

Africa Insurance Outlook 2025/26

Adapting for growth
in a changing world

November 2025

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Foreword

We are delighted to present the 5th annual edition of the Deloitte Africa Insurance Outlook. This flagship publication, produced each year by Deloitte, provides invaluable insights into the insurance sector across the continent. Our aim is to deliver a comprehensive overview of the industry's evolving landscape, exploring regulatory responses, digital innovations, market trends, and future outlooks to help our readers navigate both current challenges and emerging opportunities.

To set the scene, we open with a global industry perspective tailored for our African audience, authored by our global insurance sector leader. This is followed by an in-depth analysis of the financial results of South Africa's largest insurance groups. As is customary, we offer commentary on new business generation, claims trends, and the capital positions of insurers that collectively account for more than 80% of the industry's premiums and assets. Notably, this year's edition introduces discussion on the Contractual Service Margin (CSM), highlighting the industry's growing challenge to replenish CSM recognised as revenue with sufficient CSM generated from new business – a trend that is cause for concern and warrants attention.

Beyond financial analysis, this year's publication features articles on the mergers and acquisitions landscape, indirect tax developments, and an overview of insurance markets across Africa. On the business transformation front, we share our perspectives on the intersection of cloud technology and artificial intelligence.

We trust that the 2025/26 Deloitte Africa Insurance Outlook will provide you with fresh perspectives and practical suggestions as you prepare for what lies ahead in our dynamic industry.



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Global outlook

The 2025/26 Deloitte Africa Insurance Outlook comes at a defining moment, not just for Africa but for the global insurance industry. This report is not only for African insurers. It is for any executive, policymaker or investor seeking to understand where the next wave of market leadership may emerge.

Africa is not a peripheral player in the global insurance agenda. It is fast becoming a key driver of innovation, resilience and opportunity.

Across the world, insurers are rethinking their strategies in response to evolving risks, disruptive technologies and regulatory change. These shifts are transforming how insurance is priced, delivered and experienced. Yet few markets reflect this transformation as dynamically as Africa. Solutions that took root in Africa, such as mobile-based microinsurance, pay-as-you-go health models and community-based mutuals, are now being studied and adopted globally.

At Deloitte, we see Africa's insurance industry operating in a fast-moving environment shaped by local innovation, a range of diverse intra-continental challenges and a rising youth population. This Outlook explores those dynamics, bringing together insights from Deloitte subject matter experts and regional leaders across the continent, framed through a global lens and informed by local insights.

Global insurance markets under pressure to reinvent

Several global themes continue to shape the industry: digitisation, customer trust, generative AI, climate risk and tighter regulation. These are reshaping business models in markets like the US, China and Europe. African insurers are not insulated. These same forces are impacting local markets, creating both pressure to transform and unrealised potential.

Globally, the insurance industry faces market saturation and structural disruption. The convergence of insurance, banking and asset management is no longer speculative, but happening at speed. These blurred lines are producing new business models that challenge the traditional functions of each sector. For Africa, this convergence is not simply a strategic choice. It is often the most practical way to deliver integrated, inclusive financial services.

Africa's distribution systems have in many cases bypassed legacy models. Mobile and digital platforms enable insurers to package protection, credit and savings into affordable, accessible products. Convergence is not a trend. It is a strategic priority and a game changer.

Transformative technology such as AI and cloud-based tools are enabling insurers to price more accurately, underwrite more intelligently and engage customers more personally. While tech infrastructure varies across Africa, many insurers are not constrained by legacy systems. In this sense, Africa may have an edge, able to build fit-for-purpose, data-rich solutions from the outset.

Regulatory alignment is evolving too. African regulators are developing frameworks that often echo global standards, but with local adaptations. For insurers operating across borders, this creates a complex landscape to navigate. Compliance and resilience must be balanced with innovation.

These shifts present a rare opportunity. African insurers can modernise, scale and transform without the baggage of outdated systems, creating models that may leap ahead of those in more established markets.

Youth, trust and new markets

Africa is not only responding to change, but has a disproportionately high degree of influence to drive it. Innovation in markets like Kenya and Nigeria shows how insurers can reach underserved customers with mobile-first, transparent and scalable products. These models focus on access, simplicity and trust, and avoid many of the legacy challenges facing insurers in mature markets.

Africa's demographic profile adds further momentum. It is estimated that by 2030, young Africans will make up 42% of the global youth population. These consumers are tech-savvy and expect personalised, convenient, customised and value-adding services. Traditional insurance models do not resonate.

The opportunity lies in reframing insurance not as a safety net, but as a tool for financial progress and independence.

In many African countries, younger consumers are entering the formal financial system for the first time. They need products that match their reality and meet their needs as their economic status evolves. Insurers around the world struggling to engage younger segments should take note.

African insurers that succeed in building trust, using integrated technology smartly, will win this generation. Their approaches could help global peers reimagine how they serve the next wave of customers.

Reinventing insurance

To succeed, insurers must go beyond product innovation. Trust remains a major hurdle in many African markets. Poor claims experiences, unclear policies and perceived low value continue to erode customer confidence.

Repairing that trust will require more than marketing. It means designing products that reflect real needs, such as agriculture protection for smallholder farmers, climate cover for flood-prone cities, cybercrime and identity protection, and bundled health, wealth and life solutions for the informal economy.

At Deloitte, we believe that the insurers who thrive in the coming decade will be those who recognise that long-term growth is inseparable from societal impact.

In the new economic order, collaboration is the currency of progress. Regulators, insurers, tech players and financial institutions must work together to design insurance systems that are both inclusive and future fit. Global insurers should not just observe Africa. They should partner with African insurance leaders, learn from their innovative approaches and co-create new solutions.

This Outlook provides case studies, articles and perspectives that demonstrate how Africa is redefining insurance. As you read, I encourage you to consider a simple idea: the reinvention of insurance will not be led by legacy players alone. It will be shaped by fresh thinking, local relevance and bold collaboration.

Africa's insurance markets are evolving rapidly, creatively and confidently. The rest of the world should be paying attention.



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"At Deloitte, we believe that the insurers who thrive in the coming decade will be those who recognise that long-term growth is inseparable from societal impact."

Overview of the 2024 financial and embedded value results of the largest insurance groups in South Africa

Setting the scene

Most insurance groups in South Africa have by now released their annual or half-year financial results for the period ended 31 December 2024 and this article focuses on the themes reported by the five largest insurance groups in South Africa. The analysis is based on IFRS Accounting Standards (IFRS) and embedded value (EV) information. The insurers analysed collectively represent more than 80% of the local industry's premiums and assets. An analysis of the results in aggregate is presented, forming an industry view, rather than commenting on the results of the individual insurance groups.

As is customary the results presentations of the insurance groups profiled in this article are evaluated against the backdrop of the economies they operate in. The market and economic statistics make for somewhat better reading than last year which is reflected in the industry results. The JSE All-Share Index increased by 9.2% in the 2024 year. The South African Reserve Bank's Monetary Policy Committee (MPC) decreased the repurchase rate (repo rate) from 8.25% at the beginning of the year to 7.75% by the end of the year. The South African economy grew by

0.6% in 2024 (2023: 0.7%) and inflation by the end of the year had decreased to 3.0%. While these fundamentals are trending in the right direction some insurers commented that the fundamentals have not yet had the desired impact on consumers' disposable income. Higher than normal lapse rates continue to be a headache for many insurers together with insurers that reduce their policy benefits to make their premiums more affordable.

The 2024 reporting period covered represents the second year that insurers produced financial results under IFRS 17: Insurance contracts (IFRS 17) that allows our analysis increasingly to make reference to performance indicators that stem from IFRS 17. One notable addition in this year's analysis is the movement or change in the Contractual Service Margin (CSM) during the year. The CSM represents future profits expected from long boundary insurance contracts – contracts that cannot be repriced or cancelled by the insurer for at least 12 months after the contracts were issued. Refer to tables 2 and 3 below dealing with the CSM – it offers some food for thought.

Overview of the industry results reported under IFRS 17

Three of the five insurance groups referenced in this article have 31 December year ends, and two have 30 June year ends. For the latter two groups their 2024 interim results and historic announcements were used to prepare pro-forma IFRS results for the 12-month period ended 31 December 2024.

The table on the next page summarises the IFRS results for the five insurance groups on the basis described. The "total" or "aggregated" calculations are the sum of the five insurance groups. On an aggregated basis, the five insurance groups covered in this article reported profit from continuing operations after tax of R47.1 billion (2023: R33.6 billion) and a return on equity of 17%.

"Looking forward to 2025 – the earnings momentum of the past year will continue if investment markets maintain their upward trajectory and the positive sentiment in South Africa and other countries in the continent converts into increased disposable income for consumers."

Table 1 – Part 1: Old Mutual, Sanlam and Momentum

Rand million	Old Mutual Limited			Sanlam Limited			Momentum Group Limited		
	31 Dec 24	31 Dec 23	% change	31 Dec 24	31 Dec 23	% change	31 Dec 24	31 Dec 23	% change
Extracts from the consolidated statement of financial position at 31 December 2024									
Total assets	1 235 281	1 156 582	7%	1 133 544	996 720	14%	752 632	661 328	14%
Total liabilities	-1 173 516	-1 098 007	7%	-1 023 389	-899 815	14%	-720 475	-631 940	14%
Equity	61 765	58 575	5%	110 155	96 905	14%	32 157	29 388	9%
Extracts from the consolidated statement of profit or loss for the 12 months ended 31 December 2024									
Insurance revenue	72 664	68 260	6%	93 475	87 840	6%	59 011	57 322	3%
Insurance service expenses	-57 761	-54 450	6%	-75 553	-70 684	7%	-44 008	-43 547	1%
Net expenses from reinsurance contracts	-3 314	-3 049	9%	-4 987	-7 396	-33%	-7 296	-7 806	-7%
Total insurance service result	11 589	10 761	8%	12 935	9 760	33%	7 707	5 969	29%
Profit/(loss) before tax from continuing operations	15 497	13 966	11%	29 513	20 682	43%	10 001	8 489	18%
Tax	-7 106	-6 333	12%	-7 909	-7 079	12%	-4 890	-5 217	-6%
Profit/(loss) after tax from continuing operations	8 391	7 633	10%	13 603	13 603	59%	5 111	3 272	56%
Extracts from the consolidated statement of changes in equity for the 12 months ended 31 December 2024									
Dividends paid	3 630	3 790	-4%	9 635	9 603		1 907	1 670	14%
Ratios calculated using the financial information above									
Effective tax rate	46%	45%		27%	34%		49%	61%	
Return on equity using profit/(loss from continuing operations)	14%			21%			17%		
Dividends paid as percentage of profit/(loss) from continuing operations	43%	50%		45%	71%		37%	51%	

Table 1 – Part 2: Liberty, Discovery and Aggregated

Rand million	Liberty Group Limited			Discovery Limited			Aggregated		
	31 Dec 24	31 Dec 23	% change	31 Dec 24	31 Dec 23	% change	31 Dec 24	31 Dec 23	% change
Extracts from the consolidated statement of financial position at 31 December 2024									
Total assets	489 476	453 258	8%	310 052	261 924	18%	3 920 985	3 529 812	11%
Total liabilities	-473 540	-436 844	8%	-245 408	-209 718	17%	-3 636 328	-3 276 324	11%
Equity	15 936	16 414	-3%	64 644	52 206	24%	284 657	253 488	12%
Extracts from the consolidated statement of profit or loss for the 12 months ended 31 December 2024									
Insurance revenue	35 864	31 220	15%	54 478	47 875	14%	315 492	292 517	8%
Insurance service expenses	-27 094	-23 307	16%	-47 781	-42 208	13%	-252 197	-234 196	8%
Net expenses from reinsurance contracts	-782	-527	48%	-1 124	-746	51%	-17 503	-19 524	-10%
Total insurance service result	7 988	7 386	8%	5 573	4 921	13%	45 792	38 797	18%
Profit/(loss) before tax from continuing operations	6 162	4 921	25%	11 501	9 114	26%	72 675	57 172	27%
Tax	-2 622	-2 455	7%	-3 086	-2 502	23%	-25 613	-23 586	9%
Profit/(loss) after tax from continuing operations	3 541	2 466	44%	8 415	6 612	27%	47 062	33 586	40%
Extracts from the consolidated statement of changes in equity for the 12 months ended 31 December 2024									
Dividends paid	6 616	3 465	91%	1 178	-		22 966	16 858	36%
Ratios calculated using the financial information above									
Effective tax rate	43%	50%		27%	27%		35%	41%	
Return on equity using profit/(loss from continuing operations)	22%			14%			17%		
Dividends paid as percentage of profit/(loss) from continuing operations	187%	141%		14%	-		49%	50%	

Included below are extracts from the insurance groups' results announcements and financial statements for the period ended 31 December 2024. We focused on commentary that relates to the group's insurance operations in South Africa, significant transactions, strategy changes or restructuring. As it relates Liberty Group Limited the comments stem from the 2024 results announcement of Standard Bank Group. For the two groups with 30 June year ends we used their results announcements for the six months ended 31 December 2024.

Old Mutual attributed the improvement in its profit to a strategic focus on profitable organic growth in the core, disciplined capital allocation in new growth engines and investments in operational efficiencies. Poor persistency experience resulted in the strengthening of persistency bases across the group's Life and Savings segments. The Zimbabwe operations implemented two functional currency changes during 2024 and at year end reported in US Dollars. Although Old Mutual returned capital of R0.8 billion to shareholders during the year it also invested in growth initiatives such as OM Bank. The carrying value of OM Bank at year end made up of costs capitalised to date was R4.7 billion.

Sanlam's earnings continued a positive trajectory with its life insurance, non-life insurance and investment management all contributing. The results included some non-routine items such as gains from proceeds on the sale of its Namibia operations into the SanlamAllianz joint venture, the partial sale of the group's direct stake in Shriram Finance Limited as well as a reinsurance recapture fee related to Capitec business previously underwritten. The 2024 results for the first time also include Assupol that was acquired in September 2024.

Momentum commented that its diversified portfolio of businesses performed well, largely driven by management interventions to enhance the new business mix. Among its positive developments the group highlighted improved new business profitability in Metropolitan Life, higher earnings from the group risk business in Momentum Corporate and a significant improvement in the underwriting result reported by Momentum Insure (non-life). The results announcement also commented that earnings were further supported by improved persistency experience across most of the group's operations.

It has been three years since the **Liberty** minority buyout. The business has been integrated into the Standard Bank Group and it is noted that there is close collaboration across the banking, insurance and asset management businesses. Integration costs were less than expected and synergies have been realised at a rate that exceeds the original business plan. A combination of improved retail persistency experience and lower new business strain supported earnings growth. This was partially offset by worse than expected risk claim experience in the second half of 2024.

Discovery noted that the group has emerged from its cycle of significant investment that included Discovery Bank and now enters a new distinct phase of scaled organic growth. The group reported a reduction in group life new business volumes while maintaining a strong position in the affluent retail protection market. Reference is made to favourable claims experience at Discovery Life in both the Individual and Group Life segments. Lower claims ratios were also reported by Discovery Insure (non-life).

What the CSM tells us

A first glance a CSM movement analysis may seem technical, but once distilled into its key components,

the movement analysis offers insights into value created or lost by an insurer during the reporting year. A CSM movement analysis highlights:

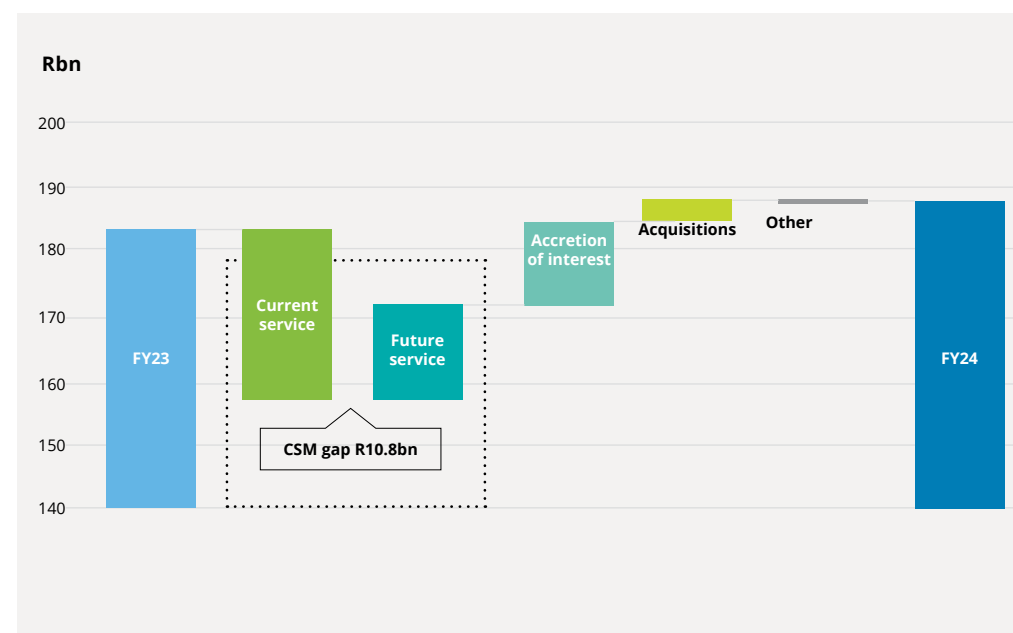
- revenue from insurance contracts recognised during the year. The CSM recognised as revenue for current service can be compared to the CSM created during the year from new insurance contracts to understand the sustainability of earnings; and
- how assumption changes for future mortality, morbidity, lapses and expenses added to or lessened the CSM balance. Assumption changes that relate to future periods "unlock" the CSM and is added to or funded from the CSM.

Our analysis of the CSM uses the annual reports, combining June year ends and December year ends together – this is owing to the limited amount of information required for half-year reporting. On an aggregated basis in the current year the CSM for the five insurance groups increased by 3.4% (2023: 5.3%) to R188 billion. Refer graph 2 below for an analysis of this movement.

The analysis to the right shows that while R25.0 billion CSM was recognised as revenue for current service in 2024 only R14.3 billion was added to the CSM to be recognised as revenue in future years. This gap is partly explained by the inability of the industry to replace legacy business that rolls off with new business at the same or better margins. Also, the current year CSM for future service is after a net reduction in the CSM of R1.4 billion for assumption changes that relate to future periods. The assumption changes are a mixed bag and includes the strengthening of lapse and mortality assumptions by some insurers in 2024. It is important for the industry to reduce this gap, or even better, reverse the trend in future reporting years.

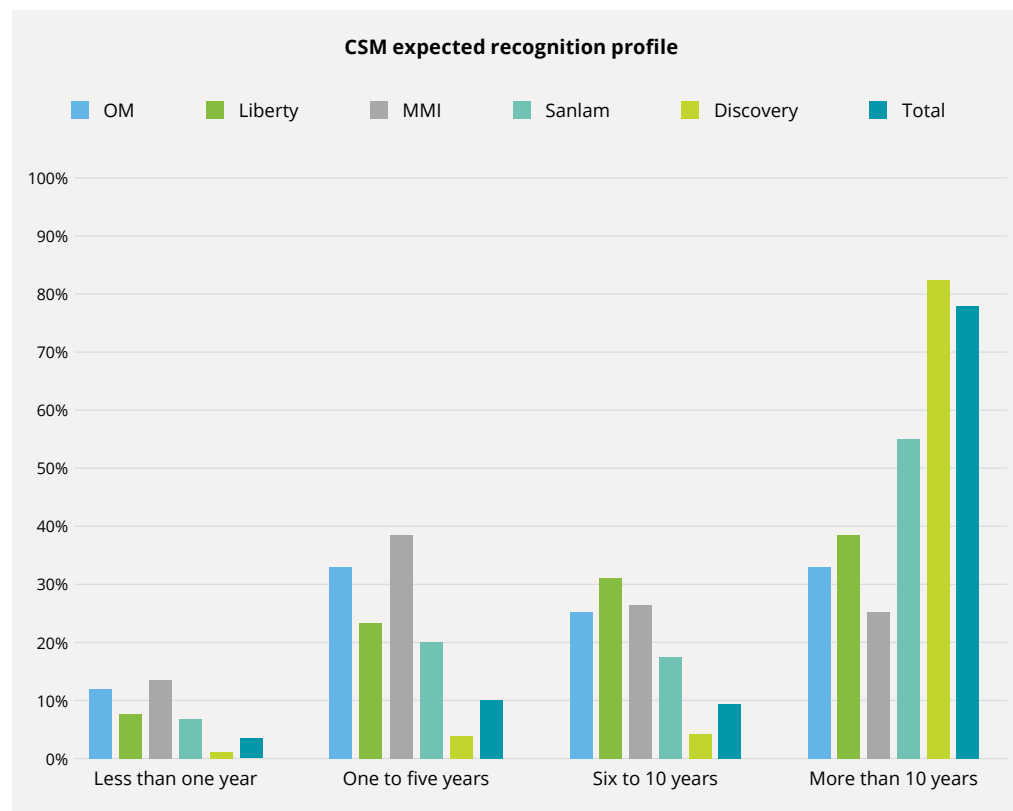
A further interesting aspect of the CSM is its maturity profile. IFRS requires reporters to disclose when they expect to recognise the CSM in profit or loss. When viewed on an aggregated basis the five groups expect that 78% of the CSM will be recognised only after more than 10 years. See graph 3 on the next page for the CSM maturity profile by insurance group. It is this aspect that makes accounting for long boundary contracts so challenging – a reporter needs to determine economic and non-economic assumptions for cash flows that will only materialise in 40 years' time and that then in turn impacts how the CSM unfolds. Not for the faint-hearted.

Lastly, even a simple calculation such as expressing the CSM as a percentage of insurance revenue provides insight into an insurer's business model. As an illustration – Sanlam through its prominence in the South African and other African non-life insurance markets underwrite less long boundary contracts than Old Mutual. In relative terms a larger portion of Sanlam's revenue is generated through insurance contracts that renew monthly than Old Mutual. In this case a higher ratio is not better or worse – it merely points to the source of revenue that is different.



Graph 2 – Analysis of the movement in the CSM (2024)

Graph 3 – CSM maturity profile



Continued growth and profitability reported by non-life insurers

All five insurance groups covered in this article are active in the non-life insurance industry. The significance of their non-life operations at times is obscured as the premium and claim transaction flows of the non-life operations are lower than the transaction flows of their life operations that include investment components. However, when assessing the impact of the non-life operations at an operational earnings level the non-life insurers are material for most of the groups. A notable example is Sanlam where for its 2024 year the non-life operations contributed 22% of its net result from its financial services activities. In the paragraphs below we comment on the South Africa non-life industry which includes the operations of the insurance groups covered in this article.

Premiums reported by non-life insurers in South Africa exceeded R225 billion, decent growth of 8% from 2023's R207 billion. The premiums were compiled from the South African Reserve Bank (SARB) statistics for the 12 months ended 31 December 2024 for all the non-life insurers (primary, cell captive, and

captive insurers). When viewed against the sum of the country's growth in Gross Domestic Product (GDP) and average Consumer Price Inflation (CPI) during the same period at 5.0%, the industry experienced a period of growth as well as rate strengthening.

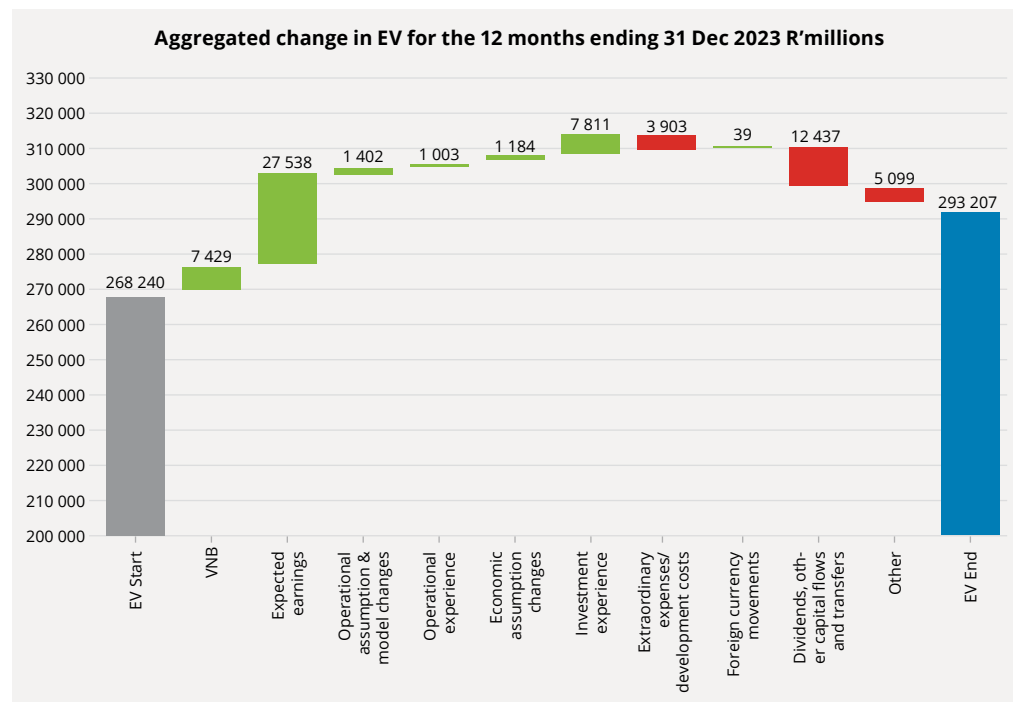
The underwriting ratio extracted from these statistics for the South African industry at 8.9% (2023: 10.1%) is pleasing. Most non-life insurers reported earnings that meet their return on equity targets with particularly their motor risk portfolios providing good returns. The 2024 year had its fair share of significant weather-related events, but the severity of these events were not at the levels seen in 2022. Also, the profit line was able to better absorb these claims following corrective actions in recent years through applying better risk selection as well as the rate strengthening referenced above.

Overview of the EV results

Despite ongoing debates regarding the usefulness of Embedded Value (EV) following the implementation of IFRS 17, two years in, the largest insurers continue to report on EV. This article provides various insights into the shareholder value that EV offers.

The graph below presents an analysis of the earnings on EV.

Graph 4 – Analysis of EV earnings



In aggregate, the industry's EV, represented by Sanlam, Discovery, Momentum, and Old Mutual, grew by 9%, demonstrating substantial value generation for shareholders. This growth is well above inflation plus real GDP growth averages and aligns with the JSE All-Share Index growth over 2024. Liberty does not publish EV information.

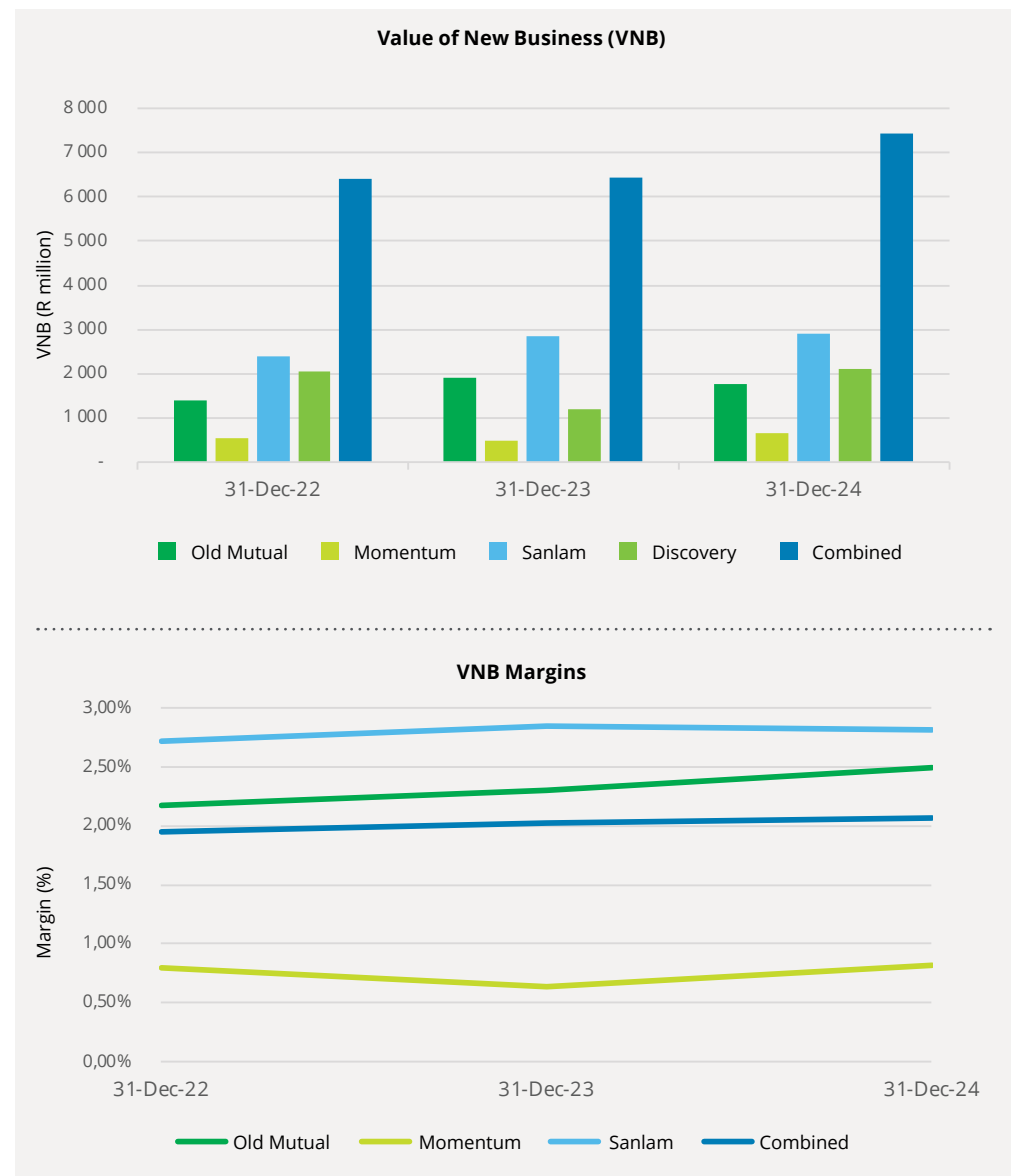
Overall, EV before dividends, capital movements, and transfers increased for all groups analysed. After accounting for dividends, capital movements, and transfers Old Mutual experienced a 1% decline in its EV. The key drivers for growth, aside from expected earnings, were a 15% year-on-year increase in new business contributions and favourable investment experience.

The insurance groups experienced mixed results in terms of the Value of New Business (VNB) sold, as illustrated in the accompanying graph.

*Discovery group discloses VNB and APE but does not disclose PVNBP. As a result, the VNB margin reported by Discovery would not be directly comparable to that of other insurers and has therefore been omitted in the adjacent graph.

Overall, the industry has witnessed improvements in new business volumes in 2024, with a 15% increase. Notable increases in VNB were reported by several insurance groups: Discovery reported a 77% increase in VNB, Momentum a 40% increase, and Sanlam a 2% increase. Old Mutual reported an 8% decrease in VNB.

Graph 5 – Value of New Business (VNB)



The growth in aggregate VNB is accompanied by stable VNB margins, with a slight increase from the prior year. While Old Mutual lagged behind other insurers in VNB growth, it led in terms of VNB margin improvements, reflecting strategic product offerings and market expansion efforts. Some insurance groups reported lower VNB margins compared to the previous year, attributing this to expense inflation, poorer persistency, and a new business sales mix favouring lower-margin products. Insurers with a presence in more affluent markets noted that policyholders were reducing their policy benefits to manage affordability, reflecting ongoing economic challenges faced by consumers.

Changes in consumer behaviour and market dynamics, such as shifts in policyholder preferences and intermediary behaviour, have impacted new business volumes and VNB margins. Insurers have had to adapt their strategies to align with these changes. Strategic partnerships, such as Discovery's collaboration with Ping An Health Insurance, have provided access to new markets and clients, contributing to growth and diversification.

Overview of the industry regulatory solvency capital results

Insurance groups have continued to report relatively healthy regulatory Solvency Capital Requirement (SCR) cover ratios, ranging from 167% to 178%. This represents a slight decrease compared to 2023, where SCR cover ratios ranged between 170% and 181%. Most insurers reported SCR cover ratios within their target ranges. There have been only slight adjustments to these target ranges in the past year, indicating stabilisation in regulatory capital management strategies.

The adjacent graph provides a visual representation of the group SCR ratios.

Discovery is not included in the adjacent graph because the group does not disclose group solvency ratios. However, it is worth noting that the SCR ratios for its key insurance subsidiaries in equivalent jurisdictions ranged from 160% to 200%, with Discovery Life Limited (the largest insurance subsidiary) having an SCR ratio of 183% at 31 December 2024.

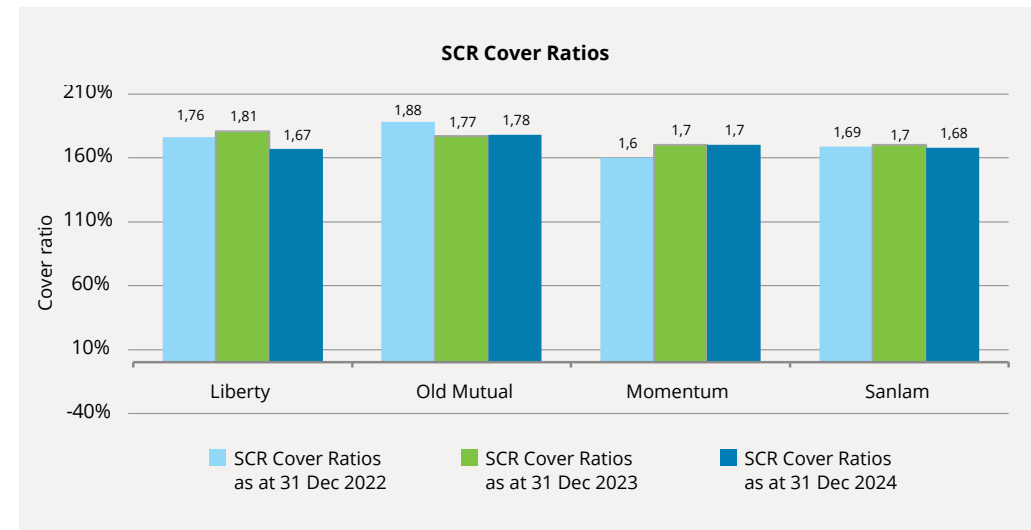
In summary

Although a continued recovery of the investment markets and the absence of significant non-life catastrophe events aided the industry, the past financial year by no means offered easy trading conditions. The industry did well to report a 40% increase in IFRS profits and a 17% return on equity. The VNB margins held up for most parts despite an ongoing persistency strain.

Looking forward to 2025 – the earnings momentum of the past year will continue if investment markets maintain its upward trajectory and the positive sentiment in South Africa and other countries in the continent converts into increased disposable income for consumers. Structurally there is much work still to be done in managing the expense base of insurers downwards while at the same time closing the CSM gap. Closing the gap requires adding new business at decent margins to replace the maturing books.

If the industry continues the momentum on display in the 2024 results, investors will look past the profit volatility experienced in the early parts of the decade and we should see share prices closely track metrics such as CSM and EV that are a proxy for future profitability.

Graph 6 – SCR Cover Ratios



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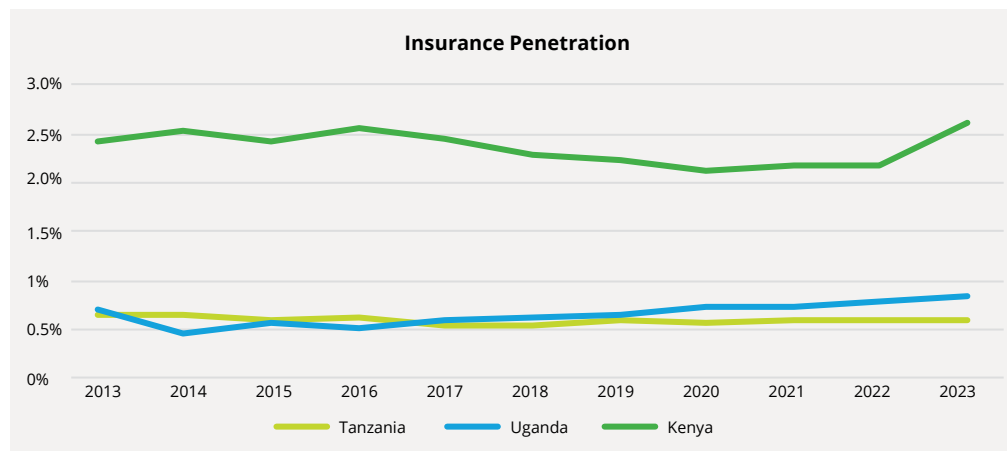


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East Africa: resilience, innovation and steady growth

The East African insurance sector has demonstrated resilience and steady growth, driven by economic expansion, rising financial literacy and accelerated digital transformation. Regulatory reforms have also strengthened market stability and consumer confidence.

This progress has been achieved despite persistent headwinds, including low insurance penetration rates, macroeconomic uncertainty and relatively high unemployment. The total insurance penetration rate for the region stood at 1.57%, with insurance penetration at 2.61% in Kenya, 0.60% in Tanzania, 0.83% in Uganda and 0.3% in Ethiopia.



Kenya

Kenya's insurance industry recorded strong performance in 2023, with gross written premiums (GWP) rising by 13% to US\$2.8 billion. Insurance penetration also increased from 2.14% to 2.61%.

Non-life insurance remains the larger segment, contributing 54% of industry GWP. Over the past three years, it has grown by 11%, reversing the trend of low growth and declining returns seen between 2017 and 2021. Recent growth is attributed to innovation, greater insurance awareness and a stronger focus on customer-centric product development and services.

The life insurance market showed robust growth, expanding by 14.3% compared to 4.5% in the previous year. The sustained increase in GWP reflects the sector's ability to broaden its reach through a mix of traditional policy offerings and innovative products. This growth underscores evolving market dynamics and rising consumer confidence, despite overall penetration levels remaining relatively low.

Tanzania

Tanzania's insurance industry grew by 6% in 2023, with GWP reaching US\$478 million. However, insurance penetration edged down from 0.62% in 2022 to 0.60% in 2023.

Non-life insurance continues to dominate the market, accounting for 78.8% of total GWP, a 6.2% increase on the previous year. This growth has been supported by stronger policy uptake, the expansion of digital distribution channels and greater public awareness.

The life insurance segment recorded a 9.3% increase in GWP year-on-year, sustaining its steady upward trajectory since 2015, with a compound annual growth rate (CAGR) of 15.7%. Growth in this segment has been largely driven by the group life business, which represented 83% of total life insurance premiums.

Uganda

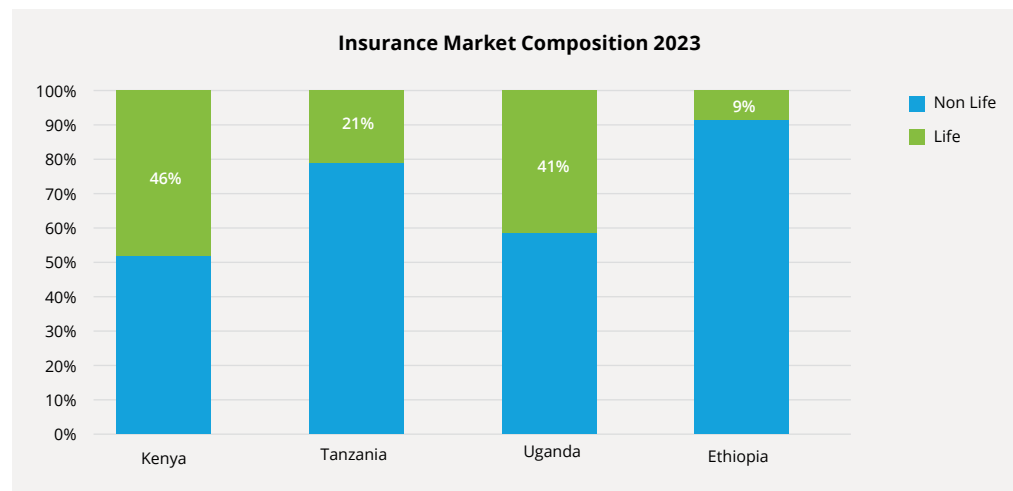
Uganda's life insurance segment accounted for 38% of total market premiums in 2023, continuing its strong growth trajectory since 2016 with an average annual growth rate of 24%. Premium revenue rose by 21.9% to US\$166.8 million, supported by increasing awareness and broader uptake of life products across the country.

The non-life insurance segment, which represented 58% of the total market, grew by 3.8% in 2023, with penetration rates remaining relatively stable. Growth was driven primarily by the enforcement of mandatory motor vehicle insurance and rising demand for property cover in response to rapid urbanisation. Within this segment, fire insurance continues to account for a significant share of GWP.

Ethiopia

Ethiopia's insurance sector continues to represent a relatively small share of the national economy. In 2023, GWP fell to US\$181 million from US\$315 million in 2022, largely due to the sharp depreciation of the Ethiopian birr against the US dollar. Although the sector recorded growth in local currency terms, its value in US dollar terms has been consistently eroded by ongoing currency pressures. Insurance penetration remained unchanged at 0.3%, highlighting structural barriers such as limited access and low public awareness of insurance products.

The market remains dominated by non-life insurance, which represented 91% of total GWP in 2023. This dominance is driven primarily by compulsory covers, particularly third-party motor vehicle insurance. While overall GWP declined compared to 2022, motor insurance retained its position as the leading line of business, supported by regulatory requirements. Other general insurance lines also demonstrated positive performance, signalling opportunities for diversification within the non-life space.



Opportunities and challenges in East Africa

The East African insurance sector promises strong growth potential, underpinned by digital innovation, financial inclusion and demographic shifts. Digital platforms are enabling new product offerings, while microinsurance and cross-industry partnerships are extending reach into underserved markets. Embedded on-demand services, together with infrastructure development and rapid population growth, create further market possibilities for insurers to broaden access. Financial inclusion initiatives, particularly in rural areas, are also expected to expand coverage for uninsured populations.

Despite these opportunities, the sector continues to face significant challenges. Competition from new entrants is intensifying, while fraud remains a critical concern for both profitability and consumer trust. Complex regulatory environments, persistently low insurance penetration rates and limited awareness constrain growth. In addition, slow adoption of technology, reliance on traditional distribution methods and modest innovation levels impede operational efficiency and limit access to underserved markets.

Emerging and anticipated trends for the insurance industry

AI's transformative impact

AI is reshaping the insurance industry, with its effectiveness hinging on the availability of high-quality data to drive innovation. Effective data management is enabling insurers to move from traditional systems to integrated architectures that support real-time analytics, improved risk assessment, enhanced customer engagement and greater operational efficiency. The use of big data from sources such as Internet of Things (IoT) devices and social media further highlights the need for robust governance to ensure compliance and data security. By leveraging AI within strong data frameworks, insurers can strengthen decision-making, drive personalisation and maintain a competitive edge in an evolving landscape of flexible, open systems.

Across East Africa, insurers are embedding AI and Machine Learning (ML) in their digital transformation strategies. For instance, ICEA LION is deploying AI to automate underwriting instructions, boosting efficiency and improving customer satisfaction. Britam has integrated digital initiatives, including AI, as part of its revenue diversification strategy.

Jubilee Group's digital transformation agenda includes AI-led process improvements, such as claims adjudication and automation of repetitive processes, which have enhanced efficiency. Old Mutual has rolled out AI and ML capabilities to capitalise on customer analytics, enabling more targeted strategies and delivering greater value.

ESG and climate impact

ESG factors are becoming central to insurance industry strategies and operations. Insurers are increasingly expected to integrate ESG principles to drive sustainable growth and long-term viability. This includes integrating climate risk into underwriting, stress-testing portfolios and aligning investments with sustainability goals. Regulators are also advocating for the inclusion of climate-related risks into solvency assessments and pricing models.

East Africa is particularly vulnerable to climate change, with the region experiencing more frequent and severe weather events. Prolonged droughts in the Horn of Africa, catastrophic floods in Kenya and recurring cyclones making landfall in Mozambique highlight the urgent need for insurers and reinsurers to reassess risk models. These challenges also present opportunities to innovate with products such as green insurance and parametric insurance in agriculture, aimed at mitigating the socio-economic impact of climate-related events.

Advances in data analytics and AI are enabling more sophisticated climate risk modelling and improved predictive capabilities. This creates scope for insurers to design more responsive solutions in areas such as cyber insurance, agricultural insurance and insurance technology (InsurTech). While limited innovation and low technology adoption remain constraints, embedding ESG and climate considerations into business models will be critical for managing risk, strengthening resilience and contributing to broader socio-economic stability and sustainability goals.

Optimising insurance across demographics

East Africa's insurance sector is undergoing a shift driven by changing customer expectations, technological advancements and diverse economic conditions. Demographic differences are shaping demand: younger adults (18-35) favour quick, mobile-first services and microinsurance; middle-aged consumers (36-55) seek a mix of digital convenience and personal interaction with a focus on long-term stability; and mature individuals (55+) prefer in-person engagement and straightforward policy structures. Regional differences also play a role, with urban consumers leaning toward digital solutions and rural populations needing affordable, accessible options.

Insurers are responding by implementing digital onboarding, hybrid service models and mobile-centred products. Notable examples include Britam's digital claims handling, Airtel Tigo and BIMA's airtime-linked insurance, and Pula's satellite-enabled agricultural coverage. To deepen customer engagement, insurers are investing in user-friendly mobile apps, chatbots, SMS/USSD solutions and simplified offerings. Partnerships with mobile operators, faster claims processing and data-driven personalisation are further building enhancing reach and relevance. Balancing digital innovation with human interaction will be critical to building trust and expanding insurance penetration across East Africa's diverse demographic landscape.

IFRS 17

The adoption of IFRS 17 has become a key part of operations for insurers in East Africa and globally, transforming how financial performance is measured and reported. The transition initially posed challenges, including contract grouping complexities, revised risk assessment standards and changes to revenue recognition. Over time, however, insurers have adapted by overhauling systems, enhancing data management, and driving collaboration between actuarial and accounting teams.

As the standard becomes embedded in daily operations, improvements are evident in transparency, financial reporting accuracy and regulatory compliance. The shift from IFRS 4 to IFRS 17 has also helped stabilise financial outcomes and reduce equity volatility, supporting investor confidence and more effective strategic planning.

Despite this progress, several post-implementation challenges remain. Resistance to change, skill shortages and costly IT upgrades have hindered some insurers, especially smaller players still reliant on manual processes. Data quality and integration issues persist, and aligning actuarial and accounting practices continues to require effort. Nevertheless, IFRS 17 has prompted insurers to strengthen internal controls, refine contract grouping methods, and adopt analytics for data-driven decision-making.

Looking ahead, insurers in East Africa are expected to focus on enhancing actuarial models, upgrading systems and leveraging analytics to improve pricing, risk management and profitability. Close collaboration with regulators and continued investment in innovation will be crucial for sustaining growth and building long-term resilience in a rapidly evolving market.

Regulatory environment

The insurance sector in East Africa is undergoing significant regulatory transformation, aimed at driving growth, innovation while enhancing financial inclusion.

In Kenya, the transition to the social health insurance fund supports universal health coverage. The scheme requires contributions from formal sector employees and encourages participation from the informal sector participation, prompting insurers to adapt underwriting practices.

Uganda's introduction of Takaful, a Sharia-compliant insurance offering, is diversifying the market and attracting Islamic finance investment. This is driving competition while expanding ethical insurance options.

Tanzania mandates insurance for public facilities, which has been introduced to protect state assets, strengthen premium revenues and enhance public trust in the sector.

In Ethiopia, the establishment of an independent insurance regulatory body is expected to improve oversight, stimulate innovation, attract foreign investment and encourage product diversification.

Together, these reforms signal a positive shift towards greater inclusion, transparency and competition, strengthening the foundation for sustainable growth in East Africa's insurance markets.

Conclusion

The East African insurance industry stands at an inflection point where resilience, adaptability and innovation will determine its future trajectory. While insurance penetration rates have risen slightly from 1.39% in 2022 to 1.57% in 2023, levels remain low compared to other African markets and the global average.

Sustained progress will depend on how effectively insurers leverage AI and data, embed ESG principles, respond to climate-related risks, tailor solutions across demographic groups and adapt to evolving regulatory frameworks. By doing so, they can drive sustainable growth and advance financial inclusion, reinforcing the role of the insurance industry as vital pillars of economic stability and resilience.



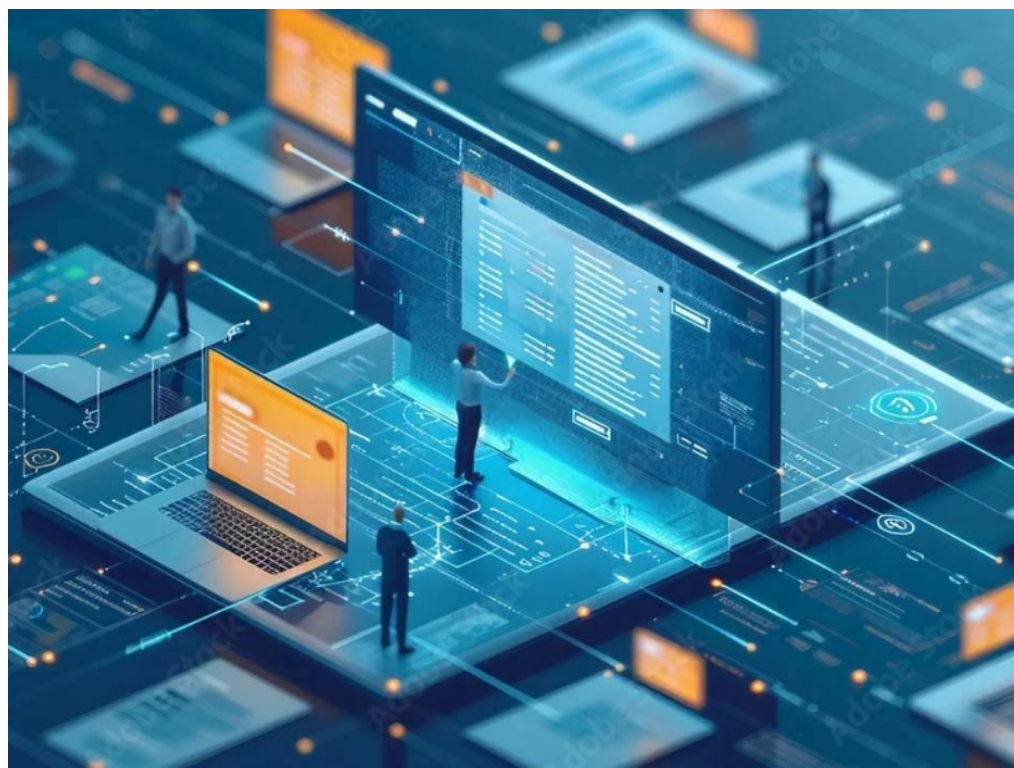
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West Africa:

operationalising the new normal under IFRS 17 in the Ghanaian insurance industry



With 50 licensed insurers and reinsurers, and market penetration at just 1% in 2024, Ghana's insurance industry remains underdeveloped relative to its potential. Despite this, the sector has demonstrated resilience and progress in the face of a challenging economic environment. The low penetration rate underscores both the scale of untapped opportunity and the structural hurdles that must be addressed to build a more competitive and sustainable market.

Economic, geopolitical and operational pressures continue to weigh on performance. The Domestic Debt Exchange Program (DDEP), currency depreciation and persistent inflation have eroded balance sheets and forced insurers to reconsider their strategies to protect capital and safeguard assets. Remarkably, some players have successfully navigated these headwinds, adapting to the evolving landscape with renewed focus and discipline. This article assesses the 'new normal' in Ghana's insurance industry and how insurers are strategically positioning themselves for resilience and growth.

Challenges faced by insurers in Ghana amid IFRS 17 implementation

While insurers are under pressure to improve underwriting performance and expand regional penetration, compliance, transparency and credibility remain critical priorities for the Ghanaian market. The implementation of International Financial Reporting Standard IFRS 17 has coincided with macroeconomic shocks that have significantly weakened the sector's financial position.

Most insurers incurred substantial losses following the DDEP, EuroBond restructuring, political transitions, inflationary pressures and sharp currency depreciation. Prior to the government's debt default, the insurance industry held close to GH¢4.6 billion¹ [USD 363.86 million] in government securities. The DDEP eroded capital reserves across the sector, prompting the Government of Ghana to establish a Financial Stability Fund amounting to US\$750 million

to provide capital support to affected financial institutions. In the aftermath, insurers shifted their portfolios toward treasury bills as a perceived risk-free alternative. However, as treasury bill rates declined sharply in December 2024, insurers faced further losses.

Persistent inflation has also weighed heavily on the sector. With inflation reaching 23.8% in December 2024, the Ghana Insurers Association (GIA) proposed a 10% increase in motor insurance premiums to offset rising costs and sustain service quality. The National Insurance Commission (NIC), however, suspended the proposal in light of broader economic pressures on consumers.

Currency volatility remains another structural challenge. Between 2022 and 2024, the Ghanaian cedi depreciated against the US dollar at an annual rate above 19%, compared with an average of 9.4% between 2001 and 2021. This steep depreciation has doubled operational costs for insurers, further undermining underwriting performance.

Understanding the 'new normal' under IFRS 17

The transition from IFRS 4 to IFRS 17 was a major step forward in how insurance contracts are measured and reported. Under the new standard, insurers' profit or loss statements reflect earnings and expenses as they are incurred, rather than on the basis of cash received or paid. Similarly, the balance sheet now provides an accurate picture of the provisions (liabilities) that insurers hold for policyholders and the future benefits that may accrue to the insurers themselves. Key concepts introduced under IFRS 17, including Best Estimate Liabilities (BEL), Contractual Service Margin (CSM) and Risk Adjustment (RA), capture these obligations and expected benefits more transparently. In practice, premiums are now accounted for, as profits are earned in line with the services provided, creating a clearer link between revenue, performance and value delivered to policyholders.

Gaps and action areas

Although IFRS 17 has been fully adopted in Ghana, its effective application has been constrained by several operational and structural challenges. From outdated systems to limited actuarial expertise, addressing these gaps will be critical for both compliance and the long-term resilience of the industry.

Systems and technology: Successful implementation of IFRS 17 requires actuarial systems powered by modern technology, capable of managing complex computations and reporting requirements. In Ghana today, only a few insurers use actuarial tools such as Green 13 (IRIS) or Prophet. These tools are critical for actuarial calculations and projections. Most insurers still depend on outdated systems, which heightens the risk of errors, delays reporting and weakens compliance. Investments in modern actuarial, financial reporting and data automation systems are essential to modernise the sector.

Data quality: Poor data quality remains one of the most significant challenges. Historical policy data is often incomplete and inconsistent, undermining accurate valuations. Given that IFRS 17 is fundamentally data-driven, building robust data frameworks and clean, well-structured data repositories is non-negotiable. Insurers must prioritise data governance and consistency to meet reporting standards effectively.

Talent and skill: The implementation of IFRS 17 has exposed a critical shortage of skilled professionals in areas such as actuarial valuation and financial modelling. Many insurers in Ghana operate with minimal actuarial oversight or rely heavily on external actuarial expertise. The NIC has taken bold steps to collaborate with Deloitte Ghana and other professional bodies to provide IFRS 17 training to personnel in the insurance industry. Deloitte also launched the Deloitte School of Actuarial Excellence to help build local actuarial capacity.

Cost of implementation: For smaller insurers, the financial burden of IFRS 17 implementation is a pressing challenge. Average implementation costs are estimated around US\$110,000, covering system upgrades, actuarial software and personnel training. Larger players have generally been able to progress through capital investment and external consultancy support, while smaller players risk lagging behind. This imbalance underscores the need for industry collaboration and regulatory support to ensure sector-wide compliance.

While Ghana's insurance market remains relatively small, addressing these gaps will be critical not only for IFRS 17 compliance but also for building a more competitive, resilient and future-ready industry.

Emerging and anticipated trends for the insurance industry

The Ghana insurance industry has undergone several phases of evolution, with IFRS 17 marking the latest inflection point. While the standard introduces complexities, it also presents insurers with opportunities to strengthen transparency, improve governance and create long-term value.

ESG integration: In December 2024, the NIC, under Section 201 of the Insurance Act 2021, (Act 1061), issued ESG guidelines to support the insurance industry in Ghana. These guidelines are intended to help insurers manage ESG-related risks by embedding them into risk management frameworks and business practices. This step underscores the regulator's commitment to aligning the sector with global sustainability standards.

Risk-based supervision: The NIC has also signalled its intention to introduce a risk-based supervision regime, which would require insurers to hold capital reserves in proportion to the risks they assume. If implemented, this approach will strengthen capital adequacy and risk alignment, while encouraging more disciplined underwriting practices.

Profitability pressures: Ghanaian insurers have historically relied on investment income to offset weak underwriting performance. Investment income has become the main source of income for insurers to depend on to improve the profitability of their business. As a result, insurers are on the lookout for opportunities to invest their funds. This dependency highlights the urgency of improving technical underwriting results, while exploring new investment opportunities.

Recently, the Central Bank of Ghana has indicated its intentions to regulate cryptocurrency and rollout a gold coin as alternative investment options. Both avenues are subject to regulatory approval. Insurers, together with the NIC must prioritise customer protection and risk management for these to be viable alternatives.

Market expansion: Rising urban traffic and the growing use of motorbikes as a secondary means of transportation have led the government to consider regulating 'okada' (commercial motorbike transport). If adopted, compulsory insurance for registered motorbikes could present a significant opportunity to expand insurance penetration in Ghana.

Conclusion

IFRS 17 presents a pivotal opportunity to redefine Ghana's insurance industry. Its success depended on closing critical gaps in systems, data and skilled personnel. Addressing these challenges is essential not only for compliance, but also for building a resilient and competitive sector capable of supporting economic development and driving sustainable, long-term growth.

¹ *Business Ghana*, November 2023, <https://www.businessghana.com/site/news/business/296240/Domestic-Debt-Exchange-Programme-Impact-on-insurance-companies-minimal-Insurance-Commissioner>



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West Africa: regulatory reforms and modernisation in Nigeria

The Nigerian insurance industry is entering a period of significant transformation. In 2025, regulators and industry stakeholders are working to strengthen the operating framework against the backdrop of critical structural changes reshaping the market. Building on legislative progress made in late 2024, the anticipated presidential assent to the Nigeria Insurance Industry Reform Bill represents a watershed moment, promising an overhaul to a legal framework that is long overdue for modernisation. This landmark legislation represents a fundamental reshaping of how the Nigerian insurance sector, with far-reaching implications for capital adequacy, risk management and consumer protection.

Alongside this overarching reform, regulatory priorities in 2025 are focused on stabilising and positioning the sector for growth. Notably, stricter guidelines for annuity businesses came into effect on 1 February 2025, reinforcing the National Insurance Commission's (NAICOM) emphasis on prudent management of long-term liabilities. At the same time,

NAICOM is encouraging the adoption of technology across the sector to improve Operational efficiency, resilience and customer experience. Together these measures signal a multi-pronged strategy to reshape Nigeria's insurance landscape, combining legislative report with targeted regulatory oversight and innovation-led growth.

The key provisions and impacts of anticipated reforms are as shown below.

Insurance Industry Reform Bill 2024

The Nigeria Insurance Industry Reform Bill of 2024 ('the Bill') currently under consideration, introduces wide-ranging reforms, including a substantial increase in minimum capital requirements for insurance companies. The higher capital thresholds are designed to strengthen financial stability and enhance the sector's ability to absorb shocks. However, they may also present challenges for smaller players, with potential implications for market competition.

Key Provision	Observations	Impact
Classification of business	<ul style="list-style-type: none"> the bill retains the classification of insurance business into life and non-life insurance no major change in the subcategories of business, except that annuity business is now separated from individual life business energy (oil, gas and power insurance) replaces oil and gas, allowing exploration of power insurance in non-life business. 	Overall, no major changes from the previous requirements.
Specialisation	<ul style="list-style-type: none"> insurers can no longer receive composite licenses, but NAICOM may issue the licenses to reinsurers. Existing composite insurers have five years to separate into life and non-life entities licenses will be specialised, though life businesses can hold shares in non-life companies, and vice versa. 	Entities holding composite insurance licenses will be required to undergo structural separation. Currently, there are 12 composite insurance companies operating in Nigeria.
Capital requirements	<ul style="list-style-type: none"> the minimum capital requirements for insurance licenses have significantly increased: <ul style="list-style-type: none"> non-life insurance: Higher of ₦25 billion (US\$16 million) or Risk Based Capital (RBC) as determined by NAICOM (previously ₦10 billion (US\$6.5 million)) life insurance: Higher of ₦15 billion (US\$9.7 million) or RBC as determined by NAICOM (previously ₦8 billion (US\$5 million)) reinsurance: Higher of ₦45 billion (US\$29 million) or RBC as determined by NAICOM (previously ₦20 billion (US\$13 million)) RBC requires insurers to calculate capital based on the risk they face including insurance, market, credit and operational risks. 	Insurance entities need to consider recapitalisation options soon. With the passage of the Bill, insurers race to meet the 12-month deadline. Increasing the capital base is vital to improve capital adequacy affected by inflation, interest rates, currency volatility, and forex illiquidity. This will enable Nigerian insurance companies to accept and retain more business.
Operation of insurance company	<ul style="list-style-type: none"> In addition to current reporting requirement, every insurer shall, on or before 31 March of each year, prepare and submit to NAICOM, a report of its Risk Based Capital levels as at 31 December of the preceding year. 	Insurance entities will need to develop internal capacity to monitor the RBC level and reporting to NAICOM.
Other areas	<ol style="list-style-type: none"> Compulsory insurance – The Bill mandates compulsory insurance for group life assurance, insurance for building under construction, insurance of government assets and employees, insurance of petroleum and gas stations, motor vehicles (third party) etc. Increased penalty for non-compliance. Road accident victims' compensation fund - A fund called the Road Safety and Accident Victims Compensation Fund (the "Fund") is established. Human resource training for special risk business - Insurers and reinsurers must allocate at least 3% of their net premiums from special risk businesses to human resource training. 	Given the size of federal government assets and employees, this provision is likely to result in increase in the market size of insurance business in Nigeria to the extent of full compliance by the federal government agencies. In the future, we anticipate inclusion of state and local government.

Responses to the reforms

Challenges

Three key challenges include:

- **higher capital requirements**, especially for smaller insurance companies, which may struggle to meet new thresholds and may lead to mergers or acquisitions and reduced competition
- **increased operational costs** for insurance companies due to higher capital requirements, which could translate to higher premiums for consumers, making insurance less affordable for some
- successful **implementation of the new regulations** will require careful planning, deliberate enforcement and execution to avoid disruptions to the insurance market.

Opportunities

On the upside, there are several opportunities that may result, including:

- **improved consumer protection**: the reforms may lead to better corporate governance practices and stronger consumer protection measures, enhancing trust in the insurance sector
- **enhanced financial stability**: higher capital requirements could strengthen the financial position and solvency of insurance companies, making them more resilient to shocks and better able to meet their obligations to policyholders
- **attracting foreign investment**: a more stable and well-regulated insurance sector is likely to be more attractive for foreign investment, bringing in capital and expertise
- **increased innovation**: the Bill may create an environment that encourages innovation, and the development of new insurance products tailored to the evolving needs of the Nigerian market.

Many industry players argue that the larger insurance companies with the financial strength to underwrite large insurance deals are better placed to benefit from the new reforms. The higher capital requirements may encourage mergers and acquisitions, creating larger, financially robust insurance companies similar to the banking industry's consolidation. This may also result in contagion risk and concentration risks. Furthermore, the deliberate enforcement of compulsory insurance may lead to improvement in insurance penetration ratio.

Risk based capital regime

On 14 October 2024, NAICOM released an exposure draft on Insurance Risk Based Capital (RBC) regulation, setting out the framework for its implementation. The regime is designed to strengthen policyholder protection by aligning capital requirements with insurers' actual risk exposures and by incentivising stronger risk management practices. This represents a clear departure from traditional, often arbitrary, capital requirements, ushering in an approach where capital adequacy is determined by the specific risks each insurer assumes.

The Insurance Reform Bill seeks to formally embed this risk-based supervisory framework within NAICOM's oversight mandate. By moving beyond a compliance-driven approach, risk-based supervision will enable regulators to focus attention and resources on the distinct risks faced by insurers, reflecting the scale, nature and complexity of their operations.

Minimum Capital Requirement (MCR)	<p>The exposure draft set out that the capital requirement applicable to a licensed insurer shall be the greater of</p> <ul style="list-style-type: none"> a) the amount equal to the minimum capital requirement as specified below <ul style="list-style-type: none"> – Non-life insurer: US\$10 billion – Life insurer: US\$8 billion – Reinsurer: US\$0 billion b) its risk-based capital – the aggregate of the capital required to address all relevant and material risk categories. <p>We observed disparity in the minimum capital requirement stated in the exposure draft compared to the draft insurance reform bill. We believe the finalised bill and RBC framework will be aligned.</p>
Risk-based Capital	<p>The risk-based capital requirement of an insurer shall include a capital requirement for insurance risk, market risk, credit risk and operational risk, and shall be calculated in accordance with the following formula:</p> <p>Risk Based Capital = $\sqrt{[(\text{Insurance Risk Capital})^2 + (\text{Market Risk Capital})^2 + (\text{Credit Risk Capital})^2 + \text{Operational Risk Capital}]}$</p> <p>The exposure draft provided a standardised approach to calculating each of the risk capital based on a capital charge rate for the different types of risk exposures.</p>
Capital Adequacy	<p>An insurer shall maintain at all times a Minimum Capital Requirement (MCR), which represents a Capital Adequacy ratio (CAR) of 100%</p> <ul style="list-style-type: none"> • CAR ratio = Available capital/Required Capital • Available Capital = Tier 1 capital + eligible Tier 2 capital - sum of the inadmissible assets. • Required Capital = Higher of Minimum Capital Requirement and Risk Based Capital <p>NAICOM shall implement the following statutory actions based on the insurers CAR position.</p>

Strategic impact

From a strategic perspective, the implementation of the RBC regime will have far-reaching consequences across capital, operations, talent and business strategy.

- **Capital impact:** The RBC framework introduces higher regulatory capital costs relative to the current regime. Should the market's average capital adequacy ratio CAR decline, insurers are likely to rely more heavily on reinsurance to reduce capital requirements. This shift will necessitate robust stress testing and scenario analysis, active liquidity and cash management, as well as capital management and optimisation.
- **Operational impact:** Compliance with the new framework will raise regulatory and reporting costs. Insurers may need to automate elements of their reporting processes (e.g.: modelling once internal based models are permitted), and allocate additional resources to manage implementation, ongoing maintenance and data quality improvements.
- **Skilled talent:** Implementing RBC will demand highly skilled professionals. Global experience shows that a shortage of specialist expertise is one of the most significant challenges in adopting such frameworks. Nigeria faces the same issue, with a limited pool of actuaries and technical experts capable of driving effective implementation. Encouragingly, the growing number of registered actuarial students pursuing international certification could help to expand capacity and strengthen the talent pipeline over time.

- **Business strategy impact:** The new regime is expected to reshape insurer's strategic priorities, risk appetite, capital trigger points and investment strategies. It could also alter the competitive landscape, particularly for local reinsurers, and drive the adoption of more comprehensive ERM frameworks. At a business level, stronger Own Risk and Solvency Assessment (ORSA) processes, coupled with improved decision making, will enable insurers to deploy capital more efficiently.

Asset liability management

Building on the regulatory developments of late 2024, NAICOM's focus on specific business lines, particularly the annuity sector, is expected to continue throughout 2025. The guidelines that came into effect on 1 February 2025 mark an important step toward strengthening the management of long-term insurance liabilities linked to annuity products.

Potential implication

Operating model: ALM operating models in the insurance industry are undergoing fundamental transformation. The complexity of International Financial Reporting Standard (IFRS) 17, advances in actuarial systems, and rising stakeholder expectations for stronger risk management are driving this evolution. Emerging trends include the creation of dedicated ALM functions, particularly within larger organisations, clearer separation of duties to strengthen governance, and a greater emphasis on coordinated decision-making across pricing, valuation and ALM.

ALM solution: Many insurers continue to rely on spreadsheets and legacy systems for ALM, yet these tools are increasingly inadequate for today's complex environment. They often lack the flexibility and sophistication required for dynamic financial analysis, real-time portfolio rebalancing and robust scenario generation. Integration with capital models and other risk management processes is also a common challenge. To remain competitive,

insurance companies will need to adopt more advanced ALM platforms that harness technology and data analytics to optimise asset allocation and enhance decision-making. Leveraging investments already made in actuarial systems for IFRS 17 could accelerate this transition. Such solutions will also be critical to managing emerging risks including climate change, interest rate fluctuations, and broader market uncertainty.

Bringing focus to 2025 and beyond

To succeed in a shifting regulatory environment, insurance companies must remain agile and forward-looking. Although global and domestic uncertainties persist, regulators are expected to maintain a strong emphasis on consumer protection and the financial stability of the insurance industry. This translates into new rules and regulations, compelling insurers to adapt and innovate. By staying informed about these changes and incorporating them into their operating models, insurers can ensure they remain compliant and competitive.

The proposed recapitalisation exercise presents significant opportunities for Nigerian insurance companies. Higher capital bases will enable insurers to expand their risk appetite within regulatory boundaries, increase retention ratios on lines of business traditionally ceded to foreign reinsurers, and strengthen their ability to absorb unexpected losses. Enhanced financial resilience will not only improve competitiveness but also position insurers to contribute more meaningfully to Nigeria's economic development through broader coverage and risk transfer capacity.

As the pace of regulation accelerates in 2025, insurance companies will need robust systems to ensure accurate reporting, proactive compliance and continuous monitoring. Regulators are to engage closely with industry and consumers to balance prudential oversight with market development, navigating the challenges of the current economic and regulatory context.



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Increasing insurance company shareholder value through the treasury function

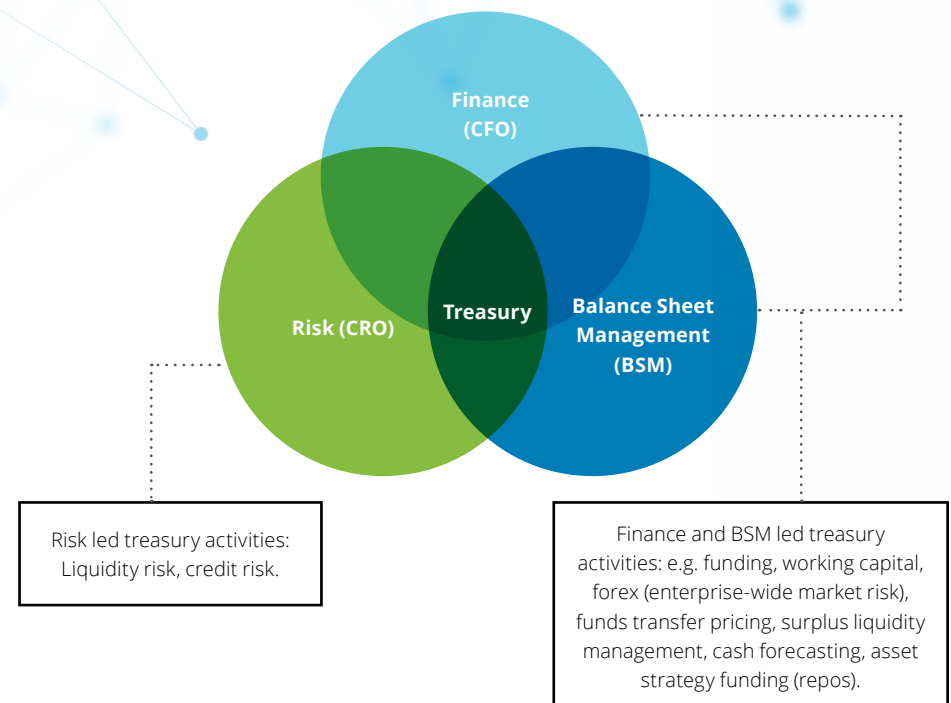
One of our observations of the insurance industry is that treasury capabilities are often dispersed through the finance, risk and balance sheet management (BSM) teams. These capabilities include bank account relationship management, bank account sweeping, liquidity supply and demand forecasting, foreign exchange and liquidity risk management, and cash management activities and surplus cash investment strategies.

Furthermore, these capabilities are supported by varying technology solutions, rather than a unified and standard approach that would promote standardisation and strong aggregation of the capabilities. In other Financial Services (FS) and in non-FS industries, treasury activities are often fulfilled by a dedicated treasury team, where cash is managed as a scarce resource, supporting the strategic intent of the organisation. When these activities are dispersed through the finance and risk functions, the co-ordination and standardisation of these activities to deliver shareholder value becomes more problematic and complex.

In addition, the emerging regulatory requirements for liquidity risk management in insurers has increased the importance of standardising the management approach of treasury activities, both from an operational perspective as well as from a risk management perspective. As such, pressure from both shareholders and regulators is providing impetus for many insurers to revise their treasury operating model.

Creating the common standards and central governance

An enterprise-wide treasury function intersects the divisional split between the finance function and the risk function, as well as being an important underpin to an enterprise-wide BSM function. The BSM function plays an important role with regard to the execution of an insurer's strategic objectives, while ensuring that the execution is achieved within the confines of the prescribed risk appetite.



Within the BSM context, the treasury function plays a critical role within the liquidity risk management continuum that spans from the liability management (product) through to the asset management and market risk management functions. The treasury function supports BSM with the coordination role between liability managers and asset management.

Standardisation before restructuring

It is harder, if not impossible, to coordinate optimal value generation and risk aggregation where treasury activities, and their associated policies, risk frameworks, and technology underpin, are not standardised. This is especially relevant within decentralised treasury operating models.

Factors such as lower net interest performance, higher fees, duplication of transactional charges, lack of financial risk aggregation, and increased risk management layers all contribute to underperformance relative to what could otherwise be achieved. It is commonplace to hear phrases such as “sweating lazy assets” or “reach for yield” within insurers, particularly those insurers with more sophisticated and larger pools of assets. However, these phrases are juxtaposed to the largely fragmented and non-standardised approach to managing treasury activities, as we continue to see across the industry.

Consider a rudimentary example of optimising cash management through standardisation of cash pooling, either notional pooling or physical sweeping. Being able to ensure those activities are performed daily could result in material net interest improvements and cost saving. The interest differential between current account and cash investment accounts should present a compelling enough commercial incentivisation to a tighter cash management standard that is applied enterprise wide. Shifting R500m of cash daily to specific bank money market assets could result in an annual net interest improvement of over R10m.

Because of the nature of performance reporting and the absence of cash management benchmark reporting, the net interest uplift often goes unnoticed, and more importantly, so does the underperformance.

Both the Group Chief Financial Officer and Group Chief Risk Officer should be driving the treasury standardisation debate, since it marries the benefits of commercial uplift with the required risk aggregation. An enterprise-wide treasury policy and implementing standard operating procedures should be high on the agendas of both.

A high performing enterprise-wide treasury function, supported by well-designed cash flow modelling, forecasting, and data management capabilities, can add significant long-term value creation. This is achieved through efficiencies in cash and asset allocation, optimising asset allocation and a well governed market-risk and liquidity risk transfer pricing approach.

Think global, act local

A common argument in favour of decentralised treasury models is that of localised expertise within subsidiaries (or business units). Said another way:

“Devolved power and more autonomy should be given to those business units that have the appropriate expertise to manage the treasury activities in a manner that best serves the business unit’s value generation”.

This view is completely valid, but to achieve value optimisation at the enterprise-wide level the decentralised structure must be managed to a set of standards and risk parameters that best serve the interests of the wider enterprise.

Delivering tangible financial benefits within an insurer while responding to regulatory requirements on liquidity risk management amplifies the importance of a cohesive enterprise-wide treasury function, whether operating on a decentralised basis or not.

Enter the regulator

For insurers, the liquidity risk regulatory environment is changing. To balancing the tension between prudent liquidity risk management and the competing strategic return objectives at an enterprise level, the new treasury function will need to optimise investment decisions about, and aggregate information on, the high-quality liquidity asset (“HQLA”) portfolio. This will need a standard approach and common data models across the operating entities.

Furthermore, the standardisation should be applied to the way in which surplus (and deficit) liquidity positions are priced and allocated across the insurer. In principle, business activities that have an assessed liquidity deficit should compensate those business activities that have an offsetting surplus liquidity position. This compensation is achieved through the application of funds transfer pricing (“FTP”) approach.

A well-designed FTP framework becomes an important treasury tool for managing and shaping the liquidity risk profile within a business, as well as ensuring liquidity risk is correctly priced within the context of the broader enterprise. Applying an appropriate FTP framework requires central coordination with a treasury environment that is managed in a unified manner.

This becomes particularly important where asset strategies include liquidity transformation approaches, such as reverse repurchase agreements, derivatives, securities finance arrangements and similar.

The extent to which the functional treasury strategy and associated Policy is centrally driven will have a direct impact on an organisation’s ability to optimise its risk return profile and harness economies of scale, (or minimise the associated cost), of liquidity risk management.



Breakout Box: The Liquidity Risk Management Continuum

The liquidity risk management principles contained in the PA's draft Standard FSI 6 (Liquidity Risk Management for Insurers) encompass four key aspects of liquidity risk management. These include the identification, measurement, management, and monitoring of liquidity risk. Developing stress scenarios and performing stress testing forms part of the "measure" component.

Setting the appropriate risk appetite in conjunction with establishing the most applicable liquidity stress scenarios is an iterative process that should be calibrated, continually refined and adjusted to changing market conditions as well as changes to the business itself. The "manage" component of liquidity risk requires central coordination to be effective. An enterprise-wide treasury function plays a key role in this regard.

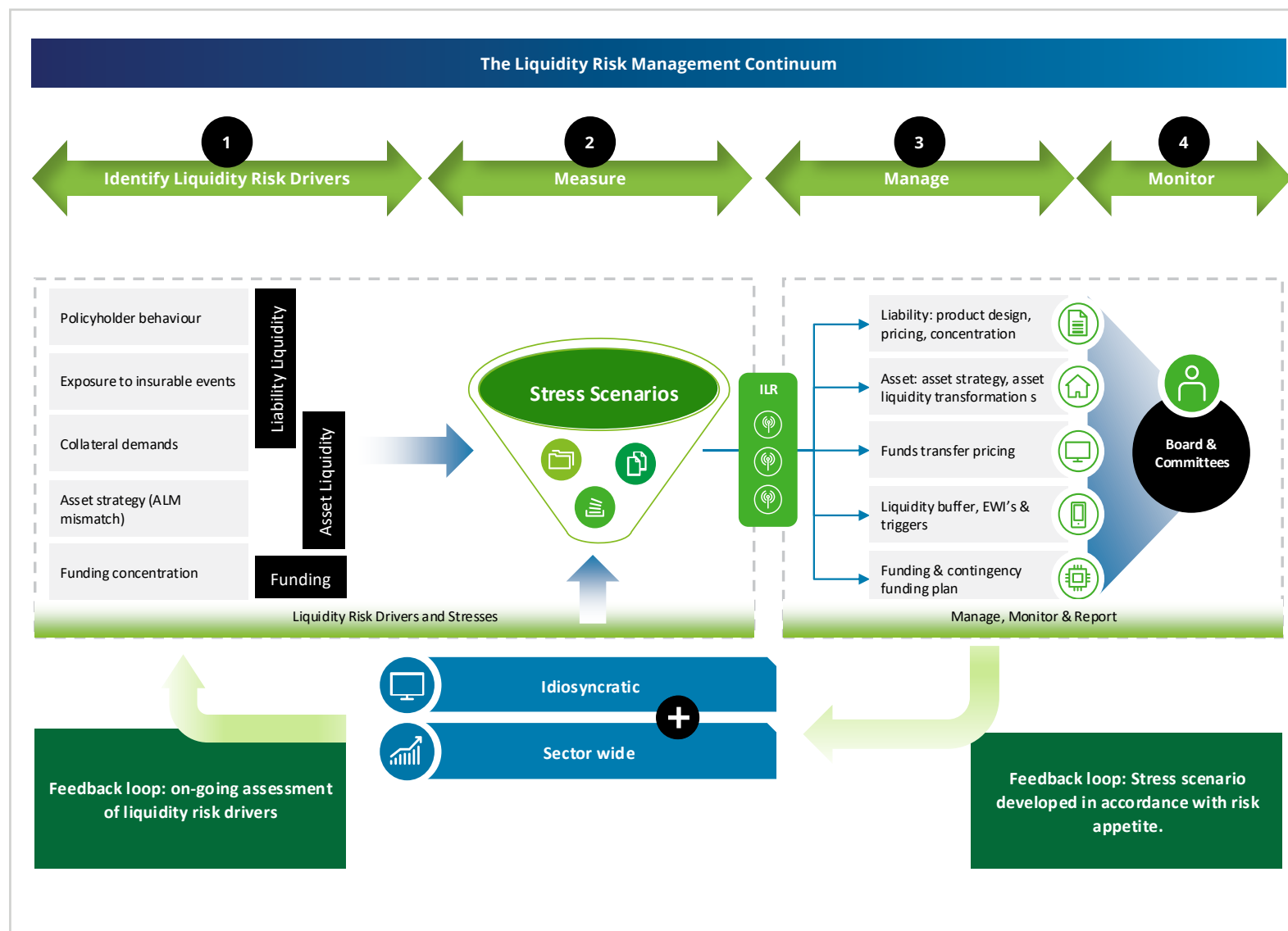


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Mastering reporting: navigating solvency and published reporting

Introduction

The African insurance industry faces uncertainty regarding the differences between regulatory/solvency balance sheets and statutory/published (IFRS 17-based) balance sheets. There is debate over whether the IFRS 17-based balance sheet should be used for determining insurance solvency and regulatory capital returns without adjustments, or whether modifications should be made, or a separate solvency balance sheet should be created.

IFRS 17-based balance sheets aim to reflect the performance of insurance contracts, focusing on the income statement¹. In contrast, solvency balance sheets ensure insurers have sufficient assets to meet long-term obligations, emphasizing the balance sheet position². In this paper, we examine the objectives of both reporting basis and explore various African countries' approaches to solvency reporting for life insurers. We also argue that some elements of IFRS 17 balance sheets are unsuitable for solvency reporting.







Objectives of reporting

The objectives of IFRS and solvency reporting differ due to their distinct purposes^{[2][3]}. IFRS Reporting (IFRS 17) focuses on providing information that faithfully represents insurance contracts, enabling users to assess their impact on the entity's financial position, performance, and cash flows, with an

emphasis on the income statement^[3]. It aims to offer transparency about financial performance and position, giving stakeholders a clearer picture of profitability. Conversely, solvency reporting ensures an entity can meet insurance contract obligations, maintains adequate margins and capital to absorb uncertainties, and contributes to industry stability, with emphasis on the balance sheet position. It determines the surplus asset position needed to support long-term promises and manage risks, focusing on assessing the riskiness of insurance contracts to determine capital beyond liabilities^[2]. Regulators often adopt different approaches for asset and liability valuation in solvency reporting compared to IFRS, excluding certain assets from the solvency balance sheet due to their lack of realisable value in solvency issues, whereas IFRS includes them. Solvency liabilities may be calculated using conservative assumptions, resulting in higher figures, while IFRS uses market-consistent assumptions, leading to different, often lower, liability figures. IFRS requires detailed disclosures for transparency, whereas solvency reporting focuses more on regulatory compliance with less comprehensive public disclosure.

The adjacent table summarises the comparison of the two reporting bases.

Comparison of Reporting Bases

	Published reporting	Solvency reporting
 Purpose	Represent performance and enable comparability	Measure capacity to meet obligations in adverse scenarios
 Scope	IFRS 17 covers "Insurance Contracts"	Covers all licensed business of the insurer
 Valuation of assets	Fair value	Excludes non-realizable assets
 Valuation of liabilities	Fair value and contractual service margin (CSM)	Best estimate plus provisions for adverse deviations
 Capital requirements	None	Includes additional capital adequacy requirement
 Balance Sheet components	Assets and liabilities, including best estimate liability (BEL), risk adjustment (RA), and CSM	Assets and liabilities, including BEL, Risk Margins, and Capital Requirements

¹ IFRS Foundation, "Conceptual Framework for Financial reporting," March 2018. [Online]. Available: <https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2021/issued/part-a/conceptual-framework-for-financial-reporting.pdf>.

² EIOPA, "Solvency II Framework," [Online]. Available: https://www.eiopa.europa.eu/browse/regulation-and-policy/solvency-ii_en. [Accessed 24 October 2025].

³ IASB, IFRS 17 Insurance Contracts, 2020.

Using IFRS 17 for solvency reporting offers advantages such as established models and processes, reduced audit costs, and quantitative assessments. However, adjustments should be made with solvency objectives in mind to ensure financial stability.

They are elements of IFRS 17 balance sheet not suitable for solvency reporting purposes, in particular the CSM. The CSM plays a crucial role in the deferral of revenue and profit recognition in financial reporting. It provides a buffer that absorbs changes in assumptions and offsets increases or decreases in liabilities and spreads the impact of these over future reporting periods. A pertinent question is whether the CSM can be used as a liability proxy for the solvency capital requirement for solvency purposes?

- The CSM component of the liabilities, which represents the unearned future profits, absorbs the impact of changes in (mostly) non-financial assumptions. If the BEL and RA increase because of a change related to future service (e.g. assumptions), there will be a simultaneous reduction in CSM. If the CSM is greater than the BEL and RA the change will be equal and opposite. If the BEL and RA impacts are larger than the available CSM, then the CSM will reduce to zero. Therefore, the CSM can be regarded as available capital for solvency purposes.

- The inclusion of the CSM as part of solvency liabilities will mean that insurers with higher profit margins or lower expenses need to hold more reserves which are not required to meet policyholder obligations while insurers with loss making business do not hold the CSM and hence hold less margins in the reserves. This may go against the principle of equitable treatment.
- The CSM is a margin which is not sensitive to the uncertainties in the risk profile of the underlying contracts but rather the profitability in the business for example, two contracts might have the same CSM but the inherent risk in the contracts may be different (the CSM doesn't cover inherent risk). This contradicts the objectives of the solvency basis, which focuses on assessing the risk associated with insurance obligations.

Therefore, the CSM does not align with the objective of solvency requirements and reporting. IFRS 17 allows for directly attributable costs only in the valuation of liabilities. However, entities still incur significant non-attributable costs that, if valuation actuaries do not take cognizance of, could threaten the solvency of the insurance company. The adjacent table compares the regulatory reporting in various countries and how it affects solvency requirements calculation.

Country	Solvency Framework	Key Features	Liabilities Calculation	Capital Calculation	Observations
South Africa	Solvency Assessment and Management (SAM)	Risk-based capital regime similar to Solvency II.	Liabilities calculated using market-consistent approach; includes BEL and Risk Margin (RM).	Solvency Capital Requirement (SCR) based on assumption-stressed financial position, ensuring risk-based capital requirements.	•CSM not included in solvency liabilities. •Non-attributable costs included
Zimbabwe	Zimbabwe Integrated Capital and Risk Programme (ZICARP)	Similar to SAM.	Similar to SAM.	Similar to SAM.	Same as SAM.
Mauritius	Updated Insurance Returns Rules	Stress test requirements for long-term insurers.	BEL, CSM and RA.	Capital requirements based on stress tests, mini-mum capital, and operating expenses.	Includes CSM in available capital for solvency purposes
Zambia	Insurance Act 2021 & General Regulations 2022	Requires best estimate assumption with prescribed margins; similar to IFRS 4.	Best estimate assumption with prescribed margins.	Stress test similar to Mauritius.	Amendments to the Act needed for IFRS 17; regulator communication pending.
Kenya	RBC regime	RBC measure based on stresses applied to assets and IFRS 17 liabilities	IFRS 17 liabilities	Capital requirements based on absolute minimum, volume-based minimum, and risk-based capital minimum. Volume-based measures include outstanding claims provisions.	Challenges with volume-based capital measure and exclusion non-attributable expenses.
Nigeria	Insurance Re-form Bill 2024	RBC regime expected in 2025.	IFRS 17 Liabilities, pending further specification by NAICOM.	Capital determined by absolute mini-mum and risk-based capital minimum considering various risks.	CSM challenges
Ghana	Solvency Framework by NIC (RBC regime expected in 2026)	BC regime expected in 2025.	Liabilities based on IFRS balance sheet	Capital requirement calculated as great-er of fixed minimum, Volume Based Solvency Requirement (VBSR), and Management Expense Solvency Requirement (MESR).	CSM challenges

Concluding remarks

- There are fundamental differences between the objectives of IFRS reporting and solvency balance reporting.
 - The IFRS 17 reporting primarily focuses on providing a transparent and consistent valuation of insurance contracts for performance measurement purposes. This framework emphasises fair value measurements, which aim to reflect the current value of assets and liabilities.
 - On the other hand, solvency reporting has different objectives and requirements, focusing more on ensuring the financial stability and solvency of insurance companies from a regulatory standpoint. It is critical to differentiate between these two reporting bases to understand their implications fully.
- Using IFRS 17 balance sheet for Solvency reporting offers several advantages to insurers. Insurers already have established models, systems, and processes to calculate liabilities using this balance sheet. This means they don't need to develop new methodologies, saving both time and effort. Additionally, the IFRS 17 balance sheet is audited, which can lead to reduced audit costs when it is reused.
 - Utilising the IFRS 17 balance sheet with some adjustments can significantly cut costs, making the operation and management of insurance more efficient. However, regulators should make adjustments with the objectives of solvency reporting in mind, ensuring that the financial stability of companies remains a priority.

- There are several elements of the IFRS 17 balance sheet that are not suitable for the objectives of solvency reporting:
 - The CSM is not consistent with regulatory objectives. As the CSM represents unearned future profits that will be available and released in the future, it can then be used to cover liabilities and solvency. Hence, it can be excluded from regulatory liabilities.
 - Including the CSM in solvency liabilities may result in insurers with higher profit margins holding more reserves, which may contradict equitable treatment. The CSM, being profit-sensitive rather than risk-sensitive, conflicts with solvency objectives focused on assessing insurance obligations' risk.
 - Cost Attribution: IFRS 17 allows for directly attributable costs only in the valuation of liabilities. However, entities still incur significant non-attributable costs that, if valuation actuaries do not take cognisance of these, could threaten the solvency of the insurance company.

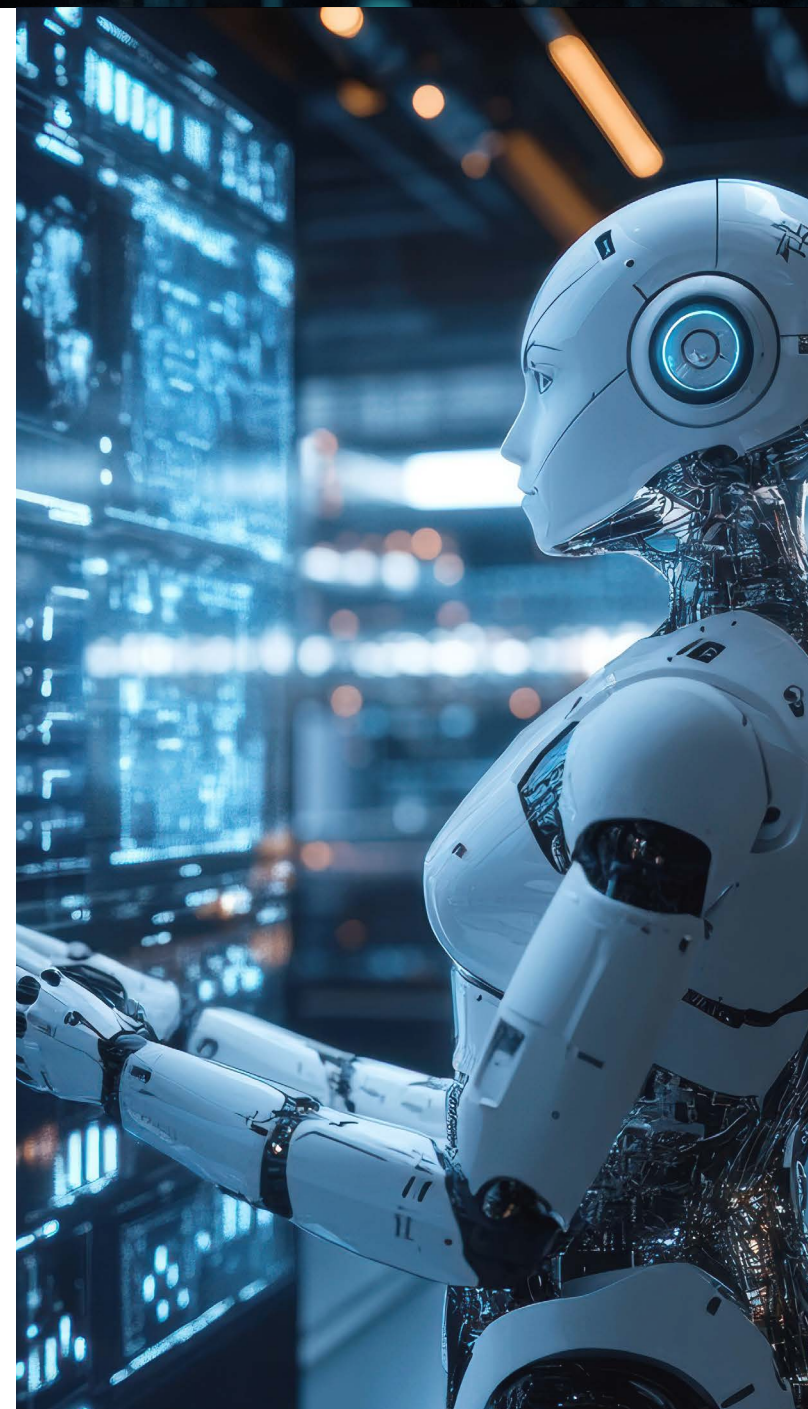
While IFRS 17 provides a structured framework for financial reporting, solvency reporting remains crucial for regulatory compliance and ensuring the ongoing solvency and stability of insurance companies. Understanding and navigating the differences between these two reporting bases is essential for maintaining both financial transparency and regulatory adherence.



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Indirect tax developments

This article provides an overview of key indirect tax developments and upcoming potential challenges for the Insurance Industry to navigate.

Changes to the “insurance” definition for VAT

During the National Budget Speech in March 2025, Government proposed to revise the definition of “insurance”, in light of the Constitutional Court case, *Capitec Bank Limited v Commissioner for the South African Revenue Service* (CCT 209/22) [2024] ZACC 1³.

In this case, Capitec Bank claimed a deduction under section 16(3)(c) of the VAT Act of amounts credited to borrowers’ accounts under a loan cover arrangement on the happening of specified events, namely the death or retrenchment of the borrower. Capitec Bank has essentially undertaken to apply the claim proceeds derived by it under a credit life policy entered into with an insurer against the indebtedness of the borrower on his or her death or retrenchment. Section 16(3)(c) provides for a deduction against a vendor’s output tax of any amounts paid to a person to indemnify that person under a taxable ‘contract of insurance’. The deduction is equal to the tax fraction (15/115) of such indemnity payments.

At first glance, the current definition of insurance is very wide and provides support for the view that it does not require a premium to be paid and therefore goes beyond conventional insurance that requires premiums from which claims are paid. Consequently, certain contractual obligations such as guarantees or warrantees may be regarded as insurance despite the intention of the legislator. For example, where a vendor (e.g. holding company) provides a financial

guarantee at no charge, against a potential tax or financial risk of a subsidiary sold. Interestingly, in the case, SARS never disputed that the arrangement between the bank and the customer constituted insurance and therefore the court did not rule on this aspect.

It is submitted that there would have been a completely different outcome of the dispute had the nature of the arrangement between the parties been considered.

The essentialia or fundamental elements of insurance are an identifiable insurable interest, risk transfer and payment of a premium. The insured would pay a premium to the insurer as consideration for the insurance coverage. The premium is typically calculated based on the level of risk and the amount of coverage provided. The VAT treatment of insurance is based on the premise that a deduction in terms of s 16(3)(c) is allowed on the basis that the premiums that fund those claims were charged with VAT.

In the New Zealand case of *Commissioner of Inland Revenue v Motorcorp Holdings Ltd & Ors* Court of Appeal, CA 17/94⁴, the court, amongst others, considered the definition of ‘insurance’ in the New Zealand Goods and Services Tax Act, 1986, which is similar to the definition in the South African VAT Act. The court made the following remarks in considering whether the repair of motor vehicles under warranty constituted a contract of insurance.

At 19,138 “For my part I again stress the importance of looking at the contract or transaction as a whole

before determining whether or not it amounts to an “insurance contract”. The short point here is that an agreement or arrangement may have elements which, in some ways, make it resemble an insurance contract – but when seen as a whole, it is clear that it is not. The context is extremely important”.

At 19,138-9 “Likewise, in the case of an insurance contract a premium would normally be distinctly identified. At one time, distinct sums for warranty cover were identified in respect of the car companies ... but today there is simply a “rolled up” price of the car from the importers. Then too, in an insurance context there is normally evidence of a “fund” to which appropriations are made to meet future claims. Our attention was not drawn to any mechanisms of that kind in relation to these companies. The ability to meet warranty claims on the part of the motor companies is dependent upon their solvency. It is difficult to see how, in an economic sense, there is a relevant transfer of risk.”... [56] In the result, it appears to me to be an abuse both of everyday, and commercial, language to call these documents, in their various forms, instruments evidencing insurance contracts.”

In an article by Des Kruger published in the *Juta Business Tax and Company Law* publication Volume 15 issue 2 (June 2024)⁵, the author published his views in response to the decisions by the Tax Court, Supreme Court of Appeal and the Constitutional Court regarding the contract between Capitec and the borrower. As mentioned, SARS never disputed that a contract of insurance existed between the parties. The author states:

“The agreement by Capitec Bank pursuant to which the borrower’s debt is extinguished on the happening of an insurable event, is merely an undertaking by Capitec Bank to apply the claim proceeds (indemnity payments) received by it against the debt due to it on the happening of the insurable event, namely death or retrenchment. As argued below, this arrangement is in the nature of a security arrangement ... It is clear that the agreement by Capitec Bank to apply the claim proceeds against the debt due by the borrower, is not a contract of insurance in terms of which Capitec Bank undertakes to make good any loss incurred by the borrower. The failure by the borrower to make good with the payments due to Capitec Bank is not a loss incurred by the borrower that Capitec Bank undertakes to make good. The only loss that would arise absent the loan cover arrangement would be incurred by Capitec Bank. It is evident that for there to be an ‘insurance contract’, there must be a contract in existence between the parties to transfer the risk from one party to the other in return for the payment of a premium.”

In light of the recent Capitec Bank Limited court decision, National Treasury has proposed an amendment to the definition of “insurance” to include the requirement that a premium is charged for the insurance cover. It is however submitted that the proposed amendment in its current form may lead to abuse where a nominal premium is simply charged.

³ *Capitec Bank Limited v CSARS* (CCT 209/22). From: <https://www.sars.gov.za/legal-counsel/dispute-resolution-judgements/constitutional-court/> (accessed 20 October 2025)

⁴ *Commissioner of Inland Revenue v Motorcorp Holdings Ltd and Ors*. 2005. NZCA 33 CA 17/04. From: https://www.ato.gov.au/law/view/?document=DocID%2F*2005*NZCA33%2F00003&PiT=99991231235958. (accessed 20 October 2025)

⁵ Kruger, D. 2024. *Business Tax & Company Law Quarterly*, Volume 15, Issue 2, (pp. 1-14). From: <https://www.jutajournals.co.za/category/btclq/btclq-v15-i2/> (accessed 20 October 2025)

It is submitted that the requirement be expanded to require that the premium should be at the open market value or constitute an economic consideration in relation to the risk transferred to the supplier.

Based on the above, we welcome the revision of the definition to align with conventional insurance which will also align with the structure of the VAT Act.

The future transformation of value-added tax

A discussion paper was issued in October 2023, by the South African Revenue Service (SARS) which outlined the proposed framework to modernise VAT. The modernisation intends to implement digital transmission of a vendor's data in real time, or close to real-time which is accessible by SARS. These measures are instrumental to close the tax gap and combat tax fraud in the form of invalid VAT claims.

What can we expect?

Globally, there has been a movement by tax authorities towards electronic invoicing (e-invoicing) to enable the automatic processing and exchange of VAT source data. This digital tool will be a first step for SARS in its transformation journey, but will pose specific challenges for the Insurance Industry given its nuanced environment, such as:

- Issuing of invoices: SARS published dispensation rulings for documents accepted as alternatives to a tax invoice in Binding General Ruling 14 and 32, for the supply of short-term insurance, intermediary services and reinsurance respectively. In the absence of invoices being issued by an insurer, agent or reinsurer, a solution from SARS to comply with any proposed e-invoicing standards would be critical for compliance. Similarly, deductions relating to cash indemnity payments made to insured persons will require a dispensation on the basis that these deductions are not in respect of tax (VAT) charged by a supplier.

- Deemed supplies and deductions: To protect itself from risk, an insurance provider may take out reinsurance policies against significant claims or losses. Furthermore, VAT is due in the hands of the insured in respect of an indemnity payment received under a taxable insurance policy. A rule may well be implemented for the Tax Authority to not only track the VAT flows relating to actual supplies relating to premiums and trade payments but also (input) deductions and output tax in respect of indemnity payments. Therefore, where output VAT is due on indemnity payments received under taxable contracts of insurance, or input deductions are claimed, a digital method to track and record deemed supplies and deductions will be critical for accurate return reporting.

National Treasury has since published proposed amendments to enable the roll-out of e-invoicing in South Africa⁶. This forms part of the larger VAT Modernisation Project announced by SARS in 2023. These amendments form part of the process to transform tax processes, improve customer service and engagement, reduce the VAT gap and streamline tax administration for VAT vendors and SARS. These amendments will come into effect early 2026 and more detail will be provided in regulations that will be issued.

The new apportionment methodology and imported services

Under Binding General Ruling 16 – Issue 3 ('BGR 16-03')⁷, which can be applied in respect of financial years starting on or after 1 January 2024, indemnity payments received under s8(8) are included in the apportionment calculation as taxable supplies, unless it relates to extraordinary income or capital assets which would distort the apportionment rate. Therefore, only claims relating to extraordinary income or capital assets may be excluded and all other insurance claims received from a non-resident reinsurer must be included as non-taxable income which decreases the taxable ratio.

Another aspect relating to apportionment is that the 5% de minimis rule that applies to input tax (VAT included is costs incurred from local vendors) does not apply to imported services. It follows that a reduction in the apportionment rate regardless that the taxable ratio is above 95% may result in an imported services VAT liability.

The updated BGR 16-03 provides for specific inclusion, exclusions and proxies to ensure the use of an income-based method of apportionment provides an equitable ratio for the purpose of claiming input tax in respect of mixed-use costs. The method deals with various receipts such as interest income, dividends, capital items, trading in financial assets and extraordinary income as well as transactions such as interest free loans. Yet there are no discernible exclusions for insurance claims supplied under foreign reinsurance contracts, therefore the amount received or accrued should arguably be included in the apportionment calculation as non-taxable income. However, to the extent that a short-term insurer carries on a fully taxable business, any reinsurance indemnity claims would be received in respect of the insurer's taxable enterprise. SARS could therefore be approached for a ruling in terms of section 17(1) to exclude all indemnity claim receipts from the apportionment calculation on the same basis that the sale of a 'motor car' may be excluded as a non-taxable supply in BGR16-03.

⁶ 2025 Draft Tax Bills and Draft Regulations. From: <https://www.sars.gov.za/legal-counsel/preparation-of-legislation/draft-document-for-public-comment-due-date-passed/> (accessed: 20 October 2025)

⁷ BGR 16 (Issue 3) Standard turnover-based method of apportionment. From: <https://www.sars.gov.za/legal-counsel/interpretation-rulings/published-binding-rulings/binding-general-rulings-bgrs/bgr-1-20/> (accessed: 20 October 2025)



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Insuring the climate transition

This is an extract from the report from Deloitte United Kingdom and Aon, a global insurance broker, which explores the evolving landscape of insurance in the context of the transition, examining how insurers can effectively navigate and leverage the shift towards renewable energy sources and sustainable practices.

The context

In an era defined by rapid technological advancements and increasing climate disasters, the intersection of insurance and net zero has never been more critical. As the world embarks on a journey toward a more sustainable future, the insurance industry stands at a pivotal crossroads, where its role in facilitating and supporting the net zero transition (the transition) becomes increasingly significant.

As climate change increases the severity and frequency of extreme weather events, the need for proactive approaches to risk management is also growing. In 2023 the global economic losses from natural disasters totalled US\$380 billion, of which only US\$118 billion was insured. The impacts beyond

the economic losses are far reaching and include human health impacts, business interruption, supply chain failures, and regulatory/legislative changes.

There is a critical role for commercial risk transfer solutions – the transfer of exposure to potential loss from adverse outcomes to another party – in de-risking projects to accelerate the transition. Moving away from traditional product-led approaches to holistically addressing climate risks and opportunities will be key. While this report does not include insurance coverage gaps (i.e. certain activities of hard-to-abate sectors that insurers will not be able to cover at the moment), we recognise this still requires attention and it is necessary for businesses to address in their own transition.

The observations

1. Insurance is an afterthought for transition projects. Relative to project design and financing decisions, insurance coverage is often assumed or seen as 'to be sorted later.'
2. Insurance is sometimes mismatched to the longer-term needs of a transition. While recognising the existence of multi-year insurance policies in areas such as construction, insurance renewals and policy terms for many other risks still operate on an annual cycle, often mismatched with the needs of a longer-term transition.
3. Insurers are largely product-led instead of solution-oriented in their approach to help with the transition. Insurers typically offer a traditional product-led approach to supporting businesses with their transition. However, the transition will present businesses with novel risks as the activities and sectors in which they operate evolve over time. Product and functional silos within insurers can inhibit the multidisciplinary and multifunctional approach required for developing innovative risk transfer solutions.
4. Climate transition commitments from international reinsurers are often misaligned with those from insurers in emerging markets. Climate goals and ambitions of international reinsurers in developed markets are sometimes mismatched to the local realities of insurers operating in these emerging markets, who face different transition challenges. This can limit the efficiency of the global insurance market in accelerating the transition to a low-carbon world.

The recommendations

1. Consider project insurance at project inception phase.

- Decarbonisation projects are large and complex, involving a range of technical inputs and multiple development timelines. Given the importance of insurance in attracting finance, a concerted effort by participants along the project life cycle to consider insurance and risk management early on is clearly needed.
- As a front-to-back discussion is needed, and early engagement between financiers, developers, engineers and designers with their brokers and risk management partners is key.

2. Develop and communicate transition plans early to ensure that risk capital remains available and adequate for evolving business operations.

- (Re)insurers, brokers and businesses should all be setting out transition plans, whether or not they are made public, and understand the dependencies that exist between each other's plans. This should include discussion of any risk (transfer) solutions that may need to be created to match future risk profiles.
- For the insured, consider how you communicate and discuss your transition plans with brokers and insurers to ensure that the risk (transfer) solutions you require for future operations are well understood.

3. Realign time horizons for some insurance products from a transactional annual renewal cycle towards a multi-year, multistakeholder partnership approach that incentivises innovation and 'patient capital'.

- The insurance industry should consider longer policy terms than the standard annual renewal cycle in certain instances recognising the existence of multi-year policies in some areas (e.g. major construction projects). The ability to provide stable insurance coverage over long periods can free up capital flows and incentivise investment in clean technologies otherwise not investable at scale.
- Insurance industry associations at regional and national levels should collaborate more freely with other participants of a transition project's lifecycle in pre-commercial phases to discuss risk (transfer) solutions. This will enable learning and experimenting opportunities that in turn will facilitate the pooling of risk and/or the development of new risk solutions that are not dependent on pre-existing loss data.

4. Appreciate that not all risk management and risk (transfer) solutions to transition barriers will be product-based.

- Insurance products may not necessarily be the solution to all questions around the de-risking of transition projects.
- Insurers and brokers can help close coverage gaps through their risk engineering and risk consulting capabilities. This can also help insured parties to better understand the interventions that help secure coverage, which may not be available, and make a stronger case for the underwriter looking at the risk.

- Brokers can play an important role as the main conduit through which businesses buy insurance. Brokers could potentially be asked to perform due diligence on their clients to make sure that the business they are placing complies with the criteria set out by insurers. Innovation and front-to-back thinking will not happen without adjustments to incentives and compensation.

5. Go 'back to basics' and embrace uncertainty concerning future liabilities as an advantage for underwriting.

- While the lack of relevant historical data could make quantification of climate risks challenging and prohibits the validation of predictive models, the insurance industry has a long history of dealing with new risks. This legacy of adaptability will be useful in dealing with climate-related risks.
- Exploring and utilising a wider range of data sources, including 'adjacent' risk data, can help insurers and businesses develop a more customised view of risk. The use of multiple data sets and models can also help solve challenges around unpredictability as well as differences in assumptions relevant to different geographical regions.

In conclusion

Different sectors of the economy are transitioning at different speeds and from different starting points. Yet, climate change is an interconnected, systemic issue requiring integrated solutions across geographies, the public and third sectors, and private businesses. As climate change fuels the severity and frequency of extreme weather events, the need for proactive approaches to risk management is growing.



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Overview of M&A activity

The past 18 months have seen the global community returning to a sense of intentionality. Transactions are more focused on returning to operational core – to maximise revenue, lower costs and increase shareholder returns. To this end, M&A on the African continent has embraced an increased focus on what businesses do best and how to maximise those returns.

Future-proofing is no longer optional

Businesses continue to build scale for existing priorities and improving current key performance indicators. It has, however, not been smooth sailing for transactions, given global political and economic tensions. This has given rise to the need for businesses to future-proof, increase resilience and decrease reliance on single point access to customers. This is only possible when insurance companies have a well-thought-out strategy and an agile path to reach their strategic goals.

A shift in strategic focus may include the realisation that certain investments and divisions are no longer core and critical. An increasing trend has been the disposals of non-core assets and operations, such as the sale of the Sanlam Asset Management arm to Ninety One. This has the added benefit of allowing Ninety One to expand its market reach into savings opportunities which would typically be outside its reach. Such transactions allow businesses to realign their strategic perspectives and allocate capital and resources more optimally.

Scale continues to be the key driver for acquisitions

With focus re-established, the need for scale and growth in customer base, introduces an array of dynamics. Like their customers, the industry has evolved from the traditional distribution network to omnichannel offerings. Customers want, and need, direct instant access, and an insurance provider who pre-empts their needs. They are no longer one dimensional and therefore partnerships between financial services institutions and retailers are playing a critical role in gaining market share, as well as consolidation in the distribution market. Our research has shown, that in many instances on the continent, publicly disclosed transactions where scale and consolidation are key, are often for majority stakes, demonstrating the seriousness of strategy execution and the ability to control the direction of growth.

Partnerships continue to offer strategic benefits

Retailers are embracing the opportunity to either enter into partnerships or expand into financial services to increase the breadth of customer

service. This not only allows an expansion of revenue streams but may improve customer persistency. Often non-insurance brands hold a high degree of trust which may appeal to insurance customers. An example is the Mr Price entry-level life insurance product, Life Matters. The race for consumer reach has heightened, and we expect to see more strategic partnerships across industries as the traditional distribution network expands and diversifies.

Bancassurance is expected to continue its trajectory of being one of the main distributional channels outside of traditional networks. Banks such as Discovery Bank, Standard Bank, State Bank of Mauritius, Wafa Assurance and Absa are already seeking to maximise this cross-selling opportunity with their established insurance-related offerings. Capitec launch of Capital Life Cover in June 2024 is another example of recent drives by banks to diversity revenue streams.

Affordability may be the catalyst for innovation

While insurers target customers from an omnichannel perspective, the lack of affordability for many potential customers remains a barrier. Given the economic impacts of inflation, political instability and a loss in market confidence, disposable income is significantly suppressed. More affordable products, lower commissions and even the provision of micro-insurance may provide access to younger and lower income demographics. Transactions like Clientele's acquisition of micro-insurer, Emerald Life, are targeting this market by having the strategic aim of extending their expertise in the mass market segment with the supply of funeral insurance products.

While the market continues to evolve, innovation is viewed as the primary catalyst for growth. With AI and the digitisation era where instant coverage and premium guarantees tap into new generations, this will be an area even well-established institutions will need to adapt to. The technological disruptions by market players such as Naked, has sparked innovation and increased competition. The customer will need to be well-informed in their choices of insurance provider as the traditional model evolves into the new age of technology and instant access.

⁷ <https://www.sanlam.com/downloads/presentations-and-roadshows/2024/proposed-transaction-with-ninety-one.pdf>
 BMI South Africa Insurance Report Q1 2024
 BMI South Africa Insurance Report Q2 2025
 Mergemarket – research on recent insurance transactions
<https://www.rgare.com/knowledge-center/article/current-trends-and-the-future-of-bancassurance-in-south-africa>



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Optimising the relationship between cloud computing and AI is critical to unlocking real value

As we have seen, advancements in artificial intelligence (AI) technology are shaping how organisations across industries approach their digital journeys. The insurance industry is no different. Make no mistake, AI is poised to radically enhance (and increase the risks for) the insurance industry, requiring a careful, methodical approach to the technology.

No discussion about AI is possible without framing the discussion firmly within cloud computing. There is a symbiotic relationship between cloud and AI, where an organisation's cloud maturity directly influences the organisation's ability to extract value from AI investments.

In South Africa, most insurers are primarily in the early, experimental stages when it comes to generative AI (Gen AI) and agentic AI. Insurers in this country are largely focused on proof-of-concept work as opposed to full-scale implementation and deployment. It is precisely within this context that insurers need to understand that as they walk their

digital journeys, there needs to be careful, and deliberate, alignment between their cloud and AI strategies to maintain optionality. In other words, they need to build cloud ecosystems that will not limit their AI decisions and options in the future.

In this article, we will explore the opportunities and challenges that insurers face as they try to unlock benefits such as transforming processes and democratising advice, while also examining the risks insurers will need to mitigate against. Ultimately, AI adoption should be a phased journey with carefully calibrated human oversight to balance reward with managing risks effectively.

Experimental value versus real impact

We know that insurers who are further along their cloud journeys are able to extract more value by leveraging scalable infrastructure for AI experimentation and implementation. However, most insurers in South Africa are not there yet. Most insurers are currently in an experimental phase with Gen AI and agentic AI, which is yielding emerging, rather than proven, value. Traditional AI, such as machine learning, is more established in businesses across insurance and other sectors, but it is still very early days in unlocking the transformative potential of Gen AI and agentic AI.

While no insurer can, as yet, claim massive business value from tight ecosystem integration, if we look around the sector experiments are showing real potential. Some insurers are incubating AI-driven

interfaces on the periphery by building greenfield environments that operate outside their core, legacy business operations. Initiatives such as these leverage agentic AI to develop customer interfaces or services. These enable fast, digital-first customer experiences, but they are distinct from insurers' established internal systems and processes.

The real value is going to lie in retooling the entire business: systems, workforce and market offerings. When this is achieved, the insurance sector will realise the real impact of the technology. AI will affect the entire business, but no doubt the focus areas will include core platform modernisation, the provision of advice, customer service and the processing of claims.

A look at the (near) future

Beyond the experimentation Gen AI and agentic AI is transforming the insurance industry.

Core platform modernisation

Insurers could use Gen AI to analyse and transform legacy systems. For example, Gen AI could extract business rules from COBOL mainframes and generate technical documentation when a subject matter expert retires or is unavailable. The insurer would be able to modernise its core operations, enabling it to integrate old systems with cloud-based solutions, improving efficiency and supporting more AI-driven innovations such as advice provision or automated claims processing.

Advice provision

Gen AI is trained on huge datasets – all written words. This means it excels at natural language communication and data synthesis, with emergent reasoning. This power could be leveraged to democratise high-quality advice, massively expanding the customer base and addressable market. This will be a game changer for the sector, making advice accessible, increasing customer loyalty and opening underserved segments. On top of this, agentic AI adds a layer of agency. This can be leveraged to automate post-advice processes such as policy generation that would reduce timelines from weeks, to days, to minutes, depending on the complexity of the task.

Customer service

This use case is more widely understood. Insurers could augment their call centres with automated agents to handle routine, uncomplicated queries. This would free up human agents to take on more complex tasks, delivering faster and better customer service.

Claims processing

AI could be deployed here to reduce the time it takes for claims to be processed and finalised. AI could automate assessments via image and video analysis, for example, and then validate claims and initiate processes in a day or less, compared to weeks in some instances.

Other use cases

There's an opportunity for insurers to customise their marketing even more, reaching far broader audiences based on their behaviour and other metrics. Accurate personalisation, powered by AI, will see risk reduction in rewards. Beyond this, there is potential to automate even more operations and processes across complex organisations.

As we can see, these deployments transform business as usual, “what we do right now,” and not just peripheral innovations.

But the AI journey is not just about the AI models.

The symbiotic relationship between cloud and AI

There is a deep interdependence between cloud computing and Gen AI (large language models such as ChatGPT) and agentic AI (which adds agency through tools and memory to execute actions). The best way to imagine this symbiosis is to think of the cloud as the basic infrastructure – or the foundational plumbing – for AI to be deployed at scale. As insurers move further along their cloud maturity journeys, the more they will be able to infuse AI into business processes quickly. While, on the other hand, the benefits available from AI itself drive the case for insurers to accelerate cloud adoption.

South Africa's insurance landscape is more mature than other regions in Africa, where insurance, particularly life, remains nascent. Similarly, cloud adoption in South Africa is more advanced, yet it is still early stage regionally across the continent. If we zone into cloud adoption principles from a South African perspective, we can appreciate that core principles – such as architecting for optionality – are applicable across the continent.

Aligning cloud and AI journeys

Insurers cannot see their cloud journeys and AI strategies as separate silos. They must deliberately align them into interdependent strategies. Far too few organisations in the sector explicitly consider how cloud maturity directly affects AI implementation speed. Slow cloud adoption, for a number of reasons including resistance to shutting down data centres and the impact it will have on the workforce, absolutely hampers AI progress.

Insurers would do well to commit to thinking holistically about the two interconnected journeys. As alluded to, cloud provides the scalable infrastructure for AI's computational demands, while AI itself justifies accelerating an organisation's cloud investment. Cloud and AI both rely on similar technological foundations which naturally creates opportunities for synergy. And so, the opportunity for insurers is to leverage these commonalities.

What does this mean? Both cloud and AI require robust data management, scalable computing resources and modern technology stacks, which are often managed through specialised teams or centres of excellence. This creates overlaps, and so there is an opportunity for insurers to align the goals, resources and operations of cloud centres of excellence and AI initiatives. By optimising these overlaps, organisations can create real efficiencies to amplify outcomes. When insurers are not seeing the bigger picture about how cloud and AI interplay, they are missing opportunities to integrate their efforts which, in turn, reinforces siloed strategies that limit value.

Forward-looking insurers should foster an ecosystem where cloud and AI enhance each other. They should actively avoid decisions that limit flexibility and instead architect solutions that can consume new AI advancements seamlessly.

Architecting for optionality

Insurers need to adhere to the key principle of architecting systems to preserve optionality. In other words, their cloud environments should be designed and built to support their ability to deploy new AI technologies without constraints.

Just take a look around at the breakneck speed of developments in the AI industry. Sometimes it feels as though a new large language model is being unveiled every week.

This rapid evolution renders previous technology obsolete in record time. And so, tactically, insurers must avoid decisions that lock them into specific providers or models. This is a complex environment to navigate, meaning working with expert partners is, frankly, non-negotiable.

Hyperscalers provide the computational power, storage and scalability needed for AI applications. No single hyperscaler is superior in totality. However, choices definitely affect compatibility. This means that choosing a hyperscaler is a strategic decision because it impacts how easily different AI solutions can be integrated. This is especially true when we consider how early many organisations are in their respective cloud journeys.

Each hyperscaler offers unique advantages and strengths, but the choice very much depends on the insurer's existing systems, AI goals and requirements. By designing architectures that allow for switching between models, organisations can counter a key risk: flawed certainty of today's technology. It enables businesses to quickly adopt AI breakthroughs from unexpected sources.

The point is that insurers should be working towards building ecosystems that integrate hyperscalers and technology stacks holistically, starting from business-level strategy. This is vital to prevent future pain from incompatibility.

Risks that AI presents to insurers

In many ways, the AI landscape – particularly around Gen AI and agentic AI – is like the “wild west”, where it feels like a case of “each to their own”. AI tools are evolving so quickly that control mechanisms cannot keep up.

Inability to control: This could occur when agents run unchecked. In other words, AI agents operate without clear oversight, which risks rogue processes.

Data breaches and security: New breaches make the news on a daily basis. AI amplifies this risk by potentially exposing customer data or proprietary data through unsecured agent interactions.

Ethical usage: Biases in the models that AI is trained on could lead to faulty outputs. These incorrect outputs could lead to serious errors such as an agent selling a policy to a client that fails to cover critical conditions. This has trust and compliance implications.

Cost: Insurers face the risk of unpredictable expenses from uncontrolled and rampant AI tool use. Organisations may not track or budget for tool use and like a tap being left on overnight, the damage can accumulate quickly.

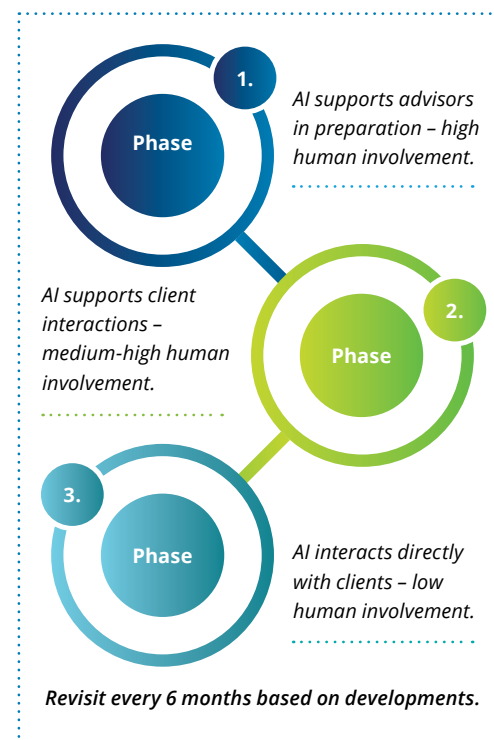
How insurers can mitigate AI risks

- Establish robust governance frameworks, risk management protocols and security measures. Prioritise creating a controlled, well-run AI environment supported by an appropriate cloud computing strategy.
- Ensure there is strong human oversight in all areas where AI is deployed, which can gradually be reduced as trust in AI output grows. This balances innovation with safety.
- Adopt a phased approach to AI deployment. For example, start with AI assisting advisors in preparation and meetings, then towards supporting client interactions and then finally, towards direct client engagement. A flexible and agile approach to the cloud is critical to allow for this.
- Prioritise your data's integrity. Ensure the organisation has high-quality, robust data. Good data ensures accurate automation in agentic AI, which will reduce errors in processes.
- Prioritise enterprise-wide visibility to track all AI agents. This ensures accountability and prevents uncontrolled agent proliferation.

Approach AI adoption as a journey

AI adoption is a journey, not a switch. And, as we know, all good journeys involve human beings. As insurers design their cloud and AI strategies they must ensure they phase their implementations with deliberate human oversight, that as mentioned, can be reduced as trust grows, but needs to be revisited. This is critical to build trust in the system and its outputs, and to manage emergent capabilities, such as dealing with unexplained reasoning in models, for example.

Here's an example of how a phased approach could work:



By starting with high human oversight now, insurers are taking a high-defence approach against risks. It is critical to avoid premature human elimination for important processes and client-facing solutions. No one wants to be the insurer captured in a news headline: “AI agent sells incorrect policy leaving patient uncovered for cancer”.

With a measured approach to AI adoption we will likely see continued experimental deployment during 2025 with emerging value starting to become evident by 2026. However, critical to this success is an appreciation of the symbiotic relationship between cloud and AI and the need for deliberate optimisation of their overlap. By investing in architecture that is designed for optionality, insurers can confidently embark on a risk-aware journey of unlocking real, measurable value and new market segments.



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The role technology innovation is playing in the convergence in African insurance landscape

The insurance industry across the African continent is going through a period of rapid transformation as new technologies, business models and customer expectations are reshaping the traditional market. While there are headwinds to growth in South Africa, we see that across other African countries the industry is poised for massive growth over the next decade. However this growth needs to be considered, and planned for, within the context of industry convergence impacting the sector.

In this context convergence refers to industries' products and services coming closer together as they serve the same customers. This blurs traditional boundaries between different sectors and industries. The phenomenon creates both opportunities and challenges for organisations which are left with little choice but to adapt to the changing environment or risk being left behind. In the insurance industry specifically, convergence refers to the increasing overlap between traditional insurers, investment managers, banks and non-traditional players such as retailers and telecoms companies offering insurance and savings products and services to the same client base.

In South Africa, this is most evident in the retail insurance and savings product segments, where established players are currently focusing on winning

market share from other incumbents in a relatively stagnant market, while these incumbents need to respond to new non-insurance brands entering their space. This obviously creates threats such as market share erosion, but equally, it presents opportunities for innovation and expansion.

Across other African countries, and specifically in Sub-Saharan Africa, convergence manifests through untapped markets and partnerships with non-traditional entities. This offers immense greenfield opportunities amid current low penetration. For insurers focused on the continent, the environment demands they strengthen their asset management capabilities, embrace digital transformation, and form strategic collaborations to protect revenue streams and capitalise on growth opportunities.

In this article, we will paint a picture of how convergence is affecting and shaping the insurance industry across Africa, which, as we know, is one of the fastest-growing and most dynamic on the planet. We will examine how different industries are interacting with, and influencing, the insurance sector. Most critically, we will highlight some of the best practices and strategies that insurers can adopt to deliver more value to their customers.



Setting the scene

To set the scene, let's look at key statistics reflecting the growth of different industries in Africa from 2010 to 2024, based on data from the World Bank and other sources. These statistics show the relative size and importance of each industry, as well as their growth rates and trends. The following table summarises the main indicators for each industry/sector:

As the table suggests from growth achieved in the past relative to the banking, retail and telecommunications sectors, one can expect the insurance industry in Africa to grow significantly in the next decade, potentially increasing its share of GDP, annual growth rate, number of customers, and revenue. There is no doubt that this growth will be largely driven by how insurers leverage various opportunities presented by the convergence of sectors, and the steps they take to protect their market share.

Review of the primary sectors of growth in relation to the South African GDP

Main indicators for each industry/sector:

■ 2010 ■ 2024

Industry/sector	GDP Share (%)	Annual Growth Rate (%)	Number of Customers (millions)	Revenue (billion USD)
Insurance	3.1 4.5	8.5 12.3	44.2 121.7	63.4 259.8
Banking	5.6 7.2	10.2 13.5	327.9 768.4	86.7 292.3
Telecommunications	4.2 5.8	15.6 18.9	649.8 1 357.6	75.1 213.7
Retail	12.3 15.1	11.3 14.2	N/A	411.9 406.2
Health Care	5.4 6.7	7.4 10.1	N/A	145.6

South Africa

In South Africa, convergence is most prevalent in the insurance and investment management space. The two sectors operate in parallel – in terms of managing long-term financial risks and growth – but overlap. In pursuing the same, limited client base in the country, the sectors are employing similar dynamics in their approaches to product design, client management and market entry.

An analysis of this convergence would be incomplete without understanding their distribution similarities: the mechanism through which they are engaging with the market is similar. The vast majority of providers are not going direct to the target market, especially in the retail sector. Their distribution relies heavily on intermediaries who are key to the client relationships on behalf of insurers. This heavily intermediated model opens the doors for other retail-orientated brands with strong brand association strength to be the go-to brand for insurance and savings products. And these entities can and are setting up their own insurance and saving operations to capture more of the value chain of these products.

Other African countries

Across the continent, convergence takes on a different look. Certainly, the marketplace from an investment management perspective is a greenfields opportunity. Looking around the world, it would not be a stretch to suggest that Sub-Saharan Africa is probably the most untapped market for traditional savings, stock broking and retirement planning.

On the insurance front, non-traditional players such as telcos have woken up to the immense opportunity and are increasingly entering insurance. For example, in this market, telcos are becoming a massive insurance counterparty for device short-term insurance, and in some instances, conduits for long-term insurance where they're selling general policies.

Other players such as fintechs are increasingly investigating and experimenting with offering various insurances. Overall, though, penetration in the broader African marketplace is light, but it is an arena that offers incredible growth opportunities.

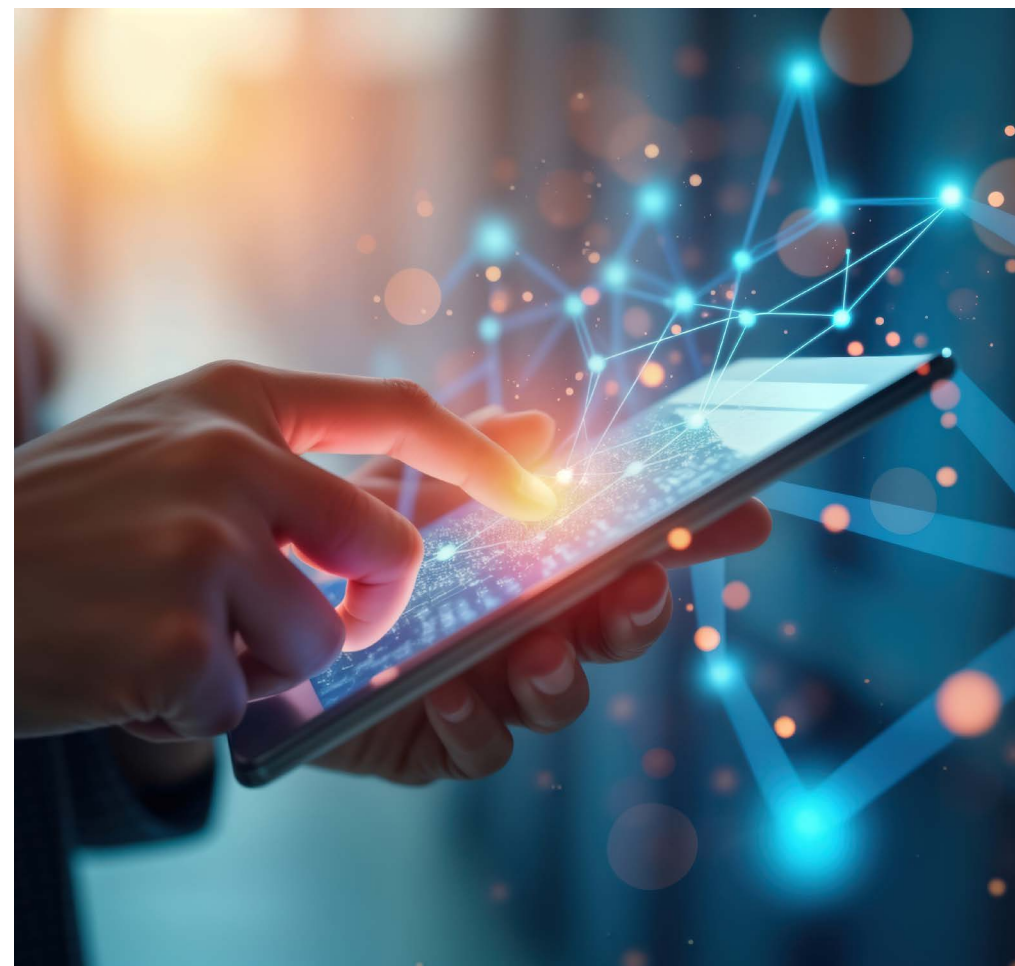
The role of fintech and technology in convergence

In South Africa it is much tougher for smaller startups or new entrants to break into the insurance and investment manager market. If a new entrant does enter and enjoys success, we typically see the following happen: The large companies assess and evaluate the newcomers and then decide, "if you can help us, great; if you are a threat, we'll just acquire you". This naturally has led to a lot of merger and acquisition activity in the fintech space, particularly on the insurance side.

It's different on the asset management side. There aren't as many big deals because the market is crowded with a large number of players, with a wide range of different funds. This sector hasn't been easily disrupted – yet – most likely because it operates in a complex world. Within the environment of thousands of financial advisors, it has the image of a mysterious, opaque ecosystem. In our view, this masks what can be a straightforward sector for consumers to navigate. It is unclear whether the sector at large prefers to keep the industry as is, but if a business is brave enough to embrace technology and simplify the way it is done, they stand to grab their fair share of the market.

Across the rest of the continent it is a different story: The best description is that the scene is booming. A big driver of this is the regulatory environment, such as in Kenya, where sandboxing allows companies to innovate and test products without full licensing upfront. While insurtech may be somewhat quieter than other areas at the moment, these solutions

already exist and they are in an overall landscape that is incredibly supportive for them to thrive and expand. That said, they haven't yet figured out how to dominate the market. They're experimenting with some highly creative innovations but capturing significant market share remains a challenge.



Existing and potential use cases in South Africa and across the continent

When we analyse the market in South Africa and in other countries in Africa we most certainly can find proven success stories that emphasise the power of harnessing convergence well. Similarly, there are blue-sky opportunities around the themes of inclusivity, transparency and value-chain integration waiting to be harnessed by forward-looking insurers and investment managers.

VodaSure's success: In South Africa, we just need to look at VodaSure for a case study on effectively harnessing convergence. This success story is built on leveraging a core asset, which is the cellular service and devices Vodacom provides, to integrate insurance, both short-term and funeral cover, into the value chain. It stands as a good example of unlocking convergence's benefits in the South African market.

Digitisation and disintermediation of financial advisors: The independent financial advisor landscape is ripe for disruption through enhanced clarity, transparency, simplicity and inclusivity, especially in reaching South Africa's underserved markets. Providers need to ask: "How do I digitise and clarify what independent financial advisors do, in order to reach a broader LSM marketplace?". The business that gets this right will become the equivalent of Capitec in insurance and asset management. This breakthrough has not yet been realised, but it will. As it stands now, this represents a vast greenfield opportunity for all players to deeply engage the market. Beyond this, once a user-friendly and effective digital tool is developed for South Africa's underserved segments, the potential to replicate this across Africa is enormous. It could be adapted and scaled relatively easily to various African contexts, accounting for local geographic differences, resulting in a versatile, reproducible asset.

Telcos and digital wallets: This conversation looks north of our borders and appreciates that fintechs and telcos have excelled at nearly bypassing traditional banking. It has been estimated that [59% of Kenya's GDP](#) flows through the M-Pesa platform. The scale is enormous. The key opportunity lies in harnessing platforms like M-Pesa and other digital stores of value. Consider the interplay of savings habits, insurance and how value is transferred. Both insurers and asset managers should be asking how they can customise their propositions to make the most out of each African country's established digital value transfer systems.

The convergence roadmap

1. Digitise and disintermediate independent financial advisors.

2. Leverage client and deep market insights to integrate into value chains.

3. Find strategic opportunities to collaborate across sectors in South Africa, with a specific focus across the rest of Africa on store-of-value dynamics.

The story over the next year, and certainly beyond that, is: In South Africa, insurers and asset managers must protect and react through digitisation, operational changes and collaboration. In Africa, they must *innovate and disrupt* through collaborations and deep market analyses. Through investing into the three core action areas, insurers and investment managers can turn the threat of convergence into exciting opportunities.

South Africa: Protect and react.
Rest of Africa: Innovate and disrupt.



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Actuarial modernisation: navigating change and unlocking potential

In recent years, the insurance industry has experienced unprecedented changes driven by rapid technological advancements, increasing competitive pressures, and an increasingly complex regulatory landscape. These shifts have occurred amidst evolving consumer needs and expectations, and made it imperative for organisations to adapt to these dynamic conditions.

Actuarial teams have encountered similar challenges, investing substantial time and resources in navigating major regulatory changes such as Solvency Assessment and Management (SAM) and IFRS 17. With no disruptive regulatory changes expected in the near future, this period presents a strategic opportunity for actuarial teams to reassess their current activities and operating models. By focusing on the integration between actuarial, finance, and technology functions, they can enhance both the quality and efficiency of their operations.

In previous articles, we have explored rethinking ways of performing traditional actuarial tasks/activities.

However, a major challenge for organisations still lies in identifying where to begin, and how to unlock these potential opportunities. In this article, we aim to provide practical guidance for actuarial teams to initiate these conversations within their teams or with senior stakeholders, and thereby aiding their efforts in building a case for change.

Defining the North Stars

It is important to define the “north stars” as the guiding principles/ambition for why actuarial teams would consider going down the journey of modernisation in the first place. The north stars can be used to obtain buy-in from all relevant stakeholders - as a means to demonstrate the tangible benefits this brings. When challenges or ambiguous decisions arise, these north stars can be used to guide decisions on priorities and the best course of action.

The following are key considerations in determining the north stars:

01



Future fit: There are many actuarial tasks and activities at risk of being replaced by technology, and actuarial teams need to adapt to remain relevant. The future actuary must redefine their role strategic/trusted business partners, and not traditional number crunchers.

02



Insight driven: There is a growing need for actuarial teams to spend less time on production tasks, and more time on higher value activities and insights which enable growth and strategic decision-making.

03



Agile approach: IFRS17 (amongst other changes) has laid bare that actuarial functions need to operate with an “agile” approach and that the traditional waterfall approach can no longer keep up with the pace of change and complexity. In considering an upgraded operating/service delivery model, agile techniques and mindset could serve actuaries well.

04



Employee value proposition (EVP): Modernising actuarial teams presents a great opportunity for employers to build on their EVP and widen actuaries' skill set – embracing a “tech-first” mindset, broadening business acumen, and better communication skills for communications across levels and departments in the organisation.

Initial considerations

Before embarking on a lengthy, expensive journey, actuarial teams should first have a clear understanding of the following considerations as these assist with 1) forming an initial view of a roadmap for the modernisation programme, and 2) improve the chances of a successful modernisation programme if set up properly at the beginning.

1. Strategic initiatives: Actuarial teams should be aware of and aligned with organisational strategic initiatives, as these will influence any modernisation programme. In addition, there needs to be an awareness of other strategic initiatives where there may be a dependency or reliance on actuarial capabilities. For example, if the finance function is undergoing a transformation, those actuarial functions which are heavily integrated with finance functions need to understand how this will impact them, which in turn will impact the directional view of a modernisation programme.

2. Purpose and Benefits: Clearly articulate the end-state vision and benefits of investing in actuarial modernisation. What gains can be realised from this transformation? Express this in simple language - e.g. annual cost savings of \$X, or working day timetable reduced from X days to Y days.

3. Resource availability:

Funding: Assess the potential funding available for these initiatives, or ways to secure funding through other avenues. Building a strong business case is key to access funding.

Team Capacity: Given BAU activities and competing priorities, assess whether there is capacity within the team to drive these initiatives forward.

4. Senior/Executive Sponsorship: A key success factor in these strategic initiatives is having the right senior/executive sponsorship to champion the modernisation efforts. This also adds an important layer of governance and accountability to any modernisation programme.

5. Stakeholder/Change management: Stakeholder engagement and change management must be prioritised from the outset, as these elements are instrumental in fostering a supportive environment for transformation. It is important to recognise that the success of any modernisation initiative hinges on effectively managing the delicate balance between implementing rapid changes and ensuring that all stakeholders are aligned, understand, and buy in to these changes. By embedding robust stakeholder and change management practices within the fabric of modernisation initiatives, organisations can significantly enhance the likelihood of achieving successful and sustainable transformation outcomes.

Once the “north stars” have been defined and thought has been given to the initial considerations above, focus should be given on tactical short term wins vs longer term strategic initiatives. This is important and cannot be stressed enough. Displaying tangible benefits/successes early on can go a long way in instilling confidence in a programme, and helps gain momentum/support for longer term initiatives – especially if the short term successes are complementary to the longer term initiatives.

Strategic and Tactical Planning – input into the roadmap

1. Awareness of other strategic Initiatives:

as highlighted above, there should be awareness of enterprise-wide strategic initiatives which may impact the trajectory of any actuarial modernisation initiative.

2. Strategic Vision: with #1 in mind, craft a longer-term strategic view that positions actuarial roles as strategic partners, rather than merely a pricing or reserving back office.

3. Short-Term Tactical Wins: Prioritise quick wins that require low effort but deliver high impact, ensuring they align with the longer-term strategy.

4. Incremental Wins: Ensure that the roadmap is designed by starting small and achieving incremental successes, rather than committing to large, long-term projects with limited visibility of success until late in the programme.

With the “north stars” defined, and initial considerations and strategic/tactical planning laid out, we turn our focus back to the combination of vital components we had outlined in a previous edition. When harmoniously implemented, these can significantly improve the success of any actuarial modernisation programme:

Fit-for-purpose service delivery model: Ensuring that actuarial functions are configured appropriately/ optimised to meet the rapid demands of changing business environments.

People and Talent: The backbone of any successful team, with evolving skillsets, crucial for driving transformation and innovation.

Processes: Streamlining operations to improve efficiency, reduce manual interventions, and freeing up actuaries away from production type activities to insight/analysis type activities.

Data: An optimised data management environment is essential for accurate analysis and informed decision-making.

Technology: Leverage technology such as Cloud and AI as a primary enabler in unlocking opportunities and driving transformation.

Policies and Procedures: Well-defined to ensure consistency and adherence to best practices.

Governance Structure: Providing robust oversight and accountability, and ensuring effective management of initiatives aligned with the strategic objectives.

By addressing these areas, organisations can successfully navigate the complexities of actuarial modernisation, unlocking new opportunities and fostering a more strategic and agile actuarial function.

In a world where change is the only constant, will actuarial teams seize the opportunity to redefine their roles as strategic partners, or will they remain confined to traditional confines as the landscape evolves around them?



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