

Sanlam reports strong operational performance

Sanlam today released its operational update for the 10 months ending on 31 October 2021.



Source: [Pexels](#)

The report shows significant progress operationally and strategically since announcing its interim results in September.

The Group announced that Sanlam Life and Savings paid gross mortality claims of more than R14bn for the first 10 months of 2021, mainly due to the impact of the third wave of Covid-19.

Strategic developments

The development of Sanlam Investments as one of South Africa's leading black-owned asset managers and the proposed merger with Absa Investment Managers - to create a scaled investment platform offering diverse asset classes - will significantly improve the Group's market position.

Strong client cash flows during the period, underline the progress in the Group's development of its investment management platform. The breadth of offering, the integration of ESG principles into all investment processes and the ownership credentials elevate the investment management platform's prominence over the year.

Health-insurance offerings

Sanlam has launched a new set of health insurance offerings in partnership with AfroCentric to provide a more holistic product offering to clients and fulfil a market need for affordable health insurance.

The proposed transactions with Alexander Forbes will enable the Group to focus on providing umbrella pension-fund solutions and a full range of investment and insurance products to the corporate benefits market. This focus will further strengthen the Group's competitive position in the corporate benefits market over time, and as operational results indicate, the Group's performance in this market is very strong and is improving.



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Incubeta 24 Nov 2021



The Group divested from UK operations outside of asset management in line with its strategic intent to develop a leading African insurance and asset management group. Sanlam also took steps to further optimise the Pan-Africa portfolio through strengthening its position in key markets and exiting sub-scale operations.

The Pan-Africa general insurance portfolio recorded a net insurance margin of 19,5% driven by higher returns on insurance funds and a net underwriting margin within the target range. The Pan-Africa life portfolio recorded a strong performance. New business volumes were up 22% and the value of new covered business was up 87% in constant currency. This growth and strong performance as Sanlam integrates the various African operations into the Group is very pleasing and supports long-term ambitions for the continent.

Operational highlights

The performance of the cluster businesses in attracting new customers and deepening relationships with existing customers was outstanding. Management is particularly pleased with the new business volumes in the life-insurance and asset-management product lines. The Group's strong platform and product offering meant that Sanlam was well positioned to meet client needs. New business volumes were 17% higher than 2020 and 46% higher than 2019.

The value of new covered business was up by 55% on 2020 and was 23% higher than 2019. The new covered business margin of 2,65% was higher than 2020 and only slightly below 2019.

Net fund inflows of R61,4bn were 21% higher than 2020 and 41% higher than 2019.

The net result from financial services increased by 24% on 2020 and was 4% higher than 2019, excluding one-off items. It is important to note that the 2020 and 2021 financial years contain significant quarterly movements. The current level of growth is therefore not expected to be maintained for the full year. Sanlam is, however, delighted that current year profits are in line with 2019 results, since the Group was targeting to restore profitability to 2019 levels as quickly as possible.

Excess mortality claims

The Covid-19 pandemic continues to impact profitability and return on Group Equity Value. Significant excess mortality claims were recorded in the South African and Emerging Markets operations. The strength of the Group's financial position has, however, enabled the Group to mitigate much of the impact of this on earnings in South African operations.

Sanlam Life and Savings paid gross mortality claims of more than R14bn for the first 10 months of 2021. This was 88% higher than the same period in 2020, mainly due to the impact of the third wave of Covid-19 in the third quarter of the year.

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Emma Rumney 23 Nov 2021





Claims above the long-term expected level were R3,42bn net of reinsurance, and annuity and disability offsets within Sanlam Life and Savings, and R536mn within Sanlam Emerging Markets. As part of a package of basis changes, Sanlam Life and Savings cluster released discretionary reserves of R2,85bn to mitigate the impact of excess claims.

Sanlam Emerging Markets holds more limited discretionary reserves and will only consider releases at year-end based on full-year experience.

Sanlam Group CEO, Paul Hanratty, said: “While 2021 continues to be a very challenging year I am delighted that the Sanlam Group has made excellent progress operationally and strategically. Our operational results are outstanding, and I believe that these results demonstrate that customers value having Sanlam as a trusted partner more than ever before. In every business line and customer segment we have continued to strengthen our market position during 2021.”

Restoring pandemic buffers

Management has taken significant actions to mitigate the future impacts of Covid-19 on the Group’s business. These include extensive repricing of Group risk business, development of new underwriting standards and amended product design in the retail business and a full review of actuarial valuation assumptions in the light of the pandemic. The latter will permit the Group to restore pandemic buffers over the next number of years from higher margins. Sanlam continues to actively manage the consequences of the Covid-19 pandemic and the emergence of the fourth wave in South Africa. The Group expects to retain modest discretionary reserves to mitigate any mortality losses after 2021.

“Over the medium to long term, we remain extremely confident of the growth prospects for all the Group’s businesses. Furthermore, we are confident about the strong ongoing cash-generation ability of our business and will continue to deliver value to our shareholders and other stakeholders,” said Hanratty.

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