

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

ASISA

Fourth ASISA Insurance Gap Study

(performed by True South Actuaries & Consultants)

www.truesouth.co.za

October 2016

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

TRUE SOUTH
ACTUARIES & CONSULTANTS

Agenda



R28.8 trillion
(A trillion has 12 zeros)

Agenda

- Context
- Methodology
- R28.8 trillion
- Responses
- Segments



R28.8 trillion
(A trillion has 12 zeros)

Context within the SA population landscape

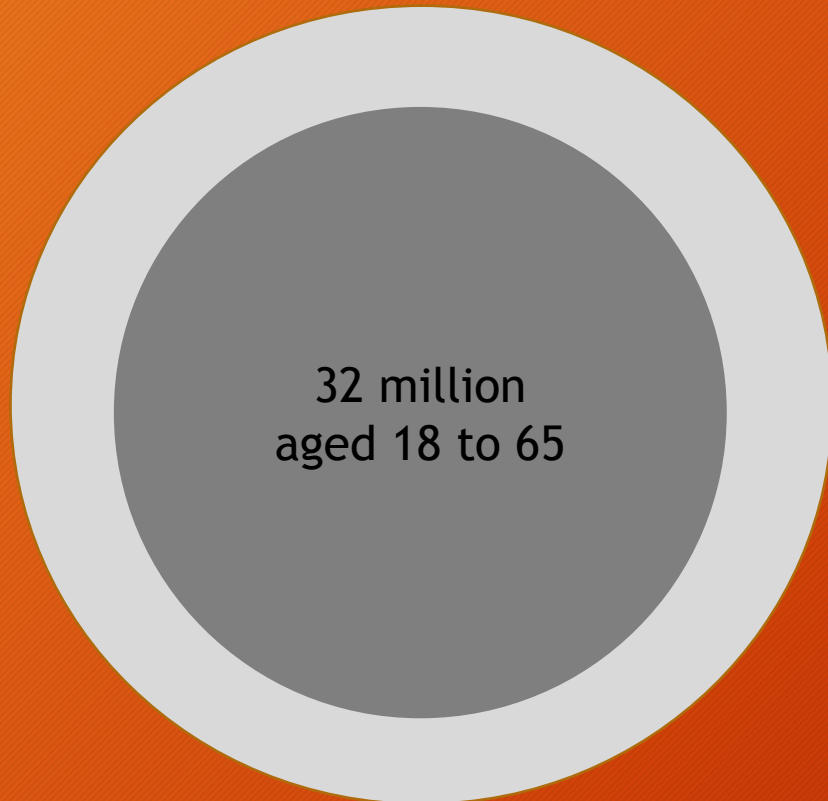
- Context
- Methodology
- R28.8 trillion
- Responses
- Segments

55 million people in
South Africa

55 million people,
but how many
earners?

Context within the SA population landscape

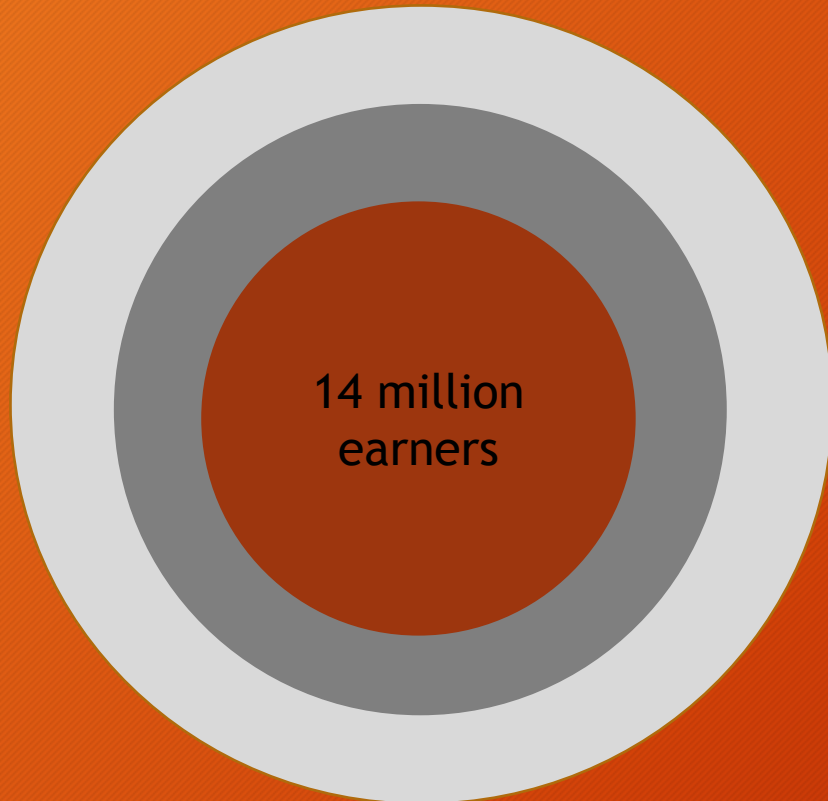
- Context
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- R28.8 trillion
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<18's: 36%
>65's: 5%

Context within the SA population landscape

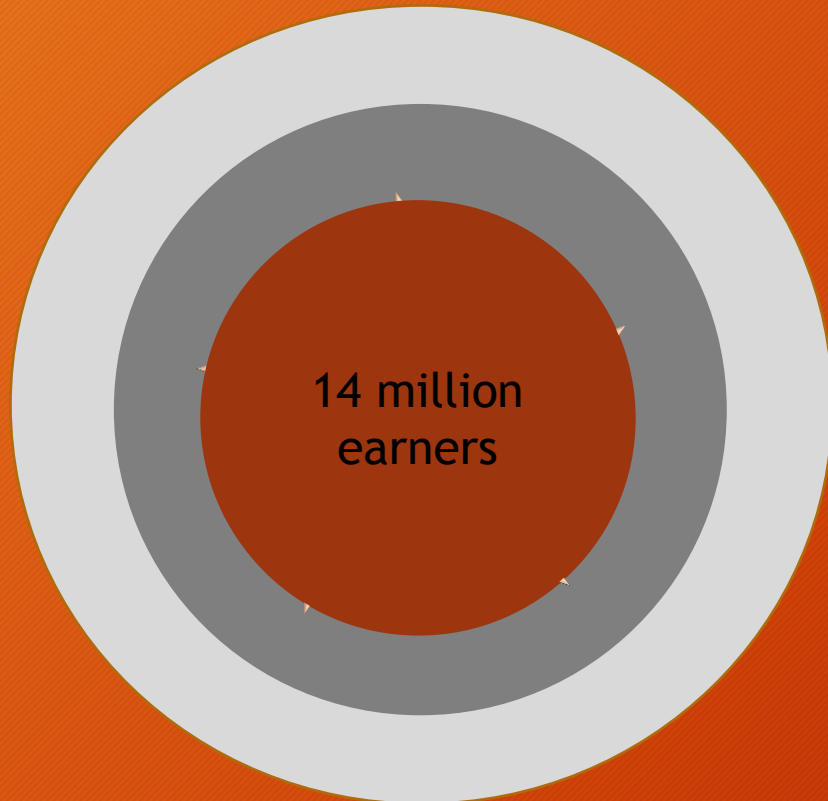
- Context
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Earners represent
around 1/4 of SA
population

Context within the SA population landscape

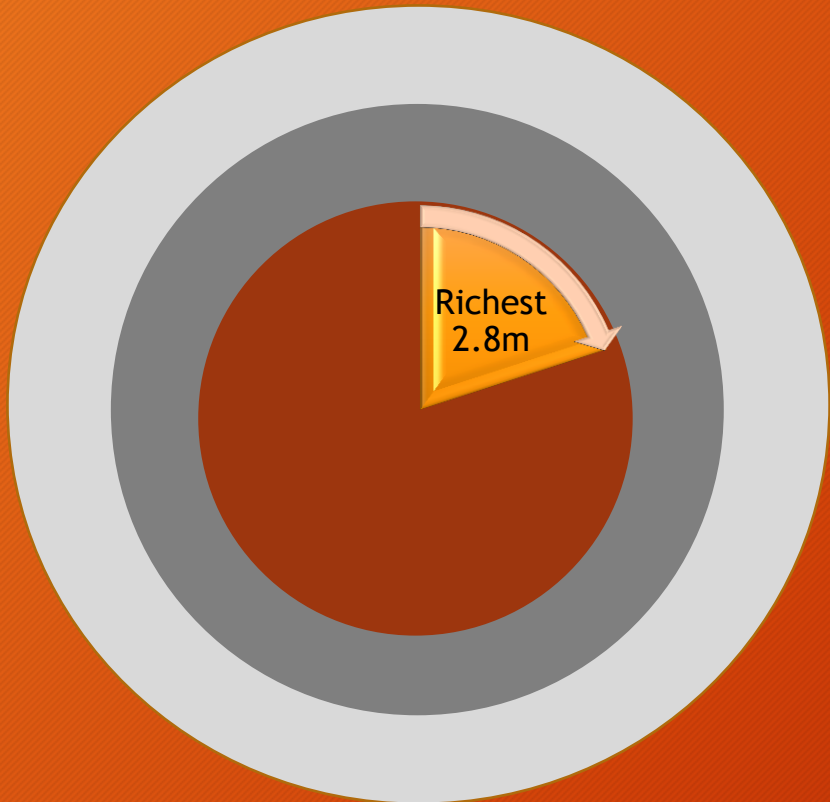
- Context
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**Diversity in SA:
difficult to grasp
“Average Earner”**

Methodology

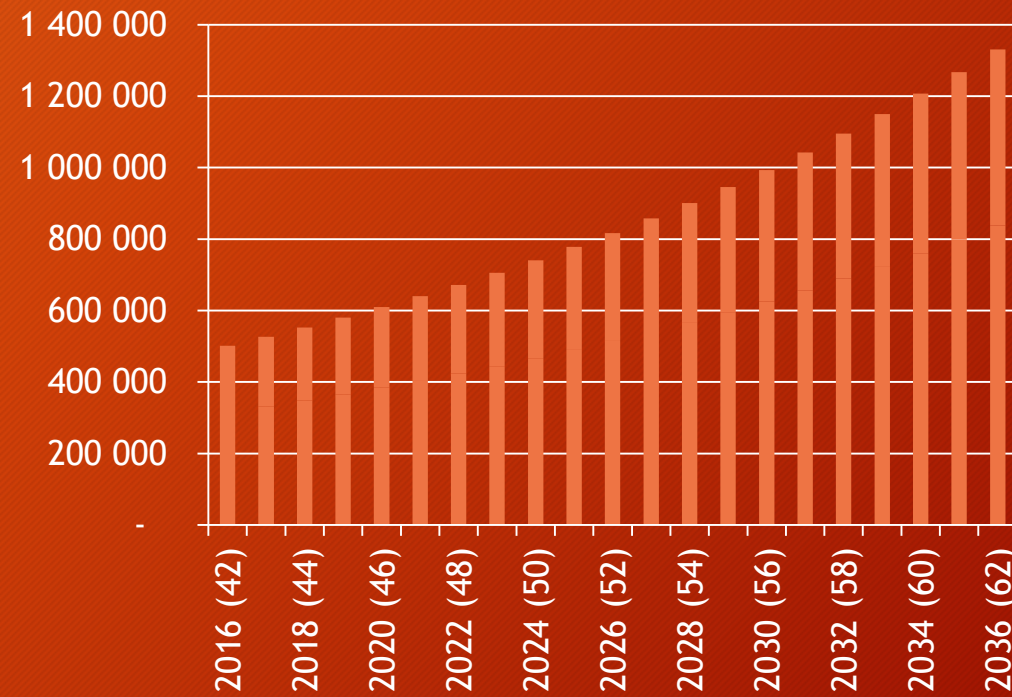
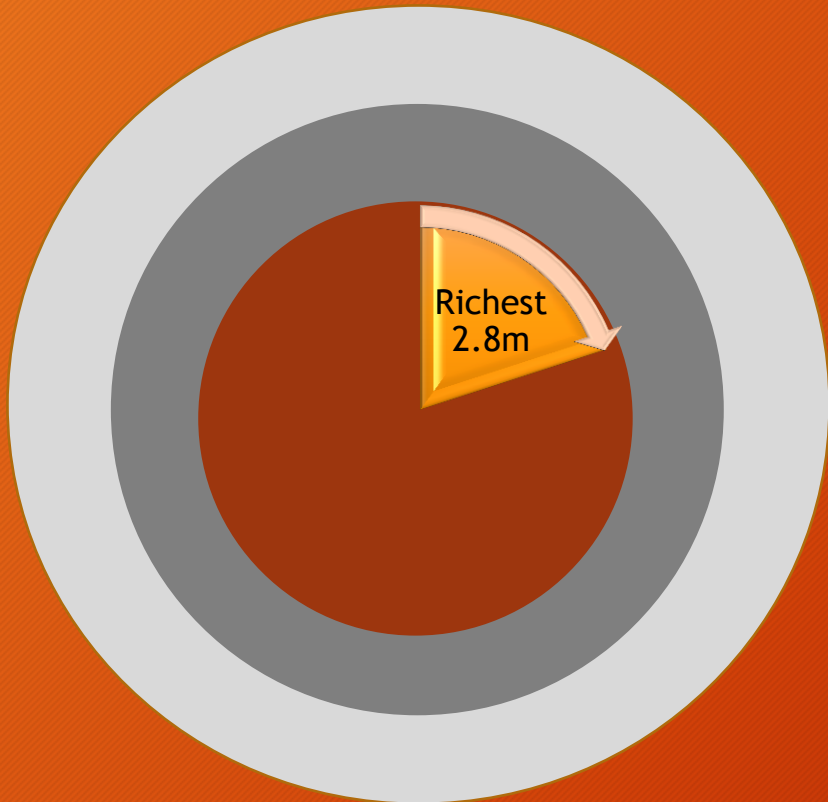
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Consider
20% (R2.8m)
richest SA earners

Methodology

- Context
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- R28.8 trillion
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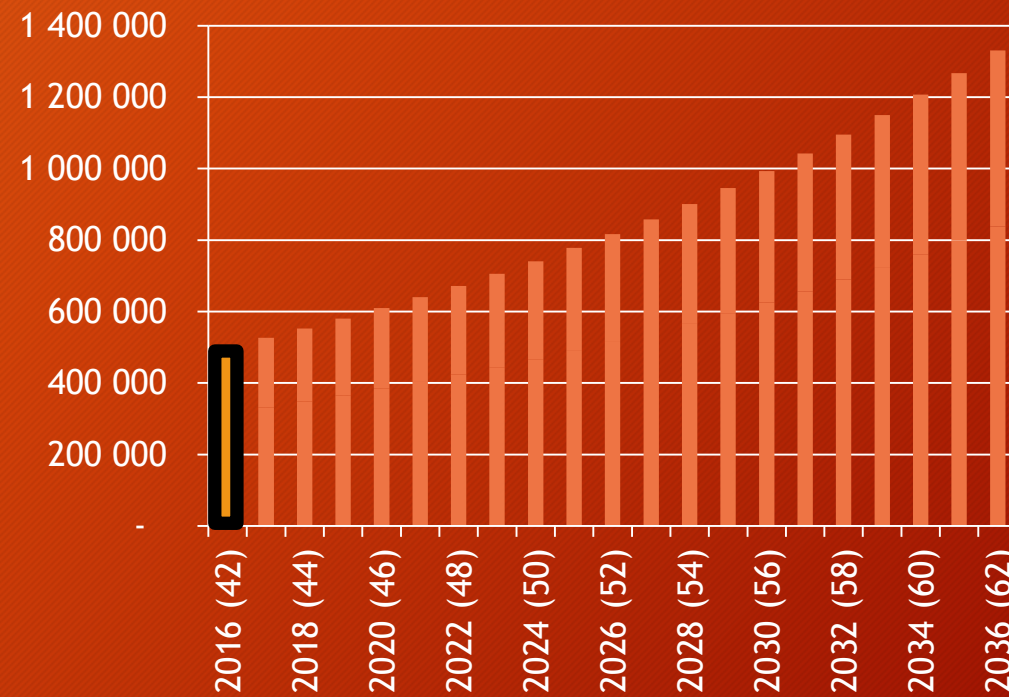
Average expected
earnings profile

Methodology: *Insurance Need*

How much insurance is needed?

- Context
- Methodology
- R28.8 trillion
- Responses
- Segments

Need for insurance	
Earnings	R0.5m



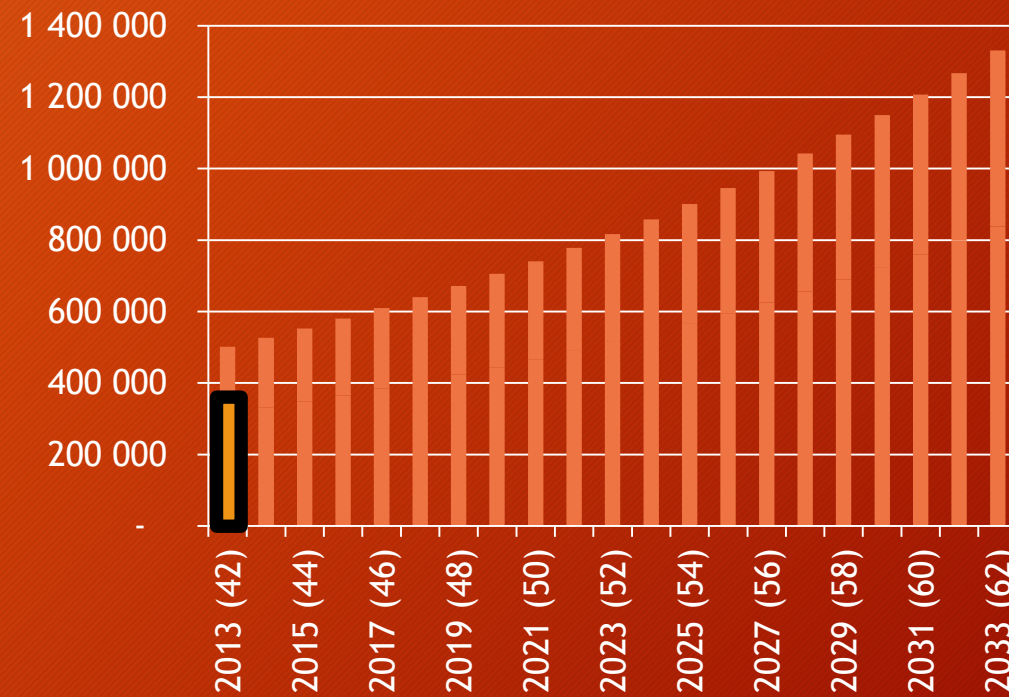
**20% Richest SA
earners earn
R500K p.a.**

Methodology: *Insurance Need*

How much insurance is needed?

- Context
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- R28.8 trillion
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- Segments

Need for insurance	
Earnings	R0.5m
Replacement requirement	64%



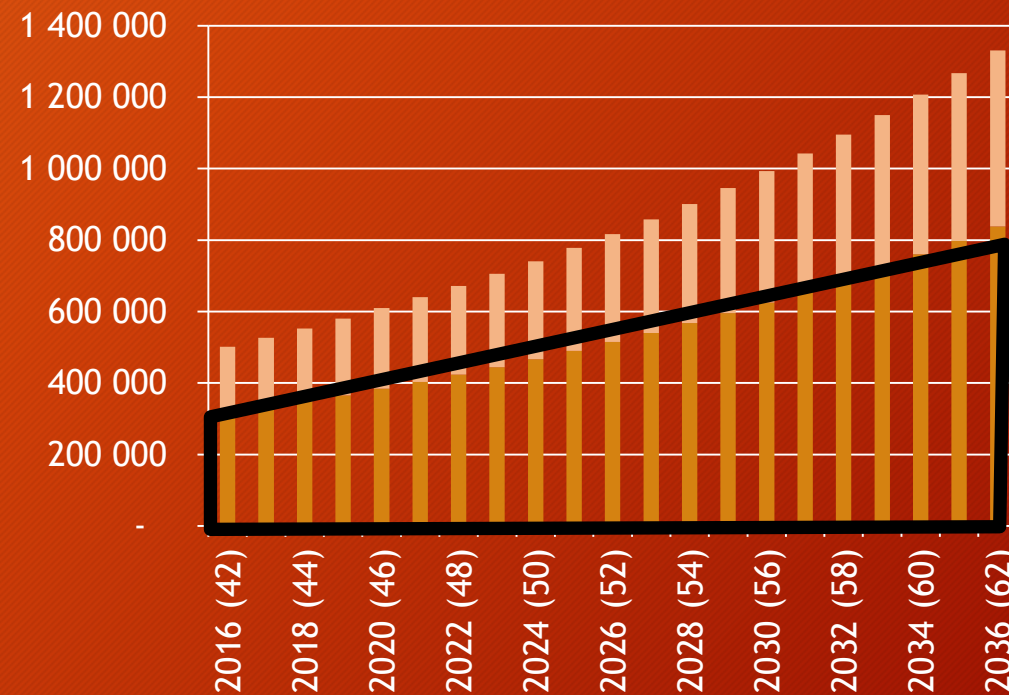
On average 64% of earnings at risk

Methodology: *Insurance Need*

How much insurance is needed?

- Context
- Methodology
- R28.8 trillion
- Responses
- Segments

Need for insurance	
Earnings	R0.5m
Replacement requirement	64%
Capitalisation factor	14.1



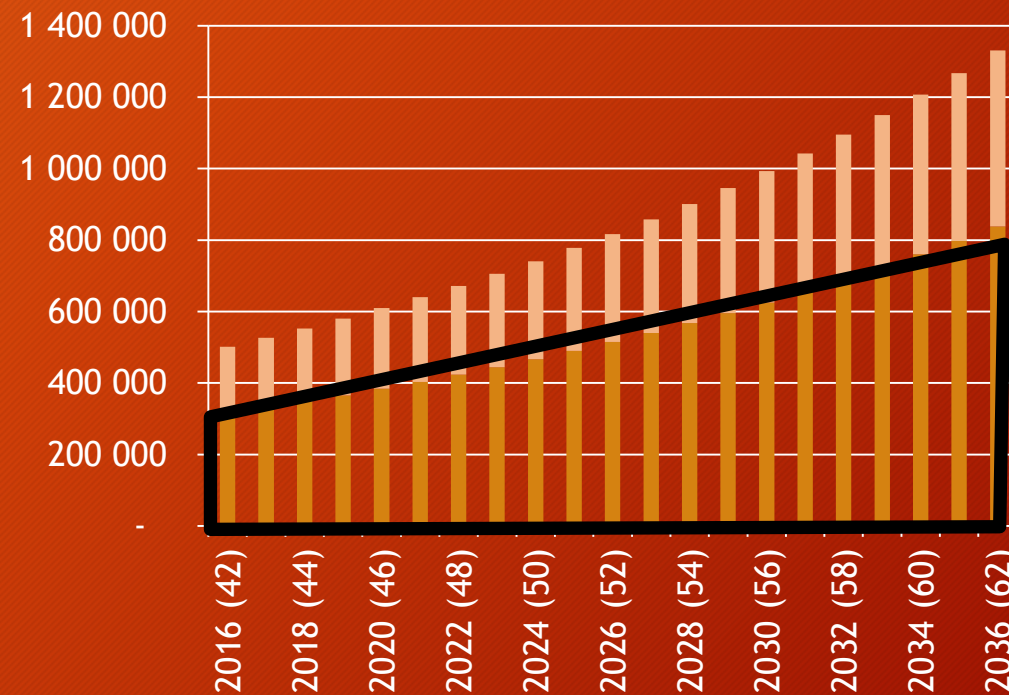
All future years need to be provided for

Methodology: *Insurance Need*

How much insurance is needed?

- Context
- Methodology
- R28.8 trillion
- Responses
- Segments

Need for insurance	
Earnings	R0.5m
Replacement requirement	64%
Capitalisation factor	14.1
Insurance need	R4.5m



At the “high end”,
 ave need for
 insurance: R4.5m ...

Methodology: *Actual Cover*

Total insurance cover

- Context
- Methodology
- R28.8 trillion
- Responses
- Segments

Need for insurance	
Earnings	R0.5m
Replacement requirement	64%
Capitalisation factor	14.1
Insurance need	R4.5m

Actual insurance	
Retail	R1.3m
Group Life	R0.8m
Government grants	R0.0m
Total	R2.1m

... but average actual insurance over is only R2.1m

Methodology: *Insurance Gap*

Insurance Gap = Insurance Need - Actual Cover

- Context
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Need for insurance	
Earnings	R0.5m
Replacement requirement	64%
Capitalisation factor	14.1
Insurance need	R4.5m

Actual insurance	
Retail	R1.3m
Group Life	R0.8m
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... but average actual insurance over is only R2.1m

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Need for insurance	
Earnings	R0.5m
Replacement requirement	64%
Capitalisation factor	14.1
Insurance need	R4.5m

Actual insurance	
Retail	R1.3m
Group Life	R0.8m
Government grants	R0.0m
Total	R2.1m

$R4.5m - R2.1m = R2.4m$
Average Death insurance gap for richest 20% of SA earning population

Average gap:
R2.4m per earner
(Those earning > R500k)

R28.8 trillion (R12.9tn death gap)

- Context
- Methodology
- R28.8 trillion
- Responses
- Segments

	Average Need	Average Actual	Average Gap	Number people	Total GAP
Poorest 20%					
Next 20%					
Next 20%					
Next 20%					
Richest 20%	R4.5m	R2.1m	R2.4m		
Total					

Average gap:
R2.4m per earner
(Those earning > R500k)

R28.8 trillion (R12.9tn death gap)

- Context
- Methodology
- R28.8 trillion
- Responses
- Segments

	Average Need	Average Actual	Average Gap	Number people	Total GAP
Poorest 20%					
Next 20%					
Next 20%					
Next 20%					
Richest 20%	R4.5m	R2.1m	R2.4m	2.8m	R6.7tn
Total					

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

R28.8 trillion (R12.9tn death gap)

- Context
- Methodology
- R28.8 trillion**
- Responses
- Segments

	Average Need	Average Actual	Average Gap	Number people	Total GAP
Poorest 20%	R0.1m	R0.0m	R0.1m	2.8m	R0.2tn
Next 20%	R0.3m	R0.0m	R0.3m	2.8m	R0.9tn
Next 20%	R0.8m	R0.1m	R0.7m	2.8m	R1.8tn
Next 20%	R1.6m	R0.4m	R1.2m	2.8m	R3.3tn
Richest 20%	R4.5m	R2.1m	R2.4m	2.8m	R6.7tn
Total					R12.9tn

Adequacy of cover
4%
7%
16%
25%
47%
37%

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

R28.8 trillion (R16.0tn disability gap)

- Context
- Methodology
- R28.8 trillion
- Responses
- Segments

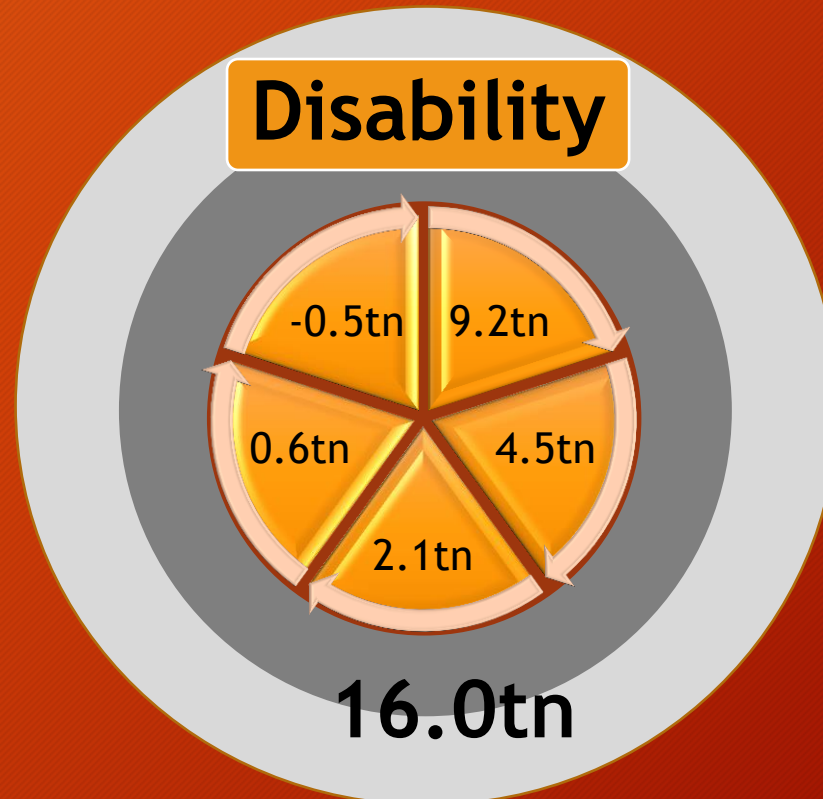
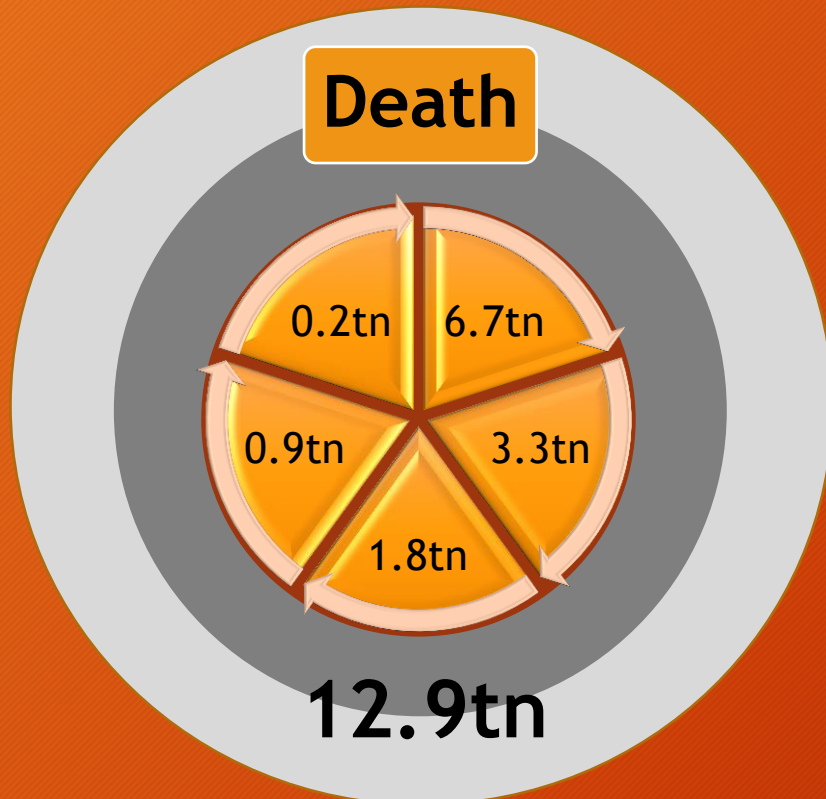
	Average Need	Average Actual	Average Gap	Number people	Total GAP
Poorest 20%	R0.2m	R0.4m	-R0.2m	2.8m	-R0.5tn
Next 20%	R0.6m	R0.4m	R0.2m	2.8m	R0.6tn
Next 20%	R1.2m	R0.5m	R0.8m	2.8m	R2.1tn
Next 20%	R2.3m	R0.7m	R1.6m	2.8m	R4.5tn
Richest 20%	R6.0m	R2.7m	R3.3m	2.8m	R9.2tn
Total					R16.0tn

Adequacy of cover
-
64%
37%
30%
45%
45%

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

R28.8 trillion (R12.9tn death gap + R16.0tn disability gap)

- Context
- Methodology
- R28.8 trillion
- Responses
- Segments



Death Gap: R12.9tn
Disability : R16.0tn
Total: R28.8tn

Responses

- Context
- Methodology
- R28.8 trillion
- Responses
- Segments



Buy insurance

(% earnings)

Death

4.2%

Disability

2.4%



Cut expenses

(% reduction)

34%

30%



Seek Employment

(extra income)

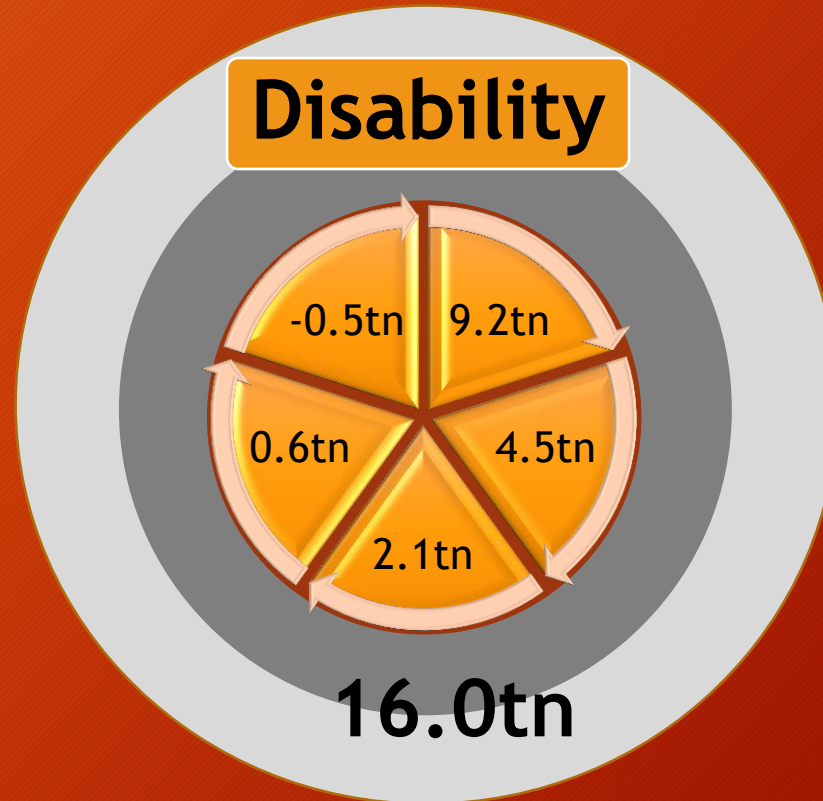
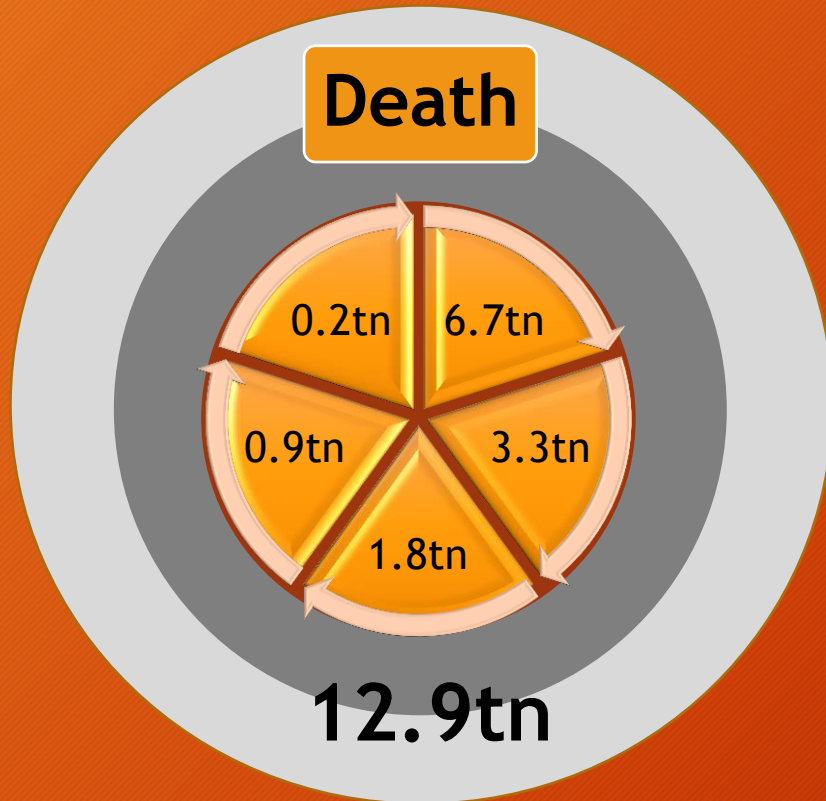
R4 970

R5 977

“There are worse things in life than death. Have you ever spent an evening with an insurance salesman?” -
(Woody Allen)

Segments

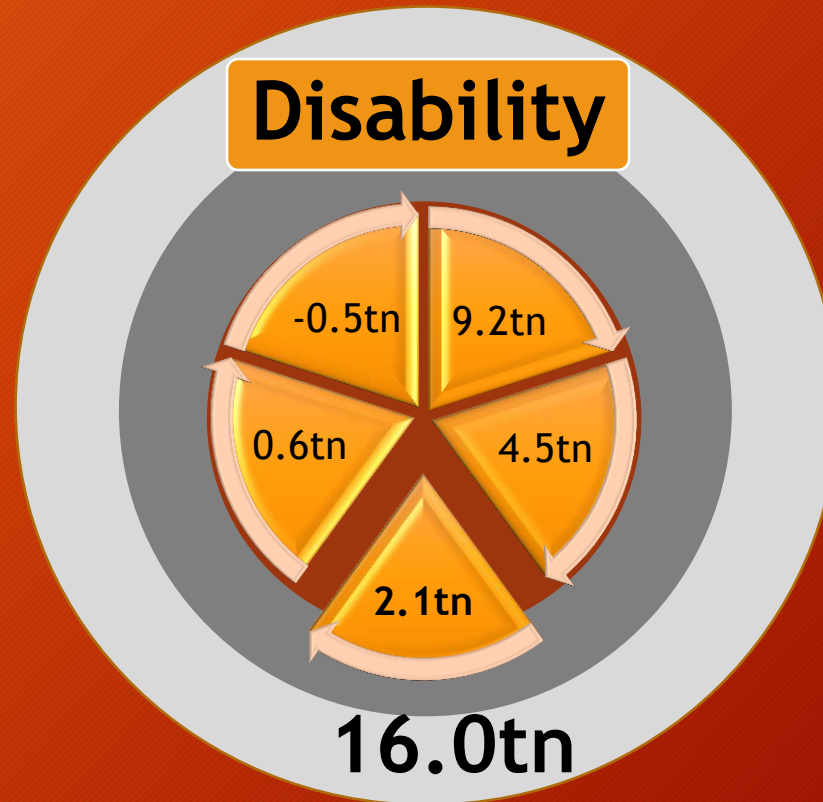
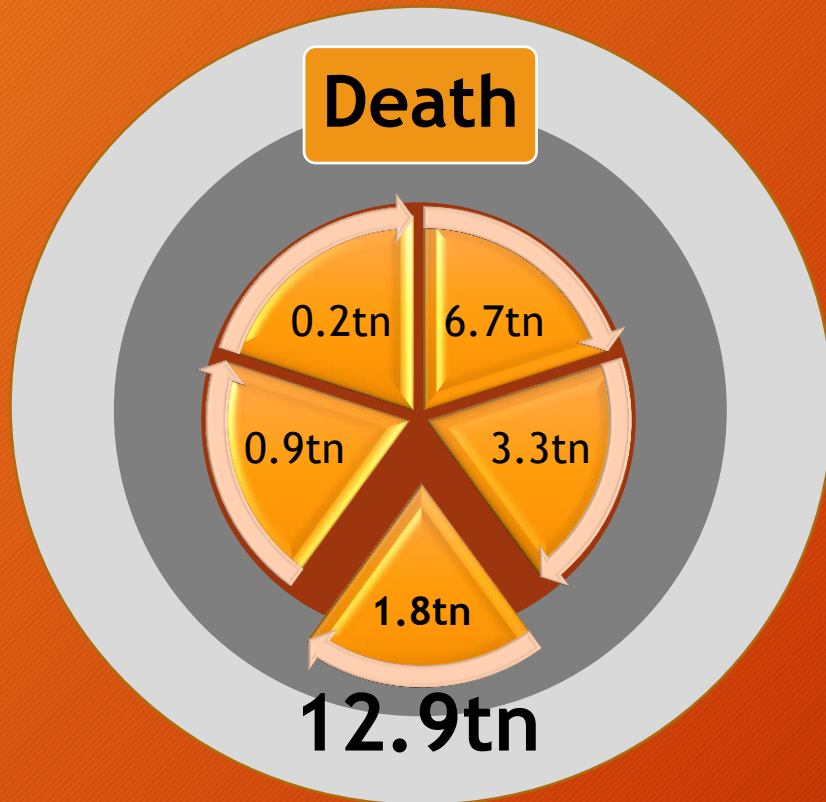
- Context
- Methodology
- R28.8 trillion
- Responses
- Segments



Death Gap: R12.9tn
Disability : R16.0tn
Total: R28.8tn

Segments (Middle group only)

- Context
- Methodology
- R28.8 trillion
- Responses
- Segments



Death Gap: R1.8tn
Disability : R2.1tn
Total: R3.9tn

Death Gap: Effect of Age

Middle income group alone

- Context
- Methodology
- R28.8 trillion
- Responses
- Segments

	Average Need	Average Actual	Average Gap	Number people	Total GAP
18-29	R1.0m	R0.1m	R0.9m	R0.8m	R0.8tn
30-34	R0.9m	R0.1m	R0.8m	R0.5m	R0.4tn
35-39	R0.8m	R0.1m	R0.7m	R0.5m	R0.3tn
40-44	R0.7m	R0.2m	R0.6m	R0.3m	R0.2tn
45-50	R0.5m	R0.1m	R0.4m	R0.2m	R0.1tn
50-54	R0.3m	R0.1m	R0.2m	R0.2m	R0.0tn
55+	R0.1m	R0.1m	R0.0m	R0.2m	R0.0tn
Total	R0.8m	R0.1m	R0.7m	R2.8m	R1.8tn

Adequacy of cover
8%
12%
18%
22%
28%
39%
102%
16%

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

Disability Gap: Effect of Age

Middle income group alone

- Context
- Methodology
- R28.8 trillion
- Responses
- Segments

	Average Need	Average Actual	Average Gap	Number people	Total GAP
18-29	R1.7m	R0.6m	R1.1m	R0.8m	R0.9tn
30-34	R1.4m	R0.6m	R0.9m	R0.5m	R0.5tn
35-39	R1.3m	R0.5m	R0.8m	R0.5m	R0.4tn
40-44	R1.1m	R0.4m	R0.6m	R0.3m	R0.2tn
45-50	R0.8m	R0.4m	R0.4m	R0.2m	R0.1tn
50-54	R0.5m	R0.3m	R0.2m	R0.2m	R0.0tn
55+	R0.2m	R0.2m	R0.0m	R0.2m	R0.0tn
Total	R1.2m	R0.5m	R0.7m	R2.8m	R2.1tn

Adequacy of cover
35%
38%
39%
41%
48%
57%
96%
37%

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

Death Gap: Effect of Education

Middle income group alone

- Context
- Methodology
- R28.8 trillion
- Responses
- Segments

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

Adequacy of cover
14%
15%
15%
18%
36%
16%

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
- R28.8 trillion
- Responses
- Segments

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

Adequacy of cover
36%
37%
38%
39%
48%
37%

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

Death Gap: Effect of Geography

Middle income group alone

- Context
- Methodology
- R28.8 trillion
- Responses
- Segments

	Average Need	Average Actual	Average Gap	Number people	Total GAP	Adequacy of cover
Gauteng	R0.8m	R0.1m	R0.6m	R1.0m	R0.6tn	19%
Western Cape	R1.0m	R0.2m	R0.8m	R0.5m	R0.4tn	18%
KwaZulu-Natal	R0.8m	R0.1m	R0.7m	R0.5m	R0.3tn	12%
Eastern Cape	R0.8m	R0.1m	R0.6m	R0.2m	R0.1tn	15%
North West	R0.5m	R0.1m	R0.4m	R0.2m	R0.1tn	13%
Free State	R0.7m	R0.1m	R0.6m	R0.1m	R0.1tn	11%
Mpumalanga	R0.6m	R0.1m	R0.6m	R0.2m	R0.1tn	10%
Limpopo	R0.7m	R0.1m	R0.6m	R0.1m	R0.1tn	8%
Northern Cape	R0.8m	R0.1m	R0.7m	R0.0m	R0.0tn	13%
Total	R0.8m	R0.1m	R0.7m	R2.8m	R1.8tn	16%

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

Death Gap: Effect of Gender

Middle income group alone

- Context
- Methodology
- R28.8 trillion
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	Average Need	Average Actual	Average Gap	Number people	Total GAP
Male	R0.8m	R0.1m	R0.6m	R1.7m	R1.1tn
Female	R0.8m	R0.1m	R0.7m	R1.1m	R0.7tn
Total	R0.8m	R0.1m	R0.7m	R2.8m	R1.8tn

Adequacy of cover
15%
16%
16%

Cover adequacy is fairly similar for male and female earners

Disability Gap: Effect of Gender

Middle income group alone

- Context
- Methodology
- R28.8 trillion
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	Average Need	Average Actual	Average Gap	Number people	Total GAP
Male	R1.2m	R0.5m	R0.7m	R1.7m	R1.2tn
Female	R1.2m	R0.5m	R0.7m	R1.1m	R0.8tn
Total	R1.2m	R0.5m	R0.7m	R2.8m	R2.1tn

Adequacy of cover
38%
36%
37%

Cover adequacy is fairly similar for male and female earners

Questions

- Context
- Methodology
- R28.8 trillion
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- Segments

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