

Key Trends of Life Cover in South Africa

White Paper



The need for life cover

Life insurance provides peace of mind and assurance by offering a financial safety net and added support for your loved ones and dependents when you are no longer there to provide this yourself. This may occur not only in the event of death, but also in the event of critical illness or disability, where you are unable to work and earn an income.

As such, it is crucial to purchase a comprehensive life policy that covers death, critical illness and disability.

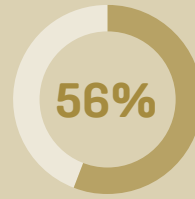
Importantly, appropriate comprehensive life cover will ensure your family can continue living comfortably without the burden of debt and that their financial situation does not change, allowing them to continue their life journey.

Key highlights

**R191 –
R3 800**
average life
insurance premium



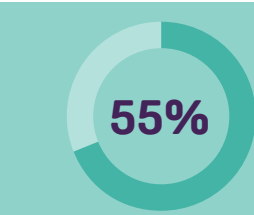
of South African
consumers
have life insurance
(down from 12%)



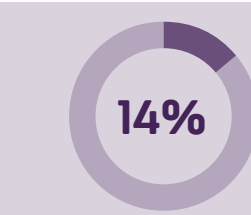
of South African
consumers are aware of
life insurance products

**54%
to
46%**
male vs female
that purchase
life insurance

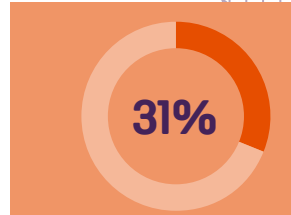
28%
of consumers who
have life insurance
have completed
secondary
schooling and
55%
have completed
post-secondary
schooling



😊 Good experience
with life insurers



😐 Average experience
with life insurers



😞 Bad experience
with life insurers

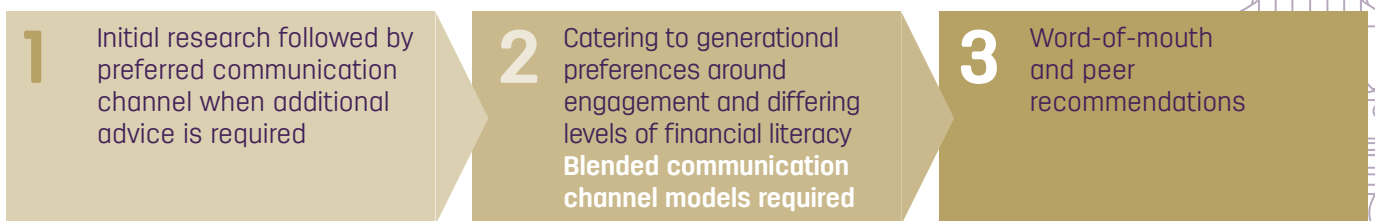
Top 4 barriers to life insurance adoption



Top 4 challenges at the life policy inception stage



Top 3 evolving trends in preferred engagement and interactions



Top 4 factors determining choice of life insurance provider



Why do you need life cover?

Our financial needs and commitments evolve as we naturally progress through the different stages of our lives. As we earn more, we invest to create a stable future. We also purchase assets like homes and cars and start to support a family as we get married and have children, which brings with it numerous financial responsibilities.

And every breadwinner wants to know that their family will have the resources to maintain their lifestyle and meet these financial commitments and obligations in the event of their untimely death or incapacitation due to accident or illness.

My family and loved ones will be covered after my death with no stress and fuss financially. They will live their lives as normal when I am not around.

Tseko Letlala

Uncertainty in the economy, both locally and globally, compounds the need to ensure that there are enough financial resources available to a family that has lost an income earner during downturns and recessions.

Life insurance provides this peace of mind and assurance by offering a financial safety net and added support for your loved ones and dependents when you are no longer there to provide this yourself.

A life policy ensures that your family's financial situation remains unchanged in the event of death, critical illness or disability in the form of a lump sum payment.

Importantly, appropriate life cover will ensure your family can continue living comfortably without the burden of debt.

Ultimately, life cover is about making sure your dependants can afford the life you always planned for them while ensuring a brighter future.

I know my family would be taken care of in event of death as I have enough policies and life insurance to cover them.

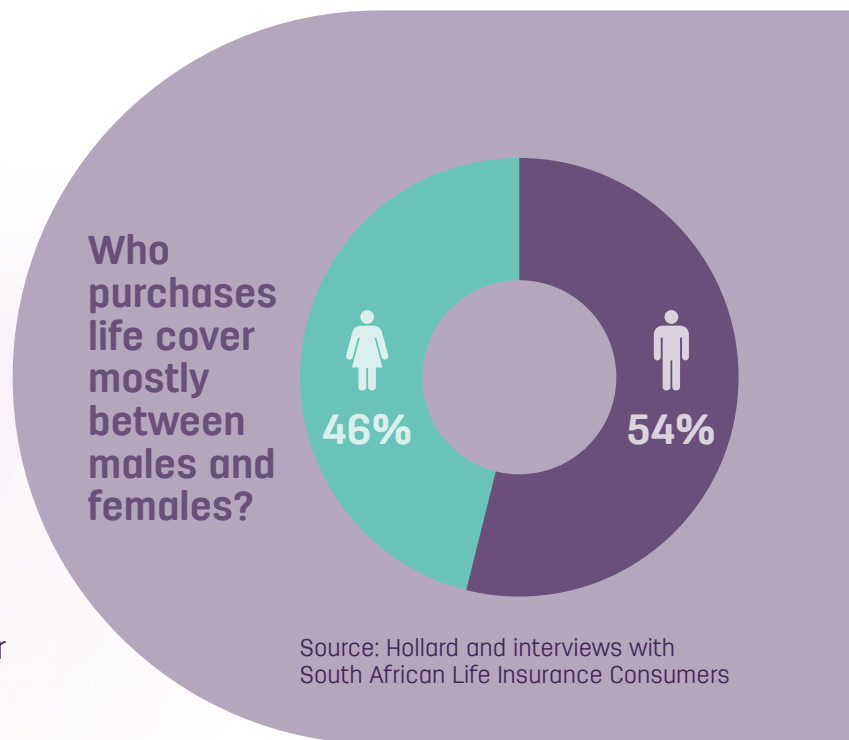
South African Consumer

Your beneficiaries can decide on which financial obligations to spend the lump sum payment on. These can range from clearing home loan and car repayments to providing money for groceries and school and university fees. A comprehensive life insurance policy means their financial needs are covered when they need it most in your absence or if you can't earn income due to critical illness or disability.

The consumer and life cover

Some consumers view life cover as a vital safety net to protect their, as well as their dependent's, future well-being if a life-altering event were to occur, including illness, disability or death.

The question of who buys life insurance is answered by survey data and interviews with consumers presenting the male/female insurance purchase ratio. Most life insurance holders are males, accounting for 54% of life insurance purchases, while the remaining 46% are purchased by females.



Looking across education levels, the majority – or 55% – of life insurance policy holders are those who have completed a post-secondary schooling qualification. Approximately 28% of life insurance policy holders have completed secondary schooling, according to the 2020 Financial Literacy in South Africa Baseline Survey Study.

How much one is charged for a life insurance product depends on the consumer's risk profile, where monthly premiums are determined by a variety of variables, such as age, medical history and occupation. Monthly premiums can range from as little as R191 to over R3 800.

How much people who have life cover pay on average towards their life cover

Life cover amount	Monthly premium (est.)
R250 000 – R500 000	R191
R500 000 – R1 000 000	R382
R1 000 000 – R1 500 000	R637
R1 500 000 – R2 000 000	R764
R2 000 000 – R5 000 000	R1 784
R5 000 000 – R10 000 000	R3 822

Source: Knowledge Executive and interviews with South African Life Insurance Consumers

However, it seems that many people fail to acknowledge this vital coverage. Perhaps it is because they do not understand how life cover works, or maybe they think that it is too expensive.

Moreover, a large portion of South Africans have misconceptions about life insurance, including that life cover is just for rich people or for those with families.

Additionally, people think that a life insurance policy is only designed to cover in the event of death and not other life-altering events, including critical illness and disability.

As such, an education gap exists in that everyone should know they should have some form of life cover in place and need to be covered.

Concerns and fears

Despite the clear financial benefits and financial rationale that supports the need for comprehensive life cover, many South African consumers remain under-insured or forgo life cover altogether for various reasons.

According to the Financial Sector Conduct Authority's (FSCA) 2022 Financial Sector Outlook Study, only 10% of South African consumers have life insurance (down from 12% in 2019).

The major concerns, fears and constraints facing consumers when considering life cover include

- 1 *Affordability and cost*
- 2 *Long-term savings and retirement needs*
- 3 *Anxiety and uncertainty*
- 4 *Mistrust*

1 Affordability and cost

The health and wellbeing of family is most important to consumers. For younger generations that do not have children yet, their family remains an important support structure. For many, financial stability is a major factor that will determine when they start their own family.

Among those with children, being a good provider is a top priority, as is spending quality more time with family.

Every time I think I have my financial situation under control there is always something more to pay and life insurance seems to be forgotten.

South African Consumer

2

Long-term savings and retirement in jeopardy

The resultant economic impact related to lockdowns and supply-side shocks had a massive impact on a personal and financial level. Consumers dealt with deaths, salary cuts and no annual increases or bonuses, and business closures

that led to job losses and lost income.

Many consumers turned to credit and debt to meet the increased costs of living after a job loss, salary cut or no increase to keep up with inflation. As a result,

many consumers were faced with the inability to save for unexpected events and invest for retirement and a more secure financial future.

Savings were also depleted to cover unexpected expenses and manage rising costs.

3

Anxiety and uncertainty

Uncertainty around poor economic growth, rising inflation, political instability, and the fluctuating rand-dollar exchange rate cause anxiety with consumers. This, coupled with South Africa's rising unemployment rate and poor business confidence all weigh on consumers' minds and leads to concerns about the future.

I lost 2 jobs and now I am struggling to find one as things are slowing down.

South African Consumer

The prevailing situation and resultant uncertainty leaves many feeling out of control and unable to make important long-term financial commitments.

4

Mistrust

There is general mistrust in insurance products in life cover by consumers. This includes a lack of confidence that the policy will deliver when it is needed and the fact that the policyholder will not be around to deal with issues should they arise.

The idea that a policyholder will never find out if a life policy gets paid or not breeds further uncertainty.

Pervasive stories about claims that have not been paid have resulted in some scepticism among consumers, which breeds distrust. As such, consumers are uncertain about their family receiving payouts and whether they are 'wasting money' on life premiums.

You never really know if they are going to pay out. The insurance documents are daunting to read so there is a possibility to miss something.

Zinhle Nhlapo

Goals and desires

Amid the chaos of modern life, people value relationships with loved ones, having a steady income and good health above all else. Being able to support yourself and your family now and in the future is a top priority.

In research conducted by Hollard many consumers indicated that the following work and financial goals matter most in life:

- 1 *Providing for family*
- 2 *Financial success*
- 3 *Work/career path security*
- 4 *Well-being*

1 Providing for family

The health and wellbeing of family is most important to consumers. For younger generations that do not have children yet, their family remains an important support structure. For many, financial stability is a major factor that will determine when they start their own family.

Among those with children, being a good provider is a top priority, as is spending quality more time with family.

I felt life insurance was a necessity to make sure my family can carry on financially if I should pass away. My youngest daughter is at varsity, if anything should happen to me now, she can at least carry on with her degree and not stop to go out and get a job.

South African Consumer

2 Financial success

Consumers value financial stability for numerous reasons. Topping the list is the ability to support their family and provide the lifestyle they desire. Securing a comfortable future in retirement with adequate finances to maintain their lifestyle is another key consideration.

When interviewed, consumers identified differing routes to financial success and independence. The mass market segment highlights the value of a side hustle to earn additional income. The affluent segment see entrepreneurship and starting their own business or growing an existing business as the keys to financial freedom.

Covid-19 made me realise how fragile life can be and made me recognise the value of life cover and insurance. I have since looked at my current coverage and my retirement more intently.

Joyce Nkgoeng

3

Work/career path security

Establishing a career with a clear path to senior positions ranks highly among younger consumers while middle-aged respondents (aged 35-49) value job security and look to continued education and self-improvement as a means to achieve these objectives.

4. Wellbeing

Their health and wellbeing as well as that of their family remains a high priority among South Africa's insured consumer market. In fact, they value a holistic lifestyle approach that addresses their physical, mental and spiritual well-being requirements.

Beyond exercise and general healthcare, these consumers also consider the ability to travel, enjoy their retirement and take care of their family's comfort and happiness as key factors for a comfortable and prized lifestyle.

In fact, life cover is a valued financial product that provides a sense of security, peace of mind, comfort, confidence and a level of assurance that their family will be taken care of and their needs met in a time of need.

I didn't have life insurance until after the height of the first wave of the pandemic. COVID made me realise the importance of life insurance.

South African Consumer



Barriers and challenges

Despite their understanding of the importance and relevance of life cover in their broader financial plans, consumers still experience various pain points, challenges and barriers to entry when attempting to take up life cover.

Application process

Many consumers indicate that the application process can often be long and tedious due to the administrative burden and copious paperwork required at the policy inception stage.

In addition, medical tests required for underwriting can seem invasive and there is the perception that they impact premiums.

Additionally, consumers feel that the cons or disadvantages of a policy are seldom communicated as effectively as the pros or advantages.

Terms and conditions (hidden clauses and legalese)

Policy wording and complexity remains a common bugbear, with terminology and phraseology that is complex and often difficult to understand. Furthermore, documentation does not always explicitly explain what is and what is not included in the policy.

An interesting insight shared in interviews with non-category users is that they believe policies contain hidden clauses that insurers use as a loophole or a technicality to reject a valid claim.

Moreover, many consumers feel that certain industry best practices, such as exclusions and waiting periods, feel discriminatory to those with certain illnesses or conditions, and are more onerous for certain age groups.

Cost and payout

Despite a clear understanding of the benefits, the feeling that life insurance is a grudge purchase still pervades the sector.

For category non-users, affordability remains a key issue. Perceived high premiums remain a barrier to entry for this consumer segment, while the absence of immediate tangible benefits often make insurance seem like a “waste of money”.

Additional financial concerns relate to annual premium escalations without a commensurate increase in cover, which effectively makes the same cover more expensive as you age, and the fact that cover lapses if premiums aren't paid.

With regard to payouts, some consumers interviewed highlighted concerns around the amount of time it takes for beneficiaries to receive the funds. Additionally, there is too much red tape to go through to access the funds, with concerns raised that some insurers fail to pay due to a technicality.

A general perception also exists that beneficiaries do not always have the option of how they can receive the pay out – either as a lump sum or as instalments.

Life cover to me is more of a grudge purchase. Honestly, I don't quite see why I should purchase a policy for just in case something happens. What if none of what I'm covered for happens? That may easily translate to waste of money.

Financial literacy regarding life cover

The interviews conducted with consumers reveal a need for better education around life insurance and the various products that fall under this product category and their associated benefits. In fact, only 56% of consumers are aware of life insurance products, according to the 2020 Financial Literacy in South Africa Baseline Survey Study.

Some consumers are unsure about what they are covered for and if their cover will be sufficient in future due to the rapid increase in living costs.

One user highlighted the lack of personal gratification as life insurance feels like

investing money in something they will never get to enjoy – “like blindly paying for something you may never use”. Another consumer stated that it “feels like you are paying for nothing.”

Some consumers are unaware that a life policy can be structured to cover other life-changing events, including critical illness and disability. Even if one has life cover, people may find themselves in a situation where they are unable to earn an income, due to critical illness or disability. A comprehensive life policy covering all these events are available to consumers.

Channels and drivers

Various factors influence the decision to take out life cover, with real-world life experiences the ultimate driver, according to consumers.

Driven by life experiences

Greater awareness about the burden family members may face when they lose a primary breadwinner is the major driver for life cover. In fact, many consumers report learning more about the category by speaking to friends, family members, financial advisors and consulting the internet.

Category users believe a policy provides some guarantee that the insurance providers will take care of future financial commitments and debts. The level of cover and amount insured will vary based on the different life-stages a consumer finds themselves in.

The impact of Covid-19 on mortality rates has also served to create greater awareness around the need and benefits of life cover.



The customer journey

Consumers pinpointed 4 key steps in the customer journey to life insurance:

Step 1: Prompt

Step 2: Initial research

Step 3: Deep dive

Step 4: Product take-up

Step 1: Prompt

The uncertainty that surrounds modern life or a shift in life stage and changing financial circumstances initiates the need for life insurance.

Step 2: Initial research

The uncertainty that surrounds modern life or a shift in life stage and changing financial circumstances initiates the need for life insurance.

Step 3: Deep dive

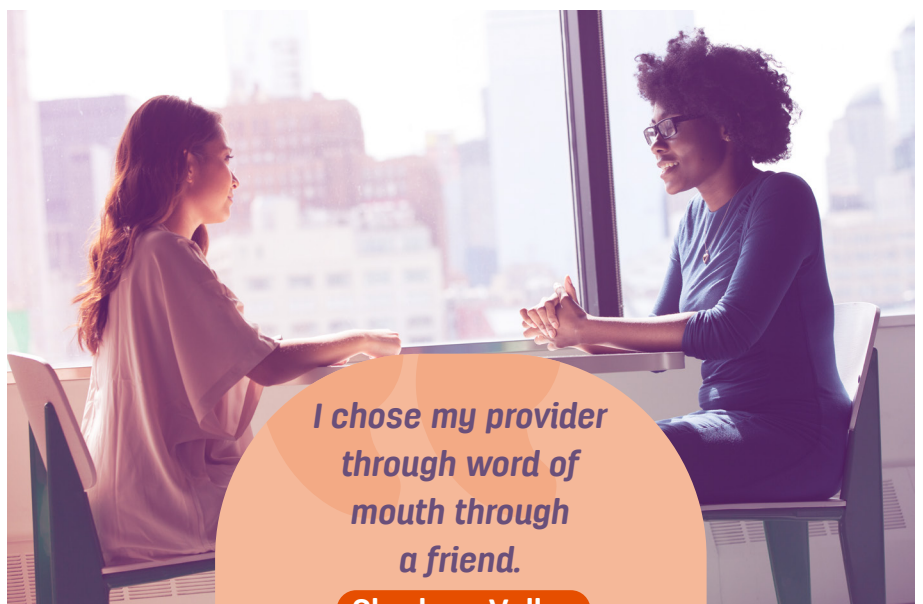
Armed with a general understanding, consumers search for an offering that is best suited to their specific needs with additional research or potential engagement with an intermediary.

Step 4: Product take-up

Once they make a decision, they buy a policy via their preferred channel.

As life insurance is a life-long purchase, the final decision requires thoughtful consideration and research, which predominantly happens via three main sources:

1. **Internet:** Consumers typically use search engines to gain category insights and find reputable providers and compare premiums through recommendations.
2. **Social media:** Many consumers canvass social media to read comments and reviews on their shortlisted providers to assess their reputation and gauge their market presence.
3. **Word of mouth:** Consumers typically consult friends, family and colleagues for insights on past experiences with providers. Referrals to financial advisor/brokers typically happen at this stage.



I chose my provider through word of mouth through a friend.

Charlene Valley



Channel preferences

Engagement preferences have evolved due to the pandemic's influence and our greater reliance on digital communication. As such, brands are increasingly judged on their omnichannel digital capabilities and direct contact centre and in-person engagements.

Online: Company websites serve as a starting point for research due to the depth of information provided. And many consumers opt to complete the process on this platform as they find it more convenient as they can browse and apply at their own pace and in their own time. However, others find it impersonal and confusing.

Call centre agents: Consumers expect the transition from online to call centre to feel quick and seamless, without a loss of context or relevance. Many find this channel useful for in-person support when they require greater clarity or assistance. However, the pressure to make an immediate decision increases when using this channel.

In-person consultation: While more time consuming, meeting with a financial advisor/broker offers deeper engagement and more personalised advice.

Online vs advisor/broker

While digital channels have disrupted the traditional insurance sales model, generational preferences around engagement and differing levels of financial literacy ensure that a blended channel model that offers both in-person and online options still holds relevance in the current market.

Journey with a financial advisor/broker

The interpersonal communication facilitates a transparent and trustworthy environment. The guidance provided can help to make a final purchase decision, which parties can often finalise on the same day. As the advisor handles everything, client involvement is minimal.

For many consumers, the journey with a trusted broker is less stressful, simpler and pain-free. However, this experience is predicated on finding the right broker who understands their specific needs and can offer the most appropriate brand and products.

I selected my life insurer based on the recommendation made by a broker and the price of the life policy premium.

Rouselle Govender

Journey via online channels

Product take-up is relatively seamless and accurate once a customer provides the relevant information. Generally, a consultation with an agent is required to finalise the policy. Thereafter, the underwriting begins and the contract is signed. For many, this process is simple, quick and seamless with minimal hassle.

However, issues can arise that can make the online application process more tedious. Customers also need to manage the paperwork and administrative requirements during the underwriting process, which is demanding.

Choice and expectations

Conducting research will reveal a wealth of options available to consumers, with various insurers offering different product benefits and prices. This can prove complicated without expert advice from an experienced and qualified financial advisor/broker, especially for more complex requirements.

What matters most when looking for information?

Based on interviews, consumers consider the following factors when shopping for life cover:

- **Premium:** Affordability is key.
- **Product offering:** Many consumers want assurance that their policy matches their lifestyle needs with sufficient cover that covers an array of incidents.
- **Brand reputation:** Consumers prefer well-known brands that receive positive reviews.
- **Benefits:** Consumers like value added benefits that distinguishes an offering from a competitor, such as rewards programmes.

I purchased a life policy from the insurance provider, as it integrated with their rewards/wellness programme.

Whitney Rosenberg

Company reputation and longevity

Additionally, consumers consider multiple factors when comparing insurance providers. These include:

- Price
- Product
- Reputation
- Value for money
- Customer experience
- Service and product delivery

My choice of life insurance provider was based on price. I got different quotes from different providers and they were the cheapest for the offering.

Chaldon van Wyk



Good customer service/CX

Discerning modern customers demand a seamless and personalised experience across all touch points and stages in the process.

Delivering a consistent customer experience across every channel is critical to engaging, securing and retaining customers and generating recommendations. When engaging with a contact centre, consumers expect agents that:

- Demonstrate empathy and show genuine care and respect.
- Take time to listen and understand their needs to provide advice and guidance.
- Acknowledge their situation with a willingness to help.
- Are efficient and effective and respond quickly to all queries.
- Assist in making the process as seamless as possible through knowledge and expertise.
- Can explain and clarify terms and conditions in a simple, clear but not patronising manner (often in a home language for the mass market).
- Provide updates on company, trends and industry and can recommend new relevant products or enhancements that may offer benefits

I've had a good experience in general. The response time to queries and customer requests has been quick

Natasha Parkins

Brand choices

Research reveals that many consumers purchase insurance from a brand where they already have a pre-existing product, such as short-term insurance or medical aid or another policy. Consumers are demanding easier application processes, better premiums for adequate cover, and the value of an established and trusted relationship as additional key drivers in this purchase decision.

I have been with my insurance provider ever since I started working, so I will always continue to use them as my preferred provider.

Carlo Clark

Why choose Hollard?

Among the leading life insurance providers in South Africa, Hollard offers a compelling value proposition with strong brand attributes and a standout product and service offering.

Strong brand attributes

Hollard is an established and accessible local brand that holds the customer's best interests at heart. The wide range of affordable products offered cater to a broad customer base with diverse needs, with options available for every life stage.

Moreover, the brand is highly recognisable and strongly associated with key attributes such as reliability and trust, according to interviews conducted with South African insurance consumers.

Exceptional customer service underpins Hollard's comprehensive product offering. Based on interviews, users have experienced helpful, caring, personal service from Hollard, which makes them feel 'safe and protected' and 'comforted'.

Hollard stands for comfort, assurance and reliability. They are there during the heaviest storms in life.

Hollard Customer

Affordable premiums and experience

Hollard is also a recommended brand chosen for its affordable premiums, which broadens inclusivity.

Premiums depend on various factors, including age, education, income, smoker status and a set of medical questions, among others.

Hollard offers exactly what you need. They have accountability in their name and won't rip you off like some other brands.

Hollard Customer

Clients also get additional value from Hollard Life cover, including:

- 20% CashBack after 5 years.
- A R30,000 final expense benefit on death (an acceleration of your life cover) and R30 000 for your partner (no extra cost).
- Up to R10 000 final expense benefit for up to 4 children (no extra cost).
- No medical tests (for qualifying applicants).
- R360 000 in extra cover at no additional cost if applicants had a negative HIV test within previous 12 months (T's & C's apply).

Conclusion

Protection of one's family and/or dependents by having a concrete plan for potential adverse life-changing events presents a strong case for life insurance adoption. However, the majority of South Africans overlook this crucial financial coverage, primarily due to an array of barriers, including affordability, prioritising long-term investments, economic and job uncertainty and mistrust of life insurance providers.

Although consumers do possess financial goals that are orientated around providing for their families, achieving financial success, security in their career journey and well-being from little to no financially induced stress.

This has pushed some to purchase a life insurance policy; however, they are faced with a myriad of adoption challenges, including arduous application processes, complexity in the policy wording, misalignment between pricing and perceived value and poor financial literacy.

Consequently, consumers have embarked on new discovery and engagement journeys when buying a life insurance policy. Conducting online research along with approaching brokers is one of the notable trends shaping life insurance engagement.

And when consumers have identified a product that aligns to their needs, they choose their preferred life insurance provider based on differing factors, such as recommendations from friends and family or brand reputation and customer service and experience.

Taking note of these trends, Hollard has developed its value proposition to customers based on trust, affordability, flexibility and complete transparency. Moreover, Hollard champions a personalised experience for every individual customer, ensuring bespoke financial solutions and engagement and an unmatched sense of security.

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