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South Africa outlook

Opening pathways to greater resilience



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Executive summary

South Africa's outlook is improving, with support from sectoral reforms and easing monetary policy.

South Africa's economy and large life insurance sector have an outlook of steady growth and improving resilience, supported by reforms that remove some of the constraints on key sectors such as transportation and pensions. We forecast real GDP growth at 1.4% in 2026, up from 0.9% in 2025, supported by lower borrowing costs; moderate real wage growth, and an improving electricity supply. Uncertainty over the impact of US tariff policy on the economy is heightened since the US introduced a 30% tariff on about 5% of South Africa's exports in August. Over 2027–2030, real GDP growth could reach 1.8% on average per year, still below the level needed to meaningfully reduce unemployment and improve living standards. We see further reforms and infrastructure investments, including recent multilateral loans, as key to support growth to reach its potential annual rate of 2% and address long-standing socio-economic gaps.

Life insurance premium growth is set to be moderate but steady at 1.7% in real terms in 2026, reflecting falling sovereign yields.

The life insurance sector is set for moderate growth as the monetary easing cycle leads to lower long-term government bond yields, which will likely make annuity guarantees less attractive in 2026. We expect life premiums to grow by 1.7% (in real terms) in 2026 and by ~2% between 2027–2030, vs. 2.6% estimated growth in 2025. South Africa has one of the highest life insurance penetration rates globally (9.5% in 2024) driven by savings products, yet demand is concentrated in a small base of formally employed households. The risk product mix is heavily skewed to funeral policies, but these do not create wealth or enhance financial resilience. South Africa consequently has a large life and disability protection gap (ZAR 34.3 trillion or ~USD 2.3 trillion as of 2021).[1] We see an opportunity for insurers to shift product uptake into more appropriate and effective simplified life (protection) covers. This could both unlock higher demand and narrow the protection gap.

New pension reforms improve the robustness of South Africa's retirement saving system.

Pension reforms are expected to strengthen retirement saving rates in South Africa. The new "two-pot" system introduced in September 2024 splits pension contributions into a flexible savings pot that can be accessed easily, and a retirement pot that preserves two thirds of individuals' pension contributions until retirement. In contrast, the previous system allowed individuals to withdraw all savings when they left their job, which led to persistent low preservation rates, modest contributions and high leakage. This left only 6% of citizens on track for a comfortable retirement, despite South Africa having large pension assets of an estimated USD 322 billion (85% of GDP) overall. The shift to a higher rate of long-term fund accumulation may in the short term dampen demand for annuity saving products. However, over the long term it should create opportunities for insurers to offer hybrid products and engage members with more frequent touchpoints.

The non-life insurance sector is expected to grow by 2% in real terms in 2026.

In non-life insurance we expect premiums to grow by 2% (real terms) in 2026 and also during 2027 to 2030. Motor (40% share of non-life) is forecast to grow by 2.5% in 2026 as consumer spending and vehicle sales should benefit from lower interest rates. We see Property (32% share of non-life) growing by 2.8% in real terms as exposures grow steadily. Smaller lines of business such as liability and health will likely be flat in real terms. They face headwinds such as weak growth in liability exposure, low capex rates, and the 2026 launch of National Health Insurance, which we see limiting private health insurance growth. The non-life profitability outlook is robust for 2025 and 2026 given improving claims experience and stable investment yields.

Natural catastrophe losses are now structurally higher than a decade ago, have exposed the protection gap.

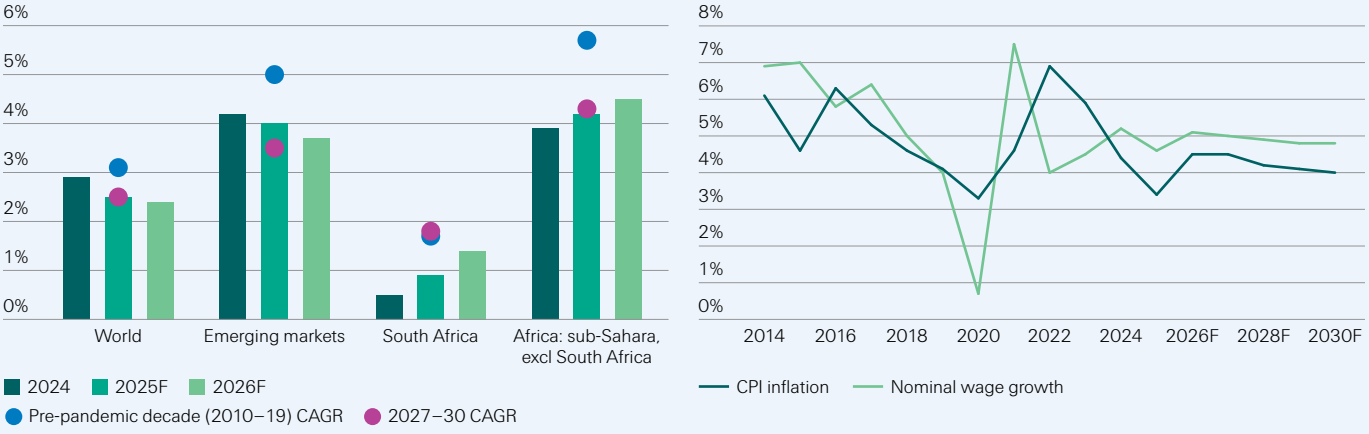
South Africa's natural catastrophe losses are now structurally higher than in previous decades, driven by urbanisation, climate change and coastal vulnerabilities. Floods are the most damaging, and highly insured, natural catastrophe peril. The record economic losses of USD 3.7 billion from the 2022 KwaZulu-Natal floods pushed up the average annual economic loss to USD 846 million for 2015–2024, from USD 308 million annually in 2005–2014. South Africa also has large protection gaps in other secondary perils such as drought, and we estimate the overall protection gap at 82% as of 2023. The government and the insurance industry today prioritise climate resilience, risk reduction, and innovative financing such as parametric covers and public-private partnerships, to mitigate future shocks.

[1] Estimate by the Association for Savings & Investment South Africa (ASISA).

Key takeaways

We forecast South Africa's real GDP growth to edge higher in 2026, supported by easing supply-side constraints, lower borrowing costs and modest real wage gains.

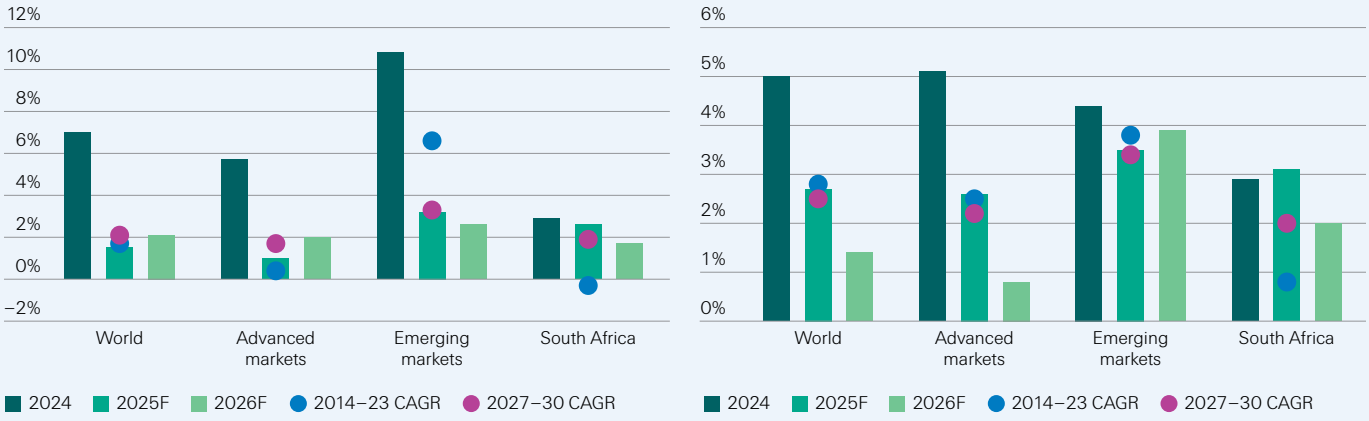
Left: Real GDP growth by region. Right: Headline inflation and nominal wage growth



Note: F = forecasts. Source: Swiss Re Institute

We see moderate insurance sector growth in the next two years as interest rates ease and the non-life market softens.

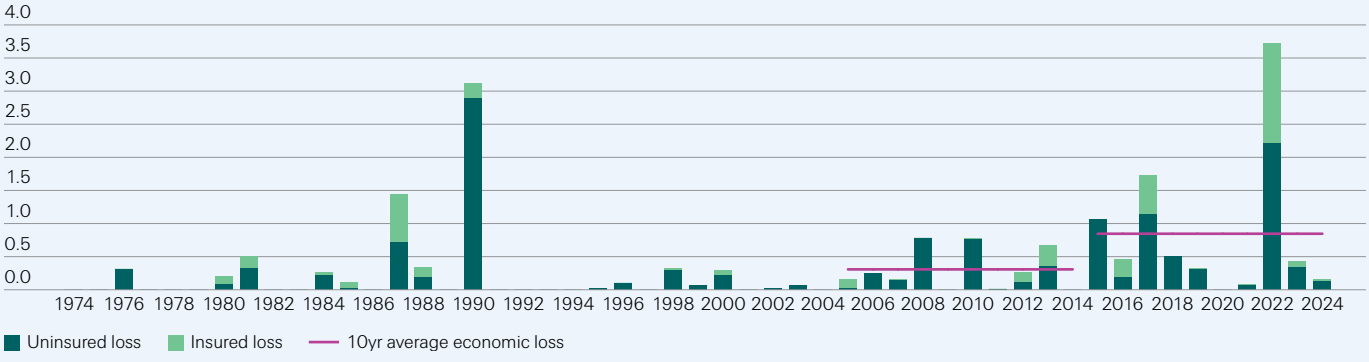
Left: Life insurance premium real growth, by region. Right: Non-life insurance premium real growth, by region



Source: Swiss Re Institute

Natural catastrophe losses increased significantly in the past decade

Insured and uninsured natural catastrophe losses in South Africa (USD billion, 2024 prices)



Source: Swiss Re Institute

Economic outlook: cautious optimism

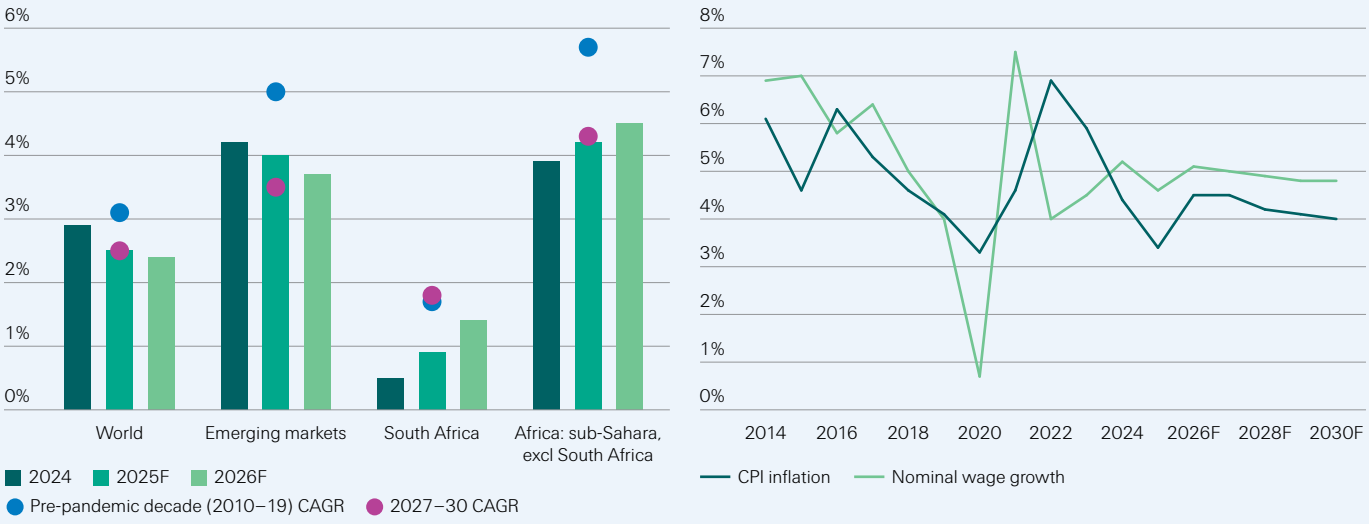
We see real GDP growth improving but modest at 1.4% in 2026 vs. 0.9% in 2025.

South Africa's economic growth is expected to pick up modestly next year, supported by lower interest rates, sectoral reforms and easing infrastructure bottlenecks. We forecast real GDP growth to improve to 1.4% in 2026 from an estimated 0.9% in 2025 (see Figure 1 left) as domestic demand benefits from lower borrowing costs and moderate real-wage gains. Domestic demand tailwinds are positive for growth as household consumption accounts for the bulk of expenditure in GDP (~67% vs fixed investments 14%; exports 28%). Supply-side conditions are also improving, with electricity supply recovering from the 2023 peak outages,[2] and significant easing of vessel congestion at Durban port in 2025.[3] The improving outlook comes after three years of less than 1% annual real GDP growth driven by structural constraints, low investor confidence and low investment rates.

Higher US tariffs are a risk to the economic outlook.

The US imposed tariffs of 30% on a range of South Africa's exports to the US, effective since August 2025 (see *US tariffs heighten economic uncertainty*). In effect, about 5% of South Africa's total global exports are subject to the higher US tariffs after accounting for exemptions to critical commodities. The government estimates this could reduce GDP growth by 0.2 percentage points annually and we factor this into our forecast.[4] Still, South Africa also has a strong services sector including a large insurance industry.

Figure 1
Left: Real GDP growth by region. Right: Headline inflation and nominal wage growth



Source: Swiss Re Institute

Real GDP growth is expected to move closer to its 2% potential rate in the medium term.

Over the medium term (2027–2030), we expect real GDP to grow at a CAGR of 1.8%, narrowing the gap with pre-pandemic long-term growth (1.7% over 2010–2019) and converging to the potential growth rate of 2%.[5] Structural reforms, such as opening the freight rail network to private operators, and the government's ZAR 146 billion (~USD 8 billion) guarantee for Transnet, should lower logistics costs, lift business confidence, and

[2] *Eskom's power system remains stable, with 105 consecutive days without loadshedding,* Eskom, 29 August 2025.
[3] *Deputy Minister Mkhuleko Hlengwa: Site Inspection at the Port of Durban | South African Government,* Department of Transport, 6 June 2025.
[4] *South Africa's Response Measures to the US tariffs,* The Department of Trade Industry and Competition, 4 August 2025.
[5] *Monetary Policy Review – April 2025,* SARB, April 2025.

spur private investment.[6,7] Sectorally, finance, real estate and business services (including insurance) could continue to be a significant contributor to growth, while the easing of supply constraints should enable manufacturing, transport and trade to contribute more positively to growth over the medium-term. Nonetheless, growth would still be below the 3.5% needed (PwC estimate) to materially reduce unemployment and raise living standards meaningfully.[8]

Global economic uncertainty and political frictions cloud the near-term growth outlook.

Risks to our growth outlook tilt to the downside amid elevated global economic and political uncertainty. Though the direct effect of the US tariff is modest, a loss of export competitiveness in the US (in the absence of a trade deal) and margin pressures in strategic sectors such as agriculture and auto could add to already high unemployment (33% in 2024). Spillovers from weakening business sentiment, and slowing global demand could weigh on private investment, which is already sub-optimal. In addition, domestic political uncertainty, particularly due to disunity within the Government of National Unity, could erode business confidence and could stall ongoing reforms.

Significant infrastructure spending would be required to move growth nearer to the potential 2% rate.

Moving closer to the real potential growth of 2% over the medium-term would require reform continuity and an accelerated pace of investments. In this context, the recently announced multilateral financing (USD 1.5 billion from the World Bank and USD 475 million from the African Development Bank) will create fiscal space for capital expenditure, addressing years of infrastructure underinvestment.[9,10] Restoring investor confidence and lifting competitiveness also demands broadening the reform agenda beyond energy and logistics to include debt stabilisation and labour-market reforms.

We see inflation staying at about the mid-point of the official target range in 2026–2030.

We expect headline inflation to rise to 4.5% in 2026, from 3.4% in 2025, driven by demand strengthening, second-round effects of a higher fuel levy,[11] and electricity tariff hikes.[12] Risks are tilted to the upside as the worsening foot-and-mouth disease outbreak is pressurising food (particularly meat) prices.[13] Rand volatility amid global trade uncertainty remains a near-term risk to import prices, although the currency has been broadly stable through 2025 aside from brief swings in early April and August. If the administered price and external shocks are contained, we could see headline inflation easing to ~4.2% over 2027–2030.

Credible anchoring could push inflation lower than our forecast over the medium term.

The South African Reserve Bank (SARB) in July 2025 adopted 3% as the de facto point target for inflation (while the formal 3–6% band remains), signalling a preference for inflation at the bottom of the target range. If the central bank succeeds in anchoring expectations closer to 3%, the medium-term inflation path could undershoot our baseline. That said, although the SARB's policy credibility is high, past inflation outcomes alone are not a reliable guide of future inflation rates nor a guarantee of lower inflation expectations, especially given that low growth and growth potential have contributed to recent years' disinflation.

The monetary policy easing path depends on the SARB's ability to anchor inflation expectation close to 3%.

The SARB began easing monetary policy in September 2024 and has cut the policy rate by 125bps since, bringing the repo rate to 7% by September 2025. Further easing this year and 2026 and onwards will depend on the SARB's ability to anchor inflation expectations close to 3%. The central bank's estimate shows that with an inflation target close to 4.5% (the mid-point of the target range), the corresponding policy rate bottoms out around 7%. However, if the 3% inflation anchor (lower bound of the target range) gains credibility, the terminal policy rate could move closer to 6% by 2027.[14] A lower, credible anchor supports lower inflation and rates, which would be positive for growth and financing conditions.

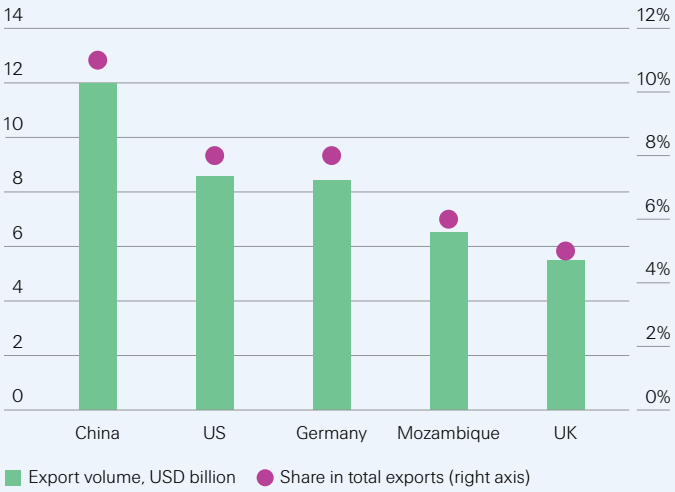
[6] *South Africa opens freight rail network to private firms,* Reuters, 22 August 2025.
[7] *Transport on approval of additional guarantees for Transnet*, South African Government, Department of Transport, 27 July 2025.
[8] *South Africa Economic Outlook – January 2025,* PwC, January 2025.
[9] *Treasury and World Bank sign US$1.5 billion Development Policy Loan Agreement, South African Government,* 23 June 2025.
[10] *AfBD releases $475 million dollar to South Africa for energy, transport reforms,* Energy in Africa, 2 July 2025.
[11] *South Africa Announces Fuel Levy Increase and New Fiscal Measures for 2025/26,* Central News, 21 May 2025.
[12] *South Africans in for shock with bigger electricity price hikes*, The South African, 28 August 2025.
[13] *The looming crisis: Foot-and-mouth disease and avian flu's impact on South African meat prices*, IOL, June 2025.
[14] *Statement of the Monetary Policy Committee July 2025,* SARB, 31 July 2025.

US tariffs heighten economic uncertainty

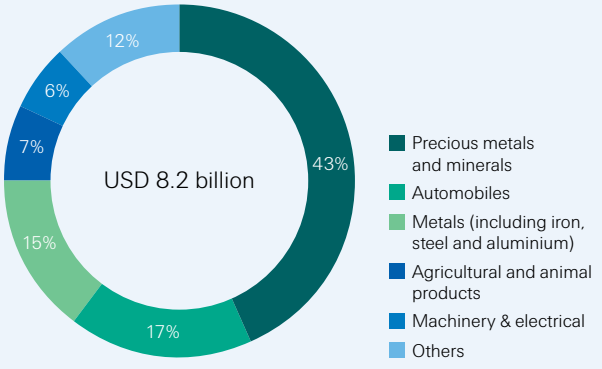
Around 5% of South Africa's total exports are exposed to higher tariff of 30%.

The US is South Africa's second largest export destination with a 7.7% share of total exports (see Figure 2). However, about 35% of South Africa's exports to the US are tariff exempt, including critical minerals and platinum group metals (PGMs). In 2024, about three quarters (76%) of South Africa's exports of minerals and precious metals to the US were PGMs.[15] Accounting for the exemptions, in effect, about 5% of South Africa's total global exports are exposed to the higher US tariff.

Figure 2
Left: South Africa's top five export destinations, 2024. Right: Composition of South Africa's exports to the US, 2024



Source: South African Revenue Service, Swiss Re Institute



Source: UN COMTRADE, Swiss Re Institute

Automotive and agriculture are the sectors hit hardest by the US tariffs.

The reciprocal tariffs effectively override the benefits South Africa receives under the African Growth and Opportunity Act (AGOA), which previously allowed duty-free access to the US market for many exports.[16] This preferential trade agreement between the US and South Africa was set to expire on 30 September 2025 (at the time of publishing there was no renewal agreement). The most-impacted sectors will be auto and agriculture (particularly citrus), the top beneficiaries under AGOA. Industry reports suggest that thousands of jobs could be lost in these sectors as domestic production declines due to erosion of export competitiveness in the US market.[17,18]

Strategic trade diversification and upgrading manufacturing are key to long-term resilience.

In response, the South African government has rolled out an economic support package which includes setting up an Export Support Desk to help companies find and shift into alternative markets. At the same time, the government is developing the Export and Competitiveness Support Programme (ECSP), which will feature a working capital facility and a plant and equipment facility to meet short to medium term financing needs across sectors. In the long run, South Africa could benefit from market diversification and deepening participation in existing agreements like the African Continental Free Trade Area (AfCFTA). Simultaneously, efforts should be taken to enhance its manufacturing capabilities to move up the value chain and reduce reliance on raw material exports.

[15] *Key South African mineral exports to the US excluded from damaging tariffs, says Minerals Council South Africa*, Minerals Council, 3 April 2025.
[16] *AGOA.info – South Africa AGOA and Trade Overview.*
[17] *US tariffs threaten 35 000 citrus jobs in South Africa, farmers say*, Reuters, 8 April 2025.
[18] *Naamsa Responds to U.S. Tariff Measures and Presidential Correspondence*, Naamsa, 14 July 2025.

Outlook: life insurance

Insurance sector tracking moderate growth

South Africa's insurance market is the fifth largest of emerging economies.

South Africa has the fifth largest insurance market of global emerging economies, after only China, India, Brazil and Mexico. We rank South Africa's insurance market size at 21 globally. *Total* insurance premium (ie, life and non-life) volumes were about USD 47.8 billion in 2024, up by 2.9% year-on-year in real terms. Life insurance dominates the market, with an 80% share of total premiums due to the popularity of investment-focused products. South Africa has an internationally active insurer base, supported by sophisticated "twin peaks" regulatory oversight. However, the market growth is constrained by weak economic conditions and affordability pressures.

We forecast 1.8% real premium growth in 2026, rising to 2.1% in 2027–2030.

We estimate total insurance market growth of 2.7% (real terms) in 2025, moderating to 1.8% in 2026 but still outpacing real GDP growth. US tariffs pose risks to already elevated unemployment and so to insurance demand in the near term. The medium-term outlook (2027–2030) is positive, with real premiums expected to grow at a 2.1% compound annual growth rate (CAGR) backed by improving economic growth, an expanding middle class and regulatory reforms.

Life insurance outlook firm despite yield pressures

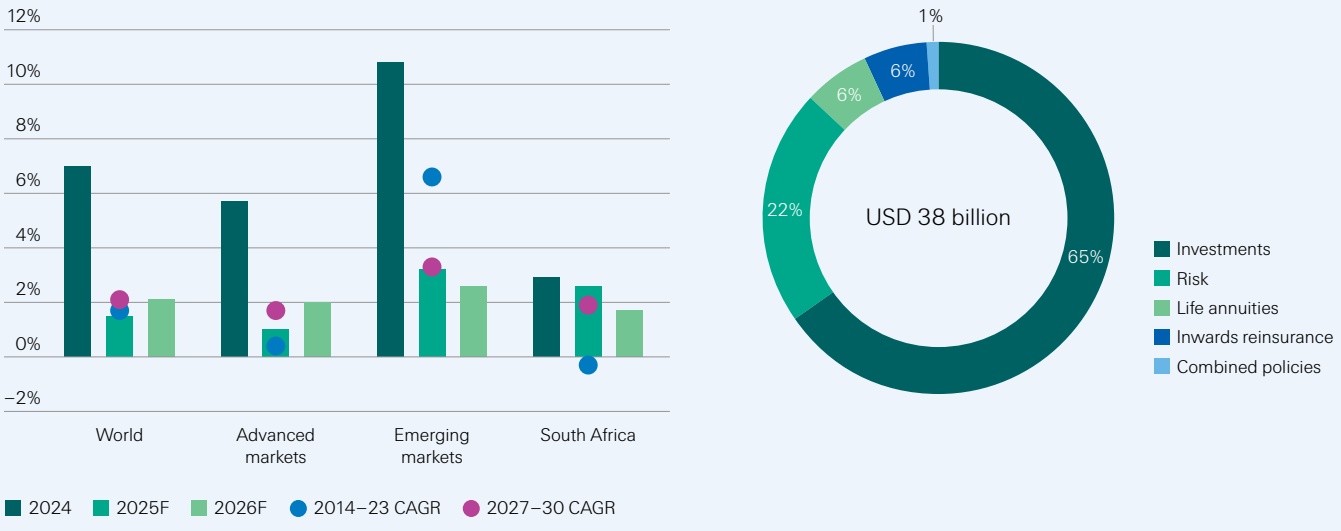
South Africa has one of the highest life insurance penetrations globally.

South Africa has one of the highest life insurance penetration rates of any country globally (2024: South Africa 9.5% vs 1.9% in emerging markets and 4.1% in advanced markets). The high penetration rate is attributed to savings and investment-linked policies, which contribute nearly 70% of total life premiums. Demand for investment-linked life policies is concentrated among higher-income, formally employed households, while many low-income consumers buy funeral cover and informal savings (stokvels). Overall, South Africa's life insurance sector is the fourth largest of emerging markets, with a premium volume of USD 38 billion in 2024.

Life premiums are expected to grow at 1.7% in 2026 and further improve to 2% over 2027–2030.

We estimate real life premiums will grow by 2.6% in 2025 and slow to 1.7% in 2026 as falling long-dated government bond yields reduce the attractiveness of guaranteed annuities (see Figure 3). Even so, a gradual economic recovery, lower borrowing costs, and modest wage gains should support demand for protection covers and limit the downside. For 2027–2030, we expect life premiums to grow at about 2% CAGR, helped by a growing middle class and the impact of reforms to formalise retirement saving and improving preservation (see *In focus: pension reforms*).

Figure 3
Life insurance premium, real growth, by region (left); and estimated volume in 2024 (right)



Source: South African Reserve Bank, Swiss Re Institute

A product mix skewed to funeral policies creates a large mortality and disability protection gap.

Challenges and opportunities for life insurers in South Africa

South Africa's risk product mix is skewed towards funeral policies and this masks significant under-insurance in disability and income protection. Funeral policies are sold at high volume and accounted for about 60% of new risk policies sold in 2024 (see Figure 4 left). However, funeral covers are not a wealth transfer or a sustainable form of life cover. An ASISA study estimates that South Africa's life and disability insurance gap was ZAR 34.3 trillion (~USD 2.3 trillion), or 55% of the total estimated insurance need, as of the end of 2021.[19] Another estimate shows that only 19% (as of 2021) of South Africans have non-funeral cover, with affordability a key barrier.[20]

There is an opportunity for the life insurance industry to shift demand to more appropriate covers.

There is an opportunity for the life insurance industry to work to change consumer buying behaviours to shift demand from funeral covers into more effective and appropriate simplified life (protection) covers. Such a shift would also benefit broader financial resilience in South Africa.

Tighter regulation may briefly raise lapse rates but should lower lapses in the long term.

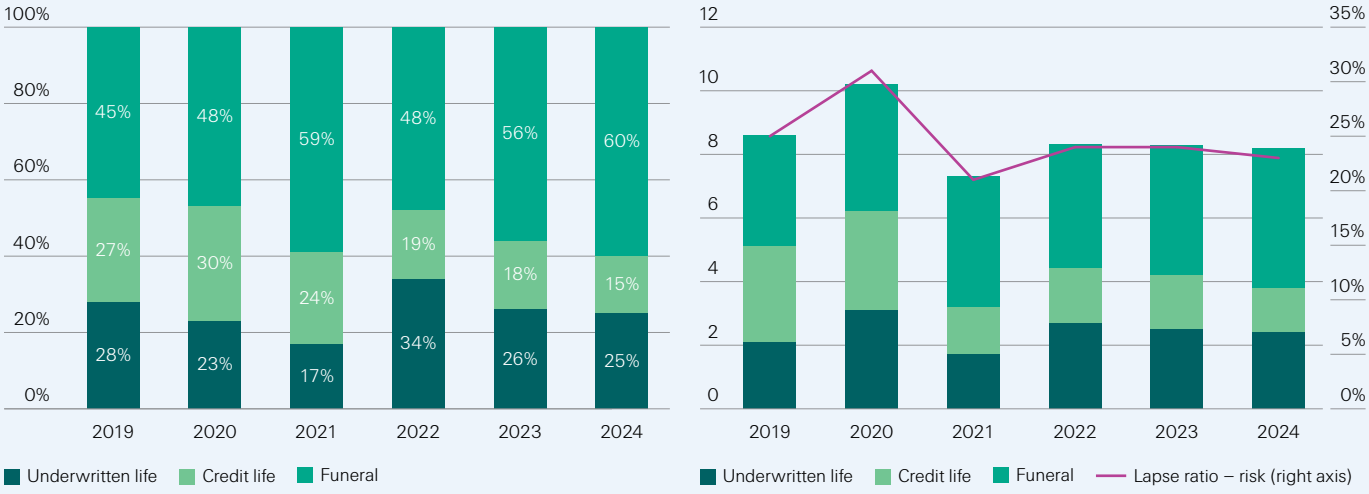
Affordability pressure and mis-selling practices have also resulted in high lapse ratios, especially for funeral covers (see Figure 4 right). Tighter regulation of the sector, for example more stringent rules on third-party payroll deductions (under discussion)[21] and a review of funeral policies distribution (consultation stage) may further increase the lapse rate briefly as some policies fall outside regulation.[22] However, over time, approval-based deductions and a more formal, supervised distribution model should lower lapse ratios by reducing unauthorised collections and mis-selling of policies.

Softening yield and two pot withdrawals will limit growth over 2025–2026.

We expect savings business growth to moderate in 2025–2026 as long-term yields cool. New annuity inflows will likely also dip following the September 2024 launch of the "two-pot" retirement system, which may divert a proportion of the assets currently saved into annuities. Early signs of weaker guaranteed annuities sales are already visible in Q1 company updates.[23] However, over the medium term the new design of the retirement system should increase the saving preservation rate, supporting recurring contributions and annuity segment growth.

Figure 4

Left: Risk new policy sales, share in in total. Right: Risk policies lapses in millions



Source: ASISA, Swiss Re Institute

[19] *South Africa's life and disability insurance shortfall = R34.3 trillion, ASISA, 2 November 2022.*

[20] *FSCA Financial Sector Outlook Study 2022,* Financial Sector Conduct Authority, 2022.

[21] SARB draft directive on payroll deductions (31 Jul 2024) proposes a tighter regime with third-party deductions (including funeral premium stop-orders) requiring prior SARB approval. *Draft Payroll Deductions Directive, SARB, 31 July 2024.*

[22] Regulators are also overhauling funeral-insurance conduct/distribution, responding to poor practices (unlicensed parlours, unauthorised premium collection). *Joint Communication 7 of 2024, SARB, 6 November 2024.*

[23] *Q1 Voluntary Update Call Transcript,* Old Mutual, 2 June 2025.

Market-linked product inflows continue to be strong.

Demand for market-linked saving products withstood volatility in the Johannesburg equity market in early 2025. Collective Investment Schemes (CIS), which typically feed into market-linked life products, posted their strongest quarterly inflows of new money since Q3 2022, with momentum continuing in Q2 2025.[24, 25] If the SARB continues with further rate cuts in 2026, insurers may see more customers shift from guaranteed annuities to market linked products.

Risk business is likely to benefit from the gradually improving economic backdrop.

Risk business is likely to benefit from the gradually improving economic backdrop. Moderate real wage gains and lower borrowing costs would support demand for protection (mortality, critical illness, disability) and credit linked policies. However, in group risk we anticipate only muted growth as tariff pressures may lead to job cuts, reducing the number of employees covered under group policies. The group risk segment has been losing momentum since 2022, owing to mortality premium rate softening.

[24] *Local CIS industry attracts strong net inflows despite extreme market volatility, ASISA,* 19 May 2025.
[25] *Local CIS industry celebrates R4 trillion in assets under management, ASISA,* 14 August 2025.

In focus: pension reforms

Transforming the saving outlook

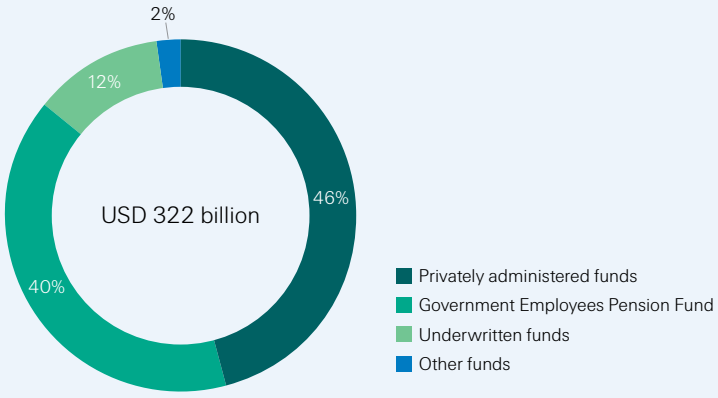
South Africa's pension system is constrained by low rates of preservation, modest contribution and leakage.

South Africa's retirement funding assets of USD 322 billion (85% of its GDP)[26] are sizeable, but the system is struggling.[27] About 70% of the working-age population is not covered by a pension fund at all, and until recently, pension fund members could withdraw and spend 100% of their accumulated savings upon leaving an employer. As of 2023 estimates, more than 80% of covered members withdrew their pension funds when changing jobs, these funds constituted around 50% of total fund amount.[28] As a result, the retirement saving gap remains wide with only 6% of South Africans believing that they are on track to retire comfortably.[29]

Muted economic conditions and unemployment sap pensions system out of funds.

For workers making pension contributions, net savings are typically 14% of pay on average, insufficient to fund retirement.[30] Informal-sector jobs are typically outside of payroll deduction and default fund offerings, further limiting pension saving coverage and preservation. High unemployment further constrains the growth of new retirement assets[31] keeping net contributions low since more people withdraw funds than contribute. We do not expect the retirement saving gap to narrow quickly as a result. Improvement over the medium term could depend on effective policy and life insurance product innovation.

Figure 5
South Africa's retirement assets by pension fund type (2023)



Source: Financial Services Conduct Authority

Pension assets are concentrated in government and privately administered pensions funds.

The biggest component of pension assets is the defined contribution based aggregated privately administered funds, followed by defined benefit-based Government Employees Pension Fund (GEPF) (see Figure 5). GEPF pays pensions from its own fund. Underwritten funds are policies issued by life insurers liable to pay the benefits due under the fund's rules. These funds are purchased mostly by individuals and smaller employers, who prefer insurer-policy structures for their simplicity. Membership in these funds grew 5.7 % CAGR (2019–23) while assets rose with a 10 % CAGR.[32] At retirement, private-fund money often moves to life insurers via compulsory annuities (especially out-of-fund life/living annuities).

[26] Swiss Re Institute estimates based on pension asset data from *The Financial Sector Conduct Authority Pensions Statistical Report* and Swiss Re Institute GDP estimates for South Africa in 2023
[27] South Africa ranks 44th out of total 48 markets analysed for pension outcomes, please see *Mercer CFA Institute Global Pension Index*, 2024
[28] As reported by a large pension fund administrator in South Africa
[29] *Retirement Reality Report*, 10X Investments, 2023–24
[30] *Sanlam Benchmark 2024*, Sanlam, 2024
[31] South Africa's official unemployment rate is 33%, which is among the highest globally. Please see *Quarterly Labour Force Survey (QLFS), Q2:2025*, Department of Statistics, South Africa
[32] *2023 Retirement Funds Statistical Report*, FCSA, 2023.

The two pot system is a key reform to revive the local pensions market.

Transformative "two pot" reform heralds a new start for pension saving

In 2024 South Africa reformed its retirement saving legislation and introduced what it has named the "two-pot" system. Under this, two-thirds of contributions to provident or retirement-annuity funds made after 1 September 2024 are allocated to a ring-fenced "retirement pot", and one third into a "savings pot". Members may make partial withdrawals from the savings pot – but cannot access the retirement pot until retirement. Balances accumulated before the two-pot implementation date are preserved in a separate "vested pot",[33] which members can either still access on resignation from their job, or preserve for retirement.

The new framework balances fund preservation and flexibility.

This framework strikes a balance between fund preservation and flexibility, limiting liquidity to genuine emergencies and locking most savings away for retirement. It removes the unintended consequence of the former system in which pension fund contributors resigned from employment to unlock their retirement savings to alleviate financial pressure, despite this eroding their long-term security.

Two-Pot converts a leaky system into one with stickier assets, providing new product opportunities for insurers.

Life insurers have new opportunities to support retirement savers

The two-pot system may help create new opportunities for South Africa's life insurers. Product development and uptake will likely be gradual as the system matures. With larger preserved balances in individuals' "retirement pot", demand for hybrid products that cover, for example, part guaranteed life annuity with part living annuity, may scale up. Employers, especially SMEs, may prefer to offer turnkey umbrella funds that handle two-pot administration.[34] Insurers who provide such umbrella fund provision may be able to enjoy greater fund consolidation benefits, or to cross-sell group risk (life/disability) and income protection policies.

Insurers can leverage touchpoints with two-pot fund members for behavioural nudges and financial counselling.

The "two-pot" system is also likely to create frequent, predictable touchpoints for insurers with their members, notably the once-per-tax-year savings pot withdrawal process. Funds and life insurers are already integrating these journeys into their systems and benefit-counselling flows. Such touchpoints can be converted into advice events for budgeting, debt, contribution escalation and behavioural nudges, which would again have the potential to positively impact trends in contribution density and retention.

[33] *Two-Pot Retirement System*, National Treasury, Department of South Africa, 2024.

[34] Umbrella funds are pooled retirement savings schemes that allow multiple employers to participate in a retirement fund structure, often managed by a single administrator. A commercial umbrella fund (multi-employer retirement fund) would offer an off-the-shelf, full-service package where new employers can join the fund's existing rules and get bundled administration, and other related services in one go.

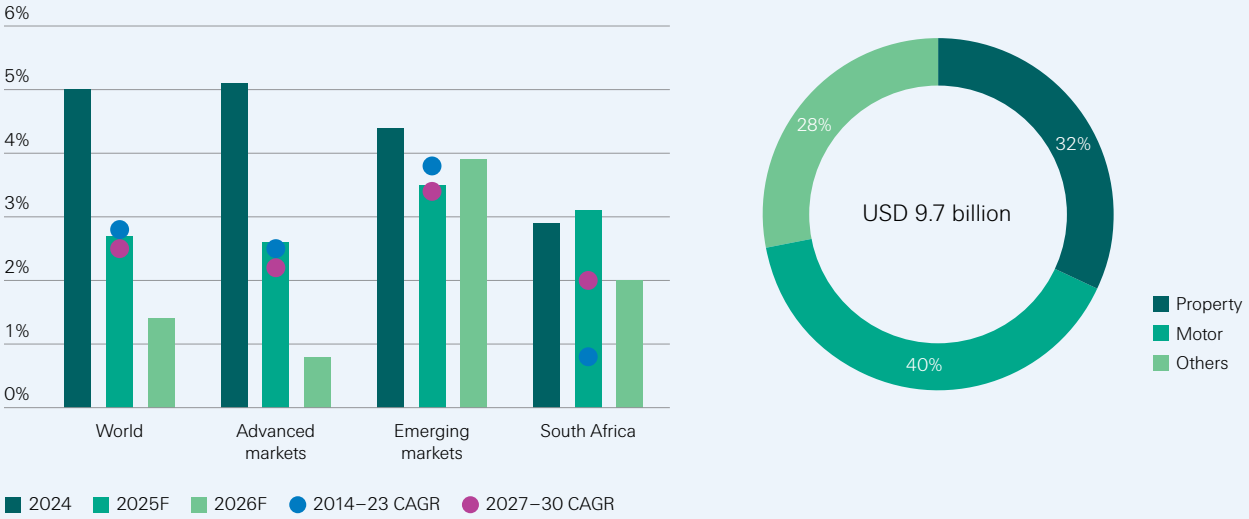
Outlook: non-life insurance

Slower growth in soft market conditions

The non-life market is expected to grow by CAGR of 2% from 2027 to 2030.

South Africa's non-life insurance segment generated about USD 9.7 billion premium volume in 2024, which is 20% of the total insurance market. We estimate non-life premiums will grow by 3.1% in real terms in 2025 and 2% in 2026 (see Figure 6 left), with the slowdown driven by flat to softening prices in certain property segments. Price increases will likely moderate in the motor segment as frequency losses and claims inflation decline (see motor section below) while property will likely only see low exposure growth. Nevertheless, in the medium-term outlook is positive, though insurers must navigate short-term challenges of economic volatility and rising claims costs from climate-related events. We forecast the market to grow by a CAGR of 2% in real terms over 2027–2030 on the back of structural reforms, infrastructure spending and gradual economic recovery.

Figure 6
Left: Non-life insurance premium real growth, by region. Right: Non-life insurance estimated volume in 2024



Source: Swiss Re Institute

Motor premiums are expected to grow by a CAGR of 2.3% over medium-term due to improving consumer spending.

Motor is South Africa's largest line of business with around 40% share of non-life premium (see Figure 6 right). We forecast motor premium growth of 2.5% in 2026 and a CAGR of 2.3% over 2027-2030 due to expectations of rising vehicle sales as an improving economy strengthens consumer spending. In 2024, motor premium growth was largely inflation-driven, but interest rate cuts and improving economic prospects may support exposure growth in 2025 and 2026.[35] However, moderation in price increases and inflation can limit how much exposure growth boosts real premium volume. The motor claims experience improved in 2024 due to moderate catastrophe losses, pricing adjustment and lower rates of theft/hijacking of luxury vehicles.[36] Nevertheless, costs are still sticky due to higher motor repair and parts inflation, keeping the motor loss severity elevated even as the loss frequency normalises.

Property insurance to grow by 3% due to uptick in exposure growth and disciplined pricing.

Property insurance (32% share of non-life premiums) is expected to grow by a CAGR of 3% in real terms in 2027–2030, driven by expected higher new mortgage activity, recovering economy and disciplined pricing. We estimate 2.8% property premium growth in 2026. Rates are flat to softening since a spike in rate increases and capacity rationing after the

[35] *"August 2025 new vehicle sales stats"*, *namaasa.net*, 1 September 2025.
[36] *Insurance Barometer Report*, Santam, 2024/25.

civil unrest of 2021 and KwaZulu Natal (KZN) floods of 2022 (see *In focus: natural catastrophe risks*).[37] Underwriting discipline is expected to continue alongside the slowdown to sustain insurers' margins. Business interruption losses due to load shedding have been limited and largely excluded. Equipment damage losses due to power surge increased significantly in 2022–23 but did not materially impact pricing, and these losses have declined as energy supply has improved.

Others segment to stagnate due to weakness in liability and specialty insurance.

Liability, specialty and health insurance fall into the "other" segment (28% share) and we forecast 0.9% annual real terms growth in these lines in 2027–2030. Liability lines are very weak with muted exposure growth and flat to moderate prices. The KZN floods led to mass damage suits against municipality and public departments for alleged failures in drainage and flood control,[38] but liability pricing is so far not affected, due to the time lag on lawsuits impacting reserves and settlements. Deployment of capacity from the Lloyd's market and absence of liability claims inflation has further constrained rates. Attritional losses from professional indemnity and product recall persist, but with no recent market-moving loss.

Subdued growth in specialty insurance as exposures moderates due to capex and trade related challenges.

The specialty segment is principally comprised of engineering and marine, which are very sensitive to the capex cycle, public infrastructure spending and trade volumes. The weak economy and logistical challenges for the past few years have kept trade and investment activity subdued.[39] Exposure growth may strengthen with the gradual economic recovery, infrastructure investments and logistics reforms[40], but we expect real growth to be in the low-single digits due to softening prices and persistent inflation. Specialty loss ratios picked up in 2022–23 after severe floods and civil disturbances led to infrastructure damage and interruption of Durban port operations, but the losses have since moderated.

Health insurance outlook is neutral given ongoing reforms in the healthcare funding.

South Africa's out-of-pocket share for healthcare (~6–7%) is unusually low for an upper-middle-income African country.[41] This is primarily due to member funded medical schemes which on a non-profit basis undertake to pay for their members' healthcare. [42] Insurers only provide top-ups and complementary coverage not included in the scheme. As a result, health segment has an estimated 3% share in non-life premiums which is much lower than the global average of 48%.[43] We don't expect health insurance to grow substantially over the medium term given launch of the National Health Insurance in 2026, which will extend the member-only coverage of medical schemes to universal healthcare for all citizens.[44] It will limit both medical schemes and insurers to complementary/top-up products.

Robust profitability outlook on the back of prudent underwriting

Moderate catastrophe losses and still high investment yields support profits in 2025.

We expect strong non-life sector profitability in 2025 and 2026, buoyed by benign natural catastrophe activity and stable but moderating investment yields, even as pricing softens. According to Marsh, using regional aggregate data that includes Africa, along with India and the Middle East, commercial insurance prices contracted by 5% in 2Q25.[45] Personal lines price growth was moderate to flat in 1H25 and estimated to marginally decline in second half due to frequency loss improvement in motor and homeowner's portfolio. Major non-life insurers have reported lower natural catastrophe losses and better underwriting margins this year compared to prior years.[46] However, with the SARB cutting interest rates, investment yields are likely to decline towards early 2026. With pricing and interest rate tailwinds fading, and moderate exposure growth in the medium term, sustaining profitability will hinge on disciplined underwriting and strategic risk selection.

[37] Property loss ratio increased to 59% in 2022 due to KwaZulu Natal floods but moderated to 55% in 2023. See *Non – Life Industry Experience, Prudential Authority, 2023*.
[38] Matthew Sellers, *"Tokio Marine takes South African state bodies to court over floods", insurancebusinessmag.com*, 1 September 2025.
[39] *Article IV consultation for South Africa*, International Monetary Fund, 2025.
[40] *"Infrastructure Modernization for South Africa Development Policy Loan", worldbank.org*, 2025
[41] *African reginal brief*, World Health Organisation, 2024.
[42] *"How medical schemes work", discovery.co.za.*
[43] *sigma 2/2025*: World insurance, Swiss Re, 2025.
[44] *"National Health Insurance", health.gov.za.*
[45] *IMEA Insurance Market Rates, marsh.com*, 2Q 2025.
[46] *Santam* reported 11% net underwriting margin in 1H25 and *Old Mutual* reported above 6% in 1Q25.

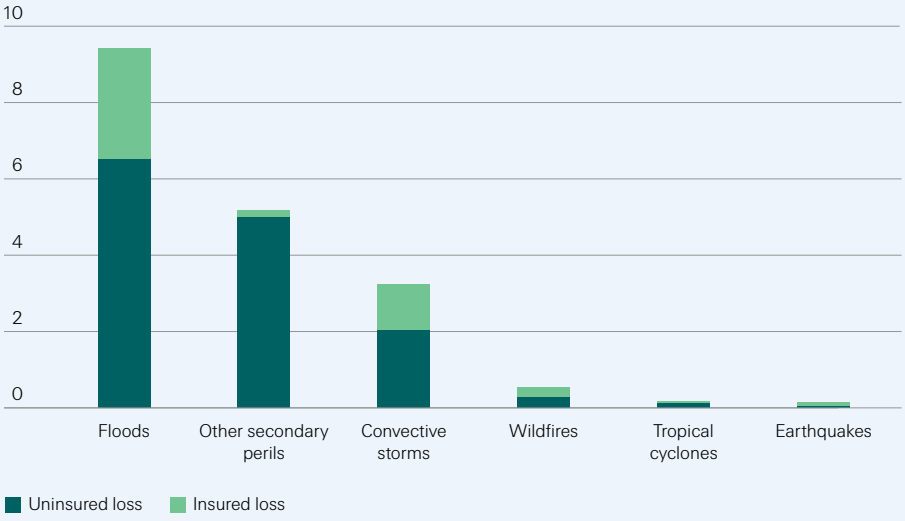
In focus: natural catastrophe risks

Flood risk, front and centre

Floods are South Africa's costliest and most insured peril; other perils are largely uninsured.

South Africa's geography and climate result in floods causing the greatest damages and insurance claims, while slow-onset disasters like drought within secondary perils tend to be severely underinsured (see Figure 7). Over the past five decades, floods driven by intense rainfall and occasional coastal storms have caused about USD 9.4 billion in economic losses, with roughly USD 3 billion of that covered by insurance. By contrast, other secondary perils caused economic losses of USD 5 billion and USD 188 million in insured losses,[47] highlighting a major protection gap. Storms have caused USD 3 billion in economic losses with USD 1.2 billion insured, and hail events caused outsized insured losses of USD 651 million, given that these often strike insured properties and vehicles. Earthquakes and tropical cyclones have been relatively rare and low impact, owing to the country's geology.

Figure 7
Share of economic and insured losses from natural catastrophes by peril (USD billion, cumulative for 1974–2024)



Source: Swiss Re Institute

Loss patterns highlight significant protection gap in South Africa.

South Africa's climate extremes (periodic floods and drought cycles) drive most of the losses. There are significant coverage disparities: fast-onset events in populated areas (floods, hail, storms) see much higher insurance uptake than slow-building or rural disasters like drought. This highlights critical gaps for insurers and policymakers, pointing to the need for innovative risk financing and climate resilience measures to better protect vulnerable sectors and bridge the insurance gap as climate risks intensify.[48] We estimated South Africa's natural catastrophe protection gap in 2023 at 82% of protection needed. The country ranks 27 out of 39 in our SRI natural catastrophe resilience index.[49]

The 2022 KZN flood: South Africa's deadliest and costliest on record

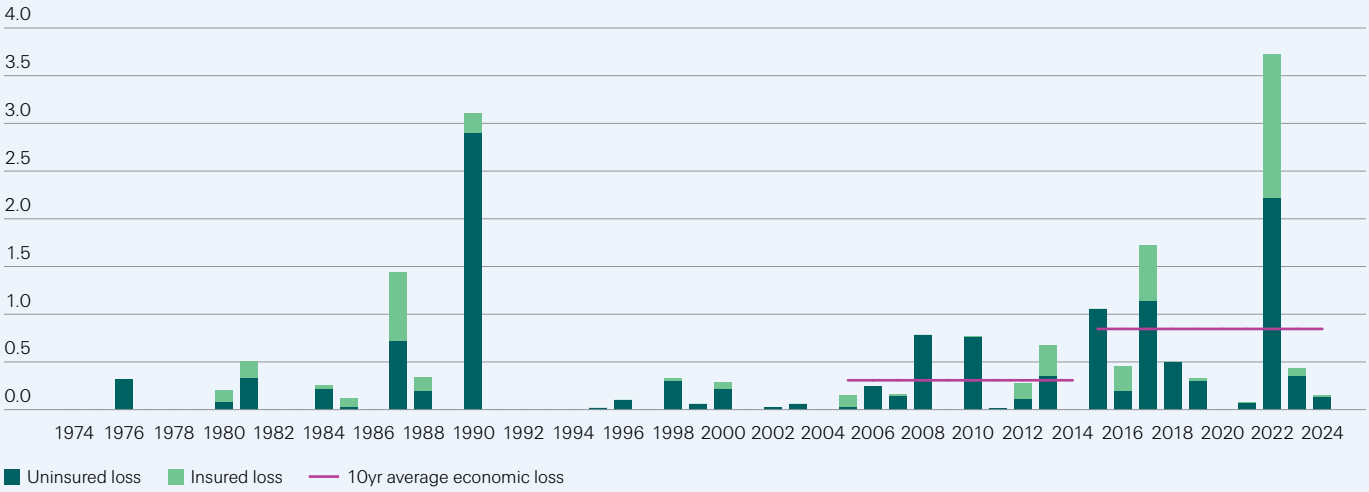
Natural catastrophe losses in South Africa eased in 2023–2024 after the April 2022 KwaZulu-Natal floods.

The KwaZulu Natal (KZN) flood of 2022 was South Africa's deadliest event on record, with at least 400 people killed and thousands of homes destroyed. The devastating disaster caused USD 3.7 billion economic losses (in 2024 prices). This was more than six times higher than the USD 510 million previous 10-year average all-peril natural catastrophe losses (2012–2021, adjusted to 2024 prices) in South Africa. Extreme

[47] Secondary perils are characterised by higher frequency and lower severity, though their cumulative impact can result in significant losses and individual event losses can also be sizeable. See *sigma 1/2025*, Natural catastrophes: insured losses on trend to USD 145 billion in 2025, Swiss Re Institute.
[48] *Changing climates: the heat is (still) on*, Swiss Re Institute, 2024.
[49] *sigma Resilience Index 2024*, Swiss Re Institute.

rainfall was the primary driver of the catastrophe in 2022. Some areas of KZN received more than 300mm rainfall within 24 hours, which, combined with urban vulnerabilities, triggered flash floods and landslides. The damage to infrastructure was enormous as major highways, bridges, and water systems were wrecked. Durban and the eThekwini area were most affected. The Port of Durban, one of Africa's busiest ports, was shut for 36 hours after the floods, due to debris in the harbour, electricity outages and damage to the rail-road link to the port.[50]

Figure 8
Insured and uninsured natural catastrophe losses in South Africa (USD billion, 2024 prices)



Note: (1) Economic Loss = Insured Loss + Uninsured Loss (2) The natural catastrophe events recorded are those that reach or exceed *sigma* thresholds[51] of insured losses, economic losses or number of victims. This means that smaller events do not feature in above calculations.
Source: Swiss Re Institute

Almost half of the 2022 losses were insured as disaster affected primarily urban areas.

Insurance covered almost half of the total economic losses from the KZN floods, or roughly USD 1.7 billion, as the disaster primarily affected businesses, industrial assets and urban homes. The event pushed up South Africa's average annual economic loss for 2015–2024 to USD 846 million (2024 prices) from a USD 308 million 10 year average previously (see Figure 8). It also exposed the severe vulnerability of South Africa's coastal cities, where dense urban development in low-lying, infrastructure-heavy areas amplified the damage. Many communities were built along riverbanks and steep slopes prone to flash flooding. Additionally, urbanisation has reduced natural drainage capacity, with more impermeable surfaces like roads and concrete, rainfall is no longer absorbed by soil, leading to faster surface water accumulation and more destructive floods.

KZN 2022 floods: a watershed event for the local re/insurance market

The economic cost of the 2022 KZN flood is still evident in South Africa's market today.

The economic cost of the 2022 KZN flood is still evident in South Africa's market today in the form of higher rates and stricter terms than previously, especially in flood-prone areas. The flood pushed up primary market property rates by about 6–15% on average in 2023 and 2024.[52] A run of mid-sized events in 2023–24 kept rates firm before easing in 2Q25, particularly for accounts with better risk quality.

KZN losses led to tightening of terms in reinsurance renewals.

The 2022 losses led to a sharp reset at the 2023 reinsurance renewals with rate increases, higher attachment points, tighter wordings and reduced capacity. Catastrophe excess of loss rates increased by 20 to 40% in the 2023 renewals.[53] We expect structures and wording discipline to hold even as headline rates ease, especially in an environment of growing risk and better exposure data.

[50] *"Durban Works to Restart Operation After Severe Floods Force Suspension", maritime-executive.com,* 13 April 2022.
[51] sigma 1/2025 – Natural catastrophes: insured losses on trend to USD 145 billion in 2025, Swiss Re, 2025.
[52] See *South Africa Insurance State of the Market*, Aon, 2023, and *IMEA Insurance Market Pricing, marsh.com,* 2024.
[53] *1st View: Continuing Discipline*, Gallagher Re, July 2023.

Insurers are calling for action to improve resilience against the surge in weather-driven claims.

The insurance industry has flagged the surge in weather-related claims and is calling for stronger municipal resilience through drainage upgrades, land-use enforcement, early warnings, and data-led underwriting (flood mapping, geocoding).[54] Insurers are also engaging with municipalities for on-the-ground risk reduction through various programs.[55] In parallel, market participants are exploring complementary risk financing, from parametric triggers for heavy rain to sovereign/meso covers with the African Risk Capacity (ARC) for drought.[56] So far, the parametric product launches have been limited, but National Treasury aims to engage with the insurance sector on parametric solutions (including municipal pilots), complementing continental options via the ARC.[56]

The government is leading improvements in mitigation and adaptation measures.

After declaring a national state of disaster in April 2022, the South African government organised emergency relief funding and commissioned rapid evaluations of the damage.[57] As a long term plan, the Climate Change Act (2024) was passed to hard-wire climate risk into statutory planning and budgets.[58] The Act formally established the Presidential Climate Commission (PCC) to advise on climate response, and the PCC now leads the 'State of Climate Action', a recurring, public assessment report that functions as an accountability scorecard of the country's climate progress. The objective is clearer accountability, more focus on resilient rebuilds, and stronger early-warning, and response doctrine.

Recent losses: lower, but on a rising trend

Catastrophe losses in 2023–2024 were smaller than 2022 but still significant.

South Africa's natural catastrophe losses in 2023 and 2024 were also significant but are still smaller than the 2022 flood (see Figure 8). Economic and insured losses in 2023 were USD 437 million and USD 90 million respectively and were driven by Western Cape flood episodes in June and September, and a large hail event from November in Gauteng/Mpumalanga. The Western Cape floods of September 2023 were declared a national disaster due to its scale of destruction.[59] Economic and insured losses in 2024 were lower at USD 153 million and USD 20 million, driven mainly by storms in the Western Cape in April and June, and severe weather in June in Eastern Cape & KZN, including a tornado in Thongathi compounding flood impacts.

[54] *Santam Insurance Barometer Report*, Santam, 2022/23.
[55] *Santam's P4RR*, *Discovery Insure's Pothole Petrol* and *OUTSurance's Pointsmen* are some of the notable risk reduction programmes.
[56] National Treasury plans to engage the insurance sector on parametric solutions (including municipal pilots), complementing continental options via the African Risk Capacity (ARC). See "*Disaster Response Financing Strategy*, treasury.gov.za, 2025.
[57] *Funding framework for the response to the national disaster, www.treasury.gov.za*, 2022.
[58] *President Cyril Ramaphosa assents to Climate Change Bill, www.gov.za*, 23 July 2024.
[59] *Western Cape September floods receive National Disaster classification*, www.gov.za, 7 November 2023.

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