



Standard Bank
Insure

CLAIM INSIGHTS REPORT:

**THE EVOLVING
RISK LANDSCAPE**



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Accident and Health Insurance: R530 million



Car and Home Insurance: R4.1 billion



Building Insurance: R15 billion



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Managing the Converging Risk Landscape

Thabani Ndwandwe:

Chief Risk Officer, Standard Bank South Africa



The risk environment we operate in today is more interconnected, fast-moving, and complex than at any point in recent memory. Events once considered rare - severe weather, infrastructure breakdowns, supply chain shocks, and rapid market shifts - now occur with greater frequency, often overlapping to create systemic challenges that

test the resilience of economies and institutions alike.

At Standard Bank Group we view this as a converging risk landscape - physical risks to assets and operations, market and policy shifts that reshape industries, and societal pressures that demand inclusive and adaptive solutions. These forces do not act in isolation, they amplify one another, creating both threats and opportunities for those prepared to respond.

Our approach is guided by three principles that sit at the heart of our enterprise risk framework:

- 1. Integration into core decision-making**
We embed risk considerations – whether market-driven, operational, environmental, or societal, across every material decision. Risk management is not a silo; it is a shared responsibility across the organisation.
- 2. Dual lens on risk**
We manage both immediate physical risks such as severe storms or infrastructure failures, and

transitional risks including shifts in regulation, technology, or consumer behaviour that can disrupt business models over time.

- 3. Forward-looking, data-driven insights**
We apply scenario analysis, stress testing, and predictive modelling to anticipate how emerging risks from economic volatility to environmental pressures, might interact and evolve. This enables proactive rather than reactive responses.

We also recognise that risks are experienced unevenly. The same disruptive event will affect a small business in an urban centre differently to a multicompany. This is why regular stakeholder engagement and collaboration is essential to building resilience that works for everyone.

Managing risk in this environment is not only about prevention and protection. It is also about enabling progress. The need to adapt to complex, overlapping risks is driving innovation, reshaping industries, and opening opportunities for new business models that are more agile, inclusive, and sustainable. Preparedness is no longer an optional safeguard, it is the foundation for resilience and competitiveness. The insights in this report speak directly to this reality, offering data, analysis, and strategies to navigate today's risks while building the capacity to thrive in the face of tomorrow's uncertainties.

Thabani Ndwandwe

Chief Risk Officer, Standard Bank South Africa

The Role of Short-Term Insurance Amid Rising Risks

Johan van Greuning

Chief Executive, Standard Insurance Limited



Africa's story is one of resilience, ingenuity, and untapped potential. At Standard Bank, our purpose is to drive Africa's growth and that means not only investing in infrastructure, people, and technology, but also protecting the very foundations of that growth. Insurance, often overlooked, is a critical enabler of economic stability and

social continuity. Yet, the continent faces a widening protection gap that threatens to derail progress.

In 2022, Africa suffered an estimated \$1.3 billion in economic losses from natural catastrophes and other shocks, with only \$0.2 billion covered by insurance, revealing an 80% protection gap¹. This is not just a statistic; it's a signal. It shows how underinsurance leaves communities, businesses, and governments exposed, unable to recover or rebuild after crises. Without robust risk transfer mechanisms, Africa's growth remains fragile.

South Africa, in particular, has experienced over \$9 billion in disaster-related losses since 1952², with increasing frequency and severity due to climate change, social unrest, and infrastructure vulnerabilities. The 2022 KwaZulu-Natal floods alone caused R54 billion in damages.³ Yet, we lack a national catastrophe risk pool to absorb these shocks. This gap underscores the urgency of rethinking how short-term insurance is delivered, who it serves, and how it integrates into the broader resilience ecosystem.

The role for short-term insurance is evolving. Traditionally, it was a safety net – stepping in after loss to repair, replace, or compensate. Today, it must become a proactive enabler of resilience. That means managing risk before it materialises, accelerating recovery, and supporting adaptation. It means using data, technology, and behavioural insights to make insurance more effective and inclusive.

One of the most transformative tools in this evolution is geospatial risk mapping. The expanded use of geocoding and satellite-based analytics allows insurers to assess exposure at a granular level, from flood to fire-prone zones and to tailor products accordingly. These capabilities are increasingly being used across the industry to support smarter underwriting, risk mitigation, and community-level resilience planning.

Innovation is key. Insurtechs are transforming the landscape with AI-driven underwriting, embedded insurance models, and mobile-first platforms. At Standard Insurance Limited, we've seen how modular products and behaviour-based pricing can expand access and reduce costs. Our embedded Personal Accident cover for Standard Bank South Africa accountholders is one example of how insurance can be seamlessly integrated into everyday financial services.

But innovation alone is not enough. Closing the protection gap requires collaboration between insurers, government, regulators, and communities. Public-private partnerships must be designed to share risk equitably, not shift responsibility. Models like the African Risk Capacity (ARC) offer a blueprint. ARC provides sovereign parametric insurance for climate disasters, enabling rapid payouts based on satellite data. While South Africa is not yet a member, ARC's success in countries like Senegal, Zambia, and Madagascar shows what's possible when governments pre-arrange financing for disaster response.

We must also explore new funding mechanisms. Treasury allocations, contingency reserves, climate finance, and development partnerships can support premium subsidies and risk pooling. Municipal co-funding and tax incentives can further enable inclusive coverage. These tools are essential to build a resilient insurance ecosystem that serves both urban and rural needs.

Standard Insurance Limited is proud to be part of Standard Bank's Insurance and Asset Management business, with a clear purpose: To Grow and Protect What Matters Most to our clients. This purpose guides our commitment to resilience, relevance, and innovation in everything we do.

The most successful insurers will be those who embed resilience, use technology to reduce loss, and build trust by partnering with clients. At Standard Insurance Limited, we are committed to this vision. By working alongside our clients, communities, and partners, we aim to keep short-term insurance relevant and accessible, not just for today's risks, but for the rapidly evolving threats of tomorrow.

Short-term insurance is no longer just about paying for what's lost. It's about making sure people and businesses can keep going, no matter what comes next.

Johan van Greuning

Chief Executive

¹ Swiss Re Institute, 2023. *Natural catastrophes and inflation in 2022: A perfect storm*. 19 Aug. 2025

² World Bank, 2020. *South Africa: Disaster Risk Finance Diagnostic*. 20 Aug. 2025

³ KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs, 2023. *Reflecting on the April / May 2022 KZN floods – One year later*. 19 Aug. 2025



INTRODUCTION

Evolving Risk, Lagging Protection: Adapting to an Evolving Insurance Landscape

South Africa's risk landscape has entered a new era. Climate volatility, shifting social dynamics, and mounting economic pressures are redefining how households and businesses experience vulnerability – also how they prepare for and respond to it. Yet, despite these mounting risks, the country continues to face a significant protection gap, particularly in short-term insurance.

In South Africa, short-term insurance coverage hovers below 20%. Across other parts of the continent, it falls to as little as 1–2%. This leaves millions financially exposed, forcing governments, Non-Government Organisations (NGO) and individuals to absorb the cost of recovery in the absence of structured insurance

solutions. The result is a fragile safety net that cannot withstand the scale or frequency of today's emerging threats.

In a constrained economy, insurance can often be viewed as discretionary. It's one of the first expenses to be cut when households or businesses seek financial relief. But this perception is increasingly misaligned with reality. In an emerging market like ours, the absence of insurance in the face of flooding, theft, fires or accidents can mean the difference between recovery and ruin. Without adequate coverage, families risk falling into cycles of hardship, and businesses face disruptions that reverberate across supply chains, employment, and

local economies.

Local businesses, in particular, play a critical role in the recovery ecosystem. Their ability to resume operations after a disruption is essential for sustaining livelihoods, enabling access to education and healthcare, and driving economic continuity. When businesses are uninsured, the ripple effects of a single event can destabilise entire communities.

Insurance is not merely a financial product, it is a strategic enabler of resilience. It ensures that individuals, businesses, and communities can rebound swiftly from unexpected shocks. It underpins financial

security, supports market stability, and strengthens the social fabric.

Standard Insurance Limited's latest report draws on five years of data to illuminate how South Africans are engaging with short-term insurance and how that engagement is evolving with time. The findings are both timely and socially relevant. It reveals surges in climate-related claims, gendered protection trends, and age-linked vulnerabilities that point to a society in transition. Traditional assumptions about risk and responsibility are being challenged, and new behavioural patterns are also emerging.

This is not just a conversation about coverage. It is a call to action in order to reframe insurance as a proactive shield for households, businesses, and the broader economy. As emerging risks grow more complex and behavioural shifts redefine who leads protection in our society, the insurance industry must adapt. So too must public understanding.

Through this report, we aim to catalyse that evolution. We invite consumers, industry leaders, and policymakers to reimagine insurance not as a reactive tool, but as a cornerstone of long-term wellbeing and national resilience.

The Five-Year Story in Numbers (2019-2024)

South Africa's short-term insurance landscape is undergoing a transformation driven by a convergence of environmental volatility, shifting consumer behaviours, and evolving asset lifecycles.

Standard Insurance Limited's latest five-year analysis reveals that traditional risk models are being upended by new realities, from the surge in claims linked to catastrophic weather events to the growing influence of women in household asset protection.

Over the past five years, Standard Insurance Limited has processed and paid more than R8.5 billion in claims, covering households, vehicles, and businesses across South Africa.

The data paints a picture of a sector where age, tenure, and lifestyle are increasingly shaping claim patterns. The data also tells a clear story: weather, water, and fire dominate the risk landscape, and their impact is growing.

Meanwhile, policy tenure reveals behavioural fault lines, with notable spikes in claims around the fourth and eighth years of coverage, and long-term ownership introducing new risks tied to aging infrastructure and vehicles.

These insights signal a pivotal moment for households and businesses to rethink their protection strategies.

Rather than relying solely on financial relief after loss, clients now have the opportunity to use data-driven insights to anticipate risks and strengthen resilience. From understanding the lifecycle of assets to recognising regional hazard patterns, this information equips policyholders to take control of their exposure and make smarter decisions about coverage, maintenance, and preparedness.



TOP FIVE HOME PERILS (by proportion of number of claims)

- 27% GEYSER**
27% often related to burst, leaking, or malfunctioning water heaters in households.
- 18% STORMS**
18%, often linked to structural damage to roofs, walls, and windows.
- 9% PIPES**
9%, often leading to hidden damage in walls and floors.
- 8% GEYSER AND RESULTANT**
8% hidden damage in walls and floors due to pipe claims.
- 4% LIGHTNING**
4% direct damage (to structures, appliances, and electronics) or indirect damage (power surges through electrical systems).
The remaining proportion is distributed across other claim perils such as robbery, impact, liability, and others.



TOP TWO VEHICLE PERILS (by proportion of number of claims)

1. Within the Personal Lines Motor section, 62% of registered claims are attributed to **Accidental Damage Collisions**.
 - **Accident Drivable (47%):** These cases typically involve vehicles that can still be driven after the incident, suggesting lower-severity damages.
 - **Accident Not Drivable (6%):** Represents accidents where vehicles are damaged beyond immediate use but not completely written off.
 - **Accident Write-Off (9%):** Indicates severe accidents with high repair costs relative to vehicle value.
 2. Within the Personal Lines Motor section, 29% of registered claims are attributed to **Windscreen**. This highlights that nearly one in three claims relate to windscreen damage, making it one of the most frequent but typically lower-cost claim types.
- The remaining proportions are distributed across other perils such as theft, accidental breakage, and others.

DEMOGRAPHIC SHIFTS

- **Drivers from age group 35+** Lead in number of claims, particularly in accident and collision claims.
- **Women aged 34-44** - Lead asset protection in certain categories, especially for home and household contents.
- **Policy tenure spikes** - Claim volumes peak at policy year 4 and 21, linked to asset lifecycle wear and tear.

Water is the most common peril.
Fire is the most expensive.



HIGH-COST OUTLIERS

- **Fire losses represent just about 1%** of the registered claims on personal lines property and motor but accounts for at least 15% of the total payout value from 2020 to 2024.
- **Largest Single Claim in Five Years: R183 Million Commercial Fire Loss**
A major fire resulted in a gross claim of R183 million, the highest recorded in the past five years.



REGIONAL HOTSPOTS (by peril)

- Storm-related damage - KwaZulu-Natal, Eastern Cape coastal towns, and Gauteng (Note: KZN year of frequency).
- Hail damage - Gauteng and Free State in late summer months.
- Fire risk - Western Cape (wildfires) and industrial zones in Gauteng.
- Water damage - Nationwide, but highest in areas with older plumbing infrastructure.

ANNUAL AVERAGES

R1.8 BILLION

– average annual claims paid.

100,000+ CLAIMS

processed per year across all product lines.

AVERAGE CLAIM PAYOUT:

R12,700 for personal lines property, R35,000 for personal lines motor, R1.7 million for commercial fire losses.

WHAT DOES THE DATA TELL US?

1

From Policyholders to Powerholders: Women Take the Lead in Asset Protection

Short-term insurance is seeing a shift in traditional norms as women are increasingly managing and protecting assets. Women, especially those aged 34–44 and those who are unmarried or divorced, are increasingly taking the lead in managing and protecting household assets. This marks a meaningful departure from historical expectations and shines a light on evolving consumer behaviour in short-term insurance. This dispels the long-held stereotype that men are typically the primary protectors and financial decision-makers in a household. Our data challenges the traditional narrative, showing that women are not only actively engaged but may even surpass men in certain policyholder demographics.

2

Age-based Policy Duration Trends for Homeowners

Across all age groups, there is a general decline in policy holders as the policy duration increases, except for the 55+ group which maintains a strong presence even in the 21+ years category.

- **Dominant:** The 35–44 and 45–54 age groups have the highest concentration of policy holders, especially for longer policy durations (5–10+ years). This suggests that individuals in mid-life are more likely to invest in home insurance and maintain it over time.
- **Low retention:** Younger Age Groups (18 to 24 and 25 to 34): These groups show a higher number of newer policies (1–4 years), indicating recent market entry. Retention appears lower, possibly due to lifestyle changes, mobility, or affordability.
- **The Older they are, the longer they stay:** Older Age Group (55+): This group shows a steady presence across all policy durations, with a notable increase in long-term policy holders (10+ years). Indicates strong retention and possibly higher asset ownership.

3

CAT Events Now Leading Threat to Homes and Vehicles

The rising frequency and severity of extreme weather has become the dominant protection risk for policyholders covering property (household and commercial). Our data shows that storms and catastrophic weather events (CATs) are driving the highest volume of both home and commercial insurance claims.

CATs and storms aren't just causing isolated issues; they're statistically shifting the claims landscape. Across the five-year period ending 2024, the year 2022 stands out as the peak year in terms of total claim payouts. Claims that occurred in 2022 alone made up 27% of the total claims value. There was a slight decline in 2023 (21.09%) and 2024 (20.53%). Consumer preparedness may have been low in 2022, leading to claim spikes; this may have triggered preventive measures or resilience improvements in subsequent years.

4

Middle-aged Drivers Now Leading in Road Incidents

Our data reveals that middle-aged drivers (35–44) filed the highest number of vehicle claims, particularly for windscreen and accidental damage. However, their Average Cost Per Claim (ACPC) is the lowest across all age groups, suggesting common but lower-severity incidents. This may reflect higher vehicle usage, routine wear-and-tear, or cautious driving habits that may not necessarily elevate risk.

In contrast, younger drivers (18–24) submit fewer claims, but those claims are 35% more expensive than the portfolio average. This points to higher-severity events, likely driven by inexperience, riskier behaviour, or underinsurance. Despite their lower claim volume, the financial impact of their incidents makes them a critical risk group.

Meanwhile, older drivers (45+) show moderate claim frequency and cost, reflecting a balanced risk profile overall. Yet they are not without challenges. Age-related factors (such as slower reaction times, changes in vision, and even overconfidence built from years of driving) may contribute to incident rates that, while not severe, are still notable. Their claims may be less about recklessness and more about physiological shifts that subtly affect driving performance.

5

Fourth-Year Fault Line: Insurance Claims Surge as Policy Tenure Hits Critical Threshold

Claim volumes generally peak between 4 to 10 years of coverage, with a noticeable slight spike around the 4th year. Our data shows a distinct surge in claims during year 4 of policy tenure, with storm and geyser-related incidents leading the pack. This isn't just a statistical blip, it's a behavioural and lifecycle clue that opens the door to proactive intervention. Claims decrease somewhat after 10 years, but significant claim activity in the 21+ years group likely relates to aging homes where major systems are out of warranty and overdue maintenance or renovations become more common.

6

Water: The underestimated force in insurance

Water is emerging as the quiet disruptor of household security. Our data shows that storms, geysers, and burst pipes are driving the majority of insurance claims, making water damage the most prevalent for homeowners. Water damage affects structure, belongings and the safety of families. Geysers, storms and burst pipes are risks that affect all types of homes, regardless of geography and income.

7

Eight Year Itch and 21-Year Surge: Vehicle Age and Policy Tenure

Our latest analysis of vehicle insurance claims reveals compelling patterns that highlight how policy tenure influence claim behaviour:

- **Cautious Beginnings:** New policyholders (less than 1 year) tend to file fewer claims – likely due to initial caution or limited exposure to risk.
- **The 8-Year Spike:** A noticeable peak in claims occurs around the 8-year policy mark, particularly for accidental damage and windscreen repairs. This may reflect a tipping point in vehicle wear or usage patterns.
- **Long-Term Ownership Risks:** Policyholders with 21+ years of coverage show significantly higher claim activity, often linked to aging vehicles and the increased likelihood of mechanical or structural issues.

8

Homeowner Age Gap Reveals Risk Divide: Seniors Claim More, But Young Owners Pay the Price

Analysis of household claims over the past five years reveals distinct patterns across age groups:

- **Volatility:** Young adults aged 18–24 account for less than 1% of total claims, yet their Average Cost Per Claim (ACPC) is 35% above the portfolio average, indicating fewer but significantly more expensive incidents – likely influenced by inexperience, riskier behaviour, or underinsurance.
- **Stability:** In contrast, the core working-age population (25–54) represents nearly 70% of all claims and demonstrates cost efficiency, with a combined ACPC 7.7% below the overall average. This suggests a high volume of manageable claims and a stable risk profile.
- **Vulnerability:** Meanwhile, older adults (55+) contributed 29.56% of household claims, with an ACPC 12% above average. Although their claim volumes are relatively high, the cost uplift remains modest, pointing to increased asset vulnerability without excessive financial impact.

9

Fire is the silent heavyweight in the short-term risk portfolio

Our data reveals that while fire may be rare, when it strikes, the financial devastation is unmatched. With fire-related claims representing the smallest number of incidents yet yielding the highest individual payout amounts, it tells us one thing: low volumes, high severity. This proves that the most expensive threat is often the quietest one until it erupts.

10

Windscreens Crack Often, But Fire Burns the Budget

While fire and theft remain relatively rare events, they carry significantly higher costs, posing a substantial financial risk. In contrast, windscreen claims, especially common among older drivers, are the most frequent but also the least expensive, highlighting the importance of routine maintenance and minor repairs in managing overall claim costs.



The greatest risk of all: **EXTREME WEATHER EVENTS**

Climate risk is no longer a peripheral concern. It is now a central driver of insurance economics. When climate events strike, their impact is felt far beyond the insured property line.



The Writing on the Wall Has Worn

Dr. Penny Byrne, Investment Analyst for ESG and Climate Change at Standard Bank



South Africa's climate story is unfolding faster than many anticipated, and the insurance industry is feeling the effects in every claim cycle. Scientific evidence now shows that the country is warming at twice the global average rate, with consequences that touch every sector of the economy.

The science is a work in progress, as any scientific inquiry should be. Earth's system is extremely complex and, while we understand more now than ever before, mysteries remain. Each year we understand more, and consensus builds. When you hear an apparently convincing argument against climate action, apply scepticism - as this is not the consensus view among experts.

Earth's climate is unique, sitting in the Goldilocks Zone, where it's neither too hot nor too cold for liquid water to exist on the surface of the planet. Our atmosphere is thin, but thick enough to trap some radiative heat from the sun. As more greenhouse gasses are released into our atmosphere, global average temperatures rise.

One of the biggest financial climate risks is the impact of extreme events. While transition risk is also increasing, we believe that the speed of the transition has slowed and that the policies to ensure the world moves to a less carbon intensive economy, remain too weak to result in a real reduction in global greenhouse gas emissions.

Global emissions climbed at a record rate in 2024, and we expect that they will continue to rise in the coming years. Global average temperatures have also reached new record levels, and we expect this to increase drastically over the next decade as tipping points are crossed and Earth gives up more of its stored greenhouse gasses to the atmosphere. We expect that the world will be dealing with far worse climate impacts by 2030 than is currently predicted in climate models.

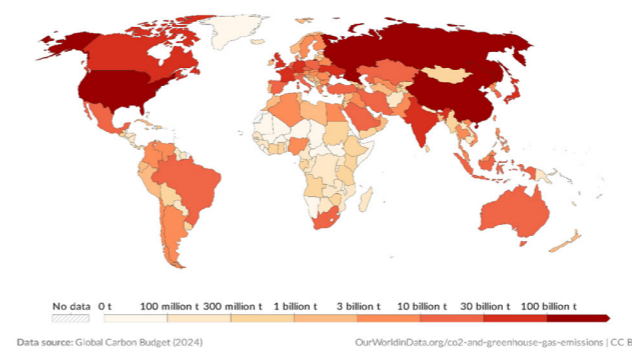
We expect the global climate discourse is likely to shift from a focus on mitigation efforts to adaptation as a matter of urgency over the next few years.

While we agree with the view of many climate scientists, that limiting global warming to below 1.5°C is not in reach anymore, that is not to say that the ambition to do so should be abandoned. Every incremental bit of global warming will have a disproportionate impact on the global climate – and the global economy will suffer. If 1.5°C is truly dead, then we should aim for keeping global warming below 1.6°C. As the global climate warms and extreme events become more commonplace, we revisit the question of where the world moves from here and how the risks change, depending on the outlook for climate action over the next decade.

The reality is that emissions are increasing, and global average temperatures alongside. As the world warms, extreme weather events become more frequent and intense. The cost associated with these events is huge – and will only get bigger under higher levels of global warming.

Figure 1: Cumulative CO2 Emissions, 2023

Running sum of CO₂ emissions produced from fossil fuels and industry¹ since the first year of recording, measured in tonnes. Land-use change is not included.



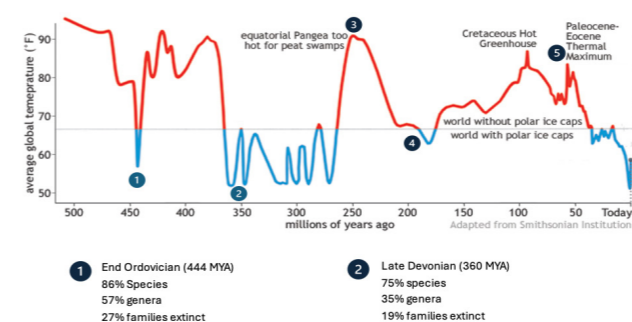
1. Fossil CO₂ emissions This refers to the carbon dioxide released when burning fossil fuels or from certain industrial activities. Burning fossil fuels – coal, oil, and gas – produces CO₂ during transport (cars, trucks, planes), electricity generation, heating, and energy use in industry. This also includes flaring, which is the burning of extra gas during oil and gas extraction. Some industrial processes also release CO₂. This happens especially in cement and steel production, where chemical reactions (unrelated to burning fuel) produce carbon dioxide. These figures don't include CO₂ emissions from changes in land use, like deforestation or reforestation.

Source: Our World in Data

The visualisation compares each country or region's cumulative emissions in (1) absolute terms and (2) at a single point in time (2017), showing how their share of global emissions changed from 1751 to 2017. Our World in Data reports that until 1950, Europe accounted for over half of historical CO₂ emissions, with the UK alone responsible for more than half until 1882. Over the next century, US industrialisation rapidly increased its share. In the past 50 years, growth in South America, Asia, and Africa has raised these regions' contributions. Since records began, South Africa has emitted 22.26 billion tonnes of CO₂ from fossil fuels and industry.

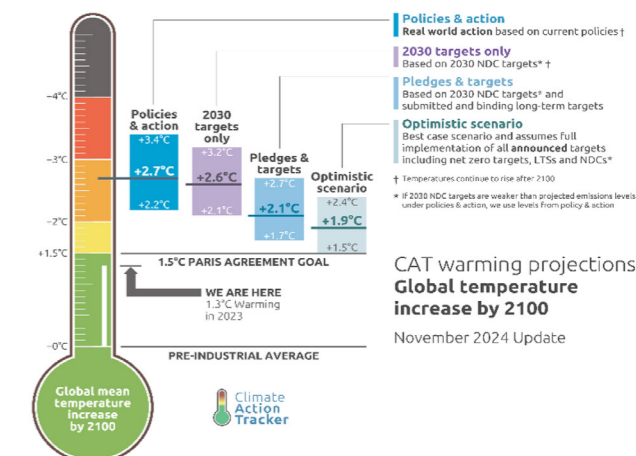
It will take every country to avert the worst impacts of the climate crisis, no country can claim an exemption, Earth's atmosphere knows no borders – and all will feel the impacts of a warmer climate. Earth's climate is changing, but then again it always has. Global average temperatures are currently below the 500 million-year average, and this gives some people comfort, knowing it's been hotter than this and Earth, and life on it, has persisted.

Figure 2: Estimated global temperature over the last 500 million years



Source: SBG Securities – ESG Insights report

Figure 3: Climate Action Tracker global thermometer



The 2023–2024 strong Amazon drought, with rainfall deficits of 50–100 mm/month, a +3°C temperature rise, a two-month delay in the wet season, and record-low river levels, appears to have compounded a recent rise in forest degradation. Unfortunately, despite all the rhetoric and the increase of climate policies around the world, we remain on track for a lot more global warming. Current models estimate that under current policies we are in for 2.7°C of global warming by 2100. We remain convinced that this is an optimistic outlook.

Source: SBG Securities ESG Insights Report

According to SBG Securities, the biggest financial climate risk is the impact of extreme events. While transition risk is also increasing, the speed of the transition has slowed and the policies to ensure that the world moves to a less carbon intensive economy remain too weak to result in a sufficient reduction in global greenhouse gas emissions.

Figure 4: Summary of the biggest risks under each scenario

Risk	SCENARIOS		
	Base case (50%)	Bull case (20%)	Bear case 30%
Physical climate risk	Increase significantly	Decrease significantly	Increase significantly
Transition risk	Remain about the same	Increase significantly	Decrease significantly
Water risk	Increase significantly	Remain about the same	Increase significantly
Biodiversity risk	Increase significantly	Decrease moderately	Increase significantly
Health and safety risk	Increase significantly	Decrease moderately	Increase significantly
Community conflict	Increase moderately	Decrease moderately	Increase significantly
Crime	Increase moderately	Increase moderately	Increase significantly

Source: Bloomberg, SBGS analysis

Our warmer world will be characterised by more extreme heatwaves, drought, flooding and sea level rise. Water availability will be impacted, more lives will be lost to extreme heat and extreme events, infrastructure will suffer, and costs will rise. While there is still some transition risk in this scenario, transition risks are slowing down rather than gathering momentum.



ECONOMIC IMPACT OF CATASTROPHIC EVENTS IN SOUTH AFRICA

KWAZULU-NATAL FLOODS

Total economic loss
R62.3 BILLION

% insured vs. uninsured
R32 BILLION.

Jobs lost
31 000

Businesses closed
1 250



Khumbelo Nevhorwa
Senior Analyst, Equity Research at Melville Douglas, Standard Bank Group

When the storm passes, the real damage begins – uninsured losses turn temporary disasters into lasting economic scars.

Impact of Catastrophic Events in South Africa

This report examines the economic consequences of catastrophic events in South Africa over the past decade, with a focus on climate-related disasters such as floods and hailstorms, as well as fires and droughts. These events have caused substantial financial losses, underscoring the critical role of insurance in supporting recovery and resilience. Without adequate coverage, such losses can lead to business closures, job cuts, GDP decline, and increased pressure on government resources. If left unaddressed, the economic fallout could deepen.

Storms and Floods

Climate change has intensified rainfall patterns which have led to hailstorms and floods – the latter being most devastating catastrophic events in South Africa

in recent years. The 2022 KwaZulu-Natal (KZN) floods alone caused an estimated R62.3 billion in economic losses, of which only R32 billion was insured. The floods resulted in 461 lives lost, 1,250 business interruptions, 31,220 jobs lost, and 19,113 houses damaged or destroyed. These figures underscore the devastating human and economic toll of floods⁴.

Poor infrastructure maintenance, both public and private, has amplified the damage. For instance, Toyota’s insurer cited inadequate municipal infrastructure as a key factor in R4.5 billion in plant repair costs⁵.

Sectoral Impacts

Floods hit property sectors hardest, affecting commercial, industrial, and residential assets. Public infrastructure such as roads and ports also suffers, causing ripple effects across manufacturing, supply

chains, retail, and tourism. Business interruptions and job losses further slow economic growth.

Consequences of Low Insurance Penetration

Insufficient insurance coverage can turn temporary damage into lasting economic harm. Unrepaired infrastructure disrupts operations even for insured businesses, leading to inefficiencies and reduced investor confidence. In Toyota’s case, unpaid municipal claims risked foreign investor withdrawal and R27 billion in lost turnover. Persistent concerns over infrastructure reliability may deter future investment, especially in manufacturing and property, amplifying economic downturns.

Fires

Although less frequent, fires have a high economic impact, particularly on properties. Fire damage can destroy building contents and cause structural defects, sometimes requiring rebuilding at near-new costs. South Africa faces increased fire risks due to shortages of firefighters and firefighting equipment, as well as inadequate water infrastructure, especially for commercial buildings.

The 2017 Knysna fires, which caused seven deaths, displaced 10,000 people, and inflicted R4–5 billion in losses, exemplify the devastating effects of fires. The fires damaged over 1,000 structures, highlighting the need for government responsibility in maintaining firefighting resources and infrastructure⁶. Homeowners

and businesses must also adopt preventive measures and obtain appropriate insurance coverage.

Conclusion

Catastrophic events in South Africa, particularly floods, hailstorms and fires, pose significant economic challenges that affect livelihoods, businesses, and the broader economy. The increasing severity of these events, driven by climate change and exacerbated by poor infrastructure maintenance, highlights the urgent need for comprehensive risk management strategies.

Insurance plays a vital role in mitigating the economic fallout by enabling recovery and reducing permanent losses. Without adequate insurance coverage, the fiscal burden shifts to the government, which may strain public finances and limit investments in essential services and infrastructure.

Furthermore, the public sector must prioritise investment in maintaining and upgrading infrastructure to reduce the vulnerability of communities and businesses to these disasters. Reliable infrastructure supports economic continuity, fosters investor confidence, and promotes sustainable growth.

In conclusion, a coordinated approach involving strong insurance uptake, proactive public sector investment, and private sector risk management is essential to enhance South Africa’s economic resilience against catastrophic events and secure long-term prosperity.

⁴Wesgro. (2022). Economic Impact of Flooding in KwaZulu-Natal. Wesgro Research Report, May 2022. 27 Aug 2025
⁵Insurance Journal. (2025). Toyota’s Japanese Insurer Files \$361 Million South Africa Claim. 27 Aug 2025.
⁶Knysna Museums. (2017). The Knysna Fires of 2017. 18 Aug 2025

Driving Economic Continuity Through Short-Term Insurance

Dini Nondumo

Head of Commercial Insurance at Standard Bank Insurance Limited



As South Africa grapples with intensifying climate risks, economic fragility and rising unemployment, the resilience of its business sector has become a cornerstone of national stability. With unemployment reaching 33.2% in Q2 2025 and youth unemployment at a staggering 46.1%,⁷ the imperative for businesses to remain operational and contribute to job creation is more urgent than ever.

This volatile time calls for leadership, foresight, and a renewed commitment to protecting what matters most: people, livelihoods, and the continuity of our economy. In this landscape, short-term insurance is no longer a transactional product. It should be seen as a strategic partner in resilience, one that enables businesses to recover faster, reduce disruption, and safeguard the social and economic fabric of the nation.

The past five years have tested the resilience of South African businesses. From floods that cripple supply chains to fires that devastate commercial assets, the cost of catastrophe is measured not only in rands but in lost jobs, shuttered enterprises, and fractured communities. Yet amid this turbulence, insurance has quietly played a stabilising role by injecting liquidity, enabling recovery, and restoring operations.

For business leaders, the imperative is clear: resilience is no longer optional. It is a duty. Enterprises, especially small and medium-sized ones, are the engines of employment and innovation. Their ability to withstand shocks directly influences national recovery.

Short-term insurance, when embedded into business strategy, becomes a lever for continuity. It ensures that when disaster strikes, operations resume swiftly, employees remain supported, and communities stay connected to essential services.

The insurance industry is evolving from the position of passive payer of claims to an active partner in risk management. Today's insurers offer more than indemnity. They provide insight, foresight, and tools to help businesses anticipate and mitigate risk. Through predictive analytics, satellite data, and real-time monitoring, insurers are helping clients make informed

decisions that reduce exposure and accelerate recovery.

This shift is not just technical but also philosophical. It reflects a deeper purpose, which is to protect the people behind the businesses. Every policy written is a promise to stand beside clients when they need it most. Every payout is a step toward restoring dignity, employment, and economic momentum.

Despite these advances, South Africa's protection gap remains a systemic vulnerability. Too many businesses operate without adequate cover, leaving them exposed to permanent loss. This gap is not just a market failure, sadly it is a social risk. When businesses collapse, jobs vanish, supply chains fracture, and communities suffer.

Insurers, in collaboration with government and municipalities, have a role to play in closing this gap. By designing modular, accessible products and investing in education and awareness, the industry can extend its reach and deepen its impact. The goal is not merely to sell policies but, more importantly, it is to build resilience where it is needed most.

Business resilience is a shared responsibility. It requires alignment between the private sector, insurers, and public institutions. It demands that leaders think beyond quarterly results and consider their role in shaping a stable, inclusive economy. Insurance is a tool, but it is also a signal that shows preparedness, care, and commitment to the future.

As climate-related risks intensify, the question is not whether businesses will face disruption but how they will respond. Those who embrace insurance as a strategic partner will recover faster, protect their people, and contribute meaningfully to national stability.

South Africa's challenges are real but so is its potential. By investing in resilience today, we lay the foundation for a more secure tomorrow. Insurance is not just about risk but at Standard Insurance Limited, we believe it's about recovery, continuity, and hope. It's about ensuring that when the unexpected happens, we are ready and not just to rebuild, but to rebuild better.

In this moment of uncertainty, let us choose foresight over fragility. Let us protect what matters most.

Closing the Protection Gap to Unlock the Continent's Potential

Rowland Ramalingam

Chief Risk Officer at Standard Insurance Limited



The South African insurance market has endured a prolonged hard market, shaped by a perfect storm of pressures. Over the past five years, insurers have faced massive losses due to high payouts during COVID-19, the 2021 riots, and a series of mild catastrophes and extreme weather events.

While each of these incidents might have been manageable in isolation, their cumulative impact has been financially devastating. At the same time, the global economy has grappled with high inflation and steep interest rate hikes, which have driven up insurance premiums and led many consumers to cancel their policies.

This has further widened the insurance gap. Commercial and corporate losses have also intensified the strain, with higher rates of business closures and a lack of infrastructure investment compounding the challenges.

Africa's Insurance Inflection Point: From Underserved to Unstoppable

Despite these headwinds, Africa's insurance sector is poised for transformation. The continent's youthful population, rapid technological advancement, and persistent insurance gap present powerful opportunities for growth.

Historically, access to insurance has been limited, and where available, affordability and lack of risk awareness have hindered uptake. But this is changing. Strengthening economies and digital innovation are creating new pathways for inclusion.

Insurtech Rising: How Mobile-First Innovation Is Reaching the Unreachable

The rise of insurtechs, mobile network operators, and financial service providers working in partnership is driving the emergence of innovative insurance solutions. These collaborations are bringing affordable, accessible products to previously underserved segments of the population.

A young, mobile-first generation is leading the charge, driven by entrepreneurial ambition and a desire for financial protection. They are reshaping the insurance landscape, demanding new ways to connect and protect.

Rethinking Risk: Climate Change Demands a New Insurance Playbook

As extreme weather events become more frequent and unpredictable, the industry must rethink how costs are shared. Managing these risks requires a collaborative ecosystem where consumers, insurers, reinsurers and local government all have a stake in the outcome.

While keeping premiums affordable is essential, charging meaningful excesses can encourage more responsible behaviour among policyholders. Insurers and reinsurers, meanwhile, must explore creative ways to collaborate by adopting technology to streamline operations, reduce costs, and improve efficiency.

Reinsurers can pilot tech solutions in smaller markets and scale successful models to larger ones. Sharing insights across regions can also help insurers prepare for emerging risks. Intra-industry partnerships offer another avenue for progress.

Emerging Regulatory Theme

a. Climate Risks

The South African Prudential Authority (PA) has formally initiated the integration of climate-related risks into its regulatory and supervisory framework. In alignment with this strategic direction, the PA issued a guidance notice in May 2024 titled "Climate-related Governance and Risk Practices for Insurers." The guidance notice aims to illustrate approaches that should be considered in managing an insurer's climate-related risks.

b. Cybersecurity Joint Standards

Cybersecurity is a growing threat and has become a top priority for financial institutions. The Joint Standard on Cybersecurity and Cyber Resilience Requirements which came into effect from the 1st June 2025 sets the minimum standards for financial institutions to implement best practices and processes to identify and guard against cybersecurity and cyber resilience risks

From Competition to Collaboration: The Case for Intra-Industry Partnerships

Incumbent insurers, often burdened by legacy systems and high transformation costs, can partner with or acquire agile insurtechs to accelerate innovation. These start-ups are well-positioned to experiment with new technologies at smaller scales, while incumbents undergo broader digital transformation.

AI and Climate: The Twin Disruptors Reshaping Insurance Futures

Looking ahead to 2026 and beyond, the insurance industry faces two major risks. The first is artificial

⁷ Statistics South Africa. (2025). Quarterly Labour Force Survey Q2: 2025. 27 August

*Swiss Re Institute, 2023. *Natural catastrophes and inflation in 2022: A perfect storm*. 19 Aug. 2025

*World Bank, 2020. *South Africa: Disaster Risk Finance Diagnostic*. 20 Aug. 2025

*KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs, 2023. *Reflecting on the April / May 2022 KZN floods – One year later*. 19 Aug. 2025

intelligence. AI is evolving rapidly, and while it won't make insurance obsolete, it will fundamentally reshape products and risk profiles. For instance, the introduction of autonomous vehicles like Tesla may reduce road accidents but increase the need for theft coverage. The second risk is climate change. The pace and unpredictability of climate-related events challenge traditional actuarial models. If insurers underestimate exposure, they may face catastrophic losses that could destabilize the industry. Reinsurers have a critical role to play here, offering capital, expertise, and global insights to help insurers navigate uncertainty and build resilience.

Insurance as Economic Infrastructure: The Safety Net Behind Africa's Growth Story

Africa's growth story cannot be written without insurance. It is the safety net that enables innovation, entrepreneurship, and infrastructure development. By closing the protection gap, embracing technology, and fostering collaboration, the insurance industry can become a true catalyst for sustainable growth across the continent.

At Standard Bank, we remain committed to this mission, driving Africa's growth by protecting its future.