

Bulletin:

Sanlam Posts Robust Earnings For 2024, Reflecting Diverse Earnings Sources

March 7, 2025

This report does not constitute a rating action.

LONDON (S&P Global Ratings) March 7, 2025--Despite economic headwinds and climate change affecting results in general insurance, South Africa-based leading composite insurer and asset manager Sanlam Ltd. exceeded our growth expectations on life business and overall earnings expectations for end-2024. The group reported a 2% increase in life insurance net value of new business and a 9% increase in group new business volumes against our forecasts of growth in line with our GDP growth forecasts for South Africa of 1% for 2024. The group's profit for the year was South African rand (ZAR) 24.8 billion (\$1.3 billion; 2023: ZAR17.0 billion) compared to our expectations of about ZAR17billion. We think that the group earnings reflect the diverse earnings source, with life and health contributing 56% to net results from financial service of ZAR14.1 billion; general insurance contributing 22% (reported combined ratio of 92.4% in 2024, compared to 96.5% in 2023); investment management contributing 10%, credit and structuring contributing 15%, and other contributing 3%.

Despite Sanlam being active in various merger and acquisition transactions, and the subsequent integration and restructuring, the group reported a very stable level of capitalization with group solvency cover of 168% compared to 170% as of Dec. 31, 2023. We expect that Sanlam will meet our capital and earnings expectations, which we view as satisfactory. We also note that contractual service margin (CSM) from new business and interest earned on CSM of ZAR6.2 billion was higher than the CSM recognized as profit ZAR5.1 billion in 2024. We view CSM as equity like reserve and include in full in our assessment of overall capital adequacy.

However, we cap our ratings on Sanlam's main operating entity at the level of our local currency sovereign credit rating on South Africa. This is because we think that Sanlam's asset and liability concentration in the domestic economy makes it vulnerable to the financial and macroeconomic stresses associated with a hypothetical sovereign default.

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