

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

ASISA

Fifth ASISA Insurance Gap Study

(performed by True South Actuaries & Consultants)

www.truesouth.co.za

October 2019

The logo for True South Actuaries & Consultants features a stylized red and orange chevron shape above the text "TRUE SOUTH" in a large, grey, sans-serif font, with "ACTUARIES & CONSULTANTS" in a smaller, grey, sans-serif font below it.

TRUE SOUTH
ACTUARIES & CONSULTANTS

Agenda

- Context
- Methodology
- R34.7 trillion
- Responses
- Segments



R34.7 trillion
(A trillion has 12 zeros)

Context within the SA population landscape

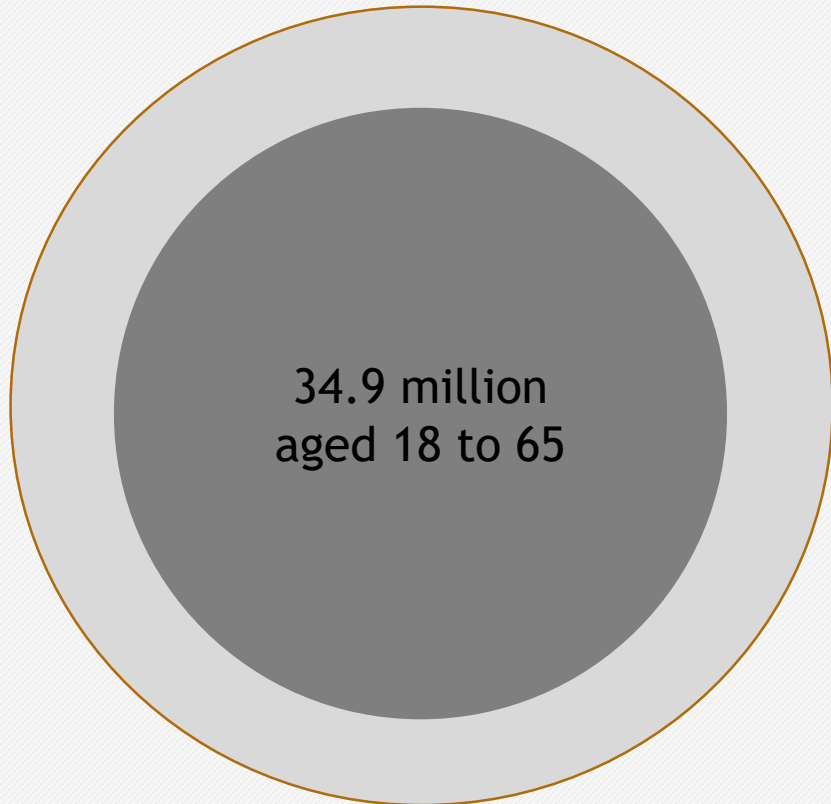
- Context
- Methodology
- R34.7 trillion
- Responses
- Segments

57.5 million people in
South Africa

**57.5 million people,
but how many
earners?**

Context within the SA population landscape

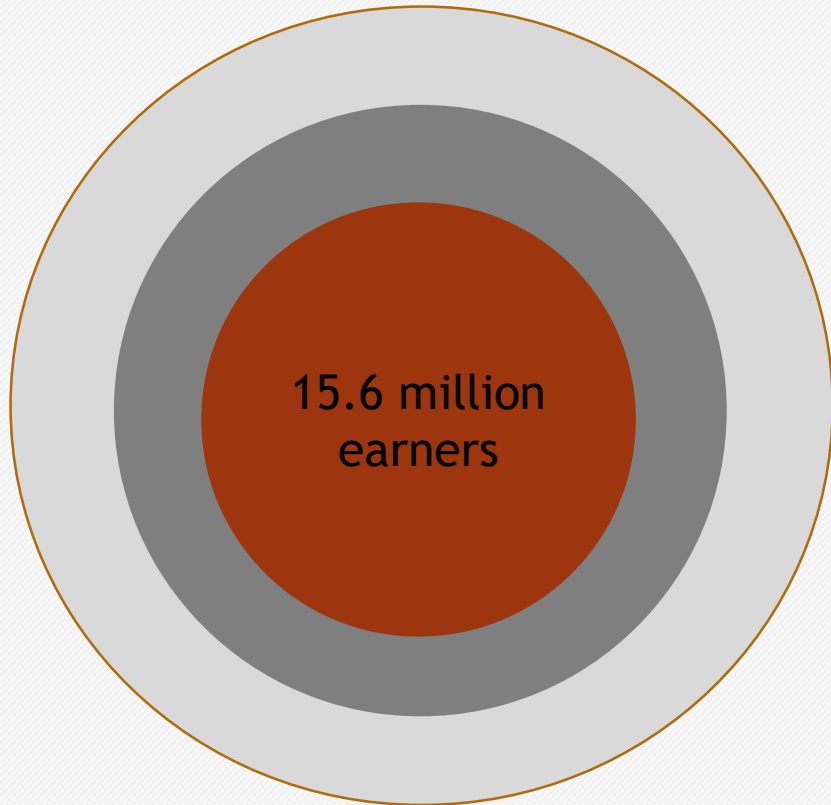
- Context
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<18's: 34%
>65's: 5%

Context within the SA population landscape

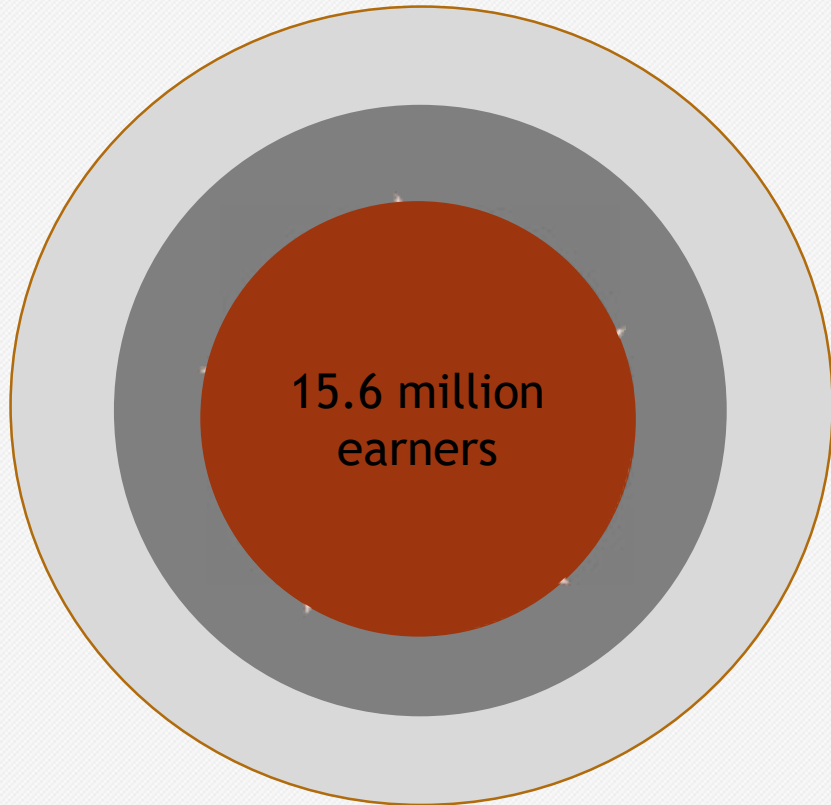
- Context
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Earners represent
around 1/4 of SA
population

Context within the SA population landscape

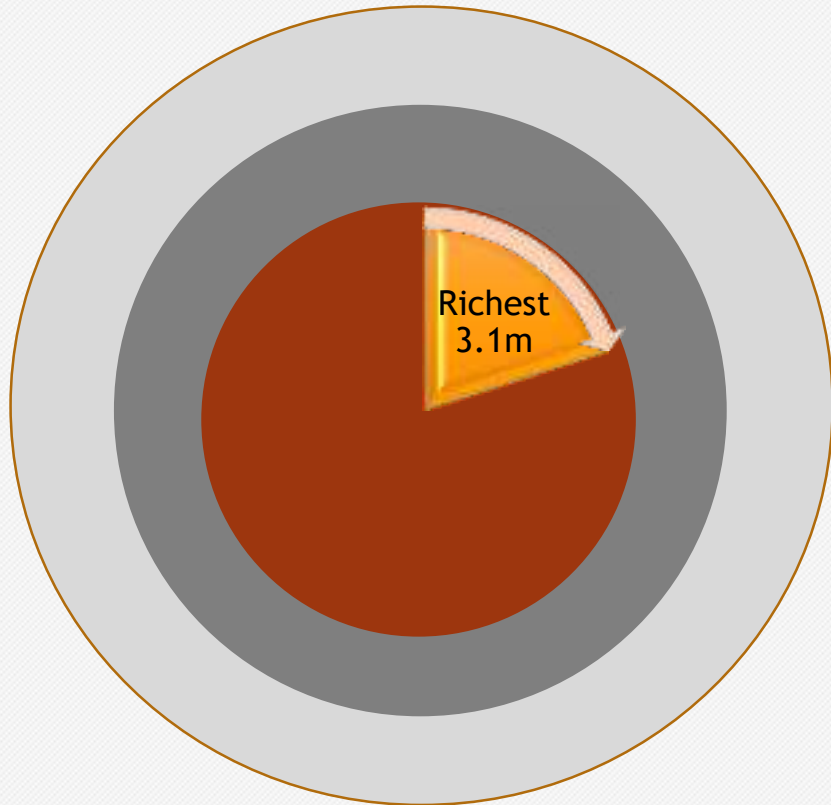
- Context
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**Diversity in SA:
difficult to grasp
“Average Earner”**

Methodology

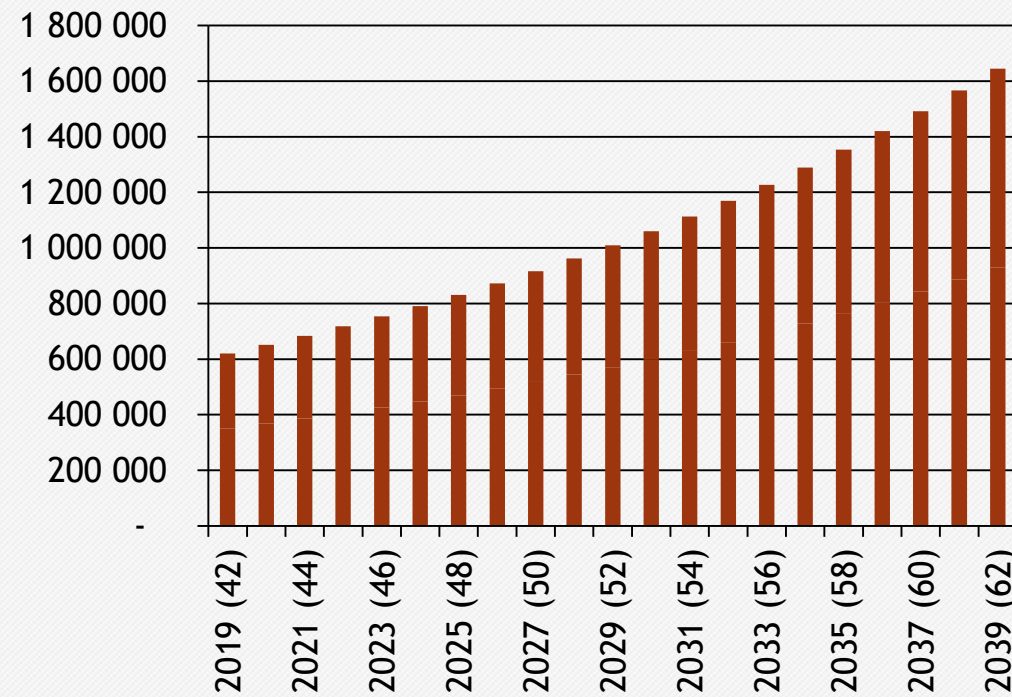
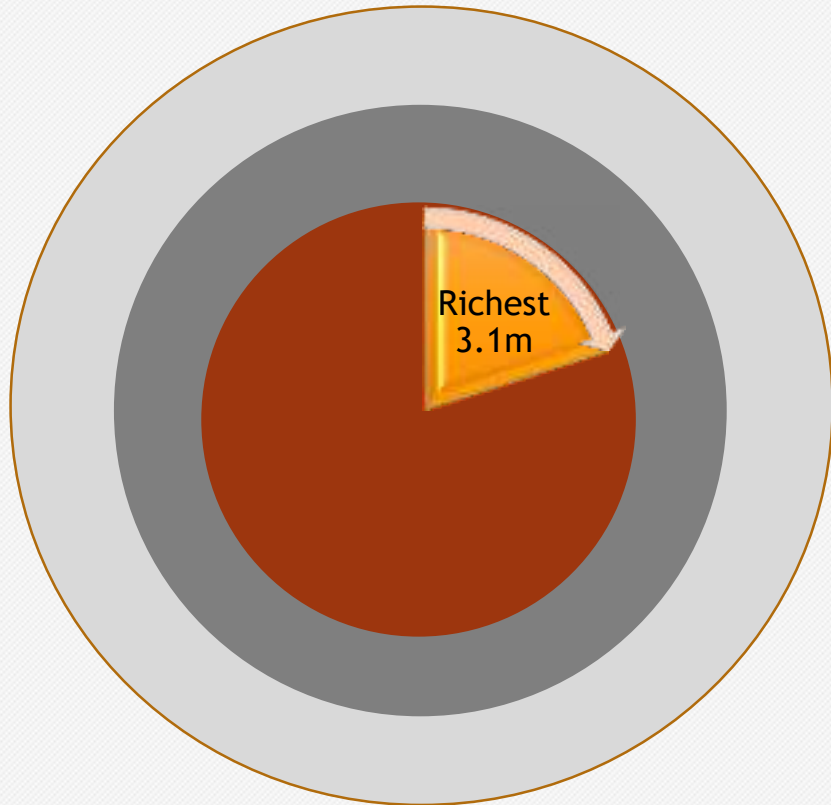
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Consider
20% (R3.1m)
richest SA earners

Methodology

- Context
- Methodology
- R34.7 trillion
- Responses
- Segments



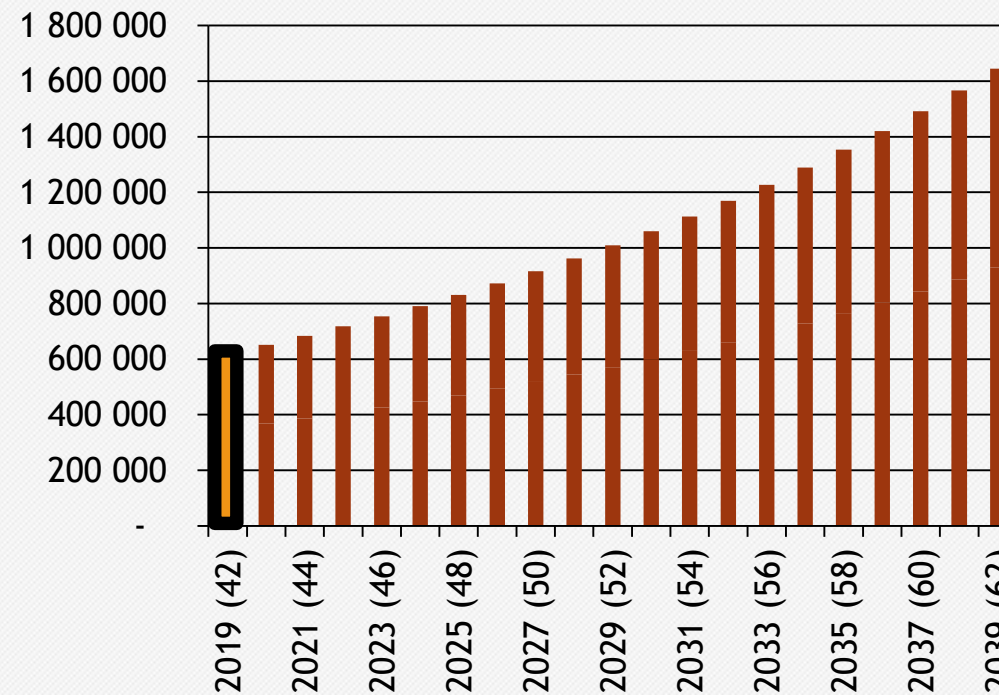
Average expected
earnings profile

Methodology: *Insurance Need*

How much insurance is needed?

- Context
- Methodology
- R34.7 trillion
- Responses
- Segments

Need for insurance	
Earnings	R0.6m



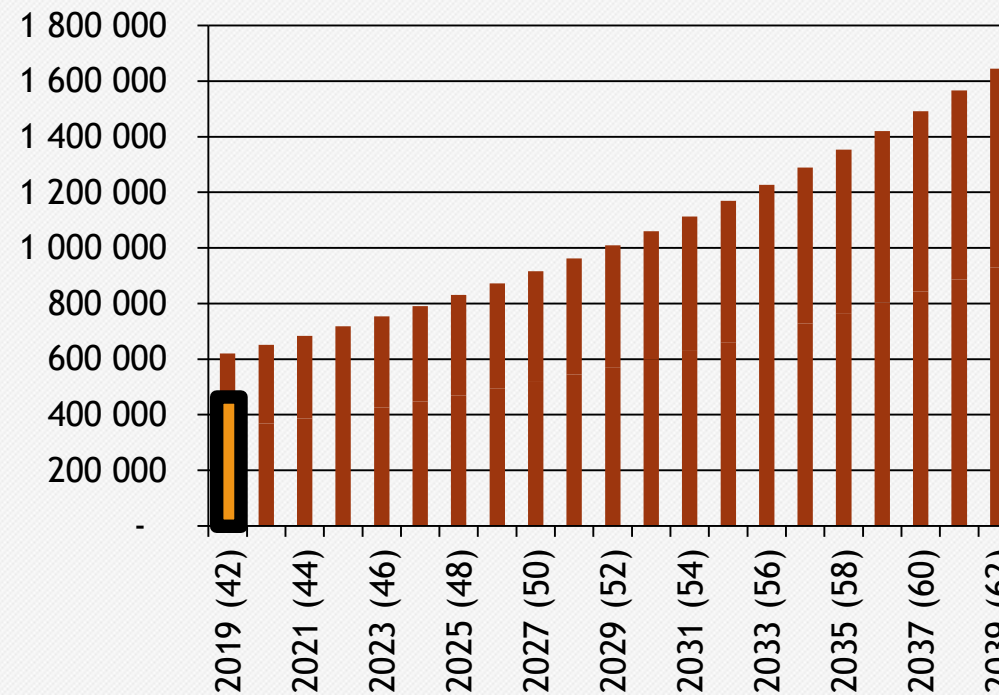
**20% Richest SA
earners earn
R620K p.a.**

Methodology: *Insurance Need*

How much insurance is needed?

- Context
- Methodology
- R34.7 trillion
- Responses
- Segments

Need for insurance	
Earnings	R0.6m
Replacement requirement	54%



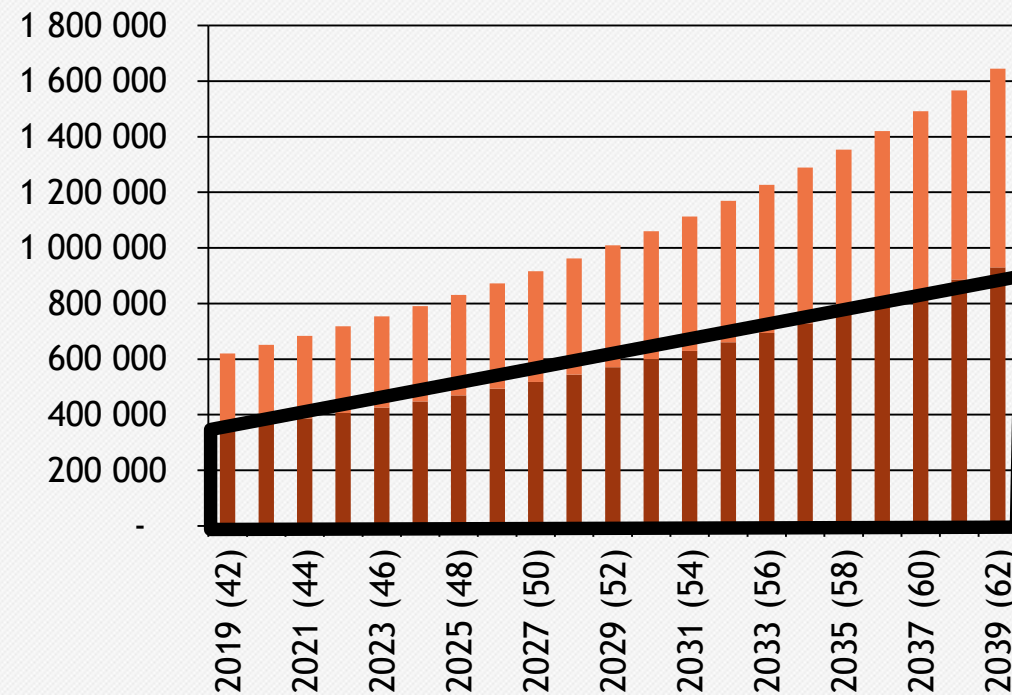
On average 54% of earnings at risk

Methodology: *Insurance Need*

How much insurance is needed?

- Context
- Methodology
- R34.7 trillion
- Responses
- Segments

Need for insurance	
Earnings	R0.6m
Replacement requirement	54%
Capitalisation factor	13.8



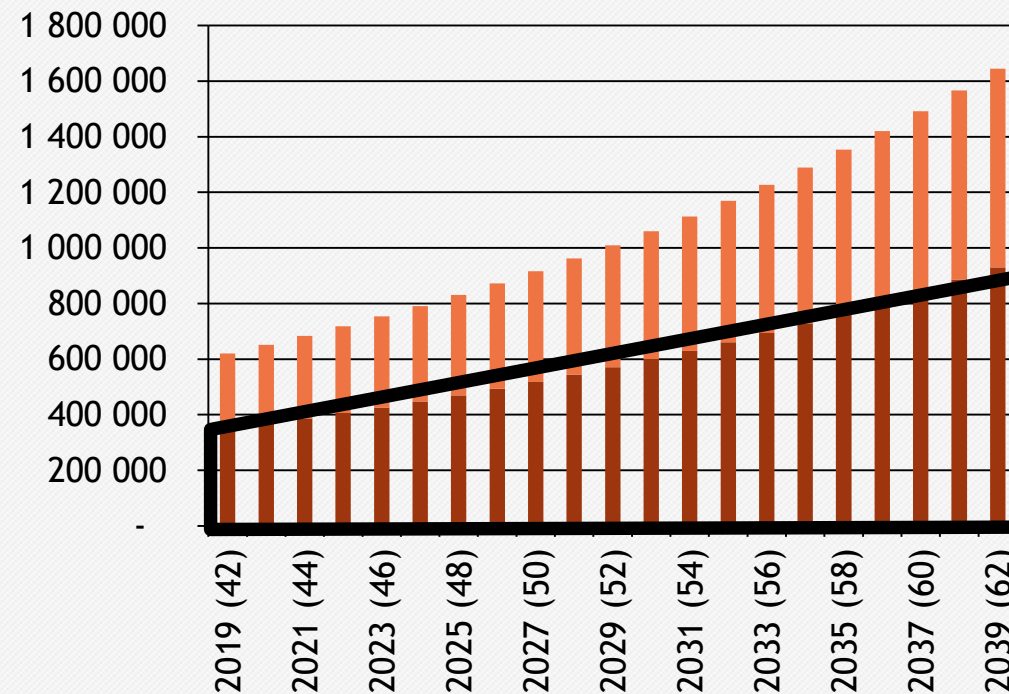
All future years need to be provided for

Methodology: *Insurance Need*

How much insurance is needed?

- Context
- Methodology
- R34.7 trillion
- Responses
- Segments

Need for insurance	
Earnings	R0.6m
Replacement requirement	54%
Capitalisation factor	13.8
Insurance need	R4.6m



At the “high end”,
average need for
insurance: R4.6m ...

Methodology: *Actual Cover*

Total insurance cover

- Context
- Methodology
- R34.7 trillion
- Responses
- Segments

Need for insurance	
Earnings	R0.6m
Replacement requirement	54%
Capitalisation factor	13.8
Insurance need	R4.6m

Actual insurance	
Retail	R1.5m
Group Life	R0.8m
Government grants	R0.0m
Total	R2.3m

... but average actual
insurance over is
only R2.3m

Methodology: *Insurance Gap*

Insurance Gap = Insurance Need - Actual Cover

- Context
- Methodology
- R34.7 trillion
- Responses
- Segments

Need for insurance	
Earnings	R0.6m
Replacement requirement	54%
Capitalisation factor	13.8
Insurance need	R4.6m

Actual insurance	
Retail	R1.5m
Group Life	R0.8m
Government grants	R0.0m
Total	R2.3m

$$R4.6m - R2.3m = R2.3m$$

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

Average gap:
R2.3m per earner
(Those earning > R620k)

R34.7 trillion (R15.4tn death gap)

- Context
- Methodology
- R34.7 trillion**
- Responses
- Segments

	Average Need	Average Actual	Average Gap	Number people	Total GAP	Adequacy of cover
Poorest 20%	R0.1m	R0.0m	R0.1m	3.1m	R0.3tn	3%
Next 20%	R0.5m	R0.0m	R0.4m	3.1m	R1.4tn	6%
Next 20%	R0.9m	R0.1m	R0.8m	3.1m	R2.4tn	15%
Next 20%	R1.7m	R0.4m	R1.3m	3.1m	R4.1tn	24%
Richest 20%	R4.6m	R2.3m	R2.3m	3.1m	R7.2tn	50%
Total					R15.4tn	37%

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

R34.7 trillion (R19.3tn disability gap)

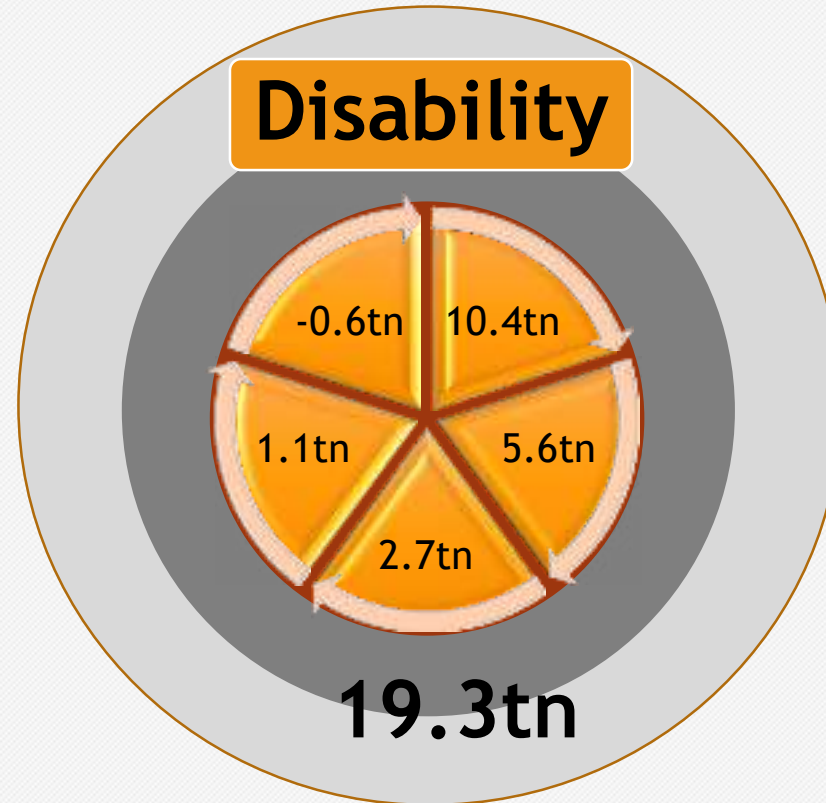
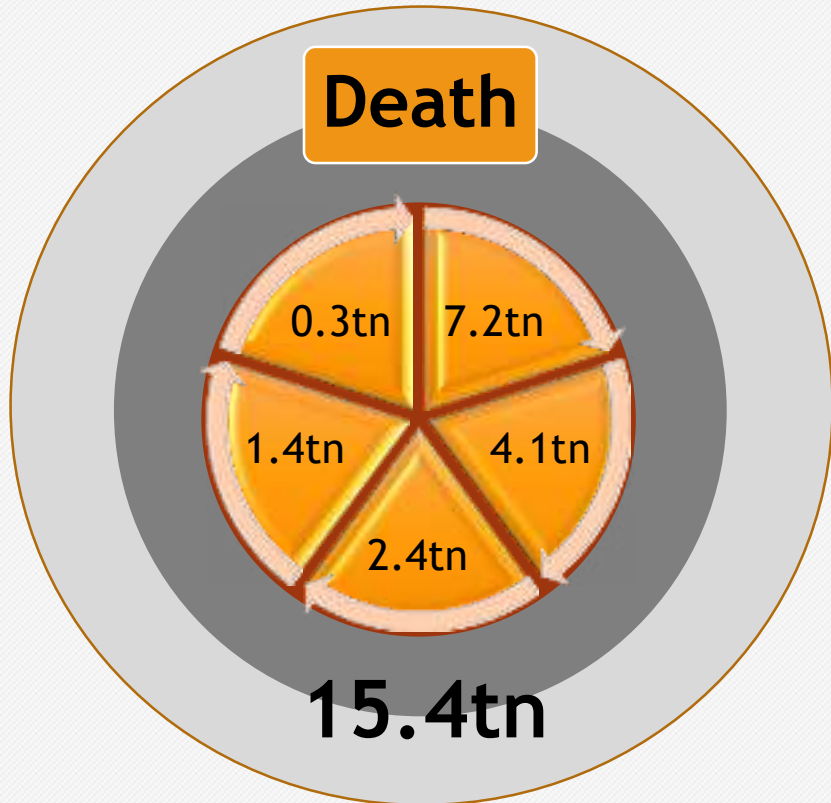
- Context
- Methodology
- R34.7 trillion**
- Responses
- Segments

	Average Need	Average Actual	Average Gap	Number people	Total GAP	Adequacy of cover
Poorest 20%	R0.3m	R0.5m	R-0.2m	3.1m	-R0.6tn	>100%
Next 20%	R0.8m	R0.5m	R0.4m	3.1m	R1.1tn	56%
Next 20%	R1.4m	R0.5m	R0.9m	3.1m	R2.7tn	39%
Next 20%	R2.6m	R0.8m	R1.8m	3.1m	R5.6tn	31%
Richest 20%	R6.3m	R3.0m	R3.3m	3.1m	R10.4tn	47%
Total					R19.3tn	46%

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

R34.7 trillion (R15.4tn death gap + R19.3tn disability gap)




- Context
- Methodology
- R34.7 trillion
- Responses
- Segments



Death Gap: R15.4tn
Disability : R19.3tn
Total: R34.7tn

Responses

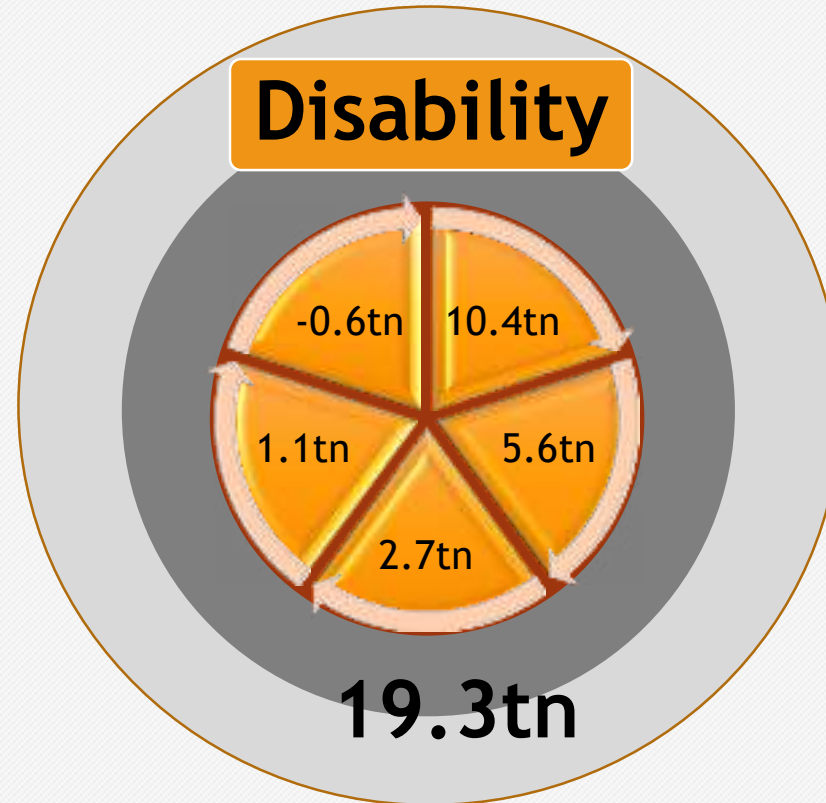
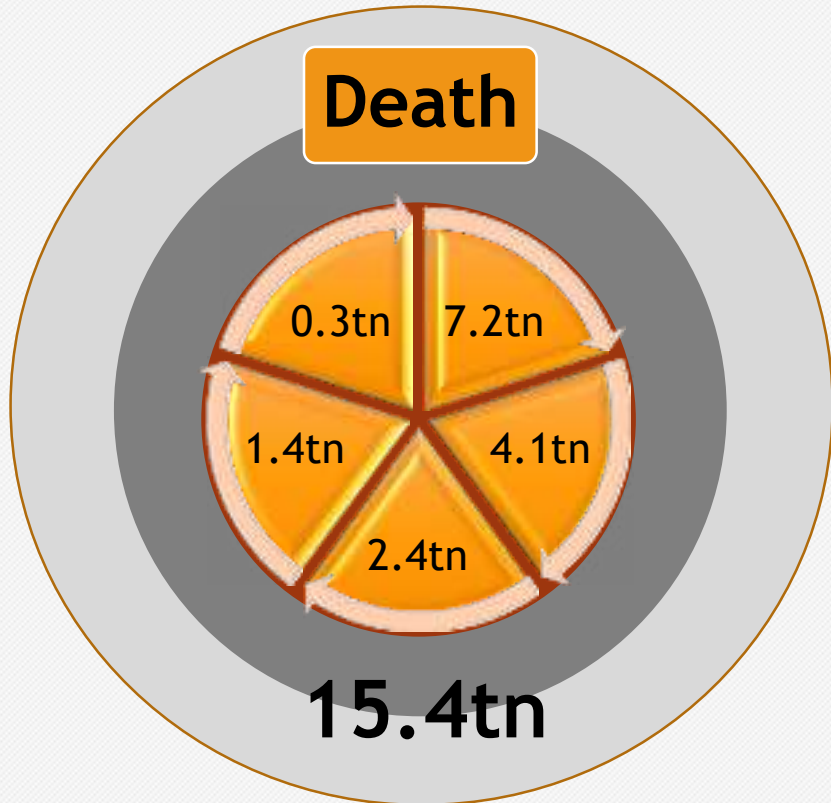
- Context
- Methodology
- R34.7 trillion
- Responses**
- Segments

	Death	Disability
 Buy insurance	4.6% (% earnings)	2.6%
 Cut expenses	32% (% reduction)	24%
 Seek Employment	R5 362 (extra income)	R6 475

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

Segments

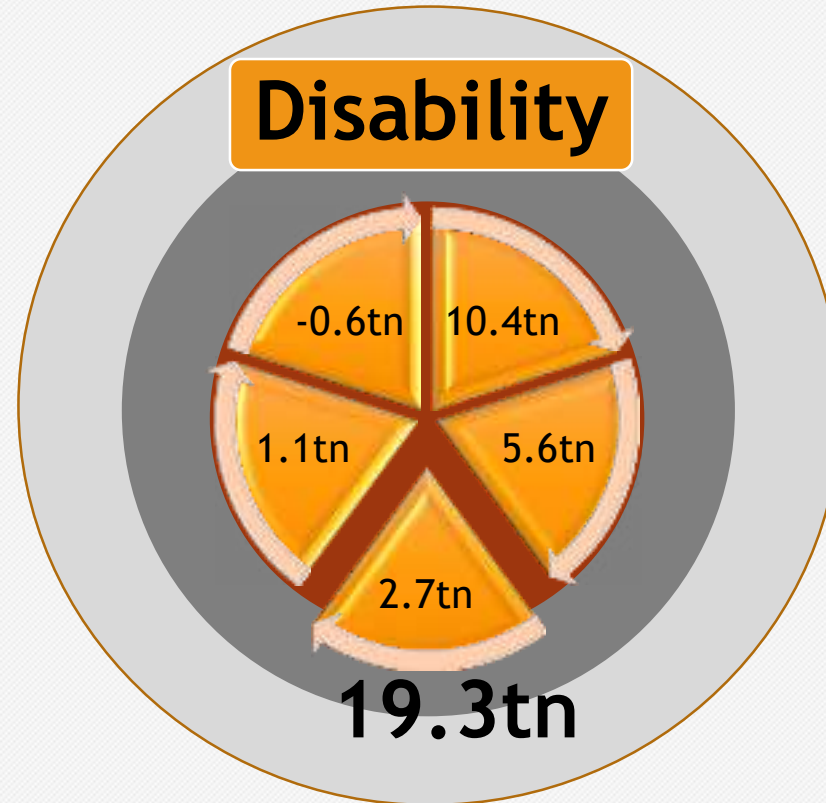
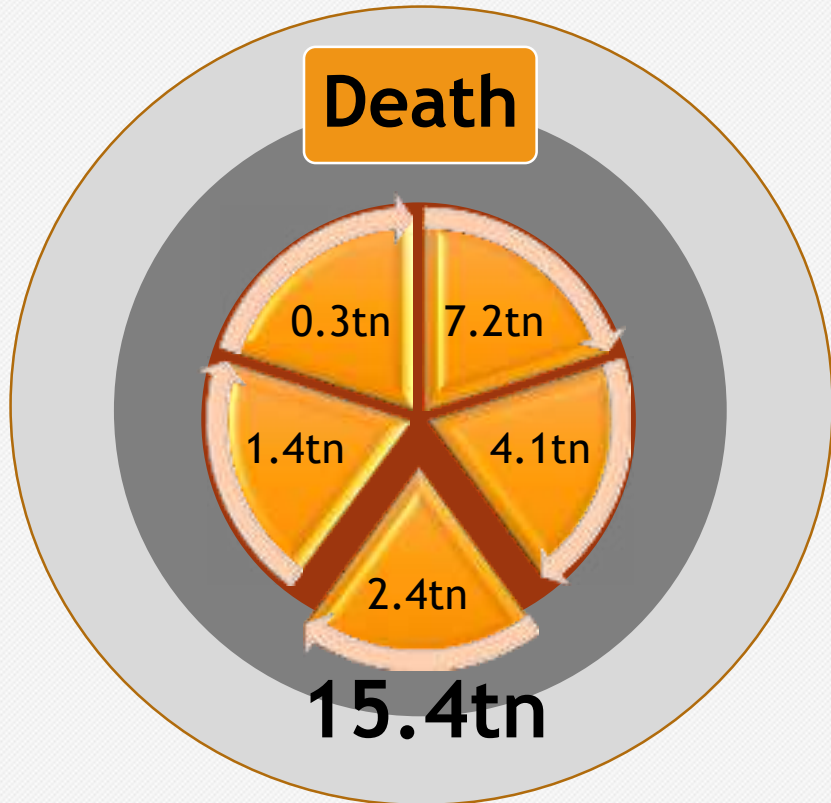
- Context
- Methodology
- R34.7 trillion
- Responses
- Segments



Death Gap: R15.4tn
Disability : R19.3tn
Total: R34.7tn

Segments (Middle group only)

- Context
- Methodology
- R34.7 trillion
- Responses
- Segments



Death Gap: R2.4tn
Disability : R2.7tn
Total: R5.1tn

Death Gap: Effect of Age

Middle income group alone

- Context
- Methodology
- R34.7 trillion
- Responses
- Segments

	Average Need	Average Actual	Average Gap	Number people	Total GAP
18-29	R1.3m	R0.1m	R1.2m	0.9m	R1.1tn
30-34	R1.1m	R0.1m	R1.0m	0.5m	R0.5tn
35-39	R0.9m	R0.2m	R0.8m	0.5m	R0.4tn
40-44	R0.8m	R0.2m	R0.6m	0.4m	R0.2tn
45-50	R0.6m	R0.2m	R0.4m	0.3m	R0.1tn
50-54	R0.4m	R0.2m	R0.2m	0.2m	R0.1tn
55+	R0.1m	R0.1m	R0.0m	0.2m	R0.0tn
Total	R0.9m	R0.1m	R0.8m	3.1m	R2.4tn

Adequacy of cover
7%
11%
17%
21%
28%
42%
101%
15%

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

Disability Gap: Effect of Age

Middle income group alone

- Context
- Methodology
- R34.7 trillion
- Responses
- Segments

	Average Need	Average Actual	Average Gap	Number people	Total GAP
18-29	R2.0m	R0.7m	R1.2m	0.9m	R1.2tn
30-34	R1.7m	R0.7m	R1.0m	0.5m	R0.5tn
35-39	R1.4m	R0.6m	R0.9m	0.5m	R0.4tn
40-44	R1.2m	R0.5m	R0.7m	0.4m	R0.3tn
45-50	R0.9m	R0.4m	R0.6m	0.3m	R0.2tn
50-54	R0.6m	R0.2m	R0.4m	0.2m	R0.1tn
55+	R0.3m	R0.1m	R0.2m	0.2m	R0.0tn
Total	R1.4m	R0.5m	R0.9m	3.1m	R2.7tn

Adequacy of cover
37%
41%
40%
40%
39%
40%
37%
39%

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

Death Gap: Effect of Education

Middle income group alone

- Context
- Methodology
- R34.7 trillion
- Responses
- Segments

	Average Need	Average Actual	Average Gap	Number people	Total GAP
PS or lower	R0.6m	R0.1m	R0.5m	0.3m	R0.2tn
Some HS	R0.9m	R0.1m	R0.8m	1.4m	R1.0tn
Matric	R1.0m	R0.1m	R0.9m	1.3m	R1.1tn
Diploma	R0.8m	R0.2m	R0.6m	0.1m	R0.0tn
Degree	R0.5m	R0.2m	R0.3m	0.1m	R0.0tn
Total	R0.9m	R0.1m	R0.8m	3.1m	R2.4tn

Adequacy of cover
16%
14%
14%
24%
45%
15%

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

Disability Gap: Effect of Education

Middle income group alone

- Context
- Methodology
- R34.7 trillion
- Responses
- Segments

	Average Need	Average Actual	Average Gap	Number people	Total GAP
PS or lower	R0.9m	R0.3m	R0.6m	0.3m	R0.2tn
Some HS	R1.3m	R0.5m	R0.8m	1.4m	R1.1tn
Matric	R1.6m	R0.6m	R1.0m	1.3m	R1.2tn
Diploma	R1.6m	R0.7m	R0.9m	0.1m	R0.1tn
Degree	R1.5m	R0.7m	R0.8m	0.1m	R0.1tn
Total	R1.4m	R0.5m	R0.9m	3.1m	R2.7tn

Adequacy of cover
34%
38%
39%
44%
44%
39%

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

Death Gap: Effect of Geography

Middle income group alone

- Context
- Methodology
- R34.7 trillion
- Responses
- Segments

	Average Need	Average Actual	Average Gap	Number people	Total GAP	Adequacy of cover
Gauteng	R0.9m	R0.1m	R0.8m	1.1m	R0.9tn	17%
Western Cape	R0.9m	R0.2m	R0.7m	0.5m	R0.4tn	20%
KwaZulu-Natal	R0.9m	R0.1m	R0.8m	0.5m	R0.4tn	12%
Eastern Cape	R1.0m	R0.1m	R0.9m	0.2m	R0.2tn	13%
North West	R0.8m	R0.1m	R0.7m	0.1m	R0.1tn	12%
Free State	R0.9m	R0.1m	R0.8m	0.1m	R0.1tn	10%
Mpumalanga	R0.9m	R0.1m	R0.8m	0.2m	R0.2tn	9%
Limpopo	R0.9m	R0.1m	R0.8m	0.2m	R0.1tn	7%
Northern Cape	R0.9m	R0.1m	R0.7m	0.0m	R0.0tn	14%
Total	R0.9m	R0.1m	R0.8m	3.1m	R2.4tn	15%

Death cover adequacy for the middle income group is highest in Gauteng and Western Cape

Disability Gap: Effect of Geography

Middle income group alone

- Context
- Methodology
- R34.7 trillion
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- Segments

	Average Need	Average Actual	Average Gap	Number people	Total GAP	Adequacy of cover
Gauteng	R1.4m	R0.5m	R0.8m	1.1m	R1.0tn	39%
Western Cape	R1.4m	R0.6m	R0.8m	0.5m	R0.4tn	45%
KwaZulu-Natal	R1.5m	R0.6m	R0.9m	0.5m	R0.5tn	39%
Eastern Cape	R1.5m	R0.6m	R0.9m	0.2m	R0.2tn	42%
North West	R1.3m	R0.5m	R0.8m	0.1m	R0.1tn	37%
Free State	R1.4m	R0.4m	R1.0m	0.1m	R0.1tn	29%
Mpumalanga	R1.4m	R0.4m	R1.0m	0.2m	R0.2tn	31%
Limpopo	R1.4m	R0.4m	R1.0m	0.2m	R0.2tn	28%
Northern Cape	R1.4m	R0.5m	R0.9m	0.0m	R0.0tn	37%
Total	R1.4m	R0.5m	R0.9m	3.1m	R2.7tn	39%

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

Death Gap: Effect of Gender

Middle income group alone

- Context
- Methodology
- R34.7 trillion
- Responses
- Segments

	Average Need	Average Actual	Average Gap	Number people	Total GAP
Male	R0.9m	R0.1m	R0.8m	1.8m	R1.4tn
Female	R0.9m	R0.1m	R0.8m	1.3m	R1.0tn
Total	R0.9m	R0.1m	R0.8m	3.1m	R2.4tn

Adequacy of cover
14%
16%
15%

Cover adequacy is fairly similar for male and female earners

Disability Gap: Effect of Gender

Middle income group alone

- Context
- Methodology
- R34.7 trillion
- Responses
- Segments

	Average Need	Average Actual	Average Gap	Number people	Total GAP
Male	R1.4m	R0.6m	R0.9m	1.8m	R1.5tn
Female	R1.4m	R0.5m	R0.9m	1.3m	R1.1tn
Total	R1.4m	R0.5m	R0.9m	3.1m	R2.7tn

Adequacy of cover
39%
38%
39%

Cover adequacy is fairly similar for male and female earners

Questions

- Context
- Methodology
- R34.7 trillion
- Responses
- Segments

“Provision for others is a
fundamental responsibility of human life.”
(Woodrow T. Wilson - 28th American President)