



Adapt

KPMG Insurance Survey 2021

Proudly published for more than twenty years

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[KPMG.co.za](https://www.kpmg.co.za)



Our panel



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It was a simpler time then – looking back at our 2006 survey

All companies listed on the JSE, with financial years ending on or after 31 December 2005, were required to report in terms of IFRS. This included the long awaited standard on insurance – IFRS 4 (AC 141): Insurance Contracts.

Historically most small and medium insurers did not have a formal process for determining the Incurred But Not Reported claims liability.

The principle of regulating solvency based on actual insurance, investment and operational risk, rather than the current situation where net premium volume is the main driver, is generally well accepted. The devil, however, is in the detail.

Short-term insurers with gross premium over R1 billion

	2005 R'bn	2020 R'bn
Santam	9.38	29.97
Mutual & Federal	6.67	10.64
Hollard	3.98	12.02
SA Eagle	3.05	4.72
Outsurance	1.89	8.86
Guardrisk	1.75	11.11
Auto & General	1.52	3.03
ABSA Insurance	1.21	3.11
Regent	1.17	n/a
AIG	1.12	1.75
Constantia	1.08	unknown

Source: KPMG Insurance Survey 2006 and 2020



It was a simpler time then - looking back at our 2006 survey

Although the debate on the de-capping of commissions in the short-term industry has been put on hold indefinitely, the outcome of the commission debate in the long-term insurance industry might influence decisions on the future commission structures within the short-term insurance industry.

Few insurers at the outset of their IFRS implementations could claim that this information was available to them at the push of a button.

In presenting their income statements in a format that complied with IAS 1 Presentation of Financial Statements, most insurers disclosed revenue on the face of the income statement.

As part of phase II of its insurance contract project, the IASB plans to publish a discussion paper during December 2006 with the publication of a new insurance contracts standard not expected until 2009.

The IFRS 4 disclosures, as anticipated, were problematic for the industry. Many have commented that IFRS 4 may not have been particularly helpful, with high-level requirements in the standard but with considerably more detailed (non-mandatory) specifications included in the Implementation Guidance.

One measurement of the extent of work that has gone with the implementation of IFRS is the number of additional pages that insurers included in their financial statements to comply with IFRS. The table below compares the number of pages used for financial reporting by three listed short-term insurers in their 2004 and 2005 annual reports. The table shows that on average the financial reporting doubled in size.

Insurer	31 Dec '04	31 Dec '05	Increase
SA Eagle	22	48	26
Santam	24	47	23
M&F	32	58	26

Emerging themes

The road to renewal

Despite continued uncertainty and risk volatility, CEOs are confident and optimistic about growth, feel a strong connection to their purpose and are looking to drive expansion.

Rebounding growth

60 percent of CEOs are confident about growth prospects for the global economy (up from 42 percent in January/February of this year). Overall, CEO confidence has returned to pre-pandemic levels of early 2020, despite the Delta variant slowing down the return to normal.

Leading with purpose

As the public looks to leaders to drive progress on major societal challenges, 64 percent say that their organization's defining objective is to embed purpose into everything they do to create long-term value for all stakeholders (up from 54 percent in January/February 2020).

Accelerating growth and the digital agenda

With 87 percent of CEOs confident in their own company's growth prospects, M&A appears to be critical to powering this growth and acquiring digital capability — 87 percent say that they are looking to make deals in the next 3 years.

Trusted purpose

With increased stakeholder pressure to build business back better, CEOs are embedding ESG into business strategy.

Stepping up on social issues

71 percent said that CEOs will be increasingly held personally responsible for driving progress in addressing social issues. And 56 percent admitted that with public, investor and government expectations of diversity, equity and inclusion rising so fast, they may struggle to meet expectations.

Collaborating to power sustainability

Making progress on climate change will likely require action from both businesses and government, with 30 percent of CEOs planning to invest more than 10 percent of their revenues in becoming more sustainable, and 75 percent saying that world leaders at COP26 need to inject urgency into the climate agenda.

Connecting ESG strategy with financial returns

52 percent of CEOs at high-growth organizations believe that their ESG programs improve financial performance.

Digital agility

CEOs are strengthening their organization's digital advantage by building a more flexible future of work and operating as part of digital ecosystems.

Building a flexible future of work

CEOs need to decide on an operating model for the future that works for both employers and employees, with only 37 percent saying that they will have most employees working remotely at least two or more days a week, but 51 percent investing in shared office spaces.

Disrupting the disruptors

CEOs are looking to get on the front foot when it comes to disruption and innovation, with 67 percent saying they will increase investment in disruption detection and innovation processes.

Partnering for transformation and resilience

70 percent of CEOs say that new partnerships will be critical to continuing the pace of digital transformation, but they are also mindful of building cyber resilience into their approach.

Changing threats to growth

2021*

Rank

#1

Cyber security risk

#2

Environmental/climate change risk

#3

Supply chain risk

#4

Emerging/disruptive technology risk

#5

Regulatory risk

#6

Operational risk

2020 pulse*

Rank

#1

Talent risk

#2

Supply chain risk

#3

Return to territorialism

#4

Environmental/climate change risk

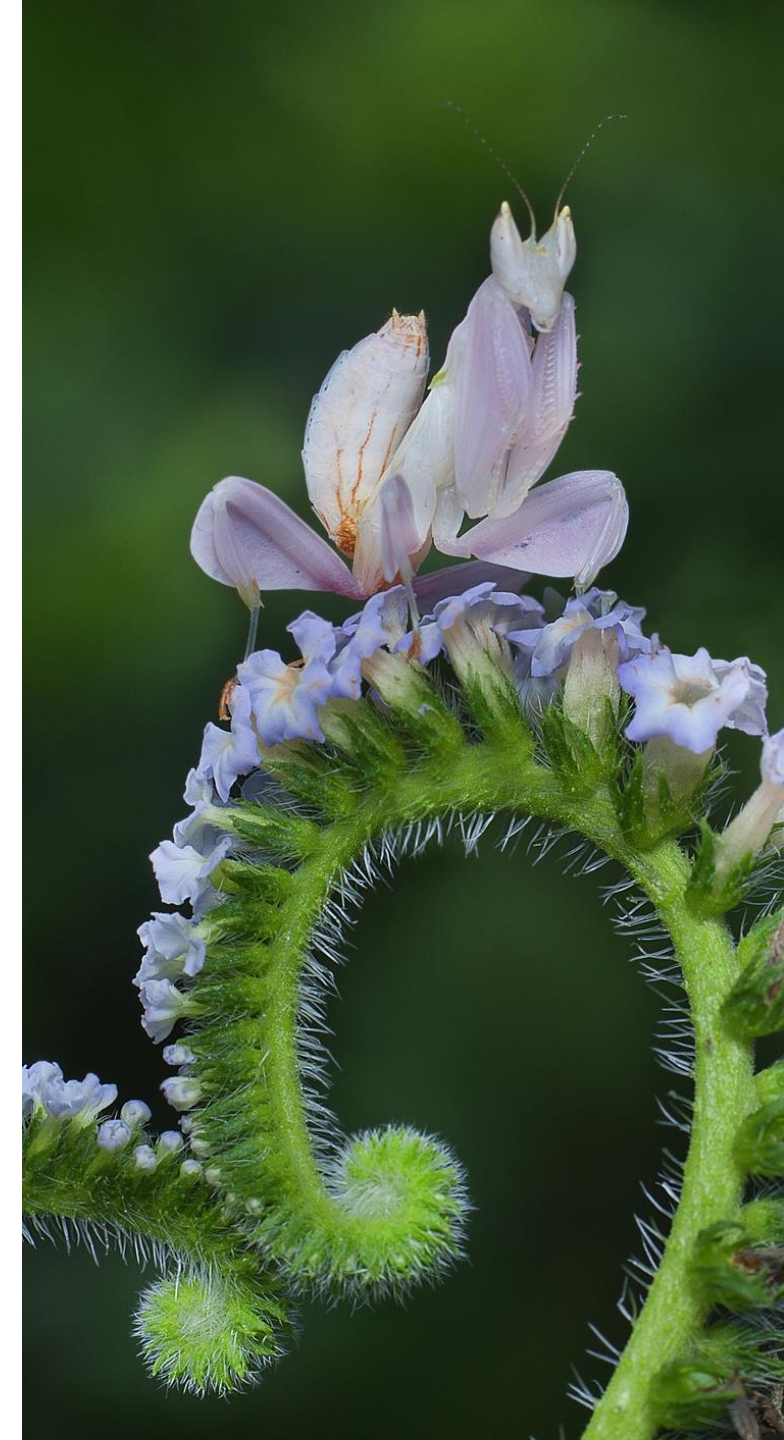
#5

Cyber security risk

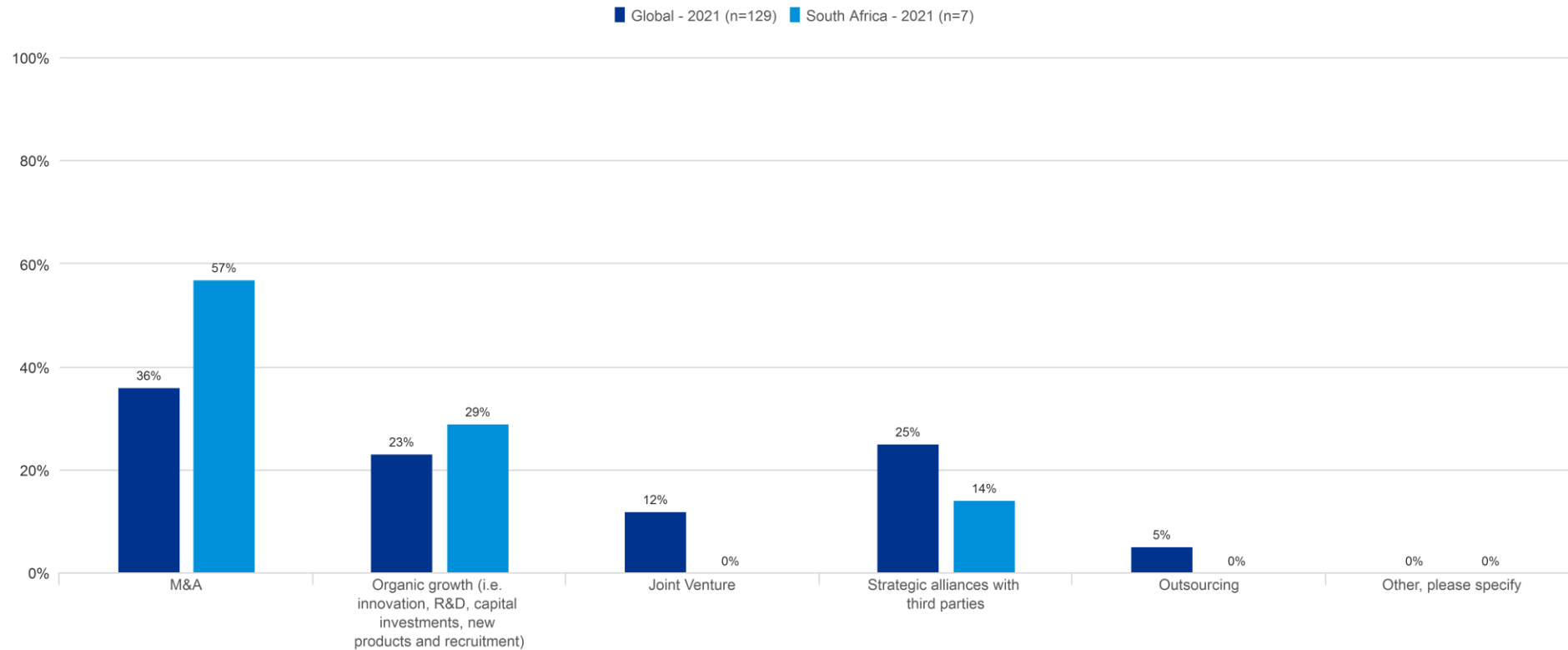
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Emerging/disruptive technology risk

*Both 2021 survey and 2020 pulse survey were conducted in July and August.
Source: KPMG 2021 CEO Outlook and KPMG 2020 CEO Outlook COVID-19 Special Edition



Which of the following strategies will be most important for achieving your organization's growth objectives over the next 3 years?



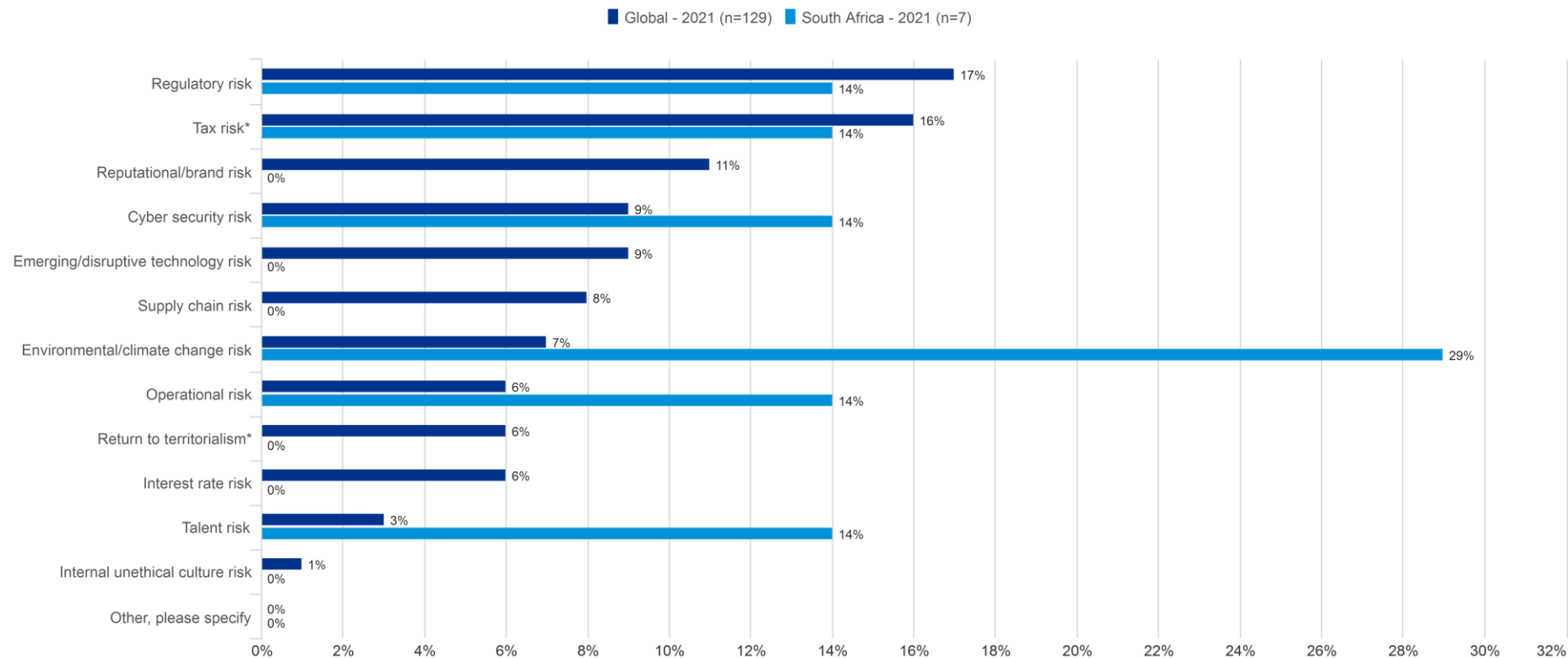
Polling question

Which of these did SA insurance company CEOs' say is the greatest threat to their organisation's growth:

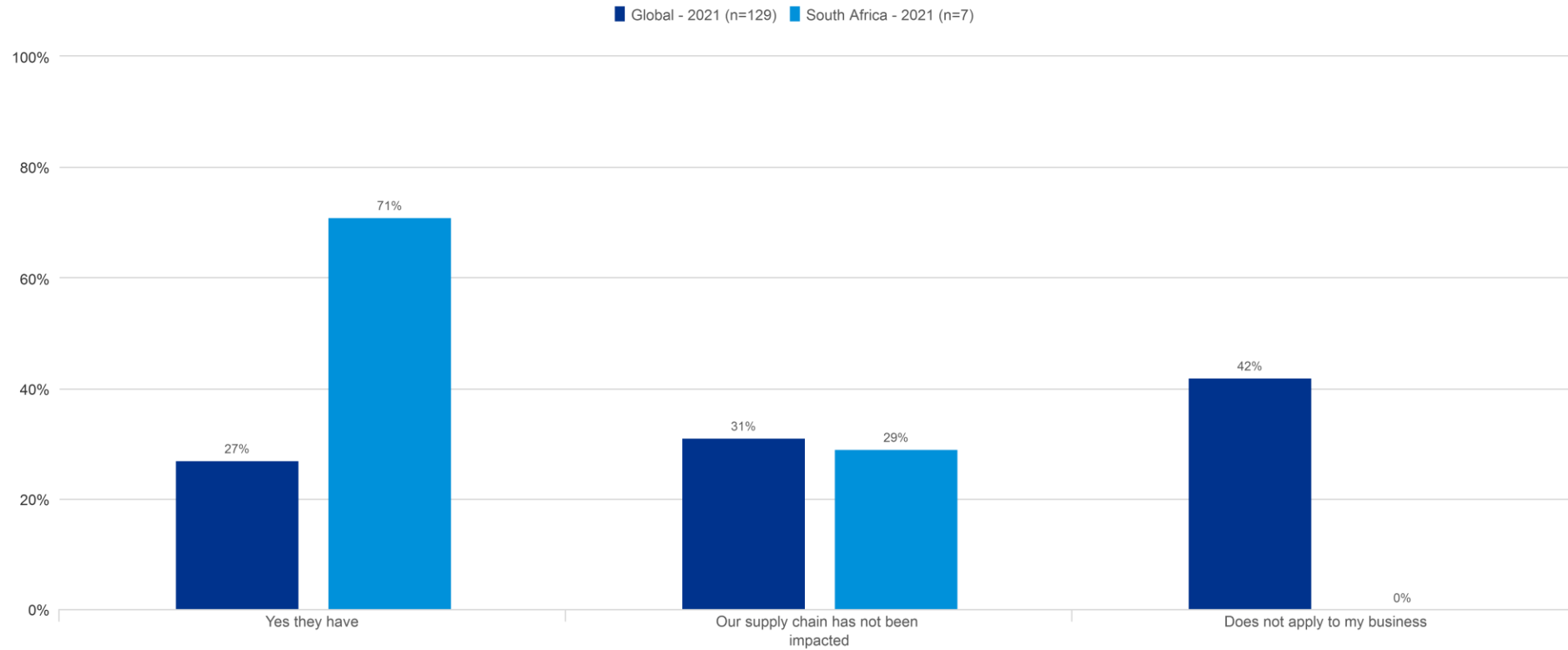
- A. Cyber security risk
- B. Operational risk
- C. Environmental / climate change risk
- D. Talent risk



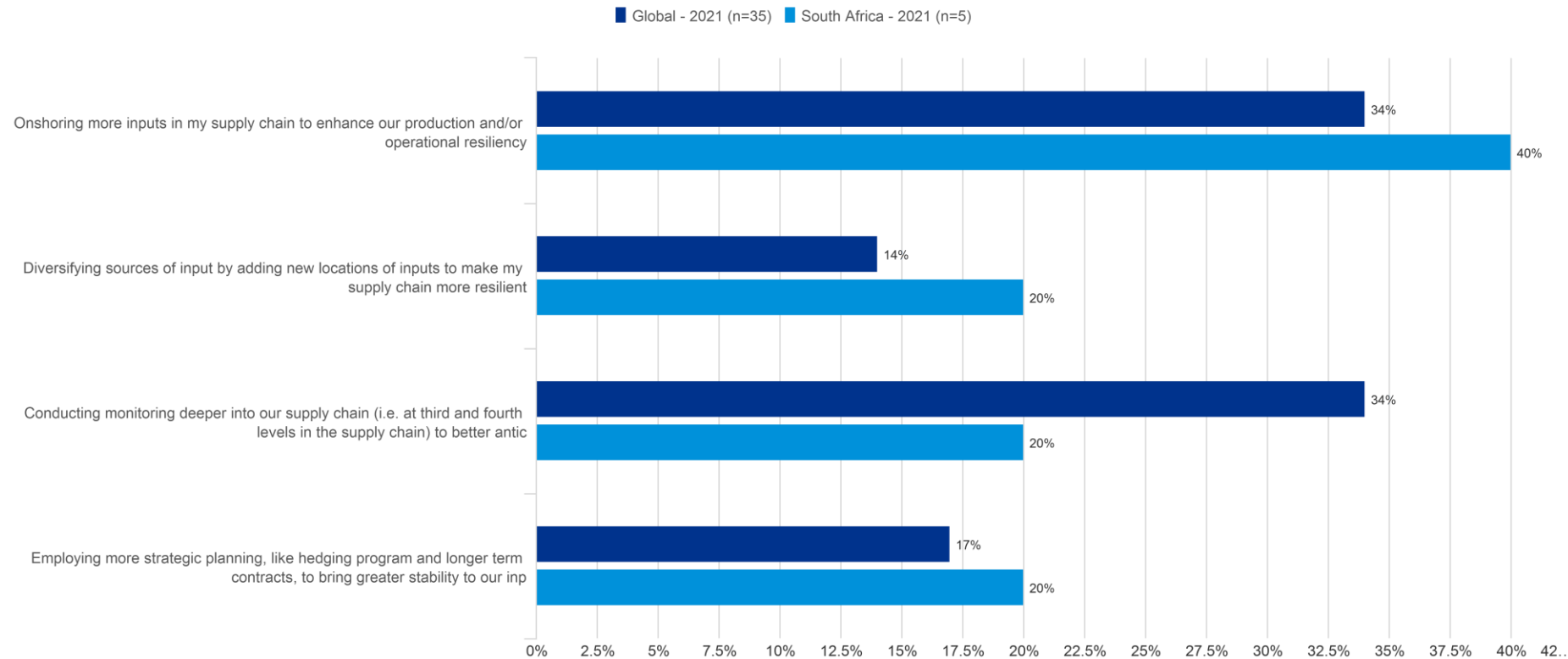
Which of the following risks pose the greatest threat to your organization's growth?



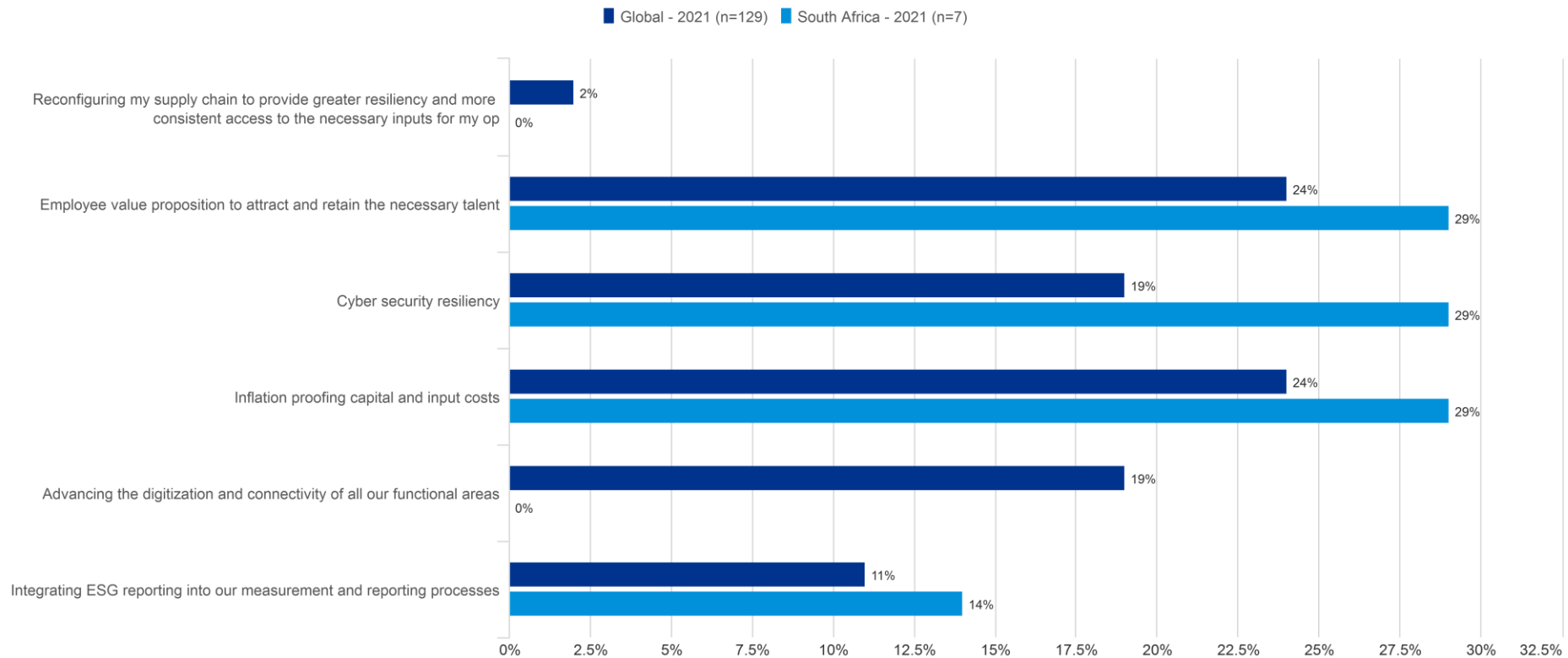
Have your supply chains been under increasing stress over the past 18 months?



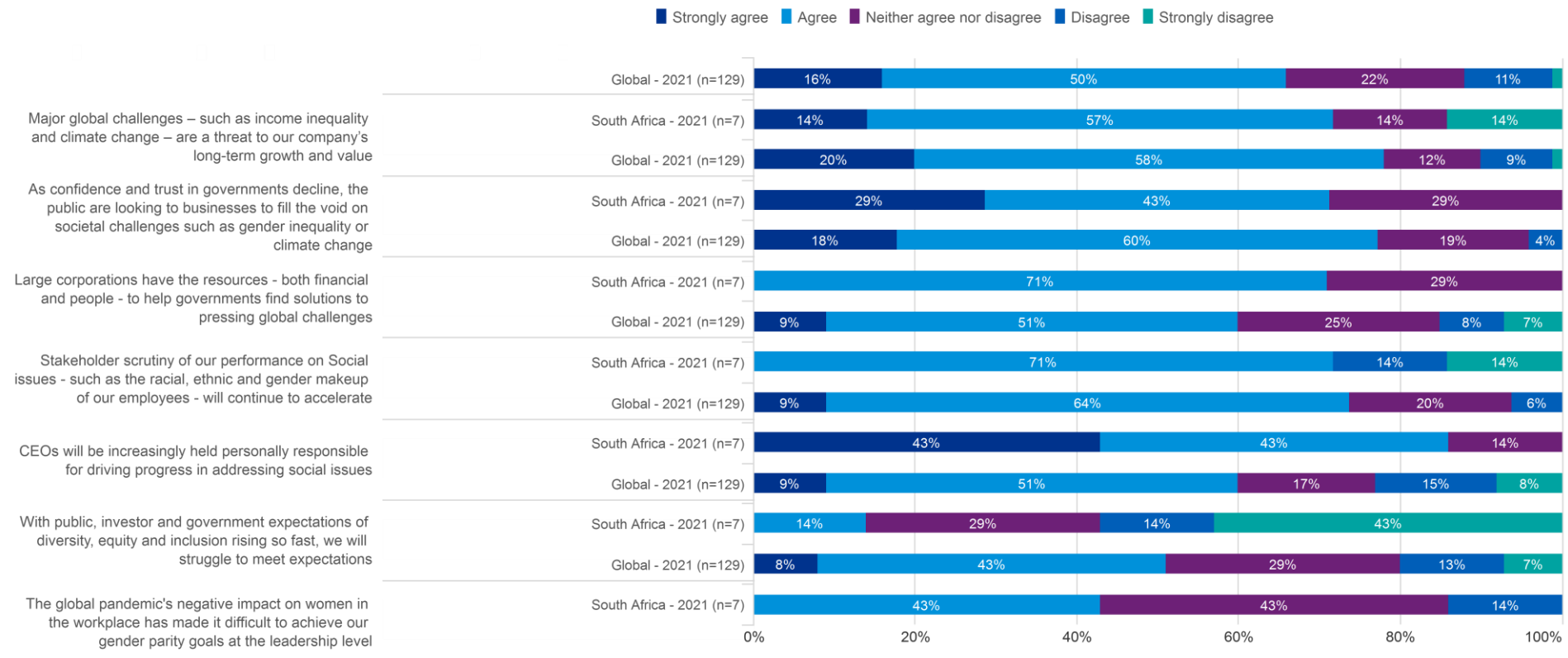
What is the top strategy are you using to mitigate this over the next 3 years?



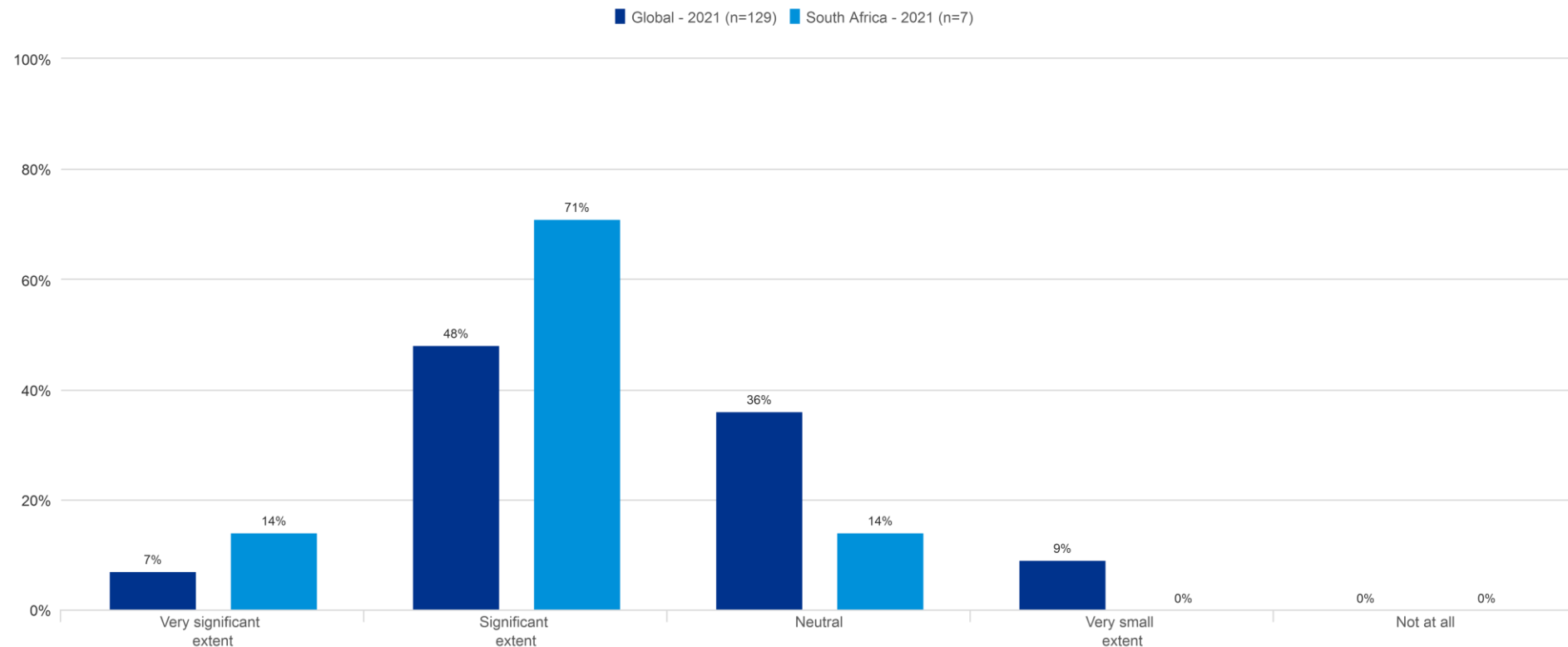
Which of the following will be your top operational priorities in order to achieve your growth objectives over the next three years?



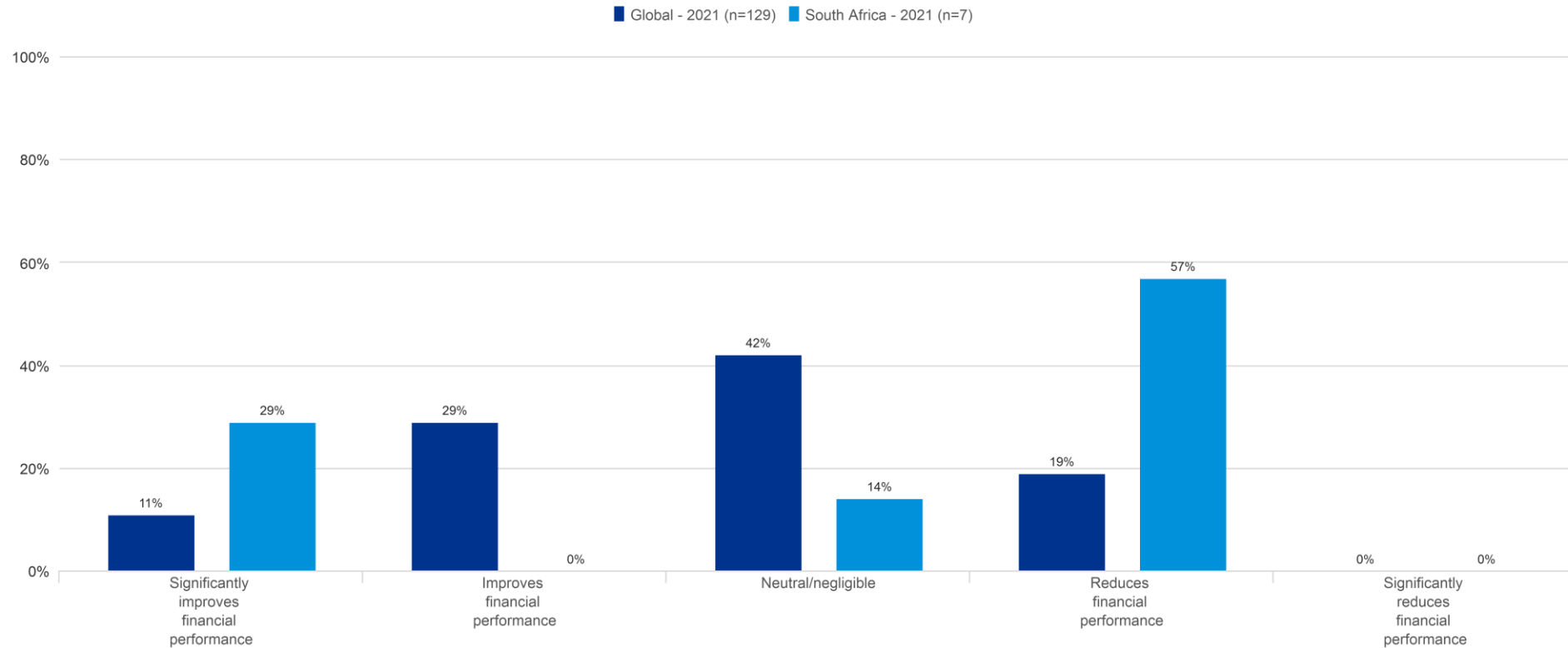
To what extent do you agree with the following statements about CEOs playing an increasing role in addressing global challenges, from income inequality to climate change?



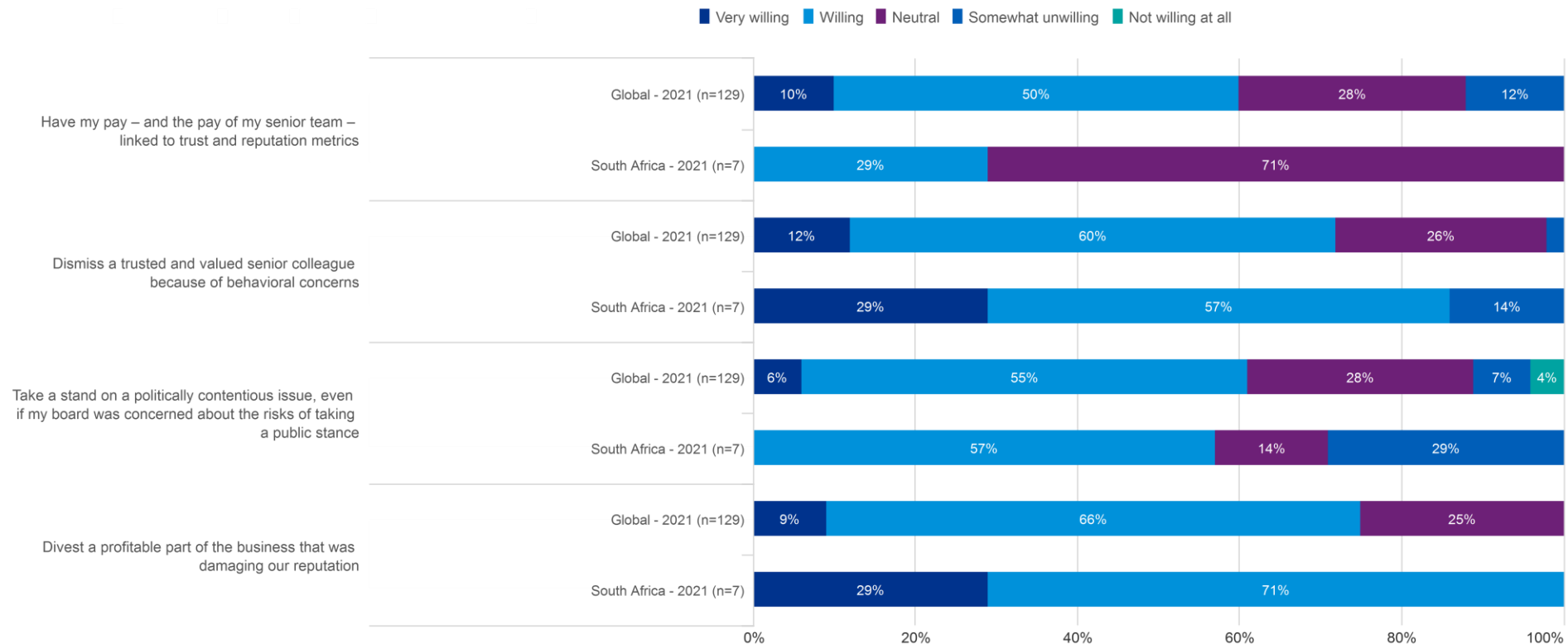
To what extent are you seeing demand from stakeholders – such as investors, regulators and customers – for increased reporting and transparency on Environmental, Social and Governance (ESG) issues today?



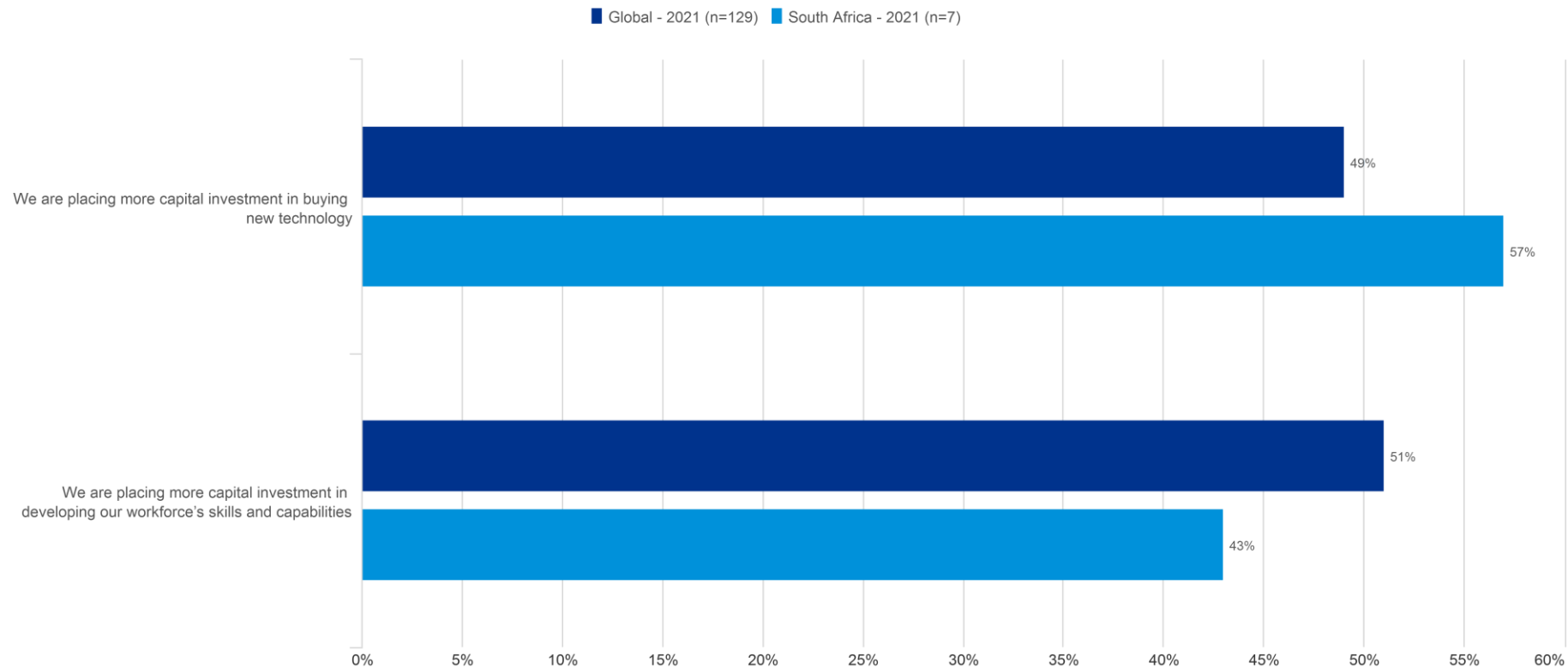
Please rate the impact of your company's ESG programs on your financial performance.



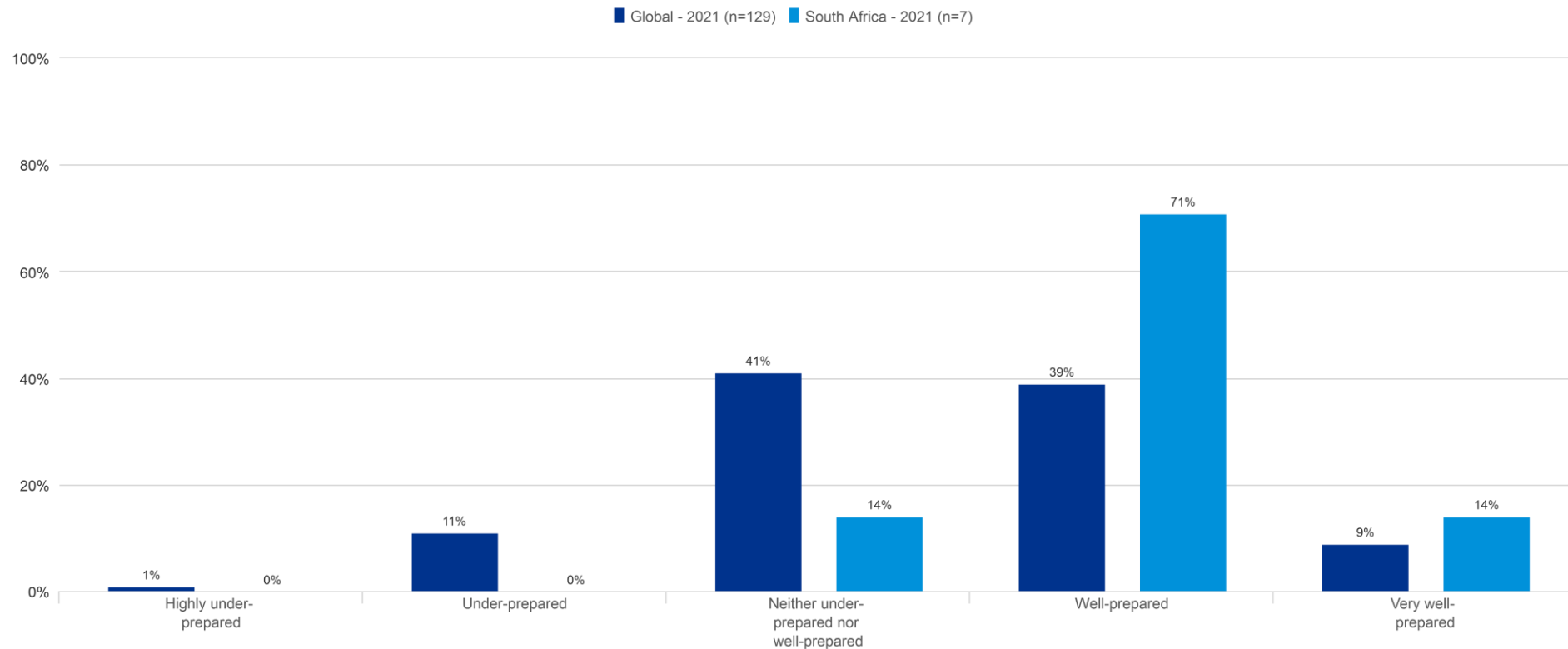
With company reputation closely tied to having a trusted CEO, how willing would you be to take the following actions to demonstrate personal integrity?



Thinking about your growth and transformation objectives, which of the following investments are you prioritizing?



How well prepared is your organization for a future cyber attack?





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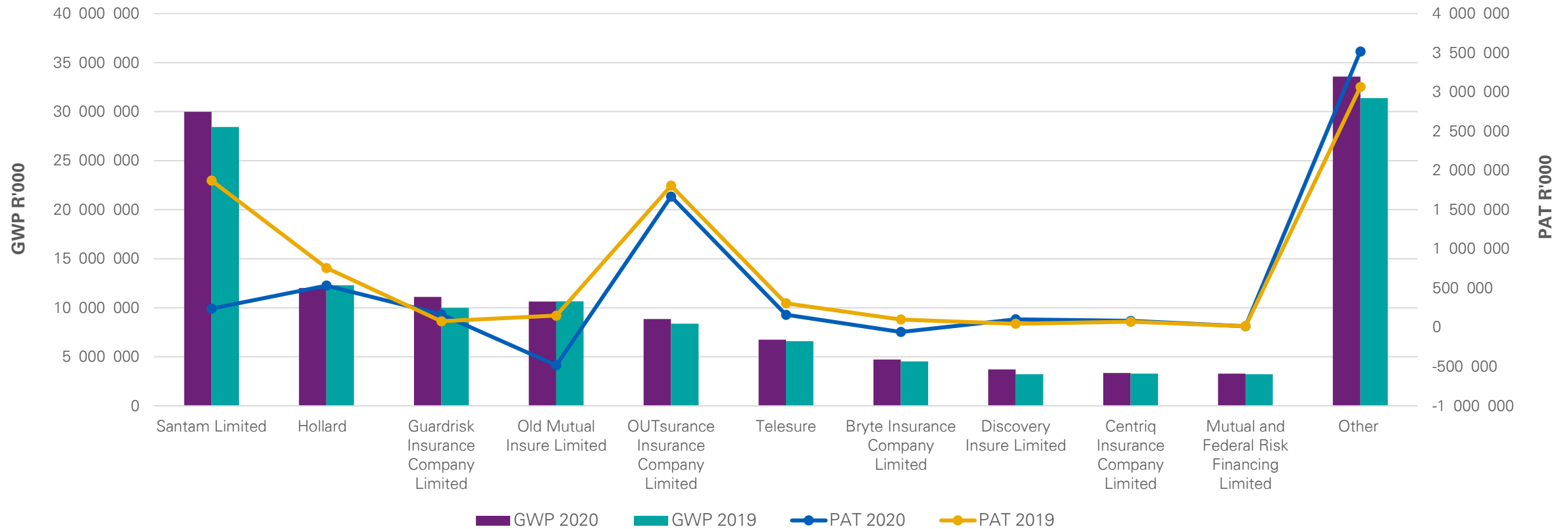
2020 Non-life Results

- GWP up 5% to R128 billion (2019: R122 billion)
- Net written premiums up 3% to R83.7 billion (2019: R81.2 billion)
- Claims incurred ratio 59.5% (2019: 59%)
- Investment income down by 31.9% from 2019
- Combined ratio 96.7% (2019: 96.2%)

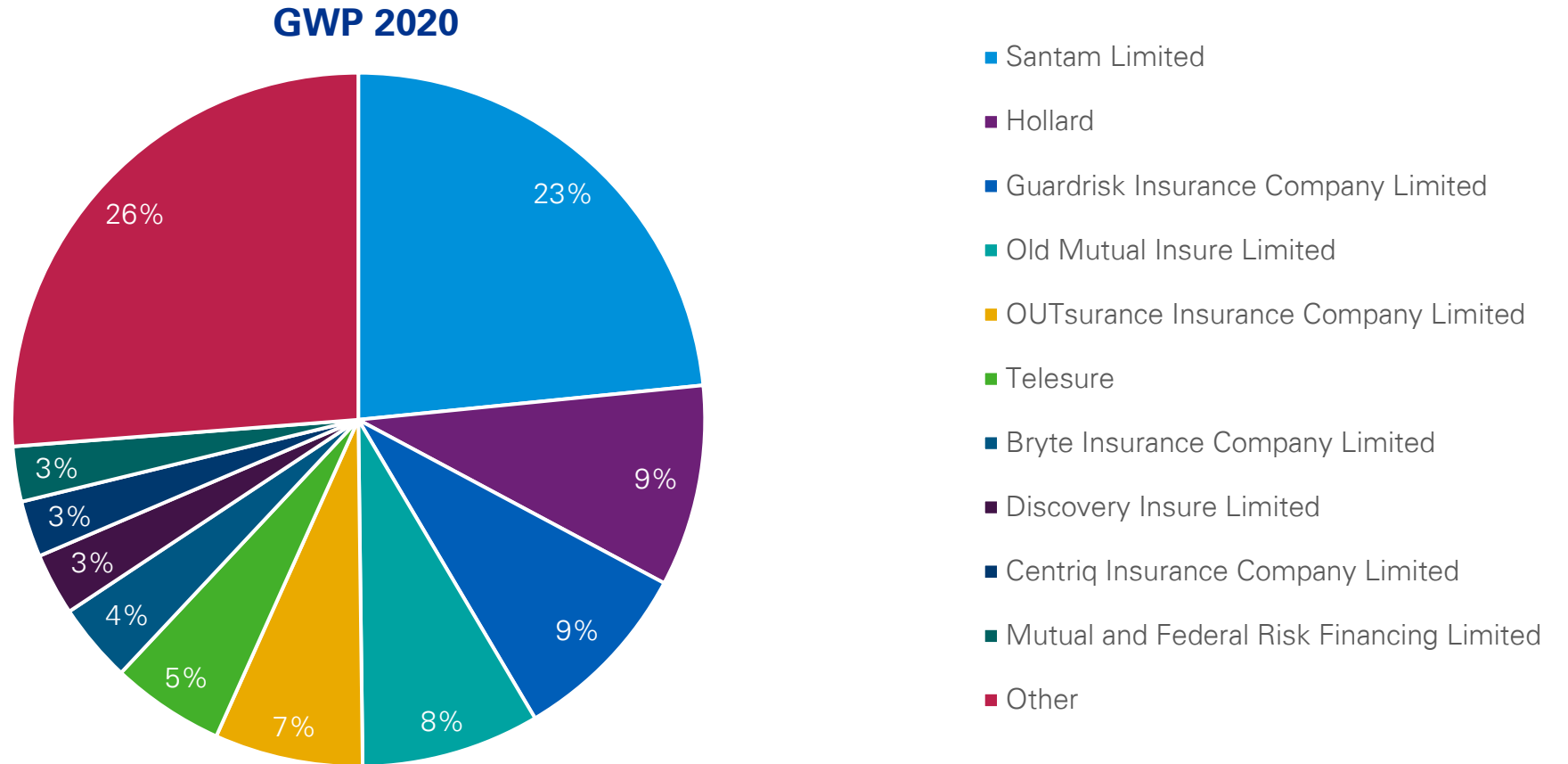


2020 Non-life Results

GWP vs PAT



2020 Non-life Results

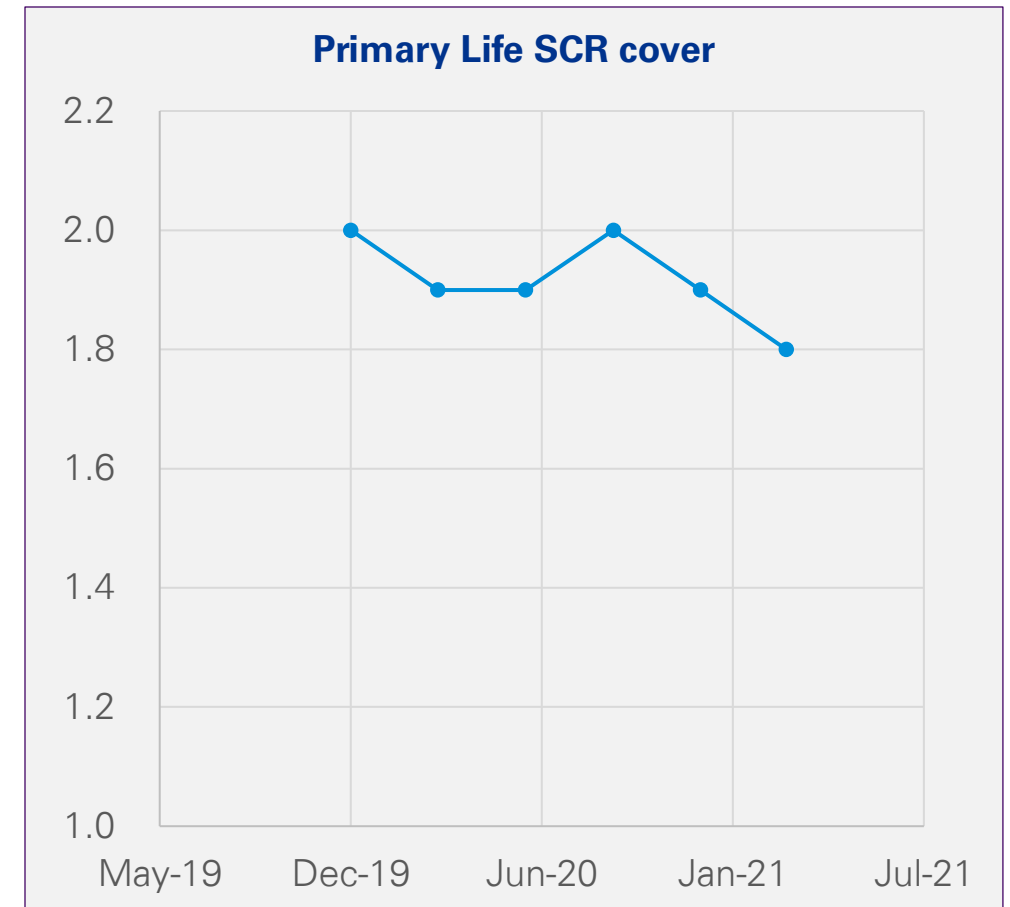
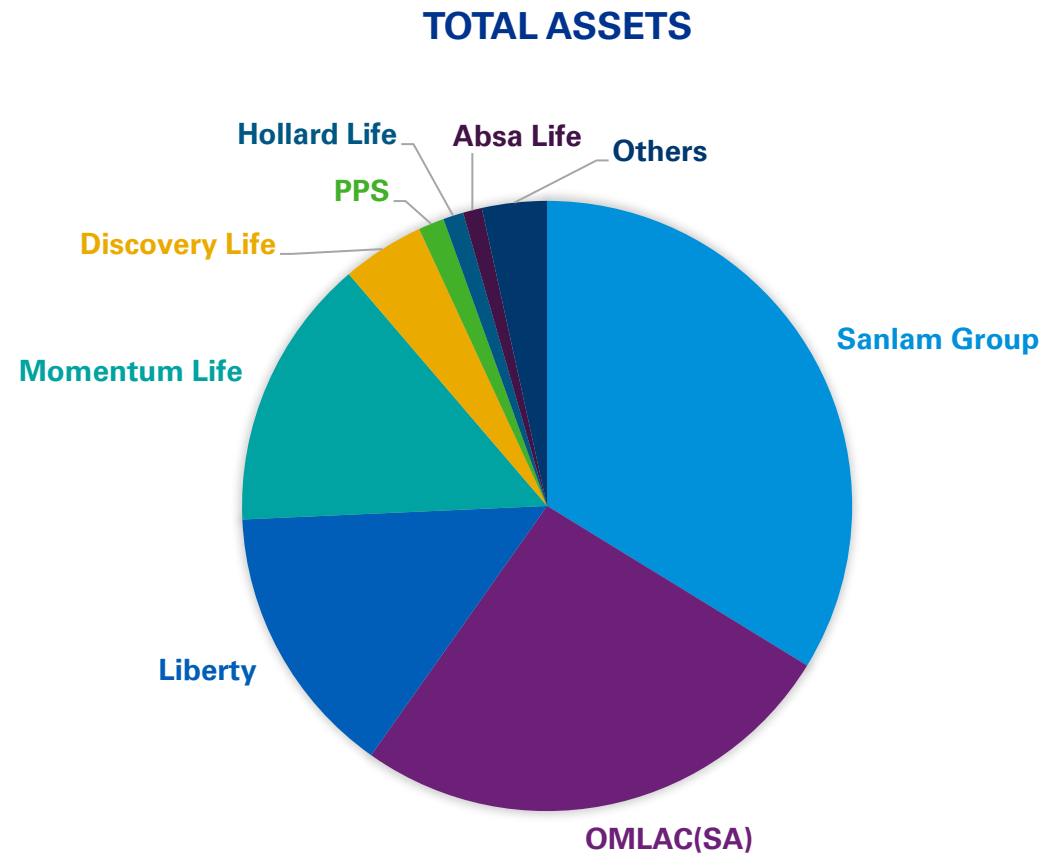


2020 Life Results

- Assets grew by 3.5%
- Net premium grew by 2.2%
- Investments returns on investment assets averaged around 2.7%
- Claims experience was understandably poor - R9.9 billion COVID provisions raised (excluding paid losses)
- Industry loss of R2.6 billion (2019: Profit of R22.1 billion)
- Dividends increased from R16.1 billion to R18.5 billion



2020 Life Results





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Polling question

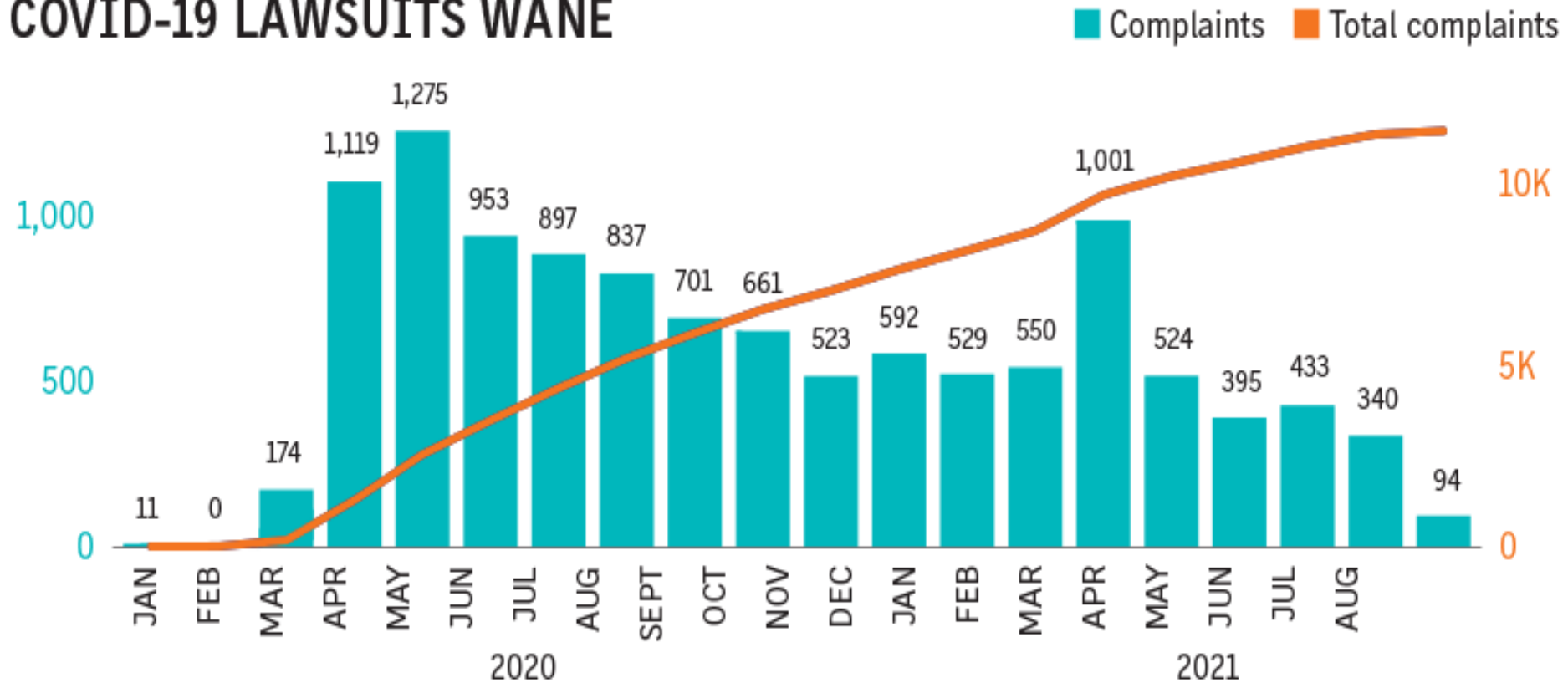
Do you think global insurers and reinsurers are out of the woods regarding COVID-19 related BI cover?

- A. Yes - the worst is over
- B. No - there is more to come with legal challenges
- C. I cannot talk about this subject anymore #freebritney



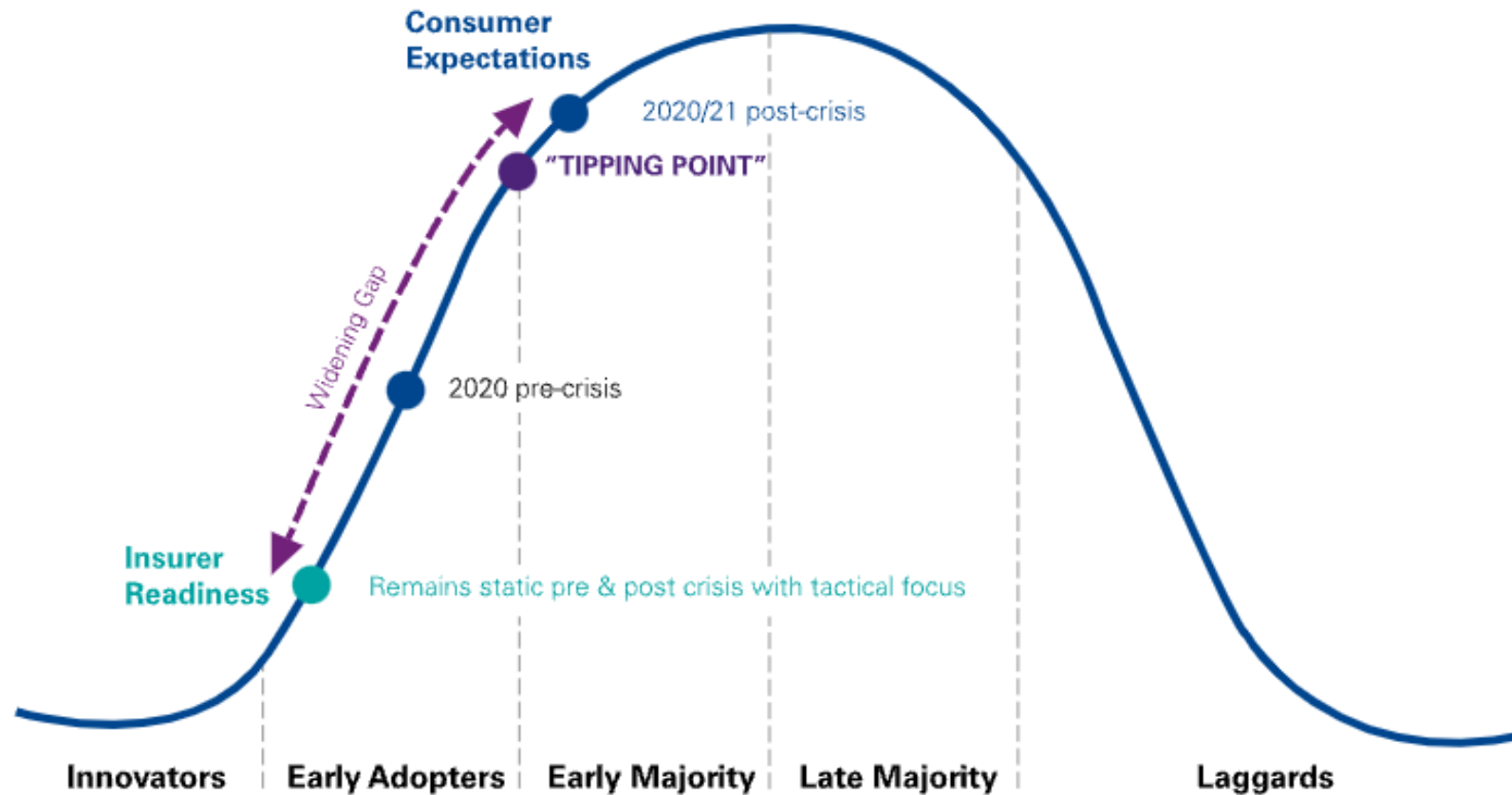
The rule of law

COVID-19 LAWSUITS WANE

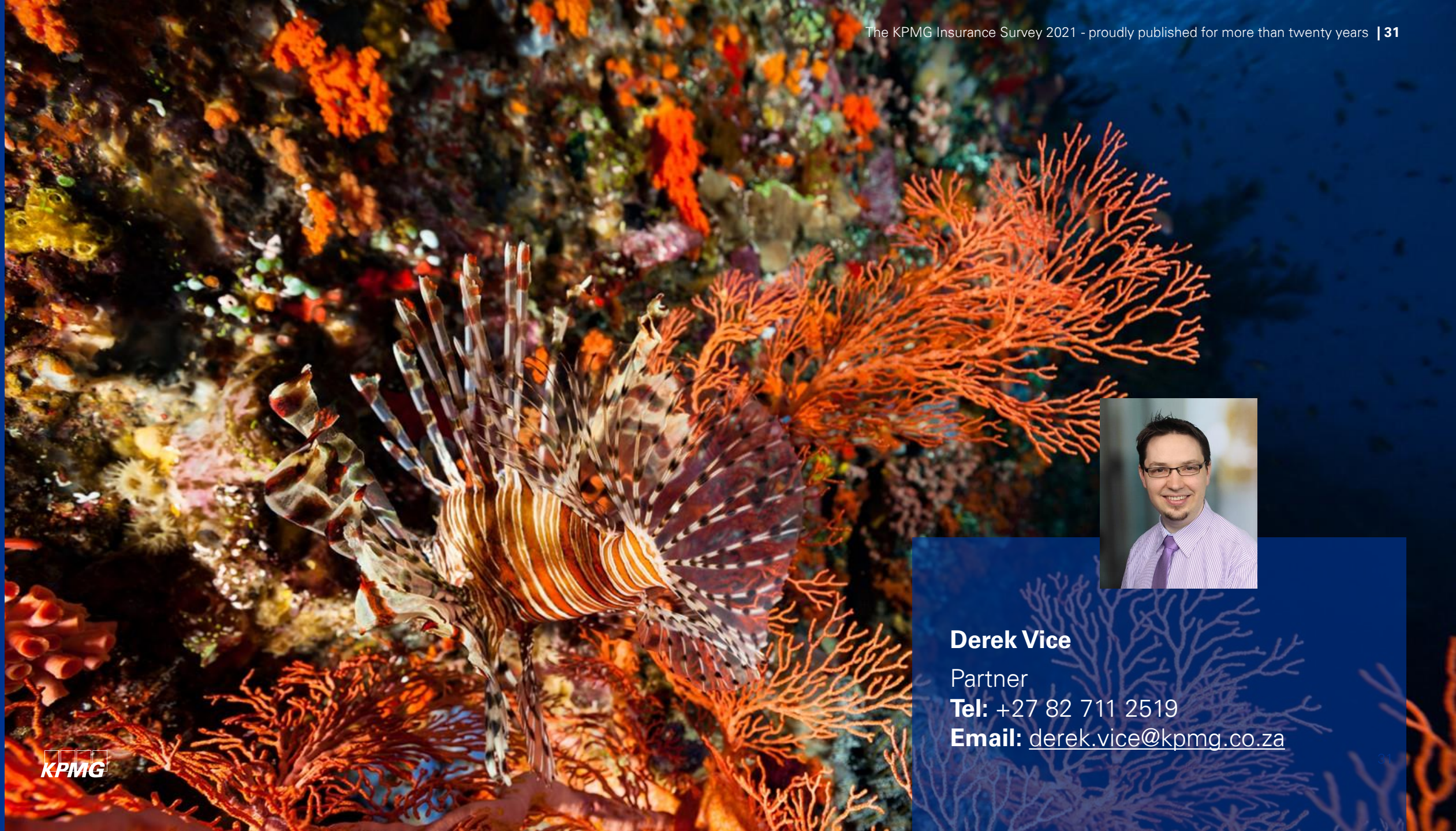


Source: Hunton Andrews Kurth LLP

Digital tipping point



Source: TDI PoV: Industry Warning – digital tipping point is approaching insurers faster than expected, April 2020



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Partner

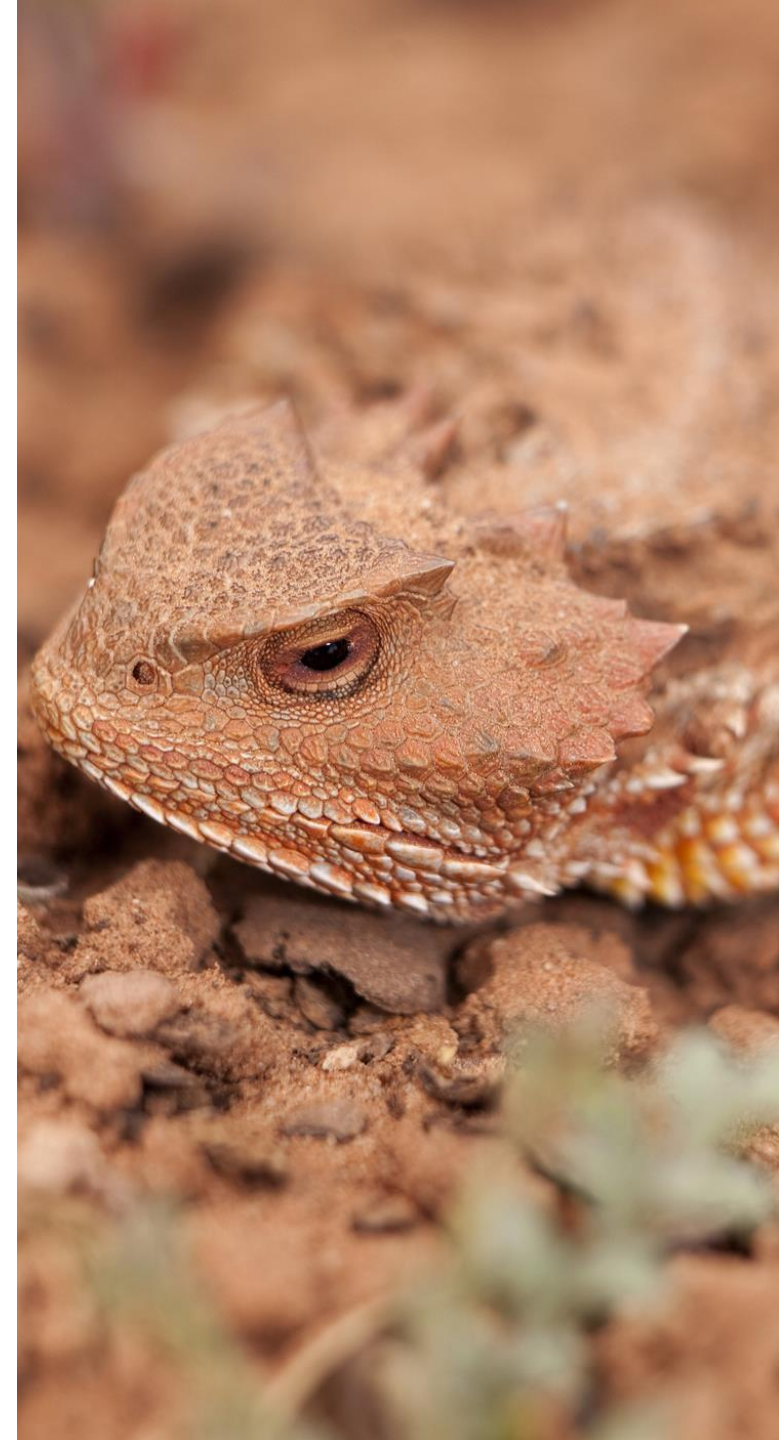
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Newton's third law of technology and change

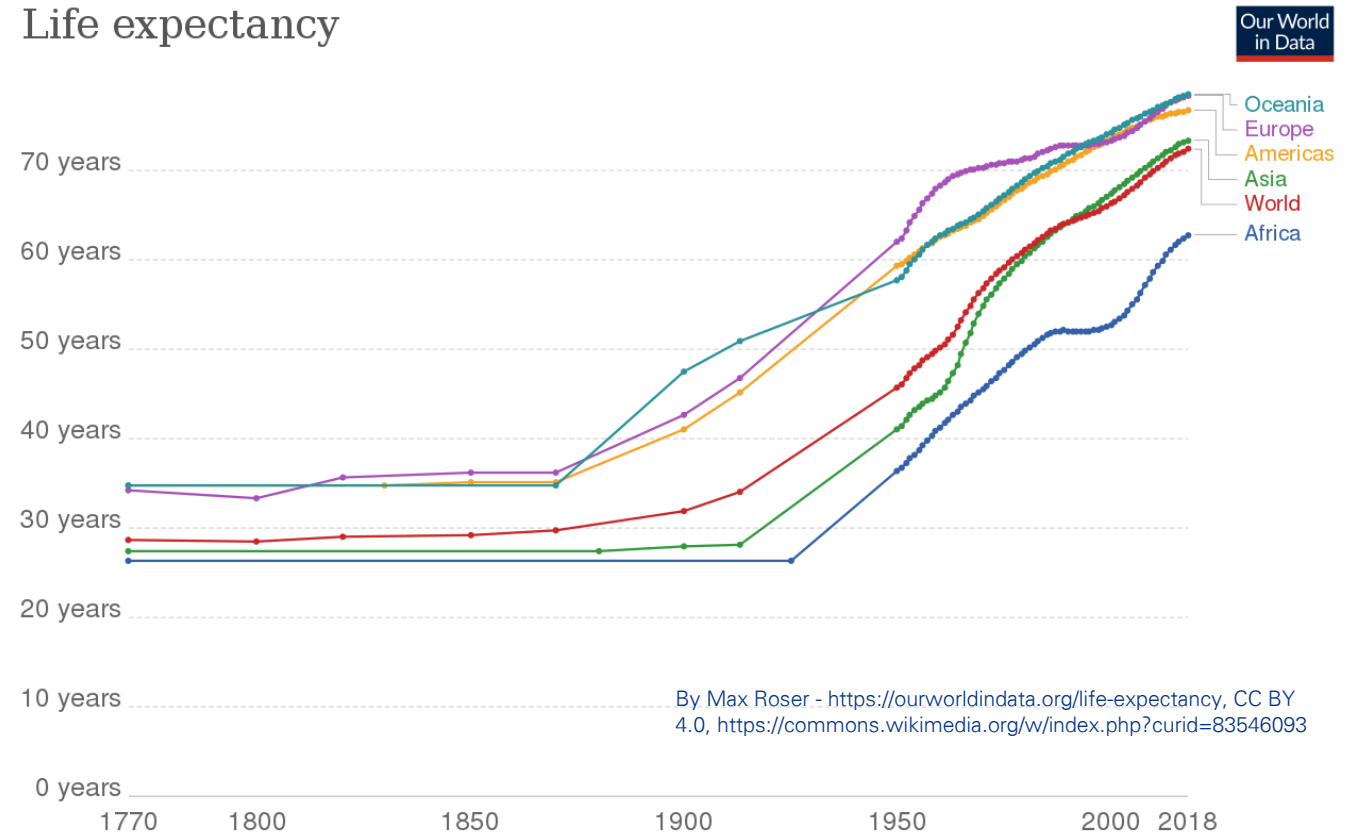
Newton's third law seems to apply to technology and change:

- Every positive advance in technology and culture is met by an equal and opposite advance in criminality and/or risk.
- For insurers, who are in the business of risk, this is a good thing.



Identity crisis

Life expectancy



Source: Riley (2005), Clio Infra (2015), and UN Population Division (2019)

Note: Shown is period life expectancy at birth, the average number of years a newborn would live if the pattern of mortality in the given year were to stay the same throughout its life.

Identity Crisis

Difference between female and male life expectancy in years

Country	Early 1920's	1970-1980 Peak	Recent
France	2.74	6.77 (1982)	5.9
Sweden	1.27	5.13 (1980)	3.4
United Kingdom	2.55	5.45 (1971)	3.7
United States	0.91	6.23 (1977)	5.1
South Africa	Not available	6.21 (1991)	3.7

the healing power of oestrogen, the killing power of testosterone and the way men and women carry fat

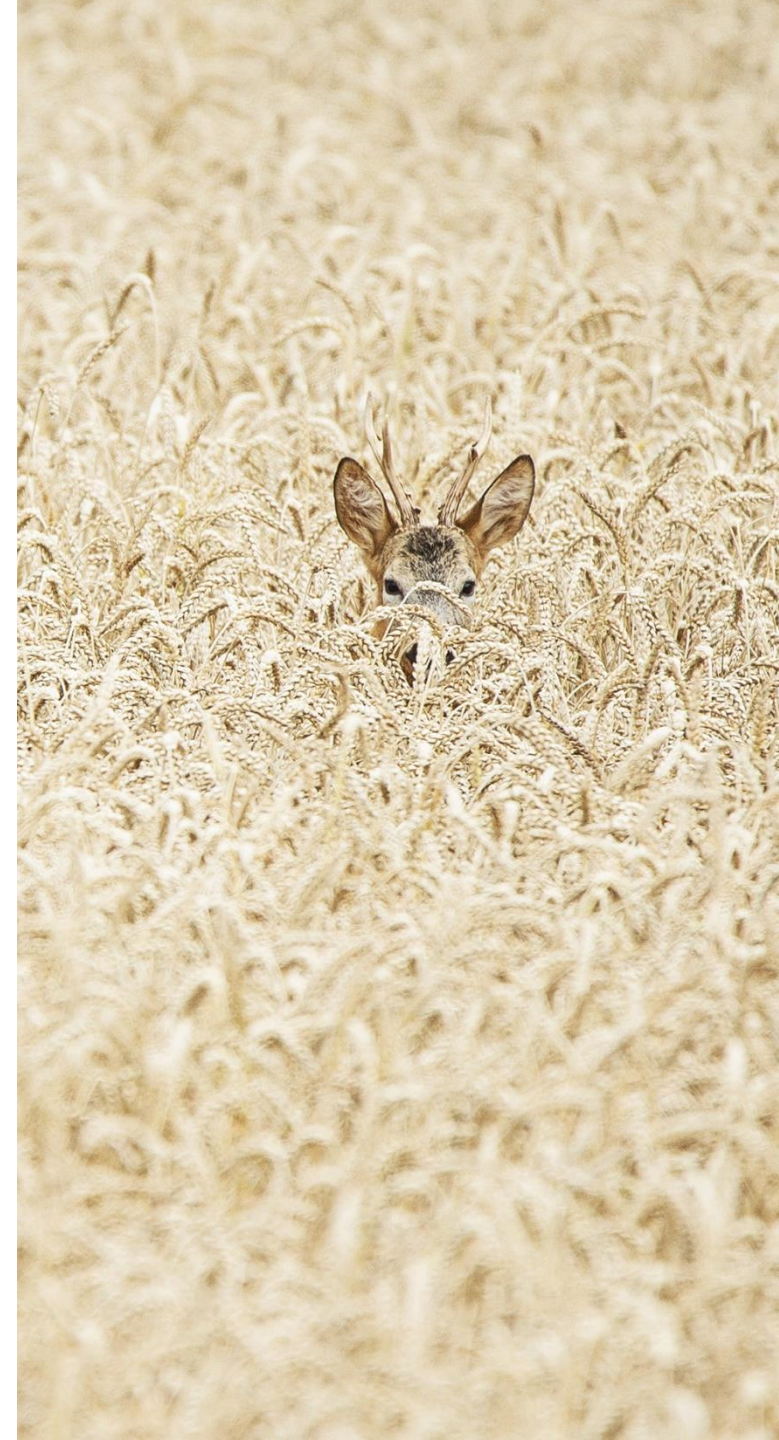
Club Neverdie



Club Neverdie

Polling question: how much do you think that the Club Neverdie sold for:

- A. \$6,000,000
- B. \$635,000
- C. \$38,000
- D. \$870



"Digital assets"



Item	Game	Price tag in real world money
Ethereal Flames Pink War Dog	Dota 2	\$38,000
Age of Wulin Sword	Age of Wulin	\$16,000
Echoing Fury Mace	Diablo 3	\$14,000
Revenant Super Carrier	Eve Online	\$9,000

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