Insurance Barometer Report

Fourth Edition
2024/2025

Click here to start >

Table of contents

01 Introduction

Tavaziva Madzinga
GROUP CEO

Charting the course through an era of complex and interconnected risks

Insurers, reinsurers, and risk managers have navigated complex and ever-changing risk environments for centuries. In recent years, Santam has observed a distinct shift wherein isolated, manageable losses are giving way to larger, more complex events that occur with greater frequency and are often systemic in nature. These emerging risks span multiple insurance lines, commercial sectors, and geographic regions, compelling us and our reinsurance partners to re-evaluate our approach to pursuing profitable growth through a continued focus on disciplined pricing and underwriting.

Santam has prioritised client experience and value through a multi-faceted approach. In addition to our suite of value-added services, which includes home, roadside, medical, and legal assistance provided as part of our comprehensive insurance coverage, we have also introduced additional value through our SmartSME product and SmartProtect initiative. Our SmartProtect platform offers access to vetted suppliers providing a range of risk mitigation solutions and is available to brokers, clients, and consumers alike.

The 2024-2025 Insurance Barometer survey, conducted from January to April 2025, draws on 881 structured interviews with South African respondents, including 402 consumers, 350 corporate and commercial businesses, and 129 brokers. The sample remains consistent year-on-year across key demographics, industry sectors, and brokerages. This allows for meaningful comparisons over time and offers a clear view of shifts in perceived key risks, claim drivers, cover adequacy, and service performance.

The survey highlights critical gaps and vulnerabilities that need to be addressed, alongside opportunities for growth across South Africa's evolving insurance landscape. Respondents' perceptions have been shaped by a series of disruptive events that have tested the resilience of businesses, households, and the insurance sector alike. Having navigated the COVID-19 pandemic (2020-2021), civil unrest (2021), and severe flooding (2022), the sector now faces mounting deteriorating infrastructure, economic stagnation, increasing weather volatility, and the growing intangible threat of cyber exposures.

The 2025 Insurance Barometer Report provides a comprehensive overview of the local insurance landscape, shaped by global environmental, geopolitical, and macroeconomic forces. In contrast to the 2023 Insurance Barometer, which highlighted a series of catastrophic events that prompted insurers and reinsurers to re-evaluate coverage, underwriting practices, and product development, the past two years have been characterised by increased weather volatility, a cost-of-living crisis, and geopolitical tensions. Throughout this report, you'll see how Santam's management actions and proactive efforts to manage emerging risks have improved underwriting profitability, reinforced our balance sheet, and positioned us to continue providing reliable coverage for the next 107 years and beyond.

Overall, respondents identified crime, economic instability, and failing infrastructure as their top concerns over a two-year horizon. Climate change – also referred to as weather volatility – and cybercrime, with a notable increase in awareness across all respondent groups.

While these challenges are rooted in the local context, they reflect a broader global trend in the evolving risk landscape reshaping insurance markets worldwide. South Africa's domestic issues are marked by their intensity and persistence, exacerbated by limited state capacity and a widespread reliance on public services, hindering insurers' efforts to make insurance more accessible and narrow the ever-present risk protection gap.

Insights from this year's report highlight encouraging signs of adaptation, innovation, and resilience across the insurance value chain. Brokers are evolving their roles to remain relevant in a more challenging operating environment, while insurers are investing in smarter technologies, targeted risk mitigation, and more responsive claims handling. In the 2022–2023 Insurance Barometer, we emphasised the need for greater client education, stronger broker support, and more proactive risk advisory services to move beyond traditional models of risk transfer—and we are making steady progress toward these goals.

Through this introduction and the chapters that follow, we offer a clear view of how these efforts are being received, and where further progress is still needed.

The past year has reaffirmed what reinsurers and risk professionals have cautioned for some time: we are now operating in a new normal defined by frequent and severe weather-related catastrophes. A decade ago, insured losses from global natural disasters rarely exceeded USD 100 billion in a year. Today, that level of loss is not only common – it's expected. Events once considered one-in-a-100-year' occurrence are now happening roughly every 20 years, with major catastrophes striking every three to five years.

The January 2025 California wildfires resulted in an estimated USD 38 to 42 billion in insured losses, highlighting the severe consequences when extreme weather risks are compounded by underinvestment in infrastructure and fire resilience.

Global catastrophe patterns are mirrored locally. South Africa's 2022 KZN floods remain the country's costliest insured event, with claims totalling R15-R17 billion, and an estimated total economic impact of R54 billion. This highlights the persistent gap between insurable losses and overall economic losses – a recurring theme throughout this report.

The 2024–2025 Insurance Barometer delves deeper into these tensions, allowing us to map the evolving risk landscape and identify where innovation is both needed and possible. Key findings from this year's report include:

- **Climate change and natural catastrophes** remain the foremost systemic concerns globally, with South Africa's fragile infrastructure compounding local vulnerabilities.
- **Infrastructure is now recognised as a core underwriting consideration,** not just a governance issue. Insurers are increasingly exposed to knock-on effects from deteriorating roads, delays across rail and port networks, ongoing power grid instability, and water quality and supply challenges.
- **Cyber risk continues to rise.** AI-enabled scams, and the interconnectedness of cloud infrastructure have amplified the risk of an unforeseen Black Swan event, with current levels of earned premium likely falling short of potential loss severity.

In areas where risk is poorly understood or where failing infrastructure amplifies the impact of extreme weather, insurance cover becomes increasingly difficult to price and provide. This is particularly concerning, as urban development continues in flood-prone or inadequately serviced areas. Santam has witnessed first-hand the ongoing expansion of building activity into high-risk areas, such as floodplains in Ladysmith and St Francis Bay, and dolomitic zones like Centurion.

Santam's 2024 claims data reveals notable shifts in trends. Our commitment to sustainable underwriting – through higher excesses for selected risks, segmented premium increases, and enhanced risk selection and rating – helped limit the increase in average cost per claim (ACPC)in 2024.

Automation and artificial intelligence (AI) are streamlining a wide range of administrative functions, including digital claims processing and improving turnaround times. These, and other emerging technologies, are becoming essential as we strive to balance affordability with sustainable underwriting practices.

At its core, this report is about resilience – across underwriting, infrastructure, and the capacity of businesses, households, and communities to absorb external shocks. The 2025 findings reinforce that no line of insurance remains untouched by today's evolving and interconnected risks, and no client is immune to the cascading effects of infrastructure decay, economic turmoil, and geopolitical fragmentation.

The overarching message is that the insurance industry will be shaped by stakeholders' collective ability to anticipate and manage evolving risks, minimising their impact rather than simply reacting to them. We hope readers will find some tangible examples of the steps that can be taken towards creating a sustainable and resilient future for all in the insurance value chain.

02 The Research Methodology

881

x 35 minute self-completion online and Zoom based interviews completed January to April 2025

129
Brokers

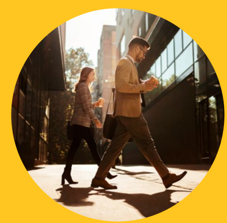
350
Corporate/ Commercial entities

402
Consumers

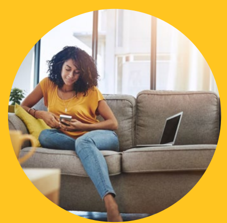
Brokers

15
National

98
Independent



16
Tied

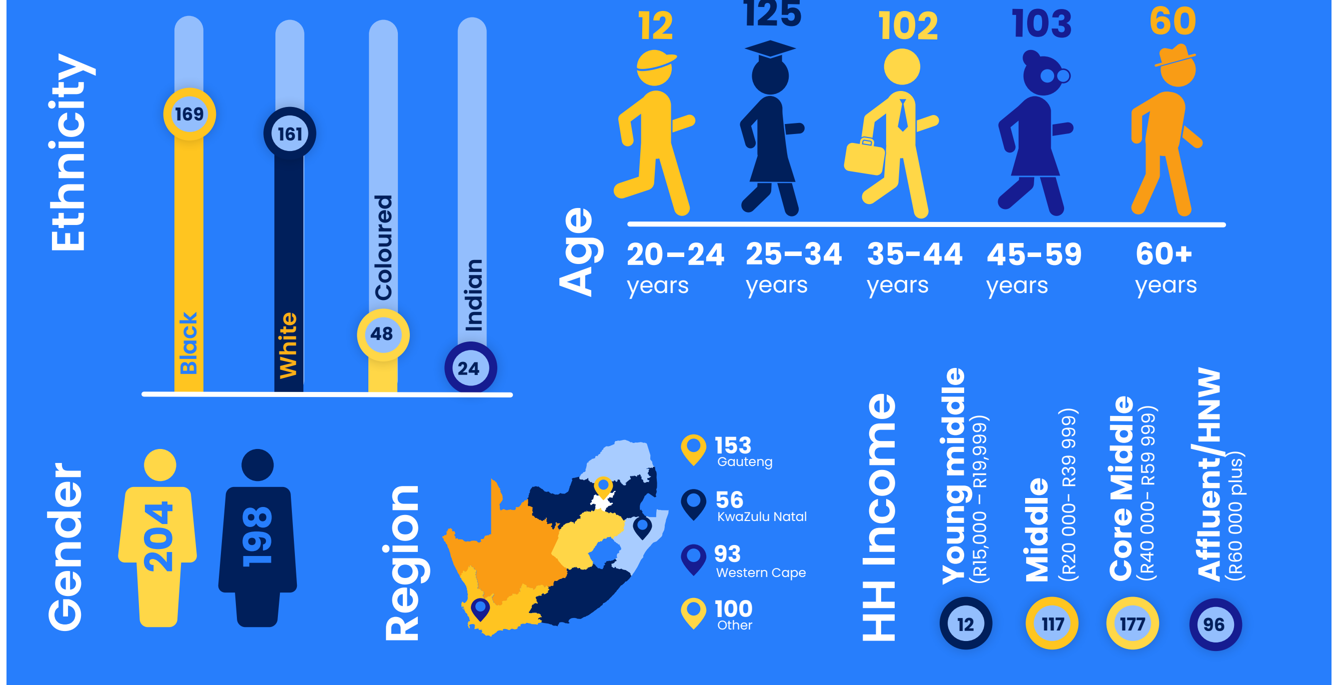


60
Personal lines

69
Commercial

Note: 107
Brokers provide advice to priority industries: agriculture, aviation, construction, marine, transport

Consumers



Corporates

201+ employees; Turnover R500 mil+

52

Part of a multi-national

32

Commercial:

151
11-50 employees

109
51-200 employees

38
201+ employees; Turnover <R500 mil

Mix of industry sectors including 125 from priority industries: agriculture, aviation, construction, marine, transport

03 Key Themes And Trends

Risks Identified By Consumers


66%
Increasing cost of living expenses (food, electricity, transport)


50%
Societal issues (burglary, theft, hijacking, crime syndicates)


47%
Economic challenges (rising interest rates, inflation)


35%
Unemployment/ retrenchment (financial loss)


26%
Accidental loss/ damage to belongings at home (buildings, contents, vehicle, pets)


23%
Load shedding/ power outages/ power surges


16%
Political risk, such as degradation of infrastructure


14%
Climate change

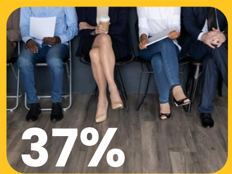

12%
Fire (electrical, accidental, home, wild fires, lightning)


7%
Cybercrime

Risks Identified by Personal Lines Brokers


53%
Increasing cost of living expenses


53%
Economic challenges (rising interest rates, inflation)


37%
Unemployment/ retrenchment (financial loss)


33%
Climate change


32%
Societal issues (burglary, theft, hijacking, crime syndicates)


23%
Load shedding/ power outages/ power surges


20%
Political risk, such as degradation of infrastructure


18%
Cybercrime


15%
Accidental loss/ damage to belongings at home


12%
Fire (electrical, accidental, home, wild fires, lightning)

Risks Identified by Commercial/ Corporate entities' over the next two years


Crime 70%

Challenging economy
2025: 64% (2023: 66%
2020/21: 62%)


Poor infracstructure
2025: 63%


Political unrest
2025: 57% (2023: 59%
2020/21: 48%)


Cybercrime
2025: 49% (2023: 48%
2020/21: 36%)


Climate Change
2025: 48% (2023: 47%
2020/21: 35%)


Regulatory or legislative change
2025:42% (2023: 47%
2020/21: 32%)

Risks Identified by Commercial/Corporate Brokers over the next two years


Poor infrastructure
2025: 83%

Challenging economy
2025: 74%
(2023: 78%, 2020/21: 48%)


Crime
2025: 68%


Climate Change 2025: 58%
(2023: 56%, 2020/21: 31%)


Political unrest 2025: 55%
(2023:64%, 2020/21: 50%)


Regulatory or legislative change 2025: 52%
(2023:50% 2020/21: 20%)


Cyber security threats
2025: 46%
(2023: 43% 2020/21: 45%)

04 Underwriting Systemic Risk

Michael Cheng
Group Chief
Underwriting Officer

Infrastructure, partnerships, and town planning essential to contain rising catastrophe and extreme weather exposures

According to the latest global Allianz Risk Barometer, cyber incidents (1st), natural catastrophe (3rd), and weather volatility (7th), stand out as major systemic risks globally. Macroeconomic developments and political risks also feature in the top 10 rankings, at fourth and eighth, respectively. While in the local context, Santam's Insurance Barometer research findings featured economic challenges and crime as the top concerns among participating South African businesses, households, and brokers.

Systemic risks are those with the potential to trigger widespread losses across multiple business sectors or geographic regions, threatening the stability and functioning of the economy as a whole, and the insurance industry specifically. Global insurers and reinsurers are concerned about systemic risk events because such events can lead to highly correlated losses across multiple lines of insurance coverage, threatening the solvency of the industry.

South African insurers are not immune to the risks faced by their global peers, but they must chart and navigate the domestic risk landscape through the country's unique socioeconomic lens. The result is that climate change and extreme weather feature just as prominently during local risk discussions as the potential for another July 2021 looting and rioting incident, which ended up costing the South African economy over R50 billion.

In Santam's world, the major systemic risks listed in the Allianz Risk Barometer might be reordered as weather volatility (1st), natural catastrophe (2nd), and macroeconomic developments (3rd). Infrastructure failure, which does not feature on the global risk radar's top 10, is a top five contender locally, alongside cyber incidents and political risks. Cyber risk remains an emerging exposure class making up a small but fast-growing portion of current insurance product portfolios, with client education and awareness serving as critical drivers of market adoption.

The interconnected nature of risks is increasingly evident, as insured covers like business interruption (BI) and fire / explosion can now be triggered or magnified by systemic risks like cyber incidents, extreme weather or catastrophes, and political unrest and violence. Imagine, for instance, a cyberattack hitting one of the major cloud infrastructure providers, where the resultant business continuity fallout would ripple across thousands of businesses that rely on their services.

In the SA environment, weather volatility is more easily tangible than cyber risk. 2024 was the hottest year on record with global temperature averages 1.55°C higher than the pre-industrial average (1850 -1900), and also the first year to exceed the 1.5°C global warming limit set by the 2015 Paris Agreement. The rising frequency and severity of extreme weather events has been felt and clearly evidenced in catastrophe reports published by global reinsurance brokers.

Aon's 2025 Climate and Catastrophe Insight puts the total economic losses caused by natural catastrophe events in 2024 at USD368 billion, of which USD145 billion was covered by insurers and reinsurers. Similarly, Gallagher Re's Natural Catastrophe and Climate Report 2024, noted that the annual average loss from natural catastrophes from 2017 to 2024 had cost insurers USD146 billion, suggesting a 'new normal' for catastrophe losses approaching USD150 billion annually.

North American hurricanes have been major contributors to insured losses in the period, with Hurricane Helene and Hurricane Milton each costing insurers around USD20 billion. However, severe storms and flooding were the other main perils. For context, the January 2025 Los Angeles (LA) wildfires will dwarf these events, with insured losses estimated to exceed USD40 billion. If the remainder of 2025 follows trend, insurers may see catastrophe reinsurance rates come under pressure into 2026. In South Africa, the biggest events over the last 3 years have mainly been flood and severe storms.

According to Aon's estimates, Hurricane Helene, which struck Florida's Big Bend coastal region in late September 2024, caused USD75 billion in economic losses, making it the costliest global event of the year. Hurricane Milton, which made landfall in early October 2024, accounted for USD35 billion in economic losses, with USD20 billion covered by insurers, making it the costliest single global insured loss event for 2024.

Global reinsurer reports reveal a **60% natural catastrophe risk protection gap**

Failing Infrastructure Top 3 Concern:

63% commercial respondents indicated a high risk

83% said it's their biggest risk over next two years

These reports reveal a global natural catastrophe protection gap of around 60% of the total economic losses, leaving communities and governments to make up the shortfall. There are big disparities in catastrophe risk coverage depending on the region and peril type. While U.S.-based hurricane events benefit from higher insurance penetration, only around a third of flood-related losses in South Africa's 2022 KwaZulu-Natal (KZN) floods were insured. Insurers and reinsurers covered approximately R15 billion of the estimated R50 billion in total damages following that catastrophe.

Domestic extreme weather-related losses were less severe in 2023 and 2024. Per Santam's Integrated Report 2024, we experienced a similar number of significant weather-related events in 2024 as in 2023. Total claims from events exceeding R100 million per event increased in 2024. Events were widespread across the Western Cape, Eastern Cape, and KwaZulu-Natal. **The continued encroachment of commercial, industrial, and housing developments on 50-year flood lines remains a major challenge for insureds.**

There is an interesting parallel between local floods and LA wildfires. In the US, the spread of the LA wildfires was worsened by insufficient firefighting funding, aging infrastructure and flammable housing. In South Africa, the impact of the KZN floods was amplified by poor urban planning, failing infrastructure, and inadequate storm water drainage maintenance. This shows that losses arising from systemic risks such as natural catastrophe and weather volatility are amplified by inadequate or poorly maintained infrastructure.

Inadequate or poorly maintained infrastructure was a top three concern among commercial survey respondents. Almost two thirds (63%) said that failing infrastructure presented a high risk to their businesses overall, and 83% singled out poor infrastructure as the primary emerging risk to their businesses over the next two years. Businesses and households flagged a range of infrastructure issues spanning deteriorating road and rail infrastructure, interrupted water supply, and the well-documented issues across the national electricity grid.

Insurers have direct and indirect exposures to infrastructure shortcomings. For example, at the direct level, they insure dams and power stations, while the indirect impact arises from higher loss and damage to insured assets due to failing or poorly maintained infrastructure. For example, in the 2022 KZN floods, several landslides occurred during heavy rainfall, contributing to significant downstream flooding and property damage. Additionally, if the canals and waterways had been fully functioning, the industrial areas around the Durban port would likely have suffered a smaller impact.

The threat of a national grid failure was top of mind in the 2022-2023 Insurance Barometer. Insurers, guided by their reinsurance partners, had to implement grid failure exclusions and other underwriting actions in response. Santam saw significant improvement in its power surge-related claims experience due to a combination of reduced loadshedding, explicit top-up cover, and the rooting out of fraudulent damage claims.

With the frequency of loadshedding having dropped significantly, businesses and households surveyed seem more concerned about the rising cost of electricity.

But we are not yet out of the woods; the threat of a national grid failure is ever-present due to our aged and ailing infrastructure, so we must be wary of complacency. In the meantime, insurers' focus will shift to achieving exposure and premium balance with more clients installing solar power at their properties, which presents new risks such as lithium battery fires and storm damage to solar panels.

Sticking with infrastructure, local insurers have significant exposures due to the deterioration of ports, railways, and roads. Delays in clearing goods through the country's major ports contribute to spoilage, forcing insurers to review cover for this peril. South African insurers have also had to accommodate the significant shift from rail to road as the primary method for moving goods inland, leading to higher volumes of road traffic and road network deterioration.

Santam has identified town planning and improved flood and wildfire defences as valuable mitigants against exposures to natural catastrophe and weather volatility. Our Partnership for Risk and Resilience (P4RR) programme has assisted 102 municipalities with climate action plans (CAP), flood responses, and firefighting equipment, among others. There are plenty of positive spin-offs from working closely with municipalities.

One example is the Quick Reaction Force (QRF), an aerial firefighting initiative cooperatively funded by multiple insurers to deploy helicopters to fight wildfires. The rationale for the programme is simple; if you can contain a wildfire within the first 10-15 minutes to deploy helicopters, you have a far greater chance of suppressing it, significantly reducing damage and saving lives. The programme has run successfully for several years in the Western Cape Winelands region and has been expanded to the Lowveld. Going forward, the challenge is partnering these firefighting resources with established Fire Protection Associations (FPAs) within the current regulatory framework.

The P4RR programme is part of Santam's broader strategy to mitigate systemic risks through corporate social responsibility (CSR) initiatives and public-private partnerships (PPPs). While only 25% of business respondents surveyed expect to find a solution to address systemic risks, 65% of them believe a solution will take the form of PPPs.

This reinforces the widely held view that cooperation between government and the private sector is vital to tackle South Africa's infrastructure gaps over the coming decade. Cooperation, flexibility around the ownership and operation of infrastructure, improved governance, and enabling regulation can ensure that future investments into electricity, transport, and water infrastructure deliver the necessary returns.

Innovation and technology are playing a part in tackling systemic risks too. Santam is using geocoding and geo-mapping to create dynamic peril maps that provide location-specific information about subsidence, earthquake, flood, hail, and lightning density exposures, among others. Data from the geocoding models is used alongside traditional underwriting considerations to set appropriate insurance terms at renewal or when writing new business. Santam has already geocoded over 80% of its property portfolio.

Santam estimates that its geocoding initiatives saved over R300 million in flood loss claims in 2024.

Toyota South Africa Motors (TSAM) offers a case study on how insurance and risk mitigation can complement each other. The firm's Prospecton facility suffered heavy damage during the April 2022 KwaZulu-Natal floods.

The resulting flood damage and 16-week halt in production prompted an insurance claim estimated at over USD350 million. TSAM has since invested approximately R236 million in additional flood prevention measures to safeguard against future events. The business remains insured and continues to operate, demonstrating the critical role of insurance in business resilience and recovery.

One of the unforeseen technology risks arises from South Africa's revamp of its broadband spectrum, notably the planned switch-off of 2G and parts of the 3G bandwidth. Large telecoms firms are already eyeing the cost savings that would accrue from migrating their networks to 4G or better, but this presents challenges for insurers and clients as certain home alarm systems and vehicle telematics devices depend on this existing infrastructure to function.

As far as global reinsurer-enforced terms go, Santam does not expect further systemic risk-related exclusions to impact its South African customers in the short term. Globally, reinsurers have started limiting potential loss exposures to the widespread use of polyfluoroalkyl (PFAS), chemicals found in non-stick cookware, stain-resistant fabrics, and firefighting foams. While this intervention has not yet materialised locally, it may yet come.

Shifting focus to macroeconomic risks, geopolitics and geopolitical fragmentation have the potential to disrupt currencies, financial markets, and supply chains, each presenting challenges to insurers. For instance, global supply chain disruptions affect imports and exports, driving inflation. For insurers, the consequences are felt in the availability and cost of replacement items (especially vehicle parts) and affordability for their insured clients.

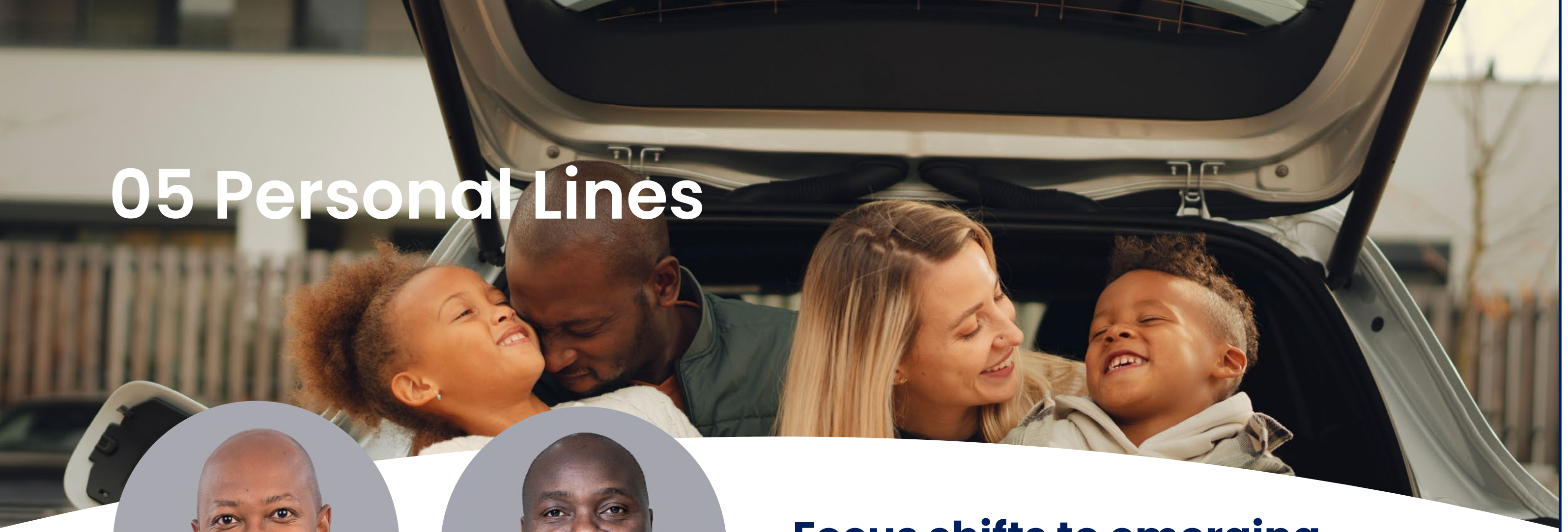
Since his second inauguration as President of the United States in January 2025, Donald Trump has issued decrees impacting a range of macroeconomic factors – most notably, the imposition of hefty tariffs on international trade, which, at the time of writing, were being challenged in U.S. courts.

South Africa faces heightened risks amid escalating geopolitical fragmentation, stemming from the ongoing deterioration of U.S.–South Africa relations. Aside from macro-currency and stock market impacts, the agriculture and healthcare sectors are vulnerable, with the African Growth and Opportunity Act (AGOA) under review ahead of its scheduled expiration in September 2025, and the recent termination of certain funding under the U.S. Agency for International Development (USAID) programme.

Amid heightened economic uncertainty, insurers have their work cut out. They'll need to keep a close watch on changing geoeconomic and geopolitical dynamics and assess how these developments impact the businesses and households they insure.

The insurance sector's gross written premium (GWP) and profitability are inextricably tied to macroeconomic metrics like GDP growth and inflation – and any contraction in economic activity hits every line of insurance. By May 2025, the International Monetary Fund (IMF) had downgraded its growth forecast for South Africa from 1.5% to 1%, citing concerns over the impact of U.S. trade tariffs. This adjustment does not factor in the potential impact of any further deterioration of U.S.-South Africa diplomatic relations on the agriculture and tourism sectors.

Future approaches to systemic risk depend heavily on funding, with affordability standing out as the major obstacle to a government-owned flood or wildfire risk pool. These pools would divert funding from education, healthcare, and housing – all priority expenditure items for government. For the time being, South Africa will continue to rely on the political violence risk pool operated by state-owned SASRIA SOC Limited.



05 Personal Lines

Atang Matebesi
CEO: Santam
Client Solutions

Tamuka Chiwenga
Chief Pricing and Underwriting
Officer: Santam Client Solutions

Focus shifts to emerging risks amid stabilised claims environment – how economic strain and tech trends are shaping Personal Insurance

The Personal Lines book has made steady progress in the two years since the last Insurance Barometer Report was published. Consumers in this segment tend to buy insurance for mainstream risks like loss or damage to their motor vehicles, household contents, and buildings, but there is growing interest in cover against cyber risks, pet and travel insurance too.

Santam offers products that meet Personal Lines consumers' needs in most of these insurance classes. At Santam, we ensure that cover is sold in a transparent manner with underwriting done upfront, and with no surprises at the time of claim. We go to great lengths to ensure our products are competitively priced with minimal 'surprise' exclusions so policyholders can trust their cover. Providing niche insurance solutions requires a combination of specialised internal expertise and strategic external partnerships - strengths that define Santam.

Our product design process follows a two-part approach. First, we have a dedicated product team to explore new products (and existing products enhancements) to meet emerging consumer needs. Second, we conduct regular consumer surveys to ensure these solutions remain relevant and aligned with customer expectations. We are proud of our reputation as a trusted insurance provider, supported by a 107-year legacy of consistent and reliable claims payment. This legacy is a powerful testament to our commitment to delivering insurance that gives you the freedom to live.

Consumer Insurance Purchasing Requirements

This year's Insurance Barometer survey offers valuable insights into consumers' insurance buying habits. Affordability (44%), quality and needs-appropriate products (41%), trusted brand (40%), and good claims track record (35%) stood out as important considerations. **Product distribution is just as important; we must ensure consumers can engage and transact with insurers through their preferred channel.**

An interesting finding from the latest study is that 74% of existing Santam clients, 62% of consumers aged 45–59, and 65% of consumers aged 65 and over prefer buying Personal Lines cover through a broker. Younger clients and those with simpler portfolios are more comfortable using direct channels as evidenced by the findings, with 62% of consumers aged 25–34 opting to purchase direct, and 35–44 year olds are as likely to purchase directly as they are to use a broker.

The broker channel has always contributed a significant proportion of our total gross written premium (GWP) and will continue to be a focus for Santam as part of our omnichannel insurance model. Yes, direct channels are gaining market share, but as the survey confirms, many consumers still prefer buying insurance through a broker for the advice they give.

Turning to claims, the 2024-2025 Insurance Barometer survey revealed that 18% of consumers had claimed against a short-term insurance policy in the last 12 months, the highest percentage since 2019.

Consumers Prefer Buying Insurance Through a Broker

74% Santam Clients
65% Consumers aged 65+

Overall, we saw a decrease in Personal Lines claims volumes in 2024 versus 2023. The motor class accounted for the bulk of claims in 2024.

The latest survey underlined some significant trend shifts, including catastrophe-related losses due to perils like flood and storm, alongside a turnaround in the motor hijacking claims experience and power surge claims in the household contents segment.

Although only 8% of survey respondents reported suffering a financial loss due to extreme weather events over the past two years, 48% said they were "very concerned" and a further 29% "somewhat concerned" about this risk. Santam's claims statistics suggest they are right to be worried.

A comparison of Q1 2024 versus Q1 2025 claims for flood and storm damage on our buildings policies reflects a drop in claim frequency alongside a rise in claims value, indicating an increase in claim severity. Although we saw an improved catastrophe claims experience for 2024 compared to 2023, we continue to monitor the situation, taking a long-term view on pricing and risk management.

The top risks identified by consumers surveyed include cost-of-living increases (66%), societal issues such as crime (50%), economic challenges (47%), and unemployment (35%). Survey respondents were particularly concerned about burglary, mugging, and hijacking – it's worth noting that consumers' perceptions often don't match actual claims statistics. This may be because consumers tend to reflect what's top of mind, often influenced by media coverage, or because not all incidents result in insurance claims.

84% Consumers made lifestyle adjustments, reducing expenditure on:

- **80%** Restaurants/ take-aways
- **58%** Clothing/footwear/ accessories
- **39%** Groceries
- **27%** Essential monthly expenses
- **21%** Used Savings

The cost-of-living challenges are exhibited in 84% of Personal Lines consumers who have made lifestyle adjustments to adjustments. This is evident from the way consumers select their covers, with many of them opting for essential covers only or choosing to part-insure or self-insure certain assets by, for example, raising excesses to reduce monthly premiums.

Notably, only 1% of survey respondents said they were considering reducing short-term insurance spending, while 25% said they would make more use of short-term insurance products over the coming two years. Anecdotally, consumers have a greater appreciation for the value of insurance following insurer responses to mega loss events such as the April 2022 KwaZulu-Natal floods, among other events.

South Africa's societal stresses are evident in our MTN partnership, which covers a million policyholders for consumer tech products like laptops, smartphones, and tablets. We have seen

a notable increase in claims volumes for muggings and petty theft, particularly in malls. It is not possible to provide cover for all societal challenges, but our solutions go a long way to addressing loss or damage to homes, household contents, and motor vehicles due to perils such as hijacking and theft.

The previous Insurance Barometer flagged an alarming trend of keyless vehicles and high-value SUVs being stolen, most notably in border towns (i.e. Limpopo, Mpumalanga, KZN, and North West) and in Gauteng. The good news is we have since seen a decrease in both hijacking and theft claims.

Taking a deeper look at the 2024 Personal Lines motor book claims experience reveals only a minor decrease in claims for accidental loss or damage (for small accidents such as scratches and reversing into a pillar), as well as a decline in theft and attempted theft claims. The outlier is loss or damage due to collision (normally involving two or more vehicles), where claims volumes increased significantly. This is largely due to road usage in South Africa returning to pre-COVID levels, driven by many companies reinstating five-day office attendance policies.

Our 2024 claims experience supports that underwriting interventions such as doubling up on tracking devices in the high-value vehicle are definitely effective. Applying these interventions does not mean that vehicles will not be hijacked or stolen, but they do increase the recovery rate.

For Personal Lines, the property class is dominated by geyser claims. In the two years since the last Insurance Barometer, Santam has worked on risk management interventions to help mitigate loss occurrences. Specific interventions include early detection devices and installing overflow trays to minimise damage.

Despite these interventions, we saw an increase in Personal Lines claims for loss or damage to geysers, water containers, tanks, or pipes in 2024. Geyser claims tend to be cyclical, rising and falling as installed geysers come out of warranty, flow degradation over a five- to eight-year period contributes to a spike in geyser loss or damage claims. The intermittent supply of water in parts of SA has also been a contributing factor to the geyser and water pipe claims.

There are some worrying signs of consumers neglecting important building maintenance due to financial pressures. For example, Santam has seen a rise in weather-related claims where the loss or damage is due to gutters not being cleaned and maintained or flat roofs being neglected. From 2023 to 2024, we experienced a YOY increase in claims volumes due to flood, storm, and wind damage and a decline in hail claims.

Storm and Wind Damage Claims

The flood peril remains in the spotlight, and we have deployed geocoding and geo-mapping technology to better understand our on-the-ground risk accumulation. At the extreme, we limited cover in geographic areas that are too exposed to high flood zones and where sufficient risk mitigation measures are not in place.

The normalisation of electricity supply through the second half of 2024 has contributed to fewer fire claims, as households have not had to rely on candles and lamps for lighting, and the continuity of power supply has resulted in fewer wiring and equipment fires.

Around 36% (29% in the 2023 survey) of Personal Lines insureds are trying to reduce their monthly insurance premiums by installing tracking or other monitoring devices (13%), combining motor and home covers (12%), or driving less (11%). Santam encourages these and other risk management interventions because they help to reduce insurance exposure, reducing the chance of a loss occurring, and improving affordability.

Loadshedding was top of mind in the previous Insurance Barometer, in which we reported that Santam experienced a significant increase in Personal Lines power surge claims in 2023 compared to 2022. Fortunately, Eskom managed to get its loadshedding issues under control in late March 2024, resulting in a 346-day reprieve for South Africans before the next notable Stage 3 event in early March 2025.

Ongoing improvements in domestic electricity supply, coupled with corrective claims assessment and underwriting practices, have contributed to a improvement Personal Lines power surge claims. There was a significant decrease in power surge claims in 2024 compared to 2023. Part of this improvement is courtesy of a more rigorous assessment of the cause of damage by engineers.

More than a third of consumers surveyed have installed solar panels and systems to beat loadshedding. The replacement value of these systems is typically included in the buildings sum insured amount on the insurance schedule. We are seeing an uptick in solar-related claims under the buildings policy. This emerging trend is necessitating insurers to split out these assets into their underwriting and rating processes to track claims more effectively.

There is a growing disconnect between consumers' perception of cyber risks and their purchase of insurance to cover against the threat. In the latest survey, 81% of consumer respondents

were "concerned" or "very concerned" about future cyber threats, yet only 2% have purchased cyber insurance. A 2023 report by cyber security firm, Surfshark, ranked South Africa 5th on the global cybercrime density list, which is based on the proportion of internet users affected by cybercrime.

The growing complexity of cyber risk highlights a clear market need and while commercial cyber policies exist, there is a gap in the market for a Personal Lines product that protects individuals from the everyday digital risks they face. Social media hacking, loss of data from a malware attack, bank and credit card theft, and email hacking are among the top threats.

Santam continuously monitors the evolving risk landscape for emerging exposures. One such example is the growing adoption of electric vehicles (EVs) in South Africa; we're keeping a close eye on the unique risks they present. We're also working to ensure the risks are accurately reflected in our underwriting and pricing of EVs, particularly the availability of repair parts through global supply chains as this technology is still relatively new to the local market.

Santam is particularly focused on the interplay between financial pressures and consumer behaviour. These pressures are driving individuals to make strategic choices about their insurance coverage, balancing affordability with protection. This is evident in the growing trend of opting for higher excesses or self-insurance and installing monitoring devices to proactively mitigate risks.

It's up to insurers to adapt their offerings to align with evolving consumer needs and broader socio-economic realities. Our emphasis remains on empowering consumers to maintain essential coverage while minimising the risks associated with underinsurance or neglecting necessary household maintenance, such as cleaning gutters or addressing structural weaknesses, which exacerbate weather-related claims. Through targeted interventions both in underwriting and customer education, we aim to foster resilience in the face of complex challenges and unpredictable perils.

06 Commercial Lines

Thabo Twalo
Chief Underwriting Officer: Santam Broker Solutions

Crime, fire, and flood remain key drivers of commercial claims, with Business Interruption risk underestimated amid growing systemic pressures.

The field work for the 2024-2025 Insurance Barometer survey took place during a period of heightened macroeconomic and political uncertainty.

Globally, investors were processing the changes being introduced under the United States' (U.S.) new administration.

Businesses and commercial brokers participating in the survey were extremely concerned about the impact of the economy on their prospects. Eight in 10 business respondents said they had been negatively impacted by emerging risks over the past two years, with over half (53%) of respondents in this group indicating economic change as a top concern.

80% respondents negatively impacted by systemic risks:
1. Economic Change
2. Poor Infrastructure
3. Political Unrest
4. Climate Change
5. Cybercrime

Looking two years ahead, 75% of corporate and 68% of commercial respondents ranked challenging economic conditions in second position, behind poor infrastructure.

As far as traditional insurance risks go, the frequency of motor vehicle accidentsis far higher than theft and hijacking, the severity of motor theft is far greater. If a vehicle is stolen it is more likely to result in a full loss whereas in the case of an accident – which can vary from a bumper bashing to a write-off – the vehicle can often be repaired. Having said that, **a trend is emerging where vehicles that normally wouldn't be written off are being declared total losses because repair costs have risen steeply due to costly imported parts affected by the geopolitical environment.**

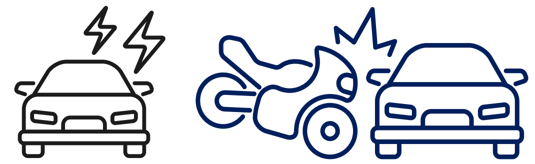
Under the broader crime category, commercial respondents singled out loss of stock (22%), theft by staff (22%), and financial loss or loss of profits (18%) as major consequences following theft. Despite a YOY decrease in Santam's claims incurred, theft under the buildings section remains the major driver of crime-related Commercial Lines claims, albeit at lower levels in 2024 compared to 2023.

These claims involve air conditioning units on building exteriors, gate motors, laptops, or any other commercial assets. Large commercial entities are making good progress in mitigating against on-site crime-associated risk through heightened security measures; but off-site thefts of all risks items such as laptops and smartphones remains an issue. **Contrast this with Santam's claims experience, which ranks fire and weather perils as the leading causes of commercial property claims**

The decommissioning of 2G and 3G networks could introduce an unforeseen risk in the commercial lines (and personal lines) motor and property books, as certain linked security systems and vehicle tracking devices need these networks to function. Security firms, tracking device providers, and insureds will have to work closely to ensure the phased switch-off of these networks, scheduled for the end of 2027 (with towers already being disabled in some areas), does not cause widespread disruption.

While macroeconomic and infrastructure challenges weigh on business performance, improved underwriting practices to minimise exposure have helped to moderate losses across several Commercial Lines insurance classes.

Over a third (36%) of corporate and commercial respondents claimed on a short-term policy in 2024, significantly up from 25% in the 2022-2023 survey. The majority made just one or two claims, but many (13%) of large corporates had made more than 10 claims in 2024. From Santam's perspective, we have noted an overall YOY decline in both Commercial Lines claims volume and value from 2023 to 2024.



Once again the motor class dominated with 42% of survey respondents reporting they had made a claim against this cover type. Respondents also reported submitting claims under the Goods in Transit, Machinery Breakdown, and Theft policy sections, though these were less frequent.

Fire and power surge claims, as expected, showed the biggest trend shifts since the 2022-2023 Insurance Barometer. Commercial Lines claims for power surge showed a significant YOY decrease in both volume and value in 2024. Concerns over power surge have reduced significantly since the last Insurance Barometer due to a combination of stricter underwriting and concentrated efforts by business, households, government, and Eskom's ability to address the electricity crisis.

It was positive to see that commercial and corporate insureds are spending more on risk mitigations, such as the installation of CCTV cameras and other security measures, as well as improved maintenance.

Under the fire cause, our 2024 claims experience reflects a decrease in frequency and severity. This can in large part be attributed to the work Santam has done to reduce fire risks and exposures across our Commercial Lines property portfolio. But it's worth noting that weather perils now make up a significant portion of claims.

We closely monitor property policies that move between insurers, and we remain confident that our risk selection processes implemented to protect and strengthen our risk pool continues to build long term sustainability.

Weather-related causes produced a mixed bag of claims statistics. While there were the same number of large events (>100m) in 2024 vs 2023, the number of smaller weather events remained high and contributed to the large volumes from this peril.

One of the interesting disconnects in this year's Insurance Barometer centres around business interruption (BI), which the 2024 Allianz Risk Barometer ranks second on its top 10 global risks. Meanwhile, only 7% of commercial respondents mention it in their top three.

The biggest threat to the economic viability of a business is a disruption that causes it to halt operations, resulting in loss of profits. BI cover ensures business continuity whether the interruption is caused by machinery breakdown, fire, or a cyber-attack. The lack of emphasis placed on loss of profits is concerning; we believe business interruption is a massively underestimated risk.

Business Interruption:
Allianz Risk Barometer: ranked **2nd** in **Top 10 Global Risk**
Santam Survey Respondents:
7% ranked BI as a top three risk.

Overall, it is apparent that businesses in the small and medium enterprises (SME) cluster are unclear on optimal BI structuring in their overall policies. This is a concern because the availability of machinery parts, impacted by supply chain interruptions, can result in longer shutdowns than expected.

There are opportunities, particularly in the broker space, to increase the level of education around the uptake of BI covers and the complex calculations to set appropriate sums insured. This is a key cover for businesses in the hospitality, manufacturing, and retail sectors where some costs must continue to be borne post disaster and during the rebuilding and recovery phase.

Survey Respondents' Infrastructure Degradation Concerns:
48% Potholes
21% Supply chain disruptions
15% High transport & maintenance costs

More than 80% of medium to large commercial respondents – rising to 87% for large corporates – turn to brokers for advice on complex risks, and for placing their Commercial Lines insurance cover. This drops to just under 70% for small commercial firms, who are comfortable going direct.

Respondents mentioned potholes, supply chain disruptions, and high transport and maintenance costs as their main concerns around degrading infrastructure.

Supply chains are at high risk of infrastructure shortcomings. Disruptions in electricity or water supplies – or logistics hiccups due to rail, road, or port failures – can lead to delays in goods deliveries and have significant cost and reputation implications. An alternative conclusion is that the survey findings illustrate how innovative South African businesses are at finding workarounds for infrastructure shortcomings and resulting supply chain disruptions as opposed to living with them.

A theme that emerged throughout the survey findings is the apparent misunderstanding among commercial insureds and some brokers of the role and value of cyber insurance. Eight in 10 commercial respondents have put additional cyber risk protections in place at their businesses, yet only 17% bought cyber insurance. This suggests a preference for risk mitigation over risk transfer in the complex cyber realm.

Cyber Risk
80% of respondents implemented risk management protections versus
17% purchased Cyber insurance

Cyber risks are hard to quantify, which may explain why many businesses hesitate to buy cover. Decision makers are aware of the threat of ransomware but unsure how insurance products respond. Limited claims data adds to the uncertainty. Insurers must better equip brokers to explain what is covered, and what is not.

Price is another obstacle, especially for smaller commercial entities. Cyber insurance is viewed as being expensive, but the premium paid for this cover is dwarfed by the losses that arise following a data breach or ransomware attack. In addition to responding to a claim situation, a Cyber policy includes value-added services such as monitoring your business's data on the dark web where it may be sold and/or used in a ransom attack. Insurers must empower brokers to more effectively explain the cost-to-coverage trade-off available in this emerging insurance class, thus driving increased uptake across the commercial and corporate segments.

The research findings confirmed the established trend among commercial and corporate respondents to manage their risks, with one in seven saying they had taken additional measures like installing CCTV cameras (56%), vehicle tracking devices (29%), fire equipment maintenance (27%), and on-site security (25%). Insurers are taking a firm stance on risk mitigations at the underwriting and renewal stage, also as a means of managing escalating risk transfer costs.

Although commercial insureds appreciate the need for fire and flood risk mitigations, the cost of the required interventions can be prohibitive in the short term. Sprinkler systems and water storage and pumping solutions for large industrial or retail sites can run into hundreds of thousands of rand, as can the construction of flood defences or storm water run-off infrastructure.

Insurers are taking steps to assist clients through insurance-related cost savings. One such example is the Santam SmartProtect offering that forms part of our overarching customer value proposition. SmartProtect gives policyholders access to a wide range of Santam suppliers, allowing them to conduct maintenance and / or implement risk mitigations at competitive prices. Further savings flow from the lower premium that attaches to mitigated risks.

At the extreme, insurers are being forced to rethink on-the-ground commercial risk concentrations. Since the last insurance barometer, Santam has introduced stricter underwriting rules for thatch roofed properties: on the insurer side, we have managed risk accumulation roofed properties through the installation of roof drencher systems to improve risk management. Thatched roof structures are highly exposed to fire and veld fires and require special measures to guard against catching alight. These risk mitigations made it possible for Santam to cover this niche risk while many competitors withdrew cover.

Risk mitigations are essential for the long-term sustainability of clients and the short-term insurance industry, but that does not mean commercial and corporate clients are happy with the measures being introduced. Over half of businesses were unhappy with cover limits, exclusions, and risk mitigation requirements at underwriting, with four in 10 saying insurers' demands were affecting their operations. Clients who adopt risk reduction measures tend to recognise their value in supporting the long-term sustainability of their operations. Effective risk management isn't just about protecting physical assets, it's also about ensuring service continuity and safeguarding employees and customers. Insurance is designed to spread risks across a large pool of policyholders, and insurers are obliged to set coverage and pricing in a way that produces fair outcomes for all insureds. Santam owes its 107-year track record of paying claims to its sustainable approach to underwriting, and an ongoing focus on protecting the risk pool.

We approach sustainable underwriting under four broad headings including risk sharing, coverage design, improved risk selection by the insurer, and improved risk mitigation by the insured. An example is the fire challenges with cold storage businesses and thatch buildings.

Some interventions, such as higher excesses and exclusions, are direct consequences of actions taken by our reinsurance partners to limit their risk exposures.

To illustrate the impact, Santam's share of flood claims before reinsurer participation is several multiples more than in 2018. This has been a trend for the SA market. This leaves us with no choice but to manage our on-the-ground risk exposures, using techniques like geocoding and geo-mapping to determine how much exposure we can absorb in a specific area.

Commercial insurance uptake is closely linked to business confidence. Survey respondents seemed optimistic about prospects over 12 to 24 months, with more than half of corporate and commercial respondents expecting revenue growth, and around 40% stable results. This somewhat contradictory finding highlights the hopeful and innovative nature of South Africans, who despite economic concerns, maintain a positive outlook and are good at finding solutions to challenges.

Changes in the domestic and international risk landscape are raising demand for insurance, and Santam expects demand from its commercial and corporate client base to remain high.

The concern is that a stagnant economy means new businesses are not coming to market at a healthy rate, while existing commercial and corporate clients are thinking carefully before investing in new projects or expanding their domestic operations. In response to this challenge, the insurance industry will have to find innovative ways to offer supportive risk mitigation and transfer solutions to small and growing businesses, and support them in their journey to standing alongside their large commercial and corporate peers.

Santam's new SmartSME solution is an example of innovation aimed at emerging commercial entities. The goal is for a simpler onboarding process to bring more entities into the insurance fold, fulfilling insurance's role as an underpin for economic activity.

07 The Role of the Broker

Fanus Coetzee,
CEO Santam Broker Solutions

Brokers must help insurers shift the narrative from price to value with more focus on risk management

Business and consumer confidence have a major influence on economic activity, including demand for insurance. As we entered 2025, 80% of broker respondents expressed confidence in the business outlook for the year ahead — a hopeful signal for both insurers and Brokers.

However, confidence ebbs and flows in line with macroeconomic and political developments. Key factors influencing the risk landscape midway through 2025 include geopolitics and the resultant trade wars, climate change, technology, and cybercrime,– alongside concerns over the stability of South Africa's Government of National Unity (GNU). By June, brokers were factoring in a downward revision in the International Monetary Fund's (IMF) GDP estimate for South Africa, from 1.5% down to just 1%.

Santam's Broker Solutions reported **R34.3 billion** (R31 billion in2023) in premium, supported by more than **3 000 broker partners in 2024.**

Whatever the economic backdrop, brokers remain the powerhouse of traditional insurance, with Santam's Broker Solutions business reporting R34.3 billion (R31 billion in 2023) in premium, placed by more than 3 000 brokers, in 2024.

Broker-insurer relationships have been tested in recent years due to tough underwriting actions implemented by insurers in response to global and national catastrophe events such as the COVID-19 pandemic, the July 2021 civil commotion in South Africa, and the April 2022 .after Kwa-Zulu Natal floods, and several severe flooding events in 2023.

Disciplined underwriting is the gatekeeper of profitable, sustainable insurance – and actuarial pricing, risk modelling, and risk selection are non-negotiable to balance top-line premium with sustainable margins. Setting the right price, has helped us trade through 107 years of risk and underwriting cycles.

Santam is committed to restoring insurer-broker relations, interacting with 1 200 brokers (across nine provinces and 16 regions) during our 2024 Broker Connect Sessions. Our 2024 roadshow helped us to explain underwriting actions in the context of significant changes in the local and global risk landscape, and our subsequent broker communications have highlighted the need for continued focus on risk management advice.

We need our broker partners to help us shift the narrative from price to value and risk mitigation – and to help clients understand the rationale behind underwriting interventions. We believe good progress is being made in this regard.

Our 2025 Broker Exchange, previously Broker Connect, reinforces the strategic imperative that brokers become proactive risk advisers without compromising on disciplined underwriting requirements – we want to empower our brokers to stand out as insurance experts during client interactions. The objective is to create unexpected value that goes beyond insurance – customer experience (CX), enhanced through the broker channel, is becoming an important strategic lever in a market dominated by price.

The 2024-2025 Insurance Barometer survey confirmed Santam as one of the top brand choices among brokers. This recognition is derived from various factors, including the brand's trusted 107-year history in South Africa, our exemplary claims-paying record, and our strong balance sheet. This recognition is derived from various factors, including Santam's trusted 107-year history in South Africa, our exemplary claims-paying record, and our strong balance sheet - building trust between broker, insurer, and policyholders.

An interesting finding from this year's survey was that more than half (56%) of personal lines consumers buy their insurance via a broker. This is in contrast to the rising trend of direct to consumer insurance observed in the industry for a number of years. But it may be reflective of the population sampled. It makes sense that many personal lines customers buy direct insurance; entry-level personal lines clients are often more efficiently served by direct insurers, as the cost-to-serve can make them less viable for traditional broker channels. However, as the client's needs and assets evolve, the need for risk advice then leans towards purchasing through a broker.

There are some demographic trends worth exploring here, as the percentage of respondents who claim to use a broker when buying short-term insurance is higher than average for existing Santam clients (74%), for those aged 60 and older (65%), and among high earners (63%).

Anecdotally, younger consumers are more price sensitive and more comfortable navigating direct-to-consumer or digital channels. The survey findings reflect this with 62% of consumers aged 25–34 and 50% of 35–44 year olds opting to purchase through direct channels. Those in Gen Z and subsequent generations are also more likely to buy insurance for a single need, such as a standalone motor vehicle, versus the more comprehensive set of covers purchased by older or wealthier individuals among the Millennial or older generations. Mature, wealthier individuals hold more assets and face more complex risks, for instance, insuring wine or art collections, which increases their need for tailored risk advice.

Being a multi-channel distributor presents unique challenges and opportunities. In this case, Santam has to weigh up whether to respond to demographic trends through our traditional broker or direct channel. This conundrum has driven product innovation, and Santam is developing a modular insurance solution that will provide cover flexibility and improved service for clients who transact through both the direct and broker channels. The solution will provide a tailored view for each client and allow for real-time quoting, among other benefits.

Consumers Want

47%	transparency on what influences premiums
40%	breakdown of policy extensions, exclusions, and wordings
38%	risk management tips
37%	visibility of claims impact on premiums

The need to service clients in the digital world is also transforming brokers, with many of the country's larger brokerage houses working on their own digital capabilities. It is more cost-efficient for brokers to service smaller clients by adopting automation and digitisation across their distribution infrastructures.

The idea is to attract digital natives by deploying technology and retain them as their cover needs evolve, essentially growing together.

Brokers are well placed to meet clients' expectations in most of these areas.

Santam is leading the way in broker enablement while driving awareness and accessibility of proactive risk management practices. Our SmartProtect platform provides both brokers and consumers – whether Santam clients or not – with access to expert advice and third-party service providers for risk management installations – an added benefit is enhanced customer experience. We've also invested in a Risk Identification and Assessment training programme that equips brokers with the skills to assess risks, enabling them to help clients better understand and proactively manage their specific risks.

Commercial brokers have had their work cut out in recent years, helping businesses navigate exclusions and cover restrictions. The preference is for insurers and brokers to work together to balance risk-appropriate solutions with suitable levels of self insurance. This resonates with Santam's multi-year drive to support its broker partners to transform into trusted risk advisers, not just risk transfer agents.

Brokers assess each client's unique risk landscape using the full range of tools at their disposal and recommend affordable, risk-appropriate solutions tailored to each unique risk profile. Proactive risk management can span from geospatial modelling of on-the-ground risks, to constructs like excess structures and self-insurance where appropriate. At the extreme, brokers are well placed as trusted advisors to have a tough conversation about building protection or potentially relocating a client's manufacturing facility, warehouse, or another fixed asset if, e.g. it is located along a flood line

Sustainable, well-managed businesses that meet scientific underwriting criteria are a benefit to both insurers and brokers, strengthening the overall insurance pool.

One of the encouraging findings from the survey is that half of business respondents are taking positive action to keep insurance premiums in check. They are spending more on early warning systems, security, and vehicle tracking to reduce exposure to crime, poor economic growth, and significant infrastructure challenges. Risk management is key for sustainable insurance, and sustainable insurance is a key pillar of the domestic economy. It takes a concerted effort between business, broker, and insurer to mitigate risk effectively and maintain uninterrupted business operations.

Competitive pricing remains a key determinant in the insurance buying decision.

Around **43%** of brokers (up from **39%** in 2023) changed their insurer recommendation following premium increases, while affordable rates (**34%**) topped the chart as the number one feature brokers look for when dealing with an insurer.

Santam's SmartSME solution will improve commercial lines insurance penetration by offering a limited, no frills, packaged insurance solution for small, medium, and micro enterprises (SMMEs). The product provides basic cover alongside a bouquet of additional cover options and services.

There is concern over subdued volumes of new business quotes, consistent with the overall market. We believe this is partly due to economic pressures, which is confirmed by price being the number one factor. The concern is that more businesses and consumers are underinsured or uninsured. We have, however, seen some growth in the high-net-worth (HNW) individuals segment.

Importantly, business respondents rated excellent service (33%) and a good track record in claims settlement (31%) almost as important as price. In this context, Santam believes that trust, driven by an exemplary claims payment track record and the unexpected value derived from going 'beyond insurance', gives our brokers an edge when advising clients on cover options.

Santam is working hard to shift the narrative from price to value among its broker fraternity. Client experience is one way to differentiate because product differentiation features lower in a price-focussed market.

Quality products that meet clients' needs stood out as important motivators for insurance buyers among both commercial (39%) and personal lines (41%) respondents. Achieving product differentiation is often easier in the commercial segment, where product and risk complexity are heightened. For personal lines, products tend to be commoditised. In either segment, brokers and clients should focus on value over price.

A misconception emerging from the latest survey is that business interruption (BI) cover is unavailable or prohibitively expensive – 44% of business respondents said the cover was unaffordable. Santam indicates that businesses are largely underinsured in this area, and this is a big concern. This presents an opportunity for brokers to educate their clients on the many perils for which affordable BI cover is available. We'd like to see a marked uptick in BI covers over the coming months as this is an exposure that can cripple a business.

Core broker activities remain consistent despite the dynamic macro outlook. Survey respondents in this group said they spent most of their time engaging with clients and prospective clients (50%) and administration and compliance (37%). They say insurers can assist them by offering efficient and fast claims, pricing, quoting, and servicing.

This request aligns with the key demands by businesses and consumers. Giving our brokers an edge in fulfilling these requirements remains a strategic imperative for Santam.

What Insureds Want

Corporate & Commercial:
49% Efficient claims handling
45% Knowledge & expertise
45% Good service/client experience

Consumers:
62% Knowledge & expertise
50% Hassle-free claims

Our approach is two-fold. Firstly, we empower brokers with the information, tools, and training to excel in broker-client interactions. We pride ourselves on the fact that Santam is acknowledged as the best training provider in the industry, as we invest a lot of time and resources into this. Secondly, we have made significant investments in technology to enhance operational excellence, including optimised quoting and underwriting decision making, streamlined claims processing and exceptional service throughout the insurance value chain.

Policy clarity was a recurring theme in the Insurance Barometer survey. Transparency and simplicity in communication between insurers, brokers, and clients is critical. By refining processes and providing brokers with clear, actionable insights, Santam aims to improve the overall client journey. This includes ensuring brokers are equipped to identify gaps in coverage and present tailored solutions that resonate with the unique needs of each client.

Two-thirds of brokers said they wanted a clear breakdown of policy extensions and exclusions. Unfortunately, the varied insurer responses to grid failure and pandemic introduced ambiguity and the potential for differences in interpretation of policy wordings, especially in complex multi-insurer contracts.

Policy wording reviews are underway to provide consumer-friendly, unambiguous, and understandable explanations of cover. Santam has also reinitiated our popular broker advisory forum workshops. These day-long workshops bring insurers and brokers together to identify and solve challenges in areas like market conditions, policy wordings, processes, product, and technology.

Encouragingly, it appears that great strides have been made in building a risk-aware approach to insurance over the past two years, with 90% of broker respondents reporting they view themselves as risk advisors or risk managers.

In Santam's experience, the risk mitigation over risk transfer approach is stronger at mid-market and at commercial lines brokerages. In our last Insurance Barometer, we highlighted a shift towards national brokerages building out expert-led Risk Management Practices (RMPs) to advise clients on appropriate risk management interventions. This trend has gained some momentum over the past two years. National brokerages have continued to expand with risk engineering departments that conduct on-site risk assessments at renewal or onboarding before taking the risk to market for a quote.

In contrast, some smaller commercial brokerages may occasionally rely on prior-year schedules for renewals, requesting updated quotes without always completing the necessary risk surveys. The Holy Grail is for all brokers, small or large, to move from selling policies to advising on risk. This has been the driving force behind Santam's new Risk Identification and Assessment training program, which aims to make risk surveying skills accessible to brokers.

Finally, technology is seen as a major driver of insurance and insurance broking innovation. The artificial intelligence (AI) revolution featured prominently on our 2025 Broker Roadshow programme, and we encourage our brokers to consider how this and other technologies can improve practice efficiency, and free up more time for broker-client interactions.

Santam has been using machine learning and predictive analytics in our claims, pricing, and underwriting environment for some time – and technology and AI adoption across the broker office is a key focus. At a more tangible level, Santam has an in-house innovation lab where we conduct research on Internet of Things (IoT) devices and surge protectors.

Looking ahead to the remainder of 2025 and beyond, our focus is on streamlining ease of doing business and enabling brokers while maintaining strong underwriting practices. We are committed to delivering unexpected value, beyond traditional insurance offerings, through our SmartProtect value-added services initiative, in a market where price often dominates.

Enhancing the client experience through operational excellence and investing in developing talent remain key priorities as we compete for scarce insurance skills. Close collaboration and transparent communication between insurers, brokers, and clients is essential to shift the narrative to one where proactive risk management dominates.

08 Specialist Solutions

Manisha Chiman
Executive Head: Casualty, A&H, Travel, Motor Fleets, Aviation and Vum

Curt Meyer
Executive Head: Construction, Property & Engineering and Marine

Managing complex, unconventional risks for sustainable outcomes

Structuring insurance programmes for large, complex, or unconventional risks requires dedicated expertise and a bespoke approach to underwriting. Specialist insurance solutions are designed to cater to risks that often extend beyond the scope of standard short-term insurance, including aviation, marine cargo and hull, and heavy haulage, to name a few.

Close collaboration between broker, client, and insurer is necessary to structure appropriate cover and manage risk accumulations in this space. This chapter explores developments across the key risk classes underwritten through Santam's Specialist Solutions business.

Santam enjoyed strong performance in 2024, reporting an increase in gross written premium (GWP) from conventional insurance activities. **Premium growth in the Specialist Solutions business was mainly driven by the Engineering and Marine business lines, both of which benefitted from new projects in Africa, excluding South Africa.**

Engineering premiums from the rest of Africa are primarily generated through infrastructure projects, with the scale and timelines of these mega developments contributing to considerable variability from one year to the next. **Domestically, growth in the engineering class was driven by private sector investment in manufacturing and mining, along with substantial renewable energy projects in the sub-100MW range. The Marine class also saw improvements, supported by strengthened partnerships with Sanlam Allianz, and a renewed underwriting focus aimed at better aligning risk with pricing.**

There has also been a continued increase in the limits purchased under the Liability insurance line, particularly through additional policy extensions and product recall cover. This trend reflects growing risk awareness among commercial and corporate insureds, who are not only seeking to transfer risk through insurance but are also placing great emphasis on robust risk management practices.

The 2024-2025 Insurance Barometer survey revealed that most commercial and corporate respondents expect their short-term insurance spend to increase over the coming period. Respondents believe this higher spend will accrue from revaluing assets on cover to prevent underinsurance, but increases could also be due to higher premiums, especially for the Commercial Property business line.

In our experience, underinsurance is less of an issue among large businesses due to valuations being completed annually, at policy renewal. Vigilance is indicated for assets that are priced in U.S. dollars, and commercial and corporate insureds must keep a close eye on the impact of fluctuations in the rand-dollar exchange rate on their cover.

Since the last report, Santam has made significant progress in refining policy wordings, supported by extensive engagement with brokers and clients across all classes of business. Our primary focus is on raising broker awareness about claims and underwriting complexities in the Specialist Solutions landscape and ensuring that technical conversations take place prior to binding an account. We also put in extra work to ensure that our reinsurance treaties align with the underlying policies. Although achieving contract certainty can be time-consuming and tedious at times, this dialogue is critical for accurate, upfront underwriting to avoid disputes at claims stage.

Business survey respondents ranked an understanding of their inherent business risks among the top three things they want from insurers. This is especially relevant in the Specialist insurance space, where we rely on our brokers to articulate clients' risk exposures. Product training – whether face-to-face or online – is an ongoing focus to ensure that our broker partners are sufficiently knowledgable.

Since the last Insurance Barometer, we have noticed a greater willingness among brokers to have the insurer at the table during client onboarding or renewal discussions. This approach contributes to healthier relationships and irons out the ambiguities that arise when selling complex or misunderstood covers, and we support this approach wholeheartedly.

Infrastructure deterioration emerged as a dominant theme in the survey, with significant implications for Specialist Insurance, particularly within the Construction and Engineering lines. Beyond its direct impact on claims and loss ratios through a multiplier effect, failing infrastructure introduces a complex web of interrelated risks that heighten overall exposure.

For example, degraded railway infrastructure redirects cargo onto roads causing more damage to road infrastructure and contributing to a higher frequency of vehicle accidents. Continued infrastructure degradation will result in higher insurance costs for our clients due to elevated exposure – whether through higher deductibles, limits being imposed, or premium increases. These adjustments are part-and-parcel of sustainable underwriting.

A notable shift since the last report is the softening of the reinsurance market. There is now sufficient capacity across most of our business lines, with the Property line benefiting from meaningful rate improvements and Engineering experiencing an oversupply of capacity. South Africa appears to be 'back in favour' with foreign insurers, including those in the London market, following a relatively benign claims environment in 2024.

The downside risk is that reinsurers may reduce rates prematurely, or that insurers respond to soft market conditions by misaligning premiums, limits, and sums insured. **The optimal outcome is responsible pricing that cushions against future volatility – no one wants to be in the position of telling a client their cover will spike by 50%, 100%, or more when the market inevitably hardens.**

Insurers must present a comprehensive value proposition that includes claim-paying capability, responsive client service, agile decision-making, technical expertise, and competitive pricing. Within the Specialist Solutions context, this is further strengthened by maintaining open lines of communication across all business lines.

The 2024 claims experience was favourable, as evidenced in the Santam Limited results. The main driver of the positive Specialist Solutions experience was corrective underwriting actions taken since the 2022-2023 Insurance Barometer; the geocoding of risks; and utilising tools to predict natural catastrophe (NATCAT) exposures. Furthermore, continued monitoring of the various business lines allows for rapid intervention whenever the sustainability of the portfolio is threatened.

Alongside infrastructure deterioration, cyber has emerged as an additional key theme. Cyber threats such as malware and ransomware attacks are also on the rise locally. The severity of these incidents can, however, be reduced with robust preventative risk management practices and a comprehensive insurance policy that responds rapidly and effectively to such incidents, thereby minimising the knock-on effects.

Brokers remain integral to our risk mitigation and underwriting strategy. We are committed to equipping brokers with insights into emerging risks and their implications for sustainable insurance. The goal is to provide appropriate cover while setting limits aligned to the specific risk profile of each client. Innovations like geocoding and geo-mapping are enhancing our ability to underwrite risks such as floods and wildfires with greater precision.

In the following sections, we explore how the evolving risk landscape is shaping some of our specialist insurance lines. We examine emerging trends, the main claim drivers, and how businesses in these sectors – and insurers like ourselves – must adapt to remain relevant and sustainable in this changing landscape.

Aviation

During the 2024-2025 Insurance Barometer period, the aviation market experienced a significant influx of fresh capacity, leading to a sharp decline in premiums being charged on risks.

Meanwhile, exposures are on the rise. Claims in this class of insurance are typically high, and we settled several multi-million-rand claims in 2024. The cost of aviation parts sourced from Europe and the U.S. have increased significantly due to rand depreciation, often making repairs impossible. This, combined with a shortage of maintenance and repair facilities, has created a supply-demand imbalance that enables local repairers to charge premium rates.

There are growing concerns that deteriorating SA-U.S. relations and the proposed trade tariffs could drive claims costs even higher this year, particularly if parts sourced from the U.S. become scarce or prohibitively expensive. A bigger threat stems from South Africa's slow economic growth – we are seeing fewer new aircraft sold, and the size of the market is shrinking.

The most significant threat facing the general aviation market is proposed legislative changes by the South African Civil Aviation Authority. These require the immediate overhaul of certain aircraft engines older than 12 years. Given the shortage of Approved Maintenance Organisation (AMO) capacity, limited availability of parts, and the high associated costs, the proposal is widely viewed as impractical. If implemented as suggested, it could ground approximately 70% of the general aviation fleet – effectively crippling the sector.

Drone cover, mentioned as an opportunity in the last Insurance Barometer Report, remains so, particularly in an environment where Aviation premiums are rapidly falling and repair costs have tripled within three years, with no sign of recovery on the horizon. We are beginning to see growth materialise in the drone space, and we still consider drones the future of the domestic aviation industry, but not without challenges. We are currently navigating strict licensing and other legislative requirements, but this is where Santam excels.

We will offset soft premiums and rising claims costs by focusing on our expertise in claims management and legislative requirements in the aviation market.

Marine

In late 2024 and early 2025, concerns arose around a potential increase in claims volumes due to the ongoing civil conflict in Mozambique. Fortunately, while there were several loss incidents, the impact on Santam Marine was minimal. Cargo-carrying vehicles were targeted and damaged, with incidents of looting and significant delays at border posts due to disrupted cargo movement.

Flood, theft and hijacking, shipping damages due to high seas, and water damage (rust oxidation to steel cargo) were major drivers of our 2024 claims experience.

We expect the trade tariff wars between the U.S. and the rest of the world to have a significant impact on the flow of goods, contributing to rising accumulation risks at ports. The Russia-Ukraine war and Red Sea conflict are still having a significant impact on marine insurers due to the increased risk of war-related damage or ships being diverted away from the affected international waters, thus raising piracy risks.

We are seeing a rising trend in flood damage claims due to heavy rainfall across the country. In addition, Marine insurers are under pressure from increasing incidents of cargo theft, hijacking, armed robberies at warehouses, and shipping-related damages. Underwriting actions to mitigate these and other emerging risks include grid failure and war cover exclusions, and additional NATCAT excesses on storage flood risks.

Lack of expertise and negative perceptions around career prospects are the biggest challenges in the Marine industry. This presents opportunities to upskill and train fresh talent, while exploring how to optimise AI. In terms of product innovation, there is a gap in the market for a disruption-type cover in response to trade flow disruptions.

Transport and Heavy Haulage

Local transport businesses came under significant pressure in 2024-2025 due to crime, deteriorating infrastructure, and weak economic growth. These businesses are deeply impacted by operating cost inflation caused by rising fuel costs and currency fluctuations and often have to shoulder these costs while carrying lengthy payment terms of 90 days for their services. Only businesses that are diversified will continue to be competitive.

In this year's survey, 67% of transport industry respondents reported filing a claim in the past 12 months, with the average claim value rising. Santam's Heavy Haulage business has seen a decline in claims volumes due to a general slowdown in the logistics sector, driven by economic challenges. However, an increase in the average cost of claims is confirmed.

Theft was among the top risks cited by transport firms (36%). Although we've seen a decrease in the overall frequency of claims due to fewer trucks on the road, we've noted a higher frequency of theft claims. In the event of an accident, there is a high likelihood of total cargo loss due to looting, as a consequence, vehicles are often left inoperable. Additionally, theft of tyres and wheels, as well as theft of cargo when trucks are parked overnight.

Santam underwrites a large portion of the country's privately owned, registered heavy commercial vehicles (HCVs). The past two years have seen a favourable claims cycle and more competitive pricing for HCV covers. Due to the favourable claims cycle, we are exploring ways to optimise our product offering to better align with current market conditions and evolving client needs.

We're seeing trucks valued at over R5 million added to our policies on a daily basis. These high-value vehicles, combined with a weakening exchange rate and steep inflation in replacement part costs, are making truck repairs increasingly uneconomical.

As a result, write-offs are becoming more common, driving up average claims costs and putting upward pressure on premiums. In this context, disciplined and responsible underwriting is essential.

Deteriorating infrastructure is a major concern for heavy hauliers. Poor road conditions, exacerbated by severe weather events such as heavy rainfall and flooding, contribute to an increased risk of accidents as potholes are not being repaired quickly enough. In response to rail inefficiencies and efforts to avoid e-tolls, many trucks are diverting to secondary roads not built to handle heavy vehicles, further accelerating road degradation, with some sections of these roads rendered unusable – and they are simply not being repaired. On the plus side, there has been a significant reduction in the mileage travelled by HCVs, which has contributed to fewer accident claims.

Given these challenges, effective risk mitigation is crucial for heavy haulage operators. The most effective mitigant is managing driver behaviour. Encouragingly, we've observed a shift over the past three years from passive monitoring to actively cultivating safer driving habits. Advances in predictive analytics and driver behaviour apps, supported by telematics, have been instrumental in reducing risk exposures by encouraging responsible driver behaviour in compliance with traffic laws, including the use of seatbelts and avoiding distractions like texting while driving. However, adoption remains limited, as the cost of these technologies is still prohibitive in a challenging operating environment.

Travel insurance recovery and shifts

Business respondents to the 2024-2025 Insurance Barometer survey indicated a reduction in domestic travel as a cost-saving measure. Interestingly, Santam's travel insurance portfolio is predominantly derived from international travel. While the strained economic climate may influence corporate travel behaviour, it's too early to gauge the full impact. However, historical trends suggest that companies are more likely to reduce the duration of travel rather than cancel trips entirely.

Four years later, the travel market has yet to return to pre-pandemic levels. Contributing factors include the slow recovery of the domestic economy, ongoing financial strain among South African travellers, rand volatility affecting the cost of dollar-based airline tickets, and the reduced number of aircraft servicing South Africa.

Emerging travel trends show an increased uptake of travel insurance for long-haul flights among South Africans visiting family members who have emigrated to Australia and New Zealand, and for farm workers travelling to the U.S. We're also seeing growing demand from digital nomads and students studying internationally.

As we entered 2025, travel insurance was being placed in a relatively stable pricing environment. However, claims costs are beginning to rise, driven by familiar factors such as Rand depreciation and global medical inflation. A notable concern is the sharp increase in the cost of medical treatment in Dubai, which has exceeded typical medical inflation levels. This is largely attributed to the surge in travel to and through Dubai, coupled with the rise of a professionalised healthcare sector designed to meet growing demand from international travellers. To help offset these pressures, TIC is exploring ways to optimise premiums for long-haul travel.

Casualty: Cyber

Cybersecurity reports consistently rank South Africa as the most targeted country in Africa for cyberattacks. The most frequently targeted sectors include airlines, financial services, telecommunications, and tourism. This is largely due to the sensitive data they store, such as banking details and identification numbers. This type of data is extremely valuable to cybercriminals looking to commit fraud and identity theft, for instance. However, no sector or business – regardless of size – is immune to cyber risk.

IBM's 2024 report on the cost of data breaches report shows SA's financial services sector saw the costliest breaches across industries, with average costs reaching R75.31 million, followed by the industrial sector (R67.26 million) and the hospitality sector (R61.76 million).

According to the Sophos Cyber Insurance and Cyber Defences 2024 report, 52% of the South African companies surveyed have a dedicated cyber insurance policy, leaving 48% of companies facing significant risk. Encouragingly, at Santam, we've seen a sharp increase (albeit coming off a low base) in demand for Cyber policies between 2022 and 2024.

Insurers can boost cyber insurance uptake by enhancing their product offerings and providing meaningful value-added services. These services offer clients a more holistic solution—helping to prevent financial loss through proactive measures while also ensuring effective claims support in the event of a breach.

Santam, for instance, recognizes the need to educate our policyholders on cyber awareness as we have found that human error remains one of the leading causes of cyber incidents. As part of our risk management approach, this training serves as a critical first line of defence. Additionally, we offer a business monitoring tool tailored to small and medium-sized enterprises (SMEs), which scans the Dark Web for leaked data, such as login credentials, personal information, and credit card details – and alerts clients to potential threats. The tool also monitors more than 350 cybercriminal communities, helping to detect and mitigate risks before they lead to a breach.

In Closing...

The shifting risk landscape calls for ongoing innovation and strong collaboration between brokers, clients, and insurers. Insights from the 2024–2025 Insurance Barometer survey reveals a rising expectation for insurers to provide proactive risk intelligence and specialised technical support. Santam Specialist Solutions is committed to meeting this need through disciplined underwriting, tailored product development, and exceptional service to help clients navigate complex risks with greater confidence.

Looking ahead, our focus remains on maintaining underwriting sustainability while supporting clients with practical tools and bespoke cover. As risks emerge in areas such as cyber, environmental liability, and supply chain disruptions, Santam Specialist Solutions will continue to leverage partnerships and technology to deliver effective and relevant insurance programmes for our diverse client base.

09 Agriculture Crop

Daniel Stevens
Executive Head: Santam Agriculture Crop & Heavy Haulage

A careful balancing act of input costs, climate volatility, infrastructure challenges, and a growing skills shortage

Climate change and weather volatility stand out as the top concern among agricultural businesses, with **64%** of respondents to the 2024-2025 Insurance Barometer survey ranking it as their number one concern, up from **45%** in 2023.

Given their exposure to weather volatility and its direct impact on crop yields, it's unsurprising that farmers rank this risk as a primary concern. However, Santam's claims experience during the past two years has not suffered significant catastrophe events.

Concerns over infrastructure degradation in areas such as road, rail, and water also featured strongly, flagged by **25%** of respondents.

Inadequate road maintenance, which is particularly poor in rural areas where potholes are common, significantly hinders the transportation of crops from farms to silos, and to ports for international export. In some instances, farming communities have been forced to step in and repair unusable main roads themselves, adding to their already high input costs.

Farmers face a host of complex, interlinked risks. From our interactions with the industry, their biggest challenge is the sustained rise in essential input costs, such as chemicals, fertiliser, and fuel, over the past several years, and which show no sign of easing. These increases are largely driven by global geopolitical factors, including the Russia-Ukraine conflict and the latest international trade tariffs imposed by the United States.

Farmers feel the "pinch" immediately when inflation rises or production costs like fertiliser go up, likewise with the cost of labour. Nevertheless, they have some control over the final impact of these factors as they can adapt by changing variables such as the planting area and the type of crops they cultivate, among other strategies. On the other hand, weather patterns, infrastructure challenges, and global geopolitical shifts are entirely beyond their control.

Midway through 2025, the jury is still out on whether the African Growth and Opportunity Act (AGOA) deal between the U.S. and South African exporters will be renewed. **Agricultural businesses may find themselves facing margin pressures or having to seek out new export markets for their produce if the agreement is not reinstated or if trade tariffs become unsustainable. At the time of writing, the U.S. had imposed a 30% tariff on South African agricultural imports.**

On a positive note, the U.S. only accounts for roughly 4% of South Africa's estimated USD13 billion in annual agricultural exports, with exports consisting mainly of citrus fruit, nuts, and wine. To counter the U.S.-SA trade challenge, producers will need to explore new trade partners with the support of government. The BRICS countries present opportunities, particularly China and Saudi Arabia, though it can take the government years to open up new export markets.

Santam's Agri-crop policy covers crops against hail, frost, and locust as well as transit to local silos within 100 kilometres.

Weather volatility introduces unique challenges for underwriters in the Crop insurance sector, particularly in the Multi-Peril Crop Insurance (MPCI) space, where demand for cover is often selective and based on expectations of the upcoming weather cycle. To underwrite sustainably in the MPCI space requires that farmers take out annual cover consistently, rather than buy cover one year and not the next. Santam is open to geographic areas where we believe there is a need for improved penetration.

Per this year's Insurance Barometer survey, **71%** of commercial and corporate respondents identified adverse weather as their top insured risk, with around **57%** of agricultural businesses saying they bought crop cover.

To unpack these responses, one has to differentiate between general commercial insurance covers purchased by farming businesses and crop insurance.

Santam's agricultural commercial product offers comprehensive protection across multiple sections, including cover for buildings, machinery, and vehicles used in farming operations. It also includes business interruption (BI) insurance for critical assets downtime due to an insured peril, along with product liability and other essential covers. Crop insurance is purchased to safeguard against crop damage due to adverse weather conditions, most specifically damage caused by extensive hail.

As insurers, it's important to avoid overreacting to short-term market fluctuations. A consistent underwriting philosophy, backed by reliable data, is crucial to ensuring the sustainability of the insurance portfolio. Market volatility is a given, and it's exactly why insurance exists.

The 57% of agricultural business respondents reporting that they buy crop insurance appears high, particularly considering that hail events are not a common occurrence in the Western Cape, so penetration in that region is generally much lower. There is also a trend among large commercial farmers to self-insure or diversify by spreading their risk, this is often done by planting different crops in various geographic regions.

As we began work on the 2024–2025 Insurance Barometer report, the Vaal Dam was 114% full, with five open sluices raising the risk of downstream flooding. Heavy seasonal rainfall contributes to industry-wide debate about what broader weather cycle trends may signal for South Africa.

The El Niño–Southern Oscillation (ENSO) is currently transitioning from La Niña to a neutral state and is predicted to weaken further. However, this does not mean the upcoming summer planting season is a safe bet. ENSO phenomena are complex, and both favourable and unfavourable production conditions can arise from any phase of the cycle, whether El Niño, La Niña, or neutral. Much depends on the timing and distribution of rainfall.

Changing weather patterns continue to disrupt the planting season. Late summer rains in the Eastern and Western Cape saw many farmers delaying planting beyond what is considered the optimal

planting window. One consequence is that we were still receiving hail claims well into May 2025.

Commercial farmers are still taking steps to mitigate weather-related perils. For example, we've seen increased use of hail nets among fruit growers in hail-prone areas. Hail nets require ongoing maintenance, including ensuring that cables and wires are tensioned, that anchor posts have not moved, and that posts are rot free. Netting systems have a lifespan of between eight and 20 years – costing upwards of R400 000 per hectare to install – so, we typically see farmers buying assets cover for the netting in addition to hail cover for crops.

While the threat of loadshedding, highlighted in the 2022-2023 Insurance Barometer, eased somewhat, it remained a significant challenge for farmers in 2024.

Persistent disruptions continued to pose operational risks, particularly for farmers reliant on energy-intensive irrigation systems, cold storage, and processing facilities, where outages contributed to higher spoilage rates for perishable goods. Power surges led to increased equipment and machinery damage claims for automated systems, cooling units, and pumps. In response, many farmers invested in alternative energy solutions, including solar and diesel generators, placing additional strain on already narrow margins and resulting in a rise in fuel theft and generator failure claims.

The state of South Africa's water infrastructure was topical early in 2025, and around

9% of commercial and corporate respondents were concerned about interruptions to water supply.

For irrigation farmers, the main concern is not water availability but rather poor water quality, as the rivers they rely on are often polluted due to inadequate municipal service delivery. It is an emerging risk trend in the context of the percentage of domestic crops produced under some level of irrigation, including maize, soybean, and wheat.

The cost and perceived value of Crop Insurance is on the rebound after a tough 2022-2023 period. In certain areas rates are currently the lowest they have been for some years, and we continue to monitor our long-term claims ratio to ensure that our pricing is sustainable. Agricultural businesses receive significant value from crop insurance, as illustrated by the hundreds of millions in claims paid every year.

A reality in this business line is that farmers can do very little to mitigate against the perils their crops are exposed to. **From our perspective, once a loss event is notified, provided it isn't a full loss, we expect farmers to continue applying 'best practice' farming methods, as harvesting what remains of the crop can significantly reduce the final claim value.**

Geocoding and geo-mapping can offer useful insights for agricultural businesses and insurers alike. Santam requires geolocation data of all the

lands that we insure under the Agri-crop business, and this data informs our risk accumulation and underwriting decision-making.

The last Insurance Barometer spent some time exploring the potential in insuring subsistence farmers' crops against drought and excess rain. The regulatory authority has since granted Santam a licence to offer parametric insurance in the agricultural sector. It is the first and only parametric licence issued in South Africa.

We are exploring partnerships with the Department of Agriculture, Grain SA, and other international parties and are hopeful that it will eventually lead to a viable solution for the sector and in particular small holder or new era farmers. In other parts of the world, including some African countries, where parametric solutions have successfully been implemented, governments subsidise these insurance programmes by paying a portion of farmers' premiums – this is to help improve food security. As South Africa is a net exporter of agricultural products, food supply is not a major concern here, therefore, a different model is needed.

One of the most pressing challenges facing the agricultural sector, both locally and globally, is the shortage of skilled labour. The skills gap is particularly prevalent in specialised areas such as farm management, agri-tech adoption, precision agriculture, and data-driven farming. An aging workforce, with many experienced farmers retiring and few young professionals entering the field, compounds the issue.

At the same time, modern farming is increasingly reliant on technologies like drones, sensors, AI-driven decision-making tools, and automation, yet many farm workers lack the training to operate and interpret these tools effectively. Without the right skills, farms are unable to fully realise the productivity and sustainability benefits these tech innovations offer. A further concern is that agricultural education and training programmes struggle to keep pace with the rapid advancement of agri-tech.

Santam has for many years been a Main Sponsor for the Young Farmer of the Year competition.

Farmers cannot influence the arrival of a hailstorm, the timing of rainfall, or the fallout from geopolitical developments that raise input costs or close off export opportunities. That is precisely why access to reliable, well-priced risk transfer remains critical for South Africa's commercial farmers.

As the risk landscape evolves, so too must the tools that insurers and Brokers offer to the sector. Whether through more effective use of geocoding, the introduction of parametric solutions, or deeper engagement with co-ops and brokers, **Santam's focus remains on ensuring access to sustainable, well-structured crop insurance, but the growing skills shortage must be addressed.**

10 Building Resilient Communities

Neptal Khoza
Head: Market Development

Building resilience and sustainability through a shared value partnership approach

Communities in South Africa are more exposed to the unpredictability of climate change and weather volatility than those in Europe, the United Kingdom, and the United States (U.S.). Losses due to drought, flood, and wildfire pose significant risks to lives and livelihoods in both rural and peri-urban settlements.

Santam's Partnership for Risk and Resilience (P4RR) was established in response to a government appeal for private sector support of municipalities through the 'Adopt a Municipality' initiative. We aligned the programme with our long-term aspiration to narrow the risk protection gap, recognising that the most effective way to achieve this is to develop affordable and accessible insurance solutions, educate, and strengthen capabilities at a municipal level.

Over the past 12 years, we have invested more than R120 million in building resilient communities, supported 102 municipalities, and reached over 28.8 million people.

Every year, we expand our programme with new partnerships to support more vulnerable communities. Most recently in 2023, we partnered with the Joe Gqabi and Pixley Ka Seme District Municipalities, and earlier in 2025, the City of Ekurhuleni and Nkangala District Municipality. Partnerships run for three years and include equipment donations, risk mitigations such as flood reduction activities, and critical training.

City of Tshwane stormwater cleaning initiative
The City of Tshwane faces increasing flood risks due to blocked stormwater drainage systems. Littering, and other urban challenges, which has been the cause of significant losses.

To tackle this problem, the City partnered with Santam's P4RR programme to launch a pilot project aimed at cleaning stormwater drainage facilities in three targeted regions. This initiative commenced in November 2023 and ran for 16 months – imparting valuable experience and skills to 10 learners selected by the City's Leadership Academy.

Santam is supporting the project by providing stipends and personal protective equipment (PPE) for the learners, as well as funding the hire of specialised high-pressure machinery necessary for effective cleaning. Through this initiative, Santam and the City have cleaned over 1 000 stormwater catchpits, mitigating flood risks in the process. Santam plans to replicate this initiative in other high-risk areas.

District Municipalities such as the Cape Winelands, Capricorn, Overberg, and Thabo Mofutsanyane have reached the end of their participation in the P4RR programme with a range of positive outcomes. The development and implementation of Climate Change Adaptation (CCA) plans stands out as a key risk management milestone alongside an improved understanding of risk among councillors and traditional leaders. Each of these districts also reported improved morale among firefighters and disaster risk management personnel.

The P4RR initiative is designed in such a way that when Santam's involvement ends, the District Municipality is empowered to continue along its resilience and sustainability path – these are the advantages of partnerships based on shared value, with a focus on collaboration, co-creation, and ownership.

P4RR aims to capacitate municipalities to manage disaster risks and help them to build resilient, sustainable communities. Most of the districts we partner with receive resources in the form of equipment alongside training on CCA plans. These plans are based on a credible and scientific risk profile of each district and are implemented in partnership with the Council for Scientific and Industrial Research (CSIR).

Santam intends for municipalities to continue benefiting long after the three-year P4RR partnership comes to an end. One way to achieve this is by training municipal employees in important areas like firefighting and risk management, embedding these skills within the municipal frameworks.

In an exciting development, the P4RR model has been replicated in the form of a multi-insurer supported Fire Services Fund. Through collaborations with relevant partnership, including organs of state, this fund aims to build resilient solutions for fire services in South Africa. This cements the P4RR as a catalyst for sustainable change.

Enhancing veldfire response
The Cape Winelands District Municipality has faced significant challenges in responding to veldfires.

In November 2021, Santam, alongside several insurers, launched a pilot programme through a consortium to establish a Quick Reaction Force (QRF) to enhance aerial firefighting capabilities. This initiative focuses on rapidly responding to fire incidents within a 50km radius of Stellenbosch to prevent the spread of fires until ground-based resources can arrive.

Santam has played a pivotal role in the ongoing implementation of the QRF. In 2024, the programme expanded to the lowveld area, specifically around Mbombela, in collaboration with the Lowveld Escarpment Fire Protection Association. These initiatives have since proven their worth in protecting livelihoods and reducing fire-related losses and fatalities. As an example, a fire broke out at Skukuza Airport in October 2024. The QRF team was deployed and their fire suppression efforts successfully contained and minimised damage to the facility, allowing operations to continue.

In recent years, flood events in the Eastern Cape, KwaZulu-Natal, and Western Cape have highlighted the disproportionate impact of such disasters on vulnerable communities. Aside from the P4RR programme, Santam directs corporate social investment expenditure towards disaster response. When risk mitigations are inadequate, fail, or when the catastrophe is simply too large, an all-hands-on-deck response is essential.

One standout flood risk mitigation initiative involved a collaboration between P4RR and Santam's Risk Services Division. We teamed up to conduct flood modelling studies in selected high-risk areas in Ladysmith, Bethlehem, and on the Vaal River from Bloemhof to Douglas. These studies provide up-to-date risk data critical for underwriting and risk mitigation initiatives.

There is also real potential to expand the P4RR into the areas identified by corporate and commercial survey respondents as ways to mitigate against extreme weather losses, including building flood defences, clearing vegetation, and improving maintenance. Incorporating businesses into a coordinated flood and wildfire defence initiative can significantly enhance the resilience of entire communities.

Businesses often have resources, expertise, and logistical capabilities that, when combined with governmental and community efforts, can create robust defence mechanisms against extreme weather events. Insurers can also play a key role by investing in infrastructure upgrades such as flood barriers and firebreaks and embedding resilience practices into their underwriting criteria.

A public-private partnership (PPP) approach allows for shared responsibilities and benefits, making it easier to pool resources, share risks, and leverage expertise across sectors. This model not only amplifies the impact of resilience-building efforts, it also aligns the interests of businesses and communities in creating safer, more future-fit environments. Furthermore, businesses participating in such initiatives can often enhance their reputation and demonstrate their commitment to being good corporate citizens.

The P4RR shares some characteristics with PPP, but its primary focus is on risk management and building resilience rather than infrastructure development – P4RR is about capacity building within municipalities, whereas PPP is about partnering with government on big capital projects.

Brokers are in support of either approach, as indicated by survey respondents who favoured both P4RR (51%) and insurer involvement in PPP (45%) as ways for the insurance industry to support government in addressing risk from deteriorating infrastructure.

There is a growing hope that insurers can find workarounds for the country's tough competition legislation and collaborate on infrastructure-related initiatives. Insurers can address systemic issues more effectively together as opposed to competing in fragmented approaches. The multi-insurer QRF initiative offers a glimpse of what can be achieved when insurers put their collective minds to a challenge. It is a successful, sustainable annual programme that protects lives and livelihoods through rapid response to wildfires in the Western Cape Winelands and Lowveld.

The pressing question is whether similar partnerships can help stem the rising costs associated with extreme weather-related disasters, cybercrime, and aging infrastructure – and whether cross-sector collaborations can measurably reduce rising losses. In Santam's world, the initial feedback from P4RR is promising. We believe that implementing climate change adaptation plans at the district municipality level will yield dividends over the long term, as will municipality-specific interventions like the stormwater drainage cleaning initiative piloted in the City of Tshwane.

The hands-on approach under P4RR allows for tailored solutions that directly address local needs, aligning with Santam's overarching social impact goals. There is no one-size-fits-all approach to the challenges presented by climate change – and we have to engage local partnership in alignment with broader global focuses.

Building resilient communities safeguards economic, natural, and social capitaly. Programmes like P4RR contribute to sustainable underwriting by ensuring that communities can withstand and recover from risks, ultimately reducing claims and supporting our long-term industry viability.

Collaboration among partnership is crucial for building resilient communities. Each stakeholder in the P4RR remit brings unique strengths:

communities provide local knowledge and engagement; government offers policy frameworks and resources; research institutes bring research instruments and capabilities; and NGOs are often on the ground providing disaster support. Finally, insurers contribute risk management expertise and financial support.

The Green Book online resource
The Green Book is an online research designed to empower municipalities in spatial planning and human settlement development within the climate change adaptation construct. Initially, this project focused on equipping 24 municipalities with climate change adaptation (CCA) plans. To date, 20 have received comprehensive plans, while 4 were trained to utilise the Green Book effectively. Over the next two years, the emphasis shifts to implementation. Santam and the CSIR are working with the Ugu and Vhembe District Municipalities to integrate CCA plans into essential municipal frameworks like Spatial Development Frameworks, Integrated Development Plans, and Disaster Management Plans.

A synergistic approach ensures that resilience-building efforts are comprehensive and sustainable.

Since the 2023 Insurance Barometer report, there has been a notable improvement in municipality buy-in to the P4RR process. More municipalities are recognising the value of partnering with the programme, seeing us as vital allies in safeguarding communities against risks. This growing interest reflects a broader acknowledgment of the importance of collaboration in risk management.

Among the positive outcomes is that municipalities are more prepared to allocate resources toward risk mitigation efforts, understanding that proactive investment in resilience can save substantial costs in the long run. By directing funds to such initiatives, municipalities can reduce the impact of disasters and ensure more stable and secure communities.

The P4RR programme plays a central role in strengthening local disaster preparedness and response capabilities. Through close collaboration with municipalities and communities, P4RR supports the development and implementation of effective disaster management plans and promotes risk awareness to mitigate the impact of natural and man-made hazards. These initiatives contribute to fewer losses, faster recovery, reduced claims, and improved financial stability for insurers and policyholders alike, while aligning with broader sustainability and corporate responsibility objectives.

11 Conclusion

Underwriting with foresight: the key to long-term insurance sustainability

The 2024-2025 Insurance Barometer confirms that South Africa's insurance industry is contending with one of the most complex and challenging risk landscapes in decades. From deteriorating infrastructure and sluggish economic growth to weather volatility and escalating cyber threats, today's risks are deeply interconnected, increasingly persistent and harder to predict.

A clear message that has emerged from our research and our interactions with brokers is that confidence is earned. Clients expect insurers to deliver relevant, fairly priced solutions - and to honour them when it matters most, at claims stage. Brokers expect alignment between insurer decisions and on-the-ground realities, backed by efficient service and transparent communication, especially in policy wordings.

Ensuring that products are enhanced in response to the evolving risk landscape and aligned with global reinsurance terms is key to insurers continuing to provide meaningful cover in an increasingly volatile world.

Over the past year, much of our focus has been on rebuilding broker confidence. As outlined in this report, brokers have had to navigate difficult conversations with clients following successive underwriting actions between 2022 and 2024. Higher excesses for selected risks, segmented premium increases and enhanced risk acceptance criteria left many brokers in need of clearer explanations and stronger support in contextualising the reasons for the changes. That message has been heard. We are actively investing in enhancing support for our Broker base, ranging from streamlined systems and pre-sales tools to more accessible service structures and targeted broker training.

The 2024–2025 Insurance Barometer underscores the impact of recent engagement efforts. Many brokers report that their clients now have a stronger grasp of the rationale behind underwriting changes – particularly where insurers have taken the time to explain how crime, infrastructure decay, and weather volatility affect risk pools. Encouragingly, broker-led risk advisory services are also gaining traction, with a growing appetite among brokers to provide informed, proactive advice. With nearly 80% of Broker respondents expressing confidence in the year ahead, there is real cause for optimism.

Affordability remains a pressing concern across both Commercial and Personal Lines. High-net-worth clients are reassessing their sums insured, while SMEs are increasingly opting for simplified products or self-insuring. The muted economic growth outlook adds further pressure, as insurers compete for premium in a crowded insured market. This environment prompts critical questions around access, pricing fairness, and the industry's broader responsibility in narrowing the risk protection gap.

Consumer respondents to the latest survey are seeking personalised solutions, such as cover for specific assets and premiums based on vehicle usage. We remain focused on bringing relevant, responsive products to market, while also simplifying and streamlining existing offerings. Santam's modular Personal Lines product and simplified SME solution are early examples of how we're aligning coverage with evolving client needs. But there's more to be done. One key opportunity lies in offering proactive, support-based risk prevention services to help consumers better manage their risk.

We must continue advancing product and process innovation, without compromising underwriting discipline. This is a challenging task in a world where loss drivers range from natural catastrophes to uncontrollable risks like cybercrime and infrastructure degradation.

Recent claims trends underscore the need for balance. While claim volumes have stabilised, average claim severity continues to rise. Against this backdrop, we are enhancing our claims control frameworks by introducing sub-limits, harnessing data insights, and investing in risk education.

Technology will shape the next wave of insurer innovation. Tools like geocoding and spatial risk modelling are embedded in Santam's portfolios, enhancing our ability to detect risk concentrations and make informed underwriting decisions. Artificial Intelligence (AI) is increasingly being leveraged to streamline administration, enhance claims processing, and refine risk rating, with vast potential for future applications. However, the accelerated adoption of technology brings new challenges, particularly in managing cyber risk and growing third-party dependencies. While automation can drive efficiency at scale, it must be implemented with a strong focus on maintaining accountability and control.

A clear example of the risk posed by infrastructure degradation is the impact of poor road quality, and delays in pothole repairs, has on the motor insurance claims environment. We believe our ongoing work with 102 municipalities through Santam's Partnerships for Risk and Resilience (P4RR) programme is contributing meaningfully to addressing the pothole issue.

Santam's Smart Broker strategy is helping us build a service that offers clients more than just insurance. Accredited service providers, Internet of Things, partnerships, safety enhancements, and measures for fire or surge prevention are all becoming part of the insurance value proposition, indicating a shift in the industry from simply paying claims to actively helping prevent them.

The value of partnership is emphasised in several chapters of this year's Insurance Barometer. Public-private partnerships (PPPs) along with industry-municipal cooperation in areas such as fire response, infrastructure maintenance, and stormwater management are being tested in real-time. As the insurance industry looks ahead, cultivating and maintaining these partnerships will become a defining feature of resilience.

Fundamental to all these trends is the crucial role of underwriting – our capacity to accurately assess risk, apply suitable terms, and manage accumulation exposure. It also facilitates innovation – because without solid fundamentals, new product development, digital engagement, and expanded coverage all rest on precarious ground. Underwriting must continue to advance, informed by data, driven by technology, and anchored in sound actuarial and risk management principles.

South Africa's insurance market continues to evolve in response to a shifting operating environment. At Santam, we are embedding resilience into every aspect of our engagement with clients and brokers — from contract wordings and product design to risk pricing and underwriting. This approach is driven by a firm belief that insurance plays a vital role in restoring financial stability. With the right partnerships, tools, and intent, our industry has the potential to build a stronger bridge between risk and recovery — and between today's challenges and tomorrow's opportunities.

As the risk landscape evolves, so too must the partnership between insurer, broker, and client. Broker confidence remains a critical driver of client trust, especially in high-stakes environments where affordability is strained, cover complexity is rising, and the costs of underinsurance are high.

this is freedom