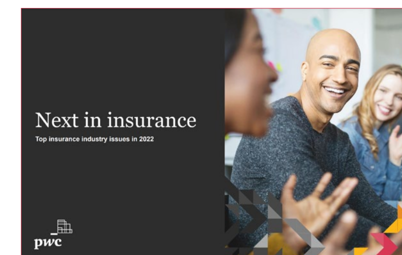
How insurers can respond to higher interest rates
https://www.pwc.com/us/en/industries/insurance/library/higher-interest-rates.html



Next in insurance – Insurers can win the war for talent—if they tell their story
https://www.pwc.com/us/en/industries/insurance/library/assets/pwc-next-in-insurance-war-for-talent.pdf



Cutting costs? Start from your strategy – How a strategy-backed approach can help insurers optimise costs
https://www.strategyand.pwc.com/uk/en/insights/cbt-report-cutting-costs-start-from-your-strategy-insurance.html



Next in insurance – Top insurance industry issues in 2022
https://www.pwc.com/us/en/industries/insurance/library/assets/next-in-insurance-overview-01-04-22.pdf

CSFI/PwC Insurance Banana Skins 2021 – South African cut
https://www.pwc.co.za/en/assets/pdf/csfi-pwc-insurance-banana-skins-2021.pdf

Insurance Banana Skins 2021 – What are the top risks facing the insurance industry?
https://www.pwc.com/gx/en/financial-services/assets/pdf/insurance-banana-skins-2021.pdf

IFRS 17, Insurance Contracts: An illustration. Financial statements presentation and disclosures
https://www.pwc.com/id/en/publications/assurance/ifrs-17-insurance-contracts.pdf

Contacts

Alsue du Preez
PwC Africa Insurance Leader

alsue.du.preez@pwc.com
https://www.linkedin.com/in/alsue-du-preez-bb5b8343/

Dewald van den Berg
Insurance Accounting Partner

dewald.van-den-berg@pwc.com
https://www.linkedin.com/in/dewald-van-den-berg-83807a46/

Renasha Govender
Actuarial, Risk and Quants Partner

renasha.govender@pwc.com
https://www.linkedin.com/in/renasha-govender-55948b2/

Carolyn Clark
Actuarial, Risk and Quants Director

carolyn.clark@pwc.com
https://www.linkedin.com/in/carolyn-clark-b6590471/

Contributors

Cathy Liao
Insurance Audit Manager

Dirk Mostert
Strategy& Senior Manager

Janine Stols
Actuarial, Risk and Quants Associate

Jaral Harkoo
Actuarial, Risk and Quants Manager

Justin Nariansamy
Insurance Audit Senior Manager

Morgan Jones
Corporate Finance Partner, Financial Services Coverage

Phuti Tsipa
Insurance Audit Director

Robert Beighton
Deal Strategy and Value Creation Partner

Susan de Klerk
Insurance BD Senior Manager

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 156 countries with over 295,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

© 2022 PwC. All rights reserved. (22-27998)