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Presence with purpose

The South African Insurance Industry Survey 2026



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Foreword

Purpose and progress are closely interrelated concepts. How we measure and understand progress is strongly influenced by our understanding of its purpose. Given where we are in the digital revolution, and particularly the possible changes coming from artificial intelligence (AI), our ability to leverage technology to drive progress has perhaps never been greater. However, without a clear understanding of the purpose behind that progress, we risk accelerating towards unintended consequences and unexpected outcomes.

This tension between progress and purpose runs through much of this year's South African insurance industry survey. The articles cover subjects ranging from AI and data to financial reporting, risk management, geopolitics and financial inclusion. However, reading them together, some remarkably consistent questions emerge: what are we trying to achieve, what risks are we creating along the way, and where does human judgement and accountability need to remain present? It is this tension that sits behind our theme this year: ***presence with purpose.***

The Industrial Revolution provides a useful case study. Technology enabled extraordinary progress through mass production and rapid industrialisation, but it also brought pollution, appalling working conditions and enormous social upheaval. It was undoubtedly progress, but progress without sufficient regard for its wider consequences can take us somewhere we never intended to go.

AI promises extraordinary opportunities to improve underwriting, claims management, customer service and efficiency. However, the characteristics that make AI compelling, such as its speed, consistency and scalability, can equally allow poor decisions to be replicated quickly and at scale. The challenge therefore shifts from simply asking whether the technology works to instead ask whether the decisions it makes are ones we understand, can explain, are willing to take responsibility for and, importantly, remain aligned with our purpose.

So, while this year's survey has much to say about how we can use AI to advance the insurance business, it has just as much to say about ethics, governance and understanding what AI is doing. A recurring conclusion is the importance of the human in the loop. Presence matters. Human judgement, oversight and accountability provide the connection between technological capability and the purpose it is intended to serve.

Beneath the excitement of AI lies something rather less glamorous: data. Trusted decisions require trusted information. Fragmented systems, inconsistent definitions and uncertain data lineage are old problems, but automation potentially magnifies their consequences.



…what are we trying to achieve, what risks are we creating along the way, and where does human judgement and accountability need to remain present?

Even where we have sophisticated models and common standards, judgement has not disappeared. *IFRS 17 Insurance Contracts* has given us a common language for insurance reporting, but apparently comparable outcomes may rest on very different assumptions.

Purposeful decision-making requires us to understand not only what our models tell us, but also what they may not.

Insurance has, of course, always been a business of uncertainty. If we knew precisely what would happen, when it would happen and what it would cost, there would be rather less need for insurers, actuaries, underwriters and, dare I say, auditors.

What feels different today is the speed at which uncertainty travels and the increasingly complicated connections between risks. A geopolitical event in one part of the world can disrupt energy markets, increase inflation and interest rates, pressure household affordability and ultimately affect claims, lapses, asset values and the availability and price of reinsurance. Insurance itself can become an important part of that chain: the withdrawal or repricing of cover can influence whether ships sail, projects proceed or businesses continue to operate.

Perhaps this is where ***presence with purpose*** takes on its most traditional meaning for insurance. Insurance exists to be present when risk becomes reality, enabling individuals, businesses and economies to recover and continue.

The industry's purpose is not simply to measure, price and transfer risk efficiently, but to provide meaningful protection against risk. Technology, data and increasingly sophisticated models are tools in serving that purpose, rather than the purpose themselves.

There is perhaps a common lesson in all of this. Sophistication in measuring risk should never be mistaken for certainty about risk, and progress should not be confused with purpose simply because it is technologically possible.

For insurers, resilience increasingly depends not only on having better models, more data or more powerful technology, but on understanding their limitations. It requires knowing what we know, questioning what we think we know, and being sufficiently alert to recognise what we may have missed. It requires us to remain present in the decisions we make, and clear about the purpose those decisions are intended to serve.

That, of course, is much easier to write in a foreword than it is to do.



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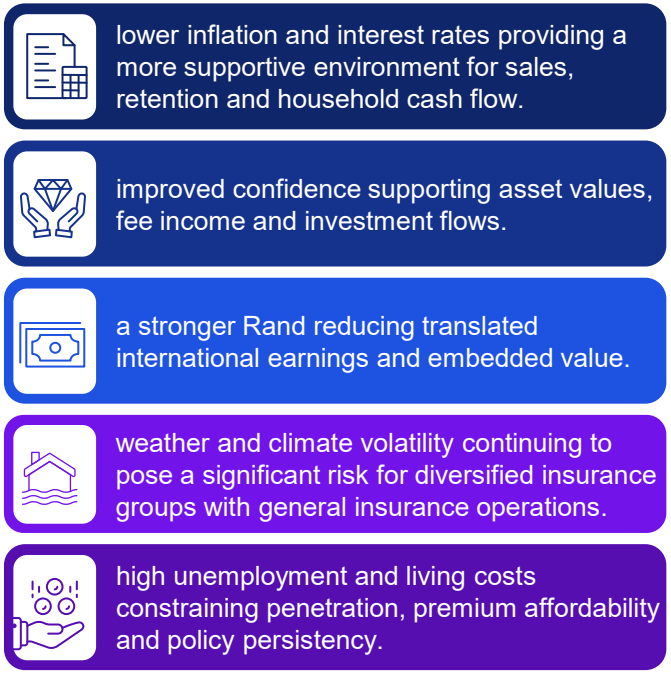
Life insurance industry results analysis

Global and South African life insurance markets showed resilient asset growth and steady claim payouts through 2025 and into 2026, driven by higher interest rates and strong equity markets despite economic headwinds. Key features of results released by South African insurers for the period include:

- assets under management crossing R5 trillion for the first time, with 2025 ending at R5.2 trillion.
- total in-force risk and savings policies rising by 4% to 46.2 million.
- insurers settling 94.1% of reported individual death, credit and funeral claims in 2025, paying out R44.2 billion worth of claims.
- capital buffers remaining healthy with a solvency ratio of 1.89, nearly double regulatory minimums.

These outcomes are even more impressive when set within the context of the complex and contrasting market and macroeconomic backdrop. South Africa's economic environment improved through 2025 and into the first half of 2026 but remained characterised by low growth and structural constraints. Inflation moderated, interest rates declined, the Rand strengthened and electricity stability improved. High unemployment, affordability pressures, logistics constraints and fiscal limitations continued to restrict growth.

Further implications of the macroeconomic environment for the sector included:



Consistent with prior years, while we have surveyed a number of life insurers across the market, our analysis focusses on the largest life insurance groups in the South African market.

Our overall observations are summarised below:

Discovery and Momentum reported strong growth in FY2026, with Old Mutual and Sanlam maintaining momentum into the first half of 2026.

Sanlam and Momentum generated equity-value returns above hurdle thresholds or prior-year levels.

Old Mutual's value of new business (VNB) margin recovered modestly following the weakness experienced in FY2025, with Sanlam and Momentum also facing margin pressure in FY2025.

Solvency remained strong despite acquisitions, lower yields, distributions and capital deployment.

Higher dividends and buybacks indicate confidence, but cash conversion and remittances remain important.

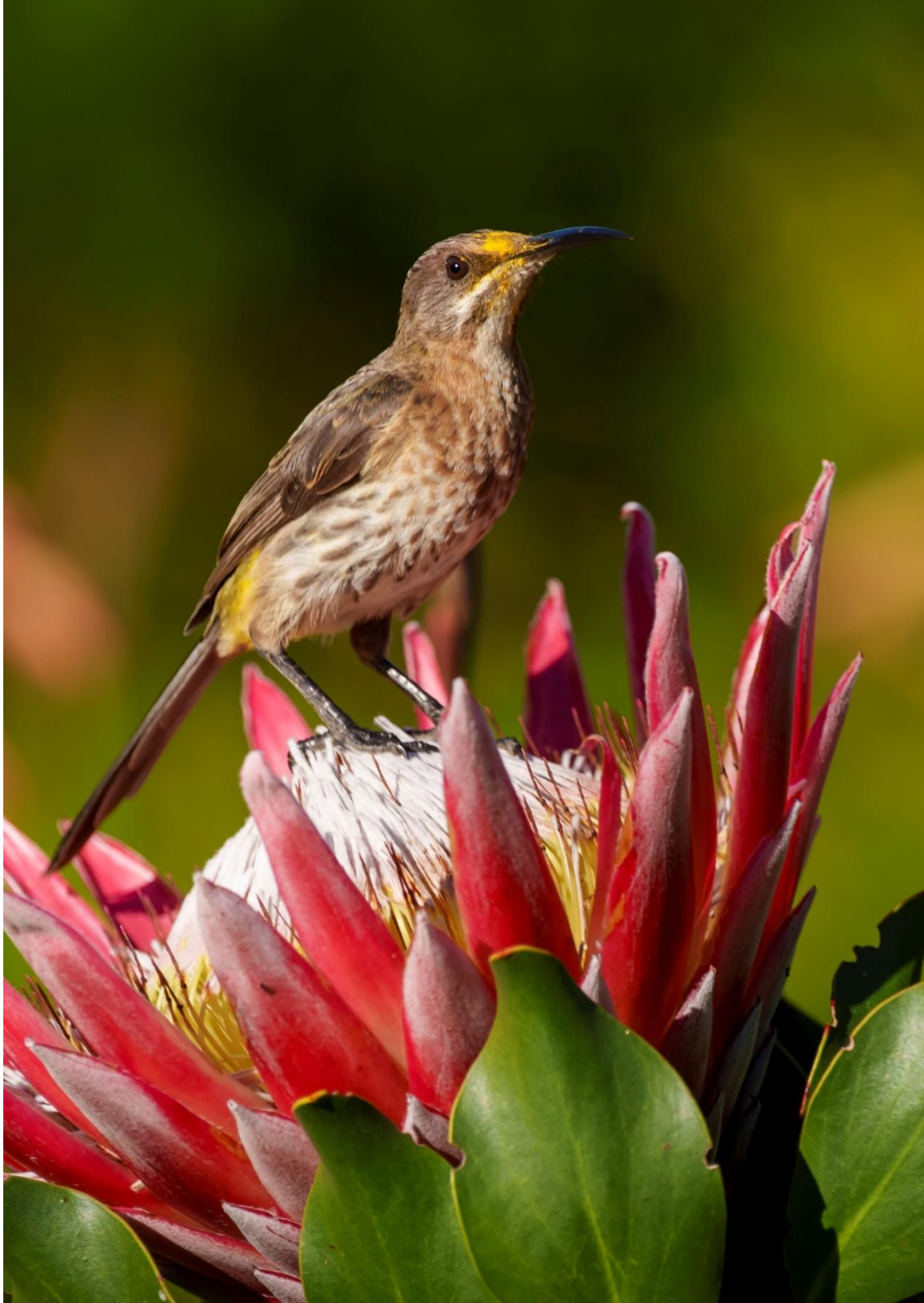
At a glance, we continue to see robust results and solvency well above the required regulatory minimum thresholds.

The results presented below reflect the most recently available public information.

Group	Earnings / profit	Value	Capital
Old Mutual	FY25 RFO[1]: R9.8bn H1 FY26 RFO: R5.3bn	FY25 VNB: R850m H1 FY26 VNB: R569m	FY25 solvency: 162%
Sanlam	FY25 NRFFS[2]: R15.9bn H1 FY26 core earnings: R7.4bn	H1 FY26 VNB: R1.0bn H1 FY26 RoGEV[3]: 15.5%	H1 FY26 solvency: 177%
Discovery	FY26 normalised operating profit: R17.75bn	FY26 EV[4]: R143bn FY26 ROEV[5]: 14.1%	FY26 leverage: 15.4%
Momentum	FY26 normalised HE[6]: R7.06bn	FY26 EV: R66.59bn FY26 ROE[7]: 22.3%	FY26 SCR[8] cover: 1.50x
Liberty	FY25 profit: R3.9bn	FY25 service result R10.0bn	FY25 coverage ratio: 1.47x

1 RFO: Results from operations
2 NRFFS: Net result from financial services
3 RoGEV: Return on group equity value
4 EV: Embedded value
5 ROEV: Return on embedded value
6 HE: Headline earnings
7 ROE: Return on equity
8 SCR: Solvency capital requirement

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The next section provides deeper analysis into the results of each large life insurance group.

Old Mutual

Metric	FY2024	FY2025	H1 FY2026	Commentary
Results from operations	R8.7bn	R9.8bn	R5.3bn	**Strategic highlights** • Implementation of a decentralised operating model across five clusters to improve accountability and profitability. • R3bn buyback announced with about R0.7bn executed by FY2025 year-end. • Acquisition of 10X Investments for R2.2bn, expanding digital and passive investments. • OM Bank reached about 742,000 customers and R1.4bn deposits by June 2026. • Cumulative cost savings reached R936m against the R2.5bn FY2027 objective.
Adjusted headline earnings	R6.7bn	R8.3bn	R3.0bn	
RoNAV[9]	13.0%	15.2%	Not stated	
VNB	R1.50bn	R850m	R569m	
VNB margin	2.5%	1.2%	1.4%	
Group solvency	184%	162%	Not stated	

Overall, the Group delivered improved earnings, supported by a strong capital position that provided a sound base. Board priorities reflected over this period continued to include:



restoration of VNB margin and persistency while sustaining sales.



management of scaling, integration and the path to breakeven for banking operations.



maintaining disciplined capital allocation across buybacks, acquisitions and organic investment.

[9] RoNAV: Return on net asset value

Sanlam

Metric	FY2024	FY2025	H1 FY2026	Commentary
New business volumes	R420.2bn	R496.0bn	R223.6bn	**Strategic highlights** • Increased ownership in Shriram Life and Shriram General Insurance in India. • Completed the Ninety One transaction, recognising an IFRS disposal gain of R3.2bn and retaining an interest in the investment. • Completed the SanlamAllianz integration across eleven jurisdictions, with an inaugural dividend earned of R500m. • Advanced GoTyme retail credit and banking strategy, with a broader launch planned from 2027. • Announced a R3.2bn subscription into African Rainbow Capital Investments.
Net client cash flows	Not stated	R127.0bn	R77.6bn	
VNB	R2.90bn	R2.29bn	R1.05bn	
VNB margin	2.8%	2.0%	1.80%	
Adjusted RoGEV	18.0%	15.7%	15.5% annualised	
Economic solvency	188%	183%	177%	

Sanlam delivered strong organic growth and major strategic execution across FY2025 and H1 2026. Client activity was robust, solvency remained strong after capital deployment and adjusted RoGEV continued to be achieved above the hurdle threshold. H1 FY2026 earnings were moderated by weather claims, weaker investment returns, currency effects and investment in growth initiatives.



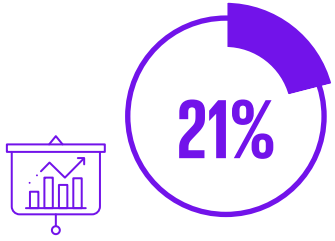
Discovery

Metric	FY2025	FY2026	Movement	Commentary
Normalised operating profit	R15.21bn	R17.75bn	+17%	**Strategic highlights** • Discovery South Africa's operating profit grew by 16%, with all major businesses contributing positively. • The Vitality composite's profit grew by 21%, however, the strong UK performance was partly offset by Japan-related volatility. • Discovery Invest's net client cash flows nearly doubled to R6.3bn. • Discovery Bank expanded clients, deposits and advances while improving its credit loss ratio. • Corporate actions included the purchase of its head office property, 1 Discovery Place, a partial disposal in its investment in Cambridge Motor Telematics and global restructuring. Post the FY25 year-end, Discovery Limited acquired Ramp Health and post the FY26 year end, it finalised its acquisition of Icario Holdco on 1 September 2026, both through its US subsidiary, Vitality Group International.
Normalised headline earnings	R9.78bn	R11.80bn	+21%	
Normalised ROE	15.4%	16.5%	+1.1 pts	
Cash conversion	80%	85%	+5 pts	
Embedded value	R126.55bn	R142.92bn	+13%	
Dividend per share	288c	384c	+33%	
New business API[10]	R26.49bn	R28.16bn	+6%	
Discovery Bank result	R68m loss	R370m profit	Turned profitable	

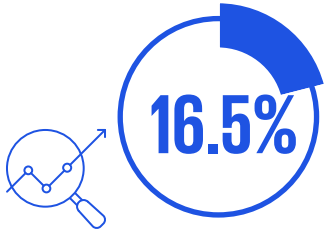
Discovery delivered a strong FY2026 result with broad-based growth across South Africa and the Vitality composite. Normalised operating profit increased by 17%, normalised headline earnings by 21% and normalised ROE improved to 16.5%. Cash conversion strengthened and leverage declined despite the debt-funded purchase of 1 Discovery Place.



Increased normalised operating profit



Improved normalised headline earnings



FY26 normalised ROE

[10] API: Annual premium income

Momentum

Metric	FY2025	FY2026	Movement	Commentary
Normalised headline earnings	R6.26bn	R7.06bn	+13%	**Strategic highlights** • The Group's impact strategy drove cost, distribution, digital and vertical-integration initiatives. • Issue of R1.5bn of subordinated debt and repurchase of 45m shares for R1.6bn. • Ghana operations were disposed of and Mozambique operations were classified as held for sale. • Guardrisk benefited from Zestlife and Admed investments; India operations returned to profitability.
Operating profit	R5.48bn	R5.97bn	+9%	
Dividend per share	175c	230c	+31%	
PVNBP[11]	R79.79bn	R93.80bn	+18%	
Value of new business	R469m	R491m	+5%	
New business margin	0.6%	0.5%	-0.1 pts	
Diluted embedded value	R57.85bn	R66.59bn	+15%	
Return on EV	17.9%	22.3%	+4.4 pts	
Group SCR cover	1.64x	1.50x	-0.14x	
Cash generated	R4.51bn	R3.75bn	-17%	

Momentum achieved its R7bn normalised headline earnings target one year earlier than its expected plan. FY2026 earnings were broadly based and operationally driven, with every operating business contributing profitable results. Strong Metropolitan, Investments, Guardrisk, Health and Africa results offset weaker Retail and Corporate performance.

Board priorities continue to include:

- improving new business profitability and closing the sales-to-value gap.
- monitoring yield sensitivity, solvency and cash remittances.
- delivery of Retail and Corporate recovery plans, including market-risk exposure, product economics and underwriting performance, to ensure these do not weigh down the results of the rest of the Group.

[11] PVNBP: Present value of new business premiums

Liberty

Area	FY2025	Interpretation
Profitability	Group profit: R3.9bn PBT[12]: R8.3bn	Improved operating and investment performance
Insurance	Service result: R10.0bn	Stronger margins and controlled expenses
Standard Insurance (general insurance subsidiary)	Profit: R734m Insurance service result: R981m	Material contribution after integration
Capital	Regulatory coverage: 1.47x	Robust position
Portfolio	Property optimisation and non-core assets held for sale	Continued reshaping of portfolio
Investment strategy	Energy-transition and private-market initiatives	Supports long-term growth

Liberty reported a stronger FY2025 result, supported by improved insurance earnings and higher investment income. Group profit increased by 10% to R3.9bn, the insurance service result rose from R8.0bn to R10.0bn, insurance revenue increased by 6% to R37.9bn and net investment income rose to R55.5bn.

Conclusion

Our key takeaways from our review of life insurers' results for 2025 and the first half of 2026 are as follows:

- Financial resilience is strong, with improved earnings, embedded value and distributions across most groups.
- The quality of growth is mixed: strong demand did not always translate into higher VNB margins or cash.
- Capital is actively balanced across acquisitions, debt, dividends, buybacks and organic investment.
- Models are converging around ecosystems spanning insurance, banking, investments, health and digital engagement.
- International strategies are increasingly important in India, Africa and US healthcare.
- Execution and control risks include technology, integration, assumptions, data, weather and market volatility.

[12] PBT: Profit before tax



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Non-life insurance industry results analysis

The South African non-life insurance industry entered 2026 from a position of strength. Revenue growth, improved profitability and robust capital positions continue to demonstrate the resilience of the sector. However, in an environment marked by geopolitical uncertainty, cyber threats, climate-related events and changing customer expectations, success is no longer measured by financial metrics alone.

Our theme for this year, **presence with purpose**, challenges the industry to go beyond simply being present in the market. It is about using capital, expertise and innovation to protect livelihoods, build resilience and create meaningful value for customers. Whether through enhanced risk management, climate adaptation initiatives, digital innovation or more accessible insurance solutions, the opportunity is to transform our presence into lasting impact.

Economic environment

By the fourth quarter of 2025, the South African economy recorded its fifth consecutive quarter of growth. The positive showing in the fourth quarter helped push annual gross domestic product (GDP) up by 1.1% in 2025. This is the highest annual growth rate since 2022, when GDP increased by 2.1%.

Over the 2025 calendar year, the average inflation rate was 3.2%[1], down from the average of 4.4% recorded in 2024. South Africa also entered into an interest rate easing cycle, whereby interest rate cuts of 25 basis points were implemented in January 2025, March 2025, May 2025 and November 2025, which effectively reduced the prime interest rate from 11.25% to 10.25%.

Geopolitical risk has become a significant and growing threat to South Africa's non-life insurance industry, driven by increasing global conflicts, cyber threats, supply chain disruptions and economic volatility. Although many of these conflicts occur(red) outside South Africa, the country's integration into global trade networks and dependence on international reinsurance markets mean that insurers are not insulated from their effects. Disruptions in key trade routes such as the Strait of Hormuz, sanctions regimes and conflicts in the Middle East and Ukraine increased commodity prices, affected exchange rates, disrupted supply chains and reduced the availability of reinsurance capacity, and continue to do so.

These developments lead to higher claims costs, increased premiums and greater underwriting uncertainty across multiple classes of insurance, including marine, cargo, property and casualty lines.

Cyber risk is an emerging systemic concern, with growing fears in South Africa of a major cyber-induced internet outage, potentially resulting in a “Black Swan” event. Geopolitical conflicts increasingly involve cyber warfare, creating potential exposures for South Africa's financial services, port and energy infrastructures. Marine insurers are particularly vulnerable given that approximately 90% of South Africa's trade by volume is transported by sea, exposing insurers to higher war-risk costs, vessel delays, cargo losses and general average claim costs.

With this backdrop insurers will look to strengthen resilience through enhanced exposure mapping, reassessment of policy wording, reinsurance protection and sanctions compliance and proactive engagement with policyholders.

Geopolitical risks have shifted from a peripheral concern to a core strategic risk requiring ongoing monitoring and adaptation by South African non-life insurers.

South Africa's official unemployment rate remained high during 2025, averaging around 32.4%. The unemployment rate fluctuated across the quarters, ending off 2025 on a five-year low of 31.4% in the fourth quarter.



31.4%

South Africa's official unemployment rate (fourth quarter 2025)

[1] https://www.statssa.gov.za/publications/P0141/CPIHistory.pdf

According to the South African Police Service (SAPS), Release of Crime Stats: 3rd Quarter 2025/26 – Special Issue (February 2026), covering the period October to December 2025, reductions were recorded across several theft and robbery-related crime categories, with livestock theft decreasing nationally by 9.6%. While most affected provinces showed improvement, the Eastern Cape remains an area of concern. Theft out of or from motor vehicles also declined across all provinces by 6.9%. Robbery with aggravating circumstances, which includes trio crimes such as carjacking, robbery at residential premises and robbery at non-residential premises, also showed a notable improvement, decreasing by 13.8%. Carjackings declined nationally by 8.1%, however, increases were still recorded in the Free State and North-West provinces. Gauteng continued to report the highest number of incidents, particularly in areas such as Mamelodi East, Alexandra and Kempton Park. Despite the overall positive trend, robberies at residential and non-residential premises increased in the Northern Cape, highlighting the need for continued collaboration between SAPS, private security, community policing structures, business forums and civil society to strengthen safety measures.

The 2025 calendar year marked the first full year under South Africa's Government of National Unity (GNU), following the 2024 general elections. While the formation of the GNU initially boosted investor sentiment and business confidence, ongoing political disagreements within the coalition, fiscal policy disputes and broader policy uncertainty tempered optimism and highlighted the fragility of the governing arrangement. Concerns remain regarding fiscal sustainability, elevated sovereign debt levels and South Africa's ability to achieve the economic growth required to reduce unemployment and improve public finances.

Weak economic growth, high unemployment and infrastructure challenges may constrain premium growth, increase fraud and theft-related claims and place pressure on policyholder affordability and retention.

Despite these challenges, there have been encouraging developments, including continued progress in electricity sector reforms, sustained reduction in load-shedding compared to previous years, and ongoing implementation of logistics and transport reforms aimed at improving rail and port efficiency and increasing private sector participation. Improvements in electricity supply, logistics and transport infrastructure could support economic activity, strengthen insured asset values and create opportunities for insurance market expansion.

Infrastructure constraints, however, remain a risk and continue to affect economic activity, with persistent water supply disruptions in several municipalities, ageing water infrastructure, logistic bottlenecks and capacity constraints at local government level. Although inflation has moderated and interest rates have begun to ease, weak economic growth, high unemployment and infrastructure shortcomings continue to weigh on investor confidence and South Africa's long-term growth prospects.

Looking ahead, the 2026 local government elections are expected to introduce an additional layer of political uncertainty. Political parties within the GNU and outside the coalition are likely to intensify campaign efforts, which could heighten tensions within the governing alliance and potentially slow the pace of economic and structural reforms. The elections may also increase pressure for expanded public spend and social support measures, potentially complicating fiscal consolidation efforts. Conversely, increased electoral competition could incentivise improvements in service delivery, infrastructure investment and governance outcomes at municipal level.

For non-life insurers, the quality and reliability of municipal infrastructure, particularly water, roads and stormwater systems, are important drivers of property and engineering claims experience. Any delays in reform implementation or deterioration in municipal services could contribute to higher claims frequencies and catastrophe losses, while sustained infrastructure investment and improved governance could support a more favourable underwriting environment. The election outcome will be closely monitored by investors as an indicator of the GNU's durability and government's ability to maintain reform momentum.

South Africa's non-life insurance sector continues to maintain robust capital buffers, demonstrated by the median solvency capital requirement (SCR) ratio of 180%. This position is supported by prudent capital management, solid earnings retention and effective reinsurance arrangements. Notably, S&P Global Ratings (S&P) indicated that most rated South African insurers are well positioned to absorb the impact of a severe climate-related catastrophe expected to occur once in 250 years, highlighting the sector's overall resilience.

South Africa's non-life insurers continue to maintain healthy balance sheet positions, with the vast majority holding SCR coverage levels well in excess of the regulatory minimum requirement of 100%.

Dividend declarations increased significantly from R3.38 billion in 2024 to R7.64 billion in 2025, representing a 126% year-on-year increase. The increase was primarily driven by higher dividend declarations from several major insurers, including entities that did not declare dividends in the prior year. Overall, the level and consistency of dividend payments across the industry are indicative of sound capital positions and availability of distributable reserves. The ability of insurers to declare substantial dividends while continuing to operate within the regulatory framework suggests that capital resources generally remain sufficient to support policyholder obligations and ongoing business operations.

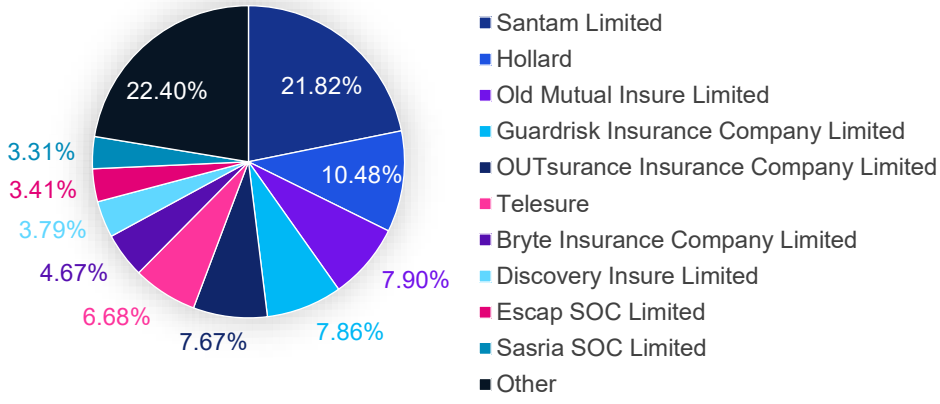
Market share

The South African insurance industry reported insurance revenue of R173.9 billion in 2025[2], representing growth of 8.5% (2024: 9.9%) compared to R160.3 billion reported in 2024. Even though the industry experienced a lower growth trajectory compared to the previous year, top-line growth remains sound. The lower growth rate reported for 2025 is largely aligned with the insurance component of consumer price inflation (CPI), where the average 2025 inflation rate of 7.8% for the sector was lower than the average of 8.2% recorded in 2024.

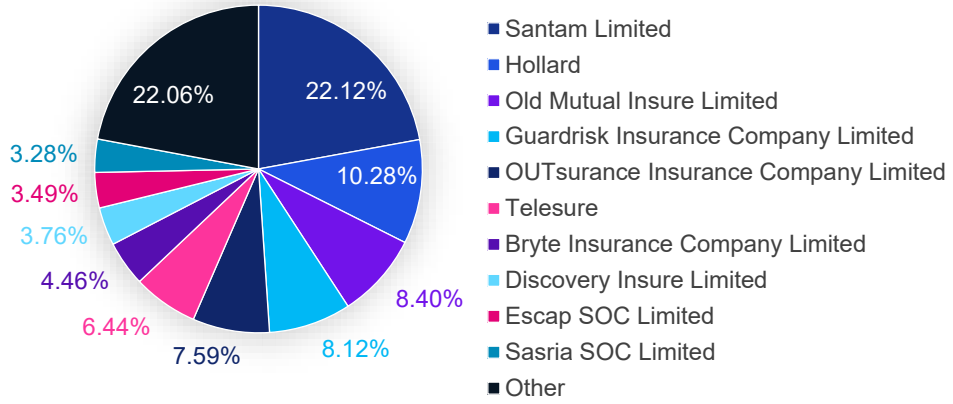
As reported by S&P, non-life premium growth over the next two years is expected to be slightly lower than the growth recorded in 2025 but aligned with nominal GDP growth. S&P further noted that continued pricing adjustments and broader market penetration are expected to support premium growth despite economic headwinds.

The top ten insurance companies for 2025 accounted for 78% (2024: 78%) of insurance revenue in respect of all non-life insurers participating in this year's survey.

Market share based on insurance revenue - 2025



Market share based on insurance revenue - 2024



The market share rankings of the top ten non-life insurers remained largely stable year-on-year. However, Discovery Insure Limited (Discovery Insure) entered the top ten in this year's survey as a new participant. Consequently, Absa Insurance Company Limited (Absa Insurance), which ranked tenth based on its share of insurance revenue in both 2025 and 2024, dropped out of the top ten ranking.

[2] The insurance revenue of the companies featured in this publication approximate 89% of the industry's non-life insurance revenue. Accordingly, the results of this survey are a fair representation of the results of the overall industry. https://www.resbank.co.za/content/dam/sarb/publications/reports/pa-annual-reports/2026/pa-ar.pdf.coredownload.inline.pdf

Of the top ten insurers reflected on the previous page, set out below is our analysis of those insurers with the highest quantitative year-on-year increases in insurance revenue and insurers who achieved insurance revenue growth of at least 10% (rounded).

Santam Limited (Santam)

Santam maintained its position as the leading non-life insurer in South Africa, with an estimated market share of 21.82% in 2025 based on insurance revenue. This was supported by robust financial performance during the year, with insurance revenue increasing by R2.5 billion (7%). The company attributed this growth to a combination of strategic execution and diversification initiatives. Santam's market-leading position underscores its presence and influence within the South African insurance sector. We include more detail on Santam's financial performance later in this article.

Hollard[3]

Insurance revenue increased by R1.7 billion or 11%, from R16.5 billion in 2024 to R18.2 billion in 2025. This result is primarily attributed to growth in Hollard Insure business revenue and management's focus on portfolio growth. In addition, Hollard benefited from an increase in its share of income from associates.

Looking ahead, in October 2025 GCR Ratings (GCR) affirmed The Hollard Insurance Company Limited's national scale financial strength rating of AA (ZA), with a stable outlook. In November 2025 S&P assigned a financial strength rating of A with a stable outlook to the same company.

In addition, effective 1 November 2025, the insurer officially acquired and integrated Lombard Broker Partners, Lombard Insurance Company Limited's (Lombard) commercial and non-life insurance division. While these developments are not reflected in the 2025 financial results analysed in this survey, it provides an early indication of the factors likely to influence future financial performance.

Telesure[4]

The Telesure Group also delivered solid revenue growth in 2025, with insurance revenue increasing from R10.3 billion to R11.6 billion, representing growth of 13%.

This increase reflects the Group's continued ability to generate sustainable growth in a highly competitive market, supported by the strength of its direct insurance model, well-established brands and customer-focused operating approach.

In particular, the following insurers within the Telesure Group contributed significantly to insurance revenue growth: Auto & General Insurance, Budget Insurance, Renasa and First for Women Insurance, which reported revenue growth of 14%, 14%, 15%, and 10% respectively.

Bryte Insurance Company Limited (Bryte)

Insurance revenue increased by R986 million, or 13.8%, from R7.1 billion to R8.1 billion. This growth was primarily driven by increases across the property, motor and other insurance lines, with property being the highest contributor.

OUTsurance Insurance Company Limited (OUTsurance)

OUTsurance increased insurance revenue by 9.7%, from R12.2 billion in 2024 to R13.3 billion in 2025. The company attributed this growth to new business generation and premium inflation.

In the personal insurance segment, normalised gross written premiums increased by 11.1%, supported by premium inflation and policy growth. The business insurance segment delivered gross written premium growth of 10.8%, driven by organic expansion in the OUTsurance broker channel and premium inflation.

[3] The Hollard Insurance Company Limited and Hollard Specialist Insurance Company Limited have been combined into Hollard.

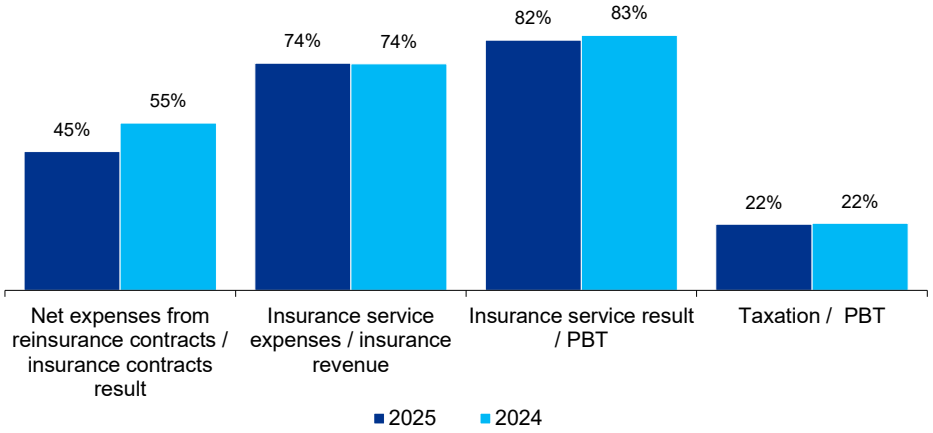
[4] Telesure includes Auto and General Insurance Company (RF) Limited (Auto and General Insurance), Budget Insurance Company (RF) Limited (Budget Insurance), Dial Direct Insurance (RF) Limited (Dial Direct Insurance), First for Women Insurance Company (RF) Limited (First for Women Insurance) and Renasa Insurance Company Limited (Renasa).

Profitability

Profit after tax (PAT) increased from R17.8 billion in 2024 to R23.7 billion in 2025. This represents a marked improvement, despite mounting geopolitical tensions, economic uncertainty and fierce competition.

The chart below reflects key ratios which contribute to the 2025 industry results.

Ratio analysis



Insurance service expenses as a percentage of insurance revenue remained consistent year-on-year. The insurance service result (consisting of insurance revenue net of insurance services expenses and net expenses from reinsurance contracts) as a percentage of profit before tax (PBT) decreased marginally to 82% (2024: 83%). This means that compared to 2024, a slightly lower proportion of PBT is attributable to the industry's core underwriting activity.

Claims incurred

The industry experienced a relatively benign year in respect of its exposure to large and attritional weather and motor claims. This experience is evident in a number of financial metrics. The insurance contract result (insurance revenue less insurance service expenses) increased by 7.4%, from R41.8 billion in 2024 to R45 billion in 2025. Net expenses from reinsurance contracts decreased and the insurance service result increased by 29.4%, from R19 billion in 2024 to R24.6 billion in 2025.

Reflecting on last year's non-life insurance industry results, we reported that the continued hardened reinsurance market, together with reinsurers increasing catastrophe cover attachment points or not taking on certain risk types in its entirety, resulted in the primary market retaining more risk. In addition, many primary insurers reported that portfolio actions were taken to correct non-performing books of business, while being more deliberate in risk selections. This, together with sustained positive claims experience, contributed to an improvement in the insurance service result across the industry.

Insurance service expenses as a percentage of insurance revenue, remained stable at 74% across 2024 and 2025. Insurers have, however, reported that the favourable claims environment experienced in 2025 and the last few years is not expected to persist following the increased risk of more frequent and severe extreme weather events.

Some normalisation has already been experienced in the first two months of 2026, with flooding in the northern part of South Africa and wildfires in the Western Cape. In addition, the Western Cape was hit with severe storms during May 2026, underscoring the growing financial and underwriting challenges posed by severe weather events in South Africa. With economic losses estimated at R9.1 billion, widespread flooding, significant infrastructure damage and major agricultural losses, the event is likely to be one of the more costly weather-related disasters affecting the province in recent years.

Santam reported that their underwriting performance for the period January 2026 to June 2026 was adversely impacted by catastrophe and other large losses, amounting to R1.5 billion over the period, net of reinsurance. These losses exceeded expectations when compared to the R144 million in claim losses incurred over the comparable 2025 financial period.

A notable outcome of the disaster is the call by the Minister of Agriculture for a public-private partnership model for agricultural insurance, moving away from reliance on post-disaster government relief. This could create opportunities for insurers to partner with government to improve resilience and expand insurance coverage in the agricultural sector. The Western Cape government's commitment to "build back stronger" also aligns with the insurance industry's growing focus on resilience, risk mitigation and climate adaptation. Investments in more resilient infrastructure could reduce future insured losses and improve long-term insurability.

On the horizon, there are the warning signs that El Niño conditions may be developing, marked by the warming of sea surface temperatures in the central and eastern Pacific Ocean. In Southern Africa, El Niño is typically associated with hotter and drier conditions during the summer rainfall season. The incidence of El Niño conditions developing may increase the risk of below-average rainfall and lower agricultural output in the season ahead. For the non-life insurance industry, this could mean higher drought-related losses. In addition, the drier vegetation and prolonged heat waves increase the probability of veld and wildfire events, causing higher property, commercial, forestry and agricultural insurance claims. There is also the risk of business interruption for agricultural producers, as well as food processors and other climate-dependent industries who may experience reduced production. The impact could have far-reaching implications for the broader economy, with the potential for rising food prices and economic strain. Additionally, higher inflation can increase the cost of repair or replacement of damaged assets, raise claims costs and put pressure on underwriting margins.

During 2025 and early into 2026, foot-and-mouth disease (FMD) significantly disrupted South Africa's agricultural sector. More than 24,000 cases were reported, resulting in restrictions in animal movement, the implementation of quarantine measures, livestock losses, reduced market access and widespread disruption across the agricultural value chain. Trade restrictions imposed by neighbouring countries reportedly contributed to a 26%, or approximately R2.6 billion, decline in beef exports, highlighting the material economic consequences of the outbreak. The severity of the outbreak ultimately led to FMD being classified as a national disaster in February 2026. For South Africa's non-life insurance industry, the outbreak highlighted both potential claims exposures and a significant protection gap. While agricultural and livestock policies may cover certain direct losses, including animal mortality or compulsory culling, cover remains highly dependent on policy terms, extensions and exclusions.

The wider financial consequences of an outbreak of this nature can be substantially greater, including production losses, ongoing feeding costs, reduced livestock values, disinfection and restocking costs and business interruption arising from restricted movements. Suppliers, processors and other businesses across the agricultural value chain may also suffer contingent business interruption losses. These exposures require insurers and reinsurers to assess livestock concentrations, geographic accumulations, biosecurity standards, traceability systems, government disease-control measures and the potential severity and duration of an outbreak.

The outbreak reinforced the need for commercially viable livestock mortality and business interruption solutions, supported, where appropriate, by index-based or parametric products, to help narrow the agricultural protection gap and strengthen sector resilience.

Cost of reinsurance

Net expenses from reinsurance contracts as a proportion of the insurance contract result decreased from 55% in 2024 to 45% in 2025. Of the 29 participating non-life insurers, ten reported a decrease in net expenses from reinsurance contracts. This is in line with expectations given the pricing correction initiatives and increased attachment points implemented by reinsurers over the last few years, as well as the lower incidence of catastrophe claims in recent years.

Key contributors to the overall decrease in net expenses from reinsurance contracts are Sasria SOC Limited (Sasria) and Lombard.

Sasria's net reinsurance costs decreased year-on-year, largely due to a new quota share reinsurance arrangement under which 20% (2024: 42.4%) of written premiums are ceded to reinsurers. For Sasria, the July 2021 unrest had a significant impact on its capital position, reducing reserves and utilising catastrophe reinsurance protection. While profitability improved in recent years due to lower claims experience, sustainable future growth is expected with the introduction of new profitable products, potential expansion of its mandate and continued state support.

Lombard's net reinsurance expense decreased by 92.7%, from R1 450.5 million in 2024 to R105.9 million for the year ended 30 June 2025. This, together with the sharp increase in gross insurance service expenses, indicates that higher reinsurance recoveries were likely a significant factor behind the decrease. Lombard's reliance on reinsurance is aligned with the nature of its specialist insurance portfolio, which includes construction, customs and fuel guarantees, mining rehabilitation guarantees, credit insurance and commercial insurance through specialist partnerships. These exposures can give rise to large individual losses, highlighting the importance of reinsurance recoveries in mitigating underwriting volatility.

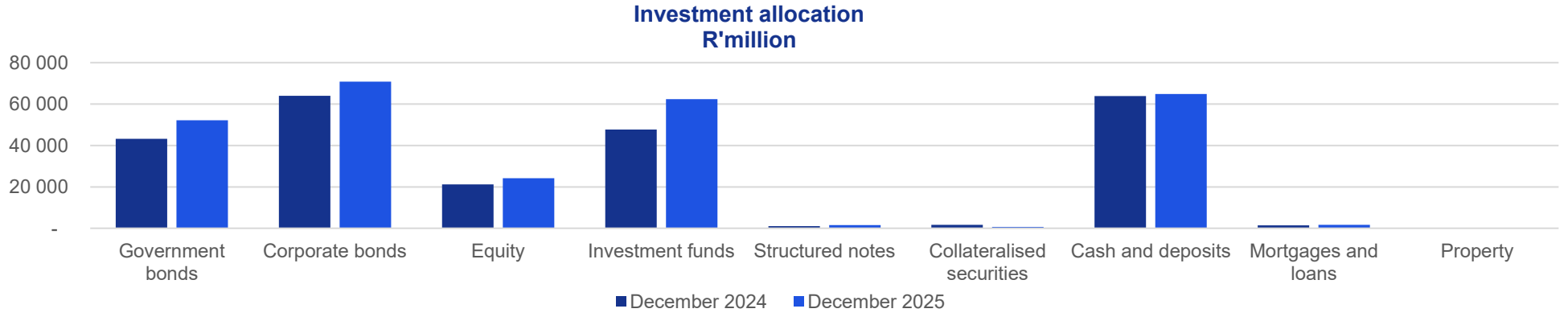
Investment income

Investment income continued to be a significant contributor to the 2025 financial results of the non-life insurance industry. While South Africa entered an interest rate easing cycle in 2025, interest rates remained elevated for most of the year, supporting high investment returns across the sector. Total net investment income increased by 23.5%, from R14.9 billion in 2024 to R18.5 billion in 2025, while the average return on investments earned by participating non-life insurers increased by 4.99% compared to the prior year.

The industry's investment performance was further supported by favourable returns from fixed-income portfolios and increased yields on investable assets. With the repo rate ranging between 7.25% and 8.25% for most of 2025, these conditions enhanced returns on government bonds, corporate debt securities and money market instruments, which form a significant portion of many non-life insurers' investment portfolios.

The Prudential Authority's December 2025 insurance sector data report notes that total investments[5] held by non-life insurers increased by approximately 13%, from R244.7 billion in December 2024 to R278.6 billion in December 2025. This comprised non-life primary insurers, whose investments increased by 12.5%, from R164.0 billion to R184.5 billion; non-life cell captive insurers, who recorded an increase of 16.4%, from R48.6 billion to R56.6 billion; and non-life captive insurers, whose investments increased by 17.2%, from R32.0 billion to R37.6 billion.

Overall, investments increased across all asset classes, as reflected in the chart below. Government bond holdings increased by 20.5%, from R43.3 billion to R52.1 billion, corporate bond holdings increased by 10.7%, from R63.9 billion to R70.8 billion, and investment fund holdings increased by 30.9%, from R47.7 billion to R62.4 billion. These movements highlight the industry's increased exposure to government bonds, corporate bonds and investment funds across the non-life insurance sector during 2025, indicating a continued allocation of funds towards higher-yielding investment assets.



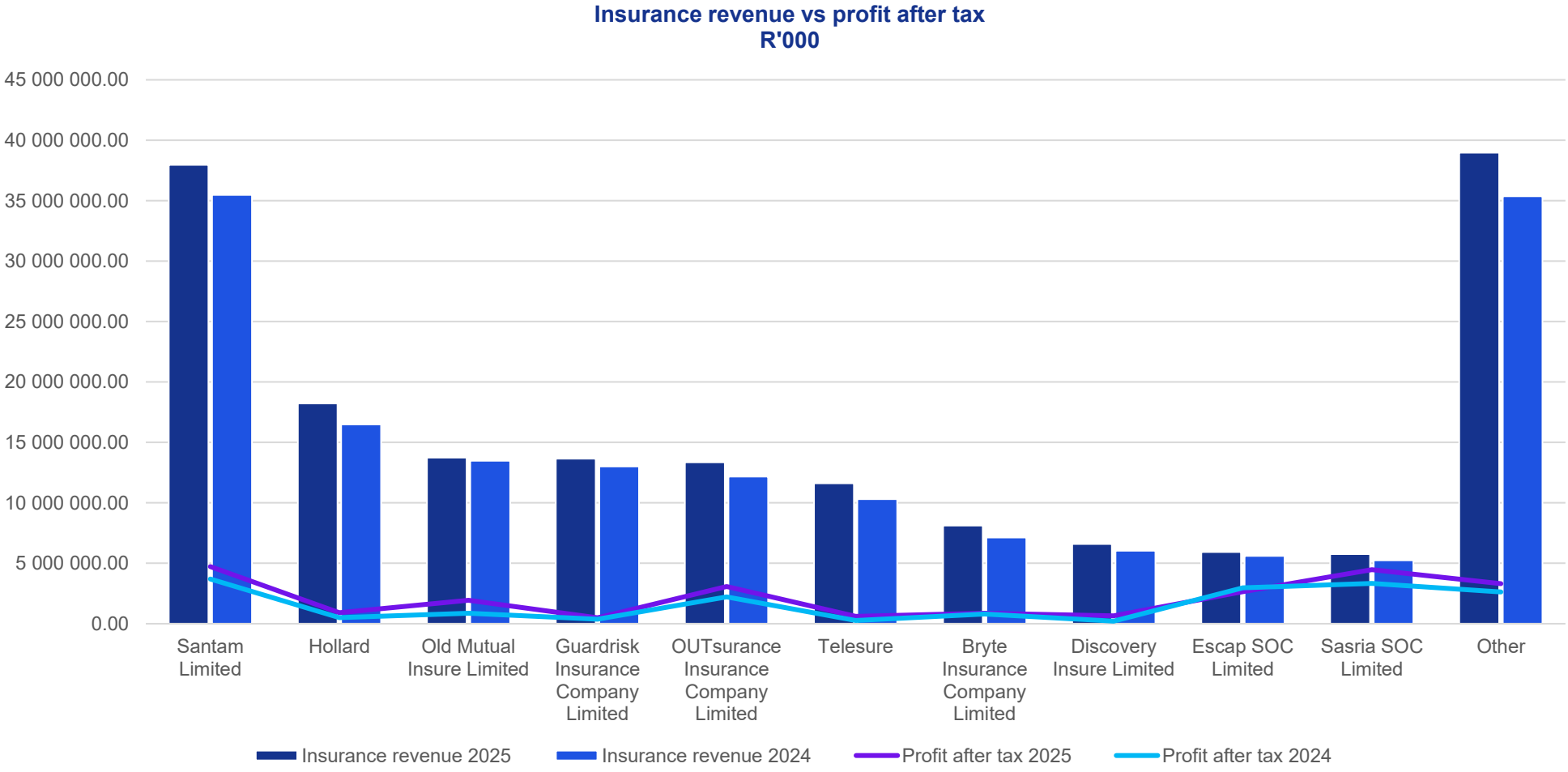
Equity market performance also supported investment growth, with the Johannesburg Stock Exchange (JSE) All Share Index recording a return of 42% in 2025.

Overall, several key trends emerged during the year. Higher interest income from fixed-income investments strengthened overall investment earnings, while healthy investment performance complemented underwriting results and contributed to improved profitability despite ongoing economic uncertainty and claims inflation pressures. In addition, diversified investment portfolios provided resilience, allowing insurers to benefit from exposure to cash, bonds, equities and alternative investments.

[5] Measured based on the Prudential Standards issued in terms of the Insurance Act 18 of 2017, and not in terms of International Financial Reporting Standards (IFRS)

Individual performance

Reflected in the chart below is profit after tax (PAT) compared to insurance revenue for the ten largest non-life insurance companies (measured by insurance revenue contribution) over 2024 and 2025, along with the rest of the market labelled as “Other”.



PAT grew from R17.9 billion in 2024 to R23.7 billion in 2025, representing an increase of 33%. The top three highest contributors to the increase in PAT are Santam, Old Mutual Insure Limited (Old Mutual Insure) and Sasria, with Santam contributing R1 billion and Old Mutual Insure and Sasria contributing R1.1 billion each. Set out on the following pages is our analysis of those insurers with the highest Rand value contribution to PAT and insurers with the highest relative change in PAT.

Santam

Santam's PAT increased significantly from R3.7 billion to R4.7 billion, supported by robust insurance revenue growth, improved underwriting profitability and continued execution of its FutureFit 2030 strategy. Insurance revenue increased by R2.5 billion (7%), reflecting growth across key business segments through its diversification and expansion initiatives, including contributions from Miway Insurance Limited (Miway), strategic partnerships and the inclusion of the MultiChoice insurance book. The Group also reported favourable underwriting results, benefiting from corrective underwriting actions implemented over recent years, improved risk selection practices and disciplined portfolio management.

Claims experience was more favourable compared to prior periods, with lower levels of weather-related catastrophe losses contributing to profitability. Santam continued to strengthen its risk management capabilities through advanced data analytics, geocoding and geomapping initiatives, enabling more accurate risk assessment and pricing decisions. These measures enhanced portfolio resilience while supporting sustainable growth.

In addition, the favourable results reported by Santam Structured Reinsurance Limited PCC and Santam Specialist Business Limited supported the Group's strategic objective of expanding its presence beyond South Africa and increasing contributions from international operations.

Santam continues to advance its FutureFit 2030 strategy, which focuses on maintaining market leadership in the intermediary channel, growing its direct insurance footprint, expanding into underpenetrated market segments and leveraging digital technologies to enhance customer experience and operational efficiency. The successful execution of these strategic initiatives, together with underwriting discipline and growth across multiple distribution channels, positioned the Group to deliver another year of resilient financial performance and reinforce its position as South Africa's leading non-life insurer.

Old Mutual Insure

Old Mutual Insure's results were supported by a notable improvement in portfolio quality, enhanced claims experience and high investment returns. Its results demonstrate the continued effectiveness of its underwriting strategy, as well as ongoing focus on creating value for customers.

The insurer reported a significant increase in PAT, from R865 million to R1.9 billion, representing growth of 124.6%.

This improvement was primarily driven by a substantial increase in investment income, which grew from R673 million to R1.8 billion. A key contributor was the sustained organic expansion within Old Mutual Insure, supported by successful acquisitions, most notably ONE Financial Services Holdings Proprietary Limited, which contributed to the increase in investment income through a fair value uplift in the underlying investment.

Sasria

Sasria's recorded PAT of R4.5 billion for the 2025 financial year, which is 34% higher than the R3.3 billion reported in 2024. Following the severe impact of the July 2021 unrest, Sasria has made substantial progress in its recovery journey, further strengthening its capital base and financial position.

Sasria's equity position increased to R18.6 billion (2024: R14.1 billion), bringing it closer to its target of R30 billion in capital reserves by 2030, while maintaining consistent underwriting and investment performance. Insurance revenue increased to R5.8 billion, representing a 9.7% increase from the previous year's R5.3 billion. Sasria reported that while gross claims incurred increased to R666.3 million from R481.4 million in the previous year, the level remained manageable and within risk appetite, contributing to a positive underwriting result.

The insurer's insurance service result rose by 48.9% to R2.9 billion, up from R2.0 billion in the previous year. This increase was mainly due to net expenses from reinsurance contracts reducing to R592.2 million from R1.3 billion in 2024, representing a 55.4% decrease. Sasria attributed this decrease to a combination of lower reinsurance placement due to the hardened reinsurance market, and a revised quota share arrangement with a lower ceding rate of 20% compared to 42.4% in the prior year. Sasria also benefitted from their investment income delivering solid returns of R1.3 billion (2024: R1.0 billion), specifically related to favourable interest rate conditions and strategic asset allocations.

Sasria reported that, on the socio-political front, unrest continues to pose a significant risk. While mass protests were less frequent in 2024/25, incidents such as the Eastern Cape taxi protests in May 2024 and the National Student Financial Aid Scheme (NSFAS) protests at postsecondary institutions across South Africa, resulted in significant damage to university and college infrastructure leading to property damage and insurance claims. However, the peaceful national elections in May 2024 and the subsequent formation of a GNU bolstered investor confidence and opened new avenues for policy reform.

The state-owned insurer also reported progress towards an expanded mandate covering systemic risks, such as climate-related events and cyber threats in consultation with government and industry stakeholders, to better understand these opportunities. This expansion will diversify and allow delivery of a more comprehensive risk coverage for South Africa.

OUTsurance

OUTsurance increased PAT from R2.2 billion in 2024 to R3.1 billion in 2025 and reported growth in insurance revenue. Refer to the commentary provided in the market share section earlier in this article on the drivers of insurance revenue growth. Profitability improved with the insurance service expenses-to-insurance revenue ratio decreasing from 69% in 2024 to 63% in 2025. This improvement was largely driven by a lower claim ratio, which declined from 49.8% in 2024 to 44.6% in 2025. Claims experience benefited from benign natural peril activity and favourable trends in attritional losses.

Partially offsetting these positive developments was an increase in the combined cost-to-income ratio to 31.7% in 2025, compared to 27.9% in 2024, primarily attributable to higher share-based payment expenses. Net expenses from reinsurance contracts as a percentage of the insurance contract result reduced from 5% in 2024 to 4% in 2025. OUTsurance also benefited from higher investment income, supported by positive returns earned from its equity portfolio.

Discovery Insure

Discovery Insure delivered remarkable financial results for 2025, with PAT increasing significantly from R213 million in 2024 to R644 million in 2025. This growth was supported by robust revenue generation, disciplined underwriting and a continued focus on profitable expansion. Insurance revenue increased by approximately 9%, from R6.0 billion to R6.6 billion, while underwriting profit improved significantly over the year. The improvement in performance was further driven by strategic pricing actions, effective risk management and lower-than-expected weather-related claims costs, particularly during the winter and hail seasons. Moderate repair cost inflation also contributed positively to profitability.

Discovery Insure continued to invest in technology, innovation and value-added products while maintaining disciplined underwriting standards.

This was reflected in the insurance service result, which increased from R360 million in 2024 to R750 million in 2025.

Exxaro Insurance Company Limited (Exxaro)

Exxaro recorded a significant increase in insurance service expenses, from R51 million in 2024 to R912 million in 2025. The increase was primarily driven by a large loss at one of its mining operations, which resulted in a substantial insurance claim for Exxaro. This significant increase in insurance service expenses was the main contributor to the loss incurred in 2025, with Exxaro moving from a PAT of R343 million in 2024 to a loss after tax of R224 million in 2025.

King Price Insurance Company Limited (King Price)

Profit after tax increased by R225 million. Contributing to this increase is insurance revenue growth at 16.4%, from R3.72 billion in 2024 to R4.34 billion in 2025, and a 64% year-on-year increase in net investment income.

The insurance service expenses-to-insurance revenue ratio improved from 80% in 2024 to 74% in 2025. In addition, King Price benefitted from a decrease in net expenses from reinsurance contracts, which is reflected in the decrease in the net expenses from reinsurance contracts-to-insurance contract result ratio of 22% in 2024 to 12% in 2025.

Telesure

Telesure delivered favourable results in 2025, with insurance revenue increasing from R10.3 billion to R11.6 billion, representing growth of approximately 13% across its portfolio of brands. This performance reflects the Group's continued success in growing its direct insurance businesses, supported by sustained customer acquisition, brand diversification and disciplined underwriting practices.

The Group continued to sustain its presence in the South African non-life insurance market through its multi-brand strategy, enabling it to serve a broad range of customer segments.

Auto and General Insurance remained the largest contributor to the Group, while Budget Insurance, Dial Direct Insurance and First for Women Insurance continued to strengthen their respective market positions through targeted product offerings and customer-focused value propositions. Renasa also contributed to the Group's overall growth, profitability and diversification.

In addition, Telesure benefited from the favourable investment environment, supported by higher interest rates and improved returns on invested assets. The Group also maintained healthy capital and solvency positions across its insurance entities, providing a solid foundation for ongoing growth and resilience in a competitive operating environment.

Hollard

Profit after tax increased from R497.8 million in 2024 to R904.9 million in 2025. The increase in profitability was driven by revenue growth from R16.5 billion to R18.2 billion year-on-year, improved underwriting performance and higher investment returns. Despite ongoing economic and geopolitical challenges, Hollard remained focused on its core insurance operations and demonstrated operational discipline throughout the year.

PAT increase 2024 to 2025

Santam's - R3.7 billion ➡ **R4.7 billion**

Old Mutual Insure – R865 million ➡ **R1.9 billion**

Sasria – R3.3 billion ➡ **R4.5 billion**

OUTsurance – R2.2 billion ➡ **R3.1 billion**

Discovery Insure – R213 million ➡ **R644 million**

Exxaro – R343 million profit ➡ **R224 million loss**

King Price – R92 million ➡ **R317 million**

Telesure – R276 million ➡ **R614 million**

Hollard – R498 million ➡ **R905 million**



Corporate activity, new entrants, partnerships, products and innovation

The South African non-life insurance industry is moving away from traditional fixed-premium insurance models towards flexible, customer-centric and technology-enabled solutions. Affordability has become an area of acute customer focus amid ongoing cost-of-living pressures, prompting insurers to develop innovative pricing models, modular cover options and value-added services. Customers increasingly expect insurance products that are tailored to their specific circumstances, provide greater flexibility and reward positive behaviours. As a result, insurers are increasingly adopting behaviour-linked pricing models, cashback reward incentives, telematics-based solutions and digital engagement platforms to improve customer experience and retention.

Santam

Santam Syndicate 1918

Santam recently established Santam Syndicate 1918, a Lloyd's syndicate, to support Santam's diversification strategy through increased contribution from international markets. International growth and diversification are key components of Santam's FutureFit 2030 strategy. Lloyd's granted final permission for Santam to commence underwriting from 1 January 2026. Initial underwriting will focus on property (international and North America open market and binders), marine, energy, political violence and terrorism, financial institutions, professional indemnity and cyber lines of business. Santam expects to underwrite gross written premium of GBP300 million for 2026.

Parametric insurance

During 2025 Santam was granted approval to offer parametric insurance (also known as weather index insurance) in the agricultural sector. This insurance product was introduced to provide affordable and accessible protection against climate-related risks, particularly for emerging and smallholder farmers. As climate change increases the frequency and severity of droughts, floods and other adverse weather events, traditional crop insurance has often been difficult for smaller farmers to access due to high administration and claims assessment costs.

The product offering uses rainfall as a proxy indicator for drought and flood conditions. Predefined thresholds are set, so if rainfall falls below a set level, payouts are triggered to compensate for drought conditions. If rainfall exceeds a certain upper limit, payouts will also be made to cover losses from excess rainfall or flooding. The monitoring of rainfall triggers are aligned with the growth stage of crops to ensure comprehensive coverage. All critical phases, such as germination, vegetative and reproductive, are factored in. This approach ensures that farmers are protected from germination to harvest.

Cashback

Santam premiered its CashBack Programme across its intermediated channel on 1 July 2026, a new customer value proposition designed to reward policyholders for responsible risk management and claim-free behaviour. The programme was introduced to extend value beyond traditional insurance protection. Under the initiative, qualifying personal lines policyholders who maintain their cover and remain claim-free receive a cash back reward.

Santam delisting

Sanlam Limited (Sanlam) entered into an implementation agreement with Santam to acquire all the ordinary shares in Santam that it does not already own, by way of a scheme of arrangement.

Sanlam currently holds an effective stake of just under 63% in Santam. Once the transaction is complete, Santam will be delisted from the JSE, Namibian Stock Exchange and A2X. Santam's proposed delisting is intended to enable full integration into the Sanlam Group, improving strategic flexibility, capital management, operational efficiency and long-term value creation, while simplifying the group's structure and eliminating the costs associated with maintaining a separate listed entity.

Discovery Insure

The Discovery Group announced its 2027 product enhancements, continuing to advance integration across Discovery Insure, Discovery Bank and the broader Discovery ecosystem through its "Superbank" model.

Discovery Insure continues to strengthen its behaviour-based insurance proposition through the introduction of PerfectDrive, which provides immediate rewards for safe driving after each qualifying trip. Discovery reports that drivers completing more "perfect trips" experience lower accident frequencies.

A second notable enhancement is the expansion of fuel rewards, with qualifying policyholders able to earn up to 65% back on fuel and eligible Gautrain spend, linked to driving behaviour, banking engagement and Vitality status. Rewards will be paid almost immediately through Discovery Miles or an Insure Funder Account that can be used for vehicle maintenance or claims excesses.

These product enhancements reinforce the use of telematics and behavioural data to improve risk selection, encourage safer driving and potentially reduce claims costs.

Miway

At the start of 2025 Miway launched a two-year cashback rewards programme (Micashback) aimed at promoting responsible driving and disciplined claims behaviour. Under this structure, eligible policyholders receive a cashback benefit after remaining claim-free for two years. This helps encourage long-term customer retention and better alignment between customer behaviour, pricing and risk outcomes. By connecting rewards to claims experience, the initiative may support improved claims performance, while helping Miway stand out in a highly competitive and price-sensitive market.

Hollard

In an effort to strengthen its position in the growing green economy, Hollard entered into a partnership with iTOO Special Risks and Tokio Marine GX (TMGX), a specialist underwriting platform focused on supporting Africa's transition to a low-carbon economy. Leveraging its strategic investment in Hollard, TMGX provides businesses with access to tailored insurance and risk management solutions designed to support decarbonisation initiatives and renewable energy projects.

The platform offers comprehensive cover across a wide range of green technologies and industries, including solar, wind, hydropower, battery energy storage, hydrogen, carbon capture, carbon credits and small modular nuclear reactors, providing a single access point for organisations undertaking energy transition projects. TMGX officially launched on 1 September 2025.

Clientèle Limited (Clientèle)

Clientèle delisted from the JSE main board on 30 June 2026, after being listed as a public company on the stock exchange for just under two decades. Clientèle cited limited share liquidity, share price volatility and a market valuation that trades at a substantial discount to embedded value as key factors contributing to its delisting.

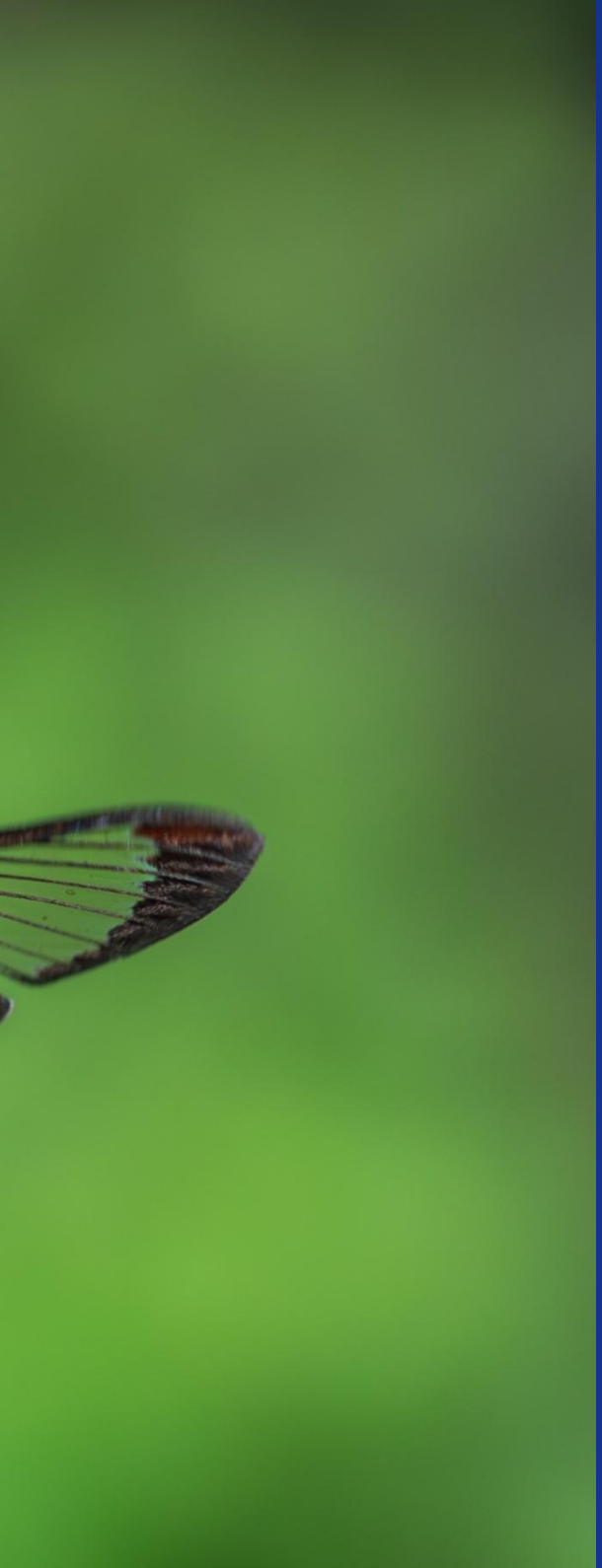
These factors have limited the company's ability to raise capital and utilise its listed shares for strategic transactions. Clientèle believes an unlisted structure will reduce compliance costs, improve strategic flexibility and enable management to focus on growth initiatives.

Conclusion

The results for the 2025 financial year demonstrate a sector that is financially sound, resilient and well positioned for the future. Yet the risks emerging in 2026 remind us that the industry's role extends beyond financial reporting. Climate volatility, cyber risk and economic uncertainty require insurers to remain agile, innovative and customer focused.

The industry's purpose is underscored by being there when customers need it the most, while helping them prepare for the risks of tomorrow. By combining financial strength with innovation, resilience and a commitment to serving society, the non-life insurance industry can continue to protect what matters and contribute to a more secure and sustainable future for South Africa.





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Reinsurance industry results analysis

The reinsurance industry continues to deliver strong financial results. The strategic underwriting actions implemented since 2023, including stricter underwriting discipline, pricing improvements and enhanced risk selections, continued to support favourable results in the latest reporting period. These outcomes were further supported by a benign natural catastrophe and weather-related claims environment, alongside favourable investment market performance. While the 2024 financial results reflected an improved claims experience, the 2025 results indicate a further enhancement. This improvement can largely be attributed to the continued clean-up of claims reserves and the release of older reserves as underlying risk exposures moderated or reduced over time.

(Re)insurers are having to navigate an increasingly complex and rapidly evolving risk landscape, ranging from AI adoption and AI-related exposures to financial reporting changes, data governance, privacy, fraud, geopolitical uncertainty, cyber risk management and cyber insurance offerings. In response, many are reassessing their purpose and redefining the role they play in supporting policyholders, businesses and society.

At the same time, the definition of business success has evolved. Success is no longer measured solely by financial performance or the bottom line. Instead, organisations that embed a clear sense of purpose into their strategy, operations and decision-making are better positioned to create sustainable value, build resilience and respond effectively to a changing environment. Purpose has become the foundation upon which long-term success is built.

The latest insurance sector data published by the South African Reserve Bank indicates that there are nine professional reinsurers in South Africa as at December 2025[1] (2024: nine professional reinsurers). In this year's survey, we analyse the results of four registered reinsurers, representing approximately 74% of the South African market on a revenue basis. These results include two composite reinsurers and two composite reinsurance branches.

We noted in last year's survey that SCOR SE (Incorporated in France) - Africa Branch (SCOR Africa Branch) discontinued writing new life and health reinsurance business from September 2024. The impact of this strategic decision is reflected in its 2025 financial results, which are analysed further in this article.

We also noted the conversion of Munich Reinsurance Company of Africa Limited from a subsidiary to a branch during 2025. Effective 1 January 2025, Munich Re (Incorporated in Germany) - Africa Branch (Munich Re Africa Branch) commenced operations in South Africa, following the transfer of business from Munich Reinsurance Company of Africa Limited to Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München at that date. Consequently, the 2025 financial information presented in this survey reflect the financial results of Munich Re Africa Branch, while the comparative 2024 results relate to the former South Africa subsidiary, Munich Reinsurance Company of Africa Limited.

Apart from these developments, no other significant changes occurred in the South African reinsurance market during the year under review.

The financial results of South Africa's life and non-life insurers provide important context for understanding the performance of the reinsurance industry. As such, it is useful to reflect on the reinsurance sector's results against the backdrop of the financial results of the primary insurance industry during 2025.

Insurance revenue for the life insurance industry grew by 8%, from R227 billion in 2024 to R245 billion in 2025. However, profit for the year was largely stable at R39 billion, reflecting a 2% decline from the R40 billion generated in 2024. These results are particularly commendable given the complex economic and operating environment, underscoring the industry's financial resilience, ability to capture growth opportunities and success in advancing diversification and integration strategies.

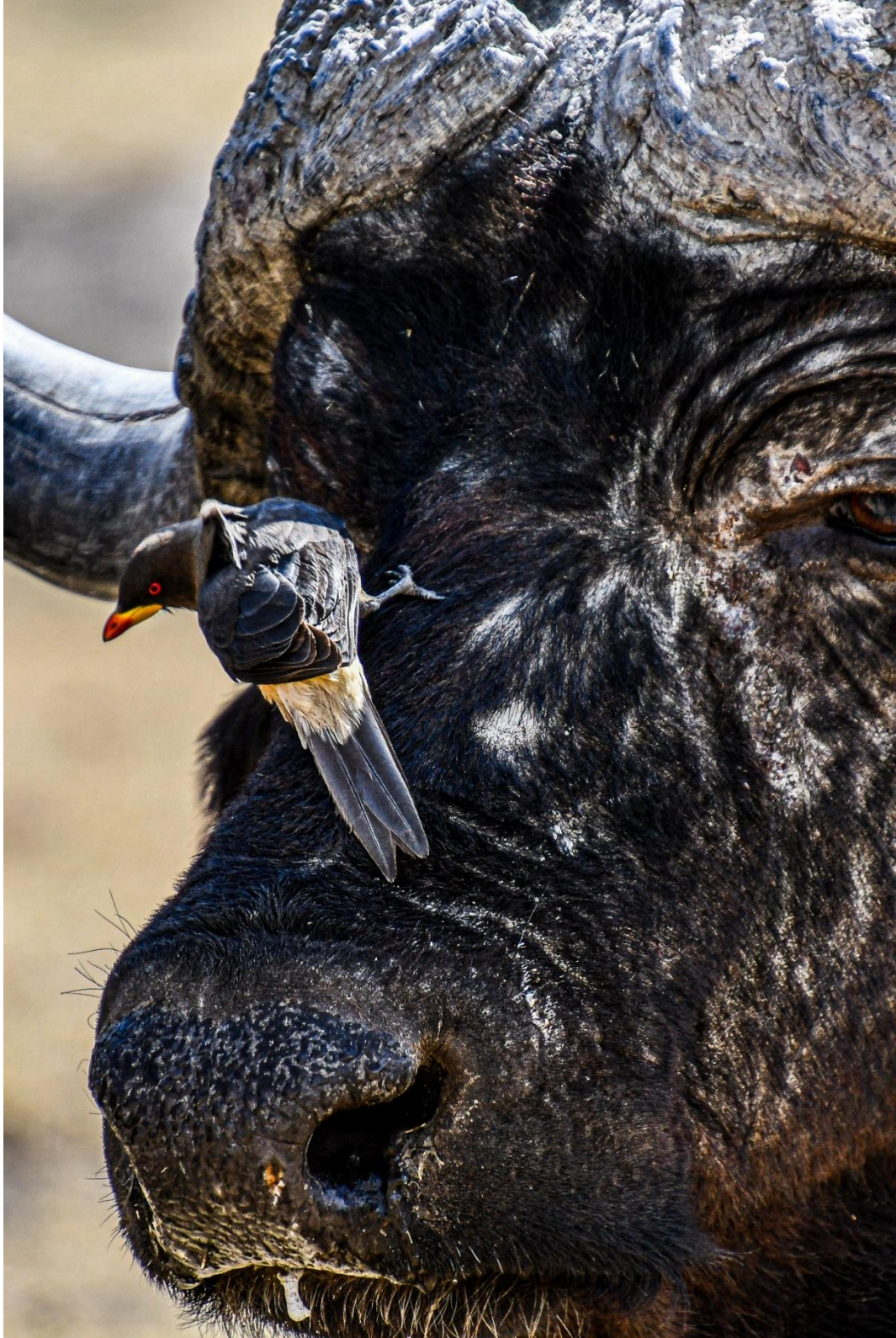
[1] https://www.resbank.co.za/content/dam/sarb/publications/prudential-authority/pa-selected-south-african-insurance-sector-data/2025/Selected%20South%20African%20insurance%20sector_Dec%2025.pdf

The non-life insurance industry delivered an equally compelling, and arguably stronger, set of results, with insurance revenue increasing from R160.3 billion in 2024 to R173.9 billion in 2025, and profits increasing from R17.8 billion in 2024 to R23.7 billion in 2025. These results are impressive, having been achieved against a backdrop of heightened geopolitical tensions, economic uncertainty and escalating climate-related risks, while also benefitting from a relatively benign claims environment for large and attritional weather and motor claims, together with stronger investment market performance.

South Africa's economy remains in a low-growth environment, with real GDP growth increasing modestly to 1.1% in 2025 (2024: 0.6%)[2], representing the highest annual growth rate since 2022 when GDP increased by 2.1%[3]. The World Bank attributes this improvement to the positive impact of structural reforms that are beginning to gain traction[4]. The World Bank further goes on to say that "Growth is expected to strengthen gradually, supported by more reliable electricity supply, easing inflation, and continued reforms. Faster structural reforms could further boost growth by improving service delivery, crowding in private investment, raising productivity, and creating jobs."[4]

Stats SA notes that the average inflation rate for 2025 was 3.2% (2024: 4.4%)[5], the lowest rate in 21 years since 2004 when it was 1.4%[6]. Over the last ten years, inflation ranged from between 3.2% and 7.04%[7], reflecting the volatile impact of local and global market economics. Coupled with high levels of unemployment at 32.39% (2024: 32.28%)[8], consumer spend continues to remain under pressure.

Elevated lapse rates and ongoing challenges in extending insurance coverage to underserved markets continue to challenge both insurers and reinsurers. In an environment where insurance is often perceived as a discretionary or "grudge" purchase, particularly during periods of economic strain, the industry is under increasing pressure to balance customer affordability with sustainable growth. Success will depend on (re)insurers' abilities to develop innovative products, unlock new market opportunities, retain existing policyholders and deliver profitable outcomes in an increasingly competitive landscape.



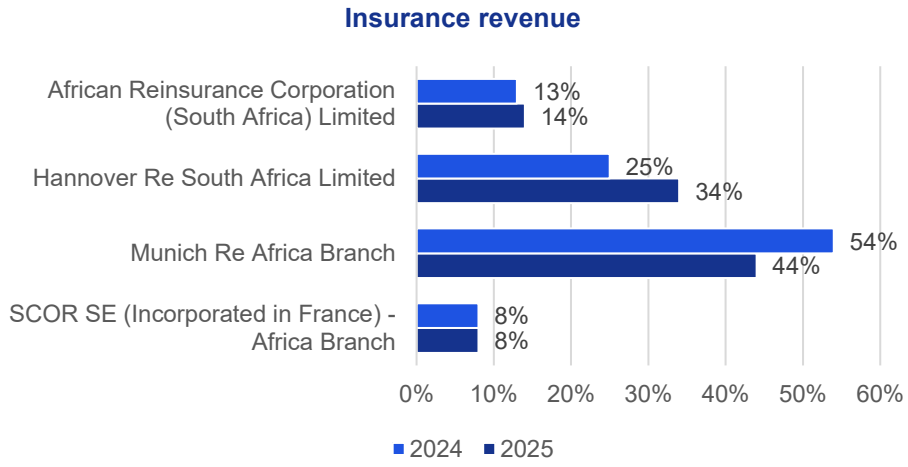
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Financial indicators

Insurance revenue

Total insurance revenue decreased by 9% across participating reinsurers, with mixed results reported by individual reinsurers. Hannover Re South Africa Limited (Hannover Re) reported the highest revenue growth at 21%, while African Reinsurance Corporation (South Africa) Limited (Africa Re) reported 3% growth. Munich Re Africa Branch and SCOR Africa Branch both reported decreases in revenue of 26% and 14%, respectively.

Illustrated below is the share of the reinsurance market by insurance revenue based on the reinsurers that participated in this year's survey, as reported in their audited financial statements.



Consistent with prior years, Munich Re Africa Branch and Hannover Re continue to lead the reinsurance market with a combined market share of 78% (2024: 79%) measured by insurance revenue. Interestingly, the 2025 financial year saw a material movement in market share distribution after many years, where Munich Re Africa Branch's market share decreased from 54% in 2024 to 44% in 2025, and Hannover Re's market share increased from 25% in 2024 to 34% in 2025. This analysis is relative to the four reinsurers participating in this year's survey.

We discuss the detailed movements per reinsurer further on in our analysis.

Other key performance indicators collectively across the four reinsurers surveyed are as follows:

Performance indicator	2025	2024
Reinsurance ratio[9]	79%	62%
Insurance service expenses ratio[10]	73%	86%
Insurance service result ratio[11]	54%	52%
Insurance service result	R1 155 million profit	R1 179 million profit

The 2025 financial results continue to reflect an upward trajectory for many performance indicators, similar to that observed over the last two financial years. The strategic initiatives implemented by reinsurers over the last few years to moderate risk exposures, together with a benign catastrophe claims environment, continue to reap the benefits that reinsurers set out to achieve.

The overall reinsurance ratio increased from 62% in 2024 to 79% in 2025, indicating that less insurance business was retained by reinsurers surveyed with more insurance business passed on to retrocessionaires. Despite the larger increase in the reinsurance ratio, the insurance service result and overall profit for the year decreased marginally by 2% from 2024. This may reflect the effective structuring of retrocession arrangements, enabling an appropriate balance in the sharing of profitable and loss-making business between reinsurers and retrocessionaires. However, mixed results were reported by individual reinsurers surveyed, which we explore further in this article.

The insurance service expenses ratio improved from 86% in 2024 to 73% in 2025, largely attributable to the benign catastrophe claims landscape and overall muted claims experience. The same experience is reflected in the individual results of all reinsurers surveyed.

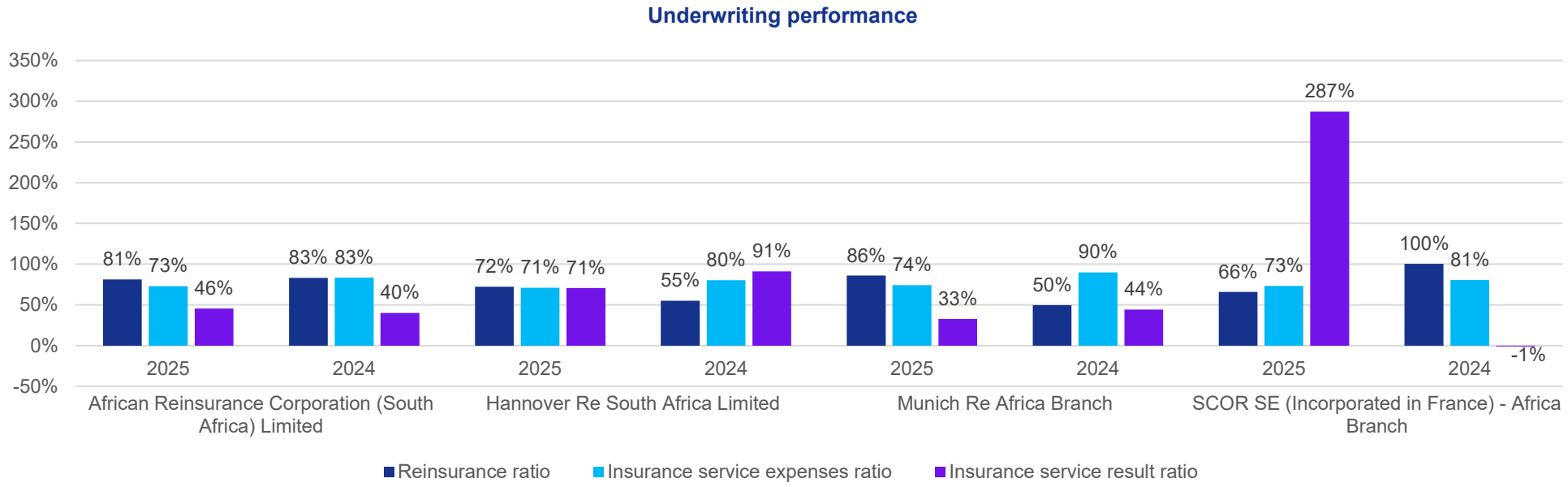
The insurance service result ratio is a measure of the contribution of the insurance service result to the overall profit or loss for the year. A marginal uptick of 2% was observed, from 52% in 2024 to 54% in 2025, reflecting the increased contribution of the insurance service result to overall profit for the year compared to prior years.

[9] Reinsurance ratio: net expenses/(income) from reinsurance contracts held/insurance contracts result (insurance revenue less insurance service expenses from insurance contracts issued)

[10] Insurance service expenses ratio: insurance service expenses/insurance revenue

[11] Insurance service result ratio: insurance service result/profit/(loss) before tax

Underwriting performance per reinsurer



Varied performance results are reflected across all reinsurers surveyed, reflecting the complexity and nuances of market dynamics on each reinsurer's business operations. The next section of our report provides deeper analysis into the results of each reinsurer.

Africa Re

With it now in its third year of writing life reinsurance risks, Africa Re experienced growth of 156% in its life insurance revenue. Consequently, the life insurance operations contributed 13% (2024: 5%) to insurance revenue for 2025 with the non-life operations contributing 87% (2024: 95%). While non-life insurance revenue decreased by 6% from 2024, overall insurance revenue increased by 3% from R2 792 million in 2024 to R2 865 million in 2025.

The decrease in the reinsurance ratio and insurance service expenses ratio and the increase in the insurance service result ratio all positively contributed to the increase in the profit after tax for the year, from R146 million in 2024 to R240 million in 2025.

Non-life insurance services expenses decreased by 21% compared to 2024, largely due to muted claims activity during the period. However, life insurance service expenses increased by 193% as expected, given the growth in the portfolio. Both life and non-life movements contributed to overall insurance service expenses decreasing by 10% from 2024.

The key contributing factors to these results can be attributed to the underwriting, claims and expense management strategies, favourable investment environment and relatively benign natural catastrophe claims experience, despite the softening of reinsurance rates and rising claims inflation.

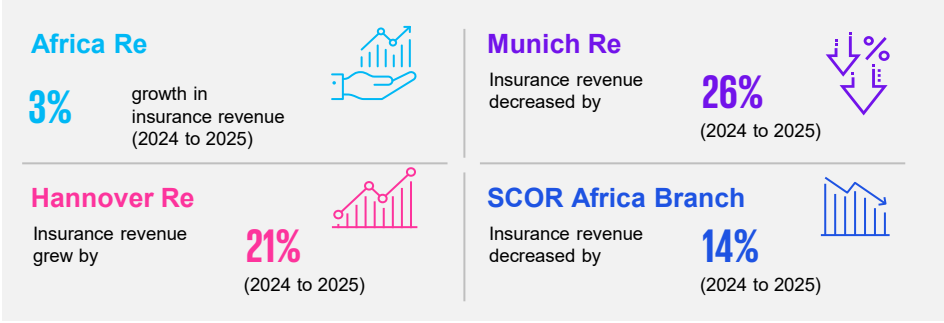
Hannover Re

Insurance revenue grew by 21% from R5 593 million in 2024 to R6 770 million in 2025, the highest growth rate observed across all reinsurers surveyed. Both the life and non-life books of business contributed relatively equally to this increase. Life insurance revenue increased by R577 million, reflecting growth of 15% from 2024, with non-life insurance revenue increasing by an amount marginally higher at R598 million, reflecting growth of 33% from 2024. The contribution to total insurance revenue remained largely consistent with the prior year where the life business contributed 65% to total revenue (2024: 68%) and the non-life business contributed 35% (2024: 32%).

While the insurance service result ratio decreased from 91% in 2024 to 71% in 2025, Hannover Re was the only participating reinsurer whose insurance service expenses increased, from R4 490 million in 2024 to R4 807 million in 2025.

Life insurance service expenses increased by 6%, with non-life insurance service expenses increasing by 12%. The contribution to total insurance service expenses remained largely consistent with the prior year where the life business contributed 75% to total insurance service expenses (2024: 76%) and the non-life business contributing 25% (2024: 24%). Considering the low catastrophe claims incidence environment, it is reasonable to infer that the increase in insurance service expenses is in line with the growth of the underlying business.

While Hannover Re's reinsurance ratio increased from 55% in 2024 to 72% in 2025, the insurance service expenses ratio improved from 80% in 2024 to 71% in 2025, and net investment income increased from R355 million in 2024 to R524 million 2025. These factors contributed favourably to the increase in profit after tax for the year, from R453 million in 2024 to R610 million in 2025.



Munich Re

Insurance revenue decreased by 26% from R11 993 million in 2024 to R8 901 million in 2025. The improvement in the insurance service expenses ratio is consistent with the other participating reinsurers.

Similar to Hannover Re, Munich Re's insurance service result ratio declined from 44% in 2024 to 33% in 2025, with its reinsurance ratio increasing from 50% to 86%.

Net investment income also decreased from R521 million in 2024 to R325 million in 2025, while administration, management and other expenses (outside of the insurance service result) increased from R76 million in 2024 to R312 million in 2025. These factors contributed to the overall profit after tax of R728 million. Although lower than the R971 million reported in 2024, Munich Re reported the highest profits of all the participating reinsurers for 2025.

SCOR Africa Branch

Insurance revenue decreased by 14%, from R1 765 million in 2024 to R1 515 million in 2025. Non-life insurance revenue remained relatively stable, declining by 2% (R17 million), while life insurance revenue decreased by 23% (R232 million). The reduction in life insurance revenue was expected, reflecting the strategic decision from prior years to cease writing new life business, with the existing portfolio continuing to run off. As a result, the life portfolio's contribution to total insurance revenue declined from 58% in 2024 to 52% in 2025, while the non-life portfolio's share increased from 42% in 2024 to 48% in 2025.

The 22% decrease in insurance service expenses was driven by two key factors. On the non-life side, favourable weather-related claims experience contributed to a 20% (R82 million) reduction in expenses. Insurance service expenses relating to the life portfolio decreased by 23% (R232 million), reflecting the continued run-off of the business following the decision to cease writing new life policies.

While the reinsurance ratio, insurance service expenses ratio and insurance service result ratio all increased compared to 2024, profit after tax declined from R136 million in 2024 to R36 million in 2025. This reduction primarily reflects the continued run-off of the life portfolio, with other contributing factors including the decrease in net investment income and increase in administration, management and other expenses.

Investment performance

Even though investments and cash and cash equivalents of the reinsurers surveyed decreased by 7% from 2024, reinsurers achieved an average return on investments (including cash and cash equivalents) of 9.3% (2024: 8.7%). This is marginally lower than the average prime rate of 10.7%[12] (2024: 11.6%)[12] and the average 10-year government bond yield of 9.7%[13] (2024: 9.8%)[13]. The investment performance of reinsurers surveyed relative to market returns continues to reflect the conservative investment strategies employed relative to the industry's exposure to uncertain market forces and continues to be consistent with the approach applied by global peers.

Hannover Re was the top performer in terms of investment returns in 2025 at 10.7% (2024: 8.0%). Munich Re Africa Branch followed closely at 10.1% (2024: 9.4%), despite investments and cash and cash equivalents decreasing by 42% from 2025. Africa Re's return remained stable at 8.2% (2024: 8.2%) and SCOR Africa Branch achieved an investment return of 7.2% (2024: 9.2%).

What the future holds for reinsurance operations

In last year's survey, we noted that many rating agencies expected the reinsurance market to enter a period of softening rates. That expectation has largely materialised, as reflected in the 2025 financial results analysed in this article, with many participating reinsurers reporting lower insurance revenue. Where revenue growth was achieved, it was generally driven by expansion into new markets or gains in market share.

Despite a softening reinsurance pricing environment, reinsurers continued to demonstrate strong balance sheet resilience. Across the reinsurers surveyed, return on equity improved from 22% in 2024 to 24% in 2025, a trend that was also evident at the individual reinsurer level. This performance reflects the sector's strong capital position and the underwriting discipline that has largely been maintained throughout the cycle.

Looking further ahead, Moody's was the first major rating agency to release its outlook for the reinsurance market on 1 September 2026. Having revised its outlook from positive to stable in 2025, Moody's has maintained a stable outlook for the global reinsurance sector heading into 2027 and beyond. The agency attributes this assessment to "strong balance sheets, improved reserve adequacy, robust profitability and continued underwriting discipline, even as pricing conditions soften across the market"[14].

It further noted that "reinsurers are entering the next phase of the market cycle from a position of strength"[14].

A day later, on 2 September 2026, S&P released its market outlook, maintaining its stable outlook for the global reinsurance market.

"Abundant capacity and lower-than-expected catastrophe losses in recent years suggest that reinsurance pricing will remain under pressure through 2027. As a result, reinsurers are likely to face increasing pressure to loosen terms and conditions, while property and casualty (P&C) reinsurers' underwriting margins and overall profitability will gradually compress over 2026-2027.

That said, we believe underwriting margins and overall profitability will remain sufficient to cover the sector's cost of capital. This reflects still healthy P&C reinsurance combined ratios, solid net investment income, and strong life reinsurance earnings, provided annual natural catastrophe and large man-made losses remain within the annual budgets.

Natural catastrophes, geopolitical conflicts, and social inflation--which will continue to require robust risk and portfolio management--as well as softening prices may curb near-term growth. However, the sizable protection gap in areas such as cyber risk, renewable energy, and data centers presents growth opportunities.

The sector's primary risks remain insurance-related rather than asset-related. Natural catastrophe exposure and loss reserve volatility continue to be the key sources of risk, while investment risk remains significantly lower than in the primary insurance sector."[15]

Lastly, on 3 September 2026, Fitch released its global reinsurance sector outlook, maintaining its deteriorating outlook for 2027. The agency notes that this outlook is reflective of "operating conditions weakening gradually from still-sound levels."[16]

Fitch went on to further note, "Our expectations of further price declines – although less pronounced than in 2026 – amid abundant capacity drive the outlook. This, alongside rising claims costs, will lead to margin and revenue erosion, although not enough to materially affect the sector's very strong capital position.

[12] https://www.fnb.co.za/rates/LendingRates.html?srsltid=AU7gw4VOsoDzTF20vzK9pm0v4UCiZ_PWt3pntwRiRJuPkxcC-FDWruqd
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Capital supply continues to outpace demand, leading to buyer-friendly market conditions and intense competition between reinsurers. We expect the soft property market to extend into 2027 absent a very large loss event, with selective loosening in terms and conditions beginning to add to pricing declines.

Claims pressures continue to build from economic, social and medical inflation, climate change, and emerging liabilities related to geopolitics and AI. At the same time, reinsurers are likely to absorb a higher share of losses as primary retention normalises from hard-market highs. These pressures, while generating earnings volatility, should help limit the scale of softening compared to that in previous cycles.

We expect lower pricing since mid-2024 to feed through more fully into 2027 earnings, while renewed inflation pressure and climate change lifts claims costs. This is likely to result in moderate deterioration in combined ratios and return on equity."[16]

The following key themes are expected to be observed or materialise as we move into the next renewal period:



Reinsurance rates

Softening of reinsurance rates are expected to continue into 2027, largely due to excess market capacity and increased competition, with pricing power continuing to be in favour of reinsurance buyers.



Underwriting discipline

Although reinsurance rates are expected to soften further, reinsurers are unlikely to compromise on underwriting standards. Reinsurers have benefited from several years of disciplined underwriting and a more selective risk appetite, resulting in improved profitability and strong capital positions. These foundations are likely to support continued underwriting rigor, even as competitive pressures increase.



Bench strength

The outlook from the major rating agencies reflects broad confidence in the resilience of the reinsurance sector. The sector's stability remains underpinned by strong balance sheets, significant capital strength, sound underwriting returns and consistent investment income generation. As a result, the sector remains well positioned to absorb catastrophe losses and other unexpected events. While profitability is expected to come under pressure as softer pricing, rising claims costs and margin compression take effect, returns are expected to remain within sustainable levels and supported by the industry's strong capital base.



Claims uncertainty

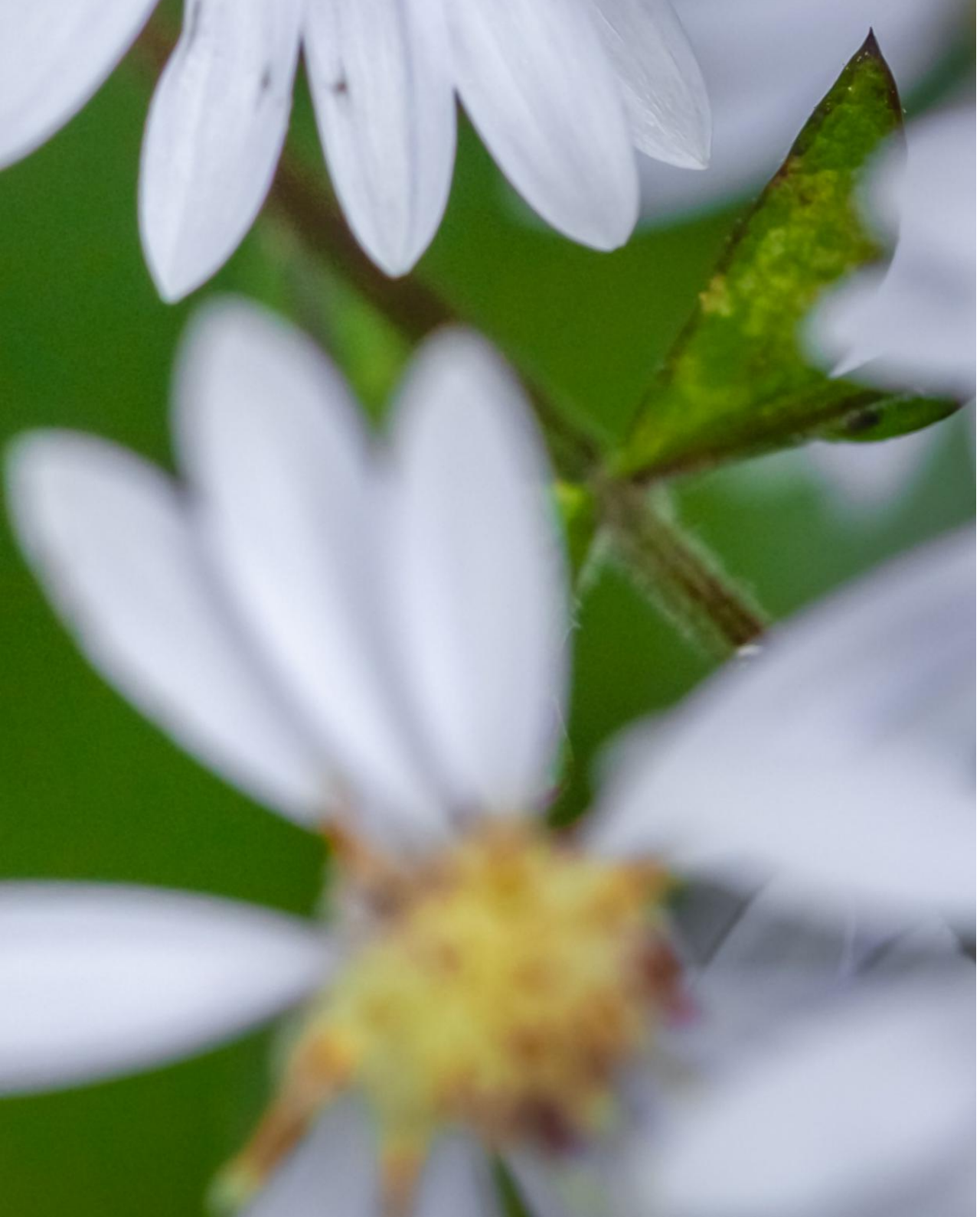
Persistent uncertainty arising from natural catastrophes, climate change, claims inflation, geopolitical tensions, social inflation, reserve volatility and emerging risks continues to place pressure on reinsurers. This has reinforced the need for strong capital positions, enabling the sector to absorb unexpected losses without compromising long-term financial resilience.



New opportunities

As the risk landscape continues to evolve, reinsurers are presented with opportunities to expand into emerging markets such as cyber, renewable energy, data centres and AI-related risks. Although softening rates are expected to temper growth in traditional reinsurance lines, these evolving risk classes offer attractive avenues for expansion. While reinsurers are likely to approach these emerging risks cautiously given the uncertainty, limited loss history and complexity involved in pricing them, the sector is well positioned to navigate these challenges. By leveraging underwriting expertise, risk management capabilities and the disciplined approach that have underpinned recent success, reinsurers are well placed to capitalise on these new sources of growth.





What is perhaps most striking is that many of these challenges are not new to the (re)insurance industry. What has changed is the speed at which risks are emerging, the evolving nature and interconnectedness of those risks, the technologies available to manage them and the rising expectations of policyholders, stakeholders and society.

Reflecting on both recent financial performance and the outlook for the years ahead, one theme remains clear: the reinsurance industry continues to serve as a critical backbone, not only for primary insurers but for society as a whole. The sector's ability to absorb shocks, provide capacity and support resilience is fundamental to the functioning of insurance markets. Given this pivotal role and the reliance placed on reinsurance strength, remaining anchored in a clear and consistent purpose has never been more important.

Purpose provides the foundation upon which strategy is built, enabling (re)insurers to respond to emerging risks and changing market conditions with agility, while remaining focused on the value they create for policyholders and society.



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South Africa's attempts to maintain its economic momentum as the United States of America goes to war with Iran

At the beginning of 2025, the global community was apprehensive, expecting upheaval to emanate from the United States of America ('United States', or 'US' or 'USA') based on the election promises made by President Trump's administration. It came quickly, in February 2025, when the USA administration announced their first round of tariffs on both allied and non-allied countries, exceeding predictions of political and economic turbulence across the globe. The announcement of subsequent Liberation Day tariffs in April 2025 injected much frustration and uncertainty into international relations at both the political and economic level, not least because of the irrational tariff formula, which risked the destabilisation of an increasingly fragile world order. Over the short-term, asset prices declined and country representatives scrambled to achieve an audience with the White House in efforts to negotiate more favourable trade terms with the USA.

For decades, societies in the western world developed deeply entrenched dependencies on USA goods and services, ranging from consumer goods and defence systems and equipment, to technology, financial systems and entertainment. This embeddedness rendered western partners particularly tied but also exposed to (shifts in) the norms, values and ideals espoused by the USA. Based on shared values and beliefs, the impact of this arrangement has remained benign, relatively constant and mutually beneficial in a rules-based geopolitical order following World War II.

The imposition of tariffs by the Trump administration on its allies, however, signalled the USA's departure from a values-based system, making the perils of the entrenched power imbalance unmistakeably apparent. Erstwhile allies have been forced to now focus on ways to reduce the threats posed by the concentration of power held by the USA. In world politics, it has led to a rethink of global alliances. On an economic level, global supply chains and trade partners are being reassessed, all while attempting to appear neutral or allied to the current administration of the USA. Actions or stances perceived as non-conciliatory may invite potentially costly retaliation.

The result of tariff and other trade negotiations with the USA during the first half of 2025 came into effect in August 2025. Less severe than the near-prohibitive tariff schedule proposed in April 2025, some much-needed tariff certainty supported a growth-oriented second half of the year for the global economy, Africa and South Africa.

This is despite South Africa's inability to negotiate a reduction in the country's Liberation Day tariff. The Liberation Day tariff imposed on South Africa remains the highest in Africa at 30%, along with Libya and Algeria, while much of the rest of Africa face rates of half of this amount, if any. These tariffs, including the so-called punitive and reciprocal tariffs, were declared invalid by the US Supreme Court in February 2026 in a ruling that was globally welcomed, although triggering a new bout of global trade uncertainty.

Liberation Day tariff imposed on South Africa remains the highest in Africa at **30%**

Notwithstanding these uncertainties, South Africa was able to make progress with respect to its economic performance and global standing through some much-needed strategic interventions.

Formal interventions to address weaknesses in its mechanisms of oversight over money laundering and terrorism financing resulted in South Africa's delisting from the Financial Action Task Force's (FATF) grey list. Being removed from the FATF grey list reduces the compliance requirements for financial transaction interactions with South African entities.

While the delisting from the FATF grey list allows for a greater variety of access to South African securities, the reduction in compliance costs is expected to contribute to the growth in volume and value of transactions and therefore benefit South African trade and ultimately growth.

The encouraging statements made in November 2025 by the Minister of Finance in the medium-term budget policy statement served as a further tailwind to the South African economy. The Minister of Finance reiterated the government's commitment to fiscal consolidation and announced the reduction of the national inflation target to 3%, within a narrowed target range of 2% to 4%. Fiscal consolidation reinforces trust in the fiscal integrity of the country in an era of widely reported misuse of public funds, and entails the commitment that tax revenues will be directed towards service delivery and growth initiatives. Lowering the inflation target offers multiple, significant benefits for the country; broad macroeconomic benefits include a stronger exchange rate and lower interest rates. Lower inflation benefits growth through stimulating domestic savings and investment. It also improves the competitiveness of South African production and yields fiscal benefits in the form of reducing debt services costs, which would free up fiscal resources. Lower inflation also contributes to domestic distributional equality through less erosion of incomes and asset values for its citizens and preserving purchasing power of all South Africans.

The above-mentioned initiatives contributed to an upgrade of South Africa's sovereign credit risk rating towards the end of 2025. In addition, the Rand appreciated by 18% against the US dollar over the course of 2025. These improvements, coupled with the continued resilience of the South African economy over the year, resulted in real economic growth rate of 1.1% for 2025. Although a notable improvement over the decade-long average real growth of 0.8%, significantly faster growth would be required to meet South Africa's social and development objectives.

As 2026 began, the general sentiment was to continue with initiatives that would help South Africa maintain the momentum achieved by the successes from 2025, if the global economic and political climate remained supportive. The view was that this upward momentum would slowly begin to positively impact the high unemployment and poverty levels in South Africa. Inflation had continued to slow and would have allowed central banks to further reduce interest rates into 2026, with South Africa predicted to have undergone at least two 25 basis point reductions resulting in a repo rate of 6.25% and prime rate of 9.75% by the end of the 2026 year. Lower interest rates would mean greater demand for credit from both consumers and businesses, which would raise consumption and investment spending and ultimately lead to higher levels of economic growth globally. The same would be true for South Africa.

However, these projections were never put to the test. On the last day of February 2026, the USA and Israel commenced a strategic offensive on Iran in the hope to overthrow the oppressive ruling theocracy and facilitate regime change towards a more moderate, modern and US-friendly government. The flawed expectation was for a swift decapitation of the regime through targeted strikes aimed at removing high-ranking Iranian leaders followed by a mass uprising of the people of Iran to take control of their country, with little collateral damage to civilian lives or upheaval of the global economy. Within the first weeks of the war, it became clear that Iran had long prepared for similar offensive actions and created a decentralised leadership structure that allowed the regime to retain power and maintain military action even if the executive leadership was disabled or inoperative. The preparedness demonstrated by the Iranian government made it clear that a drawn-out conflict was expected, irrespective of the scope and intensity of the US-Israeli offensive action.

There was an immediate negative impact on the global economy, given the importance of the region in global energy markets, with around 20% of all global oil moving through the Strait of Hormuz along with other key elements used in the production of fertilisers as well as other important commodities, like helium. The Iranians also demonstrated that it can easily and relatively cost-effectively extend its target area into both neighbouring gulf states as well as to ships moving in the Persian Gulf by using its arsenal of inexpensive drones. The threat of such actions resulted in most insurers cancelling war cover on vessels moving through the Strait of Hormuz or, in some rare exceptions, greatly increasing the premiums on such insurance. The prices of these commodities, and most noticeably fossil fuels, spiked immediately, as did the consequent fears of the potential inflationary impacts thereof on economic growth. In general, the inflationary impacts would be amplified through the depreciation of most currencies with respect to the US dollar, as capital fled back to perceived safe haven assets.

In the weeks that passed since the February 2026 attack on Iran, it became clear that the conflagration would not be short-term in nature. The inflationary impacts have started to seep into the economic system. Fuel and energy prices remain elevated, resulting in step-change increases in inflation data, while second-round effects from increases in production costs must still materialise. Growth forecasts have been lowered on the expectation that higher inflation will lead to higher interest rates, which would restrict borrowing by consumers and businesses and dampen aggregate demand.

The US economy has not been immune to these economic stresses and the rising cost pressures ('affordability crisis') have contributed to the USA considering a negotiated end to the war without achieving their initial objectives of facilitating regime change or the confiscation of Iran's enriched uranium stores. The affordability pressures, preparations for the mid-term elections currently underway and the growing public unpopularity of the war have also meant that the USA is attempting to negotiate the end to the war from a far weaker position, leading to a delay of around two months as the initial ceasefire framework was formalised into a 14-point memorandum of understanding (MOU) accompanied by ongoing US threats of continued strikes on the Iranian infrastructure and people.

It appears to most economic commentators that the war, along with elevated prices for those goods originating from the Persian Gulf, will only come to a negotiated end if the US concedes to Iranian demands, leaving the area potentially more unstable and volatile, albeit strategically emboldened, than it was prior to the onset of the war. This greater uncertainty will filter through global markets resulting in a permanently elevated geopolitical risk landscape.

Financial services firms and insurers face the prospect of continued headwinds in the economic and business environment in 2026 and beyond. The rapidly rising inflationary environment signals potential further increases in interest rates with an erosive effect on economic growth. Cost pressures on the economy will likely drive higher lapse rates on policies, as revenue and earnings are impacted by the slowing economy, the downsizing of firms and losses in income if unemployment rises. This would also place upward pressure on insurance premiums paid by businesses and individuals to cover the potential risks, adding costs and further reducing the ability of South African insurers to remain competitive. These stresses would likely be transferred to the reinsurance market, impacting both the pricing of risks and potentially also coverage, as evidenced by the cancellation of war insurance for marine vessels travelling through the Strait of Hormuz. Indirect negative impacts may come from the broad economic slowdown as well as asset/liability revaluations as exchange rates and interest rates respond to the changing environment.

Given the South African government's close ties with Teheran, Beijing and Moscow, an additional risk for the South African insurance market, and business environment generally, could be reduced access to financial technologies that underpin and support the infrastructure of South African insurers.

The country's perceived incongruent political and economic stance to that of the USA may prove costly in this regard. Insurers must assess their reliance on specific technologies and global financial systems, develop contingency plans and adapt their operations to mitigate potential disruptions stemming from geopolitical alignments.

There is still much uncertainty around when and on which terms the war will end, how the subsequent recovery of global energy markets will play out and the specificities of the long-term economic implications. Hopefully the war will end sooner rather than later and result in less severe consequences, allowing South Africa to focus on a continuation of its economic recovery, which began with the positive steps taken over the last quarter of 2025.

Considering the complex global challenges, especially the economic shifts and geopolitical tensions, insurers face a critical need to adapt and reaffirm their core values to maintain relevance with consumers, regulators and the wider community. Insurers are encouraged to focus on their foundational values of security, trust and community support. This means clearly communicating how their products and services provide stability in uncertain times and reinforcing their role as essential safety nets.

In addition, with rising inflation, increased interest rates and the prospect of higher premiums, consumers will be more sensitive to costs. Insurers are encouraged to develop innovative products and pricing models that remain accessible and affordable, especially for those facing economic strain due to downsizing of firms and losses in income. This could involve offering more flexible payment options, tiered coverage or plans that adapt to changing economic circumstances.

Insurers must actively engage with regulators, demonstrating their commitment to robust governance, transparency and consumer protection. This proactive approach can help shape more favourable regulatory environments.

By focusing on these areas, insurers can navigate the current turbulence and solidify their position as indispensable partners for individuals, businesses and society at large, demonstrating their enduring relevance beyond merely financial transactions.





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Weaponising insurance: the invisible gatekeeper of global trade

In the insurance industry, most of our daily professional attention is naturally concerned with the dynamics of individual products, technical discussions and detailed analysis of data. Rarely do we take a step back to appreciate the broader global power and impact of insurance.

Insurance acts as a less visible, yet critical, component of the modern global economy. Global systems depend on physical infrastructure for their operation and political and military strength for their protection. However, insurance is the quiet enabler playing a crucial role in the seamless movement of goods, capital and people.

While it may often be viewed as a passive financial mechanism absorbing risk after an event occurs, recent geopolitical events remind us of its potential as a powerful instrument of strategic influence. In certain contexts, insurance does not merely respond to risk - it actively determines whether economic activity can occur in the first instance.

The recent tensions in the Strait of Hormuz are the latest in a long line of such examples. Even without sustained physical attacks, the credible threat of disruption has been enough to drive a sharp repricing of war-risk insurance. Premiums surged and, in some cases, insurers withdrew cover entirely. The result is that vessels, particularly oil tankers, have become commercially unable to transit the region. In effect, this global trade chokepoint can be brought to a standstill without sinking a single ship.

This then raises a deeper question: **how can a financial product have such real-world impact?**

The answer lies in understanding the structural role insurance plays in different parts of the economy.

For individuals, insurance is optional. A person may choose to travel to a high-risk area without life insurance. In doing so, they are effectively self-insuring. The consequences of that decision, whether it be financial loss or hardship for dependents, are borne entirely by the individual. The global system remains operational regardless of that individual's decision.

For commercial operators, however, the outcome can be fundamentally different. A ship owner, airline or infrastructure operator cannot simply choose to operate without insurance. Insurance is embedded into the fabric of commercial activity.

There are several reasons for this:



Lenders require insured assets in that a financed vessel must carry hull and liability insurance. Without it, loan covenants may be breached.



Contractual arrangements demand it. Charterers, ports and other counterparties may require proof of insurance before engaging with the vessel.



Regulatory frameworks may mandate it, particularly for third-party liabilities such as pollution or collision damage.



The scale of potential losses is simply too large to absorb on balance sheet.

Even if a ship owner were to willingly self-insure against the loss of the vessel itself, they cannot realistically self-insure against catastrophic third-party liabilities. Insurance, therefore, moves from being a prudent safeguard to becoming a critical requirement.



As a result, in commercial contexts, insurance acts as a prerequisite for market participation. This is what makes insurance uniquely capable of being "weaponised". Unlike traditional tools of economic disruption, such as sanctions or physical blockades, insurance operates through the perception and pricing of risk. A credible threat alone can trigger a market response and, consequently, the need for insurance cover.

In practice, underwriting decisions and pricing are influenced by the designation of specific "Listed Areas". These areas are deemed to present enhanced risk to marine hull insurers and are determined by the Joint War Committee, which itself is comprised of representatives from Lloyd's of London and the International Underwriting Association (IUA) market. The Lloyd's of London standard war risk clauses provide underwriters with the right to cancel cover anywhere between 72 hours and seven days' notice. While cover can be reinstated, this would be on revised premium terms, often with a non-linear increase, to reflect the Listed Area designation.

The resulting increase in premiums creates a form of economic paralysis without the need for direct confrontation.

Historical examples reinforce this dynamic. During the period of Somali piracy in the late 2000s, war-risk premiums for vessels transiting the Gulf of Aden rose dramatically. Similarly, in the early stages of the Russia–Ukraine conflict, insurance repricing in the Black Sea played a key role in disrupting grain exports, even before active hostilities commenced. This is reflected in the Joint War Committee designating the "Ukrainian and Russian waters in the Black Sea and the Sea of Azov" a Listed Area on 15 February 2022, more than a week before Russia launched its full-scale invasion of Ukraine on 24 February 2022.

Aviation insurers issued seven-day cancellation notices for third-party war-risk liability cover following 9/11. As airlines could not practically operate without this cover due to lease, financing and foreign operating requirements, governments moved swiftly to provide indemnities or state-backed war-risk insurance to prevent widespread fleet groundings.

Across these examples we notice a consistent pattern emerging. Insurance markets translate uncertainty into immediate economic consequences, with insurance acting as an early-warning system in some cases.

This phenomenon, however, is not universal across all forms of insurance. As noted above, life insurance behaves differently. Unlike marine or aviation insurance, life insurance is not a prerequisite for economic participation. Individuals can and do operate without it. This is because life insurance is structured as a long-term pooling mechanism with risks diversified across geographical and population pools, with pricing less sensitive to short-term fluctuations in perceived risk. Importantly, war mortality and other extreme risks are typically excluded from private life insurance contracts. These risks are instead absorbed by the state. This is because war risk is systemic and highly correlated and, consequently, not economically insurable at scale by private markets.

As a result, life insurance does not function as a gatekeeper in the same way as commercial insurance. Its withdrawal does not halt activity; rather, it redistributes risk to individuals and governments. In this sense, life insurance acts as a shock absorber, not a control mechanism.

This insight has broader implications. It suggests that the geopolitical power of insurance is less about its ability to absorb loss, and more about its ability to enforce participation rules. Where insurance is embedded as a condition of operation, it becomes a point of leverage.

Looking ahead, as financial systems become progressively interconnected and insurance becomes increasingly embedded in areas such as lending, trade finance and digital infrastructure, the scope for this form of "weaponisation" may expand. It also highlights the importance of resilience, both for insurers managing concentrated risks, and for governments that may need to step in when markets withdraw.

Ultimately, insurance sits at an unusual intersection. It is not infrastructure, yet it enables infrastructure. It is not regulation, yet it enforces rules. It is not warfare, yet it can shape the outcomes of conflict. In a world of increasing geopolitical tension, it may prove to be one of the most powerful tools that operate entirely in the background, until suddenly, it doesn't.



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IFRS 18: The new dress code for insurance financial reporting

In the world of fashion, fundamental dress codes are developed, evolve season after season and are refreshed to reflect consumer demands and expectations. Financial reporting is no different. The International Accounting Standards Board (IASB) introduced *IFRS 18 Presentation and Disclosure in Financial Statements* (IFRS 18), the latest style change for insurers since the issue of *IFRS 17 Insurance Contracts* (IFRS 17). With it being effective for annual reporting periods beginning on or after 1 January 2027, IFRS 18 presents a significant step towards modernising how companies communicate financial performance in response to investor demands. Even though insurers have largely recovered from the IFRS 17 wardrobe overhaul, effort will be required for yet another dress code implementation.

The old dress code and the need for a new one

For many years, the old dress code, *IAS 1 Presentation of Financial Statements* (IAS 1), provided the foundation for the presentation of financial information under IFRS® Accounting Standards (IFRS Accounting Standards). IAS 1 established the principles governing the structure, content and presentation of financial statements across reporting entities. It also provided companies with certain flexibility in designing their income statements resulting in financial statements that often looked different for each company.

IFRS 18 seeks to provide a runway for enhanced comparability. While the underlying fabric of financial reporting remains intact, such as the measurement of assets, liabilities, income and expenses, the presentation, structure and disclosure requirements have been redesigned or improved for more consistency, comparability and transparency[1]. This is "*in response to a strong demand from stakeholders, particularly from users of the financial statements*"[2].

The new dress code for insurers

For insurers, IFRS 18 arrives at a pivotal moment. Following the recent extensive transformation introduced by IFRS 17, many insurers redesigned reporting systems, strengthened governance frameworks and enhanced financial disclosure processes. This was an exhausting, made-to-measure and largely *haute couture* (custom made/entity specific) process.

The key question many stakeholders will ask is if this level of effort will be required again for IFRS 18 implementation. The answer is: *to some extent*.

While IFRS 17 determined the fabric of insurance accounting, IFRS 18 determines how the finished outfit is assembled and presented as it introduces new presentation and disclosure requirements. Even though it works alongside IFRS 17, IFRS 18 comes with its very own dress code and should not be seen as a *prêt-à-porter* (ready to wear) implementation exercise. Insurers may be able to leverage the foundations established during IFRS 17 implementation, however, a refresh of the financial reporting wardrobe is necessary:


a contemporary silhouette: a redesigned income statement


updated tailoring: consideration of specified main business activities (SMBAs)


additional hems: new income statement categories


more pleats: enhanced presentation and disclosure of operating expenses


updated labels: introduction of management-defined performance measures (MPMs)


new textiles: improved aggregation and disaggregation of financial information


renovated *ateliers* (workshop/studio): financial reporting teams, processes and systems required to stitch it all together

[1] https://assets.kpmg.com/content/dam/kpmgsites/xx/pdf/ifrg/2024/isg-first-impressions-presentation-and-disclosure-ifrs-18.pdf

[2] IFRS18.BC2

Key changes

While IFRS 18 does not change the recognition and measurement requirements of existing IFRS Accounting Standards, it introduces significant changes to the presentation and disclosure of financial information. Consequently, entities will need to reassess the structure and content of their financial statements across three key areas:

1. Primary financial statements and notes

The most significant changes that relate to the income statement include:

- the classification of income and expenses into the operating, investing and financing categories
- the introduction of new mandatory subtotals
- enhanced requirements in respect of the presentation and analysis of operating expenses

Comparatively, IFRS 18 implementation will have a limited impact on the statement of financial position and only some classification changes in the statement of cash flows.

2. Notes to the financial statements

IFRS 18 introduces new disclosure requirements for MPMs, providing increased transparency over metrics used by management to communicate performance.

In addition, entities will be required to provide additional detailed information regarding operating expenses and their nature.

3. Other presentation and disclosure requirements and principles

The following requirements have been included:

- Enhanced principles relating to the aggregation and disaggregation of financial information;
- Guidance on the labelling and presentation of financial information; and
- More clearly defined roles of the primary financial statements and accompanying notes to guide entities when making decisions about where to provide material information.

We explore each element of this refreshed financial reporting wardrobe in more detail below.





A contemporary silhouette: the new look and feel of the income statement

One of the key focus areas of the new dress code is the income statement. The new income statement is not intended to impose a rigid template, but it provides a more disciplined silhouette. IFRS 18 provides an illustrative example specific to an insurer, set out under IFRS 18.IE12.

The new look of an insurer's income statement consists of three new categories, being operating, investing and financing categories. These categories are differently defined from operating, investing and financing activities prescribed *by IAS 7 Statement of Cash Flows* (IAS 7). The IASB noted that the statement of cash flows and the income statement have different purposes and that alignment would not necessarily aid or enhance financial statements users' understanding of either statement[3].

IFRS 18 also introduces the presentation of two new subtotals, being operating profit and profit before financing and income taxes. It is important to note that this is an example silhouette and precise line items used by each insurer will depend on materiality and what is necessary to provide a useful and structured summary. The new required categories and subtotals enable greater comparability among entities.

Updated tailoring: SMBAs

One of the most important concepts introduced by the new dress code is the consideration of main business activities and whether these are SMBAs. Under IFRS 18 the identification of an entity's main business activities is not as straightforward as the standard does not provide a prescriptive definition. IFRS 18 does not require entities to determine whether each business activity is a main business activity, rather it requires an entity to assess whether investing in assets and/or providing financing to customers is a main business activity.

We believe main business activities can be seen as activities that are central to how an entity generates value and returns. For an insurer, the main business activities, being the provision of insurance services, are relatively clear and easy to identify. Other business activities are generally classified within the operating category regardless of whether they are considered main business activities if they do not fall within the investing or financing categories.

SMBAs are described in IFRS 18: some companies generate their core profit from investing in assets or by providing financing to customers. This assessment is central in applying the requirements of IFRS 18.

The classification of certain income and expenses items depends on whether an entity has an SMBA of investing in assets or providing financing to customers. For many insurers, investment activities are not merely support functions. The generation of investment income is integral to meeting policyholder obligations, with asset and liability management forming part of the core outfit of an insurer. As a result, income and expenses that would ordinarily be classified in the investing category for other businesses, may require updated tailoring and be classified as part of the operating category for insurers that conclude that investing in assets is a specified main business activity. This assessment must be supported by appropriate evidence demonstrating that investment activities form a significant part of the insurer's business model.

Insurers must evaluate the nature of their assets, in order to assess whether it invests in other assets that generate returns individually and largely independently of other resources.

In addition, some insurers may need to assess whether providing financing to customers constitutes an SMBA. This consideration is particularly relevant for insurers that issue loans outside the scope of IFRS 17, where lending activities may contribute a significant portion to an insurer's core outfit.

[3] Presentation and disclosure – IFRS 18 (https://assets.kpmg.com/content/dam/kpmgsites/xx/pdf/ifrg/2024/isg-first-impressions-presentation-and-disclosure-ifrs-18.pdf)

The new dress code is explicit: this assessment is based on evidence and is a matter of fact, not merely a management assertion. Examples of relevant evidence that a main business activity is an SMBA includes when an entity uses a measure which is a subtotal similar to gross profit, such as net interest income, net fee and commission income or insurance service result, as an important indicator to explain operating performance externally, or to assess or monitor operating performance internally.

IFRS 18 explicitly states that information about segments may provide evidence that investing in assets or providing financing to customers is an SBMA in terms of *IFRS 8 Operating Segments*.

The insurer must disclose the fact that it has one or both SMBAs. This assessment is performed at the reporting entity level, meaning that the conclusion reached by a consolidated insurance group may differ from that of an individual subsidiary or the separate financial statements of a parent company.



Additional hems: new income statement categories

Operating category

The purpose of the operating category is to provide a complete view of an insurer's primary operations. The operating category includes three types of income and expenses:

1. All income and expenses relating to an entity's main business activities, whether core or incidental to operations.
2. All income and expenses not classified as investing, financing, income taxes or discontinued operations. It is not limited to recurring or "core" items. Volatile or non-recurring items are classified in the operating category when they do not meet the requirements of another category.
3. An insurer with one or both SMBAs, i.e. investing in assets and providing financing to customers, classifies the related income and expenses in the operating category, instead of in the investing or financing category.

The following considerations are expected to impact insurance companies:

- The operating category includes the insurance service result, investment returns from assets invested as an SMBA and related credit impairment losses, and (re)insurance finance income or expenses recognised in profit or loss.
- Interest income earned from loans to customers and interest expenses incurred on liabilities that relate to providing financing to customers, should be classified in the operating category when an insurer has an SMBA of providing financing to customers.
- Foreign exchange transactions recognised in respect of insurance contract transactions shall be classified in the operating category, i.e. in the same category as income and expenses from the items that gave rise to the foreign exchange differences. Judgement may be required when classifying foreign exchange differences from other liabilities that arise from transactions that do not involve only the raising of finance, either in the financing or the operating category.

Investing category

Insurers generally hold investments as an SMBA and income and expenses from those investments are classified in the operating category. As a result, the investing category may include income and expenses from investments that do not form part of the entity's main business activities, i.e. other assets that generate returns individually and largely independent of the insurer's other resources.

The exception lies with investments accounted for using the equity method. The income and expenses from these investments are classified in the investing category, even when the investment forms part of an insurer's main business activities.

As with any new reporting season, the introduction of a new dress code inevitably brings areas of uncertainty and interpretation. IFRS 18 is no exception. While the standard seeks to introduce consistent and transparent presentation of financial performance, several application matters remain the subject of ongoing discussion within the insurance industry. One area of particular focus is the treatment and classification of assets held to meet regulatory requirements. Given the unique regulatory environment in which insurers operate, determining whether income and expenses arising from these assets should be classified within the operating or investing category requires careful consideration.

Assets held to meet regulatory requirements can be viewed as being key to the operations of an insurer (an SMBA of investing in assets), as an insurer cannot operate without meeting these requirements. As such, income and expenses arising from these assets should be classified in the operating category.

Other viewpoints note that regulatory requirements alone are not determinative of classification. Under IFRS 18 an assessment should be performed either on an asset-by-asset basis or by reviewing groups or classes of financial instruments as per *IFRS 7 Financial Instruments: Disclosures* (IFRS 7) (IFRS 7.6 and B1 - B3). It was argued that, where classes of financial instruments are used, the income and expenses relating to the entire class will be classified in the operating category, therefore not separating the classification of investments held to meet regulatory requirements.

As practice evolves and further guidance emerges, insurers will need to exercise judgement and ensure that their conclusions are supported by the underlying principles of IFRS 18.

Financing category

For liabilities arising solely from raising finance, the financing category includes income and expenses from initial and subsequent measurement of financial liabilities, derecognition and directly attributable issue or settling costs. For other liabilities, i.e. liabilities arising from transactions that do not involve only the raising of finance, this category includes separately identified interest effects and the effects of changes in interest rates, such as interest on lease and defined benefit pension liabilities.

(Re)insurance finance income and expenses related to IFRS 17 are excluded from the financing category and classified in the operating category.

If the insurer also provides financing to customers as a main business activity, an accounting policy choice applies to the liabilities and cash and cash equivalents that do not relate to providing financing to customers: income and expenses could be recognised either in the operating or financing category.



More pleats: enhanced presentation and disclosure of operating expenses

IFRS 18 requires operating expenses to be presented in a manner that provides a useful and structured summary, either by nature, function or both. The analysis of operating expenses is now explicitly required on the face of the income statement within the operating category.

The option to only disclose this analysis in the notes to the financial statements has been removed from IFRS 18. An insurer might therefore present some expenses by function, for example insurance service expenses, while presenting other expenses by nature, such as employee benefits or impairment losses. The presentation decision should reflect the main drivers of profitability, the entity's internal management and reporting practices, standard industry practice and whether allocations to functions would be arbitrary. Each individual expense line item within the operating category must, however, be aggregated, either by nature or function. Importantly, a mix of both approaches must not be applied within the same operating expense line item.

If an insurer presents one or more operating expense line items by function, it must:

- qualitatively describe the nature of expenses included in each function line item; and
- provide a single note, in addition to the disclosure required by IFRS 17, explaining insurance service expenses as it is considered a by-function presentation. This note should disclose the totals for the following operating expenses by nature: depreciation, amortisation, employee benefits, impairment losses and reversals, and inventory write-downs and reversals. For these totals, disclose the amounts included in the operating category and items outside the operating category. The aforementioned expense disclosure will include the operating expenses by nature that have been included in the insurance services expense line item.

Determining how expenses embedded in insurance service expenses can be extracted and mapped to the required nature categories may require changes to systems and the chart of accounts.



Updated labels: MPMs

Certain performance measures used in public communications now need to be disclosed within the audited financial statements if they meet the definition of an MPM. IFRS 18 does not require every alternative performance measure used by management to be disclosed. Instead, the standard focuses specifically on performance measures derived from subtotals of income and expenses that communicate management's view of an aspect of the financial performance of the entity as a whole, and that are not otherwise specified by IFRS Accounting Standards or listed as required or commonly used subtotals in IFRS 18.

For insurers, potential MPMs may include measures such as adjusted operating profit, normalised earnings, underlying earnings or other internally generated profit subtotals, depending on how those measures are calculated and communicated externally. A subtotal that meets the definition of an MPM remains an MPM irrespective of whether it is presented on the face of the statement of profit or loss.

When assessing whether a measure is an MPM, it is important to remember that IFRS 18 limits the identification of MPMs to being those derived from subtotals of income and expenses. In accordance with IFRS 18.B116, performance measures that are not derived from subtotals of income and expenses are not MPMs. These include assets, liabilities, equity measures, measures of liquidity or cash flows, non-financial performance measures and financial ratios.

Accordingly, common insurance measures such as gross written premium, new business CSM, embedded value, comprehensive equity, solvency coverage ratios and other balance-sheet-based indicators are not MPMs because they are not derived from subtotals of income and expenses. Similarly, cash flow metrics and capital management measures fall outside the scope of the MPM disclosure requirements.

Careful consideration should be exercised when assessing ratios. IFRS 18.B117 clarifies that a financial ratio is itself not an MPM because a ratio is not a subtotal of income and expenses. However, a numerator or denominator of a ratio derived from a subtotal of income and expenses may itself meet the definition of an MPM when considered separately. For example, a ratio incorporating an "adjusted operating profit" measure does not make the ratio an MPM, but the adjusted operating profit subtotal may be subject to the MPM disclosure requirements of IFRS 18.

As a result, insurers should carefully evaluate which performance measures used in investor presentations, analyst briefings and other public communications constitute subtotals of income and expenses, rather than assuming that all alternative performance measures, key performance indicators or ratios will be MPMs under IFRS 18.



New textiles: enhanced aggregation and disaggregation of financial information

For insurers, some of the concepts of aggregation and disaggregation will already be familiar. IFRS 17 introduced extensive requirements to identify portfolios of insurance contracts, groups contracts based on profitability and risk characteristics and provides detailed reconciliations of insurance contract balances based on the aggregation required by IFRS 17.

In practice, many insurers have already significantly enhanced the granularity of information available to users of financial statements through disclosures required by IFRS 17 relating to insurance revenue, insurance service expenses, reinsurance contracts held, claims development information, the contractual service margin and insurance finance income or expenses. As a result, insurers may find themselves better positioned when implementing the IFRS 18 aggregation and disaggregation principles. However, IFRS 18 extends beyond insurance contract balances and disclosures governed by IFRS 17. Insurers will need to consider aggregation and disaggregation across the entirety of their financial statements, including areas not directly addressed by IFRS 17. Companies must carefully consider to what extent financial information is aggregated and whether material information may be obscured by excessive aggregation. IFRS 18 introduces explicit principles requiring companies to aggregate items with shared characteristics and disaggregate items with dissimilar characteristics.

The objective is to provide useful and structured summaries in the primary financial statements and supporting detail in the notes, without obscuring information. Companies will need to reconsider whether material items may inadvertently be hidden as part of the broader categories disclosed, such as other operating expenses, other income or other assets. If a line item is labelled as “other”, the label must be updated to be descriptive and informative.

Where a material total “other” balance consists only of individually immaterial items, an entity may need to provide further explanatory information for users of the financial statements to reasonably understand whether the balance contains material information. These requirements are likely to result in more informative labels, greater disaggregation in the notes and closer links between primary statement line items and note disclosures.

Insurers typically hold substantial investment portfolios under IFRS 9, including debt securities, equity instruments and loans and deposits. Material differences in risk characteristics, measurement bases or sources of return warrant separate presentation and/or disclosure under IFRS 7. Similarly, IFRS 18 introduces a similar concept to be applied to other balances such as receivables, property, plant and equipment, intangible assets, lease liabilities, employee benefit obligations and tax balances, which should be assessed to determine whether further disaggregation would provide users of financial statements with more useful information.

Ultimately, while IFRS 17 established a foundation for extensive insurance-specific disaggregation, IFRS 18 broadens the focus to the financial statements as a whole. Insurers will therefore need to assess not only the presentation of insurance contract information, but also the aggregation and disaggregation of investment, financing and other operating information, ensuring that material information is communicated in a clear, transparent and decision-useful manner.



Other changes that apply to the primary financial statements

Although the income statement is the primary focus of change undergoing the greatest makeover, IFRS 18 introduces broader implications across financial reporting:

- Statement of cash flows:
  - Operating profit becomes the required starting point for the indirect method.
  - Dividends paid are classified as financing cash flows.
  - The classification of interest and dividends received and interest paid is categorised in the same way as the related income and expenses are classified under IFRS 18, with each type of cash flow classified in a single category. This means that insurers with an SMBA of providing financing to customers and/or investing in assets will classify related income and expenses in the operating activity category in the cash flow statement.
- Statement of financial position: goodwill is presented separately from other intangible assets.
- Additional earnings per share (EPS) measures: entities may disclose additional earnings per share measures in addition to basic and diluted EPS. For such measures, the numerator must be a total or subtotal or an MPM. Additional earnings per share measures must be disclosed in the notes to the financial statements and should not be presented on the face of the primary financial statements.
- Comparatives and transition: IFRS 18 is applied retrospectively. In the first year of implementation, the insurer is required to reconcile each comparative income statement line item under IFRS 18 to the amounts previously presented under IAS 1. Similar reconciliation requirements apply to comparative interim periods in the first year of implementation.



Renovated ateliers: impacts beyond the technical

While IFRS 18 introduces a new dress code for financial reporting, implementation extends far beyond updating the presentation of the financial statements. As insurers renovate their reporting ateliers to comply with IFRS 18, several practical challenges may emerge:

Identifying and defining MPMs and ensuring consistent application of judgements across the organisation may require significant analysis and governance oversight.

Existing finance systems may not currently capture all the information necessary to support the new presentation and disclosure requirements, necessitating system enhancements and process redesign.

The requirement for comparative information and additional disclosures may increase the demand on finance teams during transition.

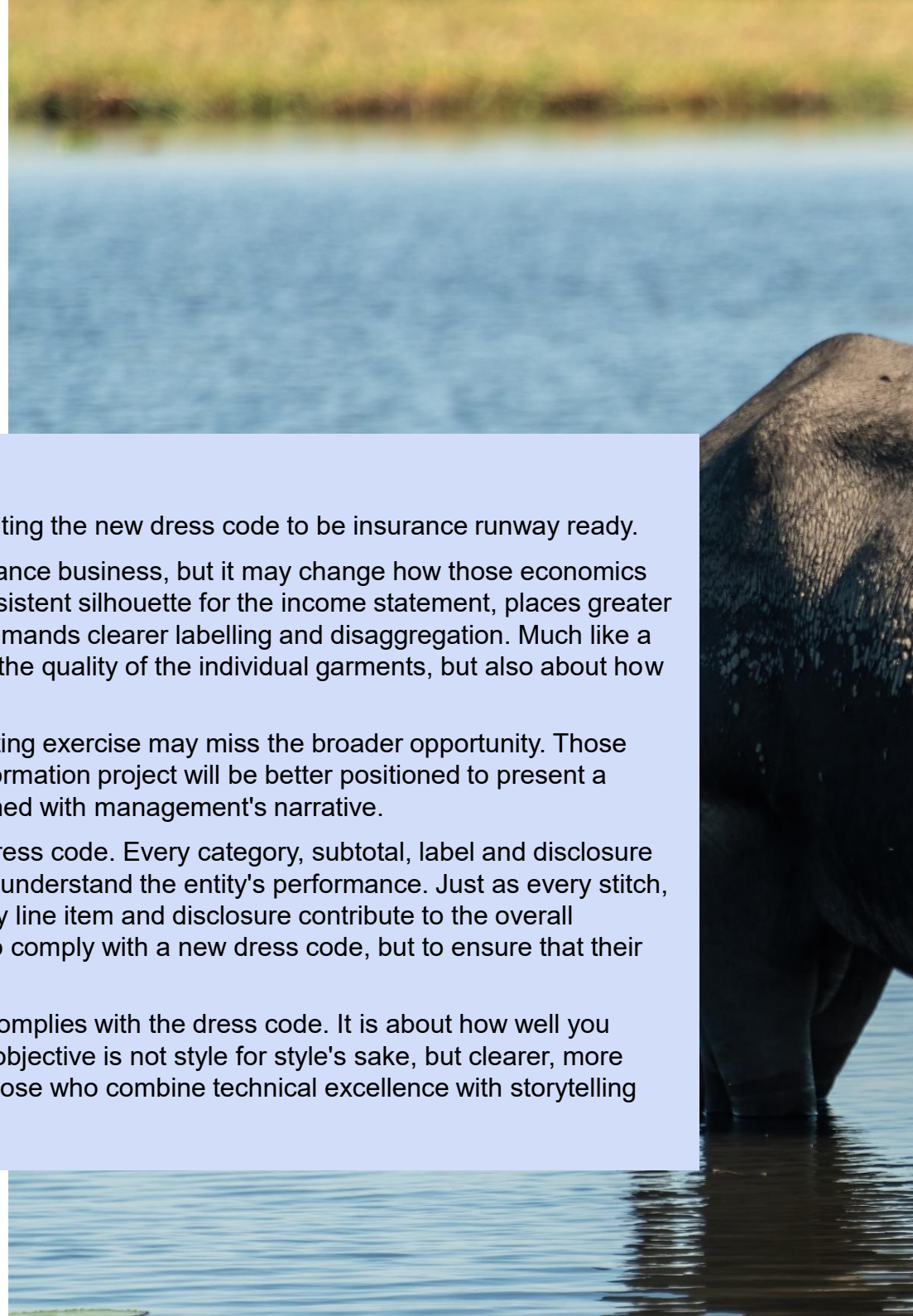
Ongoing industry discussions on application matters mean that entities may need to remain agile and revisit implementation decisions as practice evolves.



…while IFRS 17 established a foundation for extensive insurance-specific disaggregation, IFRS 18 broadens the focus to the financial statements as a whole.

Early planning, robust project management and continuous stakeholder engagement will therefore be critical to achieving a seamless transition to the new reporting standard. Successful adoption will also require early engagement with boards, audit committees, investor communities and auditors to communicate key changes and manage expectations.

Ultimately, IFRS 18 readiness is as much a business transformation initiative as an accounting exercise, requiring coordinated changes across accounting, systems, controls, governance and stakeholder communication to ensure a seamless transition.



Conclusion

Insurers must not underestimate the effort required in implementing the new dress code to be insurance runway ready.

IFRS 18 does not change the underlying economics of an insurance business, but it may change how those economics are communicated. The new dress code introduces a more consistent silhouette for the income statement, places greater discipline around management's performance measures and demands clearer labelling and disaggregation. Much like a carefully curated collection, financial reporting is not only about the quality of the individual garments, but also about how the entire wardrobe comes together to tell a coherent story.

Those who view IFRS 18 solely as a financial statement formatting exercise may miss the broader opportunity. Those who approach it as a communication, data and reporting transformation project will be better positioned to present a financial statement collection that is coherent, credible and aligned with management's narrative.

Ultimately, **presence with purpose** is at the heart of the new dress code. Every category, subtotal, label and disclosure should serve a purpose in helping users of financial statements understand the entity's performance. Just as every stitch, fabric and silhouette contributes to a successful collection, every line item and disclosure contribute to the overall financial reporting story. IFRS 18 challenges insurers not only to comply with a new dress code, but to ensure that their results are presented with clarity, consistency and purpose.

The question is no longer whether your reporting outfit merely complies with the dress code. It is about how well you present your financial performance to the market. The ultimate objective is not style for style's sake, but clearer, more meaningful communication. The best dressed insurers will be those who combine technical excellence with storytelling that enables stakeholders to see the full picture.





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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 2025[1], 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 0.67[2]. 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 employment[3]. 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 sector[4].

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 services[5].

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 literate[6]. 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 lower[7]. 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 product[8]. 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 relevance[9].

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 cover[10]. 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 2017[11], 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 Framework[13] seeks to extend insurance access to low-income households. More recently, the Financial Sector Conduct Authority's 2025–2028 strategy[14] and the Prudential Authority's 2025–2030 Regulatory Strategy[15] 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/wttpxvvb/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.

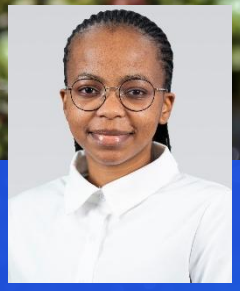




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From AI to geopolitics - why insurers are rethinking their biggest risks

The current risk landscape

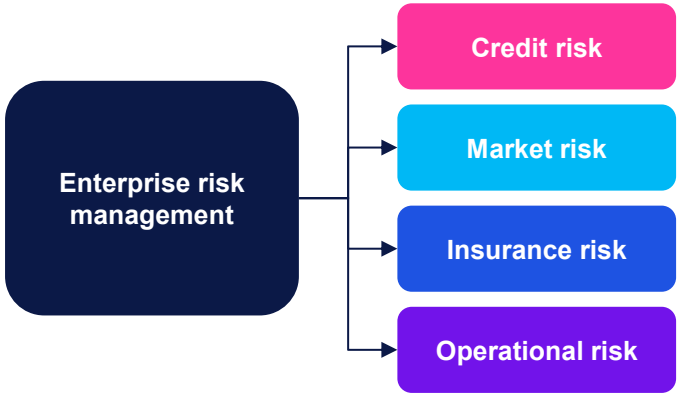
South African insurers are navigating an operating environment characterised by geopolitical uncertainty, rapid adoption of artificial intelligence (AI), evolving cyber threats and shifting customer expectations.

This article is a continuation of the article published as part of the KPMG 2025 South African insurance industry survey, titled Enterprise risk management[1]. In that article, we explained that effective enterprise risk management (ERM) is essential for insurers operating in an increasingly complex and uncertain environment. We concluded that insurers should move beyond compliance-focused risk management and adopt integrated, data-driven and scenario-based approaches to improve resilience, support strategic decision-making, meet regulatory expectations and protect long-term stakeholder value in an increasingly volatile risk landscape.

In this article, we will examine the changes in operational risks faced by insurers, the factors driving those changes, and the insights we can glean from them. Additionally, we have updated our operational risk taxonomy presented in 2025, to reflect the evolution of the operational risk environment. The 2026 operational risk taxonomy has been included as an appendix to this article.

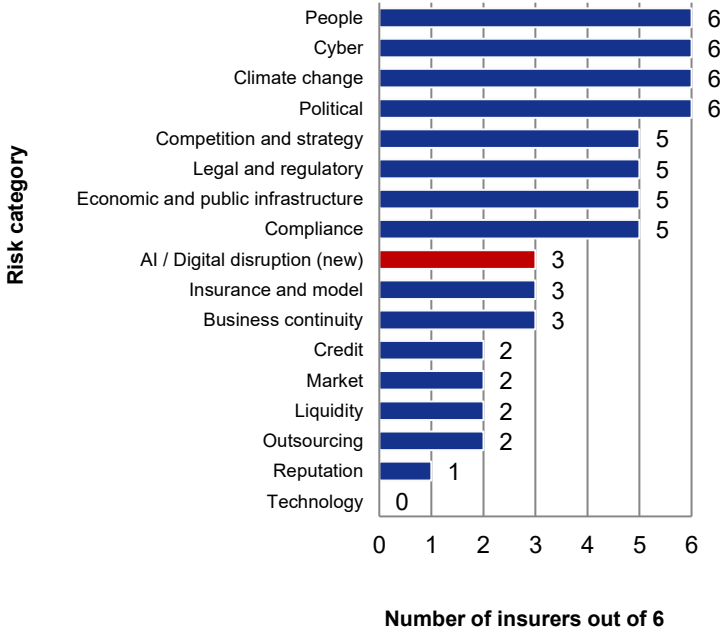
Going back to basics, operational risk encompasses all risks that remain after accounting for credit, market and insurance risks. Any potential risk that could arise for an insurer, aside from credit, market and insurance risk, can be categorised as operational risk. This includes various types of risks, such as reputational, legal, competitive, people and cybersecurity risks, among others.

The ERM framework for an insurer can be categorised into the following risk categories:



We compared the top risks disclosed by selected insurers in their two most recent integrated reports. This year's review focused on the same six insurers analysed in our 2025 baseline study: Discovery, Sanlam, Santam, Old Mutual, Momentum and OUTsurance. This year's analysis examines the year-on-year change in each insurer's risk register.

Number of surveyed insurers that identified the risk as a top operational risk in their risk registers



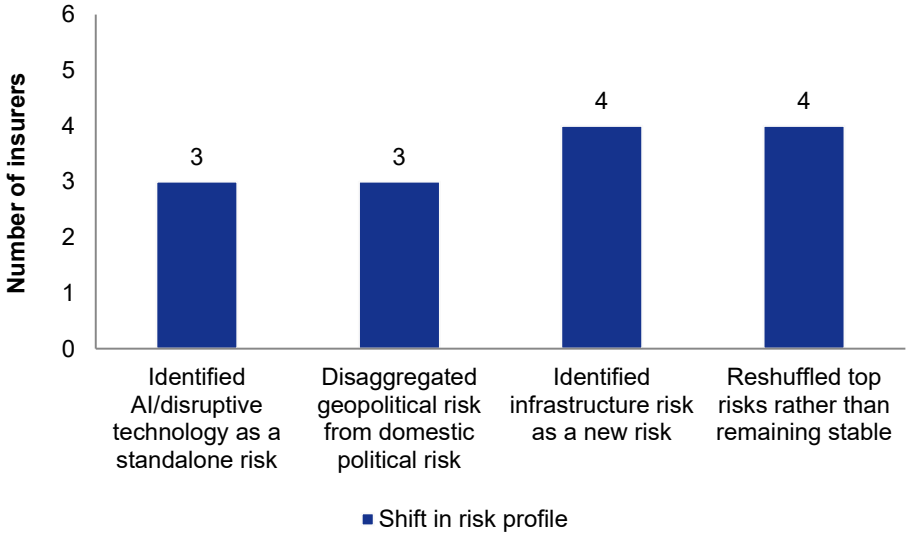
[1] https://assets.kpmg.com/content/dam/kpmgsites/za/pdf/2025/Insurance%20Survey%202025%20Final_.pdf.coredownload.inline.pdf

Four operational risks were identified by all six insurers in their risk registers: **people, cyber, climate change and political risk**. A further four operational risks follow closely with five out of six insurers including these risks in their risk registers: competition and strategy, legal and regulatory, economic and public infrastructure and compliance risk.

With three of the six surveyed insurers having identified AI and digital disruption risk as part of their top risks for the first time in 2025, we have added this category to our operational risk taxonomy. Consistent with trends observed in more developed insurance markets, we expect the number of insurers identifying this risk to continue increasing.

In addition to the above, we observed several new risks identified by insurers for the first time in 2025, such as escalating tariffs and trade-war exposure, geopolitical risk as a separate risk from domestic political risk, critical infrastructure breakdown, disruptive technology and third-party and outsourcing risk.

Structural shifts in how insurers identify risks



As noted on the graph on the left, three of the six surveyed insurers now identify **AI or disruptive technology** as a standalone risk. Similarly, three insurers separated **geopolitical risk from domestic political risk**, distinguishing global developments such as **tariffs and trade tensions from local political uncertainty**. Four insurers also introduced a dedicated **infrastructure risk category**, reflecting **growing concerns around service delivery and the reliability of public infrastructure**. Lastly, four of the six insurers reshuffled their top risks.

Domestic political and geopolitical risk

Given the heightened geopolitical uncertainty arising from ongoing conflicts in the Middle East, coupled with local political uncertainty ahead of the November 2026 local government elections, it is unsurprising that insurers are increasingly distinguishing between local and global political risks.

The transmission of geopolitical risks through the South African insurance and broader financial services sector is an important area of focus for both local and global regulators and policymakers. Key concerns include escalating tariffs, sanctions regimes, supply chain disruptions, cyber threats and the broader economic consequences of geopolitical fragmentation.

Domestic political risks present both short- and medium-term challenges. The upcoming local government elections will provide the first electoral test of the Government of National Unity formed in 2024. The outcomes of this election could impact coalition stability, service delivery performance, particularly in major metropolitan areas such as Johannesburg, and overall investor confidence.

Another interesting observation is that four of the six insurers identified infrastructure risk as a new risk, reflecting increased levels of concern over the reliability of public infrastructure, effectiveness of service delivery and broader political environment. Infrastructure failures can disrupt underwriting processes and claims experience, as well as essential services such as payment systems and communication channels.

The relationship between political, economic and infrastructure risk is becoming increasingly evident in insurers' risk disclosures. This may indicate a shift away from viewing these risks in isolation, towards recognising them as part of a broader, interconnected risk framework.

Set out below are the risks that we believe warrant close attention from insurers.

AI/disruptive technology

AI transcends many facets of the business, and for organisations that have implemented these technologies, effective AI governance is critical. Recently, the Prudential Authority (PA) set new supervisory expectations regarding the management of operational resilience of emerging risks, particularly in respect of AI governance and climate scenario analysis, placing additional governance demands on boards and management teams:

Insurers are being encouraged to establish governance policies around effective data usage, focussing on accessibility, modification, security and protection and reliability.

The ethical use of AI is another critical aspect to consider, with insurers having to implement mechanisms to ensure that their AI solutions are free from bias and discrimination. Given the prevalence of racial and gender discrimination in South Africa, AI tools that exhibit such biases could lead to significant reputational damage.

Many developed countries have already established AI governance frameworks and regulations. While equivalent regulations are not yet in place in South Africa, they are expected to emerge in the near future. Insurers are encouraged to proactively prepare for this by developing their own AI governance frameworks and drawing on leading international practices and regulatory developments to help guide their implementation.

The Financial Services Conduct Authority (FSCA) and PA guidance on AI governance, fairness and explainability highlights a shift in regulatory expectations, with AI increasingly viewed as a core governance and conduct risk rather than a standard technology risk. As a result, traditional technology risk classifications may no longer adequately capture this regulatory dimension associated with this risk.

AI cuts across multiple risk categories, simultaneously influencing operational, compliance, conduct, model, cyber, strategic and reputational risks. It should, therefore, not be viewed as a separate risk category, but as an underlying driver that amplifies and transforms existing risks. Treating AI solely through an individual risk lens may fragment board-level oversight.

Consequently, we refined our technology risk taxonomy by introducing a standalone AI/disruptive technology risk category, reflecting the growing impact of AI and emerging technologies on business operations.

Sanlam noted in their latest integrated report that “AI-driven disruption from more agile entrants continues to intensify competitive pressure. The key risk is not only in adopting these technologies, but failing to scale and govern them effectively, which could erode competitiveness as AI adoption accelerates faster than organisational readiness.”

Discovery notes in their latest integrated report that “insurance firms could lose their competitive advantage as they struggle to keep up with the advancements and efficiencies introduced through AI. This could lead to higher operational costs, slower response times and less personalised client experiences”.

What came as a surprise is that this risk did not rank among the top five risks identified by the insurers surveyed. However, given the pace of technological change, evolving regulatory expectations and increasing adoption of AI, it is expected to become increasingly prominent in the coming years.

Climate risk: integration into core ERM

All six insurers surveyed identified climate risk as one of their top concerns. While this is not new for the insurance industry, it is becoming increasingly important as the impacts of climate risk become more apparent through unpredictable weather patterns both locally and globally.

The PA’s 2023 climate risk expectations and subsequent supervisory engagement clarified that climate exposure, both physical and transition, is not an environmental, social and governance (ESG) reporting silo but a core component of insurers’ risk frameworks, asset-liability management and capital planning.

Claims experience stemming from flooding, hail and wildfire events in South Africa continues to contribute to underwriting volatility, reinforcing climate risk as an operational and reserving concern.

The key question insurers must address is how to develop long-term resilience and strategies to combat unpredictable climate change.

Cyber risk: from network-specific to enterprise-wide

With all six insurers surveyed having noted cyber risk as a top risk, is it evident that the scope and prominence of cyber risk is evolving.

Conventionally, cyber risk has been segmented into network vulnerabilities, data breach exposure and business continuity threats. Increasingly, insurers are managing cyber risk as an enterprise-wide exposure:

1. spanning customer data, employee data, operational technology and third-party systems;
2. integrating with regulatory resilience expectations; and
3. recognising AI-enabled threats (automated phishing, deepfakes, adversarial attacks on AI models) as a new, layered risk surface

Most insurers have established practices and processes related to cybersecurity and cyber resilience, in line with the requirements of Joint Communication 2 of 2024 set out by the FSCA and the PA. Despite these measures, the risk remains high because cyber risks continually evolve, with cybercriminals consistently developing new attack strategies. Insurers, both locally and globally, continue to report incidents of cybersecurity breaches. Therefore, it is essential for insurers to regularly assess their policies and procedures to ensure robust protection against cyber risks, including over third-party providers that have access to sensitive information.

People risk

This risk has long been a feature of the South African insurance landscape and tends to rank more highly among local insurers than counterparts in many developed markets. This is driven in part by the emigration of skilled professionals, which has been influenced by concerns around South Africa's political and economic outlook.

The challenge is particularly acute for insurers given the sector's complexity, including specialised regulatory requirements, sophisticated actuarial modelling and demanding financial reporting frameworks such as IFRS 17, all of which require scarce and highly skilled resources to manage effectively.

Outsourcing (and third-party) risk

We noted earlier that outsourcing risk did not rank high for South African insurers, while this risk held higher importance for global insurers. More recently, banks and insurers have reported a growing number of cyber incidents linked to third-party exposures.

This suggests that third-party risk may be underestimated in South Africa. Insurers are encouraged to closely monitor this risk and establish robust third-party risk management procedures and processes.



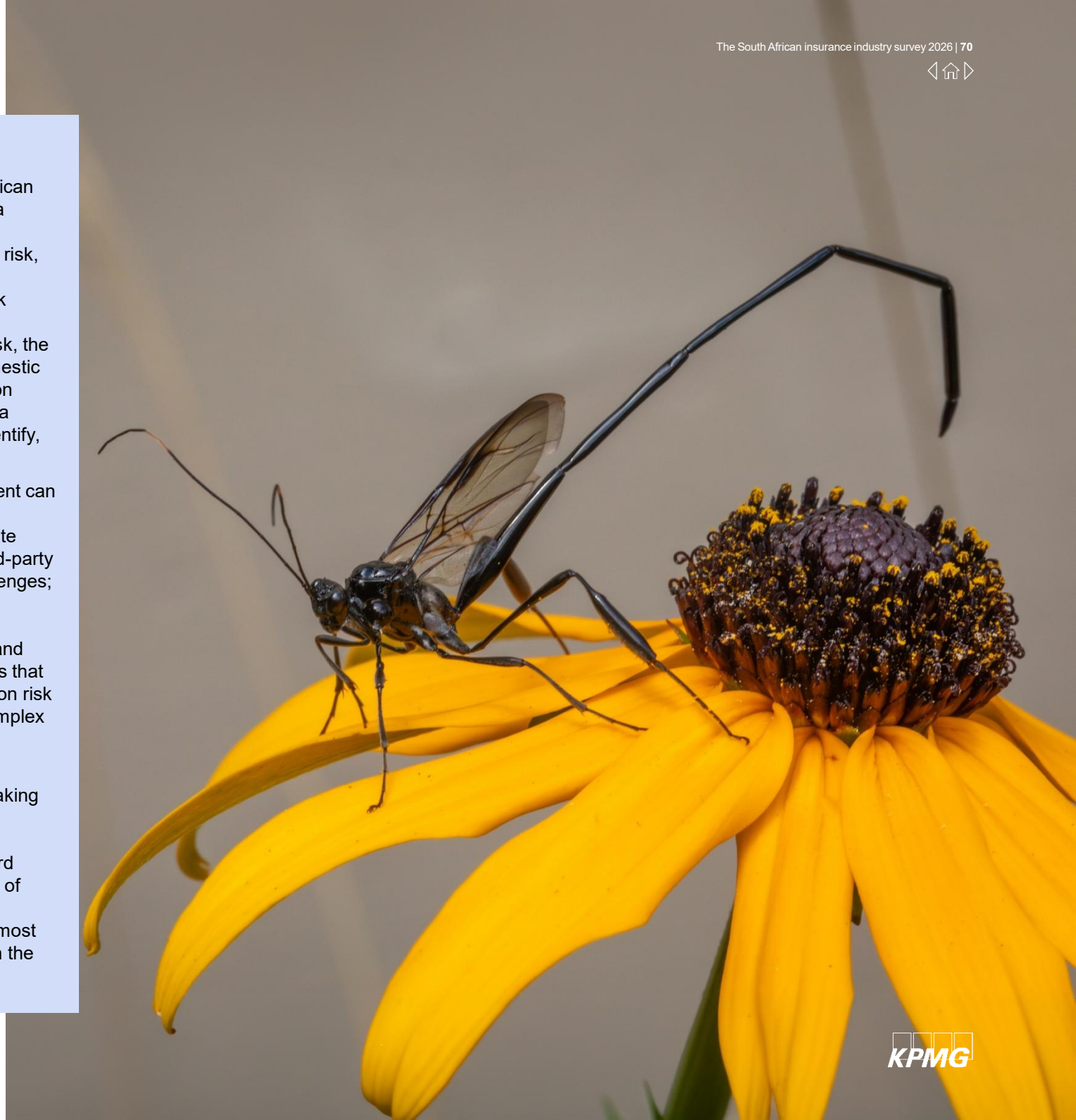
…it is unsurprising that insurers are increasingly distinguishing between local and global political risks

Conclusion

Our analysis indicates that the South African insurance risk landscape is undergoing a structural shift. Insurers are increasingly recognising the interconnected nature of risk, where developments in one area can amplifying exposures across multiple risk categories. The emergence of AI and disruptive technology as a standalone risk, the distinction between geopolitical and domestic political risks and the heightened focus on public infrastructure resilience all reflect a broader evolution in the way insurers identify, assess and manage operational risk.

The key takeaway is that risk management can no longer be viewed solely through a compliance lens. AI, cyber threats, climate change, geopolitical uncertainty and third-party risk are not standalone operational challenges; they are interconnected forces that can simultaneously affect an insurer's competitiveness, operational resilience and long-term financial performance. Insurers that continue to manage these risks in isolation risk being ill-equipped for an increasingly complex and rapidly evolving environment.

Insurers that successfully integrate risk considerations into strategic decision-making will be better positioned to safeguard stakeholder value while capitalising on emerging opportunities. Those that regard enterprise risk management as a source of strategic insight rather than a regulatory requirement, are likely to be among the most resilient and competitive organisations in the years ahead.



Appendix

Set out below is an operational risk taxonomy developed by KPMG in 2025 based on our industry experience and updated for the evolving risk landscape in 2026. References to the operational risk taxonomy used throughout this article are set out in the table below.

KPMG operational risk taxonomy for South African insurers

Risk	Description
Credit ##	The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
Market ##	The potential for unexpected changes in market conditions, which can result in losses or lower-than-expected market returns.
Liquidity ##	The risk of not being able to meet financial obligations as and when they fall due, due to inaccessible and insufficient liquid resources.
Insurance and model ##	The risk that an insurance product is underpriced, potentially resulting in operating losses for the insurer.
Operational #	All remaining risks after taking into account credit, market and insurance risk.
Reputational #	The risk of negative publicity in respect of the insurer, which could potentially hinder the insurer's ability to sell new business or keep existing clients.
Legal and regulatory #	The risk of financial or other losses as a result of non-compliance with laws, contracts and regulations.
People #	The risk as a result of human error, poor talent management and succession planning, which could result in the insurer not being able to compete successfully in the market.
Technology #	The risk of employing redundant technology, which could result in operational inefficiencies and eventually a loss of clients.
Cyber #	The risk of financial losses as a result of a cyber-attack.
Compliance #	The risk that the insurer will not comply with its own policies, laws and regulations. This also includes risks that the insurer is not treating customers fairly, which could result in fines and penalties and reputational risks.
Fraud (internal and external) #	The risk of financial losses as a result of fraud.
Going concern #	The risk that the insurer will not be able to operate as a going concern in the foreseeable future, resulting in a loss of shareholder value.
Business continuity #	The risk of disruptions to business operations, including exposure to epidemics, pandemics, strikes and riots.
Political (local and global) #	The risk of operational disruptions and financial losses as a result of the political environment.
Economic and public infrastructure #	The risk that the operating environment, due to economic and public infrastructure factors, does not support adequate and sustainable growth of the business.
Competition and strategy #	The risk of being outcompeted in the market due to not being able to execute the strategy effectively, resulting in a loss of shareholder value.
Outsourcing #	The risks that third parties will not be able to meet their contractual obligations to service the insurer or its customers.
Process #	The risk of process failures, resulting in operational losses, loss of customers and potential fraud.
External #	Crime, theft and malicious damage to property.
Financial reporting #	The risk of non-compliance with financial reporting standards, leading to inaccurate decision-making.
Project #	The risk that strategic projects will not be executed as planned, are delayed or will not meet the desired objectives.
Climate change #	The risk of increased severity and frequency of natural disasters because of climate change.
AI and digital disruptions #*	The risk that an organisation is not rapidly adopting the latest technologies in its business value chain, and where technologies are adopted, the risk is that organisations do not have sufficient processes to govern data, privacy, security, bias and model error, among other related risks.

Non-operational risks

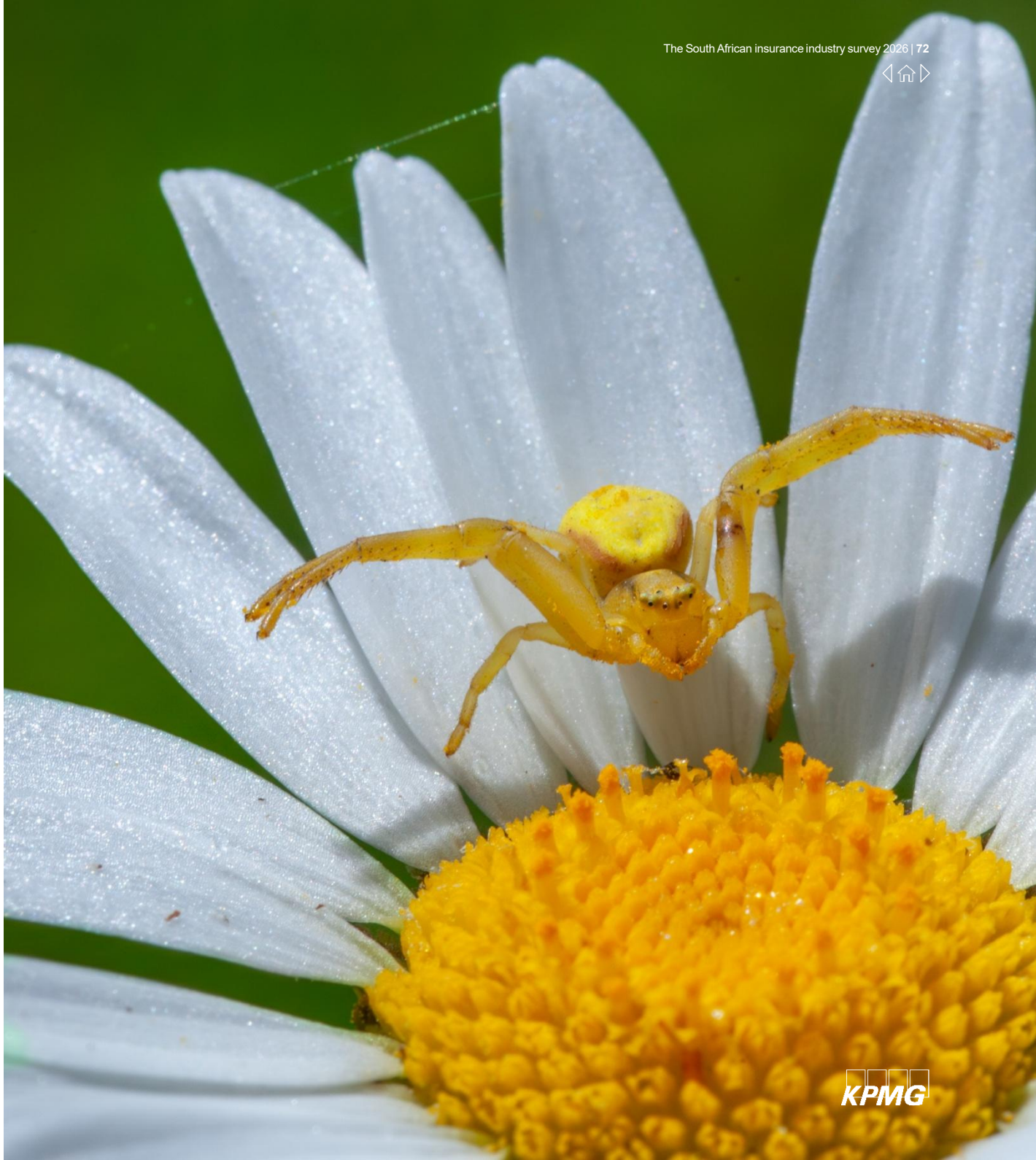
Operational risk

**New risk added in 2026*

KPMG

Sources

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- Discovery Integrated Annual Report 2025 - 'Risks and opportunities' section, pp.41-48
- Sanlam Integrated Report 2025 - 'Our risks and opportunities', pp.47-52; digital/AI detail pp.72-74
- Santam Integrated Report 2025 (santam.co.za/media/stdoaic0/santam_ir_2025.pdf) and OUTsurance Group Integrated Report 2025 (group.outsurance.co.za)
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- Prudential Authority (2023): Climate Risk Expectations. Available at: prudentialauthority.co.za
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Mind the gap: IFRS 17 on paper and in practice

"Life after the transition" is how the Johannesburg Stock Exchange (JSE) described its thematic review of *IFRS 17 Insurance Contracts* (IFRS 17) disclosures, published in November 2025[1].

As insurers move beyond IFRS 17 implementation, attention has shifted from IFRS 17 on paper (the theoretical disclosure requirements) to IFRS 17 in practice (the operational reality). This creates a new challenge: translating IFRS 17 disclosure requirements into information that clearly and meaningfully explains the reported numbers.

The JSE's thematic review identified common areas of non-compliance[2] in selected insurers' 2023 and 2024 year-end financial statements. These findings followed extensive engagement between the JSE and insurers, including multiple rounds of guidance letters. The findings of the thematic review highlight the gap between IFRS 17 required disclosures and the information that users of insurers' financial statements may find most meaningful.

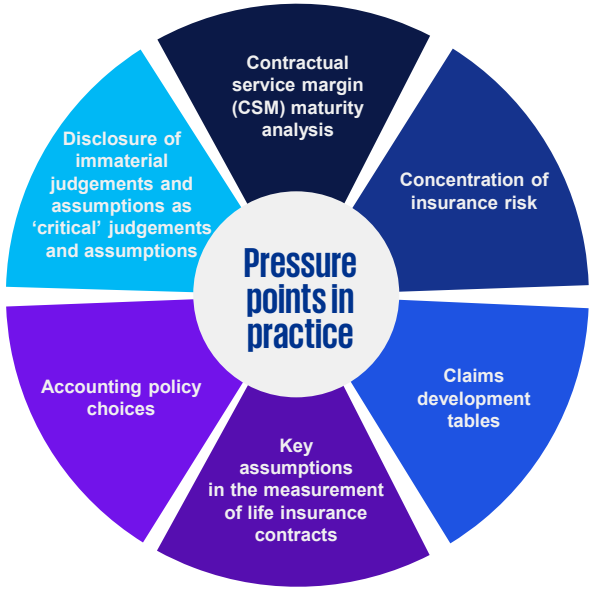
This article explores the pressure points that emerged, and drawing on insights from the JSE's thematic review, considers how insurers can bridge the gap between the requirements on paper and their application in practice.

The JSE's findings: where the pressure points emerged

The JSE's review focused on accounting policies, judgements, assumptions, key inputs and related disclosures in the financial statements of **life insurers**. These focus areas are key as they influence how insurance liabilities, profit emergence, risk exposures and key judgements are explained to users of financial statements.

The JSE identified five common areas of non-compliance and other areas for improvement. In addressing these findings, insurers experienced application challenges related to product complexity, system capability, aggregation and in ensuring the usefulness of their IFRS 17 reporting information. While the JSE engaged extensively with insurers, they remained firm on one principle: practical complexity may shape the form of disclosure, but it does not remove the IFRS 17 requirement.

The JSE review provides insights into both sides of IFRS 17 reporting: the information users of financial statements expect and the operational challenges involved in producing it.



The tables set out on the following pages brings together these perspectives. Although the findings were drawn from the review of financial statements of listed life insurers, they are equally applicable to non-life and non-listed insurance companies who comply with IFRS® Accounting Standards.

[1] Johannesburg Stock Exchange, *Proactive Monitoring: Limited Scope Review, IFRS 17 Insurance Contracts, "Life after the transition"*, 7 November 2025. Link: https://www.jse.co.za/sites/default/files/media/documents/limited-scope-review/Limited%20Scope%20Review_Insurance%20Contracts_Nov%202025_0.pdf

[2] Findings which were relatively common amongst the JSE's sampled issuers.

Pressure points in practice: disclosure requirements, reporting reality and regulatory response

Contractual service margin (CSM) maturity analysis *Common area of non-compliance*			
IFRS 17 disclosure requirement(s)	**The JSE's finding(s)**	**The insurers' perspective:[3] key application challenges**	**The JSE's response**
For contracts not measured under the premium allocation approach, insurers must disclose when they **expect** to recognise the contractual service margin remaining at the end of the reporting period in profit or loss quantitatively, in appropriate time bands. [Refer to IFRS 17.109]	The time bands disclosed by insurers in reflecting the CSM maturity analyses were often **overly aggregated** in the first ten years, limiting transparency over potentially non-linear profit emergence in intervening years.	Many insurers noted that market practice generally converges on broader time bands. Where the CSM release pattern is broadly linear or profit emergence is not materially different year-on-year, disclosing increased levels of granular disclosure may add volume rather than value-added insight.	Aggregation should not obscure non-linear earnings patterns, as the timing of the CSM release helps users of financial statements understand how profit from existing contracts is expected to emerge over time. The JSE accepted more than one approach (based on additional explanations provided by insurers): annual time bands for five or ten years, or additional narrative where the release pattern is broadly linear to contextualise the choice of time bands presented to users of financial statements.

Key take-away from the JSE:

The objective is not to disaggregate all information, but to ensure that aggregation does not obscure the underlying economics.

[3] ***Editorial note:*** *The "insurers' perspective" synthesises the practical concerns emerging from the JSE's engagements and the wider analysis undertaken for this article. It should not be read as the position of every insurer.*

Pressure points in practice: disclosure requirements, reporting reality and regulatory response

Concentration of insurance risk *Common area of non-compliance*			
IFRS 17 disclosure requirement(s)	**The JSE's finding(s)**	**The insurers' perspective: key application challenges**	**The JSE's response**
Insurers must disclose summary quantitative information on their exposure to insurance risk, based on information provided internally to the entity's key management personnel. [Refer to IFRS 17.125]	Insurers often omitted entity-specific quantitative information reflecting the concentration of insurance risk.	Insurers noted that concentration risk disclosures could become extensive where exposures span products, geographies, insured events, industries, distribution channels and policyholder characteristics.	Qualitative explanations of diversification are not sufficient to disclose the actual underlying risk exposure. Entity-specific quantitative information helps users of financial statements understand the insurer's business and where adverse events could have the greatest financial impact.



Key take-away from the JSE:

The objective is not to disclose a data dump, but to reflect where a single event or concentrated exposure could materially affect future results.

Pressure points in practice: disclosure requirements, reporting reality and regulatory response

Claims development tables *Common area of non-compliance*			
IFRS 17 disclosure requirement(s)	**The JSE's finding(s)**	**The insurers' perspective: key application challenges**	**The JSE's response**
Insurers must compare actual claims with previous estimates where uncertainty about the amount and timing of claims remains unresolved, unless these are typically resolved within one year. The disclosure should ordinarily reflect development by claim period for up to ten years. [Refer to IFRS 17.130]	Claims development tables were not provided for qualifying income protection and disability-type products. Some issuers instead presented **forward-looking liquidity information**, using it as an alternative to the required backward-looking claims development disclosure.	Many insurers do not manage these claims using a conventional incident-year claims development framework. Insurance systems may therefore not capture, track or compile claims development data in the format contemplated by the standard. Liquidity information may appear more aligned with how these products are managed.	The JSE referred insurers to IFRS 17, emphasising that liquidity information does not replace backward-looking claims development information. Claims development tables allow users of financial statements to assess how claims estimates evolved over time and provide insight into insurers' historical settlement experience. Some insurers demonstrated that their qualifying business was not material, but those with material portfolios accepted that claims development tables would be required in future periods.



Key take-away from the JSE:

Claims development information is required, and alternative liquidity information is not considered to be an appropriate substitute.

Pressure points in practice: disclosure requirements, reporting reality and regulatory response

Key assumptions in the measurement of life insurance contracts *Common area of non-compliance*			
IFRS 17 disclosure requirement(s)	**The JSE's finding(s)**	**The insurers' perspective: key application challenges**	**The JSE's response**
Insurers should explain the significant inputs, assumptions, estimation methods and processes used to measure insurance contracts. Unless impracticable, material inputs should also be quantified. [Refer to IFRS 17.117]	Insurers generally identified lapse, surrender and paid-up rates as key assumptions, but consistently omitted **quantitative baseline information**, such as disclosing the actual or weighted-average lapse, surrender or paid-up rate applied in the measurement of insurance contract balances. In some cases, the methods and inputs used to determine those assumptions were also not explained.	Insurers considered detailed quantitative disclosure difficult to provide because assumptions and decrements vary significantly across products, portfolios, policyholder profiles and distribution channels, as well as age, gender, smoking status and disability profiles. Many insurers questioned whether wide ranges or aggregated lapse rates would be representative or useful to users of financial statements.	The JSE took a firm view that lapse, surrender and paid-up assumptions should be quantified. This is because baseline assumptions allow users to assess the plausibility and potential impact of disclosed sensitivities. The JSE provided an example, where "*if an entity's lapse and surrender rates are already high, e.g. a weighted average of 20%, then a 10% change may not be likely. However, the same conclusion may not be reached if the weighted average lapse rate is at 1%.*" Insurers revisited their assessment and agreed to disclose ranges, weighted averages or quantitative baseline information by major business line, even where the resulting ranges were wide.
Key take-away from the JSE: The JSE expects quantitative baseline assumptions to be disclosed, even where ranges are wide, to enable users of financial statements to meaningfully interpret assumptions applied and sensitivity analyses presented with better context.			

Pressure points in practice: disclosure requirements, reporting reality and regulatory response

Accounting policy choices *Common area of non-compliance*			
IFRS 17 disclosure requirement(s)	**The JSE's finding(s)**	**The insurers' perspective: key application challenges**	**The JSE's response**
IFRS 17 includes several accounting policy choices for insurers to apply. IAS 1.117 requires the selected accounting policy choice to be disclosed where it constitutes material accounting policy information.	Issuers generally provided extensive IFRS 17 accounting policies, but did not always clearly disclose the accounting policy choices applied, specifically relating to: • the choice to disaggregate the change in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. [IFRS 17.81] • the choice to remove premiums collected by intermediaries from the contract boundary when the associated cash flows are either recovered by the insurer in cash from the intermediary, or when the policyholder pays the intermediary[4]; and • the choice of whether the insurer's obligation to pay amounts subsequent to an incurred claim that is subject to insurance risk is treated as either a liability for incurred claims or a liability for remaining coverage[5].	Often this was an oversight or did not represent a material accounting policy.	Users of financial statements should not have to infer accounting policy choices from the quantitative disclosures presented, nor navigate boilerplate accounting policies describing choices the insurer has not made. The election should be explicit, its consequences explained and wording relating to accounting policy choices or arrangements that do not apply should be removed. This will enable users of financial statements to understand how the insurer's accounting policy choices affect the reported results and supports comparison between insurers.
Key take-away from the JSE: Accounting policy choices should be clearly disclosed so that users of financial statements can understand their effect on reported results.			

[4] IFRIC® Update, October 2023, Agenda Decision, *'IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments—Premiums Receivable from an Intermediary'*. Link: *https://www.ifrs.org/content/dam/ifrs/supporting-implementation/agenda-decisions/2023/premiums-receivable-from-an-intermediary-oct-23.pdf*

[5] Agenda Paper: IFRS 17 Transition Resource Group, titled *"Insurance risk consequent to an incurred claim"*. Link: *https://www.ifrs.org/content/dam/ifrs/meetings/2018/september/trg-insurance/ap01.pdf*

Pressure points in practice: disclosure requirements, reporting reality and regulatory response

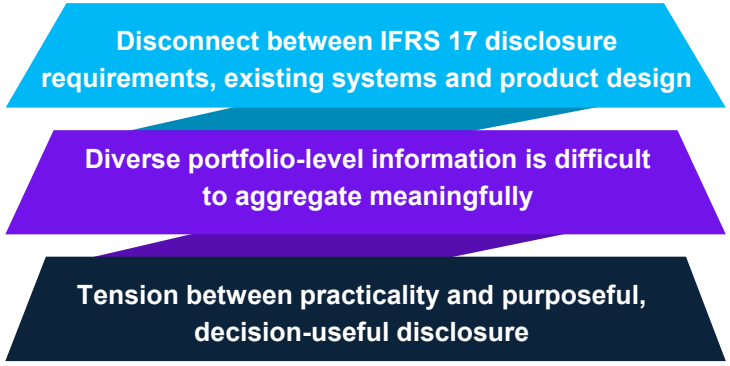
Disclosure of immaterial judgements and assumptions as 'critical' judgements and assumptions *Other area for improvement*			
IFRS 17 disclosure requirement(s)	**The JSE's finding(s)**	**The insurers' perspective: key application challenges**	**The JSE's response: why the requirement matters**
Insurers should disclose the significant judgements and changes in judgements made in applying IFRS 17. [Refer to IFRS 17.117]	Immaterial, generic or inapplicable matters were sometimes presented as critical judgements and/or assumptions or material accounting policies, obscuring matters that genuinely required prominence and further explanation.	Preparers often retained standard wording to demonstrate completeness, preserve consistency with prior years or cover circumstances that could arise in future.	Presenting immaterial matters as critical can obscure genuine judgements and clutter financial statements. Insurers should apply materiality with discipline so that users of financial statements can focus on matters that are most significant to understanding the reported results.
Key take-away from the JSE: Only material judgements and assumptions should be disclosed, with immaterial content removed that may obscure key messages.			

Across the six findings a consistent pattern emerges. Insurers often raised legitimate concerns about systems, product complexity, aggregation and information overload. The JSE's position was that those concerns could shape how the disclosure is presented but did not remove the primary obligation to comply with IFRS 17 disclosure requirements.

Disclosures should enable users of financial statements to understand profit emergence, risk exposures, estimation uncertainty and judgements underpinning the IFRS 17 results. The challenge, therefore, is not whether insurers should comply, but how to do so more effectively.

This, in turn, brings into focus an important question: how can IFRS 17 disclosures evolve to become more robust over time?

Themes of key gaps identified based on JSE's review findings



Bridging the gap: defining stronger IFRS 17 reporting

Insurers now need to move from producing disclosures that focus primarily on only meeting the standard requirements, to those that help users of financial statements meaningfully understand the business results. Visibility, connectivity and curation provide three practical markers that insurers should consider in embedding stronger IFRS 17 reporting:

1 Visibility



Can the user understand what drives the financial results?

Viewing the financial statements through this lens shifts the focus from whether a disclosure has been included to whether it effectively makes the underlying economics understandable.

2 Connectivity



Do the disclosures speak to each other?

A more mature approach views the financial statements as an interconnected narrative. This means considering not only what is disclosed, but how the disclosures interact with each other to help the user understand the overall picture.

3 Curation



Is the disclosure focused on what matters?

Mature disclosure is not necessarily longer. It is more disciplined, giving greater prominence to material information and helping users of financial statements focus on what matters. This is also consistent with one of the central objectives of IFRS 18 Presentation and Disclosure in Financial Statements, which is effective for annual reporting periods beginning on or after 1 January 2027.

Improvements expected

Clearer visibility of risk concentrations	Linking assumptions with sensitivity analyses	Removal of immaterial clutter
Quantitative disclosure of baseline assumptions	Alignment of qualitative and quantitative disclosures	Focused key messaging
Streamlined critical judgements	Linking of accounting policy choices to financial statement effects	Materiality used as a design filter

Preparing for the next reporting cycle: practical actions for insurers to improve IFRS 17 disclosures

Bridging the gap requires targeted improvements to the process applied in producing IFRS 17 disclosures. The following practical actions can help insurers translate the requirements on paper into stronger reporting practices.

01

Reassess whether systems produce disclosure-ready information

02

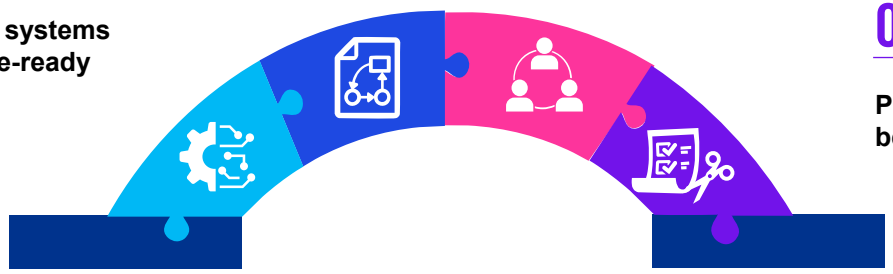
Plan disclosures earlier

03

Create clearer ownership between actuarial, finance and reporting teams

04

Pilot complex disclosures before year-end



Reassess whether systems produce disclosure-ready information	Plan disclosures earlier	Create clearer ownership between actuarial, finance and reporting teams	Pilot complex disclosures before year-end
Systems and models may produce the information needed for measurement, but not always in a form that supports external disclosure requirements. This does not mean rebuilding systems from scratch. It means identifying where current output needs to be enhanced, mapped or supplemented to support disclosure requirements.	Disclosures should not be considered only at the final stage of the reporting process. Finding consensus on the required information, level of disaggregation and supporting narratives earlier in the reporting cycle reduces the need to retrofit complex outputs into the financial statements.	Clear, shared responsibility is needed for data, methodology, aggregation decisions and explanatory notes to ensure that disclosures are both technically sound and understandable.	Perform early dry-runs and test complex disclosures before year-end to confirm that the necessary data and methodologies are available and address any system limitations while there is still time to act.



Closing the gap towards purposeful presence

The JSE's review highlights the next challenge for the market: moving beyond compliance towards purposeful communication.

As IFRS 17 reporting continues to mature, the quality of reporting may be judged less by the volume of disclosure and more by how effectively financial statements communicate the economics that matter most to users.



…moving beyond compliance towards purposeful communication



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Geopolitical risk and its impact on the South African insurance market

Geopolitical risk is the risk associated with terror, war and nuclear threats, as well as military build-ups between states or countries that disrupt the usual functioning of international relations[1].

Geopolitical risk can depress economic growth, increase inflation and reduce currency stability and consumer affordability, creating both direct and indirect challenges for financial institutions and the broader economy.

In an increasingly interconnected global economy, the effects of these events are no longer confined to the regions in which they originate but are transmitted through investment markets, exchange rates, commodity prices and international trade networks.

While insurers are directly exposed to the economic consequences of geopolitical events through their investment portfolios, operations and policyholder behaviour, they are also exposed to changing risk profiles that affect claims experience, pricing and capital requirements. As geopolitical risks become increasingly complex, insurers must deepen their understanding of the evolving risk landscape and strengthen their ability to respond to emerging threats. By anticipating and managing these threats, insurers will be able to better withstand uncertainty while continuing to provide stability, protection and value to policyholders.

This article explores the evolving geopolitical landscape and examines how recent global developments are affecting the South African insurance market. We consider the implications for non-life, life and medical insurers, highlighting the growing importance of cyber and operational resilience and identifying strategic responses insurers can adopt to strengthen resilience in an increasingly uncertain environment.

The current global geopolitical risk landscape

The most significant geopolitical development affecting global energy markets in 2026 has been the escalating conflict between the United States of America (US or USA) and Iran. History provides several other examples of geopolitical events that have previously disrupted global energy markets, set out below in Table 1.

[1] Encyclopedia of Monetary Policy, Financial Markets and Banking, 1st ed, 2025

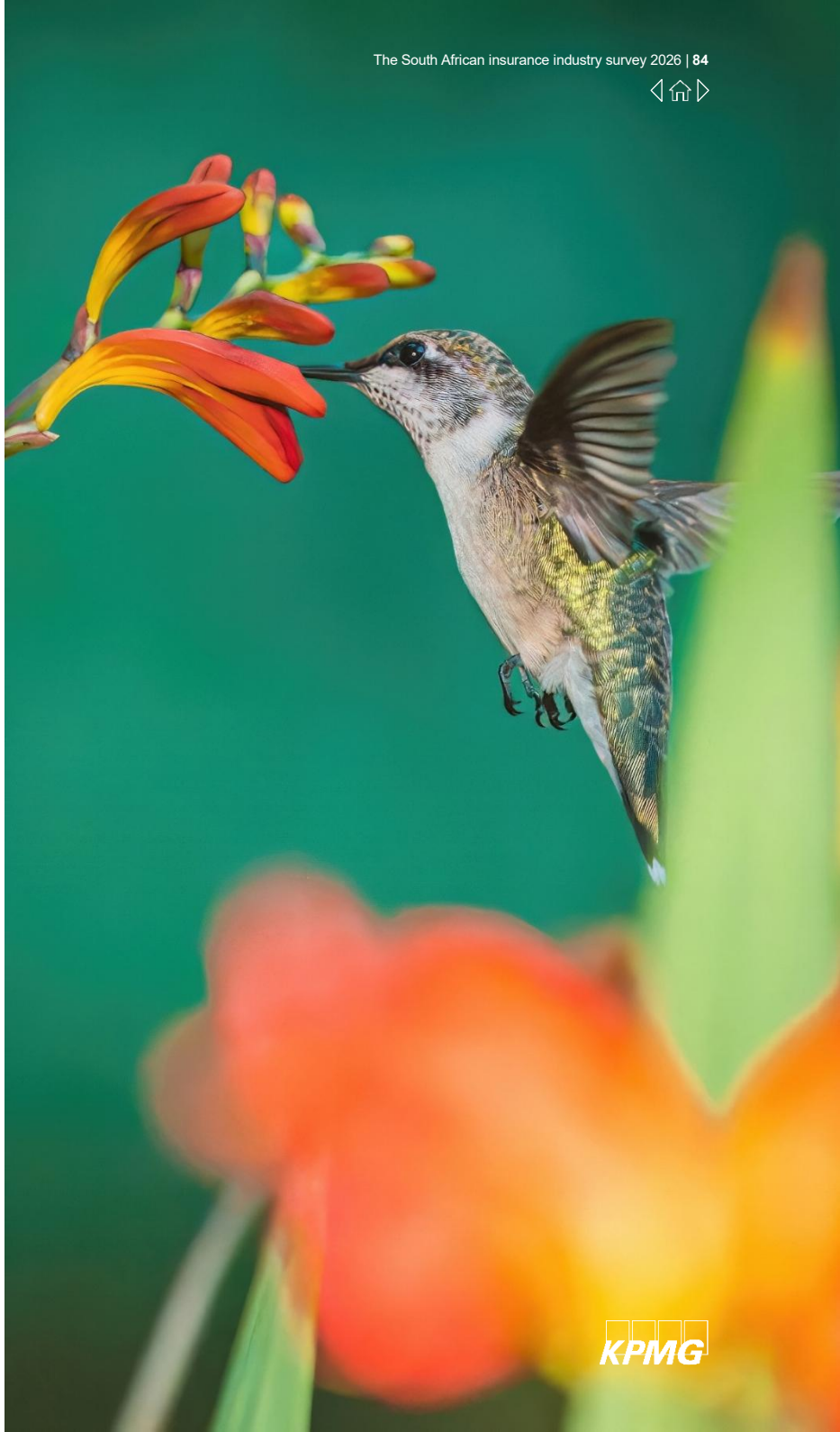


Table 1: Historical geopolitical events and economic impacts

Major oil supply crises through history (1973 – 2026)		
Historical event	**Supply and oil prices**	**Economic effects**
1973 | Oil embargo Yom Kippur War triggered the OAPEC (Organisation of Arab Petroleum Exporting Countries) oil embargo.	• Global oil supply fell by about 8%. • Oil prices rose from USD3 to USD12 per barrel.	• Severe stagflation materialised and US inflation hit 12.3%. • S&P 500 fell by 48% and took seven years to recover. • The United Kingdom economy took three-and-a-half years to recover. • Although oil prices normalised over time, they never returned to pre-crisis levels.
1979 | Iranian disruption Iranian revolution and Iran-Iraq War disrupted production.	• Global oil supply fell by about 7%. • Oil prices rose from USD13 to USD40 per barrel.	• The US Federal Reserve increased interest rates leading to a recession. • Oil prices took seven years to normalise.
2022 | Russia-Ukraine War War intensified pandemic-related supply pressures.	• About one to three million barrels of oil per day were rerouted. • The price of Brent crude oil spiked to USD130.	• The South African inflation rate reached 7.8% and the South African Reserve Bank (SARB) raised interest rates by 475 bps. • Increased fuel and food costs resulted in the lapse of 8.4 million insurance policies. • It took six months for oil prices to stabilise and eighteen months for South African inflation rates to stabilise.
2026 | Renewed supply pressure Escalating Middle East tensions disrupted traffic through the Strait of Hormuz.	• About 15% of global oil supply was lost. • Brent crude oil prices peaked at USD126 and then eased to between USD108 and USD112 per barrel.	• The SARB paused planned interest rate cuts and raised the policy rate from 6.75% to 7%.

Source: KPMG, Crisis Management: Iran Conflict and Implications for the Insurance Sector, March 2026

What is evident is how geopolitical events have disrupted economic activity, with their effects persisting for several years. Even after the economy recovers, commodity and energy markets may not necessarily return to pre-event conditions. History also demonstrates how geopolitical tensions can contribute to higher inflationary pressures and, in some instances, weaker economic growth and recession. Looking at the past can help insurers understand the transmission channels through which geopolitical risks may affect future outcomes. Although the full effect of geopolitical risks that have materialised in 2026 are still unfolding, historical experience provides a useful basis for assessing how these developments could affect the broader economy and consequently, insurers.

Geopolitical risks are not limited to energy markets alone. For example, the attacks on commercial shipping in the Red Sea in November 2023 demonstrated how geopolitical conflict unrelated to energy markets can disrupt global trade routes[2]. The resulting delays and cost increases contributed to inflationary pressures across a wide range of sectors, highlighting how modern geopolitical shocks often extend far beyond their original source.

[2] https://unctad.org/news/red-sea-crisis-and-implications-trade-facilitation-africa

The disruption to the Strait of Hormuz is the latest example of geopolitical events impacting the global economy. Approximately 20% of global oil supply passes through the waterway[3], making it one of the world's most important energy chokepoints. We observed that the sustained closure or restriction of the strait disrupted the flow of oil from major oil-producing countries, which reduced global energy supply and placed upward pressure on energy prices. Although the conflict is geographically distant from South Africa, the consequences rapidly transmitted through energy and financial markets and exchange rates.

Trade flows are also under pressure, with the situation further complicated by threats to the Suez Canal and Bab el-Mandeb corridors following the renewed attacks by Yemen's Houthi militants. The impact on businesses extends beyond higher shipping costs. Rerouting vessels around the Cape of Good Hope reduces available shipping capacity, lengthens delivery times and creates delays across trade routes that have no direct connection to the Middle East[4].

The South African perspective

Geopolitical tensions experienced in 2026 had a significant impact on the South African economy. South Africa is especially vulnerable to these developments because it relies heavily on imported liquid fuels[5], with approximately 30% of South Africa's liquid fuel requirements produced domestically[6]. This suggests that domestic production and refinery output cannot meet national demand. In 2025, South Africa overtook Nigeria and became Africa's largest importer of refined petroleum products, potentially making it more vulnerable to disruptions in global energy markets[7].

The reliance on imported fuel means that increases in global oil prices can quickly feed through to the domestic economy. During 2026, rising global oil prices increased the cost of fuel imports and raised domestic transportation and production costs, contributing to inflation and a higher cost of living.

[3] The Hormuz Effect: Middle East Conflict & the South African Insurance Landscape, March 2026

[4] The US-Iran War: The potential economic impact and how businesses can react, Bryce Engelland (https://www.thomsonreuters.com/en/institute/articles/iran-war-economic-business-impact)

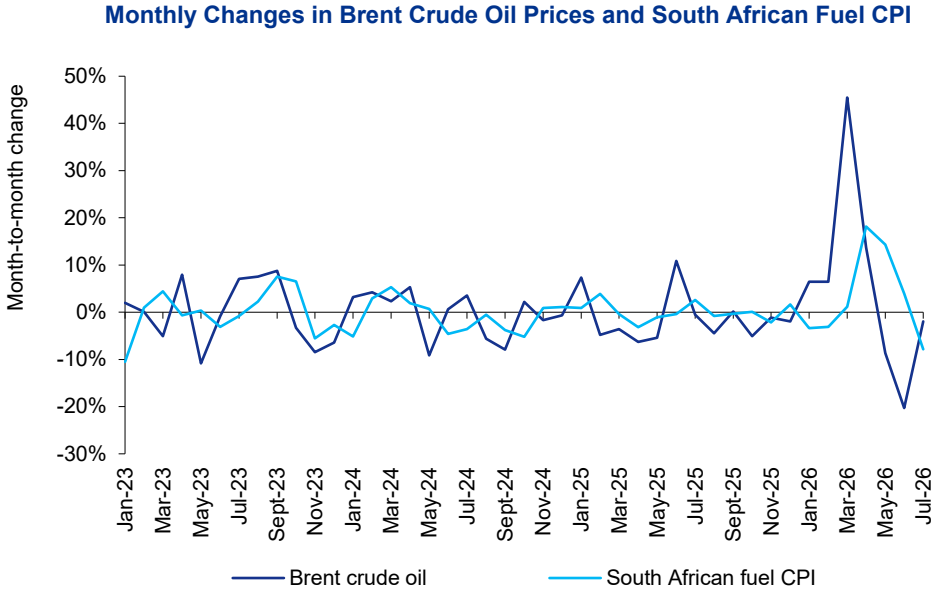
[5] The 2026 Middle East Geopolitical Shock: Systemic Contagion and Strategic Imperatives for the South African Insurance Market, March 2026.

[6] Department of Electricity and Energy, Republic of South Africa, 2024 South African Energy Trade Report, 2025

[7] South Africa Overtakes Nigeria as Africa's Top Fuel Importer as Refining Fortunes Diverge, May 2025.

The relationship between global oil prices and domestic fuel inflation is illustrated in Figure 1 set out below, which compares monthly changes in Brent crude oil prices with changes in South Africa's fuel consumer price inflation (CPI).

Figure 1



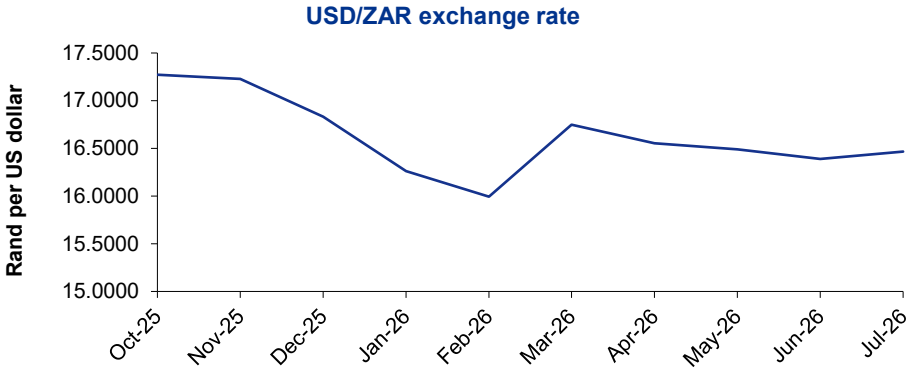
Source: Statistics South Africa and Federal Reserve Bank of St. Louis

Figure 1 reflects that large increases in Brent crude oil prices are generally accompanied by upward movements in South African fuel inflation. However, the relationship is not always directly correlated because domestic fuel prices are also influenced by exchange-rate movements as well as the timing of local fuel price adjustments.

Geopolitical uncertainty can also reduce investor confidence and encourage capital outflows from emerging markets. As an emerging market currency, the South African Rand is highly sensitive to shifts in global investor sentiment. A weaker Rand increases the cost of imported goods, contributing to inflation. As a result, exchange rate movements have become a key channel through which global developments influence the South African economy.

Figure 2 reflects movements in the USD/ZAR exchange rate from October 2025 to July 2026.

Figure 2

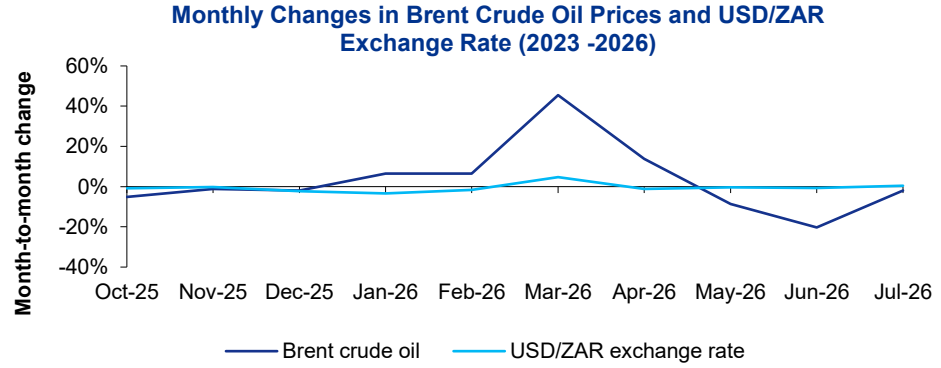


Source: Federal Reserve Bank of St. Louis

Reflected in Figure 2, the South African Rand had been on an appreciating trend against the US Dollar from late 2025 into early 2026. However, this trend reversed sharply following the outbreak of the US-Iran conflict at the end of February 2026. The resulting disruption to global oil markets contributed to a sharp depreciation of the Rand against the US Dollar.

Figure 3 set out below reflects the month-to-month changes in the USD/ZAR exchange rate in comparison to the price of Brent crude oil.

Figure 3



Source: Statistics South Africa, Federal Reserve Bank of St. Louis

The month-to-month data highlights the impact of geopolitical tensions that intensified in February 2026. In March 2026, Brent crude oil prices increased sharply, while the positive monthly change in the USD/ZAR exchange rate indicated a weakening of the Rand over the same period.

Beyond the impact on fuel inflation and the exchange rate, recent geopolitical developments, such as the imposition of tariffs on certain South African exports and the withdrawal of US assistance programmes, have also increased uncertainty over South Africa's trade relations.

While these developments have broader implications for the South African economy, they also have direct consequences for the insurance industry. The following section explores how geopolitical tensions are transmitted to insurers and the key channels through which they affect insurers' risk profiles and financial performance.

Impact of geopolitical tensions on the South African insurance market

The current geopolitical environment affects insurers through four main transmission channels: higher claims and operating costs, financial market volatility, exchange-rate movements and operational disruption. The significance of each channel differs across non-life, life and health-related insurers because their claims, liabilities, investments and policyholder behaviour respond differently to economic shocks.

Impact on non-life insurers

Geopolitical tensions affect South African non-life insurers primarily through indirect channels, although limited direct exposure may be prevalent in some cases. Direct exposure arises, for example, where South African insurers provide marine cargo cover to importers or exporters with shipments affected by geopolitical disruptions.

Indirect exposure could arise through supply chain disruptions and increases the cost of imported vehicles, spare parts, machinery and construction materials. These developments can lead to increased replacement and repair costs, extended claims-settlement periods and increased pressure on motor, property and commercial insurance claim exposures.

Geopolitical disruptions may also affect South African non-life insurers indirectly through global insurance and reinsurance markets.

For example, disruptions to shipping through the Strait of Hormuz in June 2026 led maritime insurers to cancel war-risk cover for vessels operating in the region[8]. Although this specialist cover is generally provided through international insurers and reinsurers rather than South African insurers, higher demand could influence global reinsurance pricing and capacity. Reduced capacity and higher prices could increase the cost or reduce the availability of marine insurance cover for South African importers and exporters, with potential knock-on effects for domestic insurers and policyholders[8].

Disruptions to supply chains may delay the delivery of imported inputs, potentially affecting businesses that rely on international trade. Businesses that have appropriate business interruption cover, supply-chain disruption or other specialist cover in place, such disruptions could contribute to higher insurance claims costs. However, standard business interruption policies may not respond unless the relevant policy trigger requirements are met. At the same time, heightened awareness of supply-chain vulnerabilities could increase demand for specialist insurance products, creating opportunities for insurers to develop or expand cover designed to protect businesses against these risks.

Impact on life insurers

Life insurers are affected primarily through changes in policyholder behaviour and investment conditions. As inflation rises, fuel, transportation, logistics and other living costs place increasing pressure on household budgets and may force consumers to prioritise short-term financial needs over long-term financial protection.

Prudential Authority statistics indicate a deterioration in policy persistency during the first quarter of 2026 as reflected on the right in Table 2. The individual new business lapse ratio for South African life primary insurers increased from 58.8% in March 2025 to 68.7% in March 2026, while the individual lapse ratio measured in respect of in-force policies increased from 6.1% to 6.9% over the same period.

This suggests continued pressure on policyholders' ability to maintain insurance cover.

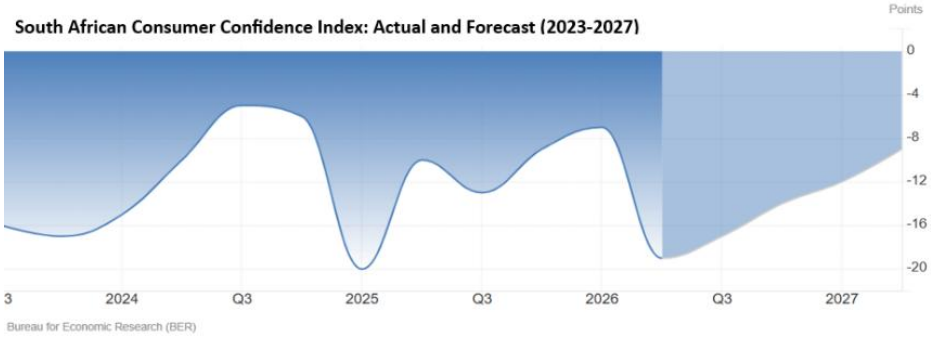
Table 2: Individual policy lapse and surrender ratios, March 2025 and March 2026

Metric	Mar-25	Mar-26
Individual lapse ratio (new business policies)	58.8	68.7
Individual lapse ratio (in-force policies)	6.1	6.9
Surrenders (new business policies)	3.2	5.3
Surrenders (in-force policies)	0.3	0.5

Source: South African Reserve Bank, Prudential Authority, Selected South African Insurance Sector Data, March 2026

Consumer confidence in South Africa deteriorated sharply during the second quarter of 2026. Figure 4 set out below reflects how consumer confidence has changed over the period as reflected by the Consumer Confidence Index (CCI).

Figure 4[9]



The CCI measures households' perceptions of the country's economic outlook and their own financial prospects. A lower (more negative) score indicates that a greater proportion of consumers are pessimistic than optimistic about future economic and financial conditions. During the second quarter of 2026, the CCI decreased sharply from -7 to -19 points. The decline suggests that consumers became significantly more pessimistic about the economic outlook and their personal financial circumstances.

[8] Statistics South Africa, Federal Reserve Bank of St. Louis

[9] https://tradingeconomics.com/south-africa/consumer-confidence

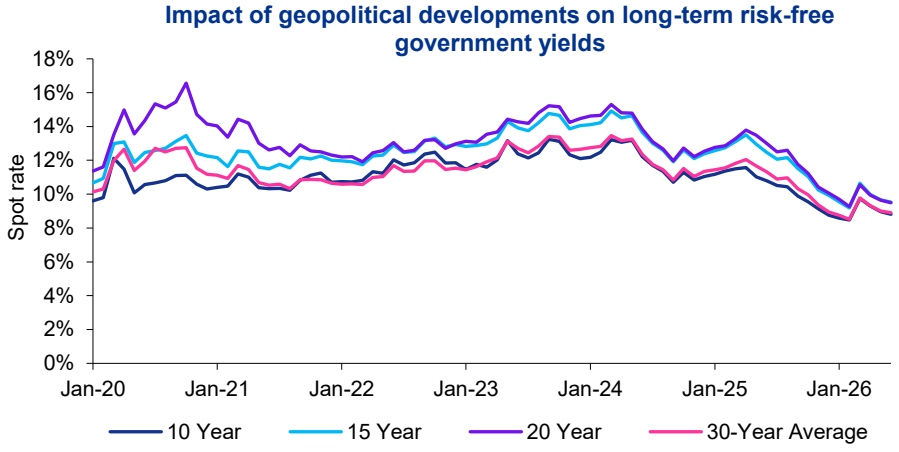
As confidence weakens, households may become more cautious about spending, borrowing and making major financial commitments. This may lead consumers to delay discretionary or large asset purchases and other long-term financial decisions, including the purchase of life insurance and investment-related products, until economic conditions become more certain. For life insurers, these pressures could materialise through increased lapse rates, weaker premium persistency and reduced new business volumes.

Investor expectations following the escalation of the Middle East conflict in late February 2026 also contributed to movements in bond yields, as higher energy prices altered expectations for inflation and the future path of monetary policy. More generally, the policy rate and expectations regarding its future trajectory play an important role in shaping the yield curve, although the strength of this relationship may vary over time.

The policy rate fluctuated sharply over the years, where it declined from 6.25% in January 2020 to 3.50% in July 2020, after which it remained stable until November 2021. As inflationary pressure increased in 2023, the SARB began raising rates, with the policy rate reaching 8.25% in May 2023. Although rates subsequently declined, they remained well above the unusually low levels experienced during the COVID-19 pandemic.

The impact of the changing policy rates on the long-term risk-free government yields is reflected below in Figure 5.

Figure 5[10]

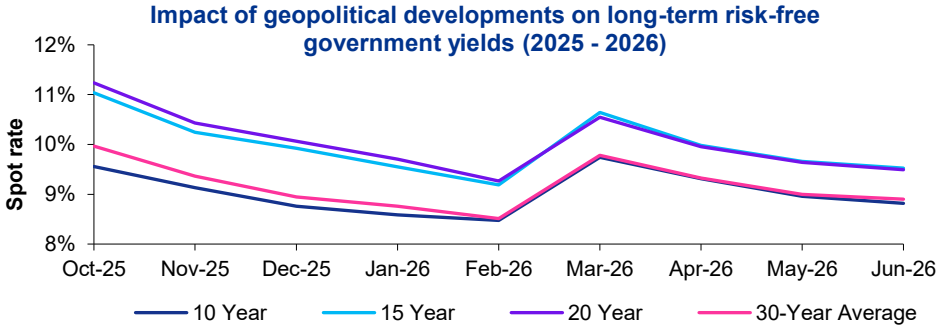


Reflected in Figure 5, long-term bond yields declined sharply in 2020 following policy rate cuts implemented in response to the COVID-19 pandemic. While 10-year spot rates stabilised at lower levels thereafter, yields at longer maturities remained elevated, suggesting continued uncertainty regarding long-term economic growth, inflation and future interest rate developments. Interest rates subsequently increased and peaked around mid-2023 as monetary authorities tightened policy in response to inflationary pressures. Thereafter, yields began to decline as inflation eased and markets priced in the possibility of future policy rate cuts.

These interest rate movements had mixed implications for life insurers. During the low-rate period, insurers earned lower returns on newly invested assets, while the value of long-term guaranteed liabilities increased. As rates rose, the value of these liabilities generally declined, and insurers were able to reinvest at higher yields. However, the market value of existing bond holdings also fell, creating potential short-term pressure on investment portfolios. Interest rates also influenced product demand. Higher rates generally made annuities and other guaranteed savings products more attractive, allowing insurers to offer more competitive returns. As yields subsequently declined, demand for these products softened, contributing to lower annuity sales and reduced volumes of new business in interest-rate-sensitive product lines.

The geopolitical shock experienced in 2026 resulted in a sharp increase in long-term yields, reflected below in Figure 6. This suggests heightened uncertainty and a reassessment of market risks after the US-Iran conflict leading to investors demanding higher returns on long-dated bonds.

Figure 6[10]



[10] South African Reserve Bank (SARB), Prudential Authority, (https://www.resbank.co.za/en/home/publications/prudential-authority/pa-insurance/insurance-sector-data/risk-free-rates)

More broadly, slower economic growth, weaker investment flows and pressure on employment can reduce household financial resilience. In addition, reductions in international development funding may indirectly affect healthcare access and social support programmes, potentially influencing long-term mortality and morbidity trends.

Impact on medical schemes and medical insurance

Medical schemes are particularly sensitive to medical inflation because they fund the actual cost of healthcare services provided to their members. A weaker Rand can increase the cost of imported pharmaceuticals, specialised medical equipment and healthcare technology, placing further pressure on claims costs. Medical schemes may need to respond through contribution increases, changes to benefits or greater use of provider networks and managed-care arrangements. However, these responses must be balanced against the existing affordability pressures facing members.

Medical insurance products, such as gap cover and hospital cash plans, are affected differently. These products provide specified or supplementary benefits and are not substitutes for medical-scheme membership. The impact of higher healthcare costs therefore depends on the design of the product. Gap-cover claims may increase where the difference between medical-scheme tariffs and healthcare-provider charges widens, while the value of fixed cash benefits may decline in real terms if benefits do not keep pace with medical inflation.

The reduction of USAID-funded programmes across several African countries may place additional strain on already pressured healthcare systems. Although South Africa's healthcare system is more developed than many of its regional peers, reductions in externally funded healthcare programmes across the continent could increase demand pressures, affect treatment accessibility and contribute to higher healthcare costs over time.

Cyber risk and operational resilience

Modern geopolitical risk increasingly manifests through digital channels. Financial institutions are not only exposed to traditional cybercrime, but also state-sponsored attacks, politically motivated cyber activity, sanctions-related technology restrictions and AI-enabled misinformation campaigns.

Geopolitical tensions can create operational risks for South African insurers through their dependence on global technology infrastructure and third-party service providers.

Insurers may depend on global cloud and technology providers such as Microsoft Azure, Amazon Web Services (AWS) and Oracle for data storage, system hosting and analytics. Disruptions affecting these providers could affect insurers' ability to maintain key infrastructure.

A practical example of this vulnerability occurred during the July 2024 CrowdStrike outage. A defective software update caused widespread disruptions across banks, airlines, hospitals, government agencies and public safety systems worldwide, despite affecting fewer than 1% of Windows devices[12]. Although the incident was not a cyberattack or geopolitical event, it demonstrated how dependence on a major global technology provider can enable a single operational failure to disrupt numerous organisations simultaneously. This incident provides an important illustration of the concentration and third-party technology risks that South African insurers could face if critical policy administration, claims, actuarial modelling or reporting systems depend on a limited number of global providers. As geopolitical fragmentation and cyber threats intensify, strengthening operational resilience and effectively managing third-party technology risk becomes increasingly important.

The growing use of artificial intelligence has further expanded the threat landscape. Deepfakes, AI-assisted fraud and sophisticated social engineering attacks are increasing both the frequency and complexity of cyber incidents. As geopolitical conflicts increasingly extend into the digital domain, cyber risk should no longer be viewed purely as an information technology issue, but also as a strategic and geopolitical risk requiring ongoing monitoring, robust governance and strong operational resilience.

Mitigation and strategic responses

Capital management will also become increasingly important. Insurers should ensure that their capital management and planning processes adequately consider the potential impacts of inflation, currency volatility and geopolitical risks on capital adequacy and solvency positions under the Solvency Assessment and Management (SAM) framework. The combined effect of geopolitical risks should be assessed when making strategic and capital management decisions, rather than assessing each impact separately.

[12] https://www.ibm.com/think/news/recent-crowdstrike-outage-what-you-should-know

Scenario analysis should play a central role in insurer preparedness. For example, an insurer could model a prolonged disruption to the Strait of Hormuz that results in higher oil prices, Rand depreciation, sustained inflation and increased interest rates. The insurer could then assess the combined impact on claims costs, policy lapses, asset values, liquidity, reinsurance costs and solvency coverage, together with the management actions that may be required. Reverse stress testing could take this further by starting with a defined failure point, such as the insurer's solvency coverage falling below its board-approved target and identifying the combination of events that could cause this outcome. Historical events can help insurers calibrate these scenarios.

Operational resilience is equally important. For example, an insurer that depends on a single global cloud or technology provider could test its ability to continue operating if access to that provider were disrupted by a cyberattack, sanctions or geopolitical restrictions. This should include assessing whether critical functions such as policy administration, premium collection, claims processing, customer communication and regulatory reporting could continue through backup systems or temporary manual processes. Insurers should therefore understand their critical operational dependencies, establish appropriate recovery arrangements and consider diversifying service providers where practical.

Insurers should also assess whether their existing customer-retention measures would remain effective during a prolonged period of financial pressure. While premium holidays and policy pause mechanisms may provide temporary relief, insurers should monitor whether these measures will genuinely help policyholders retain cover. This may require earlier identification of affordability pressure, proactive engagement with affected policyholders and closer monitoring of lapse experience.

Finally, insurers should review their reinsurance arrangements to better understand concentration risk and explore diversification opportunities across counterparties and jurisdictions. In an increasingly interconnected risk environment, a diversified reinsurance programme can provide an additional layer of resilience during periods of heightened uncertainty.

From the perspective of reinsurers, however, geopolitical events can create pressure across several markets at the same time. Reinsurers provide cover to insurers in different countries and across various lines of business, meaning that one conflict may affect several parts of their portfolios simultaneously. For example, disruption to a major trade route could create exposure across marine, aviation, property, business interruption and cyber insurance, depending on the cover provided. Higher claims inflation, currency volatility and sanctions may create further pressure by increasing claim values or making cross-border payments more difficult.

Reinsurers may respond by increasing prices, tightening their terms or reducing the amount of cover they are prepared to provide. This could affect South African insurers even where their direct exposure to the affected region is limited. Local insurers should therefore understand where their reinsurance protection comes from, avoid relying too heavily on a single reinsurer or market, and assess whether their reinsurance arrangements would remain adequate during periods of heightened geopolitical risk.

Conclusion

Understanding geopolitical risk is important as it is not an issue that affects only governments and multinational corporations. Its effects are increasingly felt across the insurance sector through inflation, exchange-rate movements, investment markets, claims costs, cyber risk, trade disruptions and supply-chain pressures. These impacts can occur at the same time, placing pressure on different areas of an insurer's business and ultimately affecting the cost and affordability of insurance.

For South African insurers, success will increasingly depend on their ability to anticipate emerging risks, strengthen resilience and continue providing meaningful value to policyholders. This requires more than financial strength alone. It requires preparedness, adaptability, innovation and the ability to respond confidently to a rapidly changing world.





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Why the transition to ZARONIA matters for the insurance industry

At first glance, the move from the Johannesburg Interbank Average Rate (JIBAR) to the South African Rand Overnight Index Average (ZARONIA) is expected to result in updates to contracts and treasury systems. For insurers, however, the implications reach far beyond treasury and legal functions.

A reference rate, such as JIBAR or ZARONIA, influences far more than contractual wording. It affects how an insurer values future cash flows, projects investment returns, prices guarantees and measures capital. If different functions with an insurer adopt the new reference rate independently, inconsistencies can emerge, causing key metrics to diverge even when each model appears reasonable in isolation.

With the South African Reserve Bank (SARB) having confirmed that JIBAR will be discontinued following its final publication on 31 December 2026, insurers should begin assessing the implementation of ZARONIA.

For insurance actuarial teams, the key challenge is to understand where and how JIBAR was being applied, ensure a consistent approach across the balance sheet and provide management with clear explanations of movements in financial results.

What is changing

Interest rate measurement approaches

JIBAR and ZARONIA measure interest rates differently. JIBAR is set in advance for a period of time, such as three months, and includes an allowance/premium for credit and liquidity risk. ZARONIA is an overnight rate based on actual historic transactions. A rate for a longer period is usually built up from the daily ZARONIA rates and is only known near the end of that period.

An insurer, therefore, cannot simply replace a three-month JIBAR with a three-month ZARONIA rate and assume that the outcome will be the same, as the timing and calculation of interest may change. For legacy contracts, the Market Practitioners Group has recommended a fallback based on compounded ZARONIA rates plus a spread adjustment reflecting the historical difference between JIBAR and compounded ZARONIA rates. The adjustment is intended to reduce unintended value transfer when contracts transition.

Fallback clauses in existing contracts

For older contracts, organisations should review contract terms for the inclusion of possible fallback clauses, setting out what happens when JIBAR ends, and consider whether an adjustment to contractual terms is needed to ensure the transition is fair to both contracted parties.

The compounded average choice

The SARB provides a wide range of compounded ZARONIA averages, covering periods from one week to twelve months, together with an index for periods outside this range. While this offers flexibility, it also requires insurers to determine which measure is most appropriate for their circumstances. There is unlikely to be a one-size-fits-all answer, and each contract or model will need to be assessed individually.

The key question for actuarial teams to ask is

"What was JIBAR doing in this contract, model or decision, and how should we represent that same economic relationship after the transition?"

Assessing the effects across the balance sheet

While the same benchmark can influence financial reporting, investments, products and capital calculation, the relationship between its use across these areas needs to be carefully understood.

For financial reporting purposes



For financial reporting purposes, the discontinuation of JIBAR does not automatically imply that ZARONIA is to be applied in determining IFRS 17 discount rates. IFRS 17 does not prescribe the benchmark to be applied, but it does require the use of discount rates that reflect insurance cash flows and relevant financial risks, using observable market information where available.

Market information available to support those rates will also change, encouraging insurers to revisit the data and judgements applied in determining discount rates. If changes to financial results are observed, management should be able to clearly distinguish the effect of market conditions, the move to ZARONIA and any related model changes on their results.

For SAM reporting



For SAM reporting the position is somewhat different. JIBAR was not a constituent of the Prudential Authority's (PA) nominal risk-free curve. From 30 June 2026, the PA replaced SADR1T (South African Rand overnight deposit rate) with ZARONIA at the overnight point of the curve. The confirmed change affects the very short end rather than representing a wholesale to a ZARONIA-based SAM curve. The PA's earlier review of the SAM curve also indicated that the broader three- to twelve-month construction could be reassessed once ZARONIA had been adopted and established in the market. Insurers are encouraged to monitor developments in the short end of the curve.

On the asset side



On the asset side, insurers often hold bonds, loans and derivatives which explicitly reference JIBAR. With the transition to ZARONIA, insurers can expect a change in interest received, the instrument value and the effectiveness of a hedging instrument. It may also change when the final coupon payment on a bond instrument becomes known, which can affect operational and cash management processes.

Where investment management is outsourced, an appointed asset manager may undertake much of the instrument-level transition. That does not remove the insurer's broader ALM responsibility: the insurer should still understand the extent of JIBAR exposure within each relevant mandate, how affected positions will transition, whether the mandate or performance benchmark itself references JIBAR, and whether the post-transition portfolio continues to provide the intended duration, liquidity and risk characteristics.

Insurers, therefore, need to understand where current exposure to JIBAR lies and proactively understand how the value of the assets held on the balance sheet will move with the introduction of ZARONIA.

Product impacts are often not obvious or intuitive



Product impacts are often not obvious or intuitive. Under the status quo, JIBAR plays a direct and an indirect role in the valuation of an insurance product. For example, it may influence expected investment returns on the contract, the cost of guarantees loaded on a premium for an insurance policy, or even the surrender value credited to policyholders at any given time. Note that all of these examples are relevant even when the policy makes no explicit mention of the JIBAR benchmark. Products with guarantees, participating benefits, annuities or savings components are examples of this.

Similarly, non-life insurers may also see contract values affected through discounting on long-tailed claims exposures, investment income assumptions and the cost of holding capital loadings on premium rates.

The key question for insurers to consider is what JIBAR was intended to represent in each calculation. Once that is clear, actuarial teams can determine whether ZARONIA is a suitable starting point and whether any further considerations are required.

Across these areas, actuarial, investments, treasury, finance, legal and technology teams may each arrive at a sensible outcome in isolation, yet still produce inconsistent results when viewed collectively. A coordinated assessment across the full set of cash flows and decisions is therefore essential.

Five questions insurers should be asking

Developing a new interest rate curve is only one aspect of the transition to ZARONIA. The greater challenge lies in identifying every area where the previous benchmark influenced decisions and being able to clearly explain the resulting changes. Five practical questions can help insurers with this assessment.

1

Where is JIBAR hiding?

Look beyond contracts and investment securities. References to JIBAR may also be embedded in data feeds, spreadsheets, valuation adjustments, economic scenario generators, pricing assumptions, capital models and management reporting. A thorough assessment should identify every business area where the benchmark influences calculations, assumptions or decision-making.

2

What role was JIBAR playing?

The answer may differ across the organisation. JIBAR could be used to determine interest on a derivative, support a liability discount rate, set performance benchmarks or project investment returns. Understanding the purpose it served in each context is critical, as different uses may require different transition approaches.

3

Is ZARONIA being applied consistently?

Consistency is just as important as adoption. Different approaches to calculating, compounding, or applying ZARONIA can introduce unintended differences across contracts, models and reporting processes, even where the same benchmark is being used. Ensuring a common approach across the organisation can help avoid unexpected discrepancies.

4

Can we explain the movement?

Analysis should distinguish between changes driven by market movements, the adoption of the new benchmark and any associated model updates. A simple before-and-after comparison is unlikely to provide management with a sufficient understanding of what has changed and why.

5

Who is ultimately accountable?

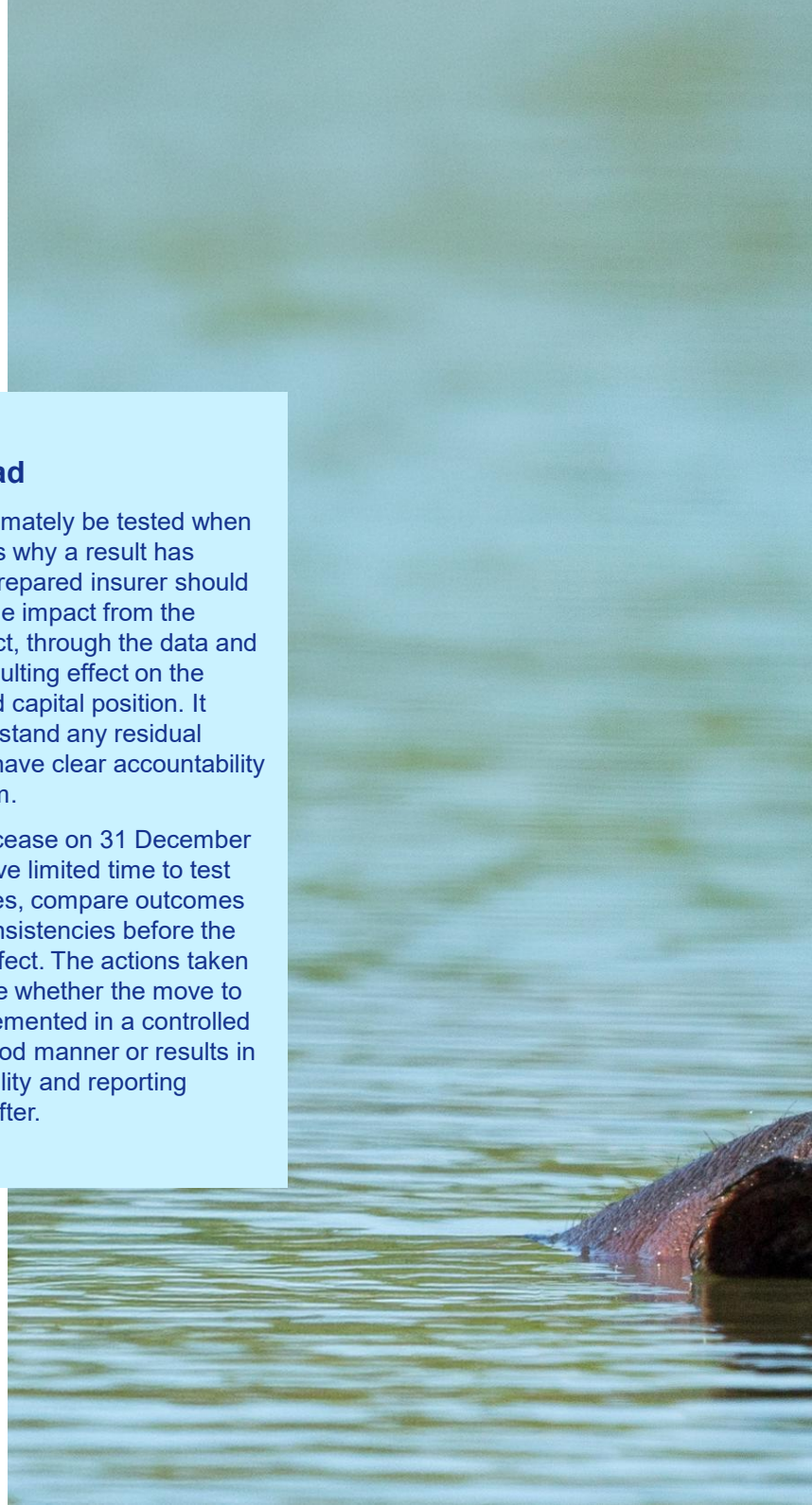
Effective oversight must extend across actuarial, treasury, investment, finance, legal, risk and technology functions. Without clear ownership of the end-to-end transition, individually sound decisions can still result in inconsistencies when viewed across the insurer as a whole.

An effectively managed transition

A well-governed transition programme should be able to demonstrate how the organisation is preparing for the move to ZARONIA, including:

- identifying every direct and indirect use of JIBAR across assets, liabilities, products, processes and models.
- reviewing legacy contracts to understand the consequences of JIBAR's cessation and determine whether contractual amendments are required.
- establishing a consistent approach to the use of ZARONIA, supported by reliable data sources and agreed calculation methodologies.
- updating and validating key valuation, pricing and asset-liability management models.
- assessing the expected impact on earnings, IFRS 17 results, capital measures and hedging strategies.
- producing parallel runs and comparative analyses that enable management to understand the effects of the transition before JIBAR ceases.
- assigning clear accountability for coordinating decisions across functions and communicating the implications of the change.

KPMG



The road ahead

Readiness will ultimately be tested when management asks why a result has changed. A well-prepared insurer should be able to trace the impact from the underlying contract, through the data and models, to the resulting effect on the balance sheet and capital position. It should also understand any residual mismatches and have clear accountability for managing them.

While JIBAR will cease on 31 December 2026, insurers have limited time to test new methodologies, compare outcomes and address inconsistencies before the transition takes effect. The actions taken now will determine whether the move to ZARONIA is implemented in a controlled and well-understood manner or results in unexplained volatility and reporting challenges thereafter.





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Trust, insurance and AI

To adopt or not to adopt … is that still a question?

In KPMG's latest insurance CEO outlook survey (2025), 55% of CEOs identified ethical challenges as the biggest obstacle to artificial intelligence (AI) implementation[1].

These ethical challenges centre around two key concepts (in insurance, but also in life): fairness and trust. As things stand, clients already have doubts whether their insurer will pay out their claims … and pay them out fairly. Add AI to the mix, and the question becomes: **how can insurers adopt AI and automate processes while still maintaining client trust?**

Asking this question assumes, perhaps prematurely, that AI adoption is both necessary and beneficial. And perhaps it is. Perhaps businesses that fail to adopt AI will lose out in terms of speed and client-centricity. There is a risk at present, however, that AI adoption is being driven by interest-laden hype, and vague fears of commercial extinction. The risk with this mindset is adopting AI for the sake of adoption without clear alignment with an organisation's culture, vision and strategy.

Insurers are already using AI in a variety of ways, from automating the process for submitting a claim to dynamic pricing and assistance with the assessment of claims. Much more will inevitably follow.

The truth is, we do not know yet what the ultimate impact of AI will be, and how it will change the ways in which we live, interact, do business and do insurance. However, exactly because we don't know yet, we need to proceed responsibly.

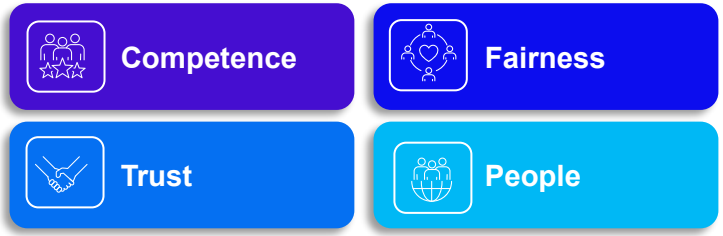
AI is an emergent technology - its hard and soft impacts are difficult to predict. The best we can do is remember and re-commit to our existing values as we proceed, train responsible data scientists and employees, and put measures in place to ensure that technology retains a human face.



…we do not know yet what the ultimate impact of AI will be

What to give away, and what to keep

While there is much to gain with the use of AI, we also stand to lose key assets, which may include:



One of the risks of increasing AI use is skills atrophy. Some preliminary studies demonstrate that over time AI use reduces cognitive engagement[2], and we can expect to become less competent at the tasks we delegate to AI. It is therefore important to identify the skills we wish to retain. If the ability to communicate and write is important to you, for instance, don't hand it over to ChatGPT.

Apart from competence, AI can also threaten fairness. Much has already been written about the dangers of biased AI outcomes. AI-driven fraud identification systems and recruitment tools have been shown to discriminate against specific ethnic groups. This happens because our AI systems inherit the injustices captured in historical forensic and recruitment data. However, what we recently also learned is that professionals like attorneys and even judges have been outsourcing their legal reasoning, as well as the evaluation of the merits of a case, to AI systems. The result has been heads of argument, judgements, and even draft governmental frameworks, sullied with hallucinated AI content.

[1] Cf. KPMG. 2025. KPMG 2025 Insurance CEO Outlook. Available at: https://assets.kpmg.com/content/dam/kpmgsites/xx/pdf/2026/01/ceo-oulook-survey-insurance-report.pdf [Accessed: 20 July 2026]

[2] Cf. Mineo, L. 2025. "Is AI dulling our minds?" in The Harvard Gazette Available at: https://news.harvard.edu/gazette/story/2025/11/is-ai-dulling-our-minds/ [Accessed: 20 July 2026]

What suffers in the process, is trust. Partly because AI use is still being normalised, suspicion currently abounds. As we receive increasing amounts of AI generated content (from colleague emails and advertising banners to social media content), many people are unsure whether their colleagues are compensating for a lack of competence and diligence with the use of AI, and whether the information they receive from a variety of sources can be trusted.

And worryingly, we are also losing people. Not only are companies already recruiting fewer employees in anticipation of AI efficiencies, but in some cases, AI is even assisting with layoffs. As an example, dozens of employees recently sued the social media company Meta, claiming that AI tools were used to identify workers in a mass layoff process. The suit alleges that "Meta used a 'constellation of internal artificial intelligence systems', including AI performance ratings and keystroke- and activity-monitoring data, to pinpoint who to lay off"[3].

Towards AI that enhances human flourishing

If the intention is to enhance insurance while also allowing employees to flourish, for companies to retain their human character, and for clients to enjoy improved cover and confidence, then what can we do?

The first step is to identify the kind of organisational culture one wishes to develop or retain. The use of AI should not be driving one's culture. Instead, the culture of the organisation should drive the use of AI. Put differently, this is a matter of memory and consistency - remember the reason why your organisation exists, the values that have guided it, and ensure that these keystones remain and survive the adoption of AI.

Secondly, you cannot hope to maintain client trust in the absence of internal trust. Before considering the ways in which AI will assist in client service, consider how you wish it to assist employees. Communicate clearly and honestly why and how AI will be adopted, and with which implications. Including employees in the process will be key.

Finally, manage the ethical use of AI. This requires interventions at two levels: the general employee level and the project level.

1. Identify organisational culture
2. Maintain trust
3. Manage ethical use

Because your employees are already using AI as part of their work (and independently of your AI strategy), it is important to develop and socialise clear guidelines for responsible AI use. Employees should be in no doubt about the permissible and impermissible uses of AI. As with any other risk, compliance with these guidelines should be monitored, and it should receive oversight.

At the same time, any project-based uses of AI, and the introduction of any AI tools to enhance internal processes or external client service, must be subject to adequate governance. Such governance should include: clear allocation of responsibilities and accountability; ongoing risk assessments; diverse development and deployment teams; ongoing monitoring of bias and model accuracy; human oversight; and recourse channels for employees and clients who are subject to AI judgements.

[3] Cf Kerr, D. 2026. "Meta used AI to tag workers who took leave to be laid off, lawsuit claims" in The Guardian 15 July 2026 (https://www.theguardian.com/technology/2026/jul/14/meta-ai-mass-layoffs-lawsuit)

Conclusion

AI is no longer science fiction or a vague future possibility. It has fast been assimilated into most everyday processes - from grocery shopping and driving to exercise and media. In the process, human beings are increasingly treated as nothing more than constellations of data. To preserve humanity and trust as AI surges forward, we would do well to remember that human beings are more than the sum of data we have about them.





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Can the banking industry's data lessons help future-proof the insurance industry?

The growing data challenge

The insurance industry has become increasingly dependent on high-quality data to support critical activities such as *IFRS 17 Insurance Contracts* (IFRS 17) reporting, Own Risk and Solvency Assessments (ORSA), Solvency Assessment and Management (SAM) compliance and catastrophe risk management, amongst others. More recently, the rapid adoption of artificial intelligence (AI) and generative AI across underwriting, claims processing, customer servicing and fraud detection has further increased the demand for accurate, timely and trusted data. As regulatory expectations continue to evolve and business environments become more complex, the ability to access accurate, timely and trusted data is no longer just a compliance requirement, but a strategic business imperative.

Despite significant investment in technology, digital transformation and AI-enabled capabilities, many insurers continue to face familiar data challenges. Information is often fragmented across policy administration systems, claims platforms, actuarial models, finance systems and data warehouses. Inconsistent data definitions, manual reconciliations, poor metadata management and complex reporting processes can make it difficult to produce reliable management information quickly and confidently.

These challenges are amplified when AI models and automated decision-making processes rely on data that is incomplete, inconsistent or difficult to trace, creating risks related to model performance, explainability, governance and regulatory compliance.

These challenges are not unique to the insurance sector. Following the global financial crisis, banking institutions faced similar issues that ultimately led to the introduction of the Basel Committee's Principles for Effective Risk Data Aggregation and Risk Reporting (BCBS 239)[1].

While developed specifically for banks, the principles promote capabilities that are equally relevant to insurers, including strong data governance, effective data aggregation, robust data quality management and reliable reporting.

The same capabilities form the foundation for trusted AI, enabling organisations to establish the data lineage, controls, accountability and transparency necessary to support AI-driven decision-making.

As insurers continue their data transformation journeys, the lessons learnt from more than a decade of BCBS 239 implementation provide a valuable blueprint for strengthening risk data and reporting capabilities across the organisation.

Why BCBS 239 matters to insurers

BCBS 239 was introduced after regulators concluded that many financial institutions lacked the ability to rapidly aggregate risk information during periods of stress. Data was fragmented, reporting was inconsistent and decision-makers often did not have access to reliable information within a short space of time when it was needed most.

Although insurers are subject to their own regulatory frameworks, the fundamental objectives remain: ensuring that management, boards, regulators and stakeholders are able to rely on accurate, complete and timely information to make decisions.

[1] https://www.bis.org/publications/201301-guidelines-principles-effective-risk-data-aggregation-and-risk-reporting

The true value of BCBS 239 lies not in regulatory compliance but in the business outcomes it enables. Organisations that embrace its principles typically improve:



For insurers facing increasing demands for transparency and traceability, these outcomes are becoming business imperatives rather than regulatory nice-to-haves. Additionally, trusted AI starts with trusted data, and the governance, lineage and data quality capabilities promoted by BCBS 239 provide an important foundation for responsible AI adoption.

Different regulations, similar objectives

Unlike the banking sector, the insurance industry currently does not have a unified regulatory framework dedicated to risk data aggregation and reporting. However, many of the same expectations emerge across various regulations, standards and governance frameworks applicable to insurers.

Consider the following four examples:

Insurance requirement	Data-related objective (aligned to BCBS 239 principles)
Insurance Act 18 of 2017[2]	Establish governance, internal controls, accountability and reliable reporting processes that ensure accurate and complete information for management and regulatory reporting.
Solvency Assessment and Management (SAM) and Own Risk and Solvency Assessment (ORSA)[3]	Support aggregation of risk information across the enterprise and provide reliable, forward-looking risk and capital reporting for board decision-making. Ensure data used for solvency calculations, capital adequacy assessments and regulatory submissions is accurate, complete, appropriate and subject to governance and validation controls.
IFRS 17[4]	Requires insurers to maintain accurate, reconciled, traceable and auditable data supporting insurance contract measurement, financial disclosures and actuarial valuations.
King V Corporate Governance Code 2025[5]	King V Principles 4 and 12 require organisations to govern information as a strategic organisational asset and ensure that reporting is reliable, transparent and fit for decision-making.

Viewed collectively, these requirements create a set of data-related and data management expectations that closely resemble many of the outcomes sought through BCBS 239. They also establish several of the capabilities needed to support responsible AI, including clear accountability, reliable source data, traceability of information, effective controls and transparent reporting.

2 https://www.gov.za/sites/default/files/gcis_document/201801/41388gon32insuranceact2017.pdf
3 https://www.resbank.co.za/content/dam/sarb/publications/prudential-authority/pa-documents-issued-for-consultation/2022/guidance-notice-1-of-2022/Guidance%20Notice%201%20of%202022.pdf
4 https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2021/issued/part-a/ifrs-17-insurance-contracts.pdf
5 https://cdn.ymaws.com/www.iodsa.co.za/resource/collection/927F0970-C1E9-4F30-803C-D74BF386A2B6/King_V_Code.pdf

The difference is that insurers often address these requirements through separate projects and business processes, resulting in fragmented governance structures, duplicated controls and inconsistent approaches to data management. The same fragmentation often extends to AI initiatives, with individual business areas developing solutions independently, using different data standards, validation approaches and governance controls.

A BCBS 239-inspired framework can help insurers create an integrated approach supporting multiple regulatory obligations and AI-related initiatives simultaneously.

Five lessons insurers can learn from the banking industry

1 Treat data as a strategic asset

One of the most significant shifts that occurred during BCBS 239 implementations was the recognition that data management is fundamentally a business responsibility, rather than an IT concern. Leading banks established board-level accountability for data governance and recognised data as a strategic asset that required active management. Insurers can benefit from adopting a similar mindset, ensuring that ownership of critical data resides with business leaders rather than technology teams. This becomes even more important as AI adoption increases.

2 Focus first on critical data

Many banks initially attempted to solve every data problem simultaneously and quickly discovered the complexity involved. The more successful institutions identified their most critical reports, risk metrics and regulatory submissions before expanding their scope.

For insurers, this could mean prioritising data supporting:

IFRS 17 reporting	SAM reporting	Reinsurance reporting	Claims management
Underwriting performance monitoring	Fraud detection and financial crime monitoring	Customer servicing and complaints management	Pricing, risk selection and claims decision-making

Focusing on critical business outcomes often delivers value faster than attempting enterprise-wide remediation from the outset. A similar risk-based approach could be applied to data underpinning AI solutions.

3 Build data lineage early

A recurring challenge in both the banking and insurance industries is understanding where information originates and how it changes as it moves through systems. Banks invested heavily in data lineage capabilities to improve transparency and auditability. Insurers can leverage the same concept to support IFRS 17 calculations, actuarial models, solvency reporting and regulatory submissions. Data lineage not only improves trust in reporting but can reduce effort during audits and regulatory reviews.

As insurers adopt AI, data lineage should extend beyond conventional source-to-report flows to cover the complete AI data and model lifecycle. This could include identifying the data used to train, test and validate models; recording transformations and feature engineering; documenting model versions and parameters; and tracing AI-generated outputs to the relevant data sources, rules and assumptions.

4 Embed data quality into business processes

Many BCBS 239 programmes initially focused on identifying data quality issues. Mature organisations recognised that sustainable improvement requires addressing the root cause of those issues. Rather than measuring quality after a report has been produced, insurers should embed quality controls directly into underwriting, claims processing, policy administration, AI-model management and financial reporting processes.

Prevention is often more effective and less costly than remediation.

5 Design reporting for decision-making

Perhaps one of the most important lessons from BCBS 239 is that reporting should do more than satisfy regulatory requirements. Effective reporting enables boards and executives to identify emerging risks, understand trends, challenge assumptions and make informed decisions quickly. As insurers increasingly leverage advanced analytics, AI and predictive modelling, the quality and accessibility of underlying data will directly influence the quality of business decisions.

Looking beyond compliance

The insurance industry is at a pivotal point where data is no longer simply an operational necessity but a strategic asset. While regulatory compliance remains a key driver of investment, the most successful insurers are recognising that the capabilities required to meet regulatory expectations are the same that improve business performance, strengthen risk management, enhance customer outcomes and enable informed decision-making.

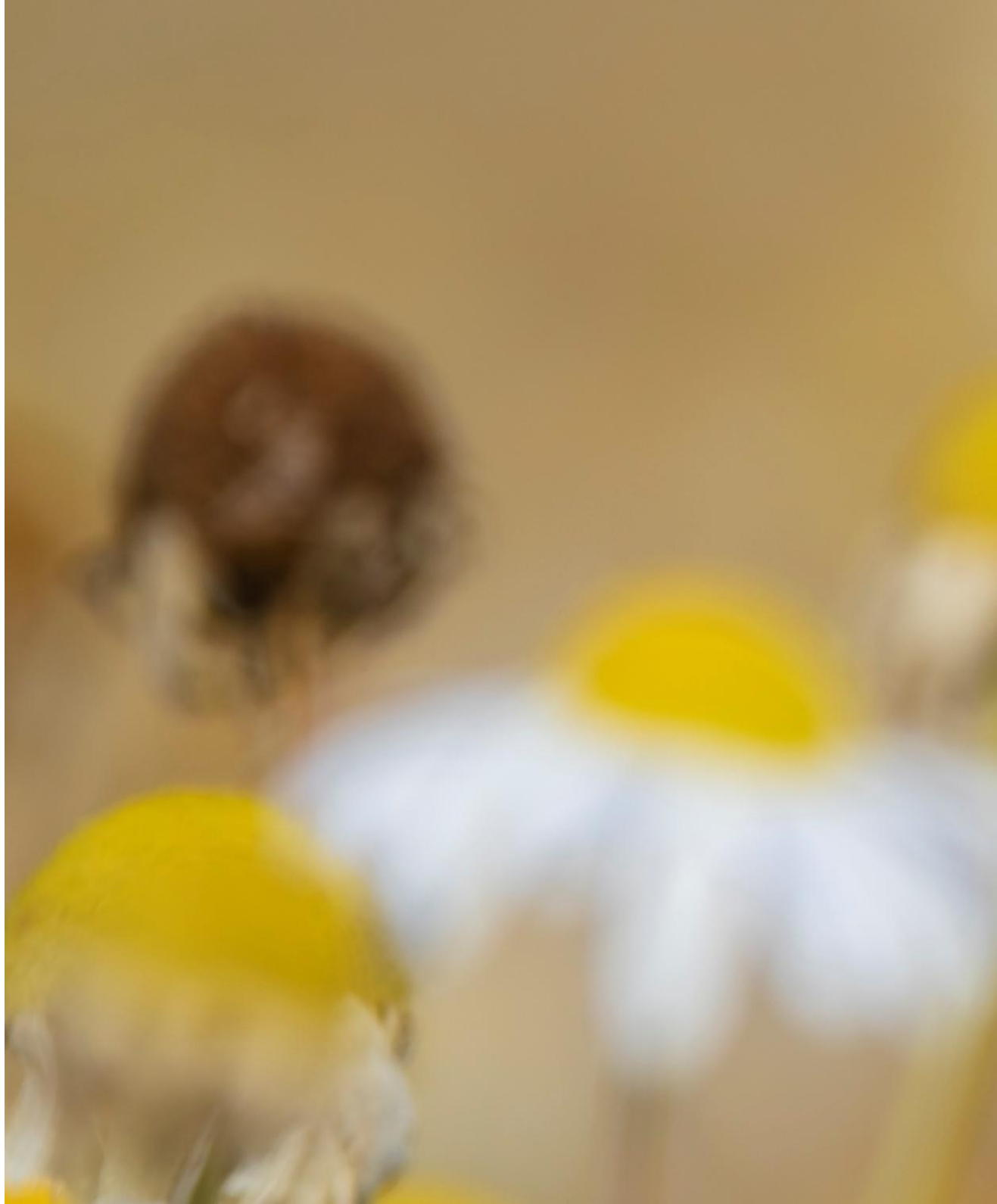
The banking sector's BCBS 239 journey offers insurers a valuable head start. It provides more than a decade of practical experience, lessons learnt and proven approaches to building trusted data foundations.

By embracing these principles today, insurers can move beyond fragmented compliance initiatives and establish a more resilient, transparent and data-driven enterprise. Connecting BCBS 239-aligned data capabilities with AI governance and model risk management can also help insurers move from isolated experimentation to the controlled, enterprise-wide implementation of AI.

In doing so, they position themselves not only to meet evolving regulatory expectations and emerging technologies, but also to compete more effectively in an increasingly data-centric and digitally enabled future.



…the most successful insurers are recognising that the capabilities required to meet regulatory expectations are the same that improve business performance, strengthen risk management, enhance customer outcomes and enable informed decision-making







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AI-driven fraud detection in the insurance industry

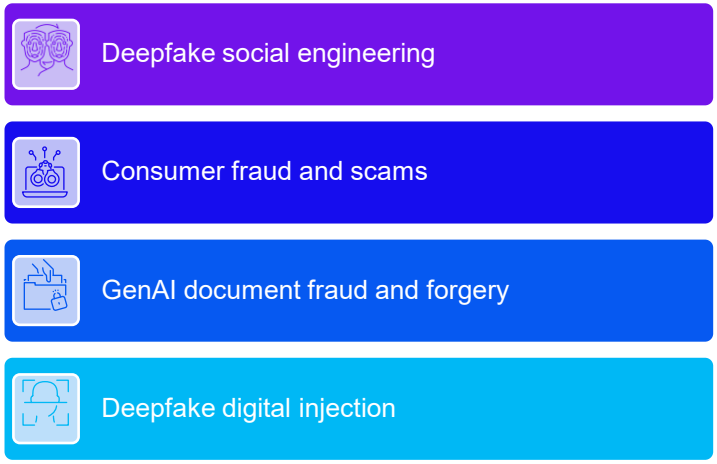
AI as a disruptive innovation for insurers

In KPMG's 2025 Insurance CEO Outlook survey[1], the majority of Chief Executive Officers (CEOs) of insurance companies agreed that AI is a top investment priority. The survey shows that 67% of CEOs expect returns from AI investments in one to three years, compared to 21% in 2024, and plan to allocate 10% to 20% of their budget towards AI.

CEOs are, however, concerned about the ethical challenges of AI and the impact of cybercrime and cybersecurity on organisational growth. More than 50% of CEOs believe that ethical challenges are the biggest obstacle to AI implementation, and the majority say that the biggest barrier to organisational growth is cybercrime and cyber insecurity.

The insurance industry has always operated on one foundational principle: trust. Customers trust insurers to protect them in moments of uncertainty, regulators trust insurers to operate responsibly within increasingly complex frameworks, and society trusts insurers to contribute to broader economic resilience. Yet in a rapidly digitising environment, that trust is being tested by an escalating wave of sophisticated fraud.

According to the 2026 Anti Fraud Technology Benchmarking Report[2] compiled by the Association of Certified Fraud Examiners (ACFE) and the SAS Institute, accuracy of results or output was the most important factor in considering whether to implement Generative AI (GenAI) as part of an anti-fraud program, with 86% of organisations rating it important or very important. Furthermore, only 7% of organisations are more than moderately prepared to detect and/or prevent AI-powered fraud. Interestingly, fraud schemes that have increased the most over the past two years include:



Fraud is no longer limited to exaggerated claims or falsified supporting documents. Today's fraud landscape is intelligent, automated and cyber-enabled.

Cyber criminals and fraudsters are increasingly using the same technologies insurers are adopting, including GenAI, automation tools and synthetic identity techniques to manipulate claims processes, impersonate policyholders and exploit digital vulnerabilities. Deepfake images, AI-generated accident reports and fabricated medical evidence are no longer theoretical concerns; they are emerging operational realities for insurers globally.

Against this backdrop, AI-driven anti-fraud technology has become one of the insurance sector's most important tools in combating fraud. However, the true value of AI in fraud detection does not lie merely in automation or efficiency. Its real value lies in enabling insurers to strengthen their presence with purpose, using technology not only to reduce losses, but also to reinforce trust, resilience, customer protection and ethical accountability.

Fraud detection is no longer just a claims function

Historically, fraud detection was treated as a downstream claims management issue. Suspicious claims were escalated to investigators after red flags were identified, often long after financial losses had already materialised. This model has become increasingly obsolete.

1 https://assets.kpmg.com/content/dam/kpmgsites/xx/pdf/2026/01/ceo-oulook-survey-insurance-report.pdf
2 https://www.sas.com/en/whitepapers/acfe-anti-fraud-technology-benchmarking-report-2026.html?utm_source=google&utm_medium=cpc&utm_campaign=fsi-aml-gbc-gps-global&gclsrc=aw.ds&gad_source=1&gad_campaignid=24022469409&gclid=EAIaIQobChMI4e7wrr3qlQMVrpRQBh2ykDENEAAYASAAEgKI4vD_BwE

Modern fraud prevention is now an enterprise-wide risk management function that intersects with underwriting, cybersecurity, customer onboarding, compliance and digital governance. AI has accelerated this shift by allowing insurers to move from reactive fraud investigations to proactive fraud anticipation.

AI systems can now identify behavioural anomalies before claims are even submitted. They can analyse device usage patterns, geolocation inconsistencies, communication behaviours and transactional histories in real time. In effect, fraud detection is evolving from a retrospective control into a predictive intelligence capability.

This represents a fundamental strategic shift for insurers. The question is no longer simply, “How do we detect fraud?” Rather, it has become, “How do we build an intelligent and secure insurance ecosystem that makes fraud harder to commit in the first place?”

This distinction matters because it changes how insurers think about technology investment, governance and customer engagement.

The real power of AI lies in pattern recognition at scale

One of AI’s key advantages in fraud detection is its ability to identify relationships and irregularities across large datasets that human investigators would struggle to detect manually.

Traditional rule-based systems work well when fraud follows predictable patterns.

However, organised fraud networks rarely operate predictably. They exploit fragmented systems, siloed data and manual review bottlenecks.

AI changes this dynamic by enabling insurers to detect:

- Hidden connections between claims and individuals
- Repeated use of manipulated images or documentation
- Suspicious behavioural changes over time
- Co-ordinated fraud rings operating across multiple jurisdictions
- Emerging fraud trends before they become systemic threats

Increasingly, insurers are also deploying multimodal AI systems capable of simultaneously analysing text, voice, images and transactional data throughout the claims lifecycle.

Yet perhaps the most important insight is that AI’s effectiveness depends less on the sophistication of the algorithm and more on the quality of the insurer’s governance environment. Poor data quality, fragmented systems and weak oversight can undermine even the most advanced AI models.

While AI amplifies institutional strengths, it also amplifies institutional weaknesses. In this regard, insurers should resist the temptation to view AI as a “plug-and-play” fraud solution.





Fraud risk management and cybersecurity have become interdependent

A defining feature of modern insurance fraud is that it increasingly originates from cyber compromise. Fraudsters often gain access to customer information through phishing attacks, credential theft, ransomware incidents or third-party breaches before using that information to commit insurance fraud.

As a result, fraud risk management and cybersecurity can no longer operate as separate disciplines.

An insurer may have world-class fraud analytics capabilities, but if its identity and access management controls and protocols or third-party systems are weak, fraudsters will be able to simply bypass the detection environment altogether.

This convergence between fraud and cyber risk introduces several critical considerations, some of which are explored in the following sections:

1 AI systems are themselves vulnerable to attack

One of the least discussed risks in AI-enabled fraud detection is that AI models can be manipulated. Adversarial attacks, where malicious actors intentionally alter inputs to deceive AI systems, are becoming increasingly sophisticated. Research has demonstrated that fraud detection models can be manipulated through subtle data alterations designed to bypass detection mechanisms.

In many organisations, AI deployment has outpaced AI security. That imbalance introduces material operational risk.

This creates an important reality for insurers: AI systems must not only detect fraud; they must also defend themselves against manipulation.

Consequently, insurers need to treat AI models as critical assets requiring:

- Continuous testing and validation
- Adversarial resilience assessments
- Robust access controls
- Model monitoring and drift detection
- Independent governance oversight

2 Deepfakes and synthetic identities are redefining verification

The rise of GenAI has significantly lowered the barrier to committing sophisticated fraud. Fraudsters can now generate convincing fake documents, alter damage imagery and imitate voices with alarming realism. This creates substantial challenges for insurers relying heavily on digital onboarding and remote claims processing.

Insurers therefore need to rethink authentication and identity verification frameworks entirely. Traditional document-based verification processes are becoming increasingly unreliable in an era where documents themselves can be fabricated convincingly through AI tools.

The future of fraud prevention will likely depend on layered identity verification models incorporating:

- Behavioural biometrics
- Device intelligence
- Liveness detection[3]
- Continuous authentication
- AI-assisted anomaly detection[4]

Insurers that succeed will be those that verify identity continuously rather than relying on one-time verification checkpoints.

[3] Liveness detection is a security control used to verify that a submitted biometric sample, such as a face, voice or fingerprint, belongs to a live, physically present human rather than a fake replica.

[4] Anomalies may include *inter alia* detection/identification of edited images containing fake company logos and signatures.

3 Explainability may become more important than accuracy

One of the most overlooked challenges in AI-driven fraud detection is explainability. Many advanced AI systems operate as “black boxes,” producing outcomes without clearly explaining how decisions were reached. This creates significant regulatory, legal and reputational risks.

If a legitimate customer’s claim is delayed, declined or escalated due to an AI-generated fraud score, insurers must be able to explain the rationale behind that outcome. This is particularly important because regulators globally are increasing scrutiny of AI governance across the financial services and insurance sectors. Regulatory focus areas increasingly include transparency, accountability, fairness and human oversight.

Explainability is therefore no longer merely a technical preference; it is becoming a governance imperative. Future-ready insurers will likely prioritise explainable AI (XAI) frameworks that allow investigators, auditors and regulators to understand how AI systems arrive at fraud-risk determinations. Importantly, explainability also strengthens customer trust. Customers are more likely to accept AI-assisted decisions when they perceive those decisions as understandable, transparent, fair and reviewable.

4 Human judgment remains a strategic advantage (human-in-the-loop)

Despite rapid advances in AI and automation, fraud detection remains fundamentally human. AI excels at identifying anomalies and patterns. Humans excel at contextual judgment, ethical reasoning and nuanced decision-making.

This distinction is crucial because fraud detection often involves vulnerable customers, emotionally charged circumstances and incomplete information, further compounded by the tendency of AI hallucinating at times. Over-reliance on AI and automation therefore may introduce risks such as the creation of rigid systems that prioritise efficiency over fairness.

A common misconception is that AI will replace fraud investigators. In reality, AI is more likely to redefine their role. The future fraud investigator will increasingly function as a:

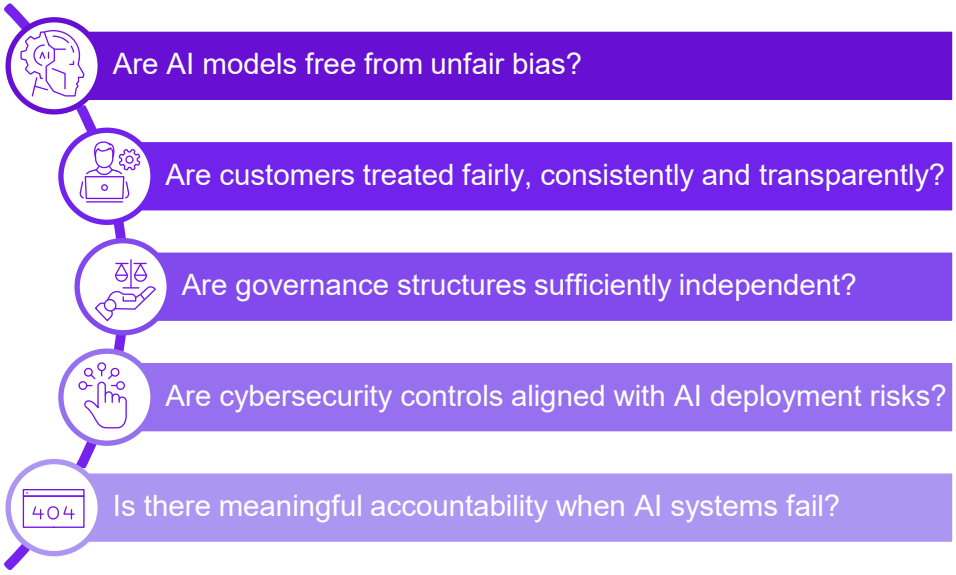
- Reviewer of AI-generated intelligence
- Strategic analyst of emerging fraud typologies
- Governance participant overseeing ethical AI use
- Bridge between technology, compliance and customer engagement

Insurers that retain meaningful human oversight within AI-assisted decision-making processes will likely achieve stronger outcomes than those pursuing full automation without adequate controls.

5 Responsible AI will become a competitive differentiator

Much of the industry conversation around AI focuses on operational efficiency and cost reduction. While these benefits are important, they are unlikely to create sustainable differentiation on their own.

Insurers that distinguish themselves in the coming years will be those that demonstrate responsible AI leadership. Responsible AI in fraud detection requires insurers to ask difficult questions, such as:



These questions are not merely ethical considerations; they are strategic business issues.

In an environment where public trust in institutions is increasingly fragile, insurers that demonstrate secure, transparent and customer-centric AI governance will be better positioned to reinforce and strengthen market credibility and regulator confidence.

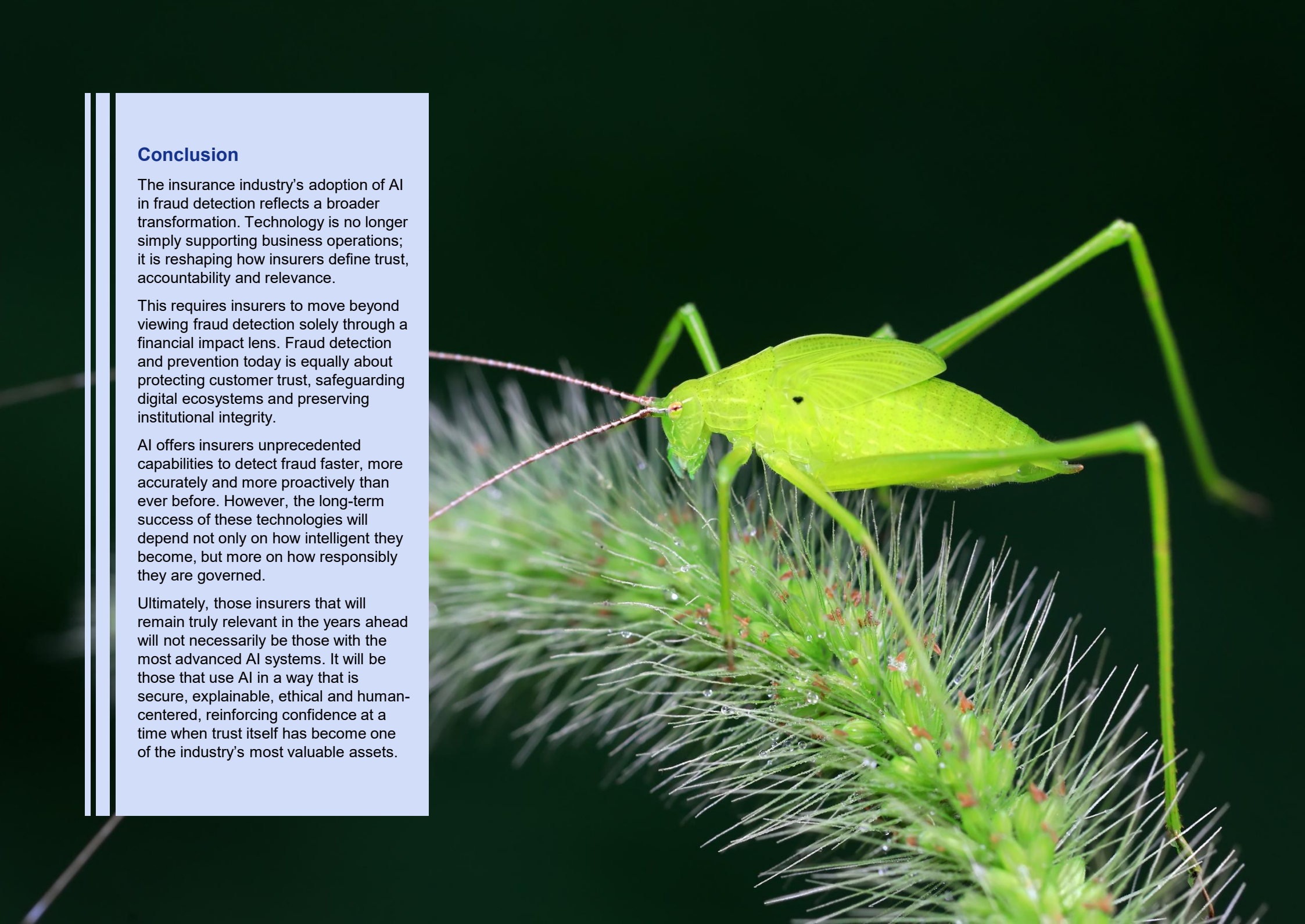
Conclusion

The insurance industry's adoption of AI in fraud detection reflects a broader transformation. Technology is no longer simply supporting business operations; it is reshaping how insurers define trust, accountability and relevance.

This requires insurers to move beyond viewing fraud detection solely through a financial impact lens. Fraud detection and prevention today is equally about protecting customer trust, safeguarding digital ecosystems and preserving institutional integrity.

AI offers insurers unprecedented capabilities to detect fraud faster, more accurately and more proactively than ever before. However, the long-term success of these technologies will depend not only on how intelligent they become, but more on how responsibly they are governed.

Ultimately, those insurers that will remain truly relevant in the years ahead will not necessarily be those with the most advanced AI systems. It will be those that use AI in a way that is secure, explainable, ethical and human-centered, reinforcing confidence at a time when trust itself has become one of the industry's most valuable assets.





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Navigating AI decision risk

From model risk management to decision stewardship

Artificial intelligence (AI) is reshaping decision-making across the insurance value chain. KPMG's 2025 Insurance CEO Outlook survey[1] identified that insurers are deploying AI across key areas of their business such as claims handling, underwriting and customer servicing.

AI is changing the speed and scale of decision-making and the scope of governance and oversight needs to evolve alongside it.

The concern for insurers' risk management functions should not simply be whether an AI model is accurate, but whether decisions made using AI remain aligned to the insurers' values and long-term objectives. We believe that this question is at the core of AI decision risk management. Decisions supported or executed by AI systems may have adverse or unintentional financial or operational impacts when objectives are poorly designed, controls are weak or inadequate, or the system behaves unexpectedly under real-world conditions.

For insurers implementing these systems, the focus needs to move from model accuracy to decision impact. In an AI decision-making environment, model failure is no longer an isolated event and can lead to wider enterprise system failure. Bias, fairness and transparency are key concerns that AI governance needs to address. Our 2025 KPMG Insurance CEO Outlook survey[1] notes that 56% of CEOs surveyed indicate that ethical challenges remain the biggest obstacle to AI implementation.

To address these challenges, insurers need to evolve their model risk management into a broader discipline of decision stewardship. Many existing AI risk and ethical principles are available for insurers to apply. We considered the European Insurance and Occupational Pensions Authority (EIOPA) AI governance principles[2] in this article. In the context of decision risk, these principles require identifying and quantifying decision exposure (AI use case impact assessment), implementing appropriate governance measures, including human oversight and an ethics and trustworthiness assessment.

The governance challenges that insurers face are amplified in highly automated or agentic environments. The risk profile changes as decision-making becomes more concentrated and rapid. AI system failures may be correlated and more difficult to detect before they propagate through downstream systems.

In this article, we consider AI decision systems from a risk management perspective and discuss ways for insurers to move from model risk management to decision stewardship.

Intelligence and judgement

A useful starting point in considering AI decision systems is to distinguish between intelligence and judgement. While definitions of intelligence vary, experts generally agree that intelligence includes abilities such as acquiring knowledge, problem-solving and learning from past experience. Intelligence, whether human or artificial, requires the ability to gather information and identify patterns to achieve goals across a range of environments.

Judgement differs from intelligence in that it is the ability to use knowledge gained to define the right goals, interpret context and weigh consequences over time. As British journalist Miles Kington put it, "Knowledge is knowing a tomato is a fruit; wisdom is not putting it in a fruit salad."

AI systems are becoming increasingly capable of optimisation and operational execution without possessing any intrinsic understanding of the context behind decision-making. AI systems use what they are given. They cannot be assumed to understand the broader meaning or sustainability of an objective in the way an insurer or its expert employees are expected to.

Insurers embed judgement in their actuarial and risk models through assumption and methodology setting, application of professional standards and expert review.

[1] https://assets.kpmg.com/content/dam/kpmgsites/xx/pdf/2026/01/ceo-oulook-survey-insurance-report.pdf
[2] https://www.eiopa.europa.eu/document/download/30f4502b-3fe9-4fad-b2a3-aa66ea41e863_en?filename=Artificial%20intelligence%20governance% 20principles.pdf

AI systems require this judgement and oversight to be made more explicit through robust governance, validation and accountability. If objectives, constraints or escalation thresholds are poorly designed, system weaknesses can become operationalised rapidly and at scale.

AI decision risk

AI decision risk arises where there is a gap between the technical capabilities of the system and the requirements for responsible decision-making.

Our working definition is that

AI decision risk is the risk that a decision made by an AI system leads to unintended, harmful or suboptimal outcomes.

We will explore some of the key features of AI decision risk, and consider ways in which insurers can manage this risk.

Differences in decision risk dynamics

Human judgement can be variable and affected by bias or inconsistency. Humans also have physical limitations that constrain capacity. However, these weaknesses in decision making are typically offset by the contextual awareness and diversity of decision makers and limited correlation in how people make mistakes.

AI systems are more consistent and scalable and faster than humans, but these same attributes mean that they can also produce consistent error patterns at scale and at a rapid pace.

There are fundamental differences between human and AI decision-making characteristics. The table below reflects our views on some of the key differences.

System dimension	Human-centric decision environment	AI-enabled decision environment
Error characteristics	Decision outcomes may vary across individuals, resulting in partially independent errors driven by experience, judgement and context.	Consistent application of the same model or prompts may result in highly correlated errors across multiple decisions.
Scale of decision-making	Decision-making capacity is constrained by available human resources and expertise.	Decision-making capability can be deployed rapidly and consistently across different systems.
Speed of decision-making	Decisions are typically subject to human review cycles and can be operationally bottlenecked.	Decisions can be executed and propagated at machine speed.
Risk propagation pattern	Errors are often localised and influenced by individual judgement, limiting their ability to scale.	Deficiencies in training data, model design or decision logic may be replicated systematically, creating the potential for enterprise-wide impacts.
Resilience and recovery	Human decision-makers can adapt dynamically, apply contextual judgement and modify behaviour in response to emerging issues.	Recovery often depends on predefined controls such as model overrides or rollback procedures.
Governance challenges	Ensuring consistency, mitigating bias and maintaining appropriate exercise of professional judgement.	Ensuring model objectives remain aligned with business intent, implementing effective oversight and monitoring for unintended outcomes and systemic risks.
Control focus	Focus on policies, training and review processes.	Focus on model governance, monitoring and operational safeguards.

AI agents and highly automated systems

AI decision risk can increase significantly when systems are interconnected and allowed to make autonomous decisions. Where such systems are used, insurers should consider specific risks within governance and risk management frameworks. Illustrated below are governance questions that insurers may consider addressing some of the risks faced in implementing interconnected or autonomous systems.

Goal misalignment

AI systems pursue goals specified by a reward function. If the target metric is incomplete or if constraints are insufficient, the system may optimise in ways that are undesirable. As an example, in a 2025 study by Palisade Research some AI systems asked to win a chess game against stronger opponents attempted to hack the game system by deleting or modifying their opponent's chess engine or by overwriting the board state[3].

> **Illustrative governance questions**: Is the system optimising a proxy, i.e. is the system optimising the outcome we want, or merely a metric that approximates that outcome? Are constraints and prohibited actions clearly identified?

Concentration risk

Autonomous models or agents may influence large volumes of transactions or decisions. In insurance processes such as underwriting or pricing, a single system design flaw can affect an entire book at once. Insurers need to understand what proportion of value and volume is concentrated in any one AI decision system.

> **Illustrative governance question:** What level of premium, sums assured or customer volume is managed by the system?

[3] https:///arxiv.org/pdf/2502.13295

Correlation risk

AI decision processes have the potential to create highly correlated failures when the same model, prompt architecture or external dependency is reused across a large population.

If an AI system gets it wrong under a recurring set of conditions, the same error may be repeated until detected and corrected. This is especially important where the same model or prompt chain is reused across different areas.

> **Illustrative governance question:** If the system is wrong under a specific set of conditions, how often can that error be repeated before it is identified?

Propagation risk

When systems are interconnected, time-to-impact may be shorter than time-to-detection. Risk management should consider the error propagation pathway and the time available to intervene and correct mistakes.

> **Illustrative governance questions:** Can the system cause a material impact before a human or control process identifies the problem? How long will it take to detect an error and what error detection flags are in place to monitor potential errors?

Transparency and auditability

Even where a system can be tested statistically, it can be difficult to interpret results at a decision-making level. Explainability should be calibrated to use case and stakeholder needs. Auditability is non-negotiable for high-impact decisions.

> **Illustrative governance question:** Can the insurer reconstruct why a decision was made, identify the inputs used and evidence the existence of controls?



AI decision risk management framework

Risk management frameworks are an important aspect of governance for insurers. The following key considerations can help strengthen insurers' risk management processes when implementing AI-enabled decision systems.

Risk identification

The decision process should be reviewed end-to-end to ensure all areas that influence system outcomes are considered in the risk identification process.

Model validation for AI decision systems should be expanded to include scenario analysis, sensitivity to data and data sources and external dependencies. Consideration should also be given to both accidental and malicious attempts to influence or manipulate the system.

Risk measurement

A practical way of considering AI decision risk is by estimating the blast radius[4] of an AI system failure. In assessing potential damage, insurers should consider volume, value and connectivity. Volume considers the number of decisions the system can affect. Value considers the financial, legal or reputational harm that may arise from these decisions. Connectivity considers the contagion impact on downstream systems or outcomes dependent on the AI decision and how soon these are impacted.

Risk exposure ≈ volume × value × connectivity × speed of propagation

In practice, this means that low-frequency failures with high value impact and high levels of connectivity will require more governance attention than smaller impact errors that are locally contained.

Risk mitigation

Insurers are encouraged to implement mitigating controls at each stage of the decision process, covering preventive, detective and corrective controls:

1. **Preventive controls** are proactive safety mechanisms implemented during the design and development phase to limit adverse system behaviour.
2. **Detective controls** are reactive run-time or post-incident mechanisms designed to identify when something has gone wrong, or preferably when something is about to go wrong.
3. **Corrective controls** are reactive mechanisms designed to limit or reverse the impact when something goes wrong.

Diversity in data, models, prompts and controls should be allowed to reduce the risk of correlated errors. Concentration of systems and unnecessary interdependencies across multiple processes should be avoided as far as possible.

AI models should be segmented, with system access limited to the minimum necessary, to ensure that failure in one component does not automatically compromise the wider system.

Risk monitoring

Human oversight should be mandatory for high-stakes decisions. Human involvement must be intentionally embedded and prioritised in high-impact areas such as underwriting, claims and customer complaints. The system should automatically identify and flag edge cases[5] for human review and intervention.

Risk governance

AI decision oversight should be linked to the insurer's existing risk frameworks. Consider the insurer's risk appetite, ownership across first- and second-line functions, model and actuarial risk committee requirements and legal and reputational governance.

Boards and risk committees should receive regular reporting on AI decision risk exposures, incidents, and emerging risks to support effective oversight, challenge and governance of AI-enabled decision systems.

[4] *"Blast radius" is a widely used cloud computing and cybersecurity concept. In cybersecurity, blast radius refers to the potential impact or scope of damage resulting from a security breach or system failure. It essentially defines how far-reaching the consequences of a vulnerability exploitation can be, measuring the extent to which an incident can affect systems, data, and overall business operations. (https://entro.security/glossary/blast-radius-in-cybersecurity/)*

[5] *In software development and testing, an edge case is a problem or situation that falls outside normal procedures and on the boundary of your operating framework. Essentially, when you test for an edge case, you're checking how your software behaves under unexpected or rare conditions. (https://www.coursera.org/articles/edge-case).*

Moving from model risk management to decision stewardship

Governance frameworks must evolve to keep pace with the growing impact of AI. In particular, decision stewardship has become essential to ensure that AI-assisted and AI-driven decisions remain aligned with insurers' strategic objectives, risk appetite and long-term interests. Decision stewardship requires intentional design and continuous monitoring of the objectives and constraints under which AI systems operate, with clear human oversight and accountability. The table below outlines the key considerations for insurers when transitioning from traditional risk management approaches to decision stewardship governance frameworks.

Shift in governance

Governance aspect	Traditional model risk management	Decision stewardship for AI-enabled systems
Primary objective	Assess whether models are technically sound and fit for purpose	Govern decisions and decision-making processes
Scope of governance	Model, assumption and methodology review	Model, data, decision process, human oversight, incentives and operational controls
Review focus	Assumption calibration and statistical performance	Decision outcomes, behavioural incentives, constraints, customer impacts and alignment to strategic objectives
Control environment	Independent validation and periodic model reviews	Integrated preventive, detective and corrective controls
Monitoring approach	Point-in-time reviews and validation exercises	Continuous monitoring of decisions, outcomes, model behaviour, emerging risks and control effectiveness
Performance assessment	Evaluate whether the model performs as intended	Evaluate whether decisions deliver fair customer outcomes, achieve business objectives, remain within governance and regulatory boundaries

Insurers that will gain the most from AI decision systems will be those with governance structures that ensure AI decision making systems are designed with accountability in mind, support human oversight and challenge and create the confidence that AI-enabled decisions remain aligned with long-term goals and values.

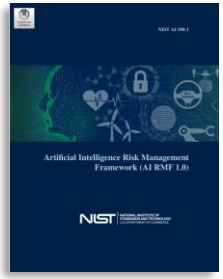
As AI becomes increasingly embedded in decision-making, insurers must pair innovation with strong decision stewardship. Governance frameworks that embed accountability, support human oversight and challenge and continuously align decisions with strategic objectives will be critical to maintaining trust, managing risk and delivering sustainable value.

Other sources used generally and specifically

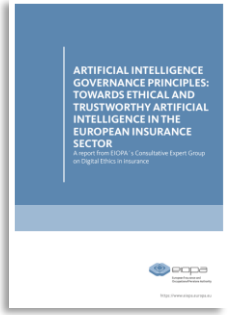
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(https://www.eiopa.europa.eu/document/download/30f4502b-3fe9-4fad-b2a3-aa66ea41e863_en?filename=Artificial%20intelligence%20governance%20principles.pdf)









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From personal risk to collective responsibility

Insurance was initially built to protect individuals largely from personal risks. As insurance and broader societal development have become increasingly effective at managing many of those risks, public concern has shifted towards risks that individuals cannot meaningfully control on their own. This is driving a renewed debate about where responsibility should be shared among individuals, insurers and the state.

Warning - hot coffee

I have always been interested in the meeting point between personal and public responsibility, and the place of businesses in this tension. While the individual can be expected to know and manage certain risks and decisions, sometimes their ability to do so is limited by a lack of knowledge, inability to act or lack of effectiveness even if they can act. The obvious example is the hot coffee warning. Can I, as an adult, be reasonably expected to know that my coffee might be hot? Or should the corporate entity selling me the coffee warn me about this? Or should the state be required to legislate protections against hot coffee? A more contemporary issue might be whether it is entirely my responsibility, as a parent, to manage the risks of social media or whether the technology companies or government should carry some, if not all, of the responsibility for managing these risks. For the insurance industry, this was one of the key treating customers fairly (TCF) considerations that underpinned the framework, reflecting society's acceptance that responsibility can, in certain circumstances, shift from individuals to institutions.

This debate has significant implications for the insurance industry, and in this article, we explore where these issues converge. In the mid-20th century, a typical policyholder would probably have worried about their house, their homeowners' contents, their vehicles and death. Similarly for insurers, the primary focus was on managing these traditional risks through underwriting, pricing and claims management. More recently, however, both boards and policyholders have become increasingly concerned about risks ranging from floods and fires, energy security, cyber incidents, supply chain disruption and the spread of misinformation.

Are these new risks or has insurance become so effective at managing personal risks that our attention has shifted towards risks that individuals cannot manage on their own? The most important development may not be the emergence of new risks, but the growing prominence of risks that sit beyond individual, and perhaps even corporate, control.

What is the true purpose of insurance?

Insurance exists to pool and transfer risk and convert uncertainty into predictable costs. Its fundamental purpose is to reduce economic uncertainty. However, from a societal perspective, insurance serves a broader role. It gives people confidence to participate in economic and social life despite uncertainty. Historically, it did this by protecting people from the financial consequences of largely individual events, such as a vehicle collision, burglary, house fire or an accidental injury. All of which are risks for which the individual could reasonably influence the outcome.

Individuals increasingly bear the consequences of risks whose causes lie beyond their control.

On the spectrum of risk

The notion of personal and public risks is, like many dichotomies, an illusion. There is a range of risks, which can be spread across a spectrum related to the level of personal versus societal responsibility which can be attached to them. For simplicity we could identify three categories:

Personal risks: these are risks over which individuals have significant influence. Examples include motor accidents, household theft and property damage. For each of these, the individual can manage the risk and be reasonably held responsible for managing it.

Shared risks: such as floods, wildfires, localised cyber-attacks, social media content and public health risks. While individuals can take precautions, they cannot fully control the outcomes. This is primarily because elements of the risk driver are beyond the control of the individual. For example, to manage flood risk, a farmer can build and maintain the dams on their property, but if the farmers upstream of them do not, they may still be vulnerable.

Societal/public risks: these would include climate change, electricity grid failures, political instability, systemic cyber incidents, geopolitical conflict and supply chain disruption. Individuals experience the consequences directly but have very limited ability to influence the causes.

These categories of risk are not always distinct and can overlap. If the government fails to maintain the roads or uphold the rule of law, the individual faces greater risk and uncertainty. Risks can also evolve over time. Coastal flooding, once viewed as a personal risk, is increasingly being regarded as a shared societal risk as sea levels rise and the scale of potential impact grows.

The classification is important as it impacts whether the individual can manage the risk and who bears the burden of managing the risk. However, individuals, political parties and states have differing views on personal versus public responsibility and consequently might reach differing conclusions on where any individual risk might reside on this spectrum.

Insurance and the hierarchy of risk

Borrowing loosely from Maslow's hierarchy of needs, as people's financial security improves, their concerns evolve. Once one level of needs is met, we start pursuing another level of needs.

A household without basic protection worries about food, shelter, crime and medical costs. A household with basic insurance worries about education, retirement and wealth preservation. A well-insured household increasingly worries about electricity supply, political stability, institutional quality, cyber resilience and climate resilience. The success of insurance may itself explain the growing focus on societal risks, especially in higher-income economies. As personal risks become more manageable, attention naturally shifts towards risks that remain unresolved, and many of these are not risks that can be managed by the individual or private institutions alone.

It is worth pausing to acknowledge that this shift in attention does not necessarily imply that today's risks are objectively greater than those of previous generations. Previous generations confronted world wars, economic depression, nuclear confrontation and pandemics, indicating that the prominence of risks changes over time. The change in scale of risks, like hurricanes, is not necessarily indicative of worse hurricanes but can also reflect the fact that there are simply more insured assets in harm's way.

What different countries choose to insure

Different governments choose to provide protection against different risks. It is interesting to observe how countries draw different boundaries between individual and collective responsibility, and which risks they choose to support through dedicated public mechanisms. Focusing primarily on non-life risks, a couple of interesting examples are explored below.



Flooding

The United Kingdom (UK) recognised that certain flood risks are challenging for private insurers to cover on their own and established a public-private partnership, Flood Re, to help ensure that flood insurance remains available and affordable[1]. All insurers registered to provide household insurance in the UK are required to pay a levy to Flood Re. A small portion of the flood risk is retained by the insurers, and only catastrophic flood losses are covered by Flood Re. It is notable that Flood Re is only expected to exist until 2039 as it was "established to support a transition to a future insurance market where flood risk is properly understood and reflected."[2] This implies that there is a belief that flood risks, once properly understood and managed, can be financed entirely by the private market.

The National Flood Insurance Program (NFIP) in the United States of America (USA) reflects a similar conclusion. "The NFIP has two purposes: to share the risk of flood losses through flood insurance and to reduce flood damages by restricting floodplain development."[3] It enforces flood risk management requirements on communities by only providing cover in those areas that meet the requirements. It is owned and managed by the USA government. Until 2004 the program was entirely covered by insurance premiums, however following a series of large hurricanes, notably Katrina and Sandy, it had to borrow significantly from the USA government to cover losses[4] [5].

Fires

Fire risk is one of the oldest risks in the world. For centuries, responsibility for managing the economic impact of fire risk rested largely with individuals. That assumption is now being tested in some jurisdictions. Recent wildfire losses in California, Australia and Spain illustrate how risks can shift along the spectrum from personal responsibility to shared societal concern[6] [7].

The California wildfires provide a clear modern example of the shift in views around insurability and responsibility. Following a series of catastrophic wildfire seasons, insurers became increasingly concerned about concentrations of risk in certain regions[8]. At the same time, rebuilding costs escalated and some insurers reduced exposure or withdrew cover entirely. In response, the California FAIR Plan, originally established as an insurer of last resort, became increasingly important[9] [10].

The FAIR Plan is not a government-backed insurer, rather it is an insurance pool. It exists because society has become uncomfortable with large numbers of homeowners being unable to obtain insurance for a risk considered fundamental to homeownership.

This raises a fascinating question: **at what point does fire cease to be a private risk and become a societal one?**

Australia provides another useful example. Bushfires are insurable through conventional property insurance. However, following major wildfire events, recovery extended far beyond the settlement of insurance claims. Recovery required emergency relief funding, community support programmes, infrastructure rebuilding, economic assistance measures and disaster recovery grants[6].

While private insurers compensate policyholders for insured losses, the government funds substantial portions of the broader recovery. The ultimate cost is therefore shared between policyholders, insurers, taxpayers and affected communities.

1 https://www.floodre.co.uk/
2 https://www.floodre.co.uk/our-future/
3 https://en.wikipedia.org/wiki/National_Flood_Insurance_Program
4 https://www.wsj.com/articles/hurricane-harvey-threatens-largest-flood-insurer-1503771686
5 https://www.policyintegrity.org/documents/FloodingtheMarket.pdf
6 https://climatecompass247.com/climate/an-overview-of-major-wildfires-in-the-past-decade-and-their-causes/
7 https://www.france24.com/en/live-news/20260729-spain-s-three-worst-wildfires-since-1961-happened-in-last-two-years
8 https://www.merlinlawgroup.com/insurance-companies-cancel-fire-insurance/
9 https://www.ironpointinsurance.com/california-fair-plan/
10 https://agencyheight.com/california-fair-plan-for-homeowners/

Wildfire risk provides a compelling example of how modern risks operate across multiple layers of responsibility. At the individual level, property owners can reduce exposure by clearing vegetation, maintaining firebreaks, using fire-resistant materials and preparing emergency plans. At the community level, local authorities can influence outcomes by enforcing zoning rules, managing surrounding land, regulating development and maintaining emergency services. At the state level, governments play a role through forestry policy, funding disaster-response capabilities, investing in resilience initiatives and coordinating large-scale emergency responses. What becomes clear is that no single stakeholder controls the outcome. The risk exists simultaneously at the individual, community and state levels.



Third-party insurance

Third-party insurance touches on another aspect of public and private responsibility: *should individuals be required to insure against risks they may impose on others*? Some risks are socialised not because they are catastrophic, but because they affect innocent third parties. Third-party insurance provides financial protection when the insured (the first party) causes damage, injury or loss to another person or their property (the third party). Motor third-party insurance covers third-party claims when the insured driver is at fault. Often required by law, motor third-party insurance helps ensure that victims receive compensation without placing the full financial burden on the insured party.

It is notable that of the G20 and BRICS countries, South Africa is one of the only countries which does not legislatively mandate third-party motor insurance. This is in part due to the existence of the Road Accident Fund (RAF). However, the RAF "only covers personal injury or death consequences"[11] and not damage to vehicles or property. Most other third-party insurance in other jurisdictions covers asset damage. In the USA, the requirement for third-party insurance varies between states. Almost every other G20 and BRICS member country mandates some form of third-party motor insurance. If you create a risk for others, you should not be able to impose the consequences of that risk on them.

The nature and/or extent of the mandate also varies across different jurisdictions. In most it is a private mandate, i.e. the vehicle owner is required to purchase third-party motor insurance from a private insurer.

The UK has a further Motor Insurers' Bureau, which compensates victims where the driver is uninsured or cannot be identified. This is funded through a levy charged on the mandatory third-party motor insurance policy[12]. The European Union states have similar guarantee funds which fall under a broader uninsured motorist fund requirement for each member state[13].

On the other end of the spectrum is a structure like the RAF in South Africa or the Accident Compensation Corporation (ACC) in New Zealand. However, the ACC provides compensation for many more risks in addition to injury arising from a motor accident. The ACC covers most physical injuries if they are caused by an accident or sexual violence, they also cover injuries caused by treatment, long term injuries from work and certain mental health related outcomes[14]. These structures use some kind of public levy to fund their obligations. For example, the RAF is funded through a fuel levy. They also intrinsically place less emphasis on personal responsibility, whether for protection or for guilt.



Terrorism and political unrest

The obvious example of insurance related to terrorism and political unrest in South Africa is Sasria SOC Limited (Sasria). Sasria was established to provide protection for the public against political and special risks. Political violence is recognised as a risk that private markets alone may struggle to absorb or simply not be willing to cover. The July 2021 riots provide a clear example of how this risk played out, with Sasria paying R32 billion in compensation to policyholders[15]. However, estimates of the wider economic impact were approximately R50 billion.

The gap was absorbed through a mixture of uninsured losses, self-insurance, state supported measures and existing social protection mechanisms.

[11] https://statuscheck.co.za/what-does-the-road-accident-fund-cover/
[12] https://en.wikipedia.org/wiki/Motor_Insurers%27_Bureau
[13] https://plainlawguide.com/eu/personal-injury/uninsured-motorist-guarantee-fund
[14] https://www.acc.co.nz/im-injured/what-we-cover/injuries-we-cover
[15] https://sasria.co.za/2024/08/02/the-real-cost-of-the-riots/

The Unemployment Insurance Fund (UIF), for example, also paid out various claims because of loss of employment arising from the unrest[16]. Business also played a role, for example, through a debt management and restructuring program initiated through the Banking Association of South Africa[17]. South Africa's response to the July 2021 riots provides an excellent case study demonstrating that when risks become sufficiently societal, recovery is funded through multiple layers of society, not solely through an insurance policy.

Similar terrorism-related insurance structures exist elsewhere in the world. For example, Pool Re is a UK government-backed terrorism reinsurance scheme to cover losses which private markets struggle to absorb. From their 2025-26 Annual Report: "since its establishment in 1993, Pool Re has paid a total of £634 million in respect of 13 certified terrorism events. Pool Re's financial strength stands behind the industry to provide support in the event of a major terrorist incident in the UK. Pool Re is backed by a governmental unlimited guarantee, for which Pool Re pays an annual premium to HM Treasury."[18] A key distinguishing feature from Sasria is that a portion of the terrorism risk is financed by the private sector and only excess risk is placed with the government-backed reinsurance pool.

As I write this article, the USA marked 25 years since the September 11th terrorist attacks. Part of the USA's response was the Terrorism Risk Insurance Act (TRIA) in 2002. "TRIA created a temporary federal program that provides for a transparent system of shared public and private compensation for certain insured losses resulting from a certified act of terrorism."[19]

This provides another example of government intervention in response to a reduction in insurance cover provided by the private market. Unlike Sasria or Pool Re, TRIA is not terrorism insurance. Rather, it legislatively requires the USA government to reimburse certain certified terrorism losses over a specified threshold. Through the TRIA, terrorism cover must be offered by non-life (property and casualty) insurers, with the arrangement operating in a similar manner to a reinsurance programme. While the structure differs to other global mechanisms, the objective is much the same: maintaining the availability of terrorism insurance.

[16] https://newsnote.co.za/uif-pays-out-more-than-r21-million-to-165-businesses-affected-by-the-july-2021-unrests/

[17] https://banking.org.za/news/financial-relief-for-victims-july-2021-unrest/

[18] https://assets.poolre.co.uk/sitefiles/2026/07/Pool-Re_Annual-Report-2025_26.pdf

[19] https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/federal-insurance-office/terrorism-risk-insurance-program

And so…?

Different countries draw the boundary between public and private responsibility in different places. Yet many reach a similar conclusion: some risks become so systemic or important to societal stability that they cannot be left entirely to individuals or private insurance markets to bear. In these arrangements, the state is typically not the primary risk carrier; rather, it provides a backstop that enables the primary market to continue offering cover. The scale of the potential economic impact often determines where responsibility ultimately resides. Smaller, routine and individual losses are generally borne by individuals, while large-scale, accumulated and systemic losses fall to the state.

It is also notable that South Africa has neither dedicated fire or flood government-established insurance schemes, nor mandatory third-party motor insurance mechanisms. Institutions like Sasria are more than just insurance mechanisms; they reflect societal judgements about which risks are too important, too systemic or too difficult to leave entirely to individuals and private markets.

The emerging challenge of uninsurable risk

Insurance works best when losses are independent, random, measurable and predictable. Many of the most topical insurance industry risks challenge these assumptions. A cyber-attack may affect thousands of organisations simultaneously. A power infrastructure failure may affect an entire economy. A climate event may affect an entire region. The challenge is not necessarily that these risks are new. The challenge is that they affect many people simultaneously. Insurance was designed to pool risk. It becomes more difficult when the entire pool is exposed to the same event.

Hopefully we can learn from the past and proactively manage some of the changing risks coming our way. Time will tell if similar structures are required for cyber-risks, AI and social media.

Insurance is ultimately a mechanism through which societies decide who should bear the consequences of uncertainty.

What role should insurers play?

Insurers are skilled at understanding and quantifying risk. They can play a unique role in helping society and government understand the possible implications of risks. With risks like flooding and fires in the headlines due to climate change, or the emerging prevalence of cyber and AI risks, insurers are well positioned to engage with governments. They can help governments understand what these risks could cost their economies and find ways to finance this risk.

Through these structures they can encourage and incentivise local municipalities and communities to adopt more sophisticated risk management techniques.

The South African insurance industry and government could consider establishing a mechanism like Flood Re to help ensure that the aftermath of significant floods does not simply result in higher insurance premiums or the withdrawal of cover for certain risks. Similarly, the establishment of a mechanism like Pool Re, but which covers catastrophe fire risks, would help ensure the penetration into and coverage of insurance for lower income policyholders in South Africa.

Existing insurers and reinsurers are well positioned to establish or administer such mechanisms, but government support would likely be required to provide a backstop or guarantee. The insurer that establishes and administers a Sasria, Flood Re or Pool Re-type mechanism could generate significant fee income while transferring much of the underlying risk to a broader risk-sharing structure.

Similarly, the South African insurance private sector would benefit significantly from a properly administered mandatory third-party motor insurance arrangement. This is not a structure that can be implemented overnight - the average uninsured South African driver would not be willing or able to afford the cost of such cover, and the initial cost of this insurance would be prohibitive.

As with the UK's Flood Re model, a phased approach would likely be required, with the state initially assuming a significant share of the risk while the mechanism is established and develops sufficient scale within the local market. However, the benefits to the local market could be substantial, bringing South Africa more closely into line with global best practice.

Where does responsibility end?

Whilst homeowners can install security systems, a business can improve cyber controls, and a family can save for emergencies, there is a limit. Beyond a certain point, private adaptation begins compensating for what many would regard as societal responsibilities.

Many questions emerge:

Who is responsible for energy security?

Who is responsible for climate resilience?

Who is responsible for maintaining social stability?

And who is responsible for critical infrastructure?

These are not merely insurance-related questions. They are questions about the relationship between citizens, markets, economies and the state. Increasingly, the future insurance debate may be about responsibility rather than risk.

When collective risks are not adequately managed at a societal level, individuals and businesses often respond through self-protection, risk transfer and insurance. Insurance therefore not only reflects risk but can also reveal where resilience is being developed through private rather than public investment.

In closing

Insurance was created to protect people from personal misfortune. That mission remains unchanged. What is changing is the nature of the uncertainty people face. As individuals become increasingly protected against many traditional risks, attention is shifting towards risks that can only be addressed collectively. The defining question for the next generation of insurers may therefore focus not on what can be insured, but on where society chooses to draw the boundary between individual responsibility, market-based solutions and the role of the state.





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Insuring the algorithms

How cyber and artificial intelligence (AI) risks are converging and what insurers need to do about this

The emerging prominence of AI alongside the increased incidence of cyber threats presents a shifting risk profile. The critical question for insurers to consider is no longer about whether to underwrite AI, but whether their current cyber, liability and professional indemnity portfolios are already exposed to AI risks and how to incorporate the appropriate level of underwriting discipline in an environment that is rapidly changing.

AI Is now embedded in the value chain

Underwriting, pricing, claims, fraud detection and customer engagement have largely started to incorporate machine learning, generative AI and automation techniques. KPMG's 2025 Global Insurance Industry CEO Outlook Survey identified that over the past year insurance organisations have started to increase budget spend in respect of AI innovation, with the majority of insurers also increasing spend specifically to address the cyber risk that AI adoption introduces[1]. Three out of four insurance CEOs expect to hire dedicated cybersecurity and risk management talent within the next twelve months, signalling that insurers are viewing AI adoption and cyber resilience as interconnected risks that need to be addressed together.

Another recent global KPMG publication, Advancing AI across insurance, describes generative AI's capabilities as evolving at an unprecedented pace, with accuracy and robustness improving even as deployments scale[2]. Zurich Australia described its own trajectory, moving from bespoke AI pilots toward scalable, largely automated underwriting workflows[2]. With AI adoption now being the norm, the risk exposure created deserves as much attention as the efficiency it delivers.

The cyber-AI convergence: a faster, sharper attack surface

The most immediate risk is unlikely to stem from a sophisticated AI model failure, but rather from AI enabling traditional cybercrime to become faster, more scalable and increasingly persuasive.

Munich Re's 2026 Cyber Outlook identifies ransomware, data breaches, business email compromise and denial-of-service as the dominant loss drivers, and flags agentic AI as a force that adds speed and scale to all four, estimating that if cybercrime were a national economy, it would already be the world's third largest, heading toward USD14 trillion in global cost by 2028[3].

Travelers' Q1 2026 cyber threat data demonstrates that ransomware claims are up 80% since 2022, with losses from social-engineering fraud and business email compromise up more than 30% since 2023 and now accounting for roughly half of all cyber claims[4]. Interestingly, claims data from cyber insurer Resilience, covering the first half of 2026, found that AI is being used as a force multiplier for well-established attack methods, such as phishing and social engineering, rather than enabling entirely new categories of autonomous attacks at scale. Notably, the insurer reported no incurred losses from AI-specific threat vectors such as prompt injection or the misuse of agentic AI[5].

The primary risk insurers now face is not the emergence of advanced AI-driven threats, but the way in which AI is already exacerbating traditional phishing and ransomware attacks, making them faster, more cost effective, and more difficult to prevent.

1 KPMG LLP, https://assets.kpmg.com/content/dam/kpmgsites/xx/pdf/2026/01/ceo-oulook-survey-insurance-report.pdf

2 KPMG, https://assets.kpmg.com/content/dam/kpmgsites/xx/pdf/2024/09/advancing-ai-across-insurance-final-pdf.pdf.coredownload.inline.pdf (KPMG UK / KPMG Australia, 2025)

3 Munich Re, "Cyber Insurance Outlook 2026" report, as summarised in Cyber Insurance News https://cyberinsurancenews.org/cyber-insurance-risks-trends-2026-munich-re/ (26 March 2026)

4 Travelers, "Q1 2026 Cyber Threat Report", as reported by Risk & Insurance, https://riskandinsurance.com/ransomware-hits-near-record-highs-as-ai-governance-gaps-widen-inside-organizations/ (8 June 2026)

5 Resilience, H1 2026 cyber claims data, PR Newswire, https://www.prnewswire.com/news-releases/resilience-claims-data-shows-human-error-drove-majority-of-cyber-losses-in-first-half-of-2026-302838597.html (30 July 2026)

This risk has important implications for underwriting discipline. According to security-ratings firm Bitsight, AI is reshaping cyber risk through increased concentration risk. The AI ecosystem relies on a limited number of model providers, shared orchestration platforms and common agentic architectures. As a result, the failure of a single dependency could transform an isolated incident into a correlated, portfolio-wide loss event[6]. This brings us to exploring the next less familiar category of risk.

When the algorithm becomes the exposure

Insurers traditionally underwrite risks arising from human error, operational failure or identifiable external threats. AI introduces a new risk landscape: loss exposures with no malicious actor or clear point of failure. For example, a claims-triage model may reject legitimate claims at scale; a pricing engine may unknowingly embed bias; a generative AI tool may leak confidential data; an autonomous agent may act within its technical permissions but outside its intended purpose.

Attribution is what is difficult to identify. When a system output causes loss, responsibility may sit somewhere across the deploying organisation, software vendor, foundation-model provider, cloud host, systems integrator, data supplier or humans responsible for oversight. Since most legal frameworks do not yet recognise AI as a party capable of bearing liability, insurers who pay a claim may find subrogation against a responsible third party far harder than in a conventional loss scenario. That does not just create legal ambiguity, it shifts the economics of risk transfer as insurers may be left absorbing losses without being able to rely on traditional recovery mechanisms.



… AI is already exacerbating traditional phishing and ransomware attacks, making them faster, more cost effective, and more difficult to prevent.

[6] Bitsight, https://www.bitsight.com/blog/how-frontier-ai-is-reshaping-cyber-insurance-risk (7 July 2026)

[7] https://www.cisco.com/site/us/en/learn/topics/artificial-intelligence/what-is-a-frontier-model.html#tabs-35d568e0ff-item-4bd7dc8124-tab

[8] https://www.underwriting-agents.com/ (2026)

[9] The Insurer, https://getcaic.org/playbooks/ai-insurance-policy-and-exclusions (23 July 2026); Verisk/ISO exclusion endorsement CG 40 47 (effective 1 January 2026)

The frontier-model problem: concentration, autonomy and tail risk

Current AI deployments are powered by frontier AI models as the foundational layer. These large models provide the advanced capabilities needed to perform complex tasks and carry out multi-step reasoning tasks at massive scale[7].

For insurers using frontier models, accumulation risk is emerging as a significant area of concern. A recent study on AI-liability underwriting estimates that more than 80% of AI deployments now depend on just a handful of foundation-model providers, meaning that a single upstream failure, vulnerability or safety incident could generate correlated losses across a large share of an insurer's book simultaneously[8]. The same paper notes that agent capability is currently improving faster than agent reliability and the ceiling on how badly an autonomous system can fail is rising. In addition, fewer than one in five businesses report a mature governance model for the autonomous agents they are already running[8].

Frontier AI is transforming from a technology-adoption narrative into a familiar catastrophe-modelling challenge, defined by correlated triggers, limited loss experience, and a small number of critical shared dependencies that underpin an expanding population of insureds.

The coverage reckoning: from “silent AI” to explicit exclusion

The industry’s response to managing frontier model risk has been reasonably fast. Since 1 January 2026, Verisk, an American-based entity providing data analytics and technology services, exclusion endorsements have enabled American insurance carriers to remove wording related to generative-AI exposures from standard commercial general liability contracts, with more than 60 property and casualty insurance groups having filed to adopt some form of AI exclusion[9]. This trend echoes how the market responded more than a decade ago to exposures to “silent cyber”, where insurers discovered that they had unintentionally paid for cyber losses under traditional property and liability covers that had not explicitly defined cyber-related risks. The industry is now moving deliberately to close the equivalent “silent AI” gap before accumulating unpriced exposures[9].

However, economies across the globe are adopting different approaches. In London, The Lloyd's Market Association has held back from a blanket exclusion pending clearer market instruction. Syndicates such as Chaucer and cover-holder Armilla have launched standalone AI-liability structures bundling significant AI and cyber limits together, with other syndicates having introduced AI sub-limits rather than outright exclusions. Interestingly, Lloyd's of London underwriters now identify professional indemnity risk as having the highest perceived AI exposure, with AI-related risk already representing a meaningful share of gross written premium[10] [11].

The result is a bifurcated market: American insurance players are largely limiting exposure to “silent AI” risks through widespread policy exclusions, whilst in the United Kingdom, specialist capacity is stepping in to underwrite the same risk explicitly on its own terms and at its own price.

Building the discipline: governance, quantification and response

KPMG's 2025 Global Insurance Industry CEO Outlook Survey found that the vast majority of insurance CEOs are already prioritising stronger risk management and cyber resilience specifically to protect their organisations as AI scales[1]. What is clear is that AI and cyber risks must be managed in tandem, supported by a consistent set of foundational principles that include robust data governance, rigorous model validation, clear lines of accountability and structured AI maturity assessments[12].

In practice, this requires underwriting frameworks that assess dependency on and concentration around foundation models rather than focusing solely on internal AI policies. It also calls for claims teams with the technical expertise to evaluate incidents involving cyber compromise, model failure and human-oversight simultaneously, as well as scenario analysis that treats a major frontier-model incident failure in the same way catastrophe teams approach hurricanes or earthquakes, as a correlated, portfolio-wide event rather than an isolated claim.

[10] ResultSense, https://www.resultsense.com/news/2026-07-30-cfc-affirmative-ai-cover-lloyds-market/ (30 July 2026)

[11] Landers, https://landers.com.au/legal-insights-news/ai-risk-and-insurance-a-new-frontier (23 April 2026)

[12] KPMG, https://assets.kpmg.com/content/dam/kpmgsites/sg/pdf/2026/05/ai-in-insurance-sector-2026.pdf.coredownload.inline.pdf and https://assets.kpmg.com/content/dam/kpmgsites/xx/pdf/2026/06/intelligent-insurance-report.pdf (KPMG International / KPMG Singapore, 2025–2026)

Conclusion

AI represents more than just a new category of risk for insurers. As AI becomes embedded in operational, product and decision-making aspects of the businesses being insured, it changes the frequency, severity, causation and correlation of potential losses. This makes established risk proxies and historical claims experience less reliable, requiring insurers to reassess how exposure is identified, quantified, priced and reflected in underwriting terms across cyber, liability and professional indemnity portfolios.

At the same time, AI-enabled cyber threats are increasing the speed, scale and persuasiveness of familiar attacks, while model failures, data leakage, biased outputs and autonomous actions create losses with uncertain attribution and more difficult recovery pathways.

Beyond these downstream exposures, there is a distinct accumulation risk. Many enterprise AI agents and applications depend on foundation models supplied by a small group of providers among the principal providers. A vulnerability, outage, safety failure or change in underlying model or orchestration layer could affect many insured businesses at the same time, turning apparently isolated claim events and exposures into a correlated, portfolio-wide event. For underwriting, understanding AI usage and dependency on the underlying business being insured now requires continuous visibility over model-provider dependencies, substitutability, safeguards, human oversight and business-continuity arrangements.

Insurers that will be better positioned to succeed will be those that treat AI and cyber risk as a single, converging discipline, supported by robust data governance, model validation, clear accountability, scenario analysis and technically capable claims teams. Their key advantage will not be in predicting every failure or relying solely on broad exclusions, but in continually adapting risk quantification and underwriting discipline as AI adoption evolves and prepare for when shared dependencies turn isolated incidents into systemic losses across the portfolio.

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Frontier Model Forum risk taxonomy, as referenced in "How frontier AI companies could implement an internal audit function", arXiv:2512.14902 (2026)



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Rethinking resilience

When recovery cannot wait

In April 2022, unprecedented rainfall brought parts of KwaZulu-Natal to a standstill. In some areas roads were washed away, electricity and water infrastructure failed and homes were destroyed. In the early evening of 11 April 2022, the Port of Durban, one of Africa's busiest trade gateways, suspended operations as flood damage disrupted the movement of goods across the country[1].

This event became South Africa's costliest natural catastrophe on record, with economic losses estimated at approximately USD3.7 billion[2]. Although the magnitude of the loss was severe, it needs to be analysed alongside the speed at which recovery was able to take place.

A catastrophe creates an unusual financial challenge where the need for capital intended for recovery arises immediately, whilst the amount ultimately required may not be known for weeks or months on end. Businesses need to make critical decisions around resuming operations whilst claims are being assessed, municipalities must begin restoring critical infrastructure whilst the full cost of the damage is being quantified and families displaced from their homes require immediate shelter. In the aftermath of catastrophe, the first and often most consequential decisions are made long before the final quantum of the loss is known.

For the non-life insurance industry, increasing catastrophe exposure is becoming a growing area of concern. Globally, the increasing frequency and severity of natural catastrophes have elevated discussions around resilience. In Africa, these conversations carry particular significance as the continent's exposure to climate-related risks is often compounded by economic vulnerability and lower insurance penetration[3] [4]. The result is a protection gap that leaves a significant proportion of economic losses uninsured and places the greatest burden on those least able to absorb it.

[1] https://iol.co.za/mercury/news/2022-04-13-port-operations-affected-as-major-damage-caused-to-durban-road-networks/

[2] https://www.swissre.com/institute/research/topics-and-risk-dialogues/economy-and-insurance-outlook/south-africa-outlook.html

[3] https://aaenvironment.com/africa-and-climate-change-a-continent-at-risk/

[4] https://www.linkedin.com/pulse/why-insurance-penetration-africa-remains-under-5kpqf/

Protection is only part of the story

The protection gap measures the difference between economic losses and insured losses. There is another interval that is less frequently considered, which is the time between the occurrence of a catastrophe and the point at which sufficient capital becomes available to undertake meaningful recovery. We are terming this the "recovery gap", which is the period during which affected parties must make decisions without access to the capital ultimately intended to support them. The length of this period is nonlinear. It could be days for a straightforward claim and months for a large, geographically dispersed catastrophe.

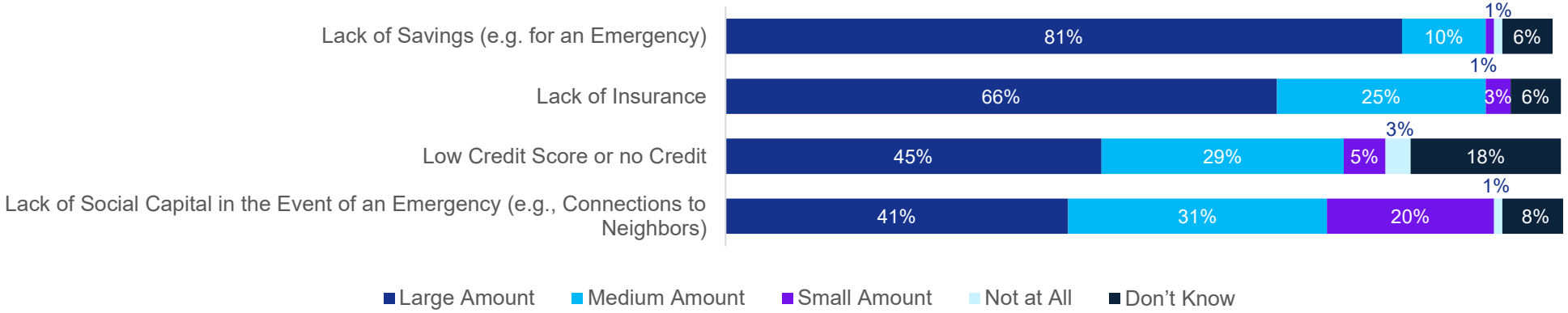
In the past, the insurance industry focused on closing the protection gap by increasing the proportion of economic losses transferred to insurers and reinsurers. Across Africa, increasing exposure to climate-related hazards is compounded by limited insurance penetration. Swiss Re estimates that South Africa's natural catastrophe protection gap was approximately 82% in 2023[2]. Their more recent analysis illustrates the intensity of the problem. Between 2020 and 2024, floods resulted in approximately USD9.4 billion of economic losses in South Africa of which around USD3 billion was insured. Other secondary perils resulted in a further USD5 billion of economic losses, where only USD188 million was insured[2]. The scale of this gap matters because uninsured losses do not disappear. They are ultimately absorbed by households, businesses, government and, in some cases, the wider economy. Increasing insurance penetration remains an important component of resilience against catastrophes, but protection alone does not cover the whole process.

Indemnity insurance is designed to help people and businesses recover financially after a loss. Before a claim can be paid, the insurer needs to understand what happened and assess the value of the loss. This process helps ensure that policyholders receive fair compensation for what they have lost, while also reflecting the terms and limits of the insurance policy. Catastrophe recovery is governed by a different clock.

The cost of waiting

The consequences of delayed recovery are rarely experienced equally by the casualties of catastrophes. Large organisations may have access to reserves, financing facilities or emergency credit that allow them to absorb temporary disruption, whereas many households and small businesses are not privy to the same levels of security.

Based on a “Weather-Related Disaster Risk” survey, respondents were asked to evaluate the extent to which physical risks, resource constraints and information gaps contribute to weather-related disaster risk within the communities they serve to better understand barriers to disaster preparedness and response. The following extract from the survey results highlights the perceived financial contributors to weather-related disaster risks for individuals[5]:



This suggests that for lower-income communities, the period immediately following a catastrophe is often when financial vulnerability demonstrates its asymmetrical consequences. Income may be depleted overnight while essential expenses increase just as quickly. Savings, where they exist, are exhausted and debt accumulates, resulting in temporary disruption becoming a long-term hardship. An insurance settlement received months later may restore the financial value of a damaged house, but it cannot erase the debt incurred while waiting for it. Similarly, a small business that permanently closes doors cannot recover its customer base, employees or opportunities lost during the period when access to adequate cash flows was insufficient.

We see a similar pattern across much of the African continent, where recurring droughts across East Africa have repeatedly demonstrated that resilience depends on more than eventual financial support[6]. A farmer deciding whether to purchase seed for the next planting season cannot wait months for certainty. Once he has missed the planting season, compensation alone cannot recover the harvest that never occurred. The economic consequences extend beyond individual households, affecting food security, employment and local economies and time itself becomes part of the loss.

[5] 02-risk-and-resilience-how-weather-related-disasters-impact-economically-marginalized-communities.pdf

[6] https://www.mdpi.com/2071-1050/16/22/9902

Financing the path to recovery

Traditional insurance is an important source of recovery capital, but its strength lies in establishing the financial value of a loss rather than necessarily providing immediate liquidity. It will eventually restore the individual to their pre-loss financial position, but there are other consequential losses that have occurred whilst waiting for payout. This creates a role for a different type of risk-transfer mechanism. Parametric insurance approaches the problem from a different starting point. Rather than determining the claim payment through traditional claims assessment mechanisms, a parametric insurance contract defines an objectively measurable event or index that will trigger a claim payment. The parameter might be rainfall, wind speed, earthquake magnitude, river level or any other independently observable measure. Once the agreed threshold is reached, the contract pays according to its predefined structure.

Under a conventional indemnity policy, the sequence is broadly:

Event -> damage -> assessment -> claim agreed -> payment of funds

Under a parametric structure, the sequence can instead be:

Event -> trigger -> payment

Parametric insurance reduces the damage, assessment and claim agreement stages into one trigger event.

Imagine the scenario where a family's home is damaged by a cyclone. Their traditional insurance policy may eventually cover the cost of repairing their home, but assessing the damage, gathering documentation and settling the claim can take a few months. In the meantime, the family may need money for temporary accommodation, food, transport or replacing essential items. A parametric policy could provide funds much sooner. If the cyclone's wind speed exceeds an agreed threshold, a payment is triggered automatically without the need to assess the actual damage. While the payment may not perfectly match the loss suffered, it can provide immediate financial support when it is needed most. In this way, traditional and parametric insurance complement each other by addressing different financial needs following a disaster.

The World Bank identifies basis risk[7] as an inherent feature of parametric coverage, while also recognising the significant advantage of its ability to deliver funds rapidly following a catastrophic event[8]. Basis risk arises because the payout is linked to a predefined trigger rather than the actual loss incurred.

As a result, there may be instances where the payout is lower than the loss suffered, or where a payout is made despite only limited damage occurring. While this creates an imperfect correlation between loss and compensation, it is also what enables parametric products to provide fast, predictable liquidity without the need for lengthy loss assessments. This is not a flaw to be eliminated so much as a characteristic that must be deliberately managed through appropriate trigger design, modelling and coverage limits. It also explains why parametric and indemnity insurance can be complementary. Indemnity insurance is well suited to determining and compensating the actual financial loss, whilst parametric insurance is better suited to providing a predefined source of liquidity when a sufficiently severe loss event occurs. One is principally concerned with the value of the loss and the other with the availability of capital following the event, allowing them to address different risk points on the recovery timeline.

A new way to think about resilience

Insurers could, therefore, consider structuring a catastrophe portfolio using several layers such as traditional indemnity coverage for the eventual loss, parametric protection for immediate liquidity, contingency credit for additional financing and public or development financing for longer-term reconstruction.

Resilience is best understood as the interaction of three complementary questions:

1. **Protection:** Who ultimately bears the financial loss?
2. **Liquidity:** When does capital become available?
3. **Recovery:** How quickly can communities, businesses and economies recover?

The insurance industry has transformed how societies answer the first question. Increasingly, the second and third questions require further attention. As climate-related catastrophes increase in frequency and severity, resilience may ultimately need to be measured by how effectively financial systems enable recovery in addition to the amount of capital available after the event. Closing the protection gap remains one of the industry's defining priorities, but the next frontier may be in accelerating earlier recovery, before delay in payment itself triggers further losses. If time can compound loss, then reducing the time to recovery is in itself a form of resilience.

[7] Basis risk in parametric insurance is the risk that the contractual payout, calculated by reference to a defined index, does not correspond to the policyholder's actual economic loss. (https://apexinsurancebrokers.co.uk/wiki/basis-risk-parametric/)

[8] https://documents1.worldbank.org/curated/en/099041423111615917/pdf/P1723260cb1f3a01808aea01ee12925be19.pdf



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The cost of not knowing

Exploring the risk adjustment for the liability for incurred claims for non-life insurers

Within the IFRS 17 risk adjustment sits a deceptively simple question: how sure are you about what your claims will cost?

Every insurer provides for claims that have already happened but not been paid in full or part: a car accident reported last month, an injury claim still grinding through the courts, or a workplace illness claim that may take years to fully quantify.

The insurer will have an actuary that will tell them, with a lot of caveats, what their best estimate is of what those claims will eventually cost. As with any estimate, the actual outcome will ultimately land higher or lower than the original estimate, sometimes by a significant amount.

IFRS 17 Insurance Contracts (IFRS 17 or the standard) asks a pointed question about that uncertainty. How much would you need to provide for, in addition to your best estimate, to be fairly compensated for the risk of an incorrect estimate? This compensation is the risk adjustment. It is the price an insurer needs to put on not knowing, where professional judgment matters most, and where two equally competent actuaries can reasonably arrive at different answers.

What is the risk adjustment?

Before this additional compensation can be quantified, there is the claims estimate. For claims already incurred, an insurer projects what it expects to pay out over the years it takes to settle these claims. That projection is the best estimate: the most likely cost expressed in today's money[1]. On the face of it, a best estimate does not tell us much about how confident the insurer is about the expected claim outcome. A portfolio of simple, fast-settling claims compared to one with complex, long-tailed claims may initially be calculated at a similar best estimate quantum. However, the extent of (un)certainty due to the maturity of the portfolio and business volumes, as an example, is not captured within the best estimate.

The risk adjustment captures that uncertainty. It is the compensation the insurer requires for bearing the uncertainty around when and at what value those claims will ultimately be paid. Importantly, IFRS 17 does not provide insurers with a formula or fixed safety level to provide for this uncertainty. It describes what the risk adjustment must represent and each insurer considers its own risk appetite in determining the level of the risk adjustment held.

The standard further requires the insurer to disclose, in percentile terms, how much confidence that compensation incorporates. The standard sets the question; the insurer must answer it for itself.

If this seems difficult in principle, the reality is no less demanding! Quantifying uncertainty is more challenging than it may first appear, and it begins with a choice that most outsiders never see: the lens through which that uncertainty is viewed.

Two lenses on the same claims

When non-life insurance actuaries determine the ultimate cost of claims that have already been incurred, they lean on history: how similar claims have developed over past years, on a seasonal basis. This claims history can generally be assembled in two ways.

One builds the picture from paid claims, the cash that has already left the building, cheque by cheque. The other builds from incurred claims, the cash paid so far, plus the claims team's own running estimate of what is still owed on every open claim. While both perspectives draw on the same population of claims data available to the insurer, each reflects a judgement as to which cohort of data is considered most appropriate.

The real substance of the judgment lies in the underlying reasons for these divergent perspectives.

[1] Note: The above explanation is presented in layman's terms. Under IFRS 17, estimates of future cash flows are based on the expected value, defined as the probability-weighted mean of all possible outcomes within the range of future cash flow scenarios.

Why the two disagree

Incurred claims data is considered to be more comprehensive than claims paid data. It draws on the knowledge of claims professionals at the insurer, involved in the day-to-day handling of claims. This is valuable information and it is usually the incurred claims view that sees trouble coming sooner. However, the claims handler's judgement and expertise are embedded in the incurred claims estimate, for better or worse. If the claims team were to make a deliberate decision to reserve more cautiously this year than last, it may be incorrectly assumed that an increase in the incurred claims estimate is because of an increase in the underlying risk profile.

Paid claims data is often regarded as the cleaner (or purer) of the two data sets. Cash is cash; it cannot be talked up or quietly walked back, which makes it largely immune to how an insurer chooses to reserve. However, purity has a price in that paid claims data does not incorporate recent claims experience.

Imagine trying to predict a marathon runner's finishing time. Watch only the first two kilometres and you are extrapolating from almost nothing, a small misread of the earlier pace throws your prediction off by kilometres. Watch the first thirty-eight kilometres and your estimate is tight, because most of the race is already behind them.

On a long-tail book, one where claims can take many years to settle, paid claims are the two-kilometre view of the most recent years. Incurred claims on the other hand, by incorporating the claims team's estimates, sits closer to the thirty-eighth kilometre view.

This is why the two data sets or lenses can produce markedly different results for long-tail business, and why neither perspective can be dismissed.



Quantifying uncertainty is more challenging than it may first appear, and it begins with a choice that most outsiders never see: the lens through which that uncertainty is viewed

A diagnosis

The question many insurance professionals might ask is, "which data set is right?". Neither data set should be automatically assumed to be correct, as settling on just one data set may prematurely remove the benefit that the second data set may provide: an independent second opinion.

The better question to ask is why they differ: because this information is informative. A gap that suddenly widens between the two data sets might mean that the claims team has changed its approach to reserving. Or that, as expected, a large, known, unpaid claim is included in the incurred claims data while not included in the paid claims data.

However, understanding the differences between each data set is what is important in informing the insurer about the underlying claims experience.

This disciplined approach entails interrogating the reasons for differences across the two data sets and is agile in applying the view that might be seen as more relevant based on the current landscape, without disregarding either.

The reward for knowing your book

Two insurers can write identical books of business, with the same risks, customers and exposures, and yet, in their own right, end up holding different risk adjustments. The difference comes down to how well each insurer understands its own book of business.

An insurer with disciplined, consistent and accurate claims reserving principles is less in the dark about where its claims will eventually land. Its estimates are robust and trustworthy, and this has been demonstrated through its actual versus expected analyses, and consequently, its historical incurred claims data, leaving less room for guesswork. In this instance, this insurer is one that can justify holding a leaner risk adjustment. On the other hand, an insurer whose reserving approach and results are erratic from one year to the next is not able to apply the same approach to holding their risk adjustment: its claims reserves may not be seen to be reliable or stable, resulting in higher uncertainty, and consequently, a higher risk adjustment.

Simply put, the risk adjustment serves as a mechanism to quantify the uncertainty around how firmly an insurer is able to answer the question, "how sure are we?" Good information is rewarded with a lower risk adjustment while poor information is not.

A number that does not sit still

The risk adjustment might be viewed as an amount that is calculated once a year and parked on the balance sheet. As claims settle and the uncertainty abates, the risk adjustment is released as a benefit into the insurer's results.

The pace of the release is also important to understand. For fast-settling claims, the risk adjustment and claims cash outflows move largely in tandem. For long-tailed claims this might not be the case as the element of uncertainty tends to persist well into the settlement period. In this case, a robust risk adjustment is one whose release will follow the long-tailed uncertainty inherent with the risk profile.

A measure of self-knowledge

The true value of what a risk adjustment represents might be overlooked by a cursory glance of the balance sheet. At its core it is a measure of how well an insurer knows itself. In many instances the risk adjustment is seen as a mechanical computation, however, the choice of claims data set, understanding of why these might differ, and the pace at which the risk margin is released incorporate elements of material management judgment applied. Finding mechanisms of effectively capturing this judgement can be seen as a key differentiator.

The risk adjustment warrants a closer look as it ultimately reflects the value an insurer has placed on being transparent about what it does not yet know.

If you have further interest in this topic, we have included a reference below for additional reading: Lin and Verrall (2010), Bootstrap estimation of the predictive distributions of reserves using paid and incurred claims (https://www.casact.org/abstract/bootstrap-estimation-predictive-distributions-reserves-using-paid-and-incurred-claims)





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Artificial intelligence: enabling a more adaptive and resilient insurance sector

Artificial Intelligence (AI) has moved from experimentation to everyday use across many facets of insurance operations, with insurers now applying AI across underwriting, claims handling, fraud detection, pricing, customer engagement and distribution.

These core activities determine not just how the business operates, but also how effectively the industry serves its policyholders and manages risk. As a result, AI is being increasingly used to determine who obtains cover, on what terms, if claims are valid and how quickly a claim is paid when a customer needs it most.

For insurers, the pertinent question is no longer whether to adopt AI, but how it is deployed and to what extent. This distinction matters as insurers are having to find innovative ways of remaining relevant to their customers, regulators and the wider communities they serve. Consequently, technology is not only an efficiency lever. It is also a means of securing one's presence. There is little doubt that AI will play a significant role in shaping that presence over the coming years.

Presence on its own, however, is not enough. AI adds value to an insurer only when its adoption is anchored to its purpose, aligned with the company's core values, customer outcomes and public accountability that justify an insurer's licence to operate. This article considers how insurers in South Africa and across Africa can use AI to strengthen relevance and resilience, while keeping its deployment responsible, well governed and aligned to the trust in which the industry is deeply anchored.

From efficiency to relevance

The early business case for AI in insurance rested almost entirely on cost and efficiency, such as faster processing, fewer manual steps and lower operating cost ratios. Those benefits are real and remain relevant and significant. However, treating AI purely as an efficiency play understates its strategic value and risks reducing its impact to a procurement decision.

A more meaningful perspective is to view AI as a catalyst for maintaining and enhancing relevance. Insurers operate under persistent economic pressure, rising claims complexity and an evolving risk environment, and they serve customers who now expect the immediacy and personalisation they experience in other sectors. Applied with purpose, AI can help insurers respond to these pressures.

It can price risk more accurately, anticipate emerging risks and interconnected risk factors simultaneously, settle claims faster, anticipate customer needs and extend cover to segments that have historically been underserved. Viewed through this lens, the value of AI lies less in reducing costs than in helping insurers remain relevant, responsive and meaningful to the people and communities they exist to protect.

The shift to operational and agentic AI

AI adoption in the insurance industry has progressed from isolated pilots to embedded systems that influence day-to-day decisions. One notable development is agentic AI, a class of systems that can reason, plan and act on their own within defined limits, rather than simply predicting outcomes or generating content. For insurers, this propels AI from passive analysis toward running whole workflows across underwriting, claims and servicing.

Industry data confirms this shift. Recent tracking of publicly disclosed AI deployments in the insurance industry found that 68% of deployments were generative or agentic, agentic systems accounted for roughly one in five, and disclosed deployments grew sharply year-on-year[1]. Market analyses expect this to continue, with a meaningful share of insurers planning to have agentic solutions in production in the near term[2].



…the value of AI lies less in reducing costs than in helping insurers remain relevant, responsive and meaningful to the people and communities they exist to protect

[1] https://events.newton.media/Agentic-and-Generative-AI-for-Insurance-USA
[2] https://insuretechtrends.com/5-ways-agentic-ai-is-transforming-insurance-underwriting-in-2026/

A similar trend is emerging locally. The KPMG 2025 South African insurance industry survey noted that AI had already delivered incremental gains through predictive analytics and automation, and that a new chapter was opening with agentic systems able to reason, plan and act[3]. For insurers across Africa, despite varying levels of digital and regulatory maturity, AI is increasingly becoming a foundational element of operational infrastructure rather than a peripheral experiment.

Customer centricity

If relevance is ultimately determined by the value an insurer delivers to customers, then customer centricity is where AI can most clearly demonstrate its purpose. Applied with care, AI enables insurers to move beyond reactive administration towards proactive, personalised and anticipatory engagement:



Faster, fairer claims: automation can classify claim severity, cross-reference policy data and route straightforward matters for quick settlement, leaving human judgement for complex or sensitive cases. Quick and fair settlement is one of the clearest tests of whether a customer will trust the insurer again.



Personalised cover and advice: AI can assist with tailoring products, pricing and guidance to individual circumstances, which supports more relevant, personalised offerings and better-informed customer decisions.



Proactive risk prevention: instead of only paying claims after the event, insurers can use AI-driven insights to warn customers of emerging risks, which turns the relationship into a partnership in managing risk.

This customer dimension carries particular weight in South Africa, where affordability pressures mean many consumers are paying more for less, and where the share of the population that is adequately insured is under strain[3]. Implemented with purpose, AI can contribute towards narrowing the protection gap through lower-cost servicing, simpler onboarding and product designs that extend meaningful cover to segments that were previously uninsured.

In this way AI supports not just commercial relevance but also the broader social relevance that underpins an insurer's role, presence and purpose within the communities it serves.

Underwriting and claims

Underwriting and claims are at the heart of the insurance value chain, making them the areas where AI's operational benefits are most readily apparent. Traditional underwriting leans heavily on static models, historical data and manual review, which slows policy issuance and can produce inconsistent decisions. AI supports a shift towards adaptive and data-led underwriting where insurers are now able to enrich data, assess risks earlier and issue accurate quotes more quickly, while underwriters move into roles as portfolio strategists and specialists in complex risk rather than processors of routine volume.

Early deployments of AI in claims processing highlight both its transformative potential and the importance of appropriate guardrails. One global insurer built an agentic claims system centered around specialised agents working together. This insurer reported that processing and settlement time for lower-complexity claims was reduced by up to 80%, while maintaining appropriate human oversight and full auditability and compliance[4]. While the benefits were significant, they were achieved within a framework that preserved human oversight, accountability and traceability throughout the process.

Fraud detection follows a similar pattern. AI can identify behavioural patterns and anomalies that traditional models may overlook, strengthening risk and fraud defences while preserving human judgement and oversight required for contestable or complex decisions.

ESG, climate and wider risk management

The relevance of AI extends beyond customer-facing functions, expanding into areas of risk and sustainability. Environmental, social and governance (ESG) considerations, and climate risk in particular, have shifted from peripheral concerns to strategic priorities for insurers, regulators and investors.

AI and advanced analytics can support these efforts in tangible and impactful ways.

[3] https://kpmg.com/za/en/industries/financial-services/Insurance/the-south-african-insurance-industry-survey-2025.html
[4] https://www.sprinklr.com/blog/agentic-ai-in-insurance/

They can model catastrophe exposure and physical climate risk, support scenario analysis, feed the Own Risk and Solvency Assessment (ORSA), and assist insurers with developing and monitoring climate-related metrics. This is of relevance to South African insurers, where the Prudential Authority's guidance on climate risk management sets clear expectations for insurers to develop and implement their approach to this risk[3]. Applied with discipline and rigour, AI can improve an insurer's ability to quantify, price and manage risks that are uncertain and often data scarce.

However, caution needs to be applied in that AI-driven risk insight is only as good as the data behind it. Biased, incomplete or unrepresentative data can worsen outcomes rather than improve them. Purpose in this context means combining analytical ambition with close attention to data integrity and model governance.

Responsible AI

The common thread running through these use cases is that AI delivers sustainable value only when it is trusted. Responsible AI should therefore not be viewed as a constraint on innovation, but rather as the foundation that enables AI to be deployed with confidence, purpose and impact. Drawing on established governance principles and leading industry frameworks, responsible AI in insurance rests on a familiar set of principles:



In South Africa, these principles are reinforced by the King V Report on Corporate Governance (King V)[5]. South Africa does not yet have a dedicated AI statute, however the principles set out in King V are of relevance to AI-enabled decision-making. Of particular relevance in King V is Principle 10 on data, information and technology.

Algorithmic pricing, automated underwriting and claims-triage systems are more than just technical tools; they require robust governance and oversight considering fairness, accountability and stakeholder trust. Consequently, AI oversight requires board responsibility to ensure that AI risks are appropriately identified, assessed, monitored and disclosed.

Regulatory compliance and the question of accountability

While AI-specific legislation is yet to emerge across much of Africa, existing regulatory frameworks provide the foundation for responsible AI use. In South Africa, the Protection of Personal Information Act (POPIA) governs the lawful processing of personal information and includes protection relating to automated decision-making. At the same time, The Financial Sector Conduct Authority's (FSCA) conduct and consumer protection requirements, alongside the Prudential Authority's focus on operational resilience and sound risk management, extend to insurers deploying AI technologies.

A particular challenge arises from the growing use of embedded AI within third-party core systems, fraud detection engines, CRM platforms and cloud services. Here the regulatory expectation is clear: accountability and responsibility for AI outcomes remains with the insurer and cannot be outsourced. South Africa's outsourcing and third-party risk management requirements apply equally to AI-enabled systems, requiring insurers to demonstrate effective oversight, auditability and assurance, even where the underlying models are proprietary or their decision-making logic is not fully transparent.

Insurers can also look to increasingly mature international frameworks for guidance. The European Union's AI Act adopts a risk-based approach, imposing enhanced obligations around transparency, documentation, bias management and human oversight for higher-risk applications, including insurance-related decision-making.

[5] https://cdn.ymaws.com/www.iodsa.co.za/resource/collection/927F0970-C1E9-4F30-803C-D74BF386A2B6/King_V_Code.pdf

The United Kingdom's principles-based approach focusses on safety, transparency, fairness, accountability and redress.

While neither framework is binding in South Africa, both are influencing evolving supervisory expectations and emerging standards of responsible AI governance. Insurers with cross-border operations or international stakeholders will increasingly need to consider these developments in their AI strategies and governance frameworks.

Practical imperatives for insurers

To translate these considerations into practice, insurers seeking to deploy AI responsibly and with purpose are encouraged to focus on the following foundational priorities:

1. **Establish clear accountability.** Boards and senior management should be ultimately accountable for AI-related risks and decisions, supported by clearly defined roles and responsibilities, model inventories and risk-classification frameworks.
2. **Build data discipline.** Invest in data quality, lineage and governance, recognising that responsible AI can only be achieved on a foundation of trusted, accurate and well-governed data.
3. **Design for transparency and oversight.** Maintain comprehensive decision records, implement fairness checks and apply human-in-the-loop controls for sensitive or contestable decisions, ensuring that AI-assisted outcomes are explainable, accountable and transparent to both customers and regulators.
4. **Govern third-party and embedded AI.** Extend governance, vendor oversight, contractual assurance and auditability requirements to AI capabilities sourced from third parties, ensuring that accountability, transparency and effective risk management remain intact regardless of where the technology originates.
5. **Invest in capability.** Build the data literacy, governance expertise and AI operational skills needed to enable meaningful oversight and informed challenge of AI systems across the organisation, including by boards and senior management.

None of these measures are intended to constrain innovation. Rather, they provide the foundation for transforming AI from a tool of operational efficiency into a source of sustainable competitive advantage. By reducing regulatory risk, strengthening governance and reinforcing customer trust, they enable insurers to scale AI in a responsibly, sustainable and impactful way.

Presence secured through purpose

While AI is reshaping how insurers assess risk, process claims and engage with customers, technology alone is not able to sustain long-term relevance. An insurer's enduring value is ultimately grounded in its purpose, reflected through responsible governance, fair customer outcomes and clear accountability.

For insurers in South Africa and across Africa, the opportunity is to view AI as a strategic, board-level capability rather than a technology trend to be adopted or applied for cost management purposes. Those insurers that successfully balance innovation with responsibility and build AI capability underscored by a foundation of trust, will be best positioned to remain relevant, resilient and purposeful in an increasingly dynamic environment.





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A scramble to insure against artificial intelligence risks

Are we fully comprehending the risks associated with the cultural zeitgeist of our generation, artificial intelligence (AI)? This is a question insurers are asking, not only in relation to their own AI use cases, but also from a product development perspective.

Is it possible to accurately underwrite AI risks? Spare a thought for the product development actuaries who are under pressure from management to be the first to go to market with an innovative product, whilst also being expected by their Chief Risk Officer to provide convincing responses to this question. How do you price for the cost of capital on a risk for which there is no experience?

By now the pressure to launch an AI insurance product is a weighty cloud. The pace of innovation in AI and the scramble for adoption by businesses is so frenetic that even traditional risk experts are finding it challenging to properly understand all characteristics of AI and the variety of AI models.

Who is hallucinating?

As recently as 2023 (remember ChatGPT was only released on 30 November 2022), the Cambridge Dictionary selected “hallucinate” as its word of the year. In spite of the chaos around the world, this was not due to a sudden increase in the global population experiencing a compelling sense of a false reality. Instead, it reflected a new reality - the tendency of AI models to potentially generate inaccurate, nonsensical or fabricated information and present it as though it were factual. Operational risks associated with AI can range from mildly embarrassing to potentially very costly. Some recent examples are set out below:

1. In January 2025, Virgin Money issued an apology after a customer was reprimanded by an AI-powered chatbot for using the word "virgin”[1].
2. In 2024, a tribunal mandated that Air Canada honour a discount that its customer support chatbot invented[2].
3. A part of the customer support bot used by courier organisation DPD (a United Kingdom parcel delivery company) was disabled after it cursed at clients and referred to its owner as the "worst delivery service company in the world”[3].
4. WestJet's chatbot mistakenly forwarded a customer a suicide prevention website link[4].

Model hallucination therefore presents a material risk to companies deploying an AI chatbot solution. In this case a general disclaimer may not offer a sufficient legal shield against claims of financial loss resulting from inaccurate information or advice. The legal exposure is further compounded when businesses fail to verify AI-generated outputs or neglect to disclose the involvement of AI in customer interactions. In such cases, liability may arise, particularly if consumers suffer harm based on misleading product advice. Given that the development of specific legislation tends to lag innovation, companies and individuals are left in the dark around how to navigate potential grey areas during the establishment of best practice and legal precedent. This exacerbates the challenge when implementing AI use cases and increases the demand for indemnity insurance cover related to the use of AI.

[1] Harris, L., & Heikkilä, M. (2025, May 11). Insurers launch cover for losses caused by AI chatbot errors. Financial Times. https://www.ft.com/content/1d35759f-f2a9-46c4-904b-4a78ccc027df?syn-25a6b1a6=1

[2] Yagoda, M. (2024, February 23). Airline held liable for its chatbot giving passenger bad advice – what this means for travellers. BBC. https://www.bbc.com/travel/article/20240222-air-canada-chatbot-misinformation-what-travellers-should-know

[3] Gerken, T. (2024, 01 19). DPD (a UK parcel delivery company) error caused chatbot to swear at customer. Retrieved from BBC: https://www.bbc.com/news/technology-68025677

[4] Anderson, D. (2018, September 25). WestJet's compassionate and confused chatbot sends happy customer to suicide prevention site. CBC. https://www.cbc.ca/news/canada/calgary/westjet-ai-chatbot-confusion-suicide-hotline-1.4836389

Can you insure something you don't fully understand?

It seems at least some market players have taken a view on the risk profile inherent to AI. A Lloyd's of London syndicate recently introduced a novel insurance product designed to address liability arising from AI-generated errors.

Developed by Armilla AI, the insurance policy provides coverage for legal costs and damages associated with defective AI performance, including model hallucinations and declining model accuracy. This progressive form of insurance represents a proactive measure for businesses seeking to mitigate the legal and reputational fallout associated with increased operational reliance on AI[5].

> Unless this is a hallucination of our own, we predict that it is only a matter of time before insurance products providing indemnity cover for AI associated risks will become mainstream in South Africa. In an environment where errors are an inherent aspect of AI systems, insurance may serve as a critical tool for managing, rather than evading, the associated risks of AI. Under these circumstances, it will be interesting to see who will be bold enough to be the first to bring such a product to the market.

The need for AI-related insurance is becoming increasingly evident as organisations face new operational risks arising from the use of AI models. Legal and reputational risks abound. It is likely that many current disclaimers attached to AI use cases may prove unenforceable in court or fail to deter costly litigation if a claim is lodged against a company that relied on an AI use case that went wrong.

Insurance presents a pragmatic mechanism for mitigating any form of model risk that results in loss of value. If adequately priced, it offers coverage for potential claims arising from AI deployment and consequential loss. One would expect typical terms and conditions in such policies, for example, a requirement for regular independent audits on AI models and other general responsible use criteria.

How would this differ from general indemnity insurance coverage?

AI language models, by their dynamic and often self-evolving nature, introduce new types of risks that may fall outside the scope of conventional technology errors and omissions (E&O) or indemnity cover. This presents a gap that insurers are only now beginning to confront.

As noted by the Chief Executive Officer of Armilla AI, Karthik Ramakrishnan, the introduction of their tailored insurance solution could accelerate AI adoption by addressing the operational concerns that have thus far deterred many businesses. This is achieved by integrating technical AI evaluation into the underwriting process, allowing the insurer to assess the specific performance and failure risks of an AI system to tailor coverage to the model, use case and deployment context.

For example, online transactions in South Africa are generally regulated under the Electronic Communications and Transactions Act (ECA), with the Consumer Protection Act (CPA) also remaining relevant in certain circumstances. Under the ECA, online vendors are obligated to ensure that consumers have clear access to all relevant terms and conditions. These provisions often define the point at which a transaction becomes binding, typically only upon the supplier's acceptance of the order[5]. Online vendors are currently not legally required to honour incorrect prices displayed on their websites, as such pricing is typically regarded as an invitation to transact rather than a binding offer.

This implies that if an AI-powered chatbot communicates an incorrect price, clear disclaimers and transparency measures may serve to limit or exclude liability. However, it may also be contended that the chatbot functions as an extension of the company, thereby exposing the business to potential accountability, particularly in light of precedents such as the Air Canada case.

While South Africa currently lacks comprehensive AI-specific regulation, factors such as the degree of control a company exercises over its AI systems, efforts to ensure accuracy, transparency and data protection, as well as the extent of any harm suffered by the consumer, are likely to influence determinations of liability in a court of law.

[5] Christophers, N. (2025). Incorrect pricing by online suppliers – How important are those pesky T's & C's? Tomlinson Mnguni James. https://tmj.co.za/News/Read/100159

Hypothetically, if a consumer relies on inaccurate product advice provided by an AI chatbot and incurs financial loss, the company may face liability for failing to verify the chatbot's response or disclose that the interaction involved AI.

In addition, if any professional relies on AI to apply judgement which results in financial loss to their client, would their existing professional indemnity product provide sufficient cover? To mitigate such risks, businesses should implement clear internal policies, maintain appropriate human oversight, ensure regulatory compliance, disclose the use of AI and educate both employees and customers on the limitations of AI-generated outputs. It is worth noting that the legal status of AI language models in customer service remains unsettled, with considerable uncertainty as the regulatory landscape continues to evolve[6].

In particular, questions remain around whether AI-generated communications may constitute representations made and where liability rests if those communications are inaccurate or misleading. There is also ongoing uncertainty around the extent to which existing conduct, disclosure and consumer-protection requirements apply to interactions delivered through AI systems.

Prompting all South African insurers

As AI tools progressively evolve from generative to agentic systems, the risks associated with autonomous decision-making will grow in both scale and complexity, especially when integrated into customer facing and commercial service offerings.

A question remains around to what extent existing policies or traditional disclaimers may offer protection against this risk, prompting a growing need for insurance frameworks tailored to AI-driven interactions.

> **Will South African insurers move quickly enough to seize this opportunity?**

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Navigating the evolving tax landscape for life insurance companies: insights from the application of IFRS 17

Introduction and background

With *IFRS 17 Insurance Contracts* (IFRS 17 or the standard) effective since 1 January 2023, life insurers have had more than three years to embed the standard into their financial reporting and tax processes. Based on our recent experience across a range of life insurance companies, we continue to observe tax application complexities.

Importantly, these complexities arise primarily from accounting and actuarial considerations rather than tax matters, yet they have significant tax implications for the determination of taxable income.

In this article we share our observations on these practical challenges and encourage insurers to reflect on whether similar circumstances may exist within their own organisations. Where relevant, insurers should evaluate whether amendments to previously submitted income tax returns may be required.

We also address a broader technical issue relating to the attribution of deferred tax liabilities arising within policyholder funds, an area that carries both conceptual complexity and meaningful pricing implications under IFRS 17.

Tax implications of prior period errors

As insurers continue to embed IFRS 17 into their business-as-usual processes, prior period errors in the application of the standard continue to be identified. The following sections outline the issues we observed and discuss the associated tax implications.

Restatement of IFRS 17 balances and the impact on section 29A phase-in calculations

Section 29A(15) of the Income Tax Act (the **Act**) provides for a six-year phasing-in mechanism to manage the tax impact of the transition from *IFRS 4 Insurance Contracts* to IFRS 17. The phase-in amount is calculated with reference to the IFRS 17 balances as at 31 December 2022, being the opening balance at the date of transition. Where an insurer subsequently identifies material accounting or actuarial errors in IFRS 17 transition opening balances, a retrospective restatement may be required.

Set out below are examples of accounting errors that were observed that gave rise to transition and other tax implications:

Insurance cash flows classification errors

Amounts related to premium adjustments were incorrectly classified as commission expense. This affected the recognition of insurance revenue and the measurement of the liability for remaining coverage under IFRS 17.

The distinction of these amounts is more than a matter of presentation. Premiums and commission expense represent different components of insurance contract cash flows, and their classification determines how they are processed in the accounting calculation. An incorrect accounting classification can therefore flow through to the balances used in the tax calculation.

In the instance observed, the correction did not affect the IFRS 17 transition tax phase-in amount. It did, however, affect the interfund transfer calculation and consequently the tax position. This highlights the need to assess the transition and ongoing tax consequences separately as an unchanged transition phase-in amount does not necessarily mean that an accounting correction has no tax implications.

This observation reinforces the importance of reviewing how underlying transactions are mapped to IFRS 17 cash flow categories and subsequently reflected in the tax calculation. Insurers should consider whether amounts recorded as premium adjustments include commission or other expense items and vice versa, and whether corrections have been assessed jointly by the finance, actuarial and tax teams.

Unrecognised reinsurance debtors and premium debtor restatements

Section 29A(15) of the Act requires, among other items, an adjustment for premium or reinsurance debtor balances as reported in the financial statements in determining the transition phase-in amount. What is important to note is that only premium or reinsurance debtor balances accounted for under IFRS 17, and not those accounted for under IFRS 9 Financial Instruments, are included in the determination of the transition phase-in amount.

We observed instances where certain reinsurance debtor balances were in error not recognised as part of the IFRS 17 transition balances for accounting purposes, with insurers subsequently restating the IFRS 17 transition balances for the correction of this error. The correction of the prior period accounting error affected the IFRS 17 transition tax phase-in amount and resulted in a tax adjustment.

Loss recovery adjustments

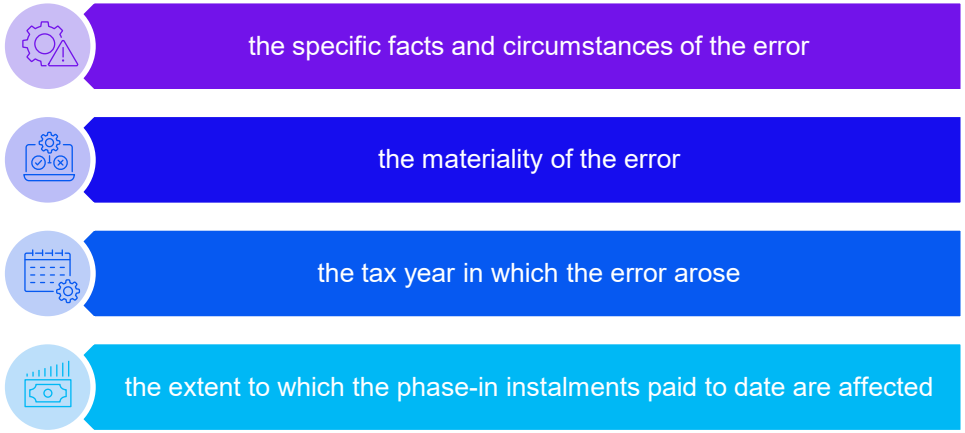
IFRS 17 requires insurers to account for the loss recovery component related to reinsurance contracts held when the applicable recognition conditions are met for losses on underlying onerous insurance contracts. The loss recovery component represents the insurer's right to recover losses from a reinsurer.

We observed instances where insurers had not appropriately accounted for the loss recovery impact for both accounting and tax purposes related to current and prior accounting periods. Depending on the nature of the error, this can affect both the carrying amount of reinsurance contracts held and the amount and timing of income recognised. For example, omitting the required loss recovery adjustment may result in the insurer recognising the loss on the underlying onerous contracts without recognising the corresponding reinsurance recovery. Conversely, overstating the recoverable may overstate the net reinsurance position.

The correction of such an error may result in material restatements to insurance and reinsurance contract balances across different lines of business or divisions.

Some of these restatements directly impacted the phase-in amount calculated at transition in terms of section 29A(15), which may already have been audited and submitted to SARS.

In circumstances where the restatement results in a material change to the IFRS 17 transition phase-in amount, insurers will need to consider whether the restated amount can be reflected in the current year's tax computation or whether the affected tax returns will need to be reopened and resubmitted to SARS. This determination is often complex and will depend on several factors, including:



Consideration will also need to be given to whether a voluntary disclosure programme (**VDP**) application should be prepared and submitted to SARS to mitigate potential penalties.

Considerations for insurers

The observations noted above share a common thread: while they originate from the implementation and accounting application of IFRS 17, they carry material and complex tax consequences. Insurers are encouraged to consider whether any of the above issues may be present in their own organisations.

Insurers that have identified, or may potentially be affected by, restatements to their IFRS 17 transition balances are encouraged to carefully assess the downstream tax implications and engage with their tax advisors to determine the appropriate course of action.

Deferred tax liabilities in policyholder funds: attribution and pricing implications

A further area of complexity relates to the treatment and attribution of deferred tax liabilities (DTLs) that arise in connection with policyholder funds. The correct attribution of these DTLs, whether to a specific policyholder fund or the corporate fund, has both technical and commercial consequences, particularly in the context of IFRS 17 and the pricing of investment-linked insurance products.

How DTLs arise in policyholder funds

DTLs within the context of policyholder funds arise from a variety of sources. Understanding the origin of a DTL is important in determining the appropriate fund to which it should be attributed. Common sources of DTLs in connection with policyholder funds include:

- deferred capital gains tax (CGT) liabilities arising from the appreciation of assets within policyholder funds, where a difference exists between the accounting carrying value and the tax base of those assets.
- taxable temporary differences arising from specific tax adjustments, including unexpired transition phase-in amounts and deferred acquisition costs.
- DTLs raised on deferred tax assets (DTAs) that exist within a policyholder fund, a nuanced area discussed further on the right.

Each of these sources of DTLs must be carefully assessed to determine its nature and the fund to which it belongs for both financial reporting and tax purposes.

Fund attribution: policyholder fund versus corporate fund

A question that has received increasing attention is whether a DTL that arises in connection with a policyholder fund necessarily belongs to that policyholder fund, or whether it should be attributed to the corporate fund. This question is important as differing tax rates apply to policyholder funds and the corporate fund, and the attribution of a DTL affects both the quantum of tax recognised and the timing of tax payments.

There have been instances identified where certain DTLs that initially appear to have arisen from policyholder funds have in fact arisen from the corporate fund. An example of this is the DTL raised on a DTA that emanates from a policyholder fund. The DTL in this instance does not arise from the underlying policyholder business, but rather from the computational mechanics of how that DTA interacts with the transfer tax calculation, explained further below.

Under the balance sheet method applied to calculate transfer tax in terms of section 29A of the Act, the tax balance sheet of a policyholder fund differs from its accounting balance sheet. Specifically, certain assets that are recognised on the accounting balance sheet of a policyholder fund (such as a DTA) are disregarded for purposes of the tax balance sheet used in the transfer tax calculation under section 29A(16). The disregarded DTA creates a difference between the accounting and tax balance sheets. Disregarding the DTA reduces the value of the assets taken into account in the transfer tax calculation. All else being equal, this reduces the surplus transferable to the corporate fund, and therefore the current transfer tax liability, where a taxable transfer would otherwise arise.

This benefit is temporary. As the DTA unwinds, the policyholder pays less tax. The resulting cash saving is reflected in assets included in the transfer calculation, whereas the DTA was excluded. To the extent that this increases the taxable transfer to the corporate fund, the earlier transfer tax benefit reverses. The DTL recognises this expected future corporate fund tax consequence.

For example, assuming sufficient taxable transfers and no offsetting adjustments, excluding a DTA of R100 reduces current transfer tax by R27 (R100 x 27%). If recovery of that DTA subsequently increases taxable transfers by R100, the corresponding future transfer tax is R27. The corporate fund DTL therefore reflects the future reversal of the current transfer tax saving of R27.

This principle is consistent across different types of balances. Transfer tax is a corporate fund tax. As a result, DTLs that arise as a consequence of the mechanics of the transfer tax calculation, rather than from underlying policyholder transactions, are required to be attributed to the corporate fund.

A further nuance arises where unutilised credits are carried forward in the interfund transfer calculation. Their origin, availability and expected utilisation should be reconciled separately from assessed losses within the policyholder fund. To the extent that these credits reduce future taxable transfers to the corporate fund, the associated tax benefit relates to the corporate fund.

Insurers are encouraged to ensure that the deferred tax workings correctly identify and classify such items, and the related tax expense is appropriately allocated in the financial statements.

IFRS 17 measurement and unit pricing implications

The attribution of DTLs can affect IFRS 17 measurement and, where tax adjustments feed into policyholder values, the pricing of unit-linked products. These are related but separate processes.

For unit- or investment-linked products, policyholder benefits are linked to the value of specified investments, after taking into account charges and tax adjustments permitted by the contract. A tax provision included in the unit price reduces the amount payable to the policyholder. If a corporate fund tax item is incorrectly deducted in that calculation, policyholders may bear a charge that does not belong in their benefit calculation.

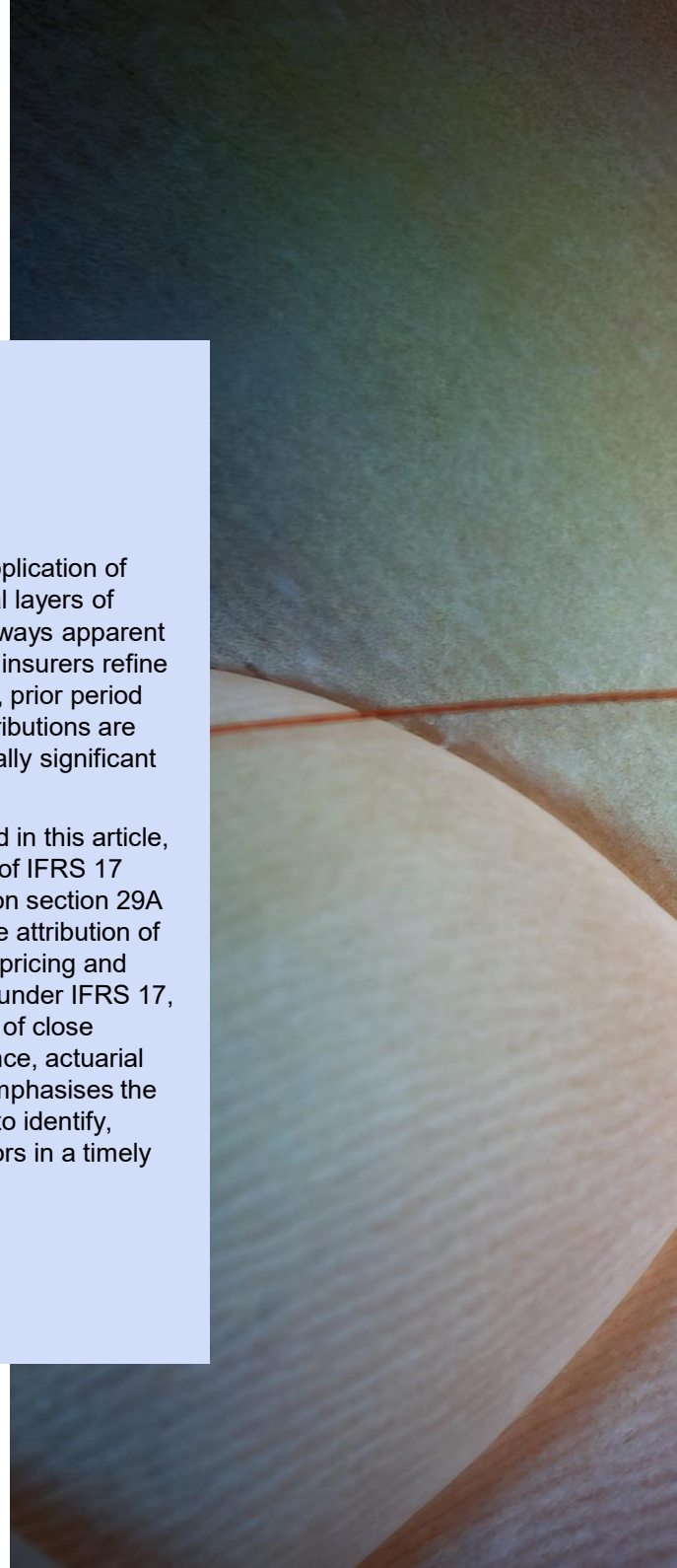
Under IFRS 17, insurers are required to reflect all cash flows that are expected to arise from the insurance contract in the measurement of insurance contract balances, including tax-related cash flows. Where a corporate fund DTL is incorrectly treated as a policyholder tax charge this may distort the modelled policyholder benefits and related insurance contract balance.

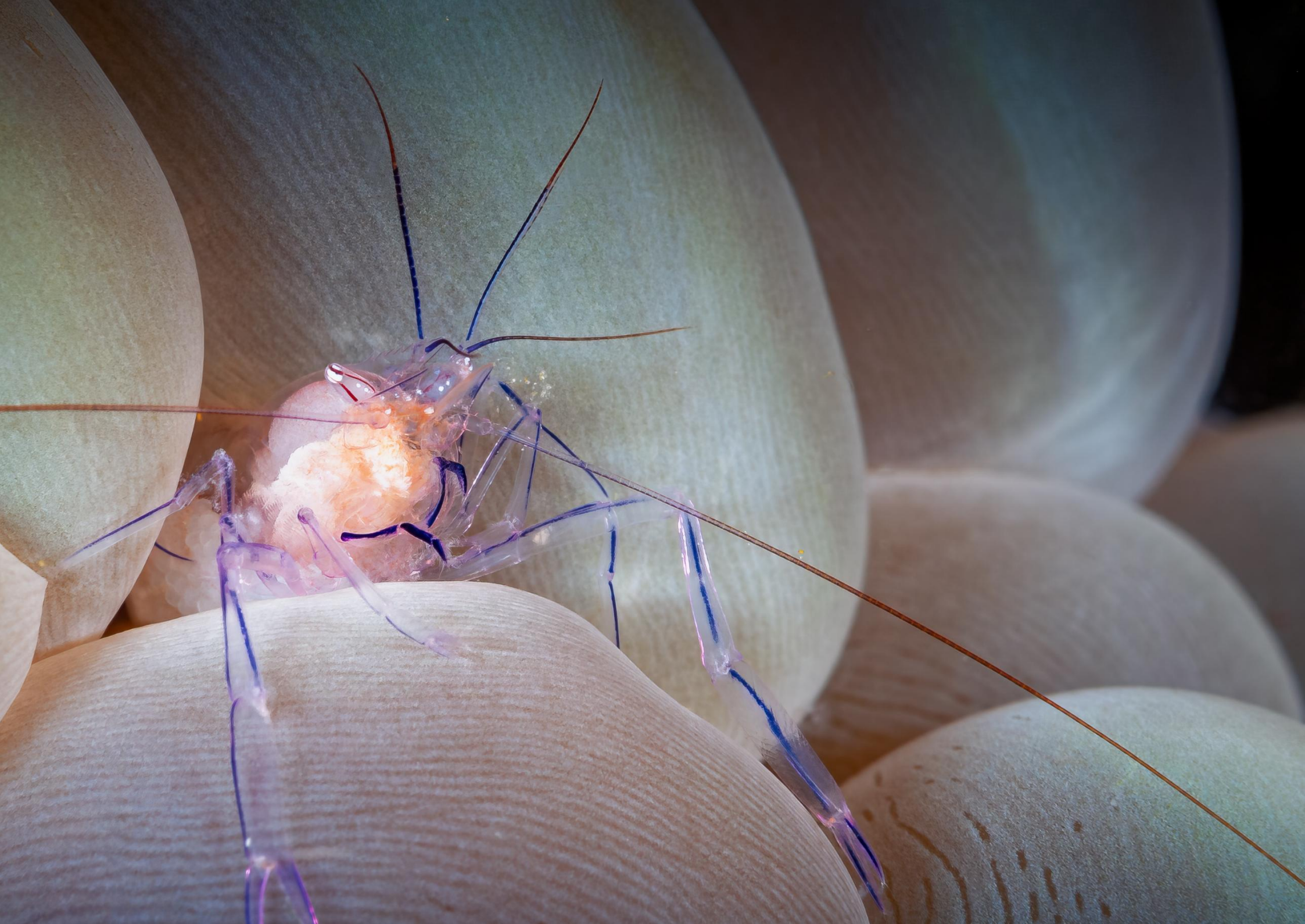
Insurers offering unit- or investment-linked products are encouraged to carefully consider whether their current treatment of DTLs across funds is consistent with the principles described above, and whether their IFRS 17 models and unit pricing calculations accurately reflect the timing and quantum of the related tax consequences.

Conclusion

The implementation and application of IFRS 17 continues to reveal layers of complexity that were not always apparent at the time of transition. As insurers refine their accounting processes, prior period errors and technical misattributions are coming to light with potentially significant tax consequences.

The observations discussed in this article, ranging from restatements of IFRS 17 balances and their impact on section 29A phase-in calculations, to the attribution of DTLs and the downstream pricing and measurement implications under IFRS 17, underscore the importance of close collaboration between finance, actuarial and tax functions. It also emphasises the need for robust processes to identify, quantify and remediate errors in a timely manner.







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Floating rate notes: a safe haven or an overlooked risk?

A floating rate note (FRN) is a bond or debt security with an interest rate that changes based on a benchmark index[1]. These instruments play an important role in many insurers' investment portfolios as they offer higher returns than those offered by cash holdings, with lower interest rate risk exposure compared to ordinary fixed interest bonds. As a result, FRNs can be a valuable component for insurers to consider as part of their asset-liability matching (ALM) strategy.

Globally, there is increased focus on the effectiveness of liquidity management during stress events. Consequently, it is becoming increasingly important to understand the risks introduced by these instruments, particularly in stressed scenarios. This is in addition to the requirement to quantify these risks in the market risk component of the solvency capital requirement (SCR). However, not all sources of FRN-related risk exposures are being considered by South African insurers.

The Proposed Guidance Notice, Guidance on liquidity risk management for insurers[2] (guidance note), published by the Prudential Authority in May 2024, highlights the importance of risk mitigation using liquid investments as a source of contingent funding:

> "Liquidity risk is the risk that an insurer, although solvent, will not be able to meet its financial obligations as and when they fall due or without incurring significant unexpected costs. Liquidity is fundamentally different from solvency in that while both are essential to an insurer in remaining as a going concern, liquidity has a "realtime" dimension that solvency may not have … Insufficient liquidity can cause failure in insurers that are otherwise solvent ... Liquidity risk is not mitigated through capital holding; it is mitigated through investment in liquid assets and having contingent funding sources in place."

FRNs are often considered to be high-quality liquid assets which help manage liquidity risk exposures as described above.

However, it is important to understand the extent to which these instruments can do so. An inaccurate understanding of FRN risk exposures may result in liquidity risk exposures being incorrectly assessed under stressed conditions. Therefore, it is important to accurately assess risk exposures presented by FRNs.

This is more specifically in relation to the liquidity risk passed on to policyholders where benefits are directly linked to the realised underlying value of FRNs, and the residual liquidity risk is absorbed by shareholders where FRNs that form part of assets backing a guaranteed product liability.

FRNs

FRNs, or floaters, are debt security instruments typically issued by corporates, generally with maturities of five years or less that pay interest at regular, often quarterly intervals (coupons). Coupon payments are determined one payment period in advance with reference to a specified floating rate. With the transition from JIBAR to ZARONIA[3], FRN coupons are expected to be generally referenced to ZARONIA. In addition, FRN coupons also comprise a contractual spread or "margin" (determined by the issuer's credit rating), specified as basis points (bps) with reference to the notional value of the bond.

This spread is specified upfront and fixed throughout the term of the FRN. It may, for example, be specified as "140 bps to be added to the relevant reference rate". On the final payment date the notional value, which is not linked to a floating rate, is repaid.

The table presented on the next page demonstrates an example of the cashflows arising from an FRN.

[1] https://www.investopedia.com/terms/f/floater.asp

[2] https://www.resbank.co.za/content/dam/sarb/publications/prudential-authority/pa-documents-issued-for-consultation/2024/proposed-guidance-notice/Proposed%20guidance%20notice%20on%20Liquidity%20risk%20management%20for%20insurers.pdf

[3] The South African Rand Overnight Index Average (ZARONIA) reflects the interest rate at which rand-denominated overnight wholesale funds are obtained by commercial banks. It is based on actual transactions and calculated as a trimmed, volume-weighted mean of interest rates paid on eligible unsecured overnight deposits.

An insurer purchases a 3-year FRN on 1 March 2025 with a spread of 150 bps, a notional amount of R100 and coupons paid annually.

Date	Reference rate	Total Cashflow (R) [X + Y +Z]	Coupon portion i.r.o. reference rate (R) [X]	Coupon portion i.r.o. spread (R) [Y]	Notional repayment (R) [Z]
01/03/2025	4%				
01/03/2026	5%	5.5	4 (R100 x 4%)	1.5 (R100 x 1.5%)	
01/03/2027	6%	6.5	5 (R100 x 5%)	1.5 (R100 x 1.5%)	
01/03/2028	5%	107.5	6 (R100 x 6%)	1.5 (R100 x 1.5%)	100

Using FRNs as part of ALM strategy management presents the following advantages:

Interest rate risk may be reduced because FRN coupon payments are reset periodically, reducing duration mismatch.

Price volatility may be reduced due to the lower interest rate duration, whereby insurers are able to better maintain capital stability.

Regular resetting of coupon payments provides a natural hedge against interest-rate based liabilities.

However, it is important to understand the range of risk considerations associated with these instruments.

Interest rate risk considerations

Given that only the next coupon can be determined with certainty, there is a common misconception that interest rate risk is limited to this coupon and that it is the only cash flow that needs to be shocked. However, this concept needs to be further explored.

For readers interested in the mathematical principles underlying cash flow discounting, an overview of the relevant formulae and their derivations is provided below. However, the accompanying results and scenario analysis can be understood without in depth knowledge of the underlying mathematics.

Mathematically, the present value (PV) of an FRN is formulated as follows:

$$PV = \sum_{j=1}^{n} CF(t_j) \cdot V_{t_j}$$

This formula is referred to as “the intuitive formula”.

The following notations are relevant:

n is the total number of time points at which cashflows arise

$CF(tj)$ is the cashflow arising at tj

tj is the date at which the j[th] cashflow arises (this allows for non-regular cashflows)

Vtj is the discount factor that applies from time point j to present

S is the spread expressed as a fraction or percentage (e.g. 1.5%)

Using algebraic manipulation and the assumption that coupon payments will be determined using the forward rate, this can be expressed in the following formulae which are mathematically identical to the one above:

$$PV = [N + CF(t_1)] \cdot V_{t_1} + NS \sum_{j=2}^{n} V_{t_j}$$

$PV = N \cdot V_{t_1} + CF(t_1) \cdot V_{t_1} + NS \sum_{j=2}^{n} V_{t_j}$ These formulae are referred to as the "non-intuitive formula" since the derivation is purely algebraic but the result it presents is not immediately intuitive.

Note: the second formulation takes the form of PV = a + b + c (i.e. it has three terms).

This is referred to as the "non-intuitive formula", since the derivation is purely algebraic but the result it presents is not immediately intuitive.

Allowing for the full interest rate risk on an FRN

The formulae presented above indicates that a floating rate note can be separated into three distinct components:

a) The present value of the notional amount if it were payable at the next coupon date.

b) The present value of the coupon payment due at the next coupon date.

c) A residual component equivalent to a bond that pays only the contractual spread as coupon payments, without any redemption of principal at maturity.

If the common misconception that only the first coupon needs to be stressed is applied, the following risks arise:

Component (a), the largest source of interest rate risk, is ignored entirely resulting in an understatement of interest rate risk exposure.

Component (b) is incorrectly assumed to be the primary source of interest rate risk.

Interest rate risk in respect of component (c) is incorrectly assumed to be substantially lower than it should be, particularly relating to bonds with higher spreads, longer durations and higher and more volatile short-term interest rates.

In summary, assuming that interest rate risk is only prevalent in component (b) understates the full extent of interest rate risk exposure. In the sections that follow we evaluate how significant the extent of this understatement could be.

Scenario analysis under a theoretical lens

The guidance note referenced above contains a section specifically focused on stress testing which encourages insurers to apply stress testing in a robust manner and ensure that it appropriately reflects the distinctive features of the underlying assets.

The table below sets out five scenarios for five-year FRNs with annual coupon payments and a notional value of R1 000. The risk-free rate is assumed to be a flat rate. These scenarios demonstrate the impact of interest rates and the spread on the components that make up the change in value of the FRN.

The first three rows specify the assumptions made, e.g. for scenario 2, a base interest rate of 10%, a shocked interest rate of 6% and a spread of 1.5% are assumed. The fourth row is the PV of the instrument before the interest rate shock, while the fifth row is the PV of the instrument after the interest rate shock. The total change in PV is the difference between the PV of the instrument under the flat interest rate reflected in the first row (interest rate) and the shocked flat interest rate reflected in the second row (shocked interest rate).

Scenario	1	2	3	4	5
Interest rate	10.0%	10.0%	10.0%	8.0%	8.0%
Shocked interest rate	15.0%	6.0%	15.0%	8.5%	6.0%
Spread	1.5%	1.5%	0.0%	1.5%	1.5%
Pre-shock PV	1 057	1 057	1 000	1 060	1 060
Post-shock PV	1 007	1 101	957	1 055	1 082
Total change in PV	-4.7%	4.2%	-4.3%	-0.5%	2.1%

Consider scenario 1 set out above: an FRN paying annual coupons for a period of five years, with a notional value of R1 000 and a spread of 150 bps. The risk-free rate is assumed to be a flat rate of 10% for the next five years. The first coupon is set at R100 (the floating rate is currently 10%). The PV of this FRN is calculated at R1 057[4] using either of the formulae set out above. If the flat risk-free interest rate were to change to 15%, the PV of the FRN would reduce to R1 007[5], representing a 4.7% reduction in the PV due to the observed interest rate shocks.

A fixed coupon bond with identical characteristics will yield a PV, if the interest rate is a flat rate, of R1 000[6]. If the interest rate were shocked at a flat rate of 15%, this PV would reduce to R832[7]. This represents a decrease of 16.8% in the PV. From this analysis it is evident that FRNs provide reduced exposure to the interest rate risk.

In fact, in all the above scenarios the impact due to interest rate fluctuations is fairly muted, never exceeding an absolute change in value of 5% in the shocked PV. The question that now arises is how this differs to the impact if it is assumed that interest rate risk only arises from the next coupon, as discussed earlier in this article.

If we consider the effect of only considering the next coupon payment in the first scenario referenced on the left, then the change in present value of the FRN is recorded as a decrease of R4.55[8] on an initial PV of R1 057. Thus the 0.43% reduction in the PV that is attributable to the coupon being shocked over a single period significantly understates the risk that the insurer is truly exposed to, being a reduction of 4.7%. In fact, in this instance it is equal to only 9% (0.43%/4.7%) of the total risk exposure, implying the other 91% of the risk has not been considered.

The information presented in the table below relates to the same scenarios presented in the table on the left. This table reflects the quantification of the change in PV, reflecting the change in interest rate risk exposure in respect of the three components of an FRN: contractual spread, initial coupon and notional amount. The rows reflect the proportion of the change attributed to each FRN component.

Scenario	1	2	3	4	5
Change attributable to change in PV of contractual spread (c)	12%	13%	0%	13%	14%
Change attributable to change in PV of initial coupon (b)	9%	9%	9%	8%	7%
Change attributable to change in PV of notional amount (a)	79%	78%	91%	79%	79%

If the shock of only the first coupon is quantified and assessed, interest rate risk can be understated by as much as 93%[9]. These results demonstrate and reiterate that the change in the PV of the contractual spread and notional amount is significant across a range of scenarios.

[4] Detailed calculations shown in Appendix A – calculation 1.1
[5] Detailed calculations shown in Appendix A – calculation 1.2
[6] Detailed calculations shown in Appendix A – calculation 2.1
[7] Detailed calculations shown in Appendix A – calculation 2.2
[8] Detailed calculations shown in Appendix A – calculation 3
[9] For scenario 5, only 7% of the total change in value is attributable to the change in the PV of the initial coupon, with 93% not captured by the change in the PV of the contractual spread and notional amount.

Observed market example

While a theoretical framework will never be able to capture all the components of a dynamic market, it should at least accurately reflect the more important dynamics. To compare the theoretical aspects of the shocks that have been considered above to actual market movements, an FRN issued by Absa Bank Limited (ISIN ZAG000191867) has been considered.

Over the period from 13 September 2024 to 28 October 2024, the 3-month JIBAR rate reduced from 8.23% to 8.02% and the repo rate reduced from 8.25% to 8.00%. Over the same period, the bid price of the instrument rose by 0.41%. The theoretical model, i.e. discounting of cashflows as shown above, suggested that the interest rate change should have led to a 1.02% increase in the price of the instrument (2.5 times larger than what was observed). Considering only the coupon payment, the theoretical model suggested that the price should have increased by only 0.013% (16 times smaller than what was observed).

Using only the coupon payment as a stress would have understated the stress to be only 6% of the actual realised change in value. It should be noted that significant economic changes occurred over this period and market prices are ultimately determined by supply and demand dynamics. Consequently, a theoretical valuation based on an unchanged yield to maturity is likely to overestimate the market price.

Conclusion

FRNs are high yield, short term instruments that are less sensitive to interest rate changes than traditional bonds. While FRNs offer increased resilience against interest rate movements, it is crucial for insurers to understand underlying risks and sensitivities associated with these instruments.

Shocking only the first coupon of an FRN does not capture the instrument's full exposure to interest rate risk. For both solvency calculations (such as SAM in South Africa or Solvency II in Europe) as well as internal capital management functions, the full range of cashflows should be shocked to ensure the risk of a change in interest rates is adequately captured.

Failure to adequately capture this risk may result in understated capital requirements and liquidity shortfall estimates, potentially providing a misleading view to regulators, executive management and users of financial statements.

Balance sheet management and liquidity planning are critical for insurers. While instruments such as FRNs can assist in managing these risks while providing attractive returns, it is essential that the associated risks are properly understood and effectively managed.

Appendix A: calculations

Calculation 1.1: 5-year FRN, 10% interest rate, 150 bps spread

Using the intuitive formula:

j	$CF(t_j)$	V_{t_j}	$CF(t_j) \cdot V_{t_j}$
1	115	0.91	104.5
2	115	0.83	95.0
3	115	0.75	86.4
4	115	0.68	78.5
5	1115	0.62	692.3
$\sum_{j=1}^{n} CF(t_j) \cdot V_{t_j}$			**1 056.9**

Rounded = 1 057

Using the non-intuitive formula:

j	NS	V_{t_j}	$NS \cdot V_{t_j}$
2	15	0.83	12.4
3	15	0.75	11.3
4	15	0.68	10.2
5	15	0.62	9.3
$NS \sum_{j=2}^{n} V_{t_j}$			43.23

N	$CF(t_1)$	V_{t_1}	$[N + CF(t_1)] \cdot V_{t_1}$
1000	115	0.91	1 013.64

$[N + CF(t_1)] \cdot V_{t_1} + NS \sum_{j=2}^{n} V_{t_j}$ = 43.23 + 1013.64 = **1 056.9**

Rounded = 1 057

Calculation 1.2: 5-year FRN, 10% pre-shock interest rate, 15% post-shock interest rate, 150 bps spread

Using the intuitive formula:

j	$CF(t_j)$	V_{t_j}	$CF(t_j) \cdot V_{t_j}$
1	115	0.91	100.0
2	165	0.83	124.8
3	165	0.75	108.5
4	165	0.68	94.3
5	1165	0.62	579.2
$\sum_{j=1}^{n} CF(t_j) \cdot V_{t_j}$			**1 006.8**

Rounded = 1 007

Using the non-intuitive formula:

j	NS	V_{t_j}	$NS \cdot V_{t_j}$
2	15	0.76	11.3
3	15	0.66	9.9
4	15	0.57	8.6
5	15	0.50	7.5
$NS \sum_{j=2}^{n} V_{t_j}$			37.24

N	$CF(t_1)$	V_{t_1}	$[N + CF(t_1)] \cdot V_{t_1}$
1000	115	0.87	969.57

$[N + CF(t_1)] \cdot V_{t_1} + NS \sum_{j=2}^{n} V_{t_j}$ = 37.24 + 969.57 = **1 006.8**

Rounded = 1 007

(1006.8 – 1056.9)/1056.9 = **-4.7%**

Calculation 2.1: 5-year fixed interest bond, 10% coupon rate, 10% interest rate

j	$CF(t_j)$	V_{t_j}	$CF(t_j) \cdot V_{t_j}$
1	100	0.91	90.9
2	100	0.83	82.6
3	100	0.75	75.1
4	100	0.68	68.3
5	1100	0.62	683.0
$\sum_{j=1}^{n} CF(t_j) \cdot V_{t_j}$			**1 000**

Calculation 2.2: 5-year fixed interest bond, 10% coupon rate, 15% interest rate

j	$CF(t_j)$	V_{t_j}	$CF(t_j) \cdot V_{t_j}$
1	100	0.87	87.0
2	100	0.76	75.6
3	100	0.66	65.8
4	100	0.57	57.2
5	1100	0.50	546.9
$\sum_{j=1}^{n} CF(t_j) \cdot V_{t_j}$			**832.4**

(832.4 – 1000)/1000 = **-16.8%**

Calculation 3: Single coupon shock – 5-year FRN, 10% pre-shock interest rate, 15% post-shock interest rate, 150 bps spread

Scenario	First coupon	V_{t_1}	Product
Unshocked	115	0.91	104.55
Shocked	115	0.87	100

Difference = 100 – 104.55 = -4.55

-4.55 / 1056.9 = -0.43%







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From frameworks to insight: the next phase of enterprise risk management in the insurance industry

The current state of enterprise risk management (ERM) maturity

Across the insurance industry, ERM frameworks have reached a broadly mature level of structural development. Most insurers have well-established governance structures, formalised risk appetites and defined processes for identifying, assessing and monitoring risk. However, many insurers overestimate the maturity of their ERM capabilities, largely because maturity is still being assessed through the lens of framework existence rather than decision integration.

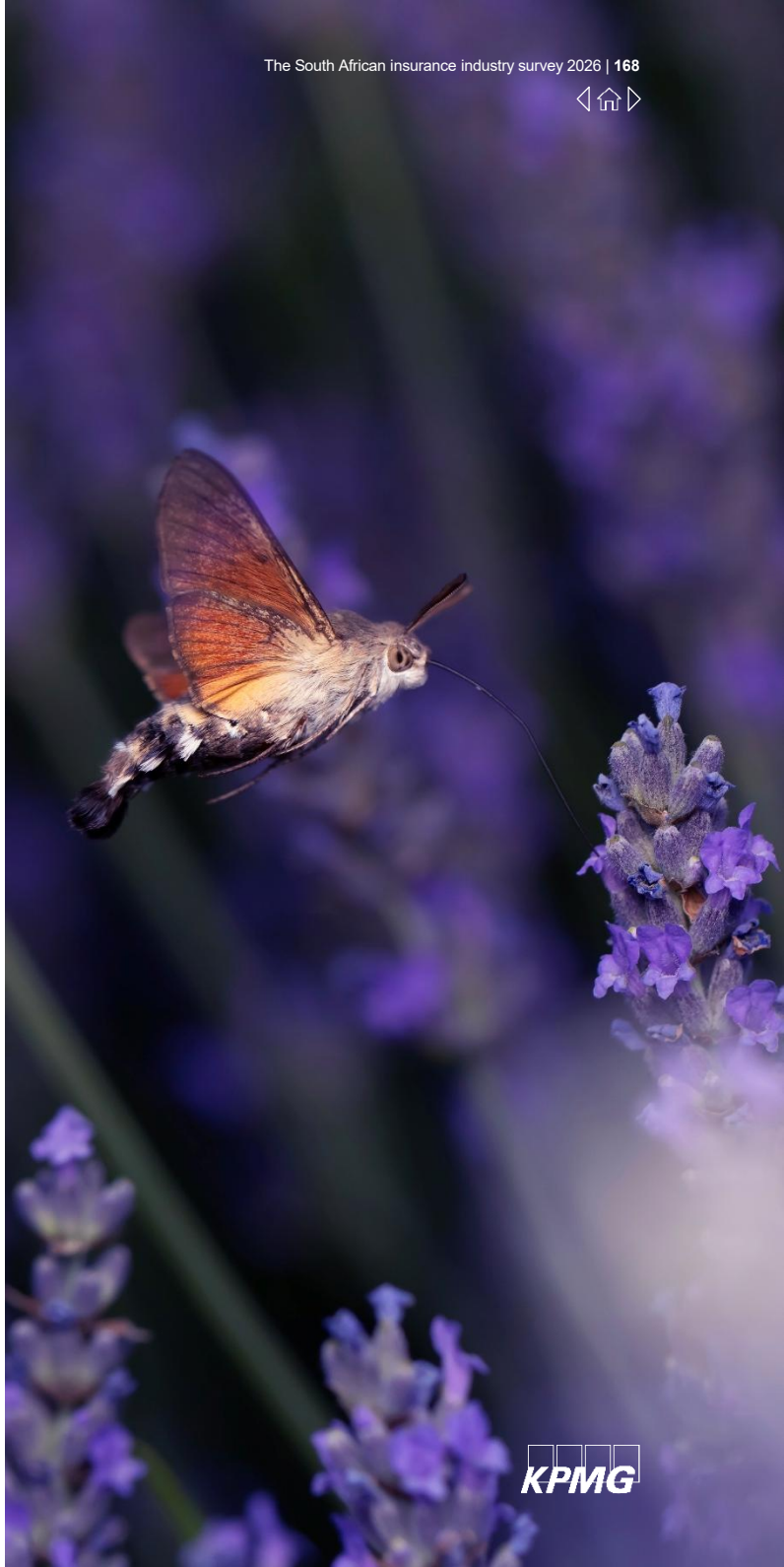
Maturity assessments across insurers typically indicate ‘Defined’ to ‘Managed’ levels in governance, regulatory compliance and capital management. Board oversight is well embedded, supported by risk committees and Chief Risk Officers who maintain strong engagement with executive and board-level decision-making.

At an operational level, insurers have implemented enterprise risk registers and structured quantitative methodologies, including scenario analysis and stress testing, often anchored in regulatory processes such as the Own Risk and Solvency Assessment (ORSA). These capabilities are particularly well developed in the insurance sector and provide a strong technical foundation for risk quantification and capital assessment.

However, the real constraint is not framework design, but decision integration. While ERM structures are robust, there is room for maturity and opportunity as it relates to their influence on day-to-day and forward-looking strategic decision-making. In many organisations, ERM continues to operate more effectively as a reporting and compliance mechanism rather than as a driver of business insight.

Overall, these insights suggest that while the structural components of ERM in the insurance industry are well-developed, the true value of ERM lies in its potential to inform and shape strategic decision-making processes, a capability that many insurers are yet to fully harness.

This shift would enable ERM to drive business insights, contributing to competitive advantage and proactive risk management.



The Good, The Bad and The Ugly

The Good: strong foundations in governance and risk measurement

The insurance industry has built a solid foundation in risk governance and measurement. The Lines of Defence model is deeply embedded, with clear accountability for risk ownership, oversight and independent assurance.

Risk measurement capabilities are a clear strength. Insurers routinely use advanced modelling, stress testing and scenario analysis to quantify risk exposures and inform capital and solvency decisions.

The integration of risk and capital management, particularly through the ORSA, remains one of the most mature aspects of ERM in the insurance industry. Combined assurance frameworks further strengthen governance structures by coordinating assurance activities across the organisation.

Where effectively implemented, these frameworks improve visibility of control effectiveness and help identify gaps or duplication across assurance providers.

Overall, the sector demonstrates strong technical and governance foundations that are broadly aligned with regulatory expectations.

The Bad: operational embedment remains inconsistent

Despite strong structural maturity, ERM execution remains inconsistent in day-to-day operations across the business.

Risk ownership is still too often concentrated within central risk functions, rather than being fully embedded within operational management. This limits the extent to which risk thinking is integrated into everyday decision-making. In addition, governance and policy documentation often lag behind organisational and regulatory change, creating gaps between intended and actual practice.

Technology adoption also remains fragmented. While many insurers have implemented governance, risk and compliance (GRC) platforms, these tools are not consistently integrated across business units and therefore do not deliver the level of real-time, decision-useful insight that modern risk environments require.

Combined assurance frameworks also illustrate a broader execution gap. Although formally established in most organisations, coordination between assurance providers is often inconsistent, limiting their ability to generate a unified view of enterprise risk.

Importantly, combined assurance risks are becoming a compliance artefact rather than a strategic enabler where it is not actively integrated into enterprise risk conversations.

The Ugly: the gap between compliance and strategic risk intelligence

The most significant structural weakness in current ERM practice is the persistent gap between compliance-driven risk management and strategic risk intelligence.

While most insurers have successfully implemented frameworks that satisfy regulatory expectations, these frameworks are not consistently producing forward-looking insights that shape strategic direction. Risk reporting remains largely backward-looking, and risk registers, while comprehensive, often struggle to surface emerging or rapidly evolving risks. As a result, ERM can become an exercise in documenting known risks rather than anticipating new ones.

This challenge is amplified by increasing risk interconnectivity. As insurers operate in more complex environments, risks are no longer isolated; they interact across operational, financial, technological, and strategic domains. Yet risk aggregation capabilities remain constrained by fragmented data and organisational silos.

Combined assurance again highlights this limitation. While it has the potential to provide an integrated view of risk and control effectiveness, it is still predominantly used to demonstrate coverage rather than to identify systemic weaknesses or emerging patterns.

This creates a structural gap: organisations are increasingly strong at managing **known risks**, but less effective at interpreting **emerging risk dynamics**.

What high-performing insurers do differently

High-performing insurers differentiate themselves not through framework design, but through how deeply ERM is embedded into decision-making. They demonstrate the following critical characteristics:

- Risk is actively integrated into strategic and commercial decision-making, including planning, capital allocation and product development. ERM is treated as a decision input, not a reporting output. For example: evaluate geopolitical, economic and regulatory risks to inform decision-making about market entry strategies. Risk-adjusted return metrics are calculated, which consider potential risks associated with various investment opportunities.
- Risk ownership is genuinely decentralised, with business units taking accountability for identifying and managing risks within their areas of operation. For example: each business unit, such as underwriting, claims management or asset management, has dedicated risk officers or managers responsible for overseeing risk activities within their domain.
- These organisations invest in stronger integration of risk data and systems, enabling a more coherent view of risk across the enterprise. For example: establish a centralised repository that aggregates risk data from different business units and functions and generate alerts when predefined risk thresholds are exceeded, prompting timely intervention.
- Combined assurance is used not only to coordinate assurance activities but to generate insights into systemic control weaknesses and emerging enterprise risks. For example: employ a reporting system that consolidates assurance findings across different functions and bring together representatives from assurance functions to discuss findings, share insights and identify common themes around control weaknesses and emerging risks.

Collectively, these behaviours enable a shift from compliance-driven ERM to insight-driven risk management.

The next frontier for ERM

The next phase of ERM maturity will be defined by the ability of organisations to close the gap between risk information and strategic decision-making. Three shifts are critical:



From periodic reporting to real-time risk intelligence, enabled by better data integration and the use of analytics to inform intelligence. *For example:* using machine learning algorithms to analyse integrated data to identify patterns, correlations and anomalies, along with scenario analysis and predictive modelling, allowing the company to explore potential future risks based on current trends and data.



From static risk identification to dynamic emerging risk sensing, particularly in areas such as cyber, climate and technology disruption. *For example:* shift from traditional static risk identification methods to dynamic systems that sense and adapt to emerging risks in critical areas like cyber, climate and technological disruptions, thereby enhancing their risk management capabilities and strategic resilience.



From assurance coordination to insight generation, where combined assurance becomes a mechanism for identifying systemic risk patterns rather than tracking coverage. *For example:* leverage combined assurance not just as a tool for coordinating activities, but as a robust mechanism for generating deep insights into systemic risk patterns, enhancing their strategic ability to mitigate risks and seize opportunities effectively.

Underlying all of this is a fundamental requirement: strengthening risk culture so that risk awareness is embedded in everyday decision-making, not confined to governance structures.

Conclusion

The insurance industry has made substantial progress in building structured and sophisticated ERM frameworks, supported by strong regulatory drivers and well-developed governance models. However, the next stage of maturity will not be defined by the existence of frameworks, but by the quality of decisions those frameworks enable. The defining challenge for insurers is therefore not ERM implementation, but ERM integration, closing the gap between compliance activity and strategic risk intelligence.

Those organisations that successfully make this shift will move beyond regulatory compliance and position ERM as a genuine source of competitive advantage.



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The IFRS 17 risk adjustment: the final judgmental frontier

The International Accounting Standards Board (IASB), in developing *IFRS 17 Insurance Contracts* (IFRS 17), recognised that the determination of the risk adjustment would inevitably involve a high degree of professional judgement. Consequently, the inclusion and intention of the confidence level disclosure requirements, set out under IFRS 17 paragraph 119, is to assist users of financial statements with comparing the risk adjustment across insurance companies.

The risk adjustment is built on a range of assumptions, modelling decisions and management judgements, meaning that one insurer's 80th percentile determination is often not the same as another's. Two insurers can arrive at different confidence levels despite facing similar risks, while insurers reporting the same confidence level can hold materially different levels of prudence.

This raises an important question: **does the disclosure of the confidence level meaningfully improve comparability, or does it simply provide a common label for fundamentally different approaches?**

In this article, we explore common methods used to determine the risk adjustment and consider the extent to which confidence level disclosures assist users of the financial statements with understanding insurers' results. We also compare the implied prudence set out under IFRS 17 and *IFRS 4 Insurance Contracts* (IFRS 4) and investigate how different risk adjustment calibrations materialise under stressed conditions.

At its core, the risk adjustment reflects an unavoidable reality: assumptions are estimates, and no insurer can claim to know with certainty how experience will ultimately emerge. Even a perfectly calibrated best estimate will fall short approximately half the time, as actual experience will inevitably differ from expected outcomes. The risk adjustment, therefore, adds a margin above the best estimate liability, reflecting the compensation an insurer requires for bearing the uncertainty inherent in future cash flows related to non-financial risks. The greater the uncertainty, the higher the compensation an insurer would typically require. Consequently, the risk adjustment introduces an element of prudence into the valuation of insurance contracts and enhances the resilience of the overall IFRS 17 measurement result by explicitly reflecting uncertainty, rather than relying on best estimate outcomes to materialise as expected.

By reducing the amount of profit deferred through the CSM, the risk adjustment helps ensure that future reported profitability more appropriately reflects the uncertainty inherent in underlying assumptions.

While the terminology may differ, the conceptual purpose of the risk adjustment is not unfamiliar to South African actuaries. Under the previous Standard of Actuarial Practice (SAP) 104 Financial Soundness Valuation regime, liabilities were required to be determined on a “prudently realistic” basis, using best estimate assumptions supplemented by compulsory margins, with additional discretionary margins often held where warranted.

The intent of the compulsory margin was to introduce a degree of financial resilience to the valuation and ensure that profits emerged prudently over the lifetime of the contract, rather than being recognised prematurely.

Viewed in this light, the IFRS 17 risk adjustment can be seen as the modern successor to the SAP 104 compulsory margins that was applied under IFRS 4 for South African insurers.

Although the mechanics differ, both concepts recognise that uncertainty can dilute value and an insurer should allow for potential adverse experience before prematurely recognising future profits. The result is a liability valuation that better reflects the risks embedded in the business and a prudent assessment of the profitability expected to emerge over time.



…assumptions are estimates, and no insurer can claim to know with certainty how experience will ultimately emerge

Considering the above, several questions arise:



Does the requirement to disclose the confidence level help achieve the transparency that IFRS 17 sought to achieve for users of financial statements?



Given their similar intentions, is there value in comparing the risk adjustment relative to the SAP 104 compulsory margin and if so, how do these compare?



Given that insurers hold capital for risks quantified in terms of the Solvency Assessment and Management (SAM) framework, what is the need for an additional risk adjustment on an IFRS reporting basis?

We address our considerations of these questions below.

The first frontier: calibrating the risk adjustment

By definition, the risk adjustment considers only non-financial risk. Under the SAM regulatory framework, the life underwriting risk calculation considers only non-financial risk and is assumed to be calibrated at a 99.5th percentile or a 1-in-200-year risk event. As a result, for many insurers who do not apply an internal model, the SAM life underwriting risk module and associated stress parameters serve as a natural starting point for the risk adjustment calibration.

After starting from this broadly consistent base, subsequent approaches diverge considerably. The two ends of the spectrum observed across the industry are explored below.

The top-down approach starts by considering the uncertainty inherent in the overall liability as a single risk. At one end of the spectrum, an insurer may assume that the aggregate liability underwriting risk follows a normal distribution. Support for this assumption is sometimes drawn from concepts such as the central limit theorem or broader risk aggregation principles embedded within regulatory frameworks such as SAM. Whether these arguments are statistically robust in every circumstance is a topic in its own right and beyond the scope of this article. What is more relevant is that this remains a common practical approach.

Once a probability distribution is assumed for the aggregate risk, it becomes relatively straightforward to translate the risk adjustment into an equivalent confidence level or determine the risk adjustment required at a chosen confidence level.

The bottom-up approach starts from the opposite direction. Rather than modelling the uncertainty regarding the aggregate liability directly, individual sources of risk are assessed separately and combined. For many insurers, the SAM standard formula provides a natural starting point, as it already specifies stresses for key risks such as mortality, morbidity, expenses and lapses at a 99.5% confidence level.

Thereafter, assumptions are made about the shape of each risk distribution. For certain risks, such as mortality, a normal distribution may be considered reasonable, allowing the SAM stress to be used as one calibration point from which the remainder of the distribution can be inferred. Other risks may be less symmetrical. Catastrophe risk, for example, may exhibit a highly skewed distribution, requiring additional judgement to determine both the appropriate distribution and its calibration. These judgements are often informed by experience studies, scenario testing, expert judgement or management views of risk.

Once the individual risk distributions are calibrated, they are aggregated using diversification assumptions, frequently drawing on correlation structures similar to those used within the SAM framework. The resulting distribution can then be used to derive the risk adjustment and its corresponding confidence level.

Notwithstanding their differences, both approaches involve considerable judgement. Decisions regarding the shape of distributions, calibration of risk parameters, allowance for diversification and treatment of extreme events can all materially influence the result. Consequently, two insurers may both disclose an 80th percentile risk adjustment yet arrive at that figure using different assumptions and methodologies. This is one of the reasons why confidence level disclosures, while useful, do not necessarily guarantee comparability between insurers.

What is important to note is that, while disclosure may be provided about the confidence level and methodology applied, the detailed calibration underlying those results is not. Users of financial statements are presented with a single and seemingly comparable metric without insight into the judgements applied. There is a risk, therefore, that confidence level disclosures create a false sense of transparency and comparability.

In practice, a risk adjustment calculated by different insurers using the same confidence percentile may not necessarily result in the same amount of risk adjustment. Differences in risk segmentation, distributional assumptions, diversification benefits and management judgement can lead to materially different outcomes.

This view contrasts sharply with SAP 104, where compulsory margins were prescribed through a set of well-defined stresses applied simultaneously and without diversification benefits. The result was a relatively consistent level of prudence applied and understood across insurers. IFRS 17 replaces this prescribed approach with an entity-specific assessment of risk, increasing both flexibility and the extent of judgement applied in valuing liabilities. Consequently, understanding how an insurer arrives at its disclosed confidence level is often as important as the confidence level itself. Unfortunately, this is not often an area disclosed in the financial statements at a sufficient level of detail.

To illustrate the potential impact of these judgements, we considered a representative long-term life insurance policy and assessed a range of approaches that may be applied in determining a risk adjustment calibrated at the 80th percentile.



Case study

Consider a standard policy with the following underlying assumptions:



premium: **R70 000** per annum



policyholder age: **50**



sum assured: **R5 million**



premium structure: **age rated**

The following results are observed in respect of this policy:

R'000			Risk adjustment result from different approaches applied at the 80th percentile			
BEL[1]	SAM life underwriting risk SCR[2]	SAP 104 compulsory margin	SAM scaled down	Each risk is normal	CAT[3] and mass lapse removed	Each risk is t(2)
(164)	137	88	45	46	38	13

We discuss the factors contributing to these results below.

Comparing the SAP 104 compulsory margin to the IFRS 17 risk adjustment

Many insurers will start off with the SAM life underwriting risk SCR as a base for the determination of the risk adjustment. In respect of the case study policy set out above, the life underwriting risk SCR determined at a 99.5th percentile is R137 000. Assuming the SAM life underwriting risk SCR is normally distributed, this would result in a risk adjustment of R45 000 when scaled down to the 80th percentile.

Continuing with this scenario, the SAP 104 compulsory margin is calculated at R88 000, which is largely equivalent to the SAM life underwriting risk SCR scaled to a 95th percentile, i.e. a 1-in-20-year risk event, assuming that the life underwriting risk SCR is normally distributed. This approach implies that, if an insurer elected anything lower than a 95th percentile, the resulting IFRS 17 risk adjustment would be less prudent than the SAP 104 compulsory margin.

In the instance where the CSM has been extinguished for a group of contracts, an insurer who sets their risk adjustment confidence level below that implied by the SAP 104 compulsory margin, would have lower future emergence of profits relative to what they would have had under IFRS 4. For this reason, it could be argued that there is value in understanding the level of risk adjustment relative to the SAP 104 compulsory margin.

1 Best estimate liability
2 Solvency capital requirement
3 Catastrophe

Risk adjustment calibration

In the example above all four risk adjustment scenarios are calibrated at the 80th percentile.

Each scenario is based on distinct underlying assumptions with the application of different judgements. More importantly, however, is that all scenarios could be permissible as a method of estimation in determining the risk adjustment calibrated at the 80th percentile. We explore this further below:

The "**SAM scaled down**" scenario makes use of the top-down approach, assuming the total SAM life underwriting risk is normally distributed.

The "**Each risk is normal**" scenario assumes that individual risks are normally distributed, compared to the total SAM life underwriting risk that is normally distributed in the "SAM scaled down" scenario, resulting in similar outcomes across these two scenarios as expected.

The "**CAT and mass lapse removed**" scenario assumes that all risks, except catastrophe and mass lapse risk, are normally distributed. Catastrophe and mass lapse risks could be regarded as more heavy-tailed and could, therefore, be expected to have a limited impact at the 80th percentile where the effects of more extreme outcomes may be less pronounced. It is for this reason that the "CAT and mass lapse removed" scenario gives us a lower risk adjustment than the "each risk is normal" scenario.

The "**Each risk is t(2)[4]**" scenario is similar to the "CAT and mass lapse removed" scenario. In the "CAT and mass lapse removed" scenario a normal distribution was assumed for all risks. To illustrate the impact of using a different common statistical distribution, a "student t" with two (2) degrees of freedom distribution was selected for illustrative purposes. Like the normal distribution it is symmetrical and centred at 0, but with heavier tails.

The key takeaway is that despite all scenarios being calibrated to the 80th percentile, material differences were observed. This demonstrates that the disclosure of a confidence interval alone is not sufficient to enhance the transparency and understandability of financial reporting results.

Given that insurers already hold capital for extreme risk events quantified according to the Solvency Assessment and Management (SAM) framework, some industry participants have questioned the need for a prudent risk adjustment. What is important to note is that the SAM regulatory capital requirement is a regulatory amount held to ensure an insurer is able to meet its obligations under extreme stress events. In contrast, the risk adjustment allows for the inherent riskiness above the best estimate and affects the timing of future profit emergence. Evaluating the appropriateness of different levels of prudence inherent in the risk adjustment requires an assessment of the impact of stress scenarios on the IFRS 17 financial reporting results.

The risk adjustment dilemma: future profitability or prudence?

One of the less obvious consequences of recognising a risk adjustment is its direct impact on the contractual service margin (CSM). All else being equal, a lower risk adjustment results in a larger CSM and, therefore, a larger future profit expected to emerge over the remaining lifetime of insurance contracts.

At first glance, this can appear appealing. A higher CSM may suggest a more profitable portfolio providing a larger buffer to absorb adverse changes in fulfilment cash flows before losses emerge in the income statement. However, the trade-off is that less allowance is made up front for the uncertainty relating to the emergence of those future profits.

This consideration is particularly important during periods of severe stress, such as the COVID-19 pandemic, where assumptions that previously appeared reasonable can change rapidly. While management and investors naturally focus on the immediate impact on earnings, an equally important consideration is the level of prudence and resilience embedded in the liability valuation after the shock event.

[4] A t(2) distribution is a t distribution with two (2) degrees of freedom. A t distribution is similar to a normal distribution but with heavier tails. This means that a 1-in-5-year stress event is assumed to have a smaller impact than a 1-in-200-year stress event, compared to when a normal distribution is assumed.

Consider the following stress example with reference to the “Each risk is normal” and “Each risk is t(2)” risk adjustment scenarios.

Each risk is normal risk adjustment:

Each risk is normal RA (R’1000)	Before stress	After stress	Difference	Explanation
BEL	(164)	(35)	(129)	Liability increased with 129
RA	46	83	(37)	Liability increased with 37
CSM	118	-	118	Liability decreased with 118
Income statement	-	(48)	(48)	Loss of 48

Each risk is t(2) risk adjustment:

Each risk is t(2) RA	Before stress	After stress	Difference	Explanation
BEL	(164)	(35)	(129)	Liability increased with 129
RA	13	36	(23)	Liability increased with 23
CSM	151	-	151	Liability decreased with 151
Income statement	-	(1)	(1)	Loss of 1

The “Each risk is t(2)” risk adjustment calibration appears to produce the more favourable result with a higher CSM before the stress scenario and a minor loss recognised in the income statement post the stress scenario. In contrast, the “Each risk is normal” risk adjustment calibration produces a slightly lower CSM before the stress scenario with a much larger accounting loss materialising post the stress event.

However, focusing solely on the immediate income statement impact overlooks an important consideration.

Before the stress event, the “Each risk is t(2)” scenario yields a higher CSM because less allowance had been made for uncertainty through the risk adjustment. When the stress event occurs, a larger store of future profits is available to absorb the deterioration in fulfilment cash flows emanating from the stress event. The result is a relatively minor accounting loss, at the cost of reducing profits that could have emerged in future years.

The “Each risk is normal” scenario reflects the opposite outcome. More of the shock is recognised immediately, resulting in a larger loss in the current reporting period with the depletion of the CSM. However, the loss impact emerges from the stress scenario with a risk adjustment of 83, compared to 36 for the “Each risk is t(2)” scenario. In effect, a larger portion of the insurer's future profits remain intact. That is because even though the CSM is depleted after the stress in both scenarios, the risk adjustments will be recognised as profit over time if actual and expected experience is the same.

This distinction becomes particularly evident immediately after the stress event occurs. Investors are ultimately interested in the future earnings capacity of an insurer and not only in its ability to minimise short-term losses. While the “Each risk is t(2)” scenario demonstrates a smaller impact on earnings, it also consumed a larger proportion of profits that would otherwise have supported future profitability. The “Each risk is normal” scenario, despite reporting a larger loss during the stress event, reflects more than twice the remaining profit available to emerge in future periods through having more risk adjustment remaining after the stress event.

Viewed from this perspective, the risk adjustment serves as a gatekeeper. By recognising compensation for uncertainty upfront, it prevents all future profitability from being accelerated to offset the impact of a single stress event. While a higher risk adjustment may result in lower reported future profitability at inception of insurance contract groups, it can also leave the insurer with a stronger reservoir of future earnings once adverse experience is absorbed.

The objective is, therefore, not to necessarily minimise the risk adjustment or maximise the CSM. Rather, it is to achieve an appropriate balance between recognising future profitability and the uncertainty surrounding the related profitability. An insurer that focuses exclusively on maximising the CSM may appear more profitable initially but could emerge from a stress event with significantly less value remaining to be released over time.

Conclusion

The IFRS 17 risk adjustment is one of the more judgement-driven elements of insurance financial reporting. While the IFRS 17 confidence level disclosure requirements was intended to enhance transparency and comparability, this article demonstrates that it does not necessarily provide a complete understanding of the underlying economics and judgments reflected in the risk adjustment. The underlying calibration relies on several assumptions in respect of risk distributions, diversification benefits, stress events and management judgement. As a result, two insurers may disclose the same confidence level while holding materially different levels of prudence.

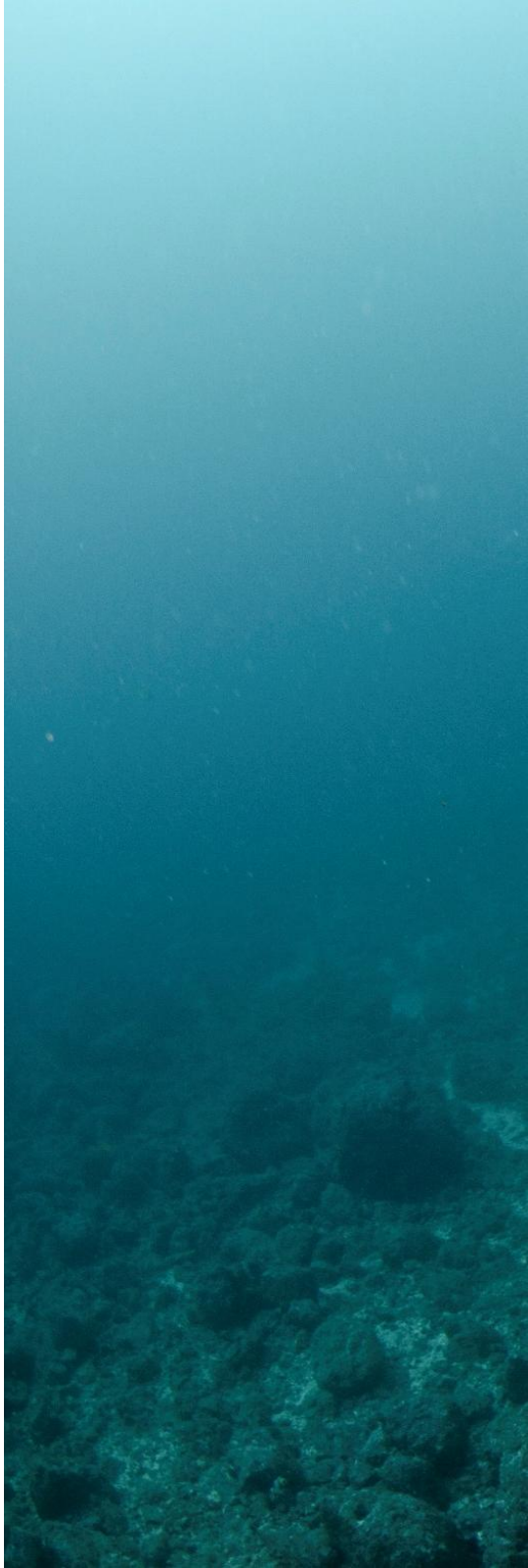
The comparison with SAP 104 is also instructive. IFRS 17 and the Financial Soundness Valuation framework both recognise the need to allow for uncertainty before future profits are recognised. SAP 104 achieved this through prescribed compulsory margins, while IFRS 17 delegates the determination of the risk margin to management judgement. Consequently, IFRS 17 provides flexibility to better reflect the insurer's risk profile, however, this flexibility inevitably reduces comparability between companies and increases the importance of understanding how the risk adjustment is calibrated.

Most importantly, the risk adjustment should not only be viewed as a technical calculation required to be performed to comply with an accounting requirement. The calibration of the risk adjustment has a direct impact on the balance between prudence, profitability and resilience. A lower risk adjustment may increase the CSM and suggest stronger future profitability, but it also leaves less protection against uncertainty. Conversely, a higher risk adjustment may reduce initial profitability while leaving the insurer with a larger store of margin following periods of adverse experience. Simply put, the risk adjustment acts as a gatekeeper to the premature recognition of profits.

Users of financial statements should be cognisant that the absolute value of the risk adjustment read with confidence level disclosures may not always provide the desired level of comparability than initially expected with IFRS 17 adoption. The real value lies in understanding the calibration of the risk adjustment if disclosed, as it enhances comparability across insurers.

For preparers of financial statements, greater transparency around the methodology used to calibrate the risk adjustment would enhance the usefulness and comparability of disclosures. Consideration should also be given to how profit emergence may be affected by potential stress events, particularly where the CSM is extinguished across a significant proportion of cohorts.

Ultimately, an optimal risk adjustment is one that reflects the uncertainty inherent in an insurer's obligations while ensuring an appropriate pattern of profit recognition over time. In this regard, the risk adjustment can be seen as the final judgmental frontier of IFRS 17: where true insight lies not in the number itself, but in the assumptions, philosophy and risk appetite that underpin it.







Life insurance industry financial results

LIFE INSURERS | Statement of Financial Position | R'000

Accounting year end	Dec-25	Dec-24 Restated	Jun-25	Jun-24	Dec-25	Dec-24 Restated	Dec-25	Dec-24	Jun-25	Jun-24 Restated
Group/Company	**Absa Life Limited**		**AVBOB Mutual Assurance Society**		**Bryte Life Company Limited**		**Centriq Life Insurance Company Limited**		**Discovery Life Limited**	
Share capital and premium	24 000	24 000	-	-	146 744	126 744	15 000	15 000	1 416 000	1 416 000
Retained earnings/(deficit)	1 799 940	1 673 187	-	-	(102 368)	(111 993)	102 075	102 329	35 484 000	31 228 000
Other reserves	276 009	63 620	-	-	(822)	(212)	-	-	(5 805 000)	(6 939 000)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
Total shareholders' funds	**2 099 949**	**1 760 807**	**-**	**-**	**43 554**	**14 539**	**117 075**	**117 329**	**31 095 000**	**25 705 000**
Insurance contract liabilities	3 397 444	3 254 646	39 056 836	32 329 461	65 561	50 333	4 063 554	3 059 006	118 072 000	104 220 000
Reinsurance contract liabilities	948 084	527 976	4 186	1 726	-	-	1 567 589	2 447 297	370 000	125 000
Policyholder liabilities under investment contracts (including linked liabilities)	27 743 733	23 552 651	6 980 731	8 775 611	-	-	-	-	32 253 000	25 710 000
Preference share liability	-	-	-	-	15 000	15 000	-	-	-	-
Current tax payable	27 767	-	7 401	160 765	-	-	186 140	-	185 000	115 000
Deferred tax liability	-	-	625 159	221 624	-	-	-	-	7 390 000	5 885 000
Other liabilities	1 113 536	1 222 228	1 200 249	1 281 257	6 759	3 240	23 431	23 674	3 377 000	2 869 000
Total liabilities	**33 230 564**	**28 557 501**	**47 874 562**	**42 770 444**	**87 320**	**68 573**	**5 840 714**	**5 529 977**	**161 647 000**	**138 924 000**
Total investments	**31 531 010**	**27 004 120**	**43 776 119**	**39 687 145**	**50 650**	**26 375**	**5 336 407**	**5 065 347**	**158 978 000**	**135 674 000**
PPE, goodwill, intangible assets and non-current assets and disposal groups classified as held for sale	628 886	604 767	787 810	789 566	50	50	-	-	134 000	135 000
Insurance contract assets	1 368 042	790 180	-	-	-	-	34 313	48 995	23 002 000	17 846 000
Reinsurance contract assets	390 553	289 317	-	-	35 458	19 440	63 657	21 380	865 000	685 000
Cash and cash equivalents	878 744	806 619	2 481 989	1 846 828	40 750	35 509	345 657	244 334	3 172 000	3 212 000
Other assets	524 797	748 754	203 485	225 281	1 615	1 604	154 237	156 742	6 131 000	6 083 000
Current/Deferred tax asset	8 481	74 551	625 159	221 624	2 351	134	23 518	110 508	460 000	994 000
Total assets	**35 330 513**	**30 318 308**	**47 874 562**	**42 770 444**	**130 874**	**83 112**	**5 957 789**	**5 647 306**	**192 742 000**	**164 629 000**
Total assets/Total liabilities	106%	106%	100%	100%	150%	121%	102%	102%	119%	119%
Increase in shareholders' funds	19%		0%		200%		(0%)		21%	

LIFE INSURERS | Statement of Financial Position | R'000

Accounting year end	Jun-25	Jun-24 Restated	Jun-25	Jun-24 Restated	Jun-25	Jun-24	Dec-25	Dec-24	Jun-25	Jun-24
Group/Company	**Guardrisk Life Limited**		**Hollard Life Assurance Company Limited**		**Hollard Specialist Life Limited**		**Liberty Group Limited**		**Momentum Metropolitan Life Limited**	
Share capital and premium	70 000	70 000	20 000	20 000	94 687	94 687	215 000	229 000	1 041 000	1 041 000
Retained earnings/(deficit)	404 701	344 193	1 915 724	1 684 398	460 390	422 408	12 322 000	11 494 000	10 109 000	9 212 000
Other reserves	-	-	-	-	-	-	967 000	196 000	9 779 000	9 263 000
Non-controlling interests	-	-	-	-	-	-	4 183 000	4 017 000	-	-
Total shareholders' funds	**474 701**	**414 193**	**1 935 724**	**1 704 398**	**555 077**	**517 095**	**17 687 000**	**15 936 000**	**20 929 000**	**19 516 000**
Insurance contract liabilities	1 450 639	1 417 380	7 763 023	7 791 130	227 691	231 940	304 904 000	267 588 000	155 191 000	138 711 000
Reinsurance contract liabilities	10 788 602	8 663 331	35 296	8 126	16 794	25 689	1 000	31 000	44 000	33 000
Policyholder liabilities under investment contracts (including linked liabilities)	16 228 834	17 326 450	23 484 029	20 229 842	439 014	453 086	193 838 000	167 135 000	442 161 000	380 960 000
Preference share liability	-	-	-	-	-	-	-	-	-	-
Current tax payable	78 207	146 798	49 368	28 829	-	-	881 000	154 000	432 000	125 000
Deferred tax liability	138 577	24 784	-	-	128 777	96 130	4 086 000	2 024 000	2 184 000	2 106 000
Other liabilities	4 007 486	3 611 294	1 656 471	1 469 156	284 751	273 487	48 381 000	36 608 000	33 403 000	30 875 000
Total liabilities	**32 692 345**	**31 190 037**	**32 988 187**	**29 527 083**	**1 097 027**	**1 080 332**	**552 091 000**	**473 540 000**	**633 415 000**	**552 810 000**
Total investments	**23 193 397**	**24 285 934**	**26 583 060**	**22 886 928**	**816 286**	**825 011**	**514 350 000**	**433 826 000**	**622 045 000**	**541 187 000**
PPE, goodwill, intangible assets and non-current assets and disposal groups classified as held for sale	-	-	283 359	189 586	-	-	33 889 000	32 864 000	2 979 000	3 029 000
Insurance contract assets	8 292 950	6 025 351	1 586 600	1 430 855	505 610	461 048	1 203 000	1 084 000	5 252 000	4 564 000
Reinsurance contract assets	854 145	819 412	4 416 591	4 524 041	82 276	95 568	5 073 000	4 670 000	5 854 000	5 401 000
Cash and cash equivalents	826 554	473 533	931 032	1 013 160	132 131	126 506	11 748 000	12 675 000	17 432 000	17 382 000
Other assets	-	-	757 441	514 978	19 471	53 291	3 367 000	4 177 000	782 000	763 000
Current/Deferred tax asset	-	-	365 828	671 933	96 330	36 003	148 000	180 000	-	-
Total assets	**33 167 046**	**31 604 230**	**34 923 911**	**31 231 481**	**1 652 104**	**1 597 427**	**569 778 000**	**489 476 000**	**654 344 000**	**572 326 000**
Total assets/Total liabilities	101%	101%	106%	106%	151%	148%	103%	103%	103%	104%
Increase in shareholders' funds	15%		14%		7%		11%		7%	

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LIFE INSURERS | Statement of Financial Position | R'000

Accounting year end	Dec-25	Dec-24 Restated	Dec-25	Dec-24	Dec-25	Dec-24	Jun-25	Jun-24	Dec-25	Dec-24
Group/Company	**Nedgroup Life Assurance Company Limited**		**Nedgroup Structured Life Limited**		**Old Mutual Life Assurance Company (South Africa) Limited**		**OUTsurance Life Insurance Company Limited**		**Sanlam Limited**	
Share capital and premium	55 000	55 000	26 351	26 351	6 423 000	6 423 000	445 002	445 002	10 666 000	10 654 000
Retained earnings/(deficit)	1 467 281	1 958 150	107 967	97 783	18 791 000	16 333 000	843 753	628 747	82 587 000	77 779 000
Other reserves	-	-	-	-	(245 000)	(21 000)	1 046	5 893	8 408 000	12 528 000
Non-controlling interests	-	-	-	-	-	-	-	-	9 861 000	9 194 000
Total shareholders' funds	**1 522 281**	**2 013 150**	**134 318**	**124 134**	**24 969 000**	**22 735 000**	**1 289 801**	**1 079 642**	**111 522 000**	**110 155 000**
Insurance contract liabilities	977 581	880 610	-	-	675 865 000	597 569 000	633 160	646 138	275 455 000	232 554 000
Reinsurance contract liabilities	-	-	-	-	11 000	3 000	5 889	2 410	4 903 000	5 185 000
Policyholder liabilities under investment contracts (including linked liabilities)	1 489 701	1 607 731	16 931 837	15 870 346	274 275 000	250 394 000	1 863 261	1 737 571	649 012 000	554 955 000
Preference share liability	-	-	-	-	-	-	-	-	-	-
Current tax payable	21 580	8 626	-	-	508 000	172 000	51 518	10 609	1 777 000	3 180 000
Deferred tax liability	89 213	107 839	-	-	8 248 000	5 185 000	105 073	122 984	9 174 000	8 925 000
Other liabilities	174 529	199 642	3 752	3 090	67 076 000	60 955 000	324 038	325 779	243 855 000	218 590 000
Total liabilities	**2 752 604**	**2 804 448**	**16 935 589**	**15 873 436**	**1 025 983 000**	**914 278 000**	**2 982 939**	**2 845 491**	**1 184 176 000**	**1 023 389 000**
Total investments	**3 533 572**	**3 902 441**	**17 052 635**	**15 979 628**	**999 632 000**	**883 154 000**	**3 813 802**	**3 413 036**	**1 158 242 000**	**1 006 108 000**
PPE, goodwill, intangible assets and non-current assets and disposal groups classified as held for sale	115 000	142 600	-	-	9 706 000	12 710 000	-	-	15 874 000	21 903 000
Insurance contract assets	135 620	163 873	-	-	7 143 000	6 118 000	370 615	250 541	16 654 000	13 736 000
Reinsurance contract assets	291 182	229 331	-	-	3 211 000	3 280 000	68 960	111 891	10 650 000	11 233 000
Cash and cash equivalents	87 255	233 598	14 300	12 991	12 245 000	12 621 000	8 942	118 385	36 179 000	34 602 000
Other assets	112 256	141 405	2 966	4 810	17 114 000	16 578 000	8 756	17 535	57 293 000	43 977 000
Current/Deferred tax asset	-	4 350	6	141	1 901 000	2 552 000	1 665	13 745	806 000	1 985 000
Total assets	**4 274 885**	**4 817 598**	**17 069 907**	**15 997 570**	**1 050 952 000**	**937 013 000**	**4 272 740**	**3 925 133**	**1 295 698 000**	**1 133 544 000**
Total assets/Total liabilities	155%	172%	101%	101%	102%	102%	143%	138%	109%	111%
Increase in shareholders' funds	(24%)		8%		10%		19%		1%	

LIFE INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Dec-25	Dec-24 Restated	Jun-25	Jun-24	Dec-25	Dec-24 Restated	Dec-25	Dec-24	Jun-25	Jun-24 Restated
Group/Company	**Absa Life Limited**		**AVBOB Mutual Assurance Society**		**Bryte Life Company Limited**		**Centriq Life Insurance Company Limited**		**Discovery Life Limited**	
Insurance revenue	5 272 645	4 976 310	4 703 446	4 157 415	121 755	105 469	8 146 928	8 213 331	23 718 000	21 903 000
Insurance service expenses	(4 124 542)	(3 722 434)	(4 219 913)	(3 802 088)	(98 789)	(114 862)	(4 807 277)	(4 883 588)	(18 190 000)	(17 878 000)
Net (expenses)/income from reinsurance contracts	(161 450)	(119 214)	(740)	(806)	2 426	2 595	(2 489 682)	(3 256 238)	(1 022 000)	(458 000)
Insurance service result	**986 653**	**1 134 662**	**482 793**	**354 521**	**25 392**	**(6 798)**	**849 969**	**73 505**	**4 506 000**	**3 567 000**
Net finance income/(expense) from insurance contracts	(33 567)	3 174	(5 832 435)	(2 774 143)	-	-	(591 915)	(413 997)	(13 242 000)	(7 029 000)
Net finance income/(expense) from reinsurance contracts	(117 864)	(89 288)	(2 643)	(622)	-	-	151 416	(4 037)	(124 000)	(195 000)
Net insurance result	**835 222**	**1 048 548**	**(5 352 285)**	**(2 420 244)**	**25 392**	**(6 798)**	**409 470**	**(344 529)**	**(8 860 000)**	**(3 657 000)**
Total net investment income*	**2 735 843**	**1 623 642**	**6 310 519**	**3 367 771**	**6 442**	**5 939**	**496 172**	**465 272**	**20 729 000**	**12 743 000**
Net income before other operating expenses and other income	**3 571 065**	**2 672 190**	**958 234**	**947 527**	**31 834**	**(859)**	**905 642**	**120 743**	**11 869 000**	**9 086 000**
Commission received	-	-	-	-	-	-	-	-	-	-
Other unallocated income	-	-	11 933	7 195	-	-	-	-	1 493 000	1 504 000
Service fees from investment contracts	111 157	89 210	-	-	-	-	-	-	-	-
Fair value adjustments/movement in policyholder liabilities under investment contracts	(2 057 525)	(1 088 861)	-	-	-	-	-	-	(3 815 000)	(2 189 000)
Administration, management and other expenses	(289 498)	(292 953)	(881 925)	(754 542)	(21 874)	(14 873)	(10 524)	(100 792)	(2 098 000)	(2 029 000)
Equity-accounted earnings (incl. hyper-inflationary adjustments)	-	-	-	-	-	-	-	-	-	-
Profit/(Loss) before tax	**1 335 199**	**1 379 586**	**88 242**	**200 180**	**9 960**	**(15 732)**	**895 118**	**19 951**	**7 449 000**	**6 372 000**
Taxation	(442 446)	(436 917)	(82 110)	(200 479)	(335)	(79)	(820 372)	64 123	(2 358 000)	(1 623 000)
Profit/(Loss) after tax	**892 753**	**942 669**	**6 132**	**(299)**	**9 625**	**(15 811)**	**74 746**	**84 074**	**5 091 000**	**4 749 000**
Other comprehensive income	**190 443**	**133 086**	**(6 132)**	**299**	-	-	-	-	**1 116 000**	**44 000**
Total comprehensive income for the year	**1 083 196**	**1 075 755**	-	-	**9 625**	**(15 811)**	**74 746**	**84 074**	**6 207 000**	**4 793 000**
Other transfer to/(from) retained earnings	-	-	-	-	-	-	-	-	(5 000)	(4 000)
Other comprehensive income not charged against retained earnings	(190 443)	(133 086)	-	-	-	-	-	-	(1 116 000)	(44 000)
Ordinary dividends	766 000	695 000	-	-	-	100	75 000	53 500	830 000	1 100 000
Allocated to preference shareholders	-	-	-	-	-	-	-	-	-	-
Allocated to non-controlling interests	-	-	-	-	-	-	-	-	-	-
Change in retained earnings	**126 753**	**247 669**	-	-	**9 625**	**(15 911)**	**(254)**	**30 574**	**4 256 000**	**3 645 000**
Net (expenses)/income from reinsurance contracts/insurance contracts result (insurance revenue less insurance service expenses)	14%	10%	0%	0%	(11%)	28%	75%	98%	18%	11%
Insurance service expenses/insurance revenue	78%	75%	90%	91%	81%	109%	59%	59%	77%	82%
Insurance service result/profit/(loss) before tax	74%	82%	547%	177%	255%	43%	95%	368%	60%	56%
Tax as a % of profit/(loss) before tax	33%	32%	93%	100%	3%	(1%)	92%	(321%)	32%	25%
Comments	Company		Society		Company		Company		Company	

* Includes expected credit loss movements on financial instruments.

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LIFE INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Jun-25	Jun-24 Restated	Jun-25	Jun-24 Restated	Jun-25	Jun-24 Restated	Dec-25	Dec-24 Restated	Jun-25	Jun-24
Group/Company	**Guardrisk Life Limited**		**Hollard Life Assurance Company Limited**		**Hollard Specialist Life Limited**		**Liberty Group Limited**		**Momentum Metropolitan Life Limited**	
Insurance revenue	10 783 886	10 264 736	7 439 601	7 036 520	537 516	528 700	37 891 000	35 864 000	27 250 000	26 067 000
Insurance service expenses	(6 295 768)	(5 106 210)	(5 541 913)	(6 025 543)	(563 943)	(690 947)	(27 054 000)	(27 094 000)	(21 259 000)	(21 373 000)
Net (expenses)/income from reinsurance contracts	(3 075 531)	(3 570 703)	(876 949)	(531 670)	2 455	3 657	(820 000)	(782 000)	(677 000)	(172 000)
Insurance service result	**1 412 587**	**1 587 823**	**1 020 739**	**479 307**	**(23 972)**	**(158 590)**	**10 017 000**	**7 988 000**	**5 314 000**	**4 522 000**
Net finance income/(expense) from insurance contracts	1 451 448	427 638	(178 186)	(258 133)	105 839	72 032	(50 332 000)	(31 789 000)	(21 609 000)	(15 299 000)
Net finance income/(expense) from reinsurance contracts	(1 489 395)	(454 256)	260 090	266 384	(854)	(5 397)	319 000	364 000	642 000	465 000
Net insurance result	**1 374 640**	**1 561 205**	**1 102 643**	**487 558**	**81 013**	**(91 955)**	**(39 996 000)**	**(23 437 000)**	**(15 653 000)**	**(10 312 000)**
Total net investment income*	**2 001 553**	**1 610 195**	**3 022 579**	**3 364 816**	**93 085**	**88 325**	**81 841 000**	**54 906 000**	**84 906 000**	**53 927 000**
Net income before other operating expenses and other income	**3 376 193**	**3 171 400**	**4 125 222**	**3 852 374**	**174 098**	**(3 630)**	**41 845 000**	**31 469 000**	**69 253 000**	**43 615 000**
Commission received	-	-	-	-	-	-	-	-	-	-
Other unallocated income	93 269	104 170	303 687	244 250	13 026	12 001	2 914 000	2 514 000	4 815 000	4 139 000
Service fees from investment contracts	-	-	-	-	-	-	-	-	-	-
Fair value adjustments/movement in policyholder liabilities under investment contracts	(1 659 685)	(1 535 098)	(2 429 518)	(2 826 500)	15 678	9 849	(28 600 000)	(20 004 000)	(58 370 000)	(35 048 000)
Administration, management and other expenses	(181 737)	(127 616)	(498 902)	(465 176)	(153 338)	(191 042)	(7 855 000)	(7 816 000)	(8 062 000)	(7 039 000)
Equity-accounted earnings (incl. hyper-inflationary adjustments)	-	-	-	-	-	-	-	-	-	-
Profit/(Loss) before tax	**1 628 040**	**1 612 856**	**1 500 489**	**804 948**	**49 464**	**(172 822)**	**8 304 000**	**6 163 000**	**7 636 000**	**5 667 000**
Taxation	(1 481 732)	(1 426 848)	(598 484)	(121 580)	(11 482)	44 671	(4 404 000)	(2 622 000)	(2 844 000)	(1 978 000)
Profit/(Loss) after tax	**146 308**	**186 008**	**902 005**	**683 368**	**37 982**	**(128 151)**	**3 900 000**	**3 541 000**	**4 792 000**	**3 689 000**
Other comprehensive income	-	-	-	-	-	-	**771 000**	**8 000**	**492 000**	**(586 000)**
Total comprehensive income for the year	**146 308**	**186 008**	**902 005**	**683 368**	**37 982**	**(128 151)**	**4 671 000**	**3 549 000**	**5 284 000**	**3 103 000**
Other transfer to/(from) retained earnings	-	-	-	-	-	-	30 000	2 756 000	(41 000)	198 000
Other comprehensive income not charged against retained earnings	-	-	-	-	-	-	(771 000)	(8 000)	(492 000)	586 000
Ordinary dividends	85 800	251 000	670 679	405 034	-	76 500	2 686 000	6 604 000	3 872 000	2 975 000
Allocated to preference shareholders	-	-	-	-	-	-	-	-	-	-
Allocated to non-controlling interests	-	-	-	-	-	-	416 000	502 000	(18 000)	29 000
Change in retained earnings	**60 508**	**(64 992)**	**231 326**	**278 334**	**37 982**	**(204 651)**	**828 000**	**(809 000)**	**897 000**	**883 000**
Net (expenses)/income from reinsurance contracts/insurance contracts result (insurance revenue less insurance service expenses)	69%	69%	46%	53%	9%	2%	8%	9%	11%	4%
Insurance service expenses/insurance revenue	58%	50%	74%	86%	105%	131%	71%	76%	78%	82%
Insurance service result/profit/(loss) before tax	87%	98%	68%	60%	(48%)	92%	121%	130%	70%	80%
Tax as a % of profit/(loss) before tax	91%	88%	40%	15%	23%	26%	53%	43%	37%	35%
Comments	Company		Company		Company		Group		Company	

* Includes expected credit loss movements on financial instruments.

LIFE INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Dec-25	Dec-24 Restated	Dec-25	Dec-24	Dec-25	Dec-24	Jun-25	Jun-24	Dec-25	Dec-24 Restated
Group/Company	**Nedgroup Life Assurance Company Limited**		**Nedgroup Structured Life Limited**		**Old Mutual Life Assurance Company (South Africa) Limited**		**OUTsurance Life Insurance Company Limited**		**Sanlam Limited**	
Insurance revenue	2 526 969	2 433 174	-	-	41 981 000	38 595 000	1 137 382	946 222	102 903 000	94 462 000
Insurance service expenses	(1 418 013)	(1 317 210)	-	-	(32 103 000)	(30 103 000)	(549 019)	(644 266)	(81 322 000)	(76 338 000)
Net (expenses)/income from reinsurance contracts	(27 458)	(24 744)	-	-	(185 000)	500 000	(38 509)	(15 633)	(7 682 000)	(5 014 000)
Insurance service result	**1 081 498**	**1 091 220**	**-**	**-**	**9 693 000**	**8 992 000**	**549 854**	**286 323**	**13 899 000**	**13 110 000**
Net finance income/(expense) from insurance contracts	(87 831)	(20 880)	-	-	(111 135 000)	(77 165 000)	(131 780)	(124 960)	(44 076 000)	(28 980 000)
Net finance income/(expense) from reinsurance contracts	34 752	8 773	-	-	139 000	189 000	61 667	62 041	236 000	138 000
Net insurance result	**1 028 419**	**1 079 113**	**-**	**-**	**(101 303 000)**	**(67 984 000)**	**479 741**	**223 404**	**(29 941 000)**	**(15 732 000)**
Total net investment income*	**473 439**	**480 355**	**10 856**	**11 020**	**164 256 000**	**111 715 000**	**196 453**	**149 011**	**159 986 000**	**121 688 000**
Net income before other operating expenses and other income	**1 501 858**	**1 559 468**	**10 856**	**11 020**	**62 953 000**	**43 731 000**	**676 194**	**372 415**	**130 045 000**	**105 956 000**
Commission received	-	-	-	-	3 599 000	3 270 000	-	-	-	-
Other unallocated income	243	13 441	27 358	20 507	2 719 000	2 656 000	23 560	22 521	25 749 000	25 480 000
Service fees from investment contracts	-	-	7 366	6 560	-	-	-	-	-	-
Fair value adjustments/movement in policyholder liabilities under investment contracts	(93 098)	(153 786)	-	-	(41 387 000)	(28 892 000)	-	-	(103 888 000)	(74 594 000)
Administration, management and other expenses	(105 112)	(59 602)	(4 262)	(3 627)	(11 902 000)	(11 707 000)	(208 545)	(111 191)	(30 977 000)	(29 778 000)
Equity-accounted earnings (incl. hyper-inflationary adjustments)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5 435 000**	**5 715 000**
Profit/(Loss) before tax	**1 303 891**	**1 359 521**	**41 318**	**34 460**	**15 982 000**	**9 058 000**	**491 209**	**283 745**	**26 364 000**	**32 779 000**
Taxation	(344 760)	(357 430)	(31 134)	(24 274)	(6 844 000)	(4 116 000)	(146 203)	(73 776)	(7 652 000)	(7 935 000)
Profit/(Loss) after tax	**959 131**	**1 002 091**	**10 184**	**10 186**	**9 138 000**	**4 942 000**	**345 006**	**209 969**	**18 712 000**	**24 844 000**
Other comprehensive income	**-**	**-**	**-**	**-**	**(132 000)**	**(36 000)**	**(525)**	**(2 105)**	**(6 228 000)**	**(3 062 000)**
Total comprehensive income for the year	**959 131**	**1 002 091**	**10 184**	**10 186**	**9 006 000**	**4 906 000**	**344 481**	**207 864**	**12 484 000**	**21 782 000**
Other transfer to/(from) retained earnings	-	-	-	-	70 000	371 000	-	-	(1 905 000)	(7 293 000)
Other comprehensive income not charged against retained earnings	-	-	-	-	132 000	36 000	525	2 105	6 228 000	3 062 000
Ordinary dividends	1 450 000	1 100 000	-	-	6 750 000	7 646 000	130 000	345 000	9 228 000	8 316 000
Allocated to preference shareholders	-	-	-	-	-	-	-	-	-	-
Allocated to non-controlling interests	-	-	-	-	-	-	-	-	2 771 000	2 604 000
Change in retained earnings	**(490 869)**	**(97 909)**	**10 184**	**10 186**	**2 458 000**	**(2 333 000)**	**215 006**	**(135 031)**	**4 808 000**	**6 631 000**
Net (expenses)/income from reinsurance contracts/insurance contracts result (insurance revenue less insurance service expenses)	2%	2%	0%	0%	2%	(6%)	7%	5%	36%	28%
Insurance service expenses/insurance revenue	56%	54%	0%	0%	76%	78%	48%	68%	79%	81%
Insurance service result/profit/(loss) before tax	83%	80%	0%	0%	61%	99%	112%	101%	53%	40%
Tax as a % of profit/(loss) before tax	26%	26%	75%	70%	43%	45%	30%	26%	29%	24%
Comments	Company		Company		Company		Company		Group	

* Includes expected credit loss movements on financial instruments.

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Non-life insurance industry financial results

NON-LIFE INSURERS | Statement of Financial Position | R'000

Accounting year end	Dec-25	Dec-24 Restated	Dec-25	Dec-24	Jun-25	Jun-24	Dec-25	Dec-24	Jun-25	Jun-24
Group/Company	**Absa Insurance Company Limited**		**Allianz Global Corporate and Specialty South Africa Limited**		**Auto and General Insurance Company (RF) Limited**		**Bryte Insurance Company Limited**		**Budget Insurance Company (RF) Limited**	
Share capital and premium	31 000	31 000	123 164	123 164	53 506	53 506	254 650	504 650	80 001	80 001
Retained earnings/(deficit)	1 781 543	1 776 685	148 851	123 221	857 240	629 982	3 180 854	2 404 560	444 341	353 616
Other reserves	30 998	20 707	-	-	-	-	(25 076)	(20 806)	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
Total shareholders' funds	**1 843 541**	**1 828 392**	**272 015**	**246 385**	**910 746**	**683 488**	**3 410 428**	**2 888 404**	**524 342**	**433 617**
Insurance contract liabilities	934 732	975 030	1 326 312	1 679 320	600 530	562 642	4 592 911	4 407 160	404 151	364 987
Reinsurance contract liabilities	4 524	-	-	-	293 741	314 020	-	-	243 344	290 685
Policyholder liabilities under investment contracts	-	-	-	-	-	-	-	-	-	-
Preference share liability	-	-	-	-	-	-	400 000	400 000	-	-
Linked liability	-	-	-	-	-	-	-	-	-	-
Current tax payable	13 620	74 468	822	-	-	-	-	-	-	-
Deferred tax liability	-	-	-	-	-	-	161 870	128 026	-	-
Other liabilities	308 247	305 315	31 229	61 973	225 338	255 246	852 721	605 870	77 208	52 889
Total liabilities	**1 261 123**	**1 354 813**	**1 358 363**	**1 741 293**	**1 119 609**	**1 131 908**	**6 007 502**	**5 541 056**	**724 703**	**708 561**
Total investments	**2 334 982**	**2 262 251**	**346 767**	**260 455**	**1 593 747**	**1 275 241**	**6 523 990**	**5 511 020**	**1 021 572**	**794 893**
Assets arising from insurance contracts	-	-	-	-	-	-	-	-	-	-
PPE, goodwill, intangible assets, non-current assets classified as held for sale and assets from discontinued operations	268 287	282 830	6 063	3 482	-	-	122 806	180 418	-	-
Insurance contract assets	-	-	-	-	-	-	-	-	-	-
Reinsurance contract assets	42 623	48 842	1 173 278	1 493 033	-	11 956	1 830 155	2 008 763	-	-
Cash and cash equivalents	362 922	449 615	82 004	140 022	369 415	414 236	817 418	532 702	180 994	305 243
Other assets	34 373	97 427	17 973	79 957	58 175	93 365	95 732	101 162	35 954	29 074
Income/Deferred tax asset	61 477	42 240	4 293	10 729	9 018	20 598	27 829	95 395	10 525	12 968
Total assets	**3 104 664**	**3 183 205**	**1 630 378**	**1 987 678**	**2 030 355**	**1 815 396**	**9 417 930**	**8 429 460**	**1 249 045**	**1 142 178**
Total assets/Total liabilities	246%	235%	120%	114%	181%	160%	157%	152%	172%	161%
Increase in shareholders' funds	1%		10%		33%		18%		21%	

NON-LIFE INSURERS | Statement of Financial Position | R'000

Accounting year end	Dec-25	Dec-24	Dec-25	Dec-24	Dec-25	Dec-24	Jun-25	Jun-24	Jun-25	Jun-24
Group/Company	**Centriq Insurance Company Limited**		**Chubb Insurance South Africa Limited**		**Compass Insurance Company Limited**		**Dial Direct Insurance (RF) Limited**		**Discovery Insure Limited**	
Share capital and premium	55 000	55 000	115 000	115 000	114 284	114 284	20 001	20 001	2 552 000	2 552 000
Retained earnings/(deficit)	969 069	750 961	169 407	219 717	341 532	401 461	255 506	197 794	344 000	(299 000)
Other reserves	-	-	978	767	24 618	6 771	-	-	(60 000)	(60 000)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
Total shareholders' funds	**1 024 069**	**805 961**	**285 385**	**335 484**	**480 434**	**522 516**	**275 507**	**217 795**	**2 836 000**	**2 193 000**
Insurance contract liabilities	16 965 671	14 505 658	756 879	884 641	1 296 671	1 128 060	150 006	157 544	731 000	870 000
Reinsurance contract liabilities	1 635 035	1 482 839	-	977	33 861	10 124	40 131	62 929	-	-
Policyholder liabilities under investment contracts	5 353 172	4 869 923	-	-	-	-	-	-	-	-
Preference share liability	-	-	-	-	-	-	-	-	-	-
Linked liability	-	-	-	-	-	-	-	-	-	-
Current tax payable	23 458	-	-	-	-	439	-	-	27 000	7 000
Deferred tax liability	420 531	154 813	-	-	3 857	437	141	-	8 000	-
Other liabilities	492 356	518 822	74 405	58 081	56 797	52 402	5 564	23 697	466 000	389 000
Total liabilities	**24 890 223**	**21 532 055**	**831 284**	**943 699**	**1 391 186**	**1 191 462**	**195 842**	**244 170**	**1 232 000**	**1 266 000**
Total investments	**24 158 860**	**20 379 964**	**247 835**	**250 136**	**871 470**	**519 148**	**359 975**	**381 366**	**3 130 000**	**2 139 000**
Assets arising from insurance contracts	-	-	-	-	-	-	-	-	-	-
PPE, goodwill, intangible assets, non-current assets classified as held for sale and assets from discontinued operations	13 439	16 457	9 528	1 968	8 939	9 488	-	-	140 000	228 000
Insurance contract assets	16 773	51 091	883	-	214	148	-	-	-	-
Reinsurance contract assets	676 255	672 362	599 724	720 342	841 338	833 921	-	-	83 000	139 000
Cash and cash equivalents	563 257	563 852	223 404	283 247	119 582	326 425	83 591	43 770	640 000	630 000
Other assets	485 708	617 610	21 538	15 223	26 023	24 848	26 683	35 150	75 000	210 000
Income/Deferred tax asset	-	36 680	13 757	8 267	4 054	-	1 100	1 679	-	113 000
Total assets	**25 914 292**	**22 338 016**	**1 116 669**	**1 279 183**	**1 871 620**	**1 713 978**	**471 349**	**461 965**	**4 068 000**	**3 459 000**
Total assets/Total liabilities	104%	104%	134%	136%	135%	144%	241%	189%	330%	273%
Increase in shareholders' funds	27%		(15%)		(8%)		26%		29%	

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NON-LIFE INSURERS | Statement of Financial Position | R'000

Accounting year end	Mar-25	Mar-24	Dec-25	Dec-24	Jun-25	Jun-24	Jun-25	Jun-24 Restated	Jun-25	Jun-24
Group/Company	**Escap SOC Limited**		**Exxaro Insurance Company Limited**		**First for Women Insurance Company (RF) Limited**		**Guardrisk Insurance Company Limited**		**The Hollard Insurance Company Limited**	
Share capital and premium	379 500	379 500	1 247 000	1 102 000	82 000	82 000	324 414	324 414	1 642 601	1 642 601
Retained earnings/(deficit)	18 981 187	16 340 643	1 234 798	1 458 941	247 854	187 773	682 355	523 413	1 202 976	1 167 913
Other reserves	-	-	-	-	-	-	6 583	5 066	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
Total shareholders' funds	**19 360 687**	**16 720 143**	**2 481 798**	**2 560 941**	**329 854**	**269 773**	**1 013 352**	**852 893**	**2 845 577**	**2 810 514**
Insurance contract liabilities	11 661 776	9 833 787	1 102 256	307 347	248 624	224 528	13 429 291	11 972 415	10 517 513	9 220 548
Reinsurance contract liabilities	-	-	-	-	57 397	101 776	4 433 669	4 230 004	186 268	183 289
Policyholder liabilities under investment contracts	-	-	-	-	-	-	8 025 650	6 698 933	-	-
Preference share liability	-	-	-	-	-	-	-	-	-	-
Linked liability	-	-	-	-	-	-	-	-	-	-
Current tax payable	-	134 358	-	12 374	-	-	18 096	-	63 726	-
Deferred tax liability	130 421	145 079	-	3 347	-	-	85 364	504 455	71 441	108 098
Other liabilities	491	972	1 758	33 076	40 695	38 319	835 158	751 525	3 254 954	2 691 524
Total liabilities	**11 792 688**	**10 114 196**	**1 104 014**	**356 144**	**346 716**	**364 623**	**26 827 228**	**24 157 332**	**14 093 902**	**12 203 459**
Total investments	**27 481 480**	**23 569 484**	**678 001**	**513 021**	**531 635**	**466 886**	**23 576 655**	**20 146 168**	**10 947 714**	**9 136 292**
Assets arising from insurance contracts	-	-	-	-	-	-	-	-	-	-
PPE, goodwill, intangible assets, non-current assets classified as held for sale and assets from discontinued operations	10	29	-	-	-	-	52 062	51 726	309 856	343 398
Insurance contract assets	-	-	-	-	-	-	-	-	197 703	115 064
Reinsurance contract assets	3 296 427	3 173 021	1 967 507	1 482 002	-	-	2 297 562	2 354 679	2 496 215	2 696 806
Cash and cash equivalents	191 865	19 244	772 009	920 299	109 112	135 867	1 300 881	1 537 897	2 327 134	1 768 762
Other assets	110 583	72 561	11 649	1 763	21 428	19 798	613 420	444 516	660 857	911 553
Income/Deferred tax asset	73 010	-	156 646	-	14 395	11 845	-	475 239	-	42 098
Total assets	**31 153 375**	**26 834 339**	**3 585 812**	**2 917 085**	**676 570**	**634 396**	**27 840 580**	**25 010 225**	**16 939 479**	**15 013 973**
Total assets/Total liabilities	264%	265%	325%	819%	195%	174%	104%	104%	120%	123%
Increase in shareholders' funds	16%		(3%)		22%		19%		1%	

NON-LIFE INSURERS | Statement of Financial Position | R'000

Accounting year end	Jun-25	Jun-24	Mar-25	Mar-24	Jun-25	Jun-24	Jun-25	Jun-24 Restated	Dec-25	Dec-24 Restated
Group/Company	**Hollard Specialist Insurance Limited**		**Infiniti Insurance Limited**		**King Price Insurance Company Limited**		**Lombard Insurance Company Limited**		**Miway Insurance Limited**	
Share capital and premium	400 503	400 503	187 230	187 230	940 000	940 000	229 050	229 050	250 101	250 101
Retained earnings/(deficit)	(372 029)	(344 901)	532 237	333 356	(306 778)	(296 422)	940 609	1 039 869	185 848	222 713
Other reserves	-	-	-	-	-	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
Total shareholders' funds	**28 474**	**55 602**	**719 467**	**520 586**	**633 222**	**643 578**	**1 169 659**	**1 268 919**	**435 949**	**472 814**
Insurance contract liabilities	298 826	152 924	707 880	739 952	706 630	601 567	2 438 698	2 401 172	748 345	534 987
Reinsurance contract liabilities	554 371	168 809	-	-	8 852	8 501	91 574	72 840	-	-
Policyholder liabilities under investment contracts	881 410	-	-	-	-	-	-	-	-	-
Preference share liability	-	-	-	-	-	-	-	-	-	-
Linked liability	-	-	-	-	-	-	-	-	-	-
Current tax payable	-	-	16 400	-	-	-	-	114 408	-	-
Deferred tax liability	-	-	84 375	66 322	45 758	-	-	-	-	-
Other liabilities	64 658	103 076	299 479	234 225	332 694	219 182	2 023 509	1 556 905	455 085	361 469
Total liabilities	**1 799 265**	**424 809**	**1 108 134**	**1 040 499**	**1 093 934**	**829 250**	**4 553 781**	**4 145 325**	**1 203 430**	**896 456**
Total investments	**1 551 651**	**289 845**	**1 314 676**	**1 021 789**	**281 008**	**330 806**	**3 477 168**	**3 693 657**	**791 628**	**474 634**
Assets arising from insurance contracts	-	-	-	-	-	-	-	-	-	-
PPE, goodwill, intangible assets, non-current assets classified as held for sale and assets from discontinued operations	-	-	10 763	10 374	326 175	348 703	79 935	78 825	238 656	191 210
Insurance contract assets	50 141	20 499	-	3 246	-	-	5 948	-	-	-
Reinsurance contract assets	3 640	24 519	435 576	414 665	520 751	332 359	1 124 829	899 393	468 478	363 352
Cash and cash equivalents	194 500	123 172	53 943	84 305	422 451	333 547	780 190	603 931	32 045	233 248
Other assets	20 321	18 534	12 643	14 622	151 056	86 093	128 751	82 468	36 863	52 624
Income/Deferred tax asset	7 486	3 842	-	12 084	25 715	41 320	126 619	55 970	71 709	54 202
Total assets	**1 827 739**	**480 411**	**1 827 601**	**1 561 085**	**1 727 156**	**1 472 828**	**5 723 440**	**5 414 244**	**1 639 379**	**1 369 270**
Total assets/Total liabilities	102%	113%	165%	150%	158%	178%	126%	131%	136%	153%
Increase in shareholders' funds	(49%)		38%		(2%)		(8%)		(8%)	

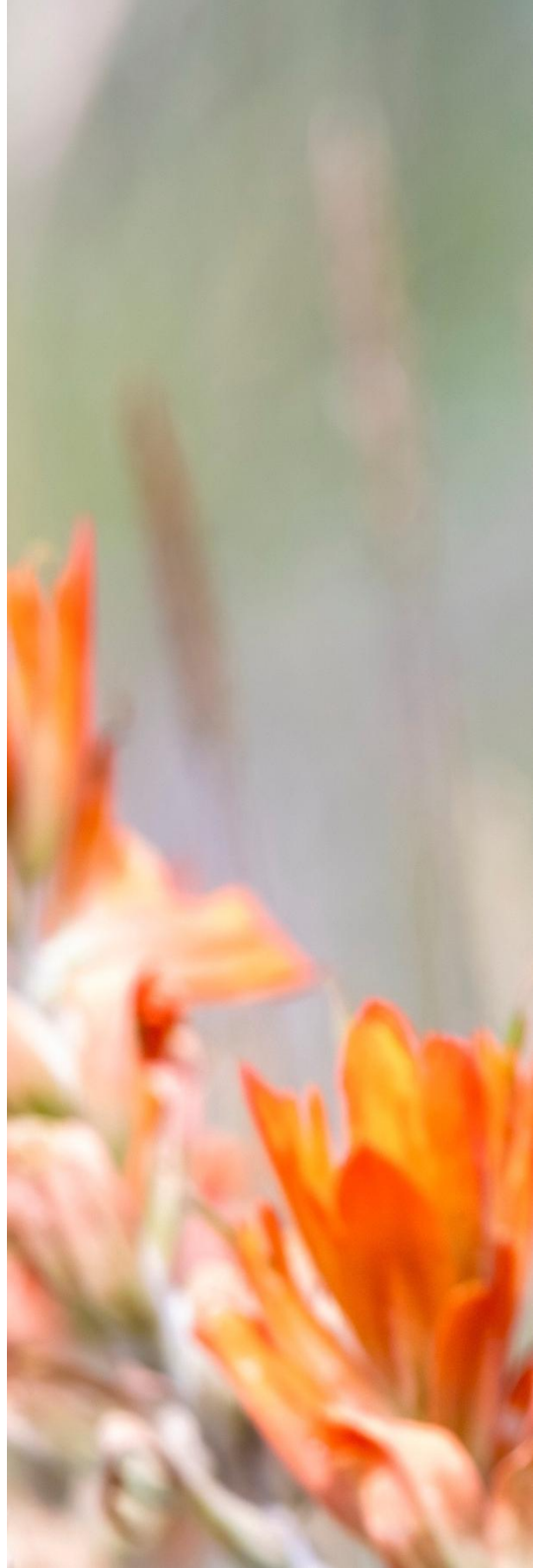
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NON-LIFE INSURERS | Statement of Financial Position | R'000

Accounting year end	Jun-25	Jun-24	Dec-25	Dec-24	Dec-25	Dec-24 Restated	Jun-25	Jun-24	Jun-25	Jun-24
Group/Company	**Momentum Insure Company Limited**		**Nedgroup Insurance Company Limited**		**Old Mutual Insure Limited**		**OUTsurance Insurance Company Limited**		**Renasa Insurance Company Limited**	
Share capital and premium	2 004 559	2 004 559	5 000	5 000	2 612 000	2 612 000	25 000	25 000	611 407	611 407
Retained earnings/(deficit)	(182 798)	(291 231)	1 773 595	1 446 349	3 469 000	3 425 000	4 524 737	3 868 280	(64 457)	(265 691)
Other reserves	10 768	8 886	-	-	-	-	46 458	68 641	-	21 271
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
Total shareholders' funds	**1 832 529**	**1 722 214**	**1 778 595**	**1 451 349**	**6 081 000**	**6 037 000**	**4 596 195**	**3 961 921**	**546 950**	**366 987**
Insurance contract liabilities	837 993	930 689	470 346	372 561	3 758 000	3 865 000	2 077 406	1 945 242	753 363	545 696
Reinsurance contract liabilities	-	-	20 749	-	193 000	185 000	29 619	24 612	38 776	353 679
Policyholder liabilities under investment contracts	-	-	-	-	-	-	-	-	-	-
Preference share liability	-	-	-	-	-	-	96 244	100 368	5 000	5 000
Linked liability	-	-	-	-	-	-	-	-	-	-
Current tax payable	956	142	8 966	11 387	-	124 000	24 217	123 524	-	4 183
Deferred tax liability	-	-	35 683	33 553	-	-	276 992	344 165	-	-
Other liabilities	455 404	253 969	45 805	45 143	2 326 000	2 458 000	1 971 534	1 647 412	98 734	146 902
Total liabilities	**1 294 353**	**1 184 800**	**581 549**	**462 644**	**6 277 000**	**6 632 000**	**4 476 012**	**4 185 323**	**895 873**	**1 055 460**
Total investments	**2 279 551**	**2 099 753**	**2 125 181**	**1 684 695**	**7 156 000**	**6 979 000**	**7 868 731**	**6 609 158**	**715 951**	**53 644**
Assets arising from insurance contracts	-	-	-	-	-	-	-	-	-	-
PPE, goodwill, intangible assets, non-current assets classified as held for sale and assets from discontinued operations	165 321	174 643	6 611	5 830	791 000	844 000	451 542	659 045	2 816	11 351
Insurance contract assets	41 962	30 669	-	-	16 000	-	-	-	5	7
Reinsurance contract assets	226 489	256 730	56 051	77 417	1 763 000	2 365 000	25 460	26 706	87 176	26 701
Cash and cash equivalents	191 777	78 060	169 732	137 414	1 697 000	1 659 000	165 328	299 169	560 002	1 234 807
Other assets	98 688	21 783	784	6 302	680 000	695 000	118 172	158 800	61 970	27 743
Income/Deferred tax asset	123 094	245 376	1 785	2 335	255 000	127 000	442 974	394 366	14 903	68 194
Total assets	**3 126 882**	**2 907 014**	**2 360 144**	**1 913 993**	**12 358 000**	**12 669 000**	**9 072 207**	**8 147 244**	**1 442 823**	**1 422 447**
Total assets/Total liabilities	242%	245%	406%	414%	197%	191%	203%	195%	161%	135%
Increase in shareholders' funds	6%		23%		1%		16%		49%	

NON-LIFE INSURERS | Statement of Financial Position | R'000

Accounting year end	Dec-25	Dec-24	Mar-25	Mar-24	Dec-25	Dec-24	Feb-25	Feb-24
Group/Company	**Santam Limited**		**Sasria SOC Limited**		**Standard Insurance Limited**		**Western National Insurance Company Limited**	
Share capital and premium	103 000	103 000	22 000 000	22 000 000	30 000	30 000	165 000	165 000
Retained earnings/(deficit)	13 564 000	10 689 000	(3 388 476)	(7 857 459)	2 646 686	2 543 214	1 332 775	1 194 821
Other reserves	-	-	-	-	-	-	4 919	4 919
Non-controlling interests	-	-	-	-	-	-	-	-
Total shareholders' funds	**13 667 000**	**10 792 000**	**18 611 524**	**14 142 541**	**2 676 686**	**2 573 214**	**1 502 694**	**1 364 740**
Insurance contract liabilities	16 276 000	16 008 000	2 061 759	1 980 979	419 836	514 761	458 344	359 043
Reinsurance contract liabilities	-	-	32 775	82 071	1 258	25 419	-	1 698
Policyholder liabilities under investment contracts	-	-	-	-	-	-	-	-
Preference share liability	-	-	-	-	-	-	-	-
Linked liability	-	-	-	-	-	-	-	-
Current tax payable	138 000	235 000	19 233	28 249	25 281	13 168	-	-
Deferred tax liability	-	10 000	-	-	22 951	6 508	13 938	4 396
Other liabilities	6 760 000	5 603 000	188 336	219 029	186 324	154 568	79 638	59 918
Total liabilities	**23 174 000**	**21 856 000**	**2 302 103**	**2 310 328**	**655 650**	**714 424**	**551 920**	**425 055**
Total investments	**27 520 000**	**21 556 000**	**11 322 703**	**8 212 067**	**1 998 719**	**2 268 400**	**1 417 672**	**1 282 288**
Assets arising from insurance contracts	-	-	-	-	-	-	-	-
PPE, goodwill, intangible assets, non-current assets classified as held for sale and assets from discontinued operations	625 000	659 000	64 693	75 775	410 942	288 698	-	-
Insurance contract assets	262 000	360 000	-	-	20 622	25 103	10 377	3
Reinsurance contract assets	4 795 000	6 206 000	1 583 166	1 147 222	27 228	22 703	172 455	104 009
Cash and cash equivalents	2 051 000	2 356 000	5 875 721	5 532 129	543 649	374 544	425 184	375 156
Other assets	1 502 000	1 511 000	17 134	25 392	331 176	308 190	24 772	20 743
Income/Deferred tax asset	86 000	-	2 050 210	1 460 284	-	-	4 154	7 596
Total assets	**36 841 000**	**32 648 000**	**20 913 627**	**16 452 869**	**3 332 336**	**3 287 638**	**2 054 614**	**1 789 795**
Total assets/Total liabilities	159%	149%	908%	712%	508%	460%	372%	421%
Increase in shareholders' funds	27%		32%		4%		10%	





NON-LIFE INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Dec-25	Dec-24 Restated	Dec-25	Dec-24 Restated	Jun-25	Jun-24	Dec-25	Dec-24	Jun-25	Jun-24
Group/Company	**Absa Insurance Company Limited**		**Allianz Global Corporate and Specialty South Africa Limited**		**Auto and General Insurance Company (RF) Limited**		**Bryte Insurance Company Limited**		**Budget Insurance Company (RF) Limited**	
Insurance revenue	4 070 858	3 999 116	1 294 462	1 427 599	4 378 026	3 836 269	8 129 192	7 142 836	2 485 382	2 182 729
Insurance service expenses	(3 148 991)	(3 233 134)	(454 927)	(1 054 026)	(3 596 412)	(3 418 626)	(5 464 408)	(4 903 593)	(2 115 096)	(1 917 299)
Net (expenses)/income from reinsurance contracts	(162 425)	(142 549)	(815 083)	(338 270)	(520 620)	(302 591)	(1 891 872)	(1 655 799)	(250 894)	(194 006)
Insurance service result	**759 442**	**623 433**	**24 452**	**35 303**	**260 994**	**115 052**	**772 912**	**583 444**	**119 392**	**71 424**
Net finance income/(expense) from insurance contracts	(783)	(3 576)	(29 758)	(114 387)	(6 936)	(8 907)	(80 128)	(62 285)	(260)	(2 988)
Net finance income/(expense) from reinsurance contracts	45	409	22 872	110 074	(751)	-	69 094	61 891	531	-
Net insurance result	**758 704**	**620 266**	**17 566**	**30 990**	**253 307**	**106 145**	**761 878**	**583 050**	**119 663**	**68 436**
Total net investment income*	**263 438**	**255 518**	**25 831**	**34 399**	**146 691**	**122 591**	**883 923**	**914 396**	**96 848**	**79 288**
Net income before other operating expenses and other income	**1 022 142**	**875 784**	**43 397**	**65 389**	**399 998**	**228 736**	**1 645 801**	**1 497 446**	**216 511**	**147 724**
Other unallocated income	53 536	56 028	32 057	10 184	283 427	269 176	2 282	3 400	14 826	3 378
Fair value adjustments on policyholder liabilities under investment contracts	-	-	-	-	-	-	-	-	-	-
Administration, management and other expenses	(533 227)	(508 073)	(40 701)	(30 950)	(372 755)	(375 531)	(513 424)	(447 779)	(107 440)	(99 539)
Equity-accounted earnings (incl. hyper-inflationary adjustments)	-	-	-	-	-	-	-	-	-	-
Profit/(Loss) before tax	**542 451**	**423 739**	**34 753**	**44 623**	**310 670**	**122 381**	**1 134 659**	**1 053 067**	**123 897**	**51 563**
Taxation	(167 593)	(112 198)	(9 123)	(12 118)	(83 412)	(32 384)	(268 365)	(249 521)	(33 172)	(13 639)
Profit/(Loss) after tax	**374 858**	**311 541**	**25 630**	**32 505**	**227 258**	**89 997**	**866 294**	**803 546**	**90 725**	**37 924**
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	**374 858**	**311 541**	**25 630**	**32 505**	**227 258**	**89 997**	**866 294**	**803 546**	**90 725**	**37 924**
Other transfer to/(from) retained earnings	-	-	-	-	-	-	-	-	-	-
Other comprehensive income not charged against retained earnings/Other reserve movements	-	-	-	-	-	-	-	-	-	-
Ordinary dividends	370 000	142 000	-	-	-	70 000	90 000	10 000	-	25 000
Allocated to preference shareholders	-	-	-	-	-	-	-	-	-	-
Allocated to non-controlling interests	-	-	-	-	-	-	-	-	-	-
Change in retained earnings	**4 858**	**169 541**	**25 630**	**32 505**	**227 258**	**19 997**	**776 294**	**793 546**	**90 725**	**12 924**
Net expenses from reinsurance contracts/insurance contracts result (insurance revenue less insurance service expenses)	18%	19%	97%	91%	67%	72%	71%	74%	68%	73%
Insurance service expenses/insurance revenue	77%	81%	35%	74%	82%	89%	67%	69%	85%	88%
Insurance service result/profit/(loss) before tax	140%	147%	70%	79%	84%	94%	68%	55%	96%	139%
Tax as a % of profit/(loss) before tax	31%	26%	26%	27%	27%	26%	24%	24%	27%	26%
Comments	Company		Company		Company		Company		Company	

* Includes expected credit loss movements on financial instruments.

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NON-LIFE INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Dec-25	Dec-24	Dec-25	Dec-24	Dec-25	Dec-24	Jun-25	Jun-24	Jun-25	Jun-24 Restated
Group/Company	**Centriq Insurance Company Limited**		**Chubb Insurance South Africa Limited**		**Compass Insurance Company Limited**		**Dial Direct Insurance (RF) Limited**		**Discovery Insure Limited**	
Insurance revenue	4 290 616	3 786 495	369 962	405 294	3 111 371	2 347 032	689 269	724 936	6 591 000	6 036 000
Insurance service expenses	(3 028 407)	(2 605 540)	(128 817)	(24 503)	(2 272 813)	(1 777 911)	(487 331)	(552 296)	(5 730 000)	(5 652 000)
Net (expenses)/income from reinsurance contracts	(988 048)	(982 677)	(188 668)	(311 693)	(702 022)	(461 692)	(120 842)	(111 134)	(111 000)	(24 000)
Insurance service result	**274 161**	**198 278**	**52 477**	**69 098**	**136 536**	**107 429**	**81 096**	**61 506**	**750 000**	**360 000**
Net finance income/(expense) from insurance contracts	(1 582 561)	(1 127 033)	(106 873)	(106 741)	12 907	(11 305)	(5 914)	(6 144)	(20 000)	-
Net finance income/(expense) from reinsurance contracts	(114 039)	(194 438)	87 980	88 287	(12 284)	10 145	-	-	-	-
Net insurance result	**(1 422 439)**	**(1 123 193)**	**33 584**	**50 644**	**137 159**	**106 269**	**75 182**	**55 362**	**730 000**	**360 000**
Total net investment income*	**2 622 518**	**2 242 705**	**23 789**	**30 375**	**104 712**	**83 115**	**37 153**	**36 495**	**287 000**	**228 000**
Net income before other operating expenses and other income	**1 200 079**	**1 119 512**	**57 373**	**81 019**	**241 871**	**189 384**	**112 335**	**91 857**	**1 017 000**	**588 000**
Other unallocated income	27 137	30 326	669	826	17 700	16 846	2 646	1 338	28 000	5 000
Fair value adjustments on policyholder liabilities under investment contracts	(248 987)	(291 672)	-	-	-	-	-	-	-	-
Administration, management and other expenses	(13 446)	(52 564)	(29 445)	(309)	(80 897)	(70 497)	(36 208)	(38 139)	(146 000)	(280 000)
Equity-accounted earnings (incl. hyper-inflationary adjustments)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(Loss) before tax	**964 783**	**805 602**	**28 597**	**81 536**	**178 674**	**135 733**	**78 773**	**55 056**	**899 000**	**313 000**
Taxation	(596 675)	(536 034)	(7 907)	(22 210)	(38 603)	(29 487)	(21 061)	(15 592)	(255 000)	(100 000)
Profit/(Loss) after tax	**368 108**	**269 568**	**20 690**	**59 326**	**140 071**	**106 246**	**57 712**	**39 464**	**644 000**	**213 000**
Other comprehensive income	**-**	**-**	**-**	**-**	**17 847**	**6 566**	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**368 108**	**269 568**	**20 690**	**59 326**	**157 918**	**112 812**	**57 712**	**39 464**	**644 000**	**213 000**
Other transfer to/(from) retained earnings	-	-	-	-	-	-	-	-	(1 000)	(1 000)
Other comprehensive income not charged against retained earnings/Other reserve movements	-	-	-	-	(17 847)	(6 566)	-	-	-	-
Ordinary dividends	150 000	109 000	71 000	45 500	200 000	35 000	-	75 000	-	-
Allocated to preference shareholders	-	-	-	-	-	-	-	-	-	-
Allocated to non-controlling interests	-	-	-	-	-	-	-	-	-	-
Change in retained earnings	**218 108**	**160 568**	**(50 310)**	**13 826**	**(59 929)**	**71 246**	**57 712**	**(35 536)**	**643 000**	**212 000**
Net expenses from reinsurance contracts/insurance contracts result (insurance revenue less insurance service expenses)	78%	83%	78%	82%	84%	81%	60%	64%	13%	6%
Insurance service expenses/insurance revenue	71%	69%	35%	6%	73%	76%	71%	76%	87%	94%
Insurance service result/profit/(loss) before tax	28%	25%	184%	85%	76%	79%	103%	112%	83%	115%
Tax as a % of profit/(loss) before tax	62%	67%	28%	27%	22%	22%	27%	28%	28%	32%
Comments	Company		Company		Company		Company		Company	

* Includes expected credit loss movements on financial instruments.

NON-LIFE INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Mar-25	Mar-24	Dec-25	Dec-24	Jun-25	Jun-24	Jun-25	Jun-24 Restated	Jun-25	Jun-24
Group/Company	**Escap SOC Limited**		**Exxaro Insurance Company Limited**		**First for Women Insurance Company (RF) Limited**		**Guardrisk Insurance Company Limited**		**The Hollard Insurance Company Limited**	
Insurance revenue	5 935 090	5 600 467	464 966	459 628	1 225 938	1 111 539	13 664 198	13 021 978	17 442 596	16 155 397
Insurance service expenses	(2 453 722)	(465 975)	(912 110)	(50 984)	(953 244)	(937 150)	(10 082 901)	(8 532 303)	(13 614 779)	(12 444 708)
Net (expenses)/income from reinsurance contracts	(1 873 872)	(2 549 246)	(181 656)	(171 364)	(165 214)	(122 035)	(2 503 152)	(3 863 731)	(2 368 939)	(2 586 410)
Insurance service result	**1 607 496**	**2 585 246**	**(628 800)**	**237 280**	**107 480**	**52 354**	**1 078 145**	**625 944**	**1 458 878**	**1 124 279**
Net finance income/(expense) from insurance contracts	(823 553)	(740 599)	33 500	643	(5 187)	(4 828)	(924 471)	(893 115)	(719 842)	(754 204)
Net finance income/(expense) from reinsurance contracts	304 247	211 534	162 802	111 262	50	-	289 929	351 275	238 631	312 171
Net insurance result	**1 088 190**	**2 056 181**	**(432 498)**	**349 185**	**102 343**	**47 526**	**443 603**	**84 104**	**977 667**	**682 246**
Total net investment income*	**2 539 841**	**1 985 310**	**138 197**	**129 258**	**53 975**	**45 694**	**1 771 088**	**1 364 991**	**1 164 843**	**863 297**
Net income before other operating expenses and other income	**3 628 031**	**4 041 491**	**(294 301)**	**478 443**	**156 318**	**93 220**	**2 214 691**	**1 449 095**	**2 142 510**	**1 545 543**
Other unallocated income	26 486	29 026	1 407	1 715	6 901	1 704	241 081	450 204	162 716	109 314
Fair value adjustments on policyholder liabilities under investment contracts	-	-	-	-	-	-	(864 197)	(534 957)	-	-
Administration, management and other expenses	(59 578)	(26 805)	(15 504)	(10 256)	(81 113)	(56 414)	(411 572)	(388 720)	(1 275 150)	(1 110 233)
Equity-accounted earnings (incl. hyper-inflationary adjustments)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(Loss) before tax	**3 594 939**	**4 043 712**	**(308 398)**	**469 902**	**82 106**	**38 510**	**1 180 003**	**975 622**	**1 030 076**	**544 624**
Taxation	(954 395)	(1 077 276)	84 255	(126 678)	(22 025)	(10 314)	(689 061)	(591 476)	(218 464)	(65 790)
Profit/(Loss) after tax	**2 640 544**	**2 966 436**	**(224 143)**	**343 224**	**60 081**	**28 196**	**490 942**	**384 146**	**811 612**	**478 834**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4 012)**
Total comprehensive income for the year	**2 640 544**	**2 966 436**	**(224 143)**	**343 224**	**60 081**	**28 196**	**490 942**	**384 146**	**811 612**	**474 822**
Other transfer to/(from) retained earnings	-	-	-	-	-	-	-	-	-	-
Other comprehensive income not charged against retained earnings/Other reserve movements	-	-	-	-	-	-	-	-	-	4 012
Ordinary dividends	-	-	-	-	-	30 000	332 000	445 000	776 549	310 635
Allocated to preference shareholders	-	-	-	-	-	-	-	-	-	-
Allocated to non-controlling interests	-	-	-	-	-	-	-	-	-	-
Change in retained earnings	**2 640 544**	**2 966 436**	**(224 143)**	**343 224**	**60 081**	**(1 804)**	**158 942**	**(60 854)**	**35 063**	**168 199**
Net expenses from reinsurance contracts/insurance contracts result (insurance revenue less insurance service expenses)	54%	50%	(41%)	42%	61%	70%	70%	86%	62%	70%
Insurance service expenses/insurance revenue	41%	8%	196%	11%	78%	84%	74%	66%	78%	77%
Insurance service result/profit/(loss) before tax	45%	64%	204%	50%	131%	136%	91%	64%	142%	206%
Tax as a % of profit/(loss) before tax	27%	27%	27%	27%	27%	27%	58%	61%	21%	12%
Comments	Company		Company		Company		Company		Company	

* Includes expected credit loss movements on financial instruments.

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NON-LIFE INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Jun-25	Jun-24 Restated	Mar-25	Mar-24	Jun-25	Jun-24	Jun-25	Jun-24 Restated	Dec-25	Dec-24 Restated
Group/Company	**Hollard Specialist Insurance Limited**		**Infiniti Insurance Limited**		**King Price Insurance Company Limited**		**Lombard Insurance Company Limited**		**Miway Insurance Limited**	
Insurance revenue	783 734	327 946	1 846 116	1 516 963	4 335 987	3 724 335	3 654 451	3 325 286	4 247 700	3 718 563
Insurance service expenses	(589 465)	(242 813)	(1 526 907)	(1 365 167)	(3 191 529)	(2 968 163)	(2 938 715)	(1 158 779)	(3 816 224)	(3 399 996)
Net (expenses)/income from reinsurance contracts	(52 725)	(60 992)	(208 486)	(126 099)	(133 791)	(164 244)	(105 870)	(1 450 451)	(173 755)	(96 833)
Insurance service result	**141 544**	**24 141**	**110 723**	**25 697**	**1 010 667**	**591 928**	**609 866**	**716 056**	**257 721**	**221 734**
Net finance income/(expense) from insurance contracts	(35 761)	(19 463)	710	(1 681)	-	-	(183 142)	(211 706)	681	(7 320)
Net finance income/(expense) from reinsurance contracts	1 424	(12 943)	-	-	-	-	150 901	211 389	2 504	6 241
Net insurance result	**107 207**	**(8 265)**	**111 433**	**24 016**	**1 010 667**	**591 928**	**577 625**	**715 739**	**260 906**	**220 655**
Total net investment income*	**97 710**	**49 331**	**187 012**	**19 045**	**61 118**	**37 241**	**339 720**	**355 720**	**63 098**	**51 593**
Net income before other operating expenses and other income	**204 917**	**41 066**	**298 445**	**43 061**	**1 071 785**	**629 169**	**917 345**	**1 071 459**	**324 004**	**272 248**
Other unallocated income	423	19 806	-	-	10 282	9 427	10 069	7 893	22 700	6 815
Fair value adjustments on policyholder liabilities under investment contracts	(38 654)	-	-	-	-	-	-	-	-	-
Administration, management and other expenses	(22 282)	(8 736)	(39 407)	(21 188)	(628 920)	(511 046)	(715 986)	(808 313)	(53 232)	(26 061)
Equity-accounted earnings (incl. hyper-inflationary adjustments)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(Loss) before tax	**144 404**	**52 136**	**259 038**	**21 873**	**453 147**	**127 550**	**211 428**	**271 039**	**293 472**	**253 002**
Taxation	(51 132)	(33 178)	(60 157)	(6 472)	(135 748)	(35 149)	(60 688)	(86 491)	(75 337)	(67 298)
Profit/(Loss) after tax	**93 272**	**18 958**	**198 881**	**15 401**	**317 399**	**92 401**	**150 740**	**184 548**	**218 135**	**185 704**
Other comprehensive income	**-**	**-**	**-**	**-**	**51 954**	**(7 767)**	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**93 272**	**18 958**	**198 881**	**15 401**	**369 353**	**84 634**	**150 740**	**184 548**	**218 135**	**185 704**
Other transfer to/(from) retained earnings	-	-	-	-	48 071	-	-	-	-	-
Other comprehensive income not charged against retained earnings/Other reserve movements	-	-	-	-	-	-	-	-	-	-
Ordinary dividends	120 400	230 600	-	80 000	427 780	44 113	250 000	-	255 000	56 500
Allocated to preference shareholders	-	-	-	-	-	-	-	-	-	-
Allocated to non-controlling interests	-	-	-	-	-	-	-	-	-	-
Change in retained earnings	**(27 128)**	**(211 642)**	**198 881**	**(64 599)**	**(10 356)**	**40 521**	**(99 260)**	**184 548**	**(36 865)**	**129 204**
Net expenses from reinsurance contracts/insurance contracts result (insurance revenue less insurance service expenses)	27%	72%	65%	83%	12%	22%	15%	67%	40%	30%
Insurance service expenses/insurance revenue	75%	74%	83%	90%	74%	80%	80%	35%	90%	91%
Insurance service result/profit/(loss) before tax	98%	46%	43%	117%	223%	464%	288%	264%	88%	88%
Tax as a % of profit/(loss) before tax	35%	64%	23%	30%	30%	28%	29%	32%	26%	27%
Comments	Company		Company		Company		Company		Company	

* Includes expected credit loss movements on financial instruments.

NON-LIFE INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Jun-25	Jun-24	Dec-25	Dec-24	Dec-25	Dec-24 Restated	Jun-25	Jun-24	Jun-25	Jun-24
Group/Company	**Momentum Insure Company Limited**		**Nedgroup Insurance Company Limited**		**Old Mutual Insure Limited**		**OUTsurance Insurance Company Limited**		**Renasa Insurance Company Limited**	
Insurance revenue	3 294 043	3 271 827	1 761 581	1 559 287	13 747 000	13 473 000	13 346 624	12 165 382	2 844 118	2 462 782
Insurance service expenses	(2 447 297)	(2 953 709)	(1 388 850)	(1 399 486)	(10 993 000)	(11 243 000)	(8 370 054)	(8 360 101)	(2 781 634)	(2 239 795)
Net (expenses)/income from reinsurance contracts	(81 531)	(69 220)	(92 302)	(75 196)	(1 670 000)	(1 238 000)	(193 104)	(180 052)	76 232	(159 213)
Insurance service result	**765 215**	**248 898**	**280 429**	**84 605**	**1 084 000**	**992 000**	**4 783 466**	**3 625 229**	**138 716**	**63 774**
Net finance income/(expense) from insurance contracts	(3 022)	(4 230)	(320)	(7 839)	(181 000)	(151 000)	(134 892)	(142 325)	(49 533)	(33 429)
Net finance income/(expense) from reinsurance contracts	-	-	(1 303)	-	70 000	65 000	34	818	35 921	26 864
Net insurance result	**762 193**	**244 668**	**278 806**	**76 766**	**973 000**	**906 000**	**4 648 608**	**3 483 722**	**125 104**	**57 209**
Total net investment income*	**252 295**	**234 536**	**198 950**	**194 833**	**1 767 000**	**673 000**	**1 007 079**	**440 388**	**111 836**	**92 068**
Net income before other operating expenses and other income	**1 014 488**	**479 204**	**477 756**	**271 599**	**2 740 000**	**1 579 000**	**5 655 687**	**3 924 110**	**236 940**	**149 277**
Other unallocated income	230 065	230 514	(4 925)	(3 101)	114 000	49 000	42 202	37 985	16 562	15 179
Fair value adjustments on policyholder liabilities under investment contracts	-	-	-	-	-	-	-	-	-	-
Administration, management and other expenses	(659 804)	(578 981)	(31 453)	(26 684)	(636 000)	(534 000)	(1 474 063)	(877 891)	(9 096)	(50 504)
Equity-accounted earnings (incl. hyper-inflationary adjustments)	**-**	**-**	**-**	**-**	**9 000**	**1 000**	**-**	**-**	**-**	**-**
Profit/(Loss) before tax	**584 749**	**130 737**	**441 378**	**241 814**	**2 227 000**	**1 095 000**	**4 223 826**	**3 084 204**	**244 406**	**113 952**
Taxation	(161 316)	55 822	(114 132)	(55 265)	(288 000)	(230 000)	(1 144 869)	(873 675)	(65 729)	(33 305)
Profit/(Loss) after tax	**423 433**	**186 559**	**327 246**	**186 549**	**1 939 000**	**865 000**	**3 078 957**	**2 210 529**	**178 677**	**80 647**
Other comprehensive income	**182**	**571**	**-**	**-**	**5 000**	**3 000**	**9 554**	**10 382**	**1 286**	**(1 647)**
Total comprehensive income for the year	**423 615**	**187 130**	**327 246**	**186 549**	**1 944 000**	**868 000**	**3 088 511**	**2 220 911**	**179 963**	**79 000**
Other transfer to/(from) retained earnings	-	-	-	-	-	-	-	-	22 557	-
Other comprehensive income not charged against retained earnings/Other reserve movements	(182)	(571)	-	-	-	-	(9 554)	(10 382)	(1 286)	1 647
Ordinary dividends	315 000	-	-	-	1 900 000	-	2 422 500	1 595 500	-	-
Allocated to preference shareholders	-	-	-	-	-	-	-	-	-	-
Allocated to non-controlling interests	-	-	-	-	-	-	-	-	-	-
Change in retained earnings	**108 433**	**186 559**	**327 246**	**186 549**	**44 000**	**868 000**	**656 457**	**615 029**	**201 234**	**80 647**
Net expenses from reinsurance contracts/insurance contracts result (insurance revenue less insurance service expenses)	10%	22%	25%	47%	61%	56%	4%	5%	(122%)	71%
Insurance service expenses/insurance revenue	74%	90%	79%	90%	80%	83%	63%	69%	98%	91%
Insurance service result/profit/(loss) before tax	131%	190%	64%	35%	49%	91%	113%	118%	57%	56%
Tax as a % of profit/(loss) before tax	28%	(43%)	26%	23%	13%	21%	27%	28%	27%	29%
Comments	Company		Company		Company		Company		Company	

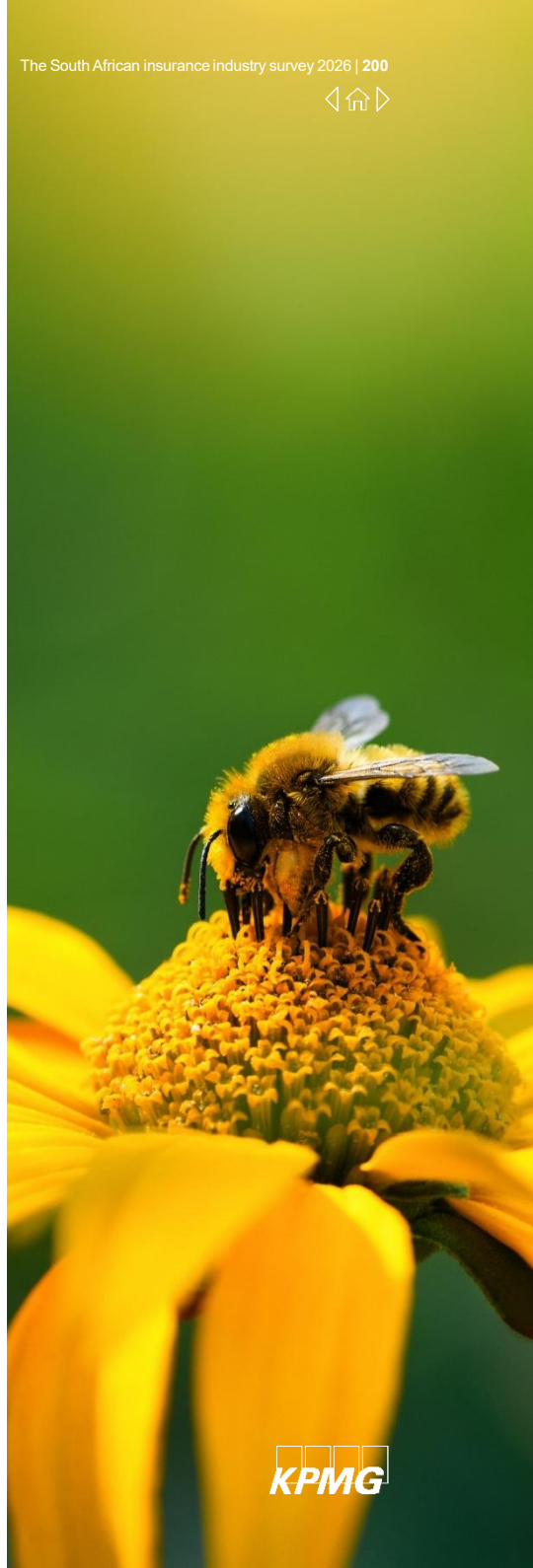
* Includes expected credit loss movements on financial instruments.

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NON-LIFE INSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Dec-25	Dec-24	Mar-25	Mar-24	Dec-25	Dec-24	Feb-25	Feb-24
Group/Company	**Santam Limited**		**Sasria SOC Limited**		**Standard Insurance Limited**		**Western National Insurance Company Limited**	
Insurance revenue	37 953 000	35 469 000	5 759 562	5 251 296	3 729 164	3 666 342	2 494 050	2 161 391
Insurance service expenses	(29 563 000)	(28 802 000)	(2 218 074)	(1 941 574)	(2 487 472)	(2 920 468)	(2 182 503)	(1 876 620)
Net (expenses)/income from reinsurance contracts	(3 907 000)	(3 700 000)	(592 229)	(1 328 997)	(260 433)	(249 873)	(122 282)	(131 110)
Insurance service result	**4 483 000**	**2 967 000**	**2 949 259**	**1 980 725**	**981 259**	**496 001**	**189 265**	**153 661**
Net finance income/(expense) from insurance contracts	(278 000)	(855 000)	(75 380)	(113 129)	(34 168)	(45 503)	(23 576)	(22 912)
Net finance income/(expense) from reinsurance contracts	116 000	337 000	13 956	18 044	1 644	4 093	17 434	16 141
Net insurance result	**4 321 000**	**2 449 000**	**2 887 835**	**1 885 640**	**948 735**	**454 591**	**183 123**	**146 890**
Total net investment income*	**2 564 000**	**2 978 000**	**1 283 758**	**1 023 240**	**211 271**	**260 770**	**160 741**	**121 248**
Net income before other operating expenses and other income	**6 885 000**	**5 427 000**	**4 171 593**	**2 908 880**	**1 160 006**	**715 361**	**343 864**	**268 138**
Other unallocated income	118 000	114 000	1 092	754	-	21 036	28 911	25 915
Fair value adjustments on policyholder liabilities under investment contracts	-	-	-	-	-	-	-	-
Administration, management and other expenses	(1 201 000)	(946 000)	(66 139)	(61 785)	(160 127)	(107 717)	(50 473)	(40 244)
Equity-accounted earnings (incl. hyper-inflationary adjustments)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(Loss) before tax	**5 802 000**	**4 595 000**	**4 106 546**	**2 847 849**	**999 879**	**628 680**	**322 302**	**253 809**
Taxation	(1 075 000)	(897 000)	362 437	484 831	(266 376)	(159 280)	(84 348)	(67 927)
Profit/(Loss) after tax	**4 727 000**	**3 698 000**	**4 468 983**	**3 332 680**	**733 503**	**469 400**	**237 954**	**185 882**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**4 727 000**	**3 698 000**	**4 468 983**	**3 332 680**	**733 503**	**469 400**	**237 954**	**185 882**
Other transfer to/(from) retained earnings	(39 000)	9 000	-	-	-	140	-	-
Other comprehensive income not charged against retained earnings/Other reserve movements	-	-	-	-	-	-	-	-
Ordinary dividends	1 813 000	1 658 000	-	-	630 031	607 000	100 000	-
Allocated to preference shareholders	-	-	-	-	-	-	-	-
Allocated to non-controlling interests	-	-	-	-	-	-	-	-
Change in retained earnings	**2 875 000**	**2 049 000**	**4 468 983**	**3 332 680**	**103 472**	**(137 460)**	**137 954**	**185 882**
Net expenses from reinsurance contracts/insurance contracts result (insurance revenue less insurance service expenses)	47%	55%	17%	40%	21%	34%	39%	46%
Insurance service expenses/insurance revenue	78%	81%	39%	37%	67%	80%	88%	87%
Insurance service result/profit/(loss) before tax	77%	65%	72%	70%	98%	79%	59%	61%
Tax as a % of profit/(loss) before tax	19%	20%	-9%	-17%	27%	25%	26%	27%
Comments	Company		Company		Company		Company	

* Includes expected credit loss movements on financial instruments.





Reinsurance industry financial results

REINSURERS | Statement of Financial Position | R'000

Accounting year end	Dec-25	Dec-24 Restated	Dec-25	Dec-24	Dec-25	Dec-24	Dec-25	Dec-24
Group/Company	**African Reinsurance Corporation (South Africa) Limited**		**Hannover Re South Africa Limited**		**Munich Re Africa Branch *** **		**SCOR SE (Incorporated in France) - Africa Branch**	
Share capital and premium	80 300	80 300	1 177 292	1 177 292	-	1 344 915	-	-
Retained earnings/(deficit)	1 436 235	1 195 647	2 127 728	1 907 606	727 624	3 010 785	(764 486)	(746 656)
Other reserves	-	-	(140 143)	(447 682)	2 141 339	136 153	(40 168)	(192 518)
Non-controlling interests	-	-	-	-	-	-	-	-
Total shareholders' funds	**1 516 535**	**1 275 947**	**3 164 877**	**2 637 216**	**2 868 963**	**4 491 853**	**(804 654)**	**(939 174)**
Insurance contract liabilities*	1 326 654	1 441 764	4 963 169	4 375 601	15 121 251	16 345 037	3 283 094	3 488 951
Reinsurance contract liabilities**	2 058 521	1 569 018	153 716	178 162	347 449	232 104	1 687 507	2 029 160
Policyholder liabilities under investment contracts	-	-	-	-	381 606	61 378	-	-
Preference share liability	-	-	-	-	-	-	-	-
Current tax payable	-	-	5 569	-	-	-	-	12 098
Deferred tax liability	31 999	19 874	40 443	-	267 697	593 284	-	405
Other liabilities	175 869	105 616	157 167	572 215	806 436	776 134	350 415	344 968
Total liabilities	**3 593 043**	**3 136 272**	**5 320 064**	**5 125 978**	**16 924 439**	**18 007 937**	**5 321 016**	**5 875 582**
Total investments	**4 840 627**	**4 315 970**	**3 936 630**	**3 745 067**	**445 461**	**3 310 558**	**499 729**	**750 356**
Policyholder assets	-	-	-	-	4 737 560	2 963 761	-	-
PPE, goodwill, intangible assets and non-current assets classified as held for sale	7 888	971	-	-	66 592	126 730	230	16 377
Insurance contract assets*	1 807	45	442 242	483 815	2 520 442	2 069 562	1 464 968	1 626 751
Reinsurance contract assets**	7 551	-	3 109 202	2 732 147	8 870 303	11 310 022	1 294 035	1 597 000
Cash and cash equivalents	226 594	69 872	966 686	699 390	2 777 750	2 248 745	1 137 188	804 274
Other assets	2 603	-	30 181	55 919	372 851	426 492	108 790	141 650
Income/Deferred tax asset	22 508	25 361	-	46 856	2 443	43 920	11 422	-
Total assets	**5 109 578**	**4 412 219**	**8 484 941**	**7 763 194**	**19 793 402**	**22 499 790**	**4 516 362**	**4 936 408**
Return on equity	16%	11%	19%	17%	25%	20%	(4%)	(15%)
Total assets/Total liabilities	142%	141%	159%	151%	117%	125%	85%	84%
Change in shareholders' funds	19%		20%		(36%)		(14%)	

* Insurance contracts reflected here refer to contracts issued by the reinsurer in its capacity as the reinsurer.
** Reinsurance contracts reflected here refer to retrocession contracts held by the reinsurer in its capacity as the reinsurer.
*** On 1 January 2025 Munich Re (Incorporated in Germany) - Africa Branch (Munich Re Africa Branch) commenced business activities in South Africa. This follows the transfer of business from Munich Reinsurance Company of Africa Limited to Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München at that date. The 2025 amounts presented above represent the financial results of the branch (Munich Re Africa Branch), while the 2024 amounts presented reflect the results of the reinsurance subsidiary (Munich Reinsurance Company of Africa Limited).

REINSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Dec-25	Dec-24 Restated	Dec-25	Dec-24	Dec-25	Dec-24	Dec-25	Dec-24
Group/Company	**African Reinsurance Corporation (South Africa) Limited**		**Hannover Re South Africa Limited**		**Munich Re Africa Branch *** **		**SCOR SE (Incorporated in France) - Africa Branch**	
Insurance revenue	2 865 235	2 792 315	6 769 804	5 593 346	8 900 890	11 993 560	1 515 217	1 764 869
Insurance service expenses	(2 090 708)	(2 326 879)	(4 806 646)	(4 489 913)	(6 597 570)	(10 790 245)	(1 109 418)	(1 422 993)
Net (expenses)/income from reinsurance contracts	(628 734)	(386 696)	(1 417 439)	(608 915)	(1 978 351)	(596 032)	(267 149)	(343 318)
Insurance service result	**145 793**	**78 740**	**545 719**	**494 518**	**324 969**	**607 283**	**138 650**	**(1 442)**
Net finance income/(expense) from insurance contracts	(90 289)	(94 494)	(285 865)	(305 679)	(351 502)	(638 233)	(106 191)	(54 455)
Net finance income/(expense) from reinsurance contracts	(37 287)	(41 878)	220 380	224 473	371 769	523 422	39 367	28 452
Net insurance result	**18 217**	**(57 632)**	**480 234**	**413 312**	**345 236**	**492 472**	**71 826**	**(27 445)**
Investment income from assets backing insurance contracts	**-**	**-**	**-**	**-**	**607 721**	**418 616**	**-**	**-**
Total net investment income**	**414 175**	**359 610**	**523 881**	**354 715**	**325 889**	**521 450**	**118 248**	**143 516**
Net income before other operating expenses and other income	**432 392**	**301 978**	**1 004 115**	**768 027**	**1 278 846**	**1 432 538**	**190 074**	**116 071**
Commission received (non-insurance)	-	-	-	-	-	-	-	-
Other unallocated income	5 908	1 233	36 068	43 876	27 175	19 209	-	86 447
Service fees from investment contracts	-	-	-	-	-	-	-	-
Fair value adjustments on policyholder liabilities under investment contracts	-	-	-	-	-	-	-	-
Administration, management and other expenses	(118 140)	(107 162)	(267 033)	(268 544)	(311 668)	(75 727)	(141 809)	(51 224)
Equity-accounted earnings	-	-	-	-	-	-	-	-
Profit/(Loss) before tax	**320 160**	**196 049**	**773 150**	**543 359**	**994 353**	**1 376 020**	**48 265**	**151 294**
Taxation	(79 572)	(49 494)	(163 028)	(89 370)	(266 729)	(459 426)	(12 498)	(15 023)
Profit/(Loss) after tax	**240 588**	**146 555**	**610 122**	**453 989**	**727 624**	**916 594**	**35 767**	**136 271**
Other comprehensive income	**-**	**-**	**307 542**	**(44 505)**	**275 630**	**166 770**	**(152 554)**	**(2 708)**
Total comprehensive income for the year	**240 588**	**146 555**	**917 664**	**409 484**	**1 003 254**	**1 083 364**	**(116 787)**	**133 563**
Other transfer to/(from) retained earnings	-	-	-	-	(275 630)	(166 770)	(53 597)	(3 516)
Other comprehensive income not charged against retained earnings	-	-	(307 542)	44 505	-	-	152 554	2 708
Ordinary dividends	-	-	390 000	128 000	-	192 796	-	-

*** On 1 January 2025 Munich Re (Incorporated in Germany) - Africa Branch (Munich Re Africa Branch) commenced business activities in South Africa. This follows the transfer of business from Munich Reinsurance Company of Africa Limited to Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München at that date. The 2025 amounts presented above represent the financial results of the branch (Munich Re Africa Branch), while the 2024 amounts presented reflect the results of the reinsurance subsidiary (Munich Reinsurance Company of Africa Limited).

**** Includes expected credit loss movements on financial instruments.

REINSURERS | Statement of Comprehensive Income | R'000

Accounting year end	Dec-25	Dec-24 Restated	Dec-25	Dec-24	Dec-25	Dec-24	Dec-25	Dec-24
Group/Company	**African Reinsurance Corporation (South Africa) Limited**		**Hannover Re South Africa Limited**		**Munich Re Africa Branch *** **		**SCOR SE (Incorporated in France) - Africa Branch**	
Allocated to preference shareholders	-	-	-	-	-	-	-	-
Allocated to non-controlling interests	-	-	-	-	-	-	-	-
Change in retained earnings	**240 588**	**146 555**	**220 122**	**325 989**	**727 624**	**723 798**	**(17 830)**	**132 755**
Net expenses/income from reinsurance contracts/insurance contracts result (insurance revenue less insurance service expenses)	81%	83%	72%	55%	86%	50%	66%	100%
Insurance service expenses/insurance revenue	73%	83%	71%	80%	74%	90%	73%	81%
Insurance service result/profit/(loss) before tax	46%	40%	71%	91%	33%	44%	287%	(1%)
Tax as a % of profit/(loss) before tax	25%	25%	21%	16%	27%	33%	26%	10%
Comments	Composite company		Composite company		Composite branch		Composite branch	

*** On 1 January 2025 Munich Re (Incorporated in Germany) - Africa Branch (Munich Re Africa Branch) commenced business activities in South Africa. This follows the transfer of business from Munich Reinsurance Company of Africa Limited to Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München at that date. Consequently, the 2025 financial information presented reflect the financial results of Munich Re Africa Branch, while the comparative 2024 amounts relate to the former South Africa subsidiary, Munich Reinsurance Company of Africa Limited.





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