# 08 Specialist Solutions

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## 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.