



## Nishen Bikhani

Partner  
Insurance

Tel: +27 60 720 4937

Email: [nishen.bikhani@kpmg.co.za](mailto:nishen.bikhani@kpmg.co.za)



# Life insurance industry results analysis

## Resilience in the face of uncertainty

**The results of the life insurance industry have highlighted the underlying resilience of both the global and local economy. Across all life insurers that partook in this survey, we observed double digit improvements in profitability with the return to shareholders having been more positive than predicted. However, this was not by chance – leadership teams have worked for years to diversify their business models in order to grow from strength to strength. In understanding the interconnectedness of all elements within their ecosystem they have been able to respond to change and provide value to all stakeholders.**

## Microenvironment context and outlook beyond 2024

In South Africa we have seen inflation peak with no further interest rate hikes expected. During the course of 2024 inflation begun to ease and this created the perfect condition for interest rate cuts, which we have recently seen effected in the first reduction of 25 basis points in September 2024. While South Africa has joined the 'easing club' along with the United States Federal Reserve System and the European Central Bank, the downcycle in interest rates is likely to be far slower than the upcycle.

While global risks are expected to persist, the International Monetary Fund (IMF) is forecasting a soft landing<sup>1</sup>. Inflation is expected to continue to fall providing scope for interest rate cuts. The IMF expects global real gross domestic product (GDP) growth to be 3.1% in 2024, in line with 2023. Real GDP growth in Sub-Saharan Africa is expected to accelerate from 3.3% in 2023 to 3.8% in 2024, as higher levels of growth in East Africa more than offsets lower growth in South Africa and West Africa. The interest rate outlook is mixed when we look across Pan Africa. While some markets may still see interest rate increases (Angola, Kenya, Nigeria and Zambia), most markets are starting to cut interest rates in the second half of 2024. Overall, the outlook is positive.

In South Africa, the decline in inflation is supported by a lack of demand-driven inflation and a lack of wage pressure. The electricity shortfall is expected to ease notably, relative to that experienced in 2023, driven by an increase in Eskom supply and the ongoing expansion of private sector generation capacity<sup>2</sup>. Actions to ease the logistics constraints are also expected to gather pace.

The combination of lower inflation and lower interest rates will bring financial relief to customers and improve confidence levels over time<sup>3</sup>.

Swiss Re reported that the prevailing economic conditions have given insurance businesses a new lease of life, with certain key future outlooks predicted in their Sigma 3/2024 publication<sup>4</sup>:

- Resilient growth with recession fears faded;
- Emerging Asia will be the highest contributing region to global growth in 2024/2025 for a third year running;
- Strong labour markets and improving real wages will underpin demand, particularly in life insurance, while higher interest rates will fuel strong sales in fixed-rate savings business;
- Both life and non-life insurers will benefit from improved investment returns on account of higher interest rates; and
- Insurance penetration in emerging markets will continue to steadily increase as it has done over the past two decades.

<sup>1</sup> <https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024>

<sup>2</sup> [https://www.eskom.co.za/wp-content/uploads/2023/10/Eskom\\_integrated\\_report\\_2023.pdf](https://www.eskom.co.za/wp-content/uploads/2023/10/Eskom_integrated_report_2023.pdf)

<sup>3</sup> <https://www.sharedata.co.za/v2/scripts/sens.aspx?id=476644>

<sup>4</sup> <https://www.swissre.com/institute/research/sigma-research/sigma-2024-03-world-insurance-global-resilience.html>



While it has been a good year of profit reporting for insurers in South Africa, the lower levels of expected economic growth (relative to Asia and East Africa) and the disposable income constraints faced by consumers will continue to keep insurers mindful about ongoing constraints on sales volumes. Most insurers have underlined their continued focus on market share gains to drive sales volumes and identifying ways to optimise the sales mix to improve value of new business (VNB) outcomes<sup>5</sup>.

Included below are the common themes we observed from the life insurance companies with December 2023 and June 2024 year ends:

- Continued focus on hyper-customisation in policyholder interactions and on distribution channels has been key to volume measure improvements;
- Merger and acquisition (M&A) activity continued with many opportunities presenting themselves to multinational groups;
- Deeper investment in certain countries in East Africa and Asia to take advantage of higher growth in those regions;
- Attention to capital management and balance sheet optimisation with a number of capital and debt repurchases in the year;
- Strongly capitalised businesses, sufficient liquidity and improvement in cash generation; and
- Cost containment but deliberate focus on capital deployment for project spend (mostly on new and emerging technologies).

<sup>5</sup> [https://senspdf.jse.co.za/documents/SENS\\_20240327\\_S487388.pdf](https://senspdf.jse.co.za/documents/SENS_20240327_S487388.pdf)

## Salient features from the reporting of the largest insurance groups in South Africa

Old Mutual	
Performance indicator	
<b>Notable activity</b>	Continued progress with banking licence submission in early 2024
<b>Solvency range</b>	Within the desired range of 170 to 200 (range of 175 to 210 for life operations)
<b>Results from operations</b>	14% increase from R7.3 billion in 2022 to R8.3 billion in 2023
<b>IFRS profit after tax</b>	35% increase from R5.2 billion in 2022 to R7.0 billion in 2023
<b>Funds under management</b>	8% increase from R1.2 trillion in 2022 to R1.3 trillion in 2023

The Old Mutual group reported robust performance for the year, with strong insurance results supported by enhanced investment returns. The group equity value of R90 114 million increased by 1%. This increase was characterised by a number of contributing factors:

- growth in covered business;
- higher valuations of the asset management and property and casualty businesses;
- lower valuation for the banking and lending line of business;
- lower valuation for the other line of business due to capital actions;
- Old Mutual Limited share buyback of R1.5 billion; and
- ordinary dividends declared of R3.8 billion.

Old Mutual received regulatory approval to establish OM Bank in April 2024, which will allow the group to offer different financial services to its customers and generate new revenue streams. While this was one of the more significant developments for the group in the year, other corporate activity included:

- the acquisition of a 75% ordinary equity interest in the Two Mountains Group, a licensed micro-insurer that distributes and underwrites funeral policies and provides burial services;
- the acquisition of a 100% ordinary equity interest in Genric Insurance Company Limited, a licenced non-life and specialist insurer focused on bringing innovative and niche insurance solutions to the market;
- the acquisition of the remaining 25% ordinary equity interest in Old Mutual Finance (Namibia) Proprietary Limited resulting in the entity becoming a wholly owned subsidiary of the group;
- the acquisition of a 40% ordinary equity interest in Marsh Zimbabwe Holdings (Private) Limited, an insurance brokerage and risk management services provider;
- the acquisition of Woodbridge Financial Services CC book of clients, an independent financial advice business; and
- the acquisition of 30% of the economics and associated rights attached to the iWYZE life and non-life businesses.

During 2023 Old Mutual Life Assurance Company (South Africa) Limited issued R1.5 billion worth of subordinated debt to the market. Management intend to issue subordinated debt annually to optimise the group's weighted average cost of capital and create a smooth maturity profile, in line with the optimal gearing ratio of 15% to 20%. This is a trend that has been commonplace with other players in the market.

Sanlam		
Performance indicator		
<b>Notable activity</b>	Integrated acquisitions within the group	<p>The group recorded a marked upswing in performance in 2023 and achieved a record net result from financial services of R12.4 billion, with the life insurance portfolio growing by 19%, general insurance by 21%, investment management by 14% and credit and structuring by 29%.</p> <p>The group's positive results are attributed to their strategic focus over the past three years on improving the performance of existing operations, while at the same time investing in the group's long-term growth path. Management's expectation is that contributions from strategic activity will enhance group performance in the future.</p>
<b>Solvency range</b>	170 (within group range of 140 to 180)	<p>New business volumes remained healthy at just under R400 billion, a record high, with robust sales growth across all lines of business. Despite the challenging consumer environment, which resulted in more policy cancellations and clients accessing their savings in South Africa, the group's established asset gathering capability ensured that total net client cash flows remained firmly positive. All lines of business contributed to this result, with the investment management operations doing well in a difficult environment.</p>
<b>Results from operations</b>	Net operational earnings increased by 25% to R13.9 billion from 2022	<p>The group's main value creation metric of Return on Group Equity Value (RoGEV) was above the hurdle rate on an actual and adjusted basis. Positive contributions observed from the covered and non-covered business was partially offset by the lower take-on value attributed to the former Allianz entities, mostly due to currency movements.</p> <p>Other noteworthy themes observed from the results announcement included:</p>
<b>IFRS profit after tax</b>	23% increase from R13.8 billion in 2022 to R16.9 billion in 2023	<ul style="list-style-type: none"> <li>• Sanlam Allianz – the business stabilised with improvements noted in underwriting margins. There was deliberate focus to exit subscale non-core entities within the broader joint venture.</li> <li>• Management continue to take action on strategies in the credit business (primarily in India) with focused attention on insurance growth in that market.</li> <li>• Capital management, balance sheet optimisation and capital and debt repurchases have been actively worked on in 2023.</li> </ul>
<b>Funds under management</b>	18% increase to R1.3 trillion in 2023 in the investment business cluster	<ul style="list-style-type: none"> <li>• Investment income was up by 85% relative to 2022 (R1.1 billion to R2.1 billion).</li> <li>• Significant M&amp;A activity within the group, which included Absa Asset Management, Afrocentric, Alexforbes, Absa LISPs, Brightrock, Capital Legacy, Sanlam Personal Loans and the majority stake acquisition of Assupol in the third quarter of 2024. All these acquisitions were embarked on with the view that they will continue the group strategy to strengthen, diversify and close gaps within the wider group.</li> </ul>

MMH		
Performance indicator		
<b>Notable activity</b>	Focus on distribution channels	<p>The Momentum group issued a trading statement in early September 2024 indicating that earnings per share will likely rise in the range of 30% to 35% relative to last year. The group's improved performance<sup>6</sup> during 2024 was aided by strong profits from life annuities in Momentum Investments, a significant improvement in persistency experience in Metropolitan Life, growth in fee income and underwriting profits in Guardrisk, and a recovery in Momentum Insure's earnings.</p> <p>Normalised headline earnings were further supported by higher investment income following a favourable interest rate environment, which is a common theme across all life insurers that we surveyed. This performance was slightly dampened by fair value losses on the group's investment in venture capital funds.</p> <p>The increase in earnings per share was lower than the increase in normalised headline earnings per share mainly due to a goodwill impairment recognised in Momentum Investments in respect of the Momentum Global Investment Management business.</p> <p>In line with its peers, the group also had renewed attention to balance sheet management. On 16 October 2023, Momentum Metropolitan Life Limited (MML) listed two subordinated debt instruments to the combined value of R750 million to refinance previous tranches of subordinated instruments that were callable on 19 October 2023. Further, the group bought back a total of 24 million shares (for a cost of R500 million, including transaction costs) during the current period.</p>
<b>Solvency range</b>	The solvency range is set at 1.6 to 2.0, with SCR at 2.10 at December 2023	
<b>Results from operations</b>	69% increase from R1.1 billion in June 2023 to R2.0 billion at half year December 2023	
<b>IFRS profit after tax</b>	2.1 billion at June 2023 to R2.2 billion at June 2024	
<b>Funds under management</b>	Stable at R862 billion at June 2023	

<sup>6</sup> [https://www.sharenet.co.za/v3/sens\\_display.php?tdate=20240906073000&seq=5](https://www.sharenet.co.za/v3/sens_display.php?tdate=20240906073000&seq=5)

Liberty		
Performance indicator		
<b>Notable activity</b>	Integration within Insurance and Asset Management after buy out	<p>After a few years of sub-par performance relative to their counterparts, the Liberty Group delivered a robust performance in 2023 and a trend that continued into their reporting at June 2024.</p> <p>The group's reporting format is not dissimilar from the reporting of other multinational groups, with focused reporting on the South African operations and then the rest of Africa.</p>
<b>Solvency range</b>	Management set a range between 1.3 to 1.7 and ended at 1.81 at year-end	<p>Insurance operating earnings grew by 23% to R3 883 million in 2023, with South African insurance operating earnings increasing by 27% to R3 948 million in 2023.</p> <p>For the life insurance businesses in South Africa, underwriting risk largely stabilised to pre-pandemic levels with retail mortality experience broadly within expectation, although client persistency deteriorated on certain books, particularly on regular premium investment and certain risk propositions. Claims normalised during 2023 post the impact of the pandemic and certain natural disaster events in 2022.</p>
<b>Results from operations</b>	44% increase to R10.4 billion at December 2023	<p>The solvency capital requirement cover for 2023 remained robust at 1.81 times (2022: 1.76 times), and was above the target range of 1.3 to 1.7 times.</p> <p>Life insurance indexed new business in South Africa increased by 8% to R11 550 million in 2023. This result was supported by strong sales of guaranteed investment plans and annuities. The focus going forward will remain on sales efforts and new business volumes in the prevailing tough consumer environment in South Africa.</p>
<b>IFRS profit after tax</b>	86% increase to R2.4 billion at December 2023	<p>As it relates to the Africa regions, mortality experience in the life insurance businesses largely returned to pre-pandemic levels, with life insurance indexed new business increasing by 16% to R578 million in 2023. Group life assurance and group credit life sales in Kenya, as well as personal loan protection sales in Uganda and Lesotho, contributed positively to this result. Gross written premiums in the non-life insurance businesses grew by 12% to R1 646 million in 2023. Healthy client retention rates across all businesses, coupled with an improvement in the productivity of brokers and agents, resulted in increased premiums recorded across most business lines.</p>
<b>Funds under management</b>	R196 billion up from R188 billion in 2022 (4% increase)	



Discovery	
Performance indicator	
<b>Notable activity</b>	Scaling bank business and establishing two distinct components of the business
<b>Solvency range</b>	Life business: 183%
<b>Results from operations</b>	8% increase to R11.1 billion
<b>IFRS profit after tax</b>	12% increase from R6.5 billion to R7.3 billion
<b>Funds under management</b>	11% increase in Investment cluster to R155 billion

Discovery released its full year results in September 2024 and highlighted the following:

- Performance for the 2024 financial year was strong (operating profit increased by 17% to R11.6 billion with new business increasing by 18% to R26.7 billion) excluding products in run-down. Annualised return on embedded value increased by 13.2%.
- Discovery is entering into a new phase in the life-cycle of the group. The current focus is on reduced spend as well as reduced focus on IFRS 17 implementation and areas of the business where a maturity of certain key initiatives has materialised. In future the focus will be on scaling the banking operations and driving growth in material international business.
- Creating two distinct businesses, South Africa and International, with significant ambition and a common business model.

The industry stood up to the challenges of the last few years masterfully and there continues to be a lot to be achieved in the coming years. Life insurers will continue to assess how best to grow profitably and outmanoeuvre their competition. There is no doubt that new and emerging technologies could offer a host of potential benefits to those that are willing to embrace change. Integrating these technologies could enable precise predictions, manage customer interactions and expand the personalised service and product lines with unprecedented accuracy and speed. However, it is really in understanding the interconnectedness of all of these elements that is key. Board activity to drive strategy in these areas will continue to help insurers unlock value in the years to come.