



# SANLAM GROUP RISK

## THE IMPACT OF COVID-19 ON GROUP INSURANCE

March 2021



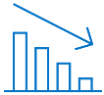
Covid-19 Experience

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Projections and Expectations

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Pricing

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Looking forward

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Questions



ACTUAL EXPERIENCE

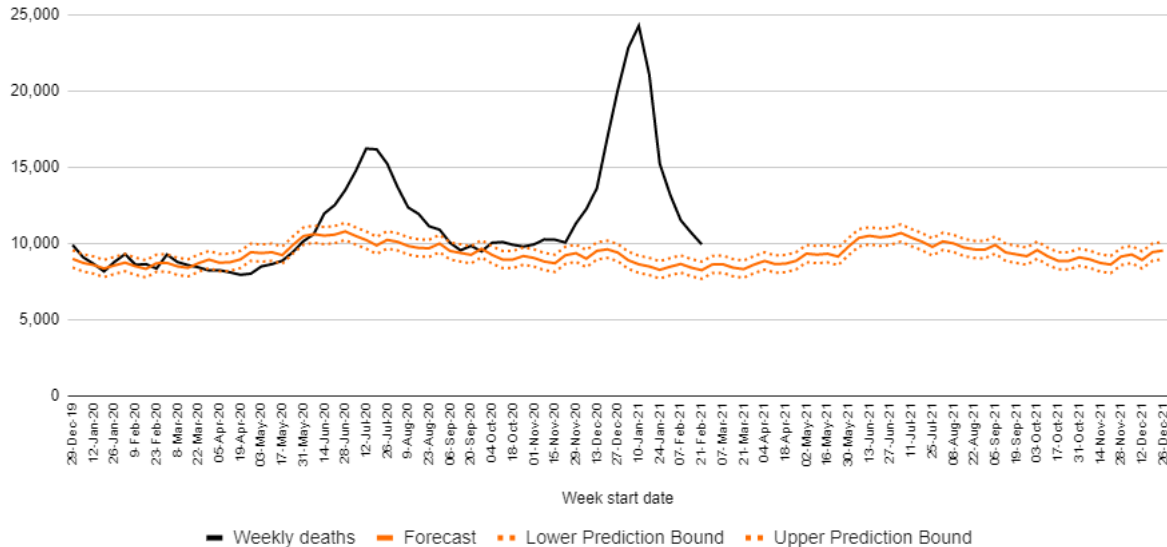


# NATIONAL MORTALITY EXPERIENCE



Second wave that peaked mid-January was > 50% larger than first wave

South Africa Weekly Deaths from All Causes 1+ years : 29 Dec 2019 - 27 Feb 2021



Source: SAMRC

## SA experience:

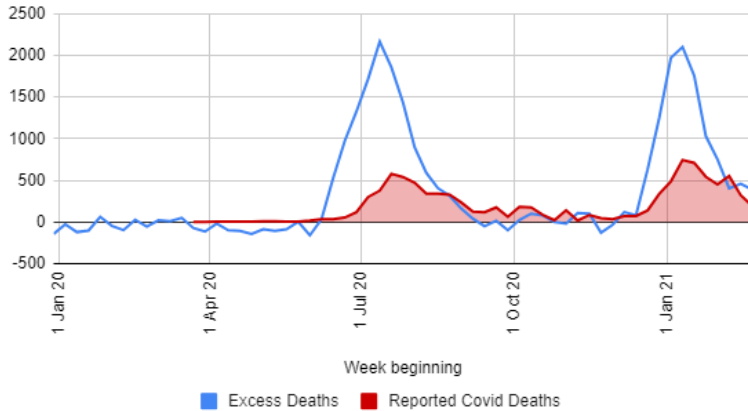
- ④ **Unique pattern** vs global
- ④ Two clear waves five months apart
- ④ January 2<sup>nd</sup> peak was same time as global 3<sup>rd</sup> peak
- ④ >50% higher than 1<sup>st</sup> wave
- ④ Fast spreading (Cov-2)
- ④ Pandemic fatigue
- ④ Festive season
- ④ KZN, EC and healthcare

# PROVINCIAL MORTALITY PATTERNS

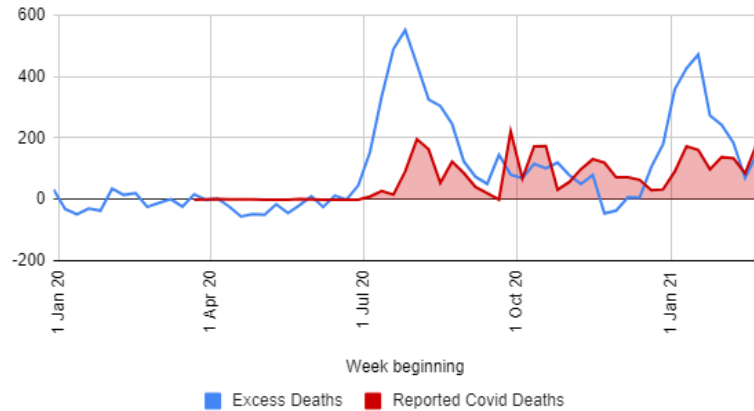


Gauteng and Free State's distinctive patterns

GT (Natural) Excess Deaths and Reported Covid-19 Deaths



FS (Natural) Excess Deaths and Reported Covid-19 Deaths



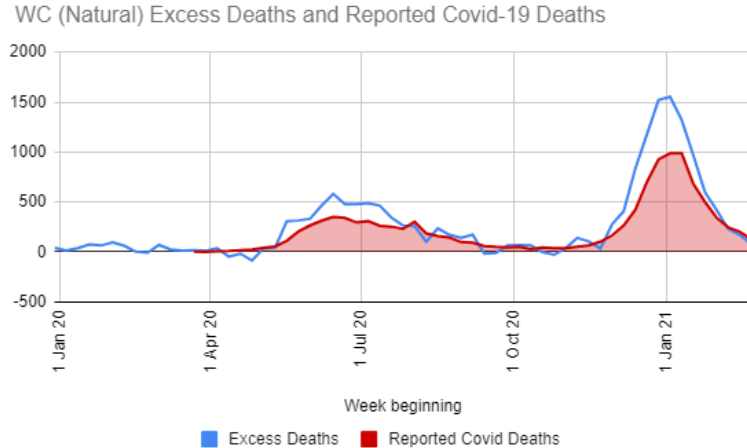
SA experience:

- ⌚ Gauteng two peaks of similar height
- ⌚ FS more volatile (due to small numbers) but similar i.t.o. two comparable peaks

# PROVINCIAL MORTALITY PATTERNS



Western Cape reporting better than others



## WC experience:

- ① Underreporting in WC approximately 10%
- ① Nationally, about 60%
- ① That is, reported Covid deaths about 55000 vs excess deaths of +-135000
- ① WC waves also flatter than SA and other provinces

# VIRUS MUTATIONS AND VARIANTS

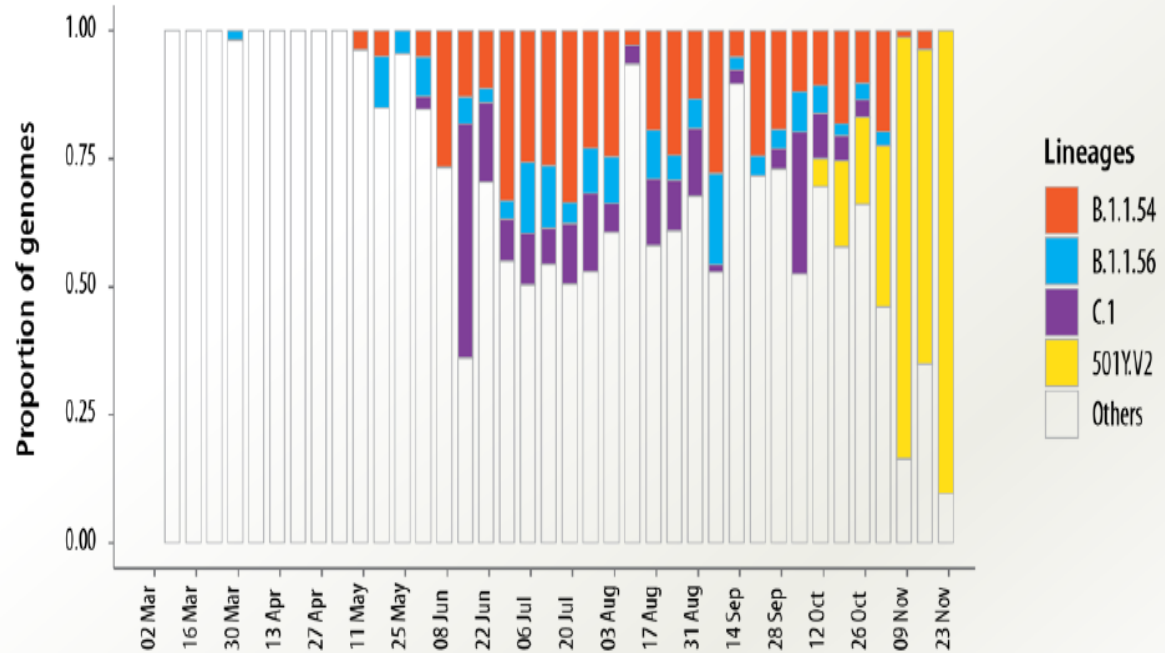


Potential for mutations increases with frequency of human and animal infections

## 501Y.V2 a.k.a. “SA COVID mutation”

- 18 December 2020 SA reported new variant SARS-CoV-2
- Quickly replaced other variants in SA
- By end January reported in 40 other countries
- Analysis shows spreads more easily
- Prevention and treatment not changed
- Mutations closely monitored by WHO

Graph: Frequency & distribution of SARS-CoV-2 lineages circulating in South Africa over time

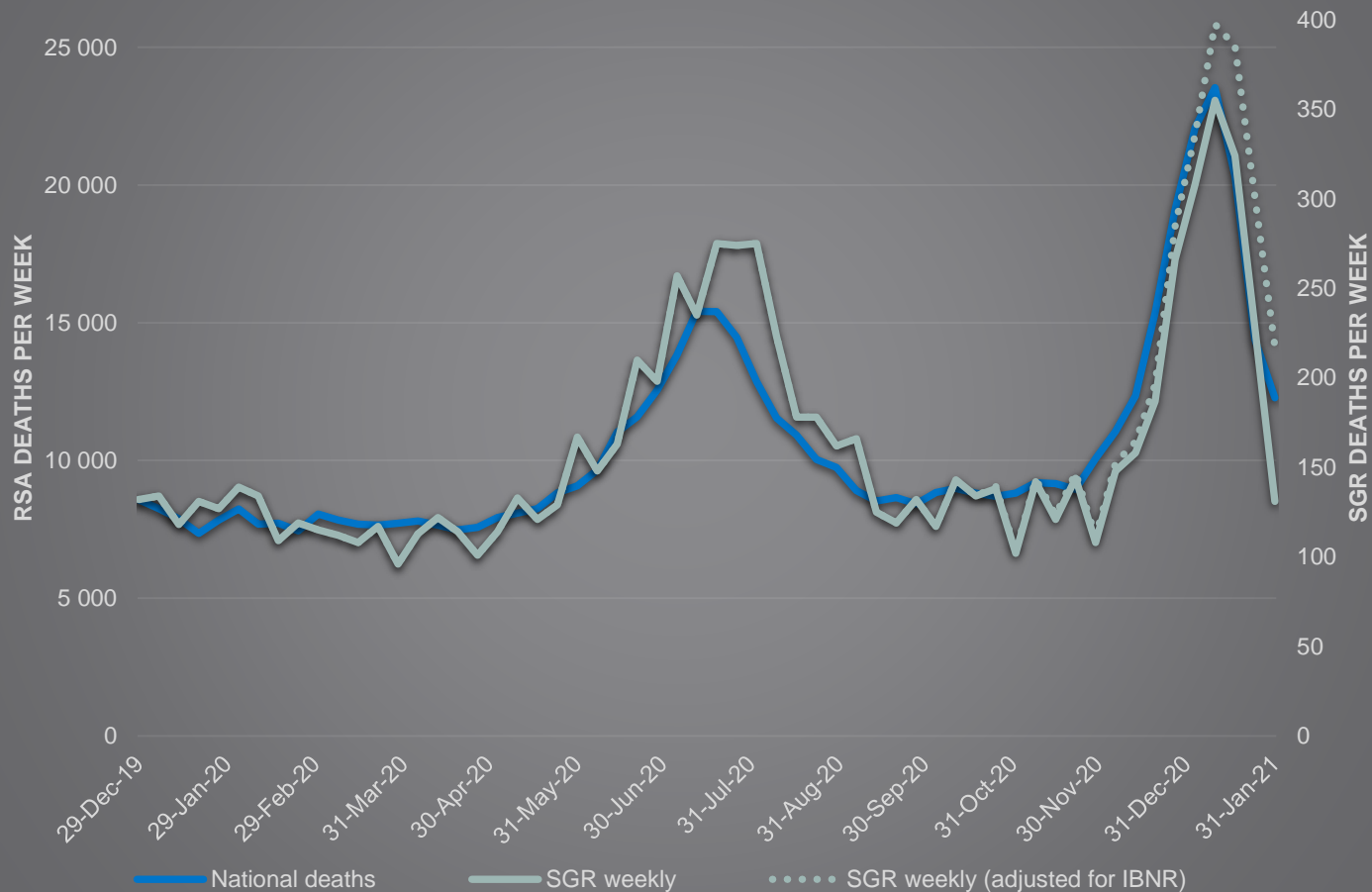


Source: WHO



Sanlam Group Risk's actual weekly mortality experience continues to follow the same trend as SA experience

## Weekly natural deaths for RSA vs Sanlam Group Risk



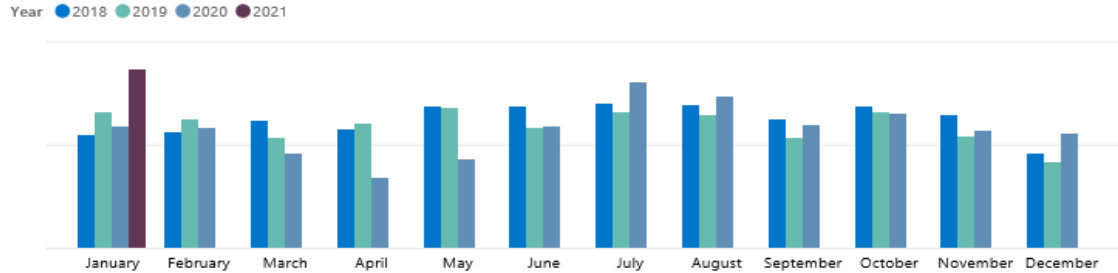


# SGR NUMBER AND VALUE OF CLAIMS

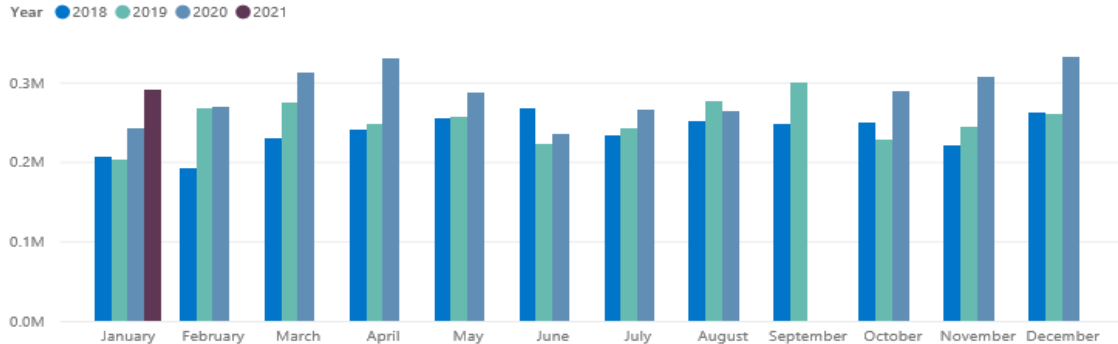


Mortality Impacted by increased volumes and increased values

### Number of claims per month



### Average value of claims per month



## SGR claim volumes:

- ① Good experience 1H 2020
- ① First wave visible in July/ Aug
- ① Second wave created unprecedented volumes in Jan

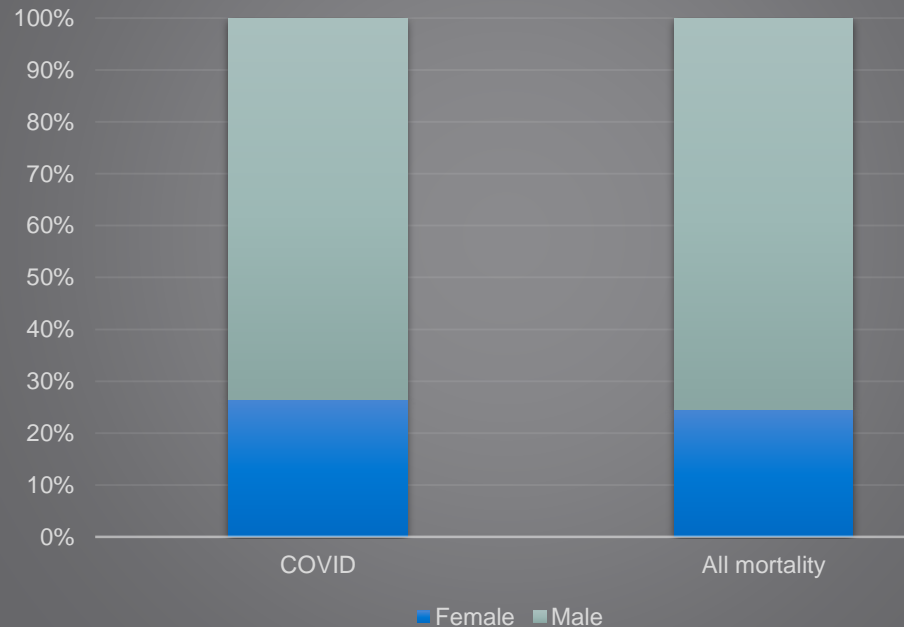
## SGR claim values:

- ① Ave value increased >30% from R171k to R224k ('18-'20)
- ① Ave value for Jan 2021 (R250k)
- ① Reflecting that COVID impacts older, more senior, higher income earners

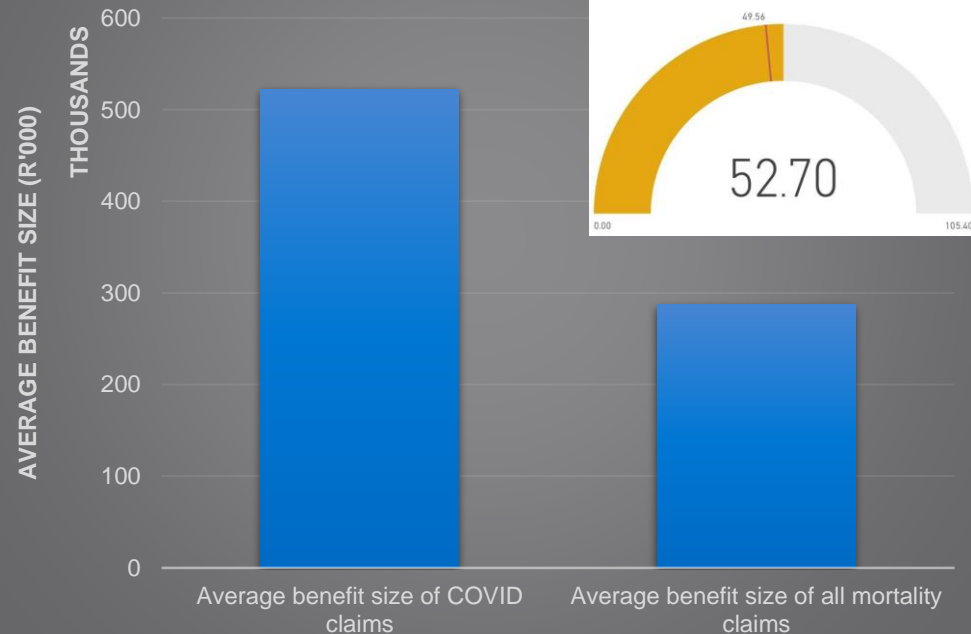
# COVID VS NON-COVID MORTALITY CLAIMS

Gender split is similar, however benefit size is substantially higher for COVID claims

## Split of claims by gender for COVID vs all mortality claims in 2020



## Average **benefit size** of COVID claims vs all mortality claims in 2020



# EXPERIENCE PER INDUSTRY



Huge variations in Qx driven by average age, likelihood of WFH, “front line” exposure

## Worse experience:

- ⌚ Admin personnel (higher claim values)
- ⌚ Information technology (lower values but volumes)
- ⌚ Municipalities (volumes and values)
- ⌚ Medical services and schemes
- ⌚ Retail food and drink
- ⌚ Tele-communication and postal



## Improved experience:

- ⌚ Publishers
- ⌚ Lawyers
- ⌚ Politicians
- ⌚ Tourism and hospitality
- ⌚ Chemical manufacturing
- ⌚ Security

Ongoing monitoring!



# PROJECTIONS AND EXPECTATIONS



# PROJECTED EXPERIENCE

Unprecedented situation with many variables and much uncertainty

© 15 Dec 2020

**UPDATE | SA Covid-19 Modelling Consortium back-pedals, says no second wave for Gauteng**  
 news24 Kaveel Singh

**GAUTENG COVID-19 SECOND WAVE APPEARS TO HAVE PEAKED**

The command council led by Premier David Makhura has given an update on the province's response to the COVID-19 pandemic and the second wave. 28 January 2021

- ⊙ SGR has largest mortality exposure in group risk industry
- ⊙ Current estimates suggest two more Covid waves in 2021
- ⊙ SA's seen spikes of 150% additional deaths in a week during 2nd wave
- ⊙ Average increase is 75%
- ⊙ Vaccine and herd/ population immunity critical to recovery

Table 4-3: Gross written premium (R m) by line of business, 2019

Swiss re Group Volume survey 2019

Company	Mortality	Disability income	Disability lump sum	Critical illness	Total
MMI	3004	1406	506	105	5021
Sanlam	3427	868	420	122	4836
Old Mutual	3205	1310	258	28	4802
Liberty	1960	821	159	119	3059
Discovery	1184	749	80	163	2176
Hollard	678	350	49	32	1108
Alexander Forbes	495	260	32	8	795
ABSA	191	39	59	2	291
<b>Total</b>	<b>14 143</b>	<b>5 803</b>	<b>1 563</b>	<b>580</b>	<b>22 090</b>

# INDUSTRY CRISIS

🕒 Excerpts from News24 article

**Liberty Corporate was paying out up to 300% more death claims per day than usual**  
- Tiaan Kotze (Managing Executive Liberty Corporate)

When people started returning to work in January 2021, death claims **went through the roof**, said Kotze.

The third wave, we are **not even going to dodge that bullet**," said Hillier Meyer (CEO MMH)

Discovery said it recorded 5 711 deaths across its health, life, and VitalityLife businesses in the six months to December 2020. **The insurer said the second wave hit its clients harder than the first wave.**

"(Momentum Corporate) recorded a mortality **loss** of about R500 million", Hillier Meyer

MMH's death claims hovered at around **8 000 per month** after the peak of the first wave, but shot up dramatically to **around 15 000 in January**





PRICING





# COVID IMPACTS ON SGR IN 2021

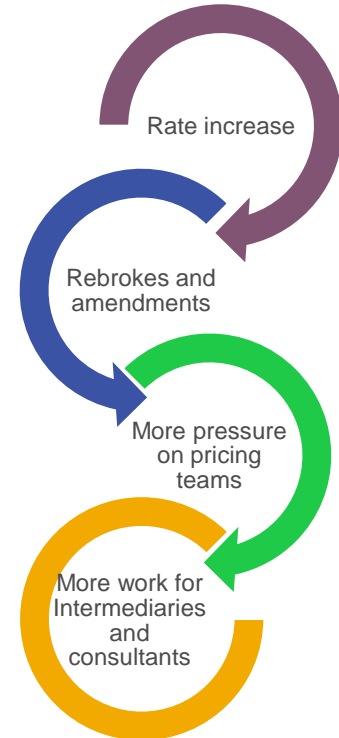
- ⌚ Anticipating significant excess deaths for 2021
- ⌚ Necessitates:
  - ⌚ Repricing of mortality products
    - ⌚ Increase base rates (impacts small schemes)
    - ⌚ Focus on loss making schemes/ Industries
    - ⌚ Focus on spouses insurance (substantially worse than rest of book)
    - ⌚ Increased weighting on recent experience (includes Covid impact)
  - ⌚ Reconsidering Benefit structures
  - ⌚ Retain and sign schemes with profitable other benefits e.g. Lump Sum Disability and PHI
- ⌚ Expect increased in terminations / liquidations

# PRICING AND NEW BUSINESS

Using analytics and forward pricing to price appropriately for expected risk in next 12-18 months

- ④ Pricing aims
  - ④ To price sustainably **not** to recover losses
  - ④ Price for expectation of next 12 months and review thereafter
- ④ Increasing pressures on rates
  - ④ Feeds through to quotes
  - ④ Impacts on existing portfolio reviews
- ④ Quote activity is back to pre-Covid levels but ...
  - ④ ... more large schemes/ complex quotes
  - ④ ... still not much business moving
  - ④ Are PPR requirements an obstacle?

Pricing pressure knock-on effects



# LONG TERM IMPACTS

Stress is taking its toll...

- ④ Signs of increases in accidental causes of mortality and morbidity
  - ④ Concerns around depression with some indications of suicide
  - ④ Decreasing average size of accidental causes may be linked to financial distress
  - ④ Potentially also alcohol and substance abuse related
- ④ Starting to see increase in PHI claims again
  - ④ Concerns around “long-Covid”, depression
  - ④ Economic recovery not “V-shaped” as originally hoped





LOOKING FORWARD:

WHAT CAN WE DO?



# ENABLING PARTNERSHIPS



## MORTALITY

Partner with a reliable insurer  
Strong balance sheet  
Reliable support



## DISABILITY

Review replacement ratios  
Fair claims management  
Proactive action



## Other

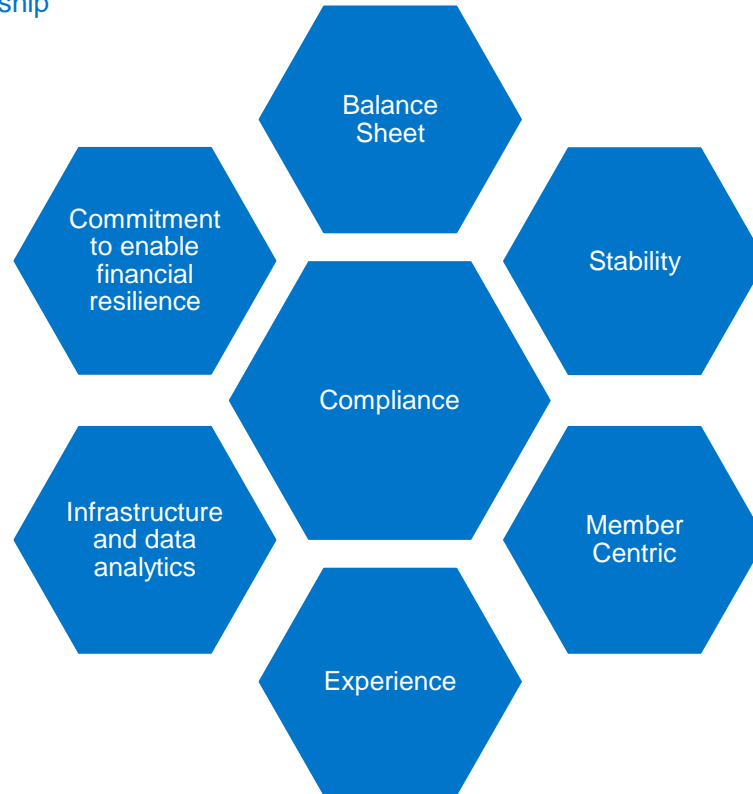
Appropriate risk rating and pricing  
Maintain service excellence  
Make a sustainable impact



# UNDERPINNINGS OF SUCCESS



Key drivers of successful partnership



# SUCCESS DRIVERS



Complex and highly integrated business

## ① Balance sheet

- ① Ability to honour claims ...
- ① ... even when times are tough
- ① ... providing security and stability

## ② Stability

- ① R134bn market cap
- ① Largest insurer in Africa
- ① Again, talking to security and stability

## ③ Member centric

*“Our clients must FEEL that we care”*

- ① We pay ALL valid claims
- ① Sanlam has the lowest % of LTI Ombudsman complaints overturned among large insurers every year since 2014

## ④ Experienced team

- ① Experts in field
- ① Knowledge, skill and reliability breeds trust

## ⑤ Infrastructure and data

*“Covid poses enough challenges, make it easy”*

- ① Enabling infrastructure and data analytics
- ① Death claims app
  - ① Easy for clients and intermediaries
  - ① Easy for ourselves
- ① Data to analyse but also for PPR

## ⑥ Commitment to financial resilience

*“We should have a meaningful impact”*

- ① Products that meet need at fair, sustainable rate
- ① Demonstrable transformation and grassroots impact



**questions** 

thank you 