



Charlotte de Koker

Associate Director
Sustainability Services

Tel: +27 64 758 2649

Email: charlotte.dekoker@kpmg.co.za



Chantal Motilall

Manager
Sustainability Services

Tel: +27 69 016 5409

Email: chantal.motilall@kpmg.co.za

Beyond purpose statements: the real test of inclusion

Across South Africa's insurance sector, corporate purpose has become an increasingly prominent feature of strategic positioning. Annual reports, sustainability disclosures and environmental, social and governance (ESG) commitments often position insurers as contributors to financial inclusion, economic resilience and shared prosperity. This positioning is credible in principle with insurers being able to impact broader societal objectives, including reducing inequality, supporting economic participation, strengthening financial wellbeing and addressing the country's persistent insurance protection gap.

The challenge, however, is whether purpose and intent are enough. To what extent are these commitments integrated into core business models rather than existing alongside traditional profit-driven strategies? The distinction is significant because the credibility of any purpose-led agenda ultimately depends not only on the strength of its articulation, but on the extent to which it influences product design, distribution models, claims practices, customer outcomes, capital allocation and long-term value creation.

This debate is increasingly relevant in South Africa's socioeconomic context. Despite having one of the most developed insurance markets in Africa, South Africa continues to experience high levels of inequality and underinsurance resulting in a substantial protection gap. The Association for Savings and Investment South Africa (ASISA) estimated South Africa's life and disability insurance protection gap at approximately R50.4 trillion in 2025¹, while available insurance cover compensates for only a fraction of financial losses households could face in the event of death, disability, illness or loss of income. Large segments of the population remain either uninsured or inadequately insured, particularly within lower-income communities, informal-sector households and micro-enterprises.

At the same time, South Africa's informal economy has emerged as one of the most important frontiers for insurance inclusion. Yet many participants in this segment continue to face limited access to appropriate risk protection products, leaving households and enterprises vulnerable to economic shocks, natural disasters, health-related risks and business interruptions.

Against this backdrop, we examine whether South African insurers are successfully translating purpose into practice. We explore how financial inclusion is reflected in insurers' products, customer engagement approaches and reported initiatives, and consider the opportunities and barriers associated with extending insurance coverage to underserved and informal economy participants. We further assess the role of digital innovation, regulation and evolving sustainability expectations in supporting inclusion, and examine the growing importance of outcome-based measurement in evaluating financial resilience, protection gap reduction and broader societal impact.

The fundamental question is whether insurers can demonstrate that inclusion commitments are translating into meaningful customer and resilience outcomes.

From purpose driven statements to measurable outcomes

A review of industry disclosures suggests that insurers increasingly recognise financial inclusion as both a social responsibility and strategic growth opportunity. Across the market, common initiatives include affordable funeral insurance, entry-level life cover, financial literacy programmes, simplified savings products, mobile distribution channels and microinsurance offerings. Collectively, these initiatives demonstrate a growing commitment to expanding access to financial protection and supporting broader socioeconomic development.

¹ <https://www.asisa.org.za/media-releases/south-africa-s-life-and-disability-insurance-shortfall-widens-to-r504-trillion/>

However, while the breadth of activity is evident, its impact is not always consistently measured or reported. Industry disclosures often highlight products launched, programmes implemented, customers reached and digital solutions introduced, yet fewer insurance providers disclose whether these interventions have resulted in measurable improvements in access to insurance, financial resilience, affordability or customer outcomes among underserved populations.

This distinction is becoming increasingly important. The success of financial inclusion cannot be assessed solely by the number of initiatives introduced or customers reached. Rather, stakeholders are increasingly seeking evidence that these efforts are narrowing protection gaps, improving access to appropriate protection, strengthening resilience and delivering meaningful benefits to previously underserved households and businesses. Without clear outcome measures, it remains difficult to determine whether reported initiatives are creating lasting change or merely expanding the volume of activity being reported.

Table 1 illustrates the range of financial inclusion initiatives currently being reported across South African insurers. While these initiatives demonstrate commitment and innovation, they also highlight the challenge of moving from activity-based reporting to outcome-based accountability.

Table 1: Examples of financial inclusion initiatives reported by South African insurers

Inclusion area	Insurance products
Funeral and basic protection	Funeral policies, group funeral cover, prepaid funeral products, entry-level life cover
Savings and wealth creation	Starter investment products, retirement savings products, savings-linked insurance solutions
Health and wellness solutions	Affordable health cover, primary healthcare products, wellness-linked insurance programmes
Small and Medium-sized Enterprise (SME) and business protection	Small business insurance, property cover, liability cover, business-packaged insurance products
Financial literacy and inclusion	Financial education programmes, digital financial training, consumer awareness initiatives
Microinsurance	Low-premium life cover, simplified insurance products, flexible-premium products
Informal economy protection	Fire protection solutions, informal trader cover, airtime-linked insurance, mobile-based insurance products
Digital and mobile access	Mobile insurance, digital policy administration, embedded insurance, digital onboarding
Climate and resilience solutions	Disaster resilience products, agricultural insurance, flood and extreme-weather protection initiatives
Income and livelihood protection	Disability cover, income protection, critical illness cover, business interruption cover

The diversity of these initiatives suggests that insurers are increasingly seeking to address a broad spectrum of financial protection needs, ranging from basic funeral cover and healthcare solutions to SME-targeted protection, informal-sector insurance and climate resilience products. Nevertheless, the extent to which these interventions are improving resilience, closing protection gaps and supporting long-term financial wellbeing remains difficult to assess from publicly available disclosures.

As expectations continue to evolve, insurers will increasingly be required to demonstrate not only what they are doing, but also what difference those actions are making. This shift towards outcome-based accountability reflects a broader expectation that organisations move beyond reporting activities and provide credible evidence of the impact they are making. One area where such evidence is most visible is funeral insurance, which provides useful insight into both the achievements and limitations of current inclusion efforts.

Why insurance exclusion persists

Insurance inclusion is not simply a question of whether insurance products are available. Rather, it reflects the extent to which households and businesses can access, afford, understand and derive meaningful value from appropriate insurance protection. Meaningful inclusion therefore goes beyond policy ownership and considers whether consumers have adequate protection against the risks most likely to affect their financial wellbeing and resilience.

In South Africa, persistent insurance protection gaps are shaped by the interaction of economic inequality, affordability constraints, financial literacy challenges, product design limitations and the characteristics of the informal economy. Together, these factors influence not only whether consumers purchase insurance, but whether the protection they hold is appropriate for their needs and sufficient to protect them when adverse events occur.

Economic inequality and the informal economy challenge

South Africa ranks as one of the most unequal societies globally, with a Gini coefficient of approximately 0.67². High levels of inequality affect the ability of lower-income households to prioritise risk protection alongside essential expenditure. For many, available income is directed towards immediate needs such as food, transport, housing, school fees and debt obligations. As a result, insurance is often viewed as a discretionary expenditure rather than a financial necessity.

These challenges are amplified within the informal economy. Traditional insurance models were largely designed around formal employment relationships, predictable incomes, established banking arrangements and documented financial histories. However, a significant proportion of South Africa's workforce operates outside these structures. Informal-sector participants earn irregular incomes, transact in cash and have limited formal financial records, making conventional underwriting, premium collection and policy administration processes less effective.

The scale of the informal economy reinforces the importance of this issue. Statistics South Africa estimates that more than 1.9 million informal businesses operate nationally, contributing approximately 19.5% of total employment³. The World Bank estimates that informal economic activity in emerging markets and developing economies accounts for approximately one-third of economic output on average, underscoring the economic significance of the sector⁴.

FinScope MSME Survey findings indicate that approximately 72% of micro-enterprises operate informally, while a significant proportion of small business owners remain financially excluded and lack access to insurance, credit or formal financial services⁵.

As a result, expenditure by lower-income households and informal businesses is often concentrated on products that address their immediate needs, particularly funeral and motor insurance. Protection against disability, critical illness, income interruption, business interruption and other material risks remains significantly lower. This leaves many households and enterprises vulnerable to financial shocks that could undermine livelihoods, business continuity and long-term resilience.



72% of micro-enterprises operate informally

Financial literacy and trust deficits

Financial literacy remains another significant barrier to inclusion. Research indicates that levels of financial literacy remain relatively low in South Africa, with only around half of adults considered financially literate⁶. Insurance is often identified as one of the most misunderstood areas of personal finance, with many consumers having limited understanding of concepts such as premiums, exclusions, waiting periods and policy conditions. This can affect consumers' ability to assess insurance products, understand the value of protection and make informed purchasing decisions.

Consumers often find insurance products difficult to compare and assess, particularly where technical language, complex product features and lengthy policy documentation are involved. As a result, some consumers may avoid purchasing products they do not fully understand, while others may develop unrealistic or misaligned expectations regarding benefits and claims outcomes. When these expectations are not met, dissatisfaction can contribute to mistrust and reinforce negative perceptions of insurance.

² <https://www.wits.ac.za/news/latest-news/opinion/2023/2023-09/south-africa-cant-crack-the-inequality-curse-why-and-what-can-be-done.html>

³ South Africa's Informal Economy: A Lifeline for Millions (<https://www.statssa.gov.za/?p=18255>)

⁴ Ohnsorge, F. & Yu, S. (Eds.). 2022. *The Long Shadow of Informality: Challenges and Policies*. Washington, DC: World Bank. (<https://doi.org/10.1596/978-1-4648-1753-3>)

⁵ FinMark Trust. 2024. *FinScope South Africa MSME Survey 2024*. Johannesburg: FinMark Trust. (https://finmark.org.za/Publications/FS_MSME_2024_results_launch.pdf)

⁶ <https://businessreport.co.za/personal-finance/financial-planning/2026-04-14-understanding-insurance-the-key-to-financial-literacy-in-south-africa/>

Trust remains a critical factor in insurance adoption because the value of insurance is often only realised when a claim is submitted. Negative experiences involving disputed claims, policy exclusions, administrative complexity and mis-selling have, in some cases, undermined confidence in the industry. Public scrutiny and consumer advocacy have also highlighted concerns regarding the sale of insurance products to financially vulnerable consumers, raising broader questions around product suitability, transparency and customer outcomes. Collectively, these factors discourage participation in formal insurance markets and limit the effectiveness of financial inclusion initiatives.

Product relevance

Many inclusion products target funeral insurance and basic protection because these products are familiar, simple and culturally relevant. However, underserved customers also face risks linked to illness, disability, loss of income, climate events, theft, stock loss and business interruption. If the current product offering does not, or perceive to, address these risks, they may not be regarded as valuable, even when they are affordable. The result is that many consumers either cannot find products that address their primary risks or perceive the available products as offering limited value relative to their needs.

Digital inclusion is not the same as insurance inclusion

The rapid growth of mobile connectivity and digital platforms has improved the industry's ability to reach customers. However, digital access alone does not automatically translate into insurance inclusion. South Africa's mobile penetration exceeds 90%, yet insurance penetration remains significantly lower⁷. Technology can reduce cost and improve convenience, but it cannot compensate for products that are unaffordable, poorly explained or misaligned with customer needs. Furthermore, some rural communities, older populations and lower-income consumers remain vulnerable to digital exclusion, limiting their ability to access fully digital insurance models.

At the same time, digital platforms present an opportunity to create new avenues for insurance growth and inclusion by enabling insurers to reach previously underserved customer segments more efficiently. Mobile-based distribution, embedded insurance and digital onboarding can lower barriers to entry and support the development of more flexible, accessible products tailored to the needs of lower-income households and informal businesses.

The opportunity, however, lies not in simply digitising existing insurance models, but in using technology to rethink how insurance is designed, distributed and experienced by underserved customers.

The funeral insurance success story and its limitations

Funeral insurance represents one of the clearest examples of successful insurance inclusion in South Africa. With approximately 22 million adults, or around 48% of the adult population, holding funeral insurance policies, funeral cover is the country's most widely owned insurance product⁸. Its success is widely attributed to a combination of affordability, accessibility and strong alignment with customer needs and cultural priorities, making it a useful benchmark for understanding what drives insurance uptake among traditionally underserved consumers. Academic research has further demonstrated that the growth of microinsurance in South Africa has largely been driven by funeral insurance products due to their affordability, simplicity and cultural relevance⁹.

The success of funeral insurance demonstrates that inclusion improves when products are aligned to customer needs, easy to understand, affordable to maintain and accessible through multiple distribution channels. In many respects, funeral insurance provides a blueprint for expanding financial inclusion more broadly by illustrating how product relevance and customer trust can drive widespread adoption.

However, funeral insurance also highlights a critical limitation in how inclusion is often measured. While policy ownership may indicate access to insurance, it does not necessarily reflect the adequacy of protection. A household may have funeral cover but remain financially vulnerable to events such as critical illness, disability, loss of income or prolonged unemployment. Similarly, a micro-enterprise owner may be protected against funeral expenses while having little or no cover against stock loss, fire damage, theft, business interruption or other operational risks.

This distinction is important because meaningful insurance inclusion is not simply about increasing policy ownership. It is about ensuring that households and businesses have access to protection that is appropriate to the risks they face and sufficient to support financial resilience when adverse events occur.

⁷ <https://www.icasa.org.za/uploads/files/The-State-of-the-ICT-Sector-Report-of-South-Africa-2025.pdf>

⁸ FinScope South Africa Consumer Survey 2024/2025

⁹ Coetzee, G. & Nini, P. 2021. The Development of Microinsurance in South Africa. FinMark Trust. Microinsurance Network. 2023. The Landscape of Microinsurance in Africa.

The scale of the challenge is reflected in South Africa's broader protection gap. ASISA's 2025 Insurance Gap Study found that available insurance cover is sufficient to replace approximately only 26% of household gross annual income, while around 85% of income earners do not have critical illness cover¹⁰. These findings suggest that the industry's challenge extends beyond bringing more people into the insurance ecosystem. It also requires closing the gap between the protection people need and the protection they have. Addressing that gap will be critical if insurers are to demonstrate that financial inclusion initiatives are delivering meaningful and measurable outcomes.

Insurance and economic resilience

The importance of adequate insurance protection becomes prominent when large-scale disruptions occur. While discussions around financial inclusion often focus on access, uptake and policy ownership, the real value of insurance lies in its ability to help households and businesses absorb financial shocks, recover from losses and rebuild their livelihoods.

South Africa's experience during the July 2021 social unrests and April 2022 KwaZulu-Natal floods illustrates this point. Following the July 2021 social unrests, Sasria SOC Limited (Sasria) received approximately R32 billion in claims relating to losses suffered by businesses and households. Thousands of businesses, including many SMEs, relied on insurance payouts to repair damaged premises, replace stock and resume operations.

Similarly, the April 2022 KwaZulu-Natal floods affected approximately 13 500 households, destroyed nearly 4 000 homes and resulted in billions of Rand in insured losses, making it one of the largest catastrophe events experienced by the South African insurance industry.



...floods affected approximately 13 500 households, destroyed nearly 4 000 homes and resulted in billions of Rand in insured losses

These events demonstrate that insurance plays a critical role not only in compensating losses, but also in supporting economic recovery, protecting livelihoods and enabling communities to recover quickly following major disruptions. In this sense, insurance inclusion should be viewed as more than a financial services objective. It is an important contributor to household resilience, business continuity and broader economic stability.

At the same time, these events exposed the vulnerability of many uninsured and underinsured households, informal-sector participants and small businesses that lacked adequate protection. For these groups, recovery depended on personal savings, family support or government assistance, highlighting the significant protection gaps that continue to exist.

Viewed through this lens, resilience becomes a useful measure of inclusion success. The extent to which insurance enables individuals, households and businesses to recover from financial shocks may ultimately provide a more meaningful indicator of impact than policy ownership alone.

Regulation is driving greater accountability

The industry's increasing focus on inclusion is not being driven solely by market opportunity or corporate purpose. A significant shift is also occurring in the regulatory environment. South Africa's Twin Peaks regulatory framework, established through the Financial Sector Regulation (FSR) Act of 2017¹¹, has progressively strengthened expectations regarding consumer protection, fair customer outcomes and financial inclusion.

National Treasury's Financial Inclusion Policy Framework (2023)¹², titled "An Inclusive Financial Sector for All", aims to ensure that individuals and SMEs have access to appropriate financial products and services, while the Microinsurance Policy Framework¹³ seeks to extend insurance access to low-income households. More recently, the Financial Sector Conduct Authority's 2025–2028 strategy¹⁴ and the Prudential Authority's 2025–2030 Regulatory Strategy¹⁵ signalled growing supervisory attention on product governance, value-for-money assessments, customer outcomes, proportional regulation for microinsurers, and the broader role of insurers in promoting financial resilience and economic participation.

¹⁰ Association for Savings and Investment South Africa (ASISA). 2025. The South African Insurance Gap Study 2025: Understanding the Evolving Protection Needs of South Africans: Life, Disability and Critical Illness. (<https://www.asisa.org.za/media/wttxvxb/true-south-asisa-gap-study-presentation-2025-final.pdf>)

¹¹ Republic of South Africa. 2017. Financial Sector Regulation Act 9 of 2017.

¹² National Treasury. 2023. Financial Inclusion Policy Framework: An Inclusive Financial Sector for All.

¹³ National Treasury. 2011. The South African Microinsurance Regulatory Framework.

¹⁴ Financial Sector Conduct Authority (FSCA). 2025. FSCA Regulatory Strategy 2025–2028. (<https://www2.fsca.co.za/Documents/FSCA%20Regulatory%20Strategy%202025-2028.pdf>)

¹⁵ Prudential Authority. 2025. Regulatory Strategy 2025–2030. (<https://www.resbank.co.za/content/dam/sarb/what-we-do/prudential-regulation/pa-regulatory-strategy/PA%20Regulatory%20Strategy%202025-2030.pdf>)

Table 2: Key policy and regulatory drivers of insurance inclusion

Regulation	Primary objective	Relevance to inclusion
Financial Inclusion Policy Framework	Expanded access	Consumer participation
Microinsurance Policy Framework	Affordable insurance products	Low-income access
FSR Act	Consumer protection and stability	Fair outcomes
Financial Sector Code	Transformation	Inclusive growth

These developments reflect a broader global trend. Regulators, investors and other stakeholders are placing increasing emphasis on measurable outcomes rather than aspirational commitments. Sustainability and inclusion are no longer viewed solely as corporate responsibility initiatives; they are increasingly becoming matters of governance, risk management, regulatory compliance and long-term enterprise value creation. Within this environment, insurers are expected to demonstrate not only that they support inclusive growth but also that such commitments result in measurable improvements in access, affordability, customer protection and financial resilience.

From narrative to evidence: measuring outcomes

Global sustainability reporting expectations are increasingly being shaped by the International Sustainability Standards Board (ISSB) and European Sustainability Reporting Standards (ESRS), which seek to improve the consistency, comparability and decision-usefulness of sustainability disclosures. They also increasingly require organisations to disclose measurable outcomes and impacts rather than broad commitments alone.

Within the insurance sector, potential future performance indicators may include:



growth in first-time policyholders



penetration into underserved communities



product affordability metrics



claims settlement efficiency



complaint-resolution effectiveness



customer retention rates



SME resilience outcomes



informal economy participation

The next phase of industry transformation will therefore be defined not only by policy statements or ESG narratives, but by the quality, credibility and comparability of evidence insurers can provide.

Conclusion

The South African insurance industry has made meaningful progress in expanding access to funeral insurance, entry-level life products, financial literacy programmes, digital channels and selected microinsurance solutions. Yet substantial gaps remain in informal-sector protection, SME resilience, income protection, climate-risk coverage and broader financial inclusion. The persisting protection gap reflects that policy ownership alone is not sufficient; inclusion must be assessed through the quality, relevance and outcomes of the protection provided.

As expectations evolve, the measure of success is also changing. Historically, progress has often been assessed through indicators such as products launched, policies sold or customers reached. Increasingly, however, stakeholders are interested in whether insurance is improving financial resilience, narrowing protection gaps and helping households and businesses recover from adverse events. Successful inclusion is not simply about expanding access to insurance, but about ensuring that protection is affordable, appropriate and capable of delivering meaningful value when it is needed most.

The key test for purpose-led insurance is, therefore, whether commitments can be translated into measurable improvements in access, affordability, customer outcomes and financial resilience. Insurers that can demonstrate this through reliable evidence will be better positioned to build trust, strengthen resilience and create sustainable value for both shareholders and society.

Ultimately, the future success of South Africa's insurance industry will depend on its ability to move beyond purpose statements and translate inclusion ambitions into measurable outcomes. Insurers that succeed will be those that can balance commercial sustainability with meaningful societal impact, extending protection to underserved markets while maintaining profitability and resilience.

