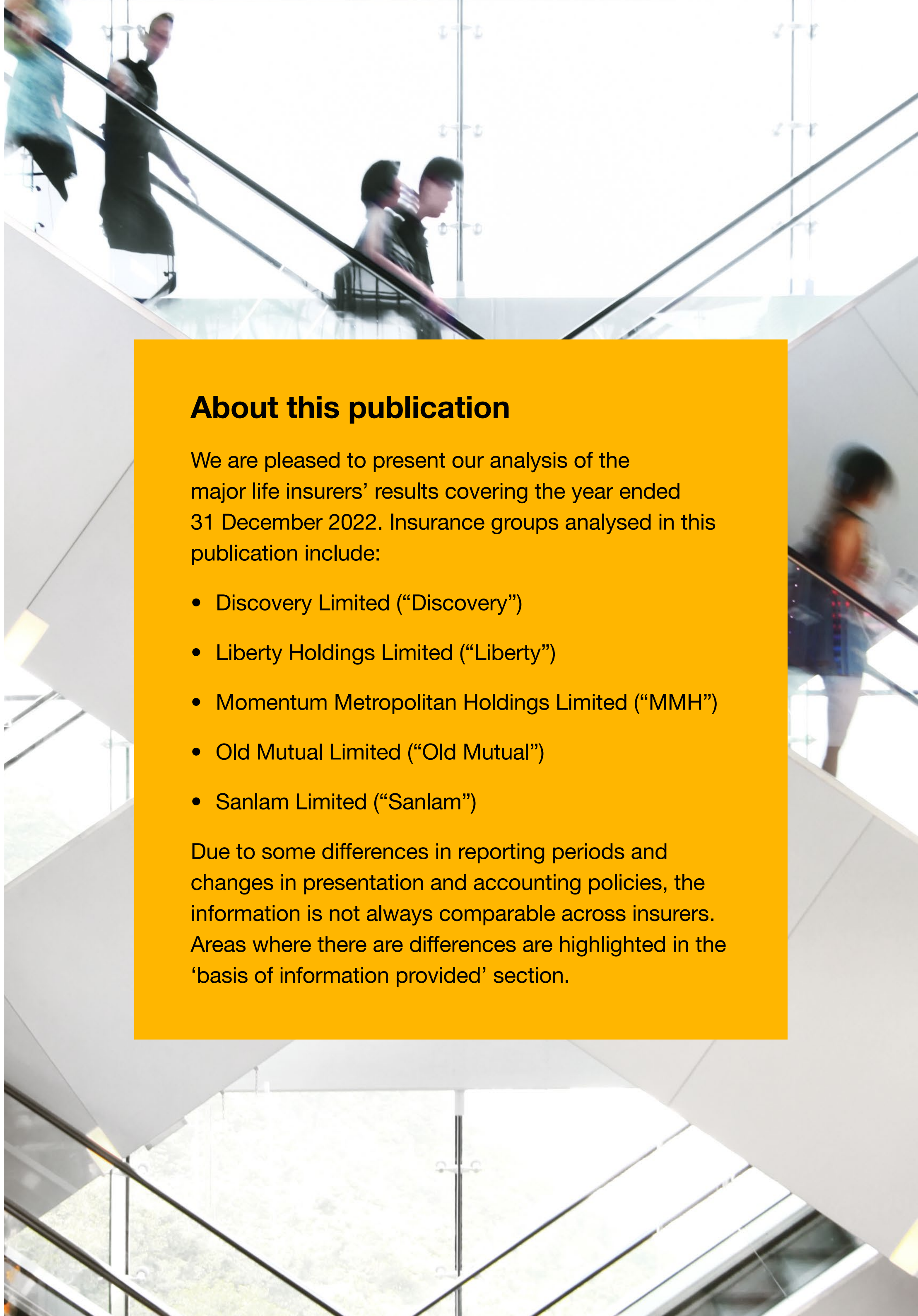
Trust and leadership through transition

Reflections on major life insurers' results for 31 December 2022

Contents



About this publication

We are pleased to present our analysis of the major life insurers' results covering the year ended 31 December 2022. Insurance groups analysed in this publication include:

- Discovery Limited ("Discovery")
- Liberty Holdings Limited ("Liberty")
- Momentum Metropolitan Holdings Limited ("MMH")
- Old Mutual Limited ("Old Mutual")
- Sanlam Limited ("Sanlam")

Due to some differences in reporting periods and changes in presentation and accounting policies, the information is not always comparable across insurers. Areas where there are differences are highlighted in the 'basis of information provided' section.

Introduction

Trust and transformation

Introduction

The industry published decent results in 2022 and were mostly aligned to expectations, especially considering the macro economic operating environment for South Africa as a whole. The combined IFRS earnings for 2022 amounted to R26bn aligned to pre-COVID-19 results. The major themes previously reported in the major life insurers' analysis, most noticeably under pressure on VNB and EV earnings, remain.

The era of IFRS 4-reporting comes to an end when Discovery and MomentumMetropolitan post their full year results for the year-ended 30 June 2023. Significant effort is focused on the immediate priority of IFRS 17 compliance, and the interest of all stakeholders has naturally increased to understand the implications of the new standard on the insurers. Our 2023 report therefore provides high level commentary on the 2022 results and a longer discussion on reporting under IFRS 17 going forward, including what we have observed globally.

IFRS 17 compliance is a milestone, not the destination. Further changes to operationalise and mature IFRS 17 (and beyond) are expected and will be required – we know that many insurers are performing redundant tasks or working inefficiently, and that can easily be tackled with quick wins. Some quick wins include looking for opportunities to eliminate, streamline and automate processes that are manual, heavily spreadsheet-based and repetitive. Insurers who prioritise quick wins and deliver benefit will often find that this provides the confidence to drive some of the more strategic changes across the business.

Figure 1: Key indicators combined for 31 December 2011 to 31 December 2022

R millions	31 Dec											FY22 vs FY21
	2022	2021	2020	2019	2018	2017	2015	2014	2013	2012	2011	
Combined IFRS earnings/ losses	25,999	28,661	(3,092)	22,144	68,566	38,458	33,427	28,347	24,267	18,982	19,136	(9%)
Value of new business	6,758	6,932	4,691	7,436	7,711	7,464	5,921	5,933	5,318	4,752	4,071	(3%)
Margin on new business	1.81%	1.90%	1.49%	2.35%	2.42%	2.63%	2.70%	2.90%	3.10%	3.10%	2.70%	(5%)
Combined embedded value profit	24,378	39,821	(8,341)	32,166	25,831	33,898	33,097	39,097	39,207	38,941	25,389	(39%)

31 Dec 2011 – 31 Dec 2015 statistics from previous editions of PwC's Analysis of major South African insurers' results. 31 Dec 2016 statistics not available.

Source: PwC analysis

FY22 results summarised

Overall VNB

VNB is an important indicator of the trajectory of the life insurance market as a whole, as well as the individual insurers who contribute to it. It indicates the current state of insurers as well as strategic focus areas in the coming year. Since the beginning of the COVID-19 pandemic, the life insurance industry has experienced volatile economic markets, pressure on maintenance of existing business and sales of new business, and poor demographic experience driven primarily by mortality. 2022 marked the first year post the pandemic, the combined VNB margin decreased by 5% to 1.81%, PVNBP by 2% and VNB by almost 3% at an aggregated level. Our analysis of VNB highlighted a few key themes:

- The segment specific experience seemed to be more of a mixed bag, with products sold at low income segments and corporate business fairing better on the whole, than the more affluent segments.
- Where VNBs improved, expense efficiencies were noted which seems to be a common theme from the prior period.
- Lapses seem to remain an area to watch. Although all insurers have released the mass lapse provisions held during the period of COVID-19, many have strengthened persistency assumptions to address existing or expected persistency issues.
- VNBs were likely also impacted by the strengthening of the base mortality assumptions due to the allowance for endemic impacts of COVID-19.

Figure 2: Industry VNB and VNB margin for four years

R millions	Combined			
	2022	**2021**	**2020**	**2019**
Present value of new business premiums (PVNBP)	315,352	321,033	259,740	283,595
Embedded value of new business (VNB)	6,758	6,932	4,691	7,436
Value of new business margin	1.81%	1.90%	1.49%	2.35%

**PVNBP and the value of new business margin exclude Health and Vitality for Discovery as no VNB margin is disclosed for this business.*

Source: PwC analysis

Segment specific VNB themes

Products sold to the low income segment seems to have fared better than the affluent segment over the past period when it comes to volumes and, in some cases, VNB. Volumes either increased or were stable compared to prior periods. Despite the relative better performance on volumes compared to other segments, persistency experience did suffer over this period which points to the growing financial pressure on customers in this segment. This hampered VNB across the industry.

Volumes and new business margins are still recovering in the retail affluent segment. A key area of focus for this segment was distribution capabilities, with insurers focussing on growing the financial advisor footprint in an effort to improve volumes. Several insurers noted a growth in their distribution footprint over the past financial year and this continues to be an area of focus for the future.

Corporate performance has been positive overall. However some insurers have noted better sales in single premium business and others noted better experience in group risk business. A common thread however was the competitive pressure on pricing of group risk business. Where insurers fared well in this space, specific management actions on new business and retention were noted.

Given the above, the following are a few areas to watch for the coming year:

- Competitive margins on corporate business
- Persistency experience in the mass segment
- Management actions and focus on distribution channels for the retail affluent product segment

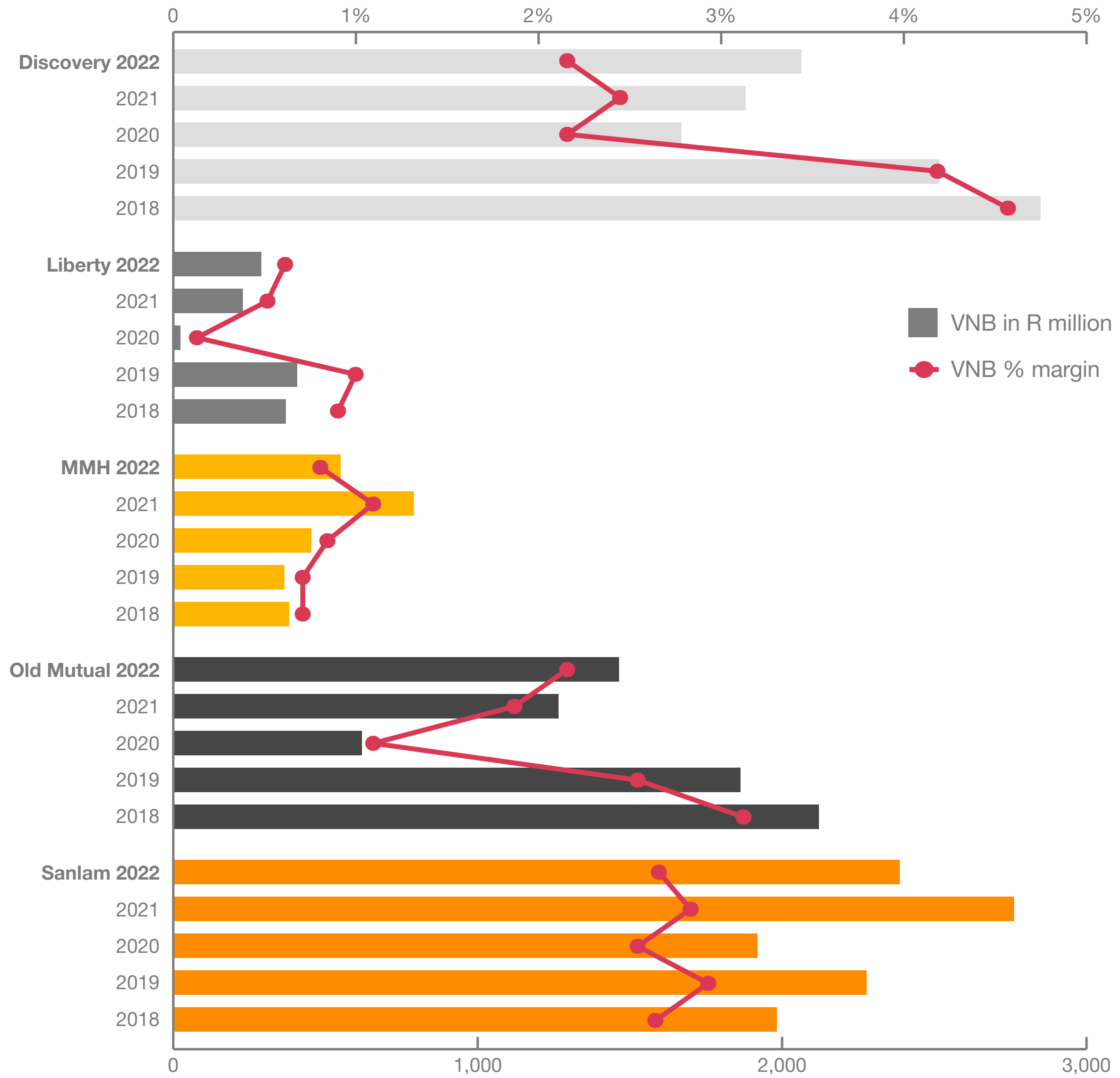
Figure 3: Industry VNB and VNB margin for four years – by insurer

R millions		PVNBP	VNB	VNB margin
Discovery	2022	45,283	2,065	2.22%
	2021	42,013	1,882	2.49%
	2020	39,024	1,671	2.20%
	2019	40,811	2,518	4.29%
	2022 vs 2021	8%	10%	(11%)
Liberty	2022	47,690	290	0.60%
	2021	44,801	229	0.51%
	2020	34,390	24	0.10%
	2019	40,919	407	1.00%
	2022 vs 2021	6%	27%	17%
MMH	2022	68,946	550	0.80%
	2021	72,901	791	1.09%
	2020	54,205	454	0.84%
	2019	53,227	366	0.69%
	2022 vs 2021	(5%)	(30%)	(26%)
Old Mutual	2022	65,619	1,465	2.23%
	2021	65,136	1,266	1.94%
	2020	57,530	621	1.10%
	2019	72,192	1,865	2.60%
	2022 vs 2021	1%	16%	15%
Sanlam	2022	87,814	2,388	2.72%
	2021	96,182	2,764	2.87%
	2020	74,591	1,921	2.58%
	2019	76,446	2,280	2.98%
	2022 vs 2021	(9%)	(14%)	(5%)

PVNBP and the VNB margin exclude Health and Vitality for Discovery as no VNB margin is disclosed for this business.

Source: PwC analysis

Figure 4: VNB and VNB margin



Source: PwC analysis

While it may be interesting to compare VNB and margin across entities, please note that the comparison is complicated due to differing corporate structures, product mix, strategies and year ends. In the analysis conducted by PwC on the VNB results, adjustments have been made to premium, VNB and margin of June year ends to approximate a 12 month period from Jan to Dec. This allows comparability to the results for entities with December year ends as well as to ensure continued comparability across our previous publications.

Discovery

Discovery VNB increased for the adjusted 12 month period by c10% driven by significant increases in VNB for Health and Vitality and Vitality Health. Over the same period, VNB for the SA Life and Invest business decreased by c18% and by c.49% for the Vitality Life business in the UK. VNB and margin of the SA Life and Invest business was significantly hampered by interest rate volatility and lower volumes in the six months to December 2022. Despite the significant growth in volumes in the Vitality Life business, the VNB has almost halved.

Liberty

VNB increased by c.27% with volumes increasing by c.7%, both underpinned by growth across the South Africa and Africa business. Improved sales in Guaranteed Investment Plans and ECM were noted. Corporate VNB also increased.

MMH

PVNBP decreased by c.5% since 2021 and VNB decreased by c.30%. Over the six months to December 2022, PVNBP decreased by 10% and VNB by 19% compared to the same period last year. This was driven by a decrease in volumes in the investment business and the MMI Africa business. Offsetting this was a significant growth in the VNB volumes of the corporate business over this period. However this was overshot by the decrease in VNB for all other Momentum segments over the same period.

Old Mutual

VNB increased by c16% with PVNBP remaining largely flat. The increase in VNB is driven by increases in the Mass and Foundation cluster where the VNB grew by 48% supported by a c21% growth in volumes. Personal Finance VNB decreased significantly while Corporate business showed a 14% increase in VNB. The growth in the Mass and Foundation cluster was attributed to growth in sales volumes, cost management and an offset due to the strengthening of the persistency basis. Results also showed strong growth in group assurance sales due to management actions.

Sanlam

VNB decreased by 14% driven by a decrease in PVNBP of c9% and increases in the yield curve. New business volumes and VNB are lower than the prior period, but up on pre pandemic levels. Decreases in VNB were driven by the retail affluent business, however decreases in VNB were also seen in the mass and corporate segments. Lower single premium volumes drove VNBs in the affluent business, while corporate VNBs suffered due to a move in volumes towards lower margin business. On a constant economic basis, mass VNB increased.

VNB of the future

With the adoption of IFRS 17, many insurers are questioning what EV will look like in the new world. IFRS 17 arguably provides a good representation of the profitability of the insurance business and disclosures are detailed enough for analysts and readers of financial statements to draw views. Given the enormous effort which the global industry has gone through to craft this standard, its results are considered more comparable across the industry. Enhanced SAM information along with the detailed CSM build ups required for IFRS 17 reporting already provides substantial information on free surplus, return on equity, cashflows, capital coverage and new business value. Insurers are therefore considering what EV disclosure will look like going forward.

Liberty is a first mover in this space, disclosing more SAM Own Funds information and particularly the new business value on a SAM basis.

It is worth noting that UK listed insurers don't report EV anymore and have not done so for a while. The primary measure is based on Solvency II capital generation as this drives free surplus and dividends in the UK. VNB is based on a Solvency II basis and is essentially capital generated/increase in own funds from writing new business.

IFRS 17

IFRS 17, the new accounting standard for insurance contracts, became effective for reporting periods starting on or after January 1, 2023, replacing IFRS 4. IFRS 17 fundamentally changes the way in which insurers account for insurance and investment contracts with discretionary participation features, with changes made to the measurement, presentation and disclosures of contracts in scope of the new standard.

The major life insurers all published some information about the impact of IFRS 17 as part of their most recent sets of results. This included estimates of the high-level directional impact on equity at the transition date. Liberty, Old Mutual and Sanlam, who reported full year results as at 31 December 2022, also disclosed additional detail on IFRS 17 accounting policies and methodology decisions in their respective annual financial statements. For MMH and Discovery, further detail can be expected once they report their full year results at 30 June.

The table below summarises the directional impact on equity as published:

Figure 5: Directional impact on equity

	Discovery	Liberty	MMH	Old Mutual	Sanlam
Impact on equity	Decrease	Decrease	Increase	Decrease	Increase

Source: PwC analysis

Changes in equity arise mainly from the changes in the measurement of insurance contract liabilities due to differences in the margins allowed for under IFRS 17 compared to IFRS 4. South African insurers apply SAP104, as issued by the Actuarial Society of South Africa, in determining the IFRS 4 insurance contract liabilities. SAP104 specifies a set of compulsory margins to be applied in the valuation and also allows discretionary margins. These requirements often led to large differences in prudence applied between various insurers, making results difficult to compare. For this reason, users of financial statements found that embedded value disclosures provided useful insight into margins allowed for in liabilities. IFRS 17 defines a more consistent approach, although still with many areas of judgement which will result in some differences remaining.

Under IFRS 17, margins are included in liabilities in the form of a risk adjustment and the contractual service margin (CSM). The approach to be used for the risk adjustment is not prescribed in detail but insurers must disclose the confidence level for its liabilities (excluding the CSM). The CSM is determined at initial recognition of a group of contacts and is the amount required to set total liabilities equal to zero, with a minimum of nil. In essence the CSM represents the amount of unearned profit on a group of contracts. The CSM is then recognised and released into the income statement over time as services are provided.

The grouping of contracts is an important aspect of IFRS 17, where groups of profitable contracts are tracked separately from onerous contracts. For an onerous group of contracts, no CSM is set up and a loss is recognised at initial recognition. For groups of profitable contracts, the CSM is therefore limited to the profitability priced into the contracts. This stands in contrast with SAP104 where, in some cases, prudence margins resulted in new business strains to set up reserves and pay upfront acquisition expenses. To the extent that a product had lower profit loadings than the sum total of required compulsory and discretionary margins, a new business strain could still be observed. Under IFRS 17, a new business strain only arises on onerous groups of contracts.

As mentioned above, the CSM is released over time as service is provided. At subsequent measurement, the CSM is adjusted for changes in insurance contract fulfilment cash flows that relate to future service, meaning that many impacts that would have previously created income statement volatility are now being offset within the liabilities with a much lower impact on overall profit and loss in the period.

When considering the impact on equity and/or profit and loss, certain key judgements could affect the impact and are important to consider when comparing results between insurers:

1. Confidence level of the risk adjustment. A higher confidence level is generally associated with a higher liability value.
2. Whether and how time value of money has been allowed for in determining future coverage units. Coverage units determine the allocation of the CSM to insurance revenue in profit and loss, effectively driving the pace at which profits are recognised. The standard does not prescribe whether or how time value of money should be allowed for in the future coverage unit calculation. This is particularly significant in South Africa given the higher interest rate environment. Making no allowance for time value of money in the calculation of future coverage units tends to delay the release of CSM, whereas discounting future coverage units tends to accelerate profits.
3. Whether the insurer has elected to disaggregate the finance income or expenses arising from insurance contracts between profit and loss and other comprehensive income.
4. Classification of investment contracts with discretionary participation features. Judgement is required to determine whether the amounts at the discretion of the insurer make up a significant portion of the total benefits. This would affect whether a contract is in scope of IFRS 17 or not, with significant impact on the measurement of the liabilities. Previously, under IFRS 4, insurers often unbundled investment contracts with fund options by fund choice and measured only the funds with discretionary participation under IFRS 4. Under IFRS 17, such unbundling is no longer possible and the entire contract must be classified as a whole and measured in its entirety. For some insurers this leads to a reclassification of certain contracts.
5. Determining whether expenses meet the definition of being directly attributable to fulfilling insurance contracts. While some expenses are clearly directly attributable and others not, judgement is required to classify some expenses. Attributing more expenses to fulfilling insurance contracts could increase fulfilment cash flows and reduce the CMS.
6. Determining whether and which income taxes are specifically chargeable to policyholders and how to determine the amount to be included in the liabilities.
7. Determining profitability groups. Allocating contracts between onerous and profitable with no significant possibility of becoming onerous and remaining profitable contracts requires judgement, which will have an impact on the levels of cross subsidy within the results published.
8. Choice of transition approach. The standard must be applied retrospectively unless it is impracticable to do so. If it is determined to be impracticable to apply the standard retrospectively, either the modified retrospective approach or the fair value approach may be used to approximate a retrospective transition. Initial views were that the fair value approach would result in a smaller CSM and overall liability compared to the modified retrospective approach. However, negative adjustments to the CSM under the modified retrospective approach as a result of setting up COVID-19 provisions could have resulted in the reverse being true. The CSM by transition approach is part of the disclosure requirements. This will provide further insight into the approaches taken by various insurers.

Figure 6: Summary of IFRS 17 disclosed items in full year IFRS results

⚠ No detail provided

		Liberty	Old Mutual	Sanlam
1	Risk Adjustment confidence level	Mentions that judgement is applied in this area	75th percentile (over a one-year time horizon)	Confidence level itself is not disclosed, but it is mentioned that confidence level is determined based on each cluster's level of risk appetite
2	Coverage units – allowance for time value of money	⚠	Mentions that the time value of money is allowed for	⚠
3	Insurance finance income or expense disaggregation between P&L and OCI	⚠	Will not disaggregate finance income or expenses between P&L and OCI	Will not disaggregate finance income or expenses between P&L and OCI
4	Classification of investment contracts with discretionary participation features	Mentions that judgement is applied in this area	Mention is made of reclassification of contracts from IFRS 9 because contracts can no longer be separated by fund choice	Mention is made of some reclassification of contracts between insurance and investment contracts, but not expected to have a significant impact on net policyholder liabilities
5	Directly attributable expenses	Mentions that judgement is applied in this area	⚠	⚠
6	Income taxes specifically chargeable to policyholders	Under the group's contract wording, I-E taxes are deemed as specifically chargeable to the policyholder and included in the measurement	Mentions that income tax payments and related receipts are included in the measurement if they are specifically chargeable to the policyholder under the terms of the contract	⚠
7	Determining profitability groups	Mentions that judgement is applied in this area	⚠	Identifies a contract as onerous if the fulfilment cash flows allocated to each contract at initial recognition in total are a net outflow
8	Choice of transition approach	Predominantly applying the fully retrospective approach to contracts issued from 1 January 2017. A combination of modified retrospective and fair value approach for the rest with detail disclosed by product line.	Mentions that all three transition approaches were used	Fully retrospective approach is not expected to be applied to groups of contracts issued before 1 January 2016 – dependent on availability of historical information. The fair value approach will be applied to remaining groups of contracts, including closed books of business.

Discovery and MMH only present full year results in June 2023, as information is not yet available, information was not included in the table above. For IFRS 17 disclosure item 3, Discovery will disaggregate finance income or expenses between P&L and OCI. For IFRS 17 disclosure item 8, Discovery fully retrospective applied as far as possible, otherwise use modified retrospective.

Source: PwC analysis

Finally, industry participants who commented on the impacts on other metrics, noted no significant impact on their solvency positions, embedded values, cash generation, dividends or business strategy, however the operational impact remained significant.

Beyond IFRS 17. Trust and Transformation: what needs to change?[1]

To execute transformation successfully in an environment with so many variables, insurers would be well advised not to rely any longer on approaches that have required heavy investment, but produced such indifferent results. Instead, they should fundamentally rethink the way they approach transformation. It is more important than ever that transformation programmes deliver the promised benefits.

We have worked with several insurers in supporting their most complex transformation programmes. The drivers for change may be varied, but in our experience, successful transformation programmes share the following common features:

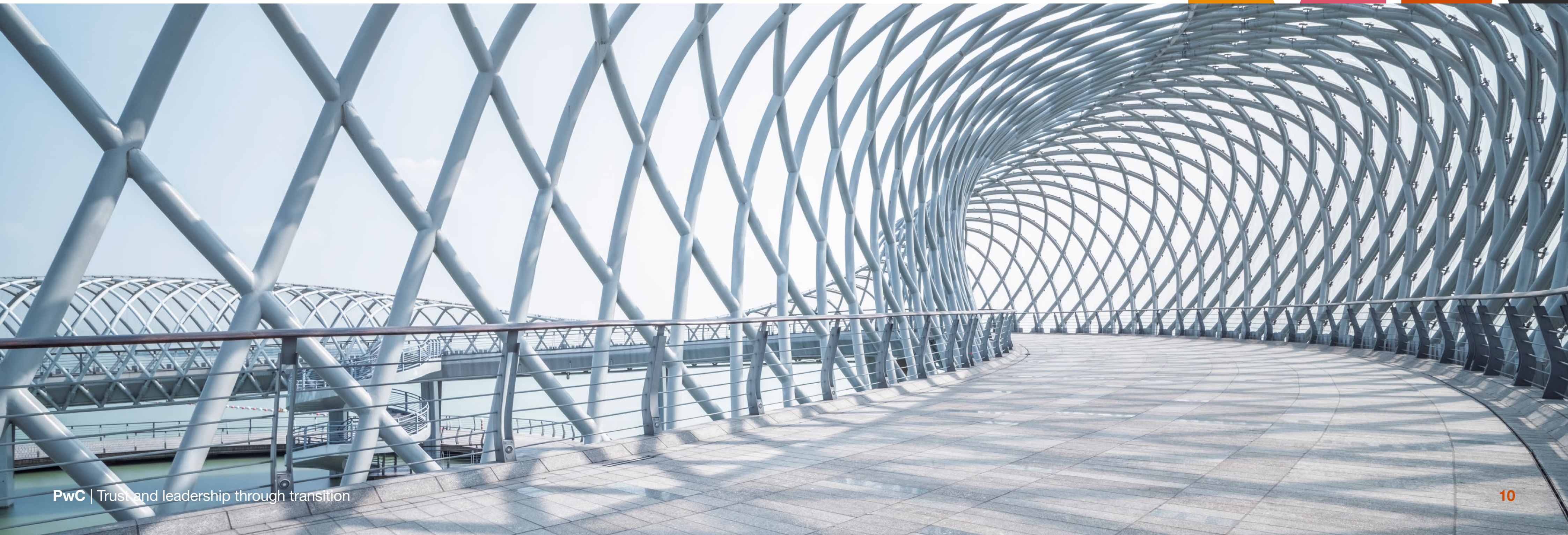
How to organise: Structure project teams to focus on outcomes, adopt effective governance models, and embed technology fully in the process.

How to deliver: Build in accountability and devolve decision-making, and take a pragmatic approach to delivery models by deciding when to deploy capabilities such as agile.

How to transform: Aim to build lasting transformation capabilities across the organisation, factor in the additional complexity created by hybrid work models, and rethink how information is relayed to decision-makers.

Looking ahead: Many insurers' efforts around finance transformation have focused on the immediate priority of IFRS 17 compliance. What's beyond? While we still must embed IFRS 17 in the next 18 months, it's time for insurers to think about the long-term vision for the finance function and make step changes to get there.

1 *PwC's No time to lose. How insurers can get transformation programs right, https://www.strategyand.pwc.com/nl/en/insurance-transformation.html*



Appendices

Statistics

R millions	Discovery 2022	2021	2020	2019	2018	2022 vs 2021	2021 vs 2019
Group consolidated IFRS earnings							
Total comprehensive income attributable to equity holders	4,717	6,720	996	6,146	6,536	(30%)	9%
Equity attributable to equity holders of parent	58,564	52,175	46,319	47,782	43,336	12%	9%
Return on average equity	11%	13%	2%	13%	16%	(15%)	(1%)
Group consolidated embedded value							
Group embedded value	92,459	82,920	72,467	73,184	68,025	12%	13%
Group embedded value profit	9,022	9,833	76	6,828	8,609	(8%)	44%
Return on group embedded value	10%	14%	0%	10%	14%	(29%)	35%
VNB							
PVNBP	45,283	42,013	39,024	40,811	39,603	8%	3%
VNB	2,065	1,882	1,671	2,518	2,851	10%	(25%)
VNB margin	2%	2%	2%	4%	5%	(11%)	(42%)
Costs							
Acquisition costs	(5,074)	(5,211)	(6,296)	(6,281)	(5,701)	(3%)	(17%)
General marketing and administration expenses	(26,856)	(23,902)	(21,920)	(21,291)	(18,455)	12%	12%

R millions	Liberty 2022	2021	2020	2019	2018	2022 vs 2021	2021 vs 2019
Group consolidated IFRS earnings							
Total comprehensive income attributable to equity holders	1,459	119	(2,675)	3,644	3,411	1126%	(97%)
Equity attributable to equity holders of parent	25,209	27,693	27,997	32,389	31,393	(9%)	(14%)
Return on average equity	6%	0%	(9%)	11%	11%	1191%	(96%)
Group consolidated embedded value							
Group embedded value		38,087	35,210	40,907	38,684	(100%)	(7%)
Group embedded value profit		2,838	(4,134)	4,418	1,488	(100%)	(36%)
Return on group embedded value		8%	(10%)	11%	4%	(100%)	(29%)
VNB							
PVNBP	47,690	44,801	34,390	40,919	43,389	6%	9%
VNB	290	229	24	407	371	27%	(44%)
VNB margin	1%	1%	0%	1%	1%	17%	(49%)
Costs							
Acquisition costs	(4,362)	(4,219)	(4,058)	(4,241)	(4,413)	3%	(1%)
General marketing and administration expenses	(13,403)	(12,098)	(11,264)	(11,075)	(11,184)	11%	9%

R millions	MMH 2022	2021	2020	2019	2018	2022 vs 2021	2021 vs 2019
Group consolidated IFRS earnings							
Total comprehensive income attributable to equity holders	5,361	180	(196)	2,773	1,569	2878%	(94%)
Equity attributable to equity holders of parent	28,238	21,148	21,938	25,066	22,621	34%	(16%)
Return on average equity	16%	1%	(1%)	12%	7%	1825%	(93%)
Group consolidated embedded value							
Group embedded value	46,483	43,322	40,838	42,808	39,880	7%	1%
Group embedded value profit	5,331	2,539	(1,235)	3,993	(1,461)	110%	(36%)
Return on group embedded value	13%	6%	(3%)	10%	(3%)	111%	(38%)
VNB							
PVNBP	68,946	72,901	54,205	53,227	54,598	(5%)	37%
VNB	550	791	454	366	381	(30%)	116%
VNB margin	1%	1%	1%	1%	1%	(26%)	58%
Costs							
Acquisition costs	7,831	7,551	6,717	6,334	6,028	4%	19%
General marketing and administration expenses	17,464	15,889	(15,322)	14,733	14,870	10%	8%

R millions	Old Mutual 2022	2021	2020	2019	2018	2022 vs 2021	2021 vs 2019
Group consolidated IFRS earnings							
Total comprehensive income attributable to equity holders	3,967	8,274	(5,762)	5,793	41,950	(52%)	43%
Equity attributable to equity holders of parent	66,546	65,301	69,323	77,925	81,420	2%	(16%)
Return on average equity	6%	12%	(8%)	7%	32%	(51%)	69%
Group consolidated embedded value							
Group embedded value	89,398	91,993	97,400	116,500	122,600	3%	21%
Group embedded value profit	3,834	7,403	826	8,436	4,337	(48%)	(12%)
Return on group embedded value	5%	11%	1%	13%	7%	(51%)	(15%)
VNB							
PVNBP	65,619	65,136	57,530	72,192	66,647	1%	(10%)
VNB	1,465	1,266	621	1,865	2,123	16%	(32%)
VNB margin	2%	2%	1%	3%	3%	15%	(25%)
Costs							
Acquisition costs	(10,401)	(10,506)	(9,803)	(10,713)	(9,773)	(1%)	(2%)
General marketing and administration expenses	(27,400)	(24,896)	(25,049)	(23,407)	(25,845)	10%	6%

R millions	Sanlam 2022	2021	2020	2019	2018	2022 vs 2021	2021 vs 2019
Group consolidated IFRS earnings							
Total comprehensive income attributable to equity holders	10,495	13,368	4,545	3,788	15,100	(21%)	253%
Equity attributable to equity holders of parent	84,942	82,896	77,224	79,360	81,617	2%	4%
Return on average equity	13%	17%	6%	5%	21%	(25%)	255%
Group consolidated embedded value							
Group embedded value	140,776	142,390	131,812	143,271	134,052	(1%)	(1%)
Group embedded value profit	6,191	17,208	(3,874)	8,491	12,858	(64%)	103%
Return on group embedded value	4%	13%	(3%)	6%	11%	(67%)	106%
VNB							
PVNBP	87,814	96,182	74,591	76,446	74,378	(9%)	26%
VNB	2,388	2,764	1,921	2,280	1,985	(14%)	21%
VNB margin	3%	3%	3%	3%	3%	(5%)	(4%)
Costs							
Acquisition costs	(11,235)	(10,790)	(14,319)	(13,246)	(10,139)	4%	(19%)
General marketing and administration expenses	(24,263)	(23,550)	(27,882)	(27,805)	(21,562)	3%	(15%)

R millions	Combined 2022	2021	2020	2019	2018	2022 vs 2021	2021 vs 2019
Group consolidated IFRS earnings							
Total comprehensive income attributable to equity holders	25,999	28,661	(3,092)	22,144	68,566	(9%)	29%
Equity attributable to equity holders of parent	263,499	249,213	242,801	262,522	260,387	6%	(5%)
Return on average equity	10%	12%	(1%)	8%	23%	(12%)	37%
Group consolidated embedded value							
Group embedded value	369,116	398,712	377,727	416,670	403,241	(7%)	(4%)
Group embedded value profit	24,378	39,821	(8,341)	32,166	25,831	(39%)	24%
Return on group embedded value	6%	12%	(2%)	9%	8%	44%	23%
VNB							
PVNBP	315,352	321,033	259,740	283,595	278,615	(2%)	13%
VNB	6,758	6,932	4,691	7,436	7,711	(3%)	(7%)
VNB margin	2%	2%	1%	2%	2%	(5%)	(19%)
Costs							
Acquisition costs	(38,903)	(38,277)	(27,759)	(28,147)	(23,998)	2%	36%
General marketing and administration expenses	(109,386)	(100,335)	(101,437)	(68,845)	(62,176)	9%	46%

VNB margin exclude Health and Vitality for Discovery as no VNB margin is disclosed for this business. Liberty 31 Dec 2022 Group EV, EV profit Return on EV not available.

Source: PwC analysis

Basis of information provided

The aim of this publication is to consider the results of the South African major life insurance groups for the calendar year ended 31 December 2022. Where companies have 30 June year ends, the financial information has been reconstituted to reflect the calendar year ended 31 December.

Pertinent matters to note regarding the information presented:

- EV profit is the EV earnings published by the insurers, so is based on their methodologies as disclosed in their reports.
- Old Mutual follows the Market Consistent Embedded Value (MCEV) methodology, whereas the others follow the European Embedded Value (EEV) principles.
- The Old Mutual EV earnings and return on embedded value exclude non-covered business. It is included for the other four insurers.
- Discovery PVNBP and VNB margins exclude Health and Vitality.
- The operating experience variances presented relate to impacts on the embedded value of covered business.
- The operating experience variances presented for Discovery include the South African as well as the UK life and health entities.
- The operating experience variances for Liberty are shown for the South African Retail entity and therefore exclude the Corporate and Rest of Africa entities.
- The operating experience variances for all other entities are shown for total covered business.
- Discovery and Momentum have June year ends whereas Liberty, Sanlam and Old Mutual have December year ends. The assumption changes for the June year ends allow for the aggregate of the impact of changes at both June and December (ie. year end and interim). As a result, the June year ends allow for six months ‘more’ of basis changes than the December year ends.

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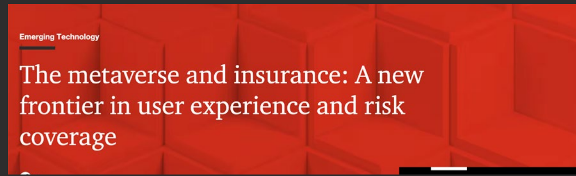

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