

# 05 Personal Lines



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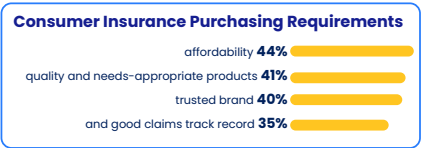


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The Personal Lines book has made steady progress in the two years since the last Insurance Barometer Report was published. Consumers in this segment tend to buy insurance for mainstream risks like loss or damage to their motor vehicles, household contents, 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.



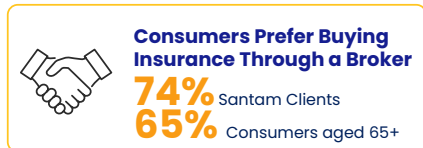
## Focus shifts to emerging risks amid stabilised claims environment – how economic strain and tech trends are shaping Personal Insurance

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.



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.