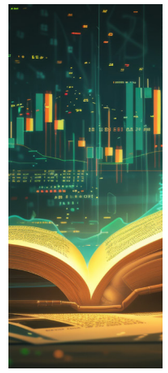
Deloitte.



# Africa Insurance Outlook 2026/27

**October 2026**

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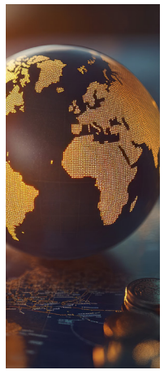
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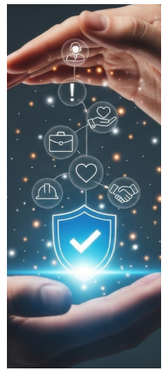
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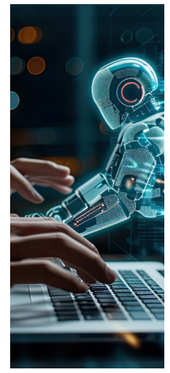
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# FOREWORD

The recent release of Deloitte Global's *Future of Insurance 2035*[1] report has shown the insurance sector is entering a decade of accelerated change. The report states that by 2035, value will move beyond traditional risk transfer toward prevention, resilience and long-term financial security. While the sector has remained resilient in recent years, the road ahead is expected to be more challenging as industry megatrends accelerate and intensify. Advice will likely become hyper-personalised, insurers will move beyond static products, servicing will evolve and AI will become embedded in the core of every enterprise. While this global portrait is relevant to African markets, nuance remains.

The *2026/27 Deloitte Africa Insurance Outlook* draws together numerous practical, local perspectives – from the strategic case for agentic AI in the African context to modernising finance in the post-IFRS 17 era to overall analyses of maturing insurance markets – showing how insurers across the continent can convert these disruptions into durable advantage.

Across the continent, regulators, investors and customers are raising the bar on transparency, capital adequacy and customer outcomes, while geopolitical volatility, inflationary pressure and rapid technological change are shifting insurers' understanding of risk and operating models.

Technology remains at the forefront of boardroom conversations, changing not only what insurers can do, but how they should organise. Agentic AI promises step changes in productivity and decision support, particularly in actuarial and control functions, but real value will come only where AI is embedded within robust governance, data architecture and human-in-the-loop accountability. Can Africa keep up with the global pace of AI implementation?

Meanwhile, interviews with our executive clientele have warned that geopolitical and macroeconomic shocks are arriving in African markets through second-order channels – inflation, FX volatility, supply-chain disruption and capital-flow shifts. This, they say, is driving affordability pressures, capital sensitivity and the need to redesign products and retention strategies.

In this report, our experts argue that success in the near future will be manifested through a coordinated programme: modernise finance and modelling, align capital to risk, make customer-facing trade-offs defensible, and deploy AI with nuanced, refined controls. Insurers that act on these priorities – investing in data, talent and governance – will protect policyholders, preserve solvency and capture growth as Africa's insurance markets deepen.



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1. The future of insurance 2035 | Deloitte Global

# Overview of the 2025 financial and embedded value results of the largest insurance groups in South Africa

## Setting the scene

As is customary, this article focuses on the annual or half-year financial results for the larger insurers for the period ended 31 December 2025. It is a reporting period that will be fondly remembered by non-life insurers for relatively benign weather conditions and equally by those life insurers that offer products with investment components. Investment markets were kind to insurers. But potentially the most notable feature of the 2025 reporting period relates to yield curves. In the latter part of the year yield curves decreased significantly and for insurers that underwrite long-duration insurance contracts their results were significantly impacted. Negative reserves became more negative and positive reserves became more positive. The yield curve change also impacted the Solvency Capital Ratios reported by insurers. More on that later in this article.

The write-up below focuses on the themes reported by the five largest insurance groups in South Africa. The analysis is based on IFRS Accounting Standards issued by the International Accounting Standards Board (IFRS), solvency reporting and embedded value (EV) information on the bases as reported. 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.

## Economic and market indicators

The market and economic statistics for 2025 pointed to the ongoing recovery of the economy and improving investment market. We now know of the Middle East war that started in February 2026, but at 31 December 2025 the investment market was buoyant.

The JSE All-Share Index increased by

**38.5%**

in the 2025 year.

The South African Reserve Bank's Monetary Policy Committee (MPC) decreased the repurchase rate (repo rate) from

**7.75%**

at the beginning of the year to

**6.75%**

by the end of the year.

The South African economy grew by

**1.1%**

in 2025

**(2024: 0.6%)**

and inflation by the end of the year was

**3.6%**



## Overview of the industry IFRS results

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 2025 interim results and historic announcements were used to prepare pro-forma IFRS results for the 12-month period ended 31 December 2025.

The table below 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

**R48.9 billion**

**(2024: R47.4 billion)**

and a return of equity of

**17%**

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

| Rand million | Old Mutual Limited | | | Sanlam Limited | | | Momentum Group Limited | | |
|---|---|---|---|---|---|---|---|---|---|
| | 31 Dec 25 | 31 Dec 24 | % change | 31 Dec 25 | 31 Dec 24 | % change | 31 Dec 25 | 31 Dec 24 | % change |
| **Extracts from the consolidated statement of financial position at 31 December 2025** | | | | | | | | | |
| Total assets | 1 367 923 | 1 234 755 | 11% | 1 295 698 | 1 133 544 | 14% | 882 707 | 752 632 | 17% |
| Total liabilities | -1 304 865 | -1 172 990 | 11% | -1 184 176 | -1 023 389 | 16% | -848 828 | -720 475 | 18% |
| Equity | 63 058 | 61 765 | 2% | 111 522 | 110 155 | 1% | 33 879 | 32 157 | 5% |
| **Extracts from the consolidated statement of profit or loss for the 12 months ended 31 December 2025** | | | | | | | | | |
| Insurance revenue | 81 572 | 72 664 | 12% | 102 903 | 93 475 | 10% | 61 282 | 59 398 | 3% |
| Insurance service expenses | -60 721 | -57 761 | 5% | -81 322 | -75 553 | 8% | -45 690 | -43 690 | 5% |
| Net expenses from reinsurance contracts | -3 935 | -3 314 | 19% | -7 682 | -4 987 | 54% | -5 959 | -7 572 | -21% |
| Total insurance service result | 16 916 | 11 589 | 46% | 13 899 | 12 935 | 7% | 9 633 | 8 136 | 18% |
| Profit/(loss) before tax from continuing operations | 22 714 | 15 497 | 47% | 26 364 | 29 513 | -11% | 12 176 | 10 048 | 21% |
| Tax | -13 497 | -7 106 | 90% | -7 652 | -7 909 | -3% | -5 961 | -4 937 | 21% |
| Profit/(loss) after tax from continuing operations | 9 217 | 8 391 | 10% | 18 712 | 21 604 | -13% | 6 215 | 5 111 | 22% |
| **Extracts from the consolidated statement of changes in equity for the 12 months ended 31 December 2025** | | | | | | | | | |
| Dividends paid | 3 797 | 3 630 | 5% | 11 181 | 9 635 | 16% | 2 107 | 1 907 | 10% |
| **Ratios calculated using the financial information above** | | | | | | | | | |
| Effective tax rate | 59% | 46% | | 29% | 27% | | 49% | 49% | |
| Return on equity using profit/(loss) from continuing operations | 15% | | | 17% | | | 19% | | |
| Dividends paid as percentage of profit/(loss) from continuing operations | 41% | 43% | | 60% | 45% | | 34% | 37% | |

**Table 1 – Part 2: Liberty, Discovery and Aggregated**

| Rand million | Liberty Group Limited | | | Discovery Limited | | | Aggregated | | |
|---|---|---|---|---|---|---|---|---|---|
| | 31 Dec 25 | 31 Dec 24 | % change | 31 Dec 25 | 31 Dec 24 | % change | 31 Dec 25 | 31 Dec 24 | % change |
| **Extracts from the consolidated statement of financial position at 31 December 2025** | | | | | | | | | |
| Total assets | 569 778 | 489 476 | 16% | 362 424 | 310 052 | 17% | 4 478 530 | 3 920 459 | 14% |
| Total liabilities | -552 091 | -473 540 | 17% | -288 986 | -245 408 | 18% | -4 178 946 | -3 635 802 | 15% |
| Equity | 17 687 | 15 936 | 11% | 73 438 | 64 644 | 14% | 299 584 | 284 657 | 5% |
| **Extracts from the consolidated statement of profit or loss for the 12 months ended 31 December 2025** | | | | | | | | | |
| Insurance revenue | 37 891 | 35 864 | 6% | 60 488 | 54 902 | 10% | 344 136 | 316 303 | 9% |
| Insurance service expenses | -27 054 | -27 094 | - | -50 609 | -47 555 | 6% | -265 396 | -251 653 | 5% |
| Net expenses from reinsurance contracts | -820 | -782 | 5% | -1 401 | -1 174 | 19% | -19 797 | -17 829 | 11% |
| Total insurance service result | 10 017 | 7 988 | 25% | 8 478 | 6 173 | 37% | 58 943 | 46 821 | 26% |
| Profit/(loss) before tax from continuing operations | 8 304 | 6 163 | 35% | 15 529 | 11 977 | 30% | 85 087 | 73 198 | 16% |
| Tax | -4 404 | -2 622 | 68% | -4 704 | -3 214 | 46% | -36 218 | -25 788 | 40% |
| Profit/(loss) after tax from continuing operations | 3 900 | 3 541 | 10% | 10 825 | 8 763 | 24% | 48 869 | 47 410 | 3% |
| **Extracts from the consolidated statement of changes in equity for the 12 months ended 31 December 2025** | | | | | | | | | |
| Dividends paid | 2 686 | 6 616 | -59% | 1 614 | 1 178.00 | 37% | 21 385 | 22 966 | -7% |
| **Ratios calculated using the financial information above** | | | | | | | | | |
| Effective tax rate | 53% | 43% | | 30% | 27% | | 43% | 35% | |
| Return on equity using profit/(loss) from continuing operations | 23% | | | 16% | | | 17% | | |
| Dividends paid as percentage of profit/(loss) from continuing operations | 69% | 187% | | 15% | 13% | | 44% | 48% | |

Included below are extracts from the insurance groups' results announcements and financial statements for the period ended 31 December 2025. We focused on commentary that relates to the groups' operations, significant transactions, strategy changes or restructuring. As it relates to Liberty Group Limited the comments stem from the 2025 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 2025.

**Old Mutual** commented on the positive impact on its profit from its non-life subsidiary Old Mutual Insure as well as its Wealth business. Profit was dampened by the need to strengthen persistency assumptions in Old Mutual Life and Savings, which also reduced the value of new business margin to 1.2%. This was partially offset by positive experience in mortality in the same segment. Progress was reported to achieve R2.5 billion targeted expense savings by 2027. The group expressed comfort that customer and deposit trends in the newly launched OM Bank were tracking well against plan. It was noted that the results benefited from the group's Malawi business that was positively impacted by elevated investment returns in country even though the Malawi economy experienced high inflation and shortages in foreign currency. Readers were alerted to the risk that some of the 2025 favourable results could reverse if the Malawian kwacha is devalued in the future. Continuing with a recent trend, Old Mutual announced a further R3 billion share buyback in September 2025 of which R0.7 billion had been completed by December 2025.

**Sanlam**'s 2025 profit before tax decreased from R29.5 billion last year to R26.4 billion in the current year. The reduction does not arise from lower operating earnings, but rather items in the comparative year that were once-off such as the reinsurance recapture fee received from Capitec. Also, the 2026 results were negatively impacted by the strengthening of the Rand for the group's operations outside South Africa. The current year operational results benefited from favourable mortality experience and stronger asset-based fee income in the South Africa and Pan Africa life businesses.

The experience across the group's South African general insurance operations were positive due to lower attritional and large weather-related losses – also see the commentary on the non-life/general insurance industry results later in this article. Santam is the largest South African general insurer.

Consistent with the broader industry Sanlam earned increased fee income from the larger asset base under management. Reference is also made to negative investment variances that arose from a decrease in long-dated bond yields as well as the transition to an IFRS 17-aligned asset liability management for guaranteed liabilities. A partial offset was achieved from positive investment variances on negative rand reserves in the Assupol and BrightRock portfolios, as well as gains from the SanlamAllianz portfolio.

**Momentum** expressed satisfaction with its financial results commenting that the results are consistent with the group strategy and reflect a diversified portfolio of businesses. Reference is made to favourable mortality, persistency and alterations experience variances and positive investment market returns. The results of Momentum Retail, though, were negatively impacted by lower market variances stemming from a reduction in the yield curve as was the case for most insurers underwriting long boundary insurance contracts in a net liability position.

Within the Standard Bank group the South African Life Savings and Investments business includes **Liberty**. The business unit reported headline earnings that increased by 31% compared to 2024. The earnings growth is attributed to better than expected risk and improved persistency experience which is now more closely aligned to overall actuarial assumptions. This was partly offset by new business strain in the year. Liberty reported that a focus on cost management positively impacted current year experience which would then lead to a lower future cost base to be assumed in fulfilment cash flow estimates. Dividends paid reduced from R6.6 billion last year to R2.7 billion in the current year. Significant changes in dividends paid from one year to the next is not surprising when one considers that Liberty is an unlisted entity with a single shareholder in Standard Bank.

**Discovery** reported that it was satisfied with the growth in earnings for both its local and global operations. Discovery Bank remains a key strategic platform to drive further growth in the group's 6.5 million South African customer base, which increased 7% compared to the prior period. Discovery Life's good results benefited from favourable mortality and morbidity experience. Also, Discovery Life with substantial negative reserves for its risk business benefited substantially from the lower yield curves at 31 December 2025. Discovery's accounting policy is to account for the changes in discount rates as Other Comprehensive Income, and not a profit or loss. On its South African life risk business measured under the general measurement model for the 6 months ended 31 December 2025 Discovery reported Other Comprehensive Income of R5.6 billion, net of tax.

# Comments on the aggregated results and financial position

All of the insurers reported positive mortality experience benefitting results but persistency experience seems to have been a mixed bag.

**New business generated Contractual Service Margin (CSM) for 2025 was**

**R10.8 billion**

**whereas the profit release from CSM in the same period was**

**R19.1 billion**

All but one group (Discovery, which was aided by its UK business) were unable to generate new business CSM in excess of the profit release. This outcome is inconsistent with what we observe from an evaluation of recent financial statements of other international insurance groups. The majority of the international insurance groups added more CSM in the past year than the amount they recognised in profit or loss. It reflects on the disappointing new business margins reported by South African insurance groups in recent years. Refer to the value of new business discussion in the embedded value section of this article.

**Total assets increased by**

**14% to R4.5 trillion**

While there are many moving parts in this change it does show the beneficial impact that the growth in the underlying investment markets had on the insurers' on-balance sheet assets under management.

**Equity only increased by**

**R14.9 billion (5%)**

**aided by the profit after tax reported for the year of**

**R48.9 billion**

The equity increase was reduced by the payment of dividends of R21.4 billion which represented 44% of the year's profit after tax. Another item that is a negative movement in equity is the effect of converting the net assets of foreign subsidiaries to Rand when the Rand strengthened against those other currencies during the year. Lastly, the capital buy-back transactions mentioned earlier also reduced equity.

**The aggregated effective tax rate increased from 35% to 43%**

Evaluating the effective tax rate of insurance groups operating in South Africa is no simplistic task. Life insurers are responsible to collect and pay tax on the investment returns that benefit policyholders with the resulting policyholder tax included in the tax expense of the insurer. The good investment returns that benefited policyholders in 2025 increased policyholder tax which in turn is reflected in the higher effective tax rate. The increase in the tax rate also shows the effect of the depletion of calculated tax losses that some insurers previously had.



## 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. As noted in last year's article already, the significance of the non-life operations are often obscured as the premium and claim transaction flows of the non-life operations are substantially less than the life operations. 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. In the paragraphs below we discuss the South Africa non-life industry which includes the results of the non-life subsidiaries of the insurance groups covered in this article.

Premiums reported by non-life insurers in South Africa exceeded R238 billion for 2025, a growth of 6% from the R225 billion for 2024. The premium information was obtained from the South African Reserve Bank (SARB) statistics for the 12 months ended 31 December 2025 for all the non-life insurers (primary, cell captive, and captive insurers). The increase in gross premiums exceeds the sum of the country's growth in Gross Domestic Product (GDP) and average Consumer Price Inflation (CPI) during the same period which was 4.7%. The industry's premium growth was aided by a strong recovery in new motor vehicle sales, increasing digital sales and some innovative new value-added products.

On the negative side policy churn amongst the direct retail insurers remains high as consumers continue to change risk providers in search of the most cost-effective insurance.

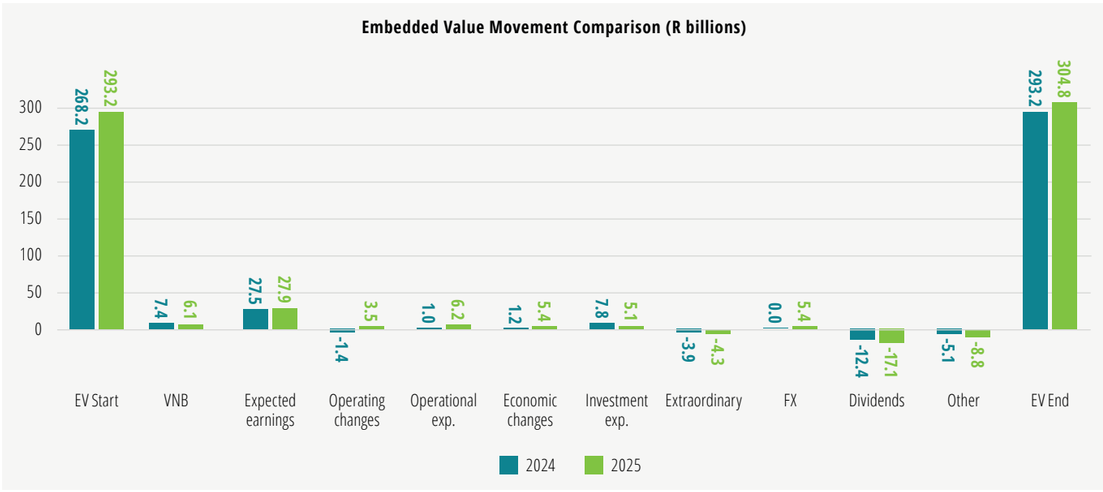
The underwriting ratio for the South African industry at 8.7% (2024: 8.9%) is at the upper end of the target range for insurers with diversified personal and commercial portfolios. The industry made some structural improvements in the past few years in how they price and manage risks which contributed to the improved underwriting ratio, but equally the industry was helped by the absence of large weather-related claims in 2025. Some insurers that, not long ago, were not in their shareholders' good books are now able to boast return on equity in excess of 25%. The authors of this article, who have followed the up and down cycles of the South African non-life insurance market for too long, are hesitant to accept these profit levels as the new normal. It is expected that premium rates will continue to soften during the next year which will inevitably lead to poorer underwriting margins.

## Overview of the industry EV results

A further observation is that disclosure quality is becoming increasingly important. IFRS 17 has improved comparability in certain areas, but EV remains useful where insurers provide clear bridges between new business profitability, in-force experience, assumption changes, capital movements and shareholder distributions. Where traditional EV and VNB metrics are not disclosed, IFRS 17 and solvency disclosures can still provide useful information, although peer comparisons require additional care.

The embedded value (EV) results for 2025 show an industry that continued to generate value, but with a more nuanced story beneath the headline growth. The existing in-force books remained a significant source of earnings, supported by expected returns, favourable experience and investment market performance. However, new business profitability was more mixed, with value of new business and margins under pressure for several insurers. The EV results also highlight the importance of yield curve movements (as was seen in the IFRS results), product mix and capital efficiency in interpreting EV performance. For readers comparing insurers, the key question is therefore not only whether embedded value increased, but how that value was created, how much capital was required, and whether new business written in the period is likely to support sustainable future growth.

The following graph shows the aggregated analysis of Embedded Value for the insurance groups under consideration.



The EV bridge is central to understanding how shareholder value was created in 2025. Combined EV increased by

**3.9%**

from

**R293.2 billion**

at the start of the year to

**R304.8 billion**

at year-end, despite higher shareholder distributions.

The main contributors were expected earnings of

**R27.9 billion**

operational experience variances of

**R6.2 billion**

economic assumption changes of

**R5.4 billion**

and foreign exchange movements of

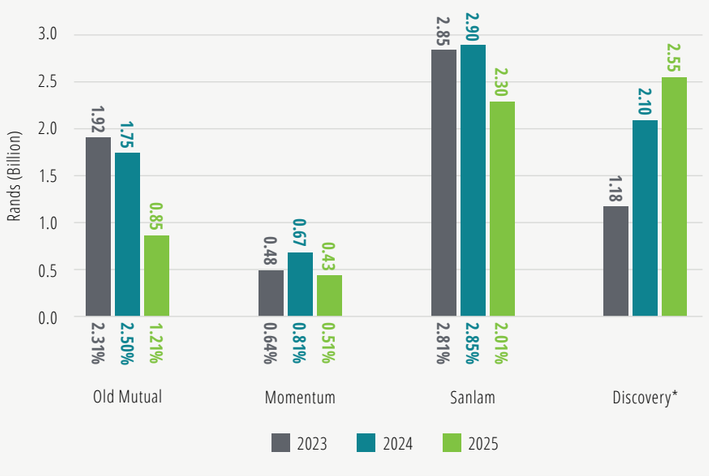
**R5.4 billion**

This indicates that EV growth was driven mainly by the in-force book, supported by favourable experience and market movements, rather than by new business written during the year. These gains were partly offset by higher dividends and capital transfers of

**R17.1 billion**

Against this stronger EV backdrop, the new business picture was less uniformly positive. VNB declined by 17.5%, highlighting that growth in embedded value was not matched by equally strong new business profitability. The industry's value creation challenge has therefore shifted from whether insurers can grow sales to whether they can write the right business, at the right margin and with an appropriate capital profile. Some insurers reported strong new business volumes but lower VNB or weaker margins, while others converted growth into more profitable new business. This points to a market in which pricing discipline, product mix and acquisition efficiency were key differentiators. The graph below shows VNB and VNB margins for 2025 and comparative years.

**Value of New Business and VNB Margins (R billions)**



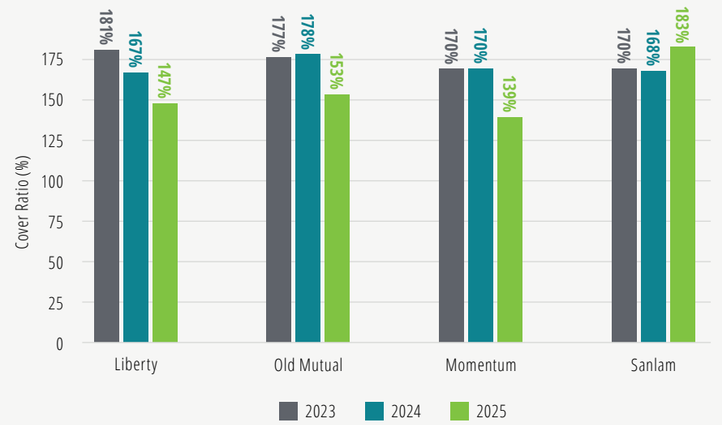

* Discovery group discloses VNB and APE but does not disclose PVNBP. As a result, the VNB margin reported by Discovery would not be directly comparable to that of other insurers and has therefore been omitted in the above graph.



## Capital efficiency came into sharper focus

The South African life insurance industry entered 2025 from a position of considerable capital strength, with all major insurers reporting SCR cover ratios comfortably above regulatory minimum requirements. The graph below shows the SCR cover ratios.

**SCR Cover Ratios Comparison (%)**




Most insurers indicated that their SCR cover ratios remained within target ranges, although they were affected by significant market movements. These included lower yields, which supported EV but placed strain on solvency; higher prescribed equity shocks arising from stronger equity markets; and foreign exchange losses from a stronger rand. Viewed alongside the embedded value results, the 2025 capital metrics suggest that insurers are increasingly balancing capital efficiency with value creation. Sanlam's ability to improve both its capital position and overall embedded value demonstrates strong earnings generation and disciplined capital management. Discovery's strong growth in value of new business, although not included in this SCR comparison, also points to an industry environment in which capital is being actively utilised to support profitable growth opportunities. The reduction in cover ratios for several insurers should therefore not necessarily be interpreted negatively. Rather, it may reflect deliberate optimisation of capital resources in pursuit of higher returns.

Overall, the industry remains well capitalised, with sufficient financial flexibility to support future growth, absorb potential shocks and sustain shareholder value creation, reinforcing the resilience observed across the broader IFRS and embedded value results.

## Conclusion

The increase in share prices of listed insurers in 2025 underscores that investors found the financial results discussed in this article pleasing. Insurers did not rest on their laurels and improved the efficiency of their businesses that will lead to future expense savings. Insurers therefore entered 2026 with hope although the geopolitical events of the new year with rising inflation and lacklustre investment markets bring a more tempered outlook. The industry remains well capitalised and we are confident that it will chart its way through the stormy clouds currently on the horizon.



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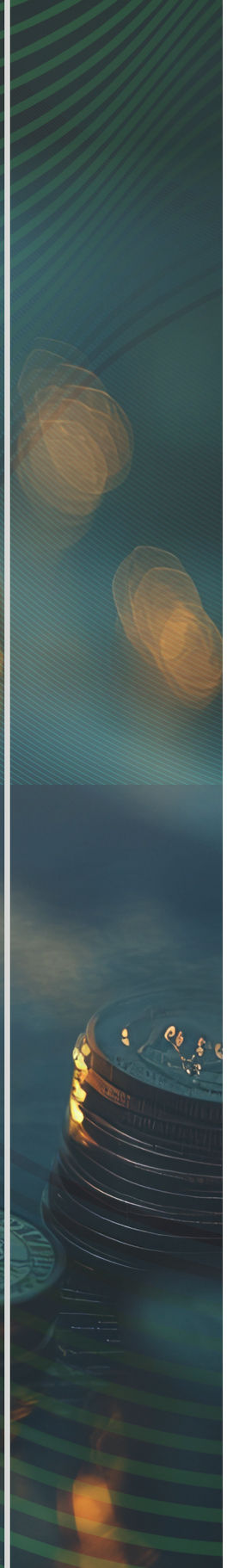
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3

# REGIONAL INSURANCE OVERVIEW



# East Africa:

## Resilient Growth Amid Structural Constraints and Global Headwinds

The East African insurance sector has demonstrated continued resilience and gradual growth, supported by improved economic activity, increasing financial inclusion, and the ongoing adoption of wider distribution channels such as digital platforms and bancassurance.

Regulatory developments across the region are aimed at further enhancing the industry's resilience, strengthening market discipline, and improving consumer protection, leading to increased confidence in the industry. In Kenya, the Insurance Regulatory Authority (IRA) has reinforced market oversight through market conduct and claims management reforms, enhanced corporate governance requirements, cybersecurity guidance for insurers, and the continued implementation of risk-based supervision. The regulatory framework has been further strengthened by the Insurance Professionals Act, 2024, which came into effect in 2025 and introduced mandatory licensing, professional standards, continuing professional development requirements, and disciplinary oversight for insurance practitioners.

Similar developments are taking place across the region. In Uganda, the Insurance Regulatory Authority has strengthened policyholder protection through enhanced supervision under the Insurance Act and the operation of formal complaint-resolution mechanisms designed to safeguard consumer rights and improve the handling of insurance disputes and claims. Tanzania has continued to strengthen regulatory oversight and market supervision through reforms aimed at improving governance, compliance, innovation, and the broader development of the insurance sector, while expanding oversight across a growing number of insurance market participants and service providers.

Meanwhile, Ethiopia is pursuing a major modernisation of its insurance framework through a draft Insurance Proclamation currently under consultation. Proposed reforms include the establishment of an independent Ethiopian Insurance Regulatory Authority, the adoption of risk-based and macroprudential supervision, enhanced policyholder protection measures, insurer resolution mechanisms, and the gradual opening of the market to foreign investment to improve competition, efficiency, and financial stability.

An additional emerging trend is the growing recognition of Takaful (Islamic insurance) as a vehicle for expanding insurance penetration among underserved populations. Tanzania has already established a regulatory framework that accommodates Takaful operations under the supervision of the Tanzania Insurance Regulatory Authority (TIRA), supporting the development of Sharia-compliant risk protection products. Ethiopia's draft Insurance Proclamation goes a step further by formally recognising Takaful and Re-Takaful operations, including dedicated licensing provisions and Sharia governance requirements, signalling regulatory support for the long-term development of Islamic insurance markets.

Despite this progress, the sector continues to face persistent structural challenges, with the main one being persistently low insurance penetration rates. The overall insurance penetration rate in the region remains low at approximately

**1.6%**

in 2025, reflecting only a marginal increase from the previous year, with

Kenya at
**2.8%**

Tanzania at
**0.7%**

Uganda at
**0.8%**

Ethiopia at
**0.3%**

**This low insurance penetration rate is mainly driven by:**

- **Limited insurance awareness; and**
- **Affordability constraints**

Combined with limited insurance awareness, low financial literacy, and affordability constraints, established community-based risk-sharing mechanisms can reduce the perceived need for formal insurance products. The region also faces heightened macroeconomic pressures largely driven by the Middle East crisis and the subsequent global oil supply shocks. As a net oil importer, the region is significantly exposed to this crisis. The oil supply shock has resulted in significant increases in fuel prices across the major economies in the region.

The expected economic growth across the region has consequently been revised downwards, albeit marginally. For instance, based on projections from Fitch,

Kenya's economic growth has been revised from
**5.2% to 4.8%**

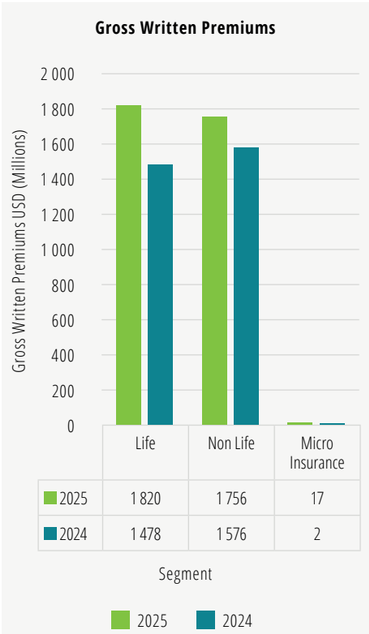
Uganda's growth has been revised from
**6.9% to 6.7%**

while Ethiopia's growth has been revised from
**8.2% to 7.5%**

In addition to the slower economic growth, inflation is also expected to increase across most of the countries in the region, driven by the energy constraints. These factors are expected to constrain the demand for sales of new insurance products, as well as heighten expectations of increased lapses across the industry, as consumers struggle with reduced disposable incomes.

The macroeconomic environment could further amplify these challenges if central banks respond to inflationary pressures by maintaining or increasing interest rates. Higher interest rates raise borrowing costs for both households and businesses, increasing debt-servicing obligations and further constraining discretionary spending. As a result, consumers may be less willing or able to allocate resources to non-mandatory insurance products, while businesses may delay or reduce insurance purchases as they manage tighter financial conditions. Rising inflation could also increase claim costs through higher repair, medical, replacement, and construction expenses, potentially prompting insurers to raise premiums, which may further dampen insurance affordability and demand, further raising concerns regarding the insurance penetration rate.

## Kenya




Kenya's insurance industry delivered a strong performance in 2025, with gross written premiums (GWP) increasing by

**17.6% to US$3.59 billion**

Insurance penetration is projected to improve, rising from

**2.5% to 2.8%**

indicating a gradual deepening of insurance uptake within the economy.

A notable development during the year was the shift in the industry's business mix, with the life insurance segment accounting for 50.7% of total GWP and overtaking non-life insurance as the largest contributor to premium income for the first time in recent years. Life Insurance business recorded an impressive 23.1% growth, almost double the overall premium growth observed in 2024. This marks a significant structural change for the Kenyan insurance market, where non-life business has traditionally been the dominant segment. This dynamic is seen to be driven by stronger demand for long-term savings and protection products.

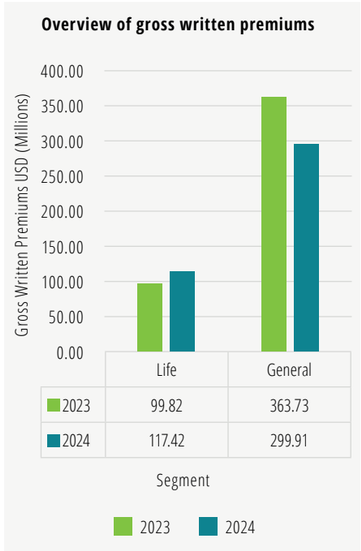
The non-life insurance segment also recorded steady progress, growing by 11.4% and contributing 48.9% of total gross written premiums. This sustained increase reflects the sector's ability to expand market reach through a combination of traditional insurance offerings and the introduction of innovative products tailored to evolving customer needs.

Historically, the non-life insurance sector has contributed the majority share of the industry's premiums. The growth in the life sector, which has led to most industry premiums coming from this sector, highlights shifting market dynamics and improving consumer confidence, even as overall penetration levels in the country remain relatively low.

Beyond reflecting changing consumer preferences, the growing prominence of life insurance indicates increasing awareness of long-term financial planning and retirement security, supported by an evolving regulatory and market environment. If sustained, this shift could have important implications for the future development of the Kenyan insurance sector, given the typically longer-term and more stable nature of life insurance business

The microinsurance segment experienced exceptional expansion, registering a remarkable
**827.5%**
growth from
**$2m to $17m**
over the past year. This surge underscores the increasing role of microinsurance in advancing financial inclusion and extending coverage to previously underserved populations, including the significant workforce in the informal sector.

## Tanzania




Tanzania's insurance industry recorded solid growth in 2024, with gross written premiums (GWP) increasing by

**13% to approximately US$550 million**

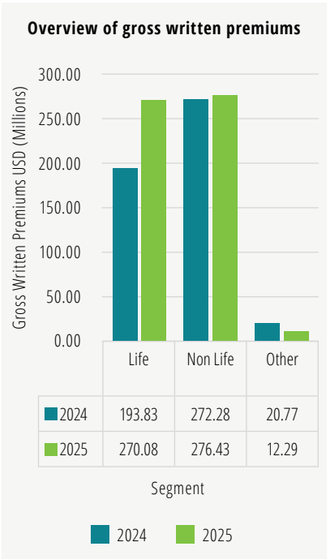
reflecting continued expansion in both market activity and consumer uptake.

The non-life insurance segment remained the dominant contributor, accounting for roughly 78% of total GWP, representing a 12% year-on-year increase. This performance was supported by stronger policy uptake across key lines, the expansion of digital distribution channels, and growing public awareness of insurance products and their benefits.

The life insurance segment also maintained its upward trajectory, registering an estimated 16% increase in GWP over the period. Growth in this segment was largely driven by group life business, which accounted for approximately 83% of total life premiums in 2024, underscoring the importance of employer-sponsored schemes in driving life insurance penetration.

Although Tanzania's insurance market remains predominantly driven by non-life business, continued expansion, rising household incomes, and improving financial inclusion could create significant opportunities for accelerated growth in the life insurance segment. The pace and extent of this transition will depend on several factors, including sustained economic growth, improvements in disposable income, the deepening of financial inclusion, and the ongoing development of capital and pension markets, all of which support the uptake of long-term savings and protection products.

## Uganda




Uganda's insurance industry recorded approximately

**15%**

growth in gross written premiums, increasing from about

**US$487 million**

in 2024 to

**US$559 million**

in 2025, driven primarily by strong expansion in the life segment.

By the end of 2025, the life insurance segment accounted for approximately 48% of the overall insurance market, sustaining a strong upward trajectory underpinned by an average annual growth rate of 20% since 2016. This momentum was driven by the continued expansion of bancassurance channels, the availability of affordable microinsurance products tailored to informal sector workers, and the integration of mobile-money platforms that have simplified premium payments. As a result, life insurance premiums rose significantly by 39% to US$270 million.

In comparison, the non-life insurance segment, which held an estimated 49% market share, recorded modest growth of 1.5% in 2025. This performance was supported by the digital enforcement of mandatory motor third-party insurance, as well as increased uptake of transit and marine policies linked to regional infrastructure development. Fire insurance remained a key contributor to gross written premiums (GWP), reinforced by compliance requirements imposed by financial institutions and commercial property stakeholders.

The current trajectory and growth being experienced by the life insurance segment strongly suggests that it will overtake the non-life segments in premium volumes during 2026. This is a similar trend as observed in the Kenyan insurance sector where the life segment is growing into a dominant segment relative to the non-life insurance segment.

## Ethiopia

Ethiopia's insurance industry recorded

**US$257 million**

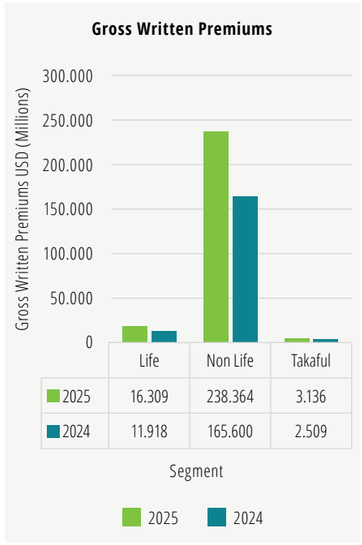
gross written premiums (GWP) in 2025 growing from

**US$180 million**

in the previous year. This reflected continued expansion in both market activity and consumer uptake with insurance penetration rising from

**0.19% to 0.36%**

in the same period.




Ethiopia's insurance market remains heavily concentrated in non-life insurance, which continues to dominate the portfolio. In 2025,

**92%**

of all premiums written came from general insurance.

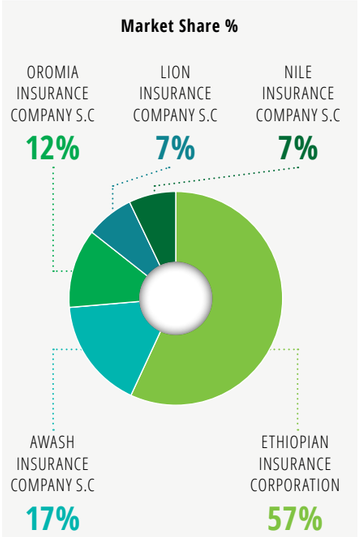
Motor insurance remains the most dominant business line. In 2023/24, motor insurance accounted for

**54.7%**

of total non-life insurance premiums.

This persistent reliance on motor highlights limited diversification across product lines, exposing the industry to risks such as increased claims volatility, pricing pressure, and profitability challenges. Overall, the sector shows only gradual expansion in non-motor segments, indicating significant room for product development and diversification.

The competitive landscape is similarly concentrated, led by the Ethiopian Insurance Corporation (EIC), which holds approximately 34% of the non-life market, despite a slight decline in share. Private insurers are gradually expanding their presence, with Awash, Oromia, Lion, and Nile Insurance emerging as key players; however, the top five insurers still control over 60% of the market. While this reflects early signs of diversification, the industry continues to face structural constraints, including regulatory limitations and a shortage of skilled professionals. Nonetheless, low insurance penetration and ongoing financial sector reforms present strong long-term growth opportunities if insurers can scale, innovate, and broaden market reach.




### Opportunities and challenges in East Africa

The East African insurance sector continues to demonstrate strong growth potential, supported by accelerating digital transformation, expanding financial inclusion, and favourable demographic trends.

Across the region, insurers are increasingly adopting technology-driven solutions, mobile distribution channels, and innovative product designs to improve access and enhance customer experience. At the same time, the expansion of micro-insurance and inclusive products, coupled with infrastructure development and rising economic activity, were enabling insurers to extend coverage to previously underserved and informal segments, reinforcing the role of insurance in supporting economic development and social protection.

However, despite these positive developments, the sector remains constrained by structural and operational challenges. Insurance penetration across East Africa remains relatively low, reflecting persistent issues such as limited awareness, affordability constraints, and trust deficits among consumers. For instance, from the latest Financial Access Household Survey report in Kenya, the usage of insurance services declined while the usage of other financial services, including banks, SACCOs and informal groups, increased during the period.

Life insurance represents a significant long-term growth opportunity across East Africa, with current market trends pointing to strong expansion potential. However, growth continues to face several headwinds. Unlike non-life insurance products, life insurance is more closely linked to stable disposable incomes and long-term financial planning, making demand particularly sensitive to economic uncertainty, inflationary pressures, and high-interest rate environments. In many markets, low savings capacity, limited awareness of retirement planning, and a greater focus on immediate financial needs continue to constrain uptake. Nevertheless, favourable demographics, expanding financial inclusion, and the ongoing development of pension and capital markets support a positive long-term outlook for the life insurance segment.

Additionally, while digital adoption is progressing, it remains uneven across markets, with continued reliance on traditional distribution channels which are relatively expensive, limiting affordability and outreach in rural and underserved regions. Rising competition, exposure to risks such as fraud, and pressure on profitability further compound these challenges. Addressing these constraints will be critical to unlocking the region's full insurance potential and ensuring sustainable, inclusive growth in the years ahead.

### Emerging and anticipated trends for the insurance industry

*Digital transformation and cybersecurity*

The insurance sector is at a digital inflection point: technology has moved from cost-cutting to a core growth and risk management strategy, reshaping distribution, underwriting and operations. Key trends include digitally enhanced customer experiences (apps, platforms and AI-driven services), advanced data and analytics for tailored pricing and micro insurance, automation to boost efficiency, and ecosystem partnerships with fintechs and Insurtechs.

In East Africa, this shift is already evident. In Kenya, the Association of Kenya Insurers has rolled out shared digital infrastructure (Afrisure on Microsoft Azure), enabling AI-driven claims automation, digital policy certification and online marketplaces, significantly reducing costs and enabling near-instant product issuance. At the same time, Insurtechs such as Turaco, Lami and Pula are embedding insurance into mobile and fintech ecosystems, using APIs, satellite data and AI to deliver affordable micro insurance and improve risk pricing.

Across the region, insurers are also strengthening resilience by investing in cloud security, data protection and AI enabled fraud monitoring, supported by tighter regulatory frameworks that increasingly emphasise cybersecurity and consumer protection.

Cybersecurity has risen to equal prominence – rising threats, AI-enabled attacks and tighter regulation mean boards are prioritising resilience, zero trust architectures, real-time monitoring and staff training. Demand for cyber insurance is accelerating, especially among SMEs, making it a fast growing non-life segment. Insurers that pair digital agility with robust cyber defences and regulatory compliance will strengthen trust and capture new revenue streams; those that lag behind risk reputational and competitive decline.

### *Talent and culture*

Talent and organisational culture have shifted from boardroom topics to central strategic assets. Companies doubled down on human-centred cultures where purpose, wellbeing and belonging drive engagement, innovation and resilience. Hybrid and flexible work models broadened labour pools and improved retention, while Diversity Equity and Inclusion ("DEI") has moved from compliance to core strategy, materially boosting talent attraction, performance and adaptability.

Continuous learning and reskilling have become standard as employers invested in digital learning, mentorship and growth mindsets to keep workforces' future-ready. Many insurers in East Africa continue to partner with professional bodies to provide structured learning to their employees through internal and professional training courses. Employee voice and ongoing dialogue increased trust and participation, giving staff real influence over policies and direction. Technology, especially AI and analytics, enabled better insight into skills and needs and smoother collaboration, but leading firms balance automation with human interaction.

Looking ahead, organisations that combine agility, inclusivity, psychological safety and a culture of experimentation will outcompete peers. Success will favour those that empower people to contribute fully, continuously reinvent ways of working, and respond rapidly to changing expectations and uncertainty.

## Conclusion

The East African insurance industry demonstrated resilience and steady progress in the recent past, supported by growth in premiums, digital innovation, and expanding financial inclusion. However, penetration remains low, highlighting significant untapped potential.

Sustained growth will depend on scaling technology responsibly, strengthening data and cybersecurity frameworks, and addressing climate and ESG risks. Most importantly, insurers must deepen customer relevance through affordable and inclusive products, and by inspiring stronger trust.

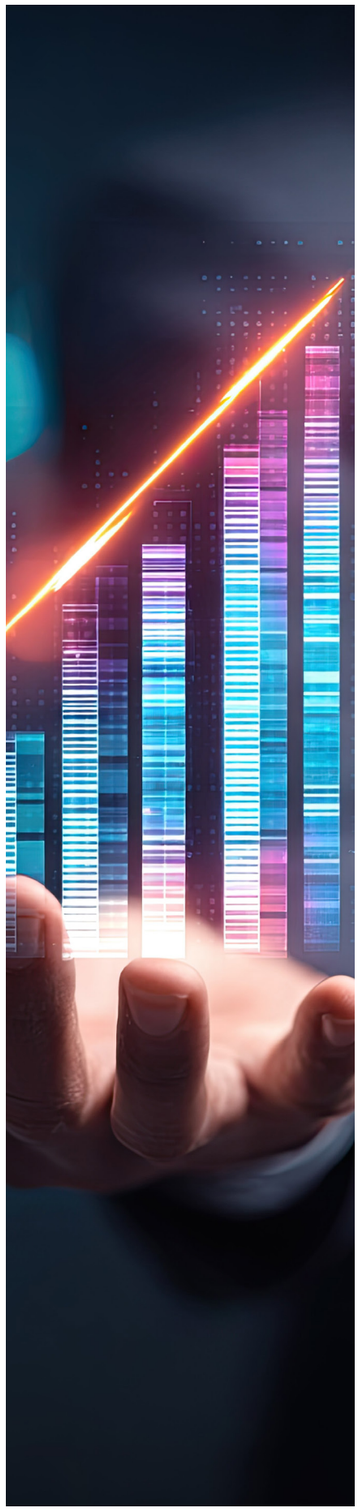
Those that combine innovation, accessibility, and strategic collaboration will be best positioned to drive financial resilience and long-term economic development in the region.



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# West Africa:

## Recapitalisation and Strategic Consolidation under NIIRA 2025

Nigeria's insurance industry is undergoing significant change. The Nigerian Insurance Industry Reform Act 2025 (NIIRA 2025) and NAICOM's recapitalisation programme have established new minimum capital requirements and a more risk-sensitive supervisory approach. Although the sector's financial base has strengthened, this is only the beginning of broader transformation. The main challenge for industry leaders is to ensure that increased capital leads to improved underwriting, resilience, policyholder outcomes, and sustainable returns.

The reform addresses capital base erosion, increasing risk complexity, and the need to strengthen solvency and policyholder confidence. It replaces fixed minimum thresholds with risk-based capital, aligning requirements to each insurer's risk profile. This shift requires stronger governance, actuarial expertise, reliable data, stress testing, and disciplined integration of capital, pricing, reinsurance, investments, and portfolio strategy.

This report examines the rationale for the 2025–2026 recapitalisation, the NIIRA 2025 regulatory framework, and the market's response to Nigeria's third major recapitalisation since 2003. It analyses how operators strengthened their capital positions through new equity, shareholder support, and retained earnings, while largely maintaining the existing market structure rather than pursuing broad consolidation.

Drawing on lessons from South Africa, Kenya, the United Kingdom, and Europe, the report argues that stronger capital rules work only when paired with risk-sensitive supervision, credible governance, proportionate implementation, and timely intervention. Rather than replicating foreign models, Nigeria should adapt international principles to its unique market structure, institutional capacity, and development goals. This requires carefully adjusting global best practices to fit Nigeria's regulatory, operational, and economic context.

Ultimately, recapitalisation will be judged by outcomes, not just the capital raised. Management must convert stronger balance sheets into disciplined capital allocation, improved underwriting, modernised operations, and sustainable risk-adjusted returns. NAICOM should provide forward-looking, proportionate supervision and promote better market conduct and transparency. Investors should prioritise genuine value creation over balance-sheet or premium growth. Success will be reflected in a more resilient, competitive, and policyholder-focused industry that delivers tangible benefits to all stakeholders.

# Recapitalisation under NIIRA 2025

## Why recapitalisation was necessary

Nigeria's pre-NIIRA minimum capital levels

**₦2 billion**

for life,

**₦3 billion**

for non-life,

**₦5 billion**

for composite insurers, and

**₦10 billion**

for reinsurers remained unchanged since 2007.

Over this period, the naira depreciated from about ₦128/US$1 in 2007 to over ₦1,500/US$1 by mid-2025, and inflation exceeded 30% in 2024. Consequently, the industry's capital base was significantly eroded in real and foreign-currency terms, even as insured assets and liabilities became more complex.

A broader issue is underwriting capacity. Nigeria needs insurers that can retain more large domestic risks rather than transferring them offshore. Complex commercial risks in sectors like energy, infrastructure, aviation, and marine require substantial balance-sheet capacity, technical expertise, and effective reinsurance. Stronger capital allows for more deliberate risk retention and transfer decisions, but reinsurance remains essential.

This is increasingly important as Nigeria seeks to mobilise domestic capital for infrastructure and economic development. Insurers absorb and diversify risk, enabling businesses and projects to operate with greater certainty. For long-duration insurance, they also provide institutional pools of investable funds. Stronger balance sheets allow the industry to support larger risks and participate more effectively in long-term investments.

Recapitalisation is also essential for solvency and policyholder confidence. Insurance is a promise to pay at an uncertain future date, and capital buffers when experience differs from pricing and reserving assumptions. As risks increase and become more volatile, undercapitalized insurers are less able to absorb adverse claims, investment losses, or operational shocks without endangering policyholder obligations.

NIIRA 2025 addressed the capital issue directly and advanced beyond previous efforts in three key areas relevant to this discussion:

- Introduced a Risk-Based Capital (RBC) framework, moving the industry from a flat minimum capital regime toward capital requirements that scale with the risk profile of each insurer's book.
- Prohibited new composite licences and gave existing composite insurers a five-year window to split into separate life and non-life entities— a structural change that will itself force portfolio decisions long before the five years are up.
- Expanded NAICOM's supervisory toolkit on licensing, product approval, market conduct and consumer protection, alongside the capital reset.

The reform was necessary. NAICOM's strict enforcement of the compliance deadline marked a significant shift from previous recapitalisation efforts. However, a stronger balance sheet is a prerequisite for a stronger industry, not a guarantee.

The key question now is not how much capital is raised, but how effectively it will be deployed. Boards and management should focus on the following considerations:

- Which businesses and products should receive more capital because they generate attractive risk-adjusted returns?
- Which businesses need to be repriced, restructured, or exited because they consistently destroy value?
- And how much capital should be retained as a buffer rather than deployed simply because it is available?

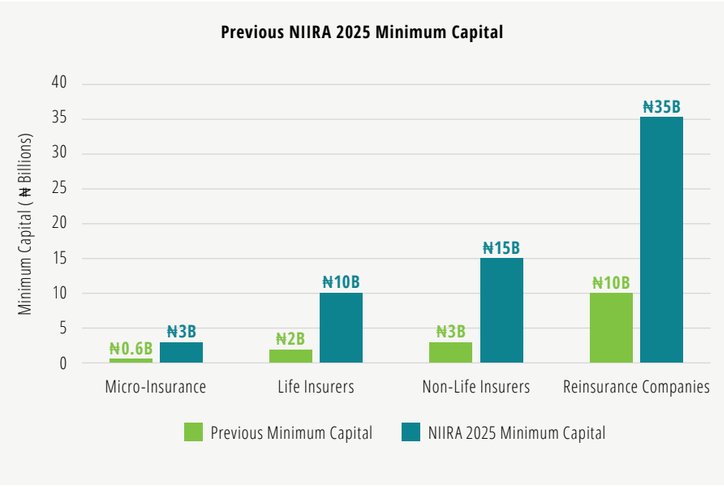
These are fundamentally capital allocation decisions. An insurer that raises capital but invests in poorly priced risks, inefficient operations, or low-return businesses may grow in size without creating value.

Looking ahead, the progress of Nigeria's insurance sector will depend on its ability to achieve risk-adjusted profitability and resilience during economic and operational stress, while consistently delivering tangible improvements for policyholders and the broader economy. The effectiveness of the recapitalisation framework and market response will indicate the industry's movement toward greater financial stability, stronger consumer protection, and increased support for economic development. Ultimately, these reforms' impact will be measured by improvements in underwriting quality, claims settlements, and policyholder trust, not by capital accumulation alone.



## NAICOM's recapitalisation framework

On 31 July 2025, President Bola Tinubu signed the Nigerian Insurance Industry Reform Act 2025 (NIIRA 2025), which replaced the Insurance Act 2003. This Act empowered NAICOM to set higher minimum capital requirements, introduce a risk-based capital framework, mandate compulsory insurance in new sectors, and align the supervisory framework with international standards[1].




NAICOM allowed a twelve-month transition period, ending 31 July 2026, for insurers to meet the revised paid-up share capital requirements. The regulator maintained this deadline despite industry requests for an extension, marking a significant change from previous recapitalisation efforts.

After the compliance and verification process, NAICOM confirmed that 50 operators met the revised minimum capital requirements. The exercise attracted new capital, showing the sector's ability to mobilise funds within a set timeframe. However, market consolidation was limited, as most operators relied on rights issues, private placements, shareholder support, retained earnings, and internal restructuring rather than mergers. The six operators that did not meet requirements are now under NAICOM's supervisory and resolution framework.

## Nigeria has done this before

The 2025–2026 exercise was Nigeria's third mandated insurance recapitalisation since 2003 and the second to be completed. Comparing the completed 2005–2007 programme, the aborted 2018–2021 attempt, and the recent exercise provides important context for evaluating regulatory credibility and market response.

| Cycle | Period | What Happened | Outcome |
|---|---|---|---|
| **Cycle 1** | 2005–2007 | NAICOM-mandated recapitalisation consolidated the market from around 114 licensed insurers to 49, principally through mergers and fresh capital raises.[2] | Completed |
| **Cycle 2** | 2018–2021 | A Tier-Based Minimum Solvency Capital proposal was halted by a Federal High Court injunction in 2018 and formally cancelled; a fresh 2019 circular set a phased deadline running to September 2021, but a second court order forced NAICOM to suspend the exercise before it was completed[3]. | Aborted |
| **Cycle 3** | 2025–2026 | NIIRA 2025 provided a twelve-month compliance window. NAICOM enforced the statutory July 2026 deadline and completed verification in August 2026, confirming 50 compliant operators. | Completed |

1. Nigerian Insurance Industry Reform Act 2025; NAICOM circulars, 2025–2026
2. Gale Academic OneFile, "Nigeria insurance's gold-lined future" (2005–2007 consolidation from 114 to 49 insurers); ResearchGate, "Recapitalization, mergers, and acquisitions of the Nigerian insurance industry
3. Mondaq / Alliance Law Firm, "NAICOM Again Postpones & Further Segments Compliance With The Recapitalization"; Nairametrics, "Again, NAICOM shifts insurance recapitalisation deadline" (31 December 2019); Guardian Nigeria, "Why NAICOM suspends insurance recapitalisation exercise."

### Capital-raising activity across the market

Nigerian insurers used several strategies to meet the enhanced capital requirements under NIIRA 2025, including fresh equity injections, rights issues, private placements, strategic investments, shareholder support, and retained earnings. This provided a foundation for compliance, reducing the need for major ownership changes. Others supplemented internal capital with shareholder funding and targeted capital-raising to strengthen their balance sheets and meet regulatory requirements.

Contrary to initial expectations, the recapitalisation did not prompt major strategic changes. Instead, a combination of retained earnings and new capital met requirements, strengthening the industry's financial position while largely maintaining the existing market structure.

The completed exercise demonstrates the sector's ability to mobilise capital and provides a stronger foundation for underwriting larger, more complex risks. However, limited consolidation means capital strength will still vary across operators. The key test is whether insurers can convert higher capital into better underwriting, efficient operations, improved claims outcomes, and stronger policyholder confidence. International experience offers guidance on the regulatory and management disciplines required.

# Lessons from other markets

International experience shows that recapitalisation can drive change, but does not guarantee improvements in underwriting standards, governance, or insurance penetration. Three markets are instructive: South Africa demonstrates the impact of risk-based supervision on management; Kenya shows the integration of capital adequacy with ongoing supervisory engagement; and the UK and Europe highlight resilience and proportionality in advanced prudential frameworks. These jurisdictions have higher institutional development, actuarial expertise, and regulatory resources than Nigeria, where such capacities are still developing. The key lesson for Nigeria is to move beyond replicating foreign regulations and instead critically assess and adapt international best practices to local structural constraints, supervisory maturity, and the specific developmental context of its insurance industry.

## South Africa:
### From solvency compliance to enterprise-wide risk discipline

South Africa's Solvency Assessment and Management (SAM) regime provides the closest African analogue to a mature, risk-based prudential framework. Structured around quantitative capital requirements, governance and risk management, and regulatory reporting, SAM moved the sector beyond reliance on a single solvency margin towards a more integrated assessment of risk, capital and strategy. Its most important contribution has been elevating forward-looking practices, including the Own Risk and Solvency Assessment (ORSA), stress testing, and board oversight, from technical compliance activities to core management disciplines .

The transition underscores the need for strong implementation capacity. Developing internal models, improving data quality, and building actuarial and risk capabilities require sustained investment and supervisory engagement. For Nigeria, NAICOM's move to risk-based capital should be phased based on market readiness, with impact assessments, parallel reporting, and clear intervention thresholds. Insurers should develop an internal view of economic capital to guide pricing, reinsurance, asset allocation, and portfolio decisions, rather than treating regulatory calculations as isolated compliance tasks.

## Kenya:
### Capital adequacy as a continuous supervisory tool

Kenya's risk-based capital framework links the capital an insurer must hold to its underlying insurance, market, credit and operational risks. The capital adequacy rules are designed not only to measure solvency, but also to provide an early-warning mechanism that enables prompt supervisory action when an insurer's position deteriorates[5]. This shifts regulatory attention from periodic compliance with a fixed threshold to the quality and trajectory of an insurer's capital position.

Kenya's experience shows that stronger capital rules alone do not guarantee higher penetration or sustainable profitability. Capital adequacy must be supported by credible claims settlement, pricing discipline, governance, and proportionate resolution options for weaker firms. For Nigeria, the lesson is to establish a supervisory ladder with transparent triggers, ranging from enhanced monitoring and recovery plans to portfolio transfer, restructuring, or resolution, and to require boards to maintain credible capital-management plans under both normal and stressed conditions.

## UK and Europe:
### Resilience, proportionality and regulatory evolution

Solvency II, applied across the European Union from 2016, established a harmonised, risk-based framework for capital, governance and disclosure. Its enduring contribution is integrating solvency management with asset-liability management, risk appetite, group supervision, and market transparency. The framework has strengthened resilience, but its evolution also demonstrates that effective prudential regulation requires periodic recalibration: the European Union's current reforms place greater emphasis on proportionality, long-term investment, sustainability risk and supervisory consistency, while retaining policyholder protection as the central objective[6].

The United Kingdom's post-Brexit reforms provide further insight. Solvency UK, effective from late 2024, retains the core of Solvency II but adjusts elements such as the risk margin, matching adjustment, and reporting to meet domestic objectives. For Nigeria, the lesson is to ensure capital requirements are evidence-based and proportionate. The framework should protect policyholders and strengthen resilience without adding unnecessary complexity or diverting investment from essential capabilities.

### Implications for Nigeria

The 2025–2026 exercise was Nigeria's third mandated insurance recapitalisation since 2003 and the second to be completed. Comparing the completed 2005–2007 programme, the aborted 2018–2021 attempt, and the recent exercise provides important context for evaluating regulatory credibility and market response.

| Market | What the experience demonstrates | Priority implication for Nigeria |
|---|---|---|
| **South Africa** | Risk-based supervision is most effective when capital, governance and ORSA are embedded in decision-making. | Phase implementation, build actuarial and data capacity, and connect regulatory capital to pricing, reinsurance and portfolio strategy. |
| **Kenya** | Capital adequacy works as an early-warning and intervention framework, not merely as a reporting ratio. | Define transparent supervisory triggers and require credible recovery, restructuring and resolution plans. |
| **UK & Europe** | Mature frameworks must balance resilience with proportionality and evolve as markets and risks change. | Calibrate requirements to local risks and market maturity, while simplifying obligations for smaller, lower-risk insurers without weakening policyholder protection. |

Drawing from these markets, four design principles should guide Nigeria's next phase, each requiring specific policy adaptation. First, NAICOM should mandate regular risk profile assessments and adjust capital standards to ensure requirements are risk-sensitive and forward-looking. Second, governance, ORSA, data, and actuarial capability must advance alongside quantitative rules; policymakers should require ongoing professional development and independent validation of ORSA processes. Third, supervisory responses should escalate transparently and predictably as capital weakens, requiring clear supervisory action ladders and intervention thresholds. Finally, proportionality should be embedded through tiered regulatory requirements that tailor oversight and reporting to the scale and risk of business models, with more intensive supervision for higher-risk or weaker institutions.

5. Standard Media Kenya, "Why tougher capital rules are reshaping Kenya's insurance industry."

6. House of Commons Treasury Committee, "The Solvency II Directive and its impact on the UK Insurance Industry."

# What next? A stakeholder agenda for sustainable value

The capital raise has addressed an immediate balance-sheet constraint, but the greater challenge is converting this capacity into stronger underwriting, better policyholder outcomes, and sustainable shareholder returns. This requires a coordinated agenda: management must allocate capital more effectively, the regulator must ensure risk-sensitive and proportionate supervision, and investors must focus on genuine value creation rather than balance-sheet growth. The following priorities outline the next steps.



## Management: Convert capital into competitive advantage

Management's main responsibility is to demonstrate that each naira of new capital earns an appropriate risk-adjusted return without compromising resilience or policyholder outcomes. This requires an integrated value-creation agenda across six priorities:

### Institutionalise capital allocation

Move beyond statutory return on equity to risk-adjusted profitability by product, channel, and customer segment. Boards should approve explicit hurdle rates, capital limits, and buffer policies, supported by an internal view of economic capital that links pricing, reinsurance, investment, and growth decisions.

### Reshape the portfolio

Recapitalisation should prompt a fact-based review of profitable opportunities. Underperforming products should be repriced, redesigned, transferred, or placed into run-off, while scarce capital should be redirected to segments with strong demand, technical capability, and attractive risk-adjusted returns. For composite insurers, the required separation of life and non-life businesses makes early portfolio decisions particularly important.

### Restore underwriting and pricing discipline

Premium growth should not be viewed as a proxy for value. Management should use detailed loss-cost analytics, set clear assumptions for claims inflation and foreign-exchange exposure, enforce disciplined risk selection, and establish clear underwriting authorities. Product and renewal decisions should be based on expected margins and capital use, not market-share goals.

### Modernise the operating model

New capital should support scalable growth, not subsidise outdated inefficiencies. Priority investments should improve claims turnaround, straight-through processing, fraud detection, management information, and distribution economics. Technology investments should deliver measurable improvements in expense ratios, customer experience, and control effectiveness, rather than being adopted for their own sake.

### Strengthen balance sheet and investment management

Larger balance sheets increase the importance of asset-liability management, liquidity resilience, and investment governance. Insurers should align investment mandates with liability duration and liquidity needs, stress-test cash flows, and manage the interaction between IFRS 9 assets and IFRS 17 liabilities to minimise earnings volatility. Reinsurance should be optimised as a capital and volatility management tool, not purchased routinely.

### Strengthen governance, data, and talent

Boards should ensure a consistent approach to capital deployment, target returns, and value creation. Management should invest in data quality, actuarial and risk talent, and management information to support better underwriting, claims, customer, and capital decisions. Success depends on whether these capabilities result in better decisions and outcomes at scale.

## Regulator: Make recapitalisation the foundation for sustained market discipline

The regulatory focus now shifts from verifying initial capital to supervising its quality, deployment, and resilience over time. Four priorities should guide this next phase:

### 01

**Implement risk-based capital in phases:** Use quantitative impact studies, parallel reporting, and clear transition milestones to test calibration and readiness before requirements become binding. Proportionality should limit unnecessary complexity for smaller, lower-risk insurers while protecting policyholders.

### 02

**Embed forward-looking supervision:** Require ORSA, capital-management plans, and stress testing, supported by a transparent supervisory ladder that escalates from enhanced monitoring to recovery, portfolio transfer, restructuring, or resolution as an insurer's position weakens.

### 03

**Supervise outcomes as well as solvency:** Build analytical capabilities in IFRS 17, reserving, reinsurance, and asset-liability management, and strengthen market conduct supervision. Capital adequacy cannot offset delayed claims settlement, weak product value, or poor customer treatment.

### 04

**Improve transparency and support responsible innovation:** Publish timely, comparable industry data on claims, loss ratios, expenses, retention, and solvency trends. Maintain credible consolidation and resolution frameworks, and use supervised pathways to test embedded, parametric, and digital insurance solutions

## Investors: Focus on the quality and sustainability of returns

For investors, meeting minimum capital requirements is now only the starting point. The key question is whether management can convert increased capital into sustainable earnings, cash generation, and strategic flexibility. A focused scorecard should consider:

| Investor lens | Evidence of sustainable value creation |
|---|---|
| **Capital productivity** | Improving ROE and risk-adjusted returns, supported by clear disclosure of where capital is deployed and the returns generated by segment. |
| **Underwriting quality** | Sustainable loss and combined ratios, evidence of pricing adequacy and reduced reliance on investment income to offset underwriting losses. |
| **Earnings quality** | A credible insurance service result, disciplined new-business margins and, for relevant life portfolios, growth in the contractual service margin. |
| **Financial resilience** | A stable capital buffer under stress, appropriate liquidity, sound reinsurance protection and prudent dividend capacity. |
| **Execution and governance** | Measurable progress on portfolio actions, operating efficiency and management accountability, supported by timely and transparent reporting. |

No single metric is sufficient. Investors should assess the direction, consistency, and credibility of the overall picture over time. Companies that clearly explain capital deployment, risk pricing, and earnings conversion to cash will present a stronger investment case than those focused primarily on balance-sheet size or premium growth.



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# Risk-Based Capital in the Ghanaian Insurance Industry:

## Transitioning from Minimum Capital Requirements (MCR) to Risk Based Capital (RBC) in Ghana's Insurance Industry

### Regulation of insurance companies in Ghana

For the past decade, Ghana's National Insurance Commission (NIC) has progressively heightened regulatory oversight of insurers. A central part of that effort was raising Minimum Capital Requirements (MCRs) to strengthen insurers' financial position, expand underwriting capacity and free up funds for investment in technology, product development and distribution. [2]The aim of the Minimum Capital Requirement was also to boost insurance penetration and foster a stronger claims payment culture.

Although most of the insurers were able to meet the revised MCR, which expanded underwriting capacity in the industry and improved the claims-payment culture, insurance penetration still remains a challenge. The revised MCRs, which took effect with the recapitalisation cycle that concluded in mid 2021, increased the baseline equity insurers must hold as illustrated below in Ghanaian Cedis (GHS).

| Entity | MCR |
|---|---|
| **Insurance Companies** | GHS 50 000 000 |
| **Reinsurance Companies** | GHS 125 000 000 |
| **Insurance Broking Companies and Loss Adjustors** | GHS 500 000 |
| **Reinsurance Broking Companies** | GHS 1 000 000 |

The National Insurance Commission finalised the Ghana Insurance Risk-Based Capital (GIRBC) framework in December 2025 and has begun a phased implementation approach. A 2025 sampling exercise assessed how the GIRBC metrics would apply to selected insurers; by June 2026 all insurers are expected to translate their 2025 financial statements into the GIRBC compliance format, with full implementation effective 31 December 2026. Given the current delay in the submission of the translated 2025 financial statement by June 2026, the 31 December plan is likely a stretch.

### Rationale for Risk-Based Capital (GIRBC) and Transition Issues

[3]When capital buffers mirror the risks, policyholders are better protected and insurance firms are more resilient in periods of shocks. RBC encourages a more thoughtful pricing, smarter use of reinsurance, closer asset liability matching and stronger governance, and it frees up room to invest in new products and technology. Clearer capital signals also make it easier for investors and overseas partners to compare and trust the sector.

That said, the shift will expose firms with real capital shortfalls and may force recapitalisation, strategic change or consolidation, and without proportionate rules smaller but well-run insurers could shoulder an unfair compliance cost. With careful transition planning, the benefits can outweigh the pain.

### Shifting from MCR to RBC

MCR is a simple, volume-based safety floor: easy to administer but blunt in its risk sensitivity. Risk Based Capital (RBC) replaces that one-size-fits-all approach with capital calibrated to the insurer's actual exposures for both life and non life insurance risks, market, credit and operational risks. Importantly for Ghana, the GIRBC retains the MCR concept as a capital floor while placing RBC at the centre of solvency assessment: the regime therefore enhances a simple baseline with a forward-looking, risk sensitive requirement.

### Understanding the new normal: RBC

[4]The success of the RBC depends on careful calibration, improved data and modelling, proportionality for smaller firms, and a phased supervisory rollout to avoid market disruption.

Under GIRBC the Capital Adequacy Ratio (CAR) is the principal solvency metric. CAR is expressed as qualifying capital resources divided by the minimum capital required* (which is redefined to be a maximum of the fixed/nominal MCR amount stated above, and the risk based capital charge computation result):

$$CAR = \frac{Qualifying\ capital\ resources}{Minimum\ capital\ required*}$$

Regulatory capital required is computed by aggregating risk charges for insurance, market, credit and operational risk (each calculated using prescribed stresses, factors or scenario methods). The GIRBC sets a supervisory target based on a one-year Value at Risk at the 99.5% confidence level.

Qualifying capital resources have been split into Tier 1 capital resources (unlimited and limited) and Tier 2 capital resources, Tier 1 unlimited Capital resources must not be less than 50% of the total capital resources. While Tier 1 Limited and Tier 2 are capped at 25% each for their contribution to the capital resources.

### GIRBC: Considerations for implementation

The GIRBC sets out detailed technical and governance requirements; key elements insurers must address include:

**01**

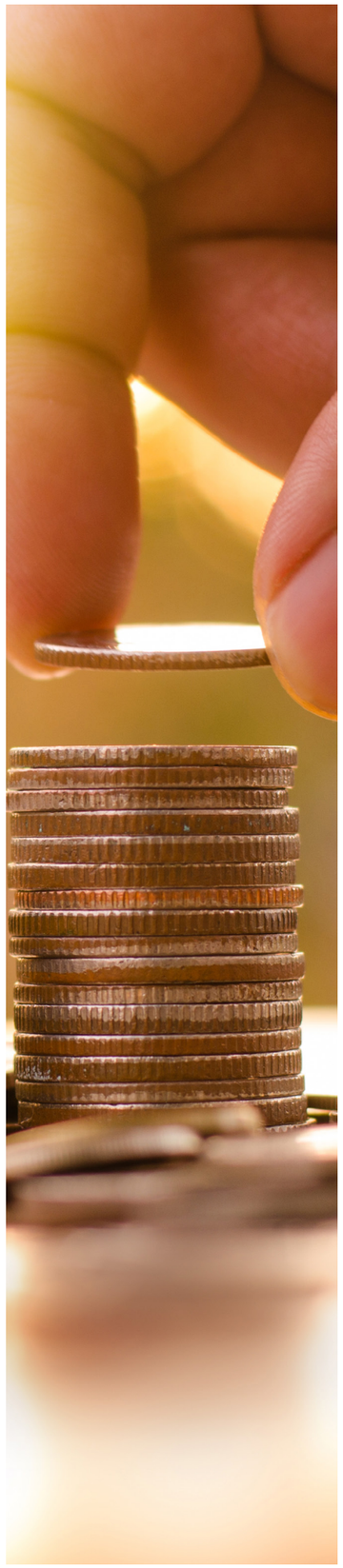
Solvency control levels: two statutory control thresholds — Minimum Capital Requirement (MCR, CAR = 100%) and Prescribed Capital Requirement (PCR, CAR = 150%). Insurers must also set an internal capital target ratio at or above the PCR and report it in their Financial Condition Report.

**02**

Capital composition rules: qualifying capital is tiered. Tier 1 Unlimited (e.g. ordinary shares, retained earnings) must comprise at least 50% of qualifying capital resources. Tier 1 Limited (e.g. perpetual preference) and Tier 2 (subordinated debt with amortisation rules) are subject to limits and strict instruments' features. Several accounting aligned deductions (goodwill, certain intangibles, interests in non qualifying subsidiaries, encumbered assets, etc.) reduce qualifying capital.

**03**

Risk module calculations: life risks (mortality, longevity, morbidity, lapse, expense and segregated funds guarantees) use stresses and aggregation matrices; non life uses factor based premium and reserve charges by class with correlation matrices; catastrophe charges, market (interest rate, FX, equity, real estate, right of use), credit (rating mapped stress factors and collateral recognition rules) and operational risk (factor based by line) are all explicitly prescribed.





# Benefits of Risk-Based Capital



### Policyholder protection

RBC's primary aim is to ensure insurers hold capital that reflects the risks they underwrite so they can meet policyholder claims even under adverse conditions. By tying capital to measurable risk exposures, RBC reduces the chance that an insurer will become unable to pay claims after a shock. This directly protects consumers and supports confidence in the insurance sector, which is particularly important where insurance penetration is low and trust needs to be built.



### Early supervisory intervention

RBC frameworks define graduated thresholds that trigger supervisory attention well before a firm reaches a critical solvency shortfall. These tiers let supervisors require remediation plans, restrictions on distributions, or other corrective actions while there is still time to restore capital. Early intervention reduces the likelihood of emergency interventions, fire sales of assets or disorderly failures that harm policyholders and the wider market.



### Risk sensitivity

Unlike flat or rule-of-thumb capital charges, RBC aligns capital requirements with the insurer's actual exposures across underwriting, market, credit and operational risk. This makes capital allocation more efficient: lower risk activities attract less capital and higher risk activities attract more. The result is clearer incentives for prudent underwriting, better product pricing that reflects true cost of risk, and improved management focus on the biggest drivers of capital consumption.



### Financial stability

By discouraging excessive risk-taking and ensuring capital buffers are held against material risks, RBC strengthens sectoral resilience and limits contagion from insurer distress. For large or systemically important groups, properly assessed RBC as per the requirements of the NIC reduces the chance that a single failure sparks broader market dislocation. In aggregate, this fosters a more stable financial system, supports confidence among creditors and reinsurers, and reduces the systemic costs of resolving troubled institutions.



### Prudence, conservatism and transparency

The RBC portrays prudence, conservatism and transparency in how capital needs are assessed. It requires conservative margins and stress assumptions to cover model uncertainty and tail events. The framework takes a cautious approach to benefits such as diversification and reinsurance, so capital is not overstated. Calculations and assumptions ought to be documented and kept auditable for clear oversight. This reduces the risk of under-capitalisation and makes regulatory reviews more reliable. It also discourages excessive risk-taking by making the capital consequences of risk clear to boards and management. The result is greater confidence among policyholders, reinsurers and investors and a more resilient insurance sector.



## Gaps and action areas

### 01

**Data integrity and availability:** Quality and granularity of data directly affect model credibility and capital charges. Poor or fragmented data leads to bigger uncertainty loads, wider reserve ranges and higher capital for credit and market risk. Insurers should therefore agree a minimum dataset with standard definitions, automate data management processes and asset systems, and use credible weightings and assumptions where local data are sparse.

### 02

[5]**Sustainability ratio:** With a rapidly growing industry where the integration of environmental sustainability is essential, the sustainability ratio should be included as a forward-looking solvency metric just as market, insurance, credit and operational risks. In the current construct, most of the risk charges are a flat rate, the regulator can consider a sustainability ratio or factor which considers a percentage increase in sustainability challenges such as carbon discharge in the environment, pollution of water bodies due to illegal mining, underdeveloped sewage structure in the country etc. Sustainability ratio will reshape firms' capital planning and the stress scenarios they run. Practically, firms must build climate, catastrophe and transition scenarios into capital projections, quantify impacts on required capital, and use results to inform remediation plans. It is widely encouraged that the sustainability ratio be piloted as a metric alongside RBC submissions, disclose assumptions and sensitivities, and embed it in ORSA and capital planning rather than treating it as a simple pass-fail test.

### 03

**Shortage of actuarial and technical expertise:** Ghana faces a shortage of local actuaries and risk modelling specialists capable of designing, validating and operating RBC models. This skills gap slows model development and review cycles, increases the risk of misspecification or inappropriate assumptions, and can undermine the credibility of RBC outputs used for solvency assessment and supervisory decision-making. While building in-country capability is a priority, external consultants should be engaged where necessary to ensure accurate and effective reporting during the transition.

To address the capacity shortfall, stakeholders should implement a long-term plan that includes scholarships, practical training partnerships with universities, vendor collaborations and structured on-the-job development, while encouraging firms to appoint qualified actuaries or engage regulated outsourced providers so RBC work is robustly supported locally. It is worth noting that it is mandated that the RBC framework is signed by a qualified statutory actuary.

### 04

**IT systems & reporting infrastructure:** Many insurers lack IT systems for regular RBC reporting, automated reconciliations and reliable audit trails. This raises the operational burden, increases the risk of errors and leads to delayed or inconsistent submissions. Insurers should prioritise investment in core policy and finance systems or procure managed reporting solutions from experienced vendors. Automation will preserve audit trails and reduce manual work. Upgrades should be done in simple, phased steps to minimise disruption. Focused staff training and stronger internal controls will help ensure reporting is accurate, timely and auditable.

### 05

**Generalisation of the models:** The NIC has taken a pragmatic step by adapting the model to the Ghanaian market and planning an industrywide test using the 2025 financial statements. This provides a credible baseline for calibration and supervisory review. This industry wide test will show how the framework performs on current market exposures and identifies areas for refinement.

However, we foresee that the generalisation of the model across the industry may not always capture each insurer's unique experience. Some industry level ratios may therefore misstate capital needs for individual books.

To mitigate these differences, insurers should be encouraged to run sensitivity tests and back tests to show model behaviour for their portfolio, and the NIC should insist on clear documentation, independent validation and routine benchmarking.

Although this approach is a clear improvement on the MCR regime, the longer-term objective remains a market where firms routinely undertake solvency assessment based on their own risk exposure and develop models, capital ratios and reserves aligned to their own experience.

### 06

**Integration with accounting, tax and corporate regimes:** Differences between local accounting and tax rules and the RBC treatment of reserves and assets can create material conflicts and add complexity to financial reporting. These mismatches can produce inconsistent statements, unexpected tax charges and make it hard to see the insurer's true capital position. Insurers should proactively liaise with accounting bodies and tax authorities to agree treatments and resolve inconsistencies early. They should publish clear reconciliations between accounting figures and RBC metrics and issue guidance for auditors and stakeholders. Maintaining documented policies and seeking early tax and accounting advice will help reduce surprises.

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# FIMA in Focus:

## A Turning Point for Namibia's Insurance Sector

Namibia's financial services sector has entered a new regulatory phase with the commencement of the Financial Institutions and Markets Act, commonly referred to as FIMA.

FIMA represents a long-anticipated regulatory development governing non-bank financial institutions, intermediaries and financial markets. Promulgated in September 2021, the Act was brought into operation on 1 May 2026.

For Namibian insurers, this is both a technical regulatory update and a shift in how insurers are expected to demonstrate financial soundness, manage risk, protect policyholders and show good governance.

### The balance sheet gets a closer look

Under FIMA, insurers need to think more carefully about the regulatory view of the balance sheet.

An insurer may have assets on its accounting balance sheet, but not all those assets may count for regulatory solvency purposes. FIMA introduces a clearer distinction between assets that are inadmissible for demonstrating capital adequacy.

Inadmissible assets may include: future income tax credits because they may only be realisable if there are future taxable profits; premium receivables older than four months (excluding reinsurance recoveries); intercompany loans issued on on-market related terms.

*Yet what is the practical implication?* An insurer's solvency position may look different once inadmissible assets are excluded. Maintaining the same level of regulatory solvency coverage may require insurers to reassess the composition of their asset base, with greater focus on proactive capital planning and ongoing solvency monitoring.

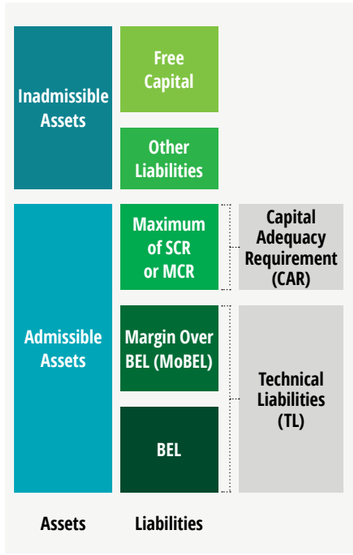
### Bringing structure to liability valuations

FIMA also provides a more structured framework for valuing technical liabilities. In simple terms, technical liabilities are made up of the Best Estimate Liability (BEL) and a Margin over the Best Estimate Liability (MoBEL).

The BEL reflects the insurer's realistic estimate of expected future obligations. It is based on assumptions that are appropriate for the nature of the business, informed by recent experience and adjusted where future experience is expected to differ.

The MoBEL then adds prudence to technical liabilities. This recognises that liability estimates are uncertain and that an additional margin is needed above the best estimate. This means the valuation process becomes more than just a calculation.

*The practical implication?* Insurers will need to show that the calculation is actuarially sound, properly documented and supported by reliable data. For short-term insurers, this means using methods that are appropriate for the nature of the business and its claims development patterns. For long-term insurers, the valuation remains guided by the mandatory actuarial requirements under the Namibian Standard of Actuarial Practice (NSAP 104).




### Risk-based capital creates clear intervention points

FIMA makes a shift from compliance-driven into risk-based supervision, and takes a more forward-looking approach, rather than simply penalising past infractions.

The risk-based capital framework is built around the Solvency Capital Requirement (SCR). This is the amount capital insurers need to hold to cushion against adverse experience or unexpected losses over the following year, calibrated to a 95% confidence level. In other words, the SCR is calculated in such a way that an insurer will still be able to meet policyholder's obligations should a 1-in-20-year loss event occur.

FIMA also establishes a series of escalating intervention thresholds that require increasing levels of regulatory oversight, if an insurer's capital position deteriorates.

When an insurer's excess of admissible assets over liabilities falls below the SCR, but remains above 50% of the SCR and the Minimum Capital Requirement (MCR), the insurer must notify NAMFISA within seven working days and submit a remedial action plan within 30 days. This is an early warning stage that allows management and the regulator to address solvency concerns before they escalate.

If capital falls below 50% of the SCR but remains above the MCR, regulatory intervention increases. The insurer must continue to notify NAMFISA, submit a remediation plan and provide monthly regulatory reporting until the breach is resolved. If the breach remains unresolved for more than 21 working days, the insurer must also publicly disclose the breach through newspapers, social media and direct communication with policyholders and prospective clients.

The most severe intervention occurs when available capital falls below the MCR. In these circumstances, NAMFISA may require immediate corrective action and intensify supervisory oversight. If the insurer's financial position does not improve, the regulator may transfer the insurer's business to another insurer, revoke its licence or place it into liquidation.

These requirements reflect FIMA's emphasis on early intervention and policyholder protection. The framework is designed to identify and address solvency concerns before they impair an insurer's ability to meet its obligations.

### Data becomes part of the regulatory story

FIMA also places emphasis on the quality of information used to support insurers' regulatory calculations. This is important as the technical liability valuations, capital assessments and regulatory reporting are only as reliable as the data behind them.

For insurers, this means that data limitations should be considered as part of the valuation process, rather than treated as a separate operational issue. Where information is incomplete, inconsistent or not sufficiently detailed, the limitations should be understood and clearly explained.



## Governance moves closer to the numbers

Boards and senior management will need to play an active role in understanding the financial soundness of the insurer. While governance has always been important, the new framework requires boards and senior management to engage more directly with the factors that determine the insurer's ability to meet its obligations to policyholders. Governance is therefore not limited to reviewing financial results; it extends to understanding the underlying drivers of financial resilience and the judgements on which those results are based.

This reflects FIMA's broader objective of ensuring that insurers remain financially sound on an ongoing basis. Financial soundness is not determined by a single metric, but by the combined strength of an insurer's capital position, asset quality, technical provisions and risk management practices. Effective governance is therefore critical, as boards must be satisfied that these elements are being appropriately managed, monitored and challenged where necessary.

**Registered insurers are only considered financially sound if:**

- Assets exceed liabilities
- Meets capital adequacy requirements
- Provides for technical provisions, and appropriately value assets
- Maintains compliant internal controls and risk management systems
- Maintains appropriate corporate governance standards
- Conducts business in a way that enables it to meet all obligations to clients and policyholders

## The valuator becomes a key pillar of financial soundness

A key feature of FIMA is the expanded role of the valuator in supporting an insurer's financial soundness. The valuator is responsible for approving the actuarial basis for the valuation of technical liabilities and other regulatory calculations, ensuring that the methods, assumptions and data used are appropriate, reliable and consistent with regulatory requirements.

The role extends beyond performing calculations. The valuator must exercise professional judgement, justify the valuation approaches adopted and provide assurance that liabilities and capital requirements have been assessed on a sound actuarial basis.

The valuator becomes an important link between actuarial analysis, regulatory compliance and board oversight, helping to ensure that the insurer's financial position is transparent and appropriately managed.

## Policyholders remain at the centre

Although much of the FIMA discussion focuses on capital and solvency requirements, policyholder protection is equally fundamental to the framework.

FIMA gives effect to this by placing more emphasis on fair outcomes across the insurance lifecycle. This includes how insurers communicate with policyholders, complaints are managed and intermediaries are overseen when they act on behalf of the insurer. The purpose is to ensure that policyholder protection is not only reflected in the insurer's financial position, but also in the way the insurer conducts business.

## What this means in practice

The extent of change required will depend on each insurer's current level of readiness. For some, FIMA may require refinements to existing processes. For others, it may highlight areas where a more meaningful uplift is needed.

## Broadly, insurers should expect impact across four areas:

### Capital and solvency

- Higher capital may be required for riskier business profiles
- Inadmissible assets may reduce regulatory capital coverage
- Capital planning will need to be more forward-looking
- Investment and reinsurance strategies may need optimisation

### Actuarial, data and processes

- Actuarial teams will play a larger role in valuations and capital calculations
- Better quality, more granular data will be needed
- Data gaps may need to be fixed before calculations are reliable
- Reserving and valuation processes will require stronger controls

### Reporting and compliance

- Regulatory reporting will become more resource intensive
- An independent and external valuator will need to be appointed
- Capital breaches will require faster escalation and remediation
- Insurers should expect increased NAMFISA scrutiny

### Operational

- Boards and management will need stronger solvency oversight
- Governance structures and escalation routes may need strengthening
- Teams will need training on the new requirements
- Customer disclosures and complaints processes may need updating

## Beyond compliance

For insurers, FIMA creates an opportunity to strengthen the foundations of the business, not only for regulatory purposes, but to build greater confidence in the sector. The framework encourages insurers to move from compliance as an obligation to resilience as a business standard.



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4

# REGULATION, GOVERNANCE & REPORTING



## More informative and comparable IFRS sensitivity disclosures:

### How insurers can do more with what they already have

Sensitivity disclosures are an important lens through which investors, analysts and other users assess how resilient an insurer is to changing market and demographic conditions. Yet, because this information is often spread across different standards and disclosures, users may struggle to form a clear view of the business's overall exposure, even where the underlying analysis already exists. Rather, users should be able to reasonably understand, at a glance, how a given stress affects the insurer as a whole.

The real test of a sensitivity disclosure is simple:
**can users see the insurer's full exposure at a glance?**

The introduction of the International Financial Reporting Standard 17 (IFRS 17) has significantly adjusted insurance financial reporting, aiming to enhance transparency and consistency around measurement, assumptions and uncertainty. Its objective is to provide relevant information that faithfully represents revenue arising from insurance contracts and improves users' understanding of the risks inherent in them, including how results are affected by changes in key assumptions. A key component of this is the requirement to disclose sensitivities to reasonably possible changes in risk variables that affect insurance contract measurement.

However, IFRS 17 should not be viewed in isolation. IFRS 9 and International Accounting Standard (IAS) 19 (which prescribes the requirements for the accounting of employee benefits) also need sensitivity disclosures that are critical to understanding an insurer's overall risk profile. Financial instruments and investment contracts (under IFRS 9) and pension obligations (under IAS 19) remain material sources of market and demographic risk, and sensitivities under these standards are often as relevant as those arising from insurance contracts.

Given that relevant sensitivity information arises across IFRS 17, IFRS 9 and IAS 19, we assessed current practice by reviewing the annual financial reports of twelve local and global insurers, focusing on whether existing IFRS sensitivities are presented in a way that is genuinely informative and comparable, and benchmarking disclosures against selected international peers. This exercise revealed a wide variation in both the scope and level of sensitivities disclosed, despite being based on the same underlying standards. Given that sensitivities should not be a compliance exercise – rather a key indicator of a business's exposure under stress scenarios – this inconsistency limits the usefulness of sensitivities from a comparability perspective.

When presented clearly and coherently, sensitivities provide users of financial statements with valuable insight into how changes in economic and non-economic conditions may influence an insurer's profitability, balance sheet resilience and overall risk exposure.

Yet, what makes sensitivities decision-useful? From our investigation, we identified three themes as critical to making IFRS sensitivity disclosures meaningful: stressing the right variables, covering all relevant parts of the business, and presenting results holistically.

## Stressing the right variables

Effective sensitivity disclosures begin with the identification of key drivers. Insurers face numerous sources of uncertainty, but not all variables are equally impactful. Market risk drivers such as interest rates, inflation, equity returns and credit spreads, as well as non-market drivers such as mortality, morbidity and lapse assumptions, typically dominate movements in reported results.

Best-practice sensitivities focus on these key value drivers and apply stresses that are both plausible and informative. Stress magnitudes should reflect realistic adverse or favourable movements rather than token changes that obscure economic meaning. Where possible, sensitivities should be aligned with how management internally views risk, enhancing consistency between external reporting and internal risk management.

**There are two important areas for further development:**



Applying consistent stress severities across all assets and liabilities, as insurers have scope to define the stress severities, while recognising that differing risk characteristics may require tailored assumptions where uniform stresses are not appropriate.



The voluntary standardisation of sensitivity definitions and stress levels across insurers. While differences in business models must be respected, greater alignment would significantly enhance peer comparability and market understanding. This represents a pragmatic next step in the ongoing evolution of financial reporting transparency in the insurance industry.

## Stressing all relevant parts of the business

Sensitivities are most informative when they capture the full range of exposures affected by changes in assumptions, as this allows users to understand the entity's overall exposure to a given risk across all affected assets and liabilities. In practice, this means considering all balance sheet and income statement items that are sensitive to a given variable.

Key areas of sensitivity analyses typically include the below, all of which are already required to be stressed as part of existing IFRS requirements:

- Financial assets and liabilities, including investment contracts, measured under IFRS 9, with disclosure requirements in IFRS 7.
- Insurance and reinsurance contracts, measured under IFRS 17.
- Pension scheme liabilities, measured under IAS 19.

## Presenting sensitivities clearly

Presentation is a decisive factor in determining whether sensitivity disclosures are useful. Users should be able to reasonably understand, at a glance, how a given stress affects the insurer as a whole without having to navigate between multiple notes and sections of the annual report.

Our analysis shows that sensitivities are often reported in silos across the financial statements, with financial instrument sensitivities presented separately from insurance contracts or pension sensitivities. This is especially the case for local insurers, whereas global insurers generally provide a holistic summary of sensitivity impacts. While historically this could be driven by each set of sensitivities being prepared under a different IFRS Standard, this fragmented approach can obscure the true economic exposure of the business. For example, interest rate movements may simultaneously affect asset values, insurance contract liabilities and pension obligations. Presenting these sensitivities together would give users a clearer view of the impact at a total business level, including the extent of exposures and how insurers are mitigating or hedging them.

Granularity is important, but it must be purposeful. Sensitivities should clearly articulate whether impacts are recognised in profit or loss, other comprehensive income or the contractual service margin. Distinguishing between gross and net of reinsurance impacts for demographic sensitivities is also critical in understanding risk mitigation strategies.

## Enhancing sensitivity presentation

The template below illustrates how a specific sensitivity could be presented in a consistent and holistic framework, enabling users to assess the impact of a given risk across assets, liabilities and performance metrics both gross and net of reinsurance.

| | Gross of reinsurance | | | Net of reinsurance | | |
|---|---|---|---|---|---|---|
| **Yields increase by 100 basis points** | **P/L** | **Equity** | **CSM** | **P/L** | **Equity** | **CSM** |
| **Financial Assets** | | | N/A | | | N/A |
| **Investment Contracts Liabilities** | | | N/A | | | N/A |
| **Insurance Contract Liabilities** | | | | | | |
| **Pension Scheme Liabilities** | | | N/A | | | N/A |
| **Total** | | | | | | |

Presenting results in this holistic manner is where concise commentary becomes essential: sensitivities are only decision-useful when users can interpret what drives the movement, how impacts interact across the balance sheet and performance measures, and what (if anything) is being mitigated through management actions or hedging. Clear narrative requires a sound understanding of the underlying economics and accounting mechanics; without it, even well-constructed tables may be read as isolated numbers rather than an integrated view of risk exposure.

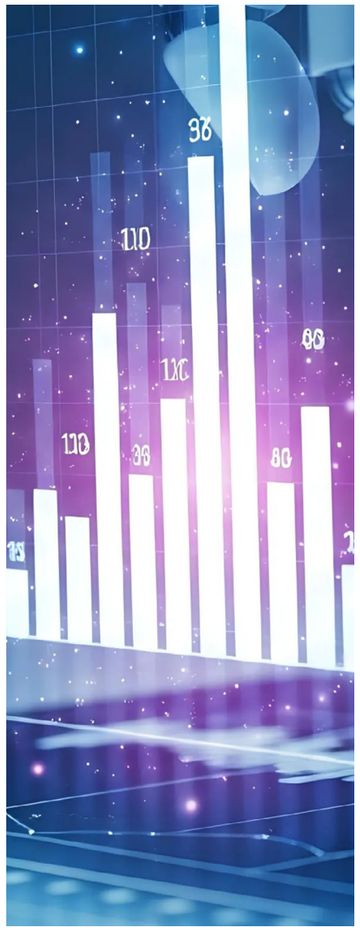
## Conclusion

IFRS sensitivities, when designed and presented effectively, provide valuable insights to both the market and insurers, supporting not only better disclosure but also a clearer understanding of insurers' strategic risk positions. However, our analysis indicates that current practice remains inconsistent, and in many cases, sensitivities are difficult to interpret due to fragmentation across reporting sections. While this may historically have reflected sensitivities being prepared under different IFRS Standards, it can still obscure the business's true economic exposure.

Insurers already invest significant effort in producing IFRS sensitivity analyses and should now take the next step in making them more decision-useful. With presentational enhancements, these existing analyses can be turned into more decision-useful information for users of financial statements, improving coherence, visibility and alignment with how risks are managed in practice, and strengthening comparability and confidence in a more scrutinised reporting environment. Drawing on observed global best practice, the priority now is not to produce more analysis, but to present existing sensitivities in a more coherent, decision-useful and comparable way.

We recommend:

- Holistic presentation of sensitivities so users can see how key risks affect assets and liabilities in combination, rather than in isolation.
- A focus on decision-useful sensitivities by stressing the most economically significant risk drivers using plausible and meaningful stress magnitude and applying consistent stresses to all exposures.






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# Rising Maintenance Costs and Stagnant Growth:

## The Life Insurance Challenge in Sub-Saharan Africa

Many African life insurance companies are contending with rising maintenance expenses per policy driven by sluggish new business growth. In essence, fixed operational costs are being spread over a stagnant or shrinking number of policies, inflating the expense burden on each policy. This challenge poses a significant threat to insurers' profitability and solvency, as well as their long-term strategic growth objectives in the African market.

This article examines this challenge across Southern Africa, West Africa, and East Africa, highlighting regional nuances and industry-wide trends. We conclude by outlining practical regulatory, operational, and technological solutions that insurers can implement to restore growth and efficiency.

### Pan-African context: Low insurance penetration and concentration of premium

Africa's life insurance market is characterised by low penetration in most countries and a concentration of business in a few markets. Outside a handful of countries, insurance remains a "sleeping giant" with vast untapped potential. Insurance penetration ratio, i.e. the ratio of gross written premiums to gross domestic product (GDP), is only about 2.4% for life insurance on average in Africa, compared to a global average of 2.9% in 2023[1]. If South Africa is excluded, where the insurance penetration is much higher, the continent's average is even lower. Consequently, many insurers operate in shallow markets where gaining scale is difficult.

The distribution of life insurance premiums in the African insurance market is concentrated in a few countries with South Africa accounting for approximately

**81%**

of total life insurance premiums[1].

In 2023, South Africa's total life insurance premiums were about

**$35 billion**

dwarfing all other markets[2].

Morocco

**$2.6 billion**

Egypt

**$1.2 billion**

Kenya

**$1.1 billion**

are the next largest contributors.[2]

By contrast, West Africa's biggest market, Nigeria, has approximately

**$616 million**

of life insurance premiums, despite its large population and economy.[2]

Nigeria's insurance penetration is approximately

**0.2%**

of GDP, among the lowest on the continent[2].

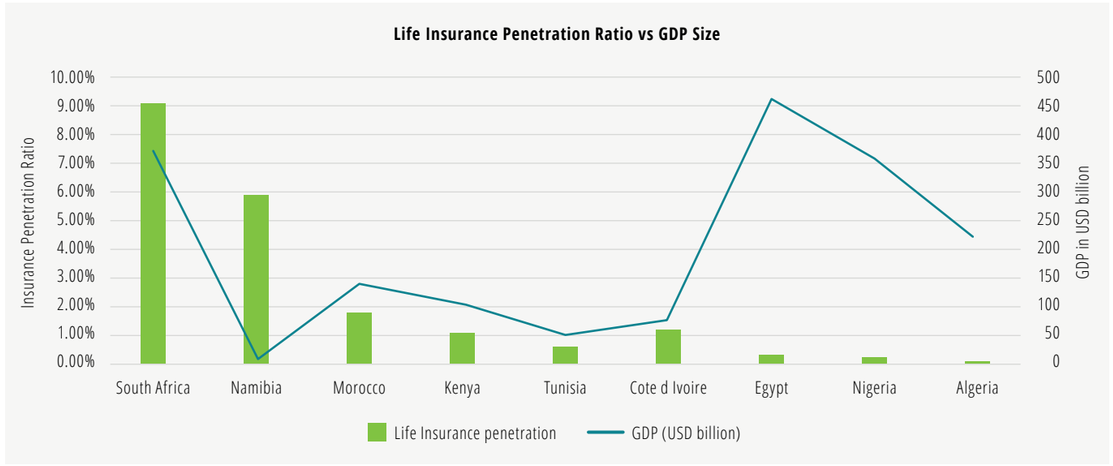
Most other sub-Saharan countries (Ghana, Tanzania, Uganda, etc.) have life insurance penetration lower than

**1%** [3] [2]

1. Africa Insurance Organisation Annual Report 2024
2. Swiss Re Institute Sigma No 3/2024
3. arcsa africa-re dashboard



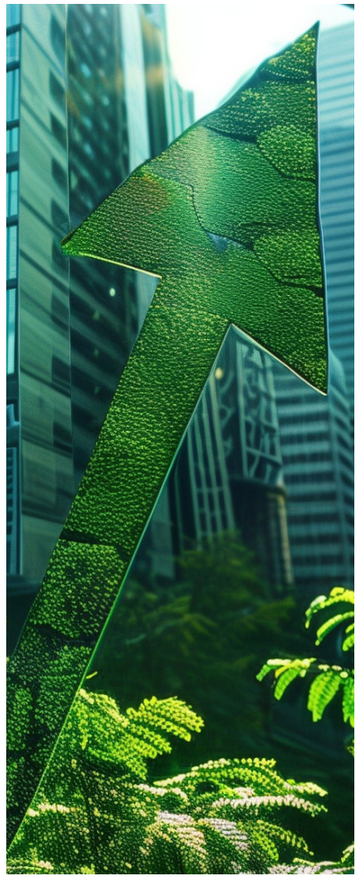
### Life Insurance Penetration by Country (2023)




*Source:* *Swiss Re Institute Sigma No 3/2024*

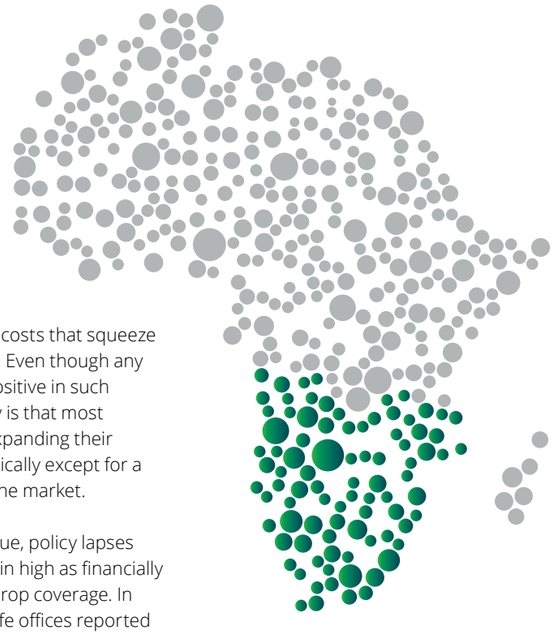
This low penetration and premium volume mean that many African insurers serve a very limited customer base. Yet, they incur significant fixed costs: distribution networks, staff, IT systems, regulatory compliance, and servicing of existing policies (claims handling, customer support, etc.). When new business growth is weak and the number of existing policies is small, these fixed maintenance costs cannot be offset by fresh premium inflows. The result is high expense ratios, i.e. a large portion of premium income consumed by management expenses. For example, in South Africa, which enjoys some scale, the life insurance management expense ratio amounted to 11% in the 12-month period ending March 2025[4]. In smaller markets, expense ratios can be even higher and emerge as persistent underwriting losses.

Common factors behind low new business volumes in Africa have been attributed to a number of reasons including; economic constraints (low disposable incomes, high poverty and unemployment), lack of trust or awareness of insurance (many see insurance cover as non-essential or worry claims won't be paid or it pays their beneficiaries), lack of appropriate insurance education, and historically weak distribution (insurers relying on urban agents to reach a small formal sector). In many countries, cultural and informational barriers have limited life insurance uptake. This means even without cost issues; insurers struggle to sell enough policies. When this demand gap converges with rising expense bases, insurers face a profitability squeeze. Indeed, some regulators explicitly tie required capital or minimum capital requirements to operating expenses, penalising insurers with outsize costs. Notably, countries such as South Africa, Botswana and Ghana have adopted this model, ensuring that insurers maintain sufficient capital relative to their operational outlays. This underlines how critical the expense issue has become for solvency.



4. SARB Insurance Sector Data

# Southern Africa



## Southern Africa: Maturing market pressures

Southern Africa is home to the continent's most developed life insurance market i.e. South Africa, as well as smaller but relatively penetrated markets like Namibia, Botswana, and Mauritius. South African insurers are large and well-capitalised, with decades of operating history. New entrants have also achieved scale. Maintenance expenses are high in absolute terms (due to sizeable operations), but historically strong premium (both risk and savings) inflows and investment returns have helped cover them. However, as noted in the April 2025 media release from the Association for Savings and Investment South Africa (ASISA), the recent period of modest new business growth, as evidenced by a 4.2% increase in new recurring premium risk policies in 2024, is eroding this equilibrium.[1] Added to this sluggish new business growth, legacy cost structures are increasing the cost base faced by insurers in the South African market.

The industry manages around 44 million life and savings policies (many individuals hold multiple policies, e.g. funeral cover, credit life, etc.)[2]. Despite this maturity, policy growth has been restrained. ASISA has attributed the slow uptake of new risk products to South Africa's tough economic environment, notably high unemployment (approximately 30%) and rising living costs that squeeze household finances.[2] Even though any growth is hailed as positive in such conditions, the reality is that most insurers are barely expanding their customer base organically except for a few new entrants in the market.

Compounding the issue, policy lapses and surrenders remain high as financially strained customers drop coverage. In 2024, South African life offices reported 8.2 million risk policies lapsed in 12 months compared to 10.4 million new risk policies that were added as new business in the same period.[2] Lapses were largely driven by job losses and debt pressures forcing families to cut non-mandatory expenses. Even some savings policies (endowments and retirement annuities) are being surrendered early to access cash. This dynamic has constrained net growth, with only a net of 2 million additional risk policies added to the total in-force pool after allowing for new business and policy lapses.[2] From an insurer's perspective, flat policy counts plus inflationary cost increase generally equal a rising expense ratio except for some cases where small premium policy exits are replaced by large premium policies.

South African insurers maintain large administrative and IT infrastructures to service their 44 million active risk and savings policies. These maintenance activities which include premium billing, claim processing, customer service, compliance reporting have substantial fixed costs which have contributed to the relatively high expense ratio given limited new premium growth. Profitability is pressured: industry net profits before tax fell by 27% in the 12 months ending March 2025 for primary insurers as investment income was down 57.9%, a significant decrease in the period.[1] The situation was exacerbated by operating expenses rising by 8.2%, which significantly outstripped premium growth of just 3.9% over the same period. Although South African insurers remain financially robust, with ample capital and strong solvency margins, there is growing concern that the current trend of rising costs relative to premiums is unsustainable unless corrective measures are implemented.

A further challenge in Southern Africa is legacy products and systems. Many South African insurers have extensive product portfolios built over decades (universal and whole life policies from the 1980s, old generation endowments, etc). Maintaining these legacy books (with bespoke features, outdated administrative systems, and a trickle of remaining policyholders) inflates costs. "South African insurers face challenges with legacy products that increase costs and impede strategic initiatives", Deloitte noted in the 2024/25 Africa Insurance Outlook, urging SA insurers to streamline product ranges to improve efficiency.[3] Rationalising or discontinuing these costly legacy lines can reduce overhead (e.g. IT maintenance, specialised support staff) that drive up unit expenses. Established players are reviewing their product portfolios and operational processes to eliminate inefficiencies. By closing or consolidating legacy products, they aim to cut the associated maintenance overhead. By rationalising these products, insurers can achieve efficiency gains. This may involve migrating old policies onto modern administration systems or even offering customers incentives to convert to newer product types, thereby allowing the insurer to retire outdated systems.

Large insurers are investing heavily in technology to reduce ongoing costs. This includes moving to cloud-based core systems, digital customer service channels, and AI-driven process automation. Many back-office tasks (claims adjudication, underwriting of simple policies and customer queries) are being automated to trim personnel costs. Over time, such tech-driven efficiencies can bring down the maintenance expense per policy (fewer human hours and paperwork per transaction).

According to ASISA, there were 8.2 million risk policies that lapsed in 2024, a marginal decrease of 50 000 policies compared to 2023.[1] South African insurers have generally responded to lapses by tightening retention efforts. They have proactively reached out to at-risk policyholders to offer alternatives to lapsing e.g. premium holidays, reduced cover options, or grace periods to keep them on the books during tough times. The slight reduction in lapses may be attributed to these efforts.

Southern African insurers are also seeking new business in underserved segments to reignite volume growth. For instance, microinsurance and mass market products are being expanded in South Africa and Namibia. Insurers are partnering with retail chains and mobile operators to sell simple funeral or life covers to lower-income consumers at affordable premiums. These initiatives aim to tap populations that traditional agency channels didn't reach, thereby boosting the number of policies in force (even if each policy is low premium).

South Africa's major insurers are also experiencing the threat of losing business from their existing policy portfolios, as these books are increasingly being leveraged by new market entrants such as bancassurers and cell-captive structures to establish their presence. Notably, many cell-captives are themselves subsidiaries of the major insurers, but they sometimes operate with lower expense margins. This dynamic intensifies competitive pressure, as policyholders may be attracted to these newer structures offering more cost-efficient solutions, ultimately challenging the sustainability of traditional expense bases within established insurers.

Regulators in South Africa (and neighbours using similar regimes) enforce strict solvency and reporting standards. Compliance can add to maintenance costs (actuarial valuation, risk management, regular reporting, etc). Insurers are investing in systems to streamline compliance for example, automating regulatory reporting, and integrating risk and finance data to reduce the marginal cost of meeting these requirements. More broadly, the increased cost of compliance is being felt across the continent, with regulatory requirements becoming more stringent and wide-ranging. There is a growing emphasis on areas such as Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), alongside heightened demands on internal audit functions and a broader focus on the effectiveness of market conduct oversight. These developments are placing additional pressure on insurers' expense bases, as organisations must invest in enhanced systems, processes, and expertise to meet evolving regulatory expectations.

Southern Africa's experience highlights that, despite being a well-established market, keeping operational costs in check remains a persistent challenge. The advantage for large insurers lies in their capacity to innovate and respond to change. The leading diversified insurers in the industry are investing heavily into digital transformation. These insurers also benefit from economies of scale, allowing them to spread operational costs over a larger base. By reducing legacy-related expenses and investing in modern technologies, as well as expanding into new customer segments, these insurers are actively working to lower ongoing maintenance costs. The bancassurance space is also thriving, with banks successfully leveraging their banking platforms to reach a broader market. Looking ahead, digital and bancassurance channels are set to drive growth, but long-term profitability will depend on insurers' ability to combine cost efficiency with sustained new business expansion. Without sustained expansion, cost reduction measures alone may not be enough to maintain profitability over time.

1. ASISA Media Release 2025
2. ASISA Media Release 2024
3. Deloitte 2024/25 Africa Insurance Outlook

1. ASISA Media Release 2025

# West Africa



## West Africa: Growth potential vs informal economy

West African life insurance markets, led by Nigeria, Ghana, and the Francophone West African Economic and Monetary Union (WAEMU) countries (Côte d'Ivoire, Senegal, etc.), face a starkly different landscape. Insurance penetration in West Africa is among the lowest in the world as highlighted earlier in this article, and the industry is often highly fragmented into many small insurers in each country. This region exemplifies the challenge of sub-scale operations, i.e. numerous firms each with modest premium volumes, all incurring similar fixed costs, resulting in very high expense ratios and struggles to break even.

Nigeria, with Africa's largest population and one of the largest economies, illustrates the under-penetration problem. The problem stems from a long history of low public trust, a lack of regulatory enforcement of compulsory insurance, limited distribution channels concentrated in urban areas, and a population that, until recently, had minimal familiarity with insurance offerings. The situation is similar in Ghana, where insurance penetration is estimated around 1%, and in the eight Francophone countries of the CIMA zone, most of which report life insurance ratios well under 1% of GDP.[1] Despite this, the new business growth has been positive in Ghana with life insurance premium growth consistently above 20% a year from 2013 to 2022 in cedi terms.[2] Over the same period, annual average inflation was 14%, even after accounting for the elevated inflation levels seen in 2022.[3] This demonstrates that the market has achieved substantial growth in real terms and is at least heading in the right direction.

Compounding the issue of low insurance penetration, West African insurance sectors have many players relative to their size. In Nigeria, there are 14 life insurance companies serving the market.[4] Ghana has about 20 life insurers[1], and the CIMA zone countries collectively host more insurers. The total life insurance premium in Nigeria is estimated at $616 million[5]. However, the market is highly concentrated, with the top three life insurers accounting for approximately 50% of total premiums.[6] This leaves the remaining half to be distributed among the other 11 companies, resulting in an average premium income of just $28 million per insurer. Such a distribution highlights the competitive pressures faced by smaller players, who must operate with significantly lower premium volumes and, consequently, tighter expense margins. The result is an inability to realise economies of scale: expenses often exceed 100% of premiums for some insurers, leading to underwriting losses year after year.

For instance, Nigeria's life insurance industry saw strong growth in gross premiums in local currency (20% growth in 2023), but this is eroded by high inflation (23.6%) and currency devaluation (21% contraction in USD).[5] Many Nigerian insurers thus remain marginal players surviving on investment income or capital injections but not fundamentally improving operational efficiency. Fixed costs like branch networks and staff salaries are high in Nigeria (due in part to inflation of approximately 34% in June 2024 compared to 23% recorded in June 2023)[7], therefore without scale, expenses erode premiums. Similarly, in Ghana, insurers faced a reckoning in 2022–23 when the government's debt restructuring (Domestic Debt Exchange) wiped out much of their investment portfolios, suddenly making expense management a focal point for survival. Ghana's regulator introduced a solvency framework which includes capping management expenses relative to reserves; with the intention of encouraging insurers to cut costs or raise more capital if they overspend.

One of the boldest moves by regulators is to raise minimum capital requirements for insurers, effectively weeding out under-capitalised, inefficient players. Nigeria's insurance regulator NAICOM has been pushing a recapitalisation exercise. Life insurers must have ₦10 billion minimum capital (up from ₦2 billion) within 12 months of the commencement of the Nigeria Insurance Reform Bill. This drastic increase, alongside a new Risk-Based Capital (RBC) regime, is expected to force mergers or exits of smaller firms that cannot raise funds, leading to a more consolidated market with larger, stronger players. Indeed, many insurance commentators project market consolidation as a likely outcome, which should improve average scale and reduce duplicated costs across some of the industries.

On the operational front, West African insurers are looking to pool or outsource certain non-competitive functions. For example, industry associations are exploring shared claims databases, joint training schools, or even shared IT infrastructure, which members can use for a fee rather than each maintaining their own. In the CIMA zone, there has long been discussion of regionalising some back-office processes to exploit economies of scale across countries (though execution has been slow).

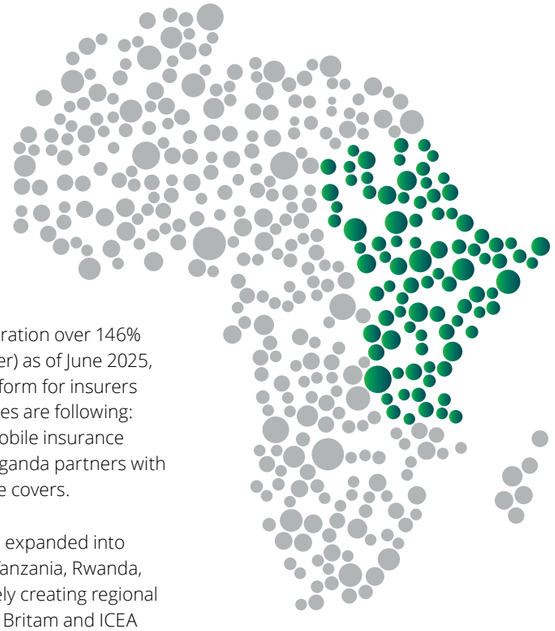
A crucial aspect of encouraging new business (and thus reducing expense strain) is building public trust by handling claims and customer service better. West African insurers have grappled with a trust deficit; paying claims reliably and promptly is key to changing perceptions. By enhancing customer confidence, insurers can hope to unlock latent demand, which in turn would increase premium volumes. For instance, African Alliance, a life insurer in Nigeria, paid more than N27.6 billion over a three-year period, with a 17% year-on-year increase in claims settlement since 2020.[1] This is a track record the company cites to reinforce its commitment to honouring genuine claims. By continually publicising these payouts and combining them with customer-friendly tools (e.g. digital claims portals), life insurers in the region can improve on delivering more transparency and responsiveness.



1. arcsa africa-re dashboard
2. Ghana NIC Annual Report
3. Macrotrends
4. NAICOM
5. Swiss Re Institute Sigma No 3/2024
6. NAICOM Insurance Market Performance Q4 2024
7. National Bureau of Statistics

1. African Alliance Awarded Insurance Company of the Year

# East Africa



## East Africa: Digital growth and innovation

East Africa's insurance markets (led by Kenya, Tanzania, Uganda, and Ethiopia) are intermediate in development, less mature than South Africa, but generally more developed than most of West Africa. Kenya in particular has achieved moderate insurance penetration and is known for innovation in financial services. East African life insurers still struggle with low absolute volumes and high expenses, but there are positive signs of growth and creative solutions unique to this region.

East Africa is famous for mobile money, and insurers have capitalised on this infrastructure. Digital distribution channels are widespread in Kenya; insurers sell policies via mobile apps and online platforms. InsurTech startups are bridging access between insurers and consumers. Firms like Turaco and M-TIBA (mobile health wallet) enable people to buy cover digitally in small, flexible payments. This drastically lowers the cost of acquiring and servicing policies as there is no need for an agent's commission or physical branch interactions for many customers. As these channels grow, insurers can maintain or even expand business with lower incremental maintenance cost (electronic premium payments, automated SMS reminders, etc). These methods are much cheaper than traditional methods. The Communications Authority of Kenya reports mobile penetration over 146% (multiple SIMs per user) as of June 2025, providing a huge platform for insurers to tap.[2] Other countries are following: Tanzania has a few mobile insurance offerings, and MTN Uganda partners with insurers for simple life covers.

Kenyan insurers have expanded into the region (Uganda, Tanzania, Rwanda, and beyond) effectively creating regional groups. For example: Britam and ICEA LION operate in multiple East African countries. By operating regionally, they aim to achieve economies of scale, using one core system, one reinsurance programme, and unified management across countries. This lowers average costs compared to treating each country as a standalone entity. Additionally, the East African Community has been working on harmonising regulations, which would allow an insurer licenced in one country to operate in others more easily. If achieved, this will reduce duplication (e.g. not needing separate capital and compliance teams in each nation).

Regulators in East Africa, especially Kenya's Insurance Regulatory Authority (IRA), are pushing insurers on expense control. Risk-Based Supervision includes review of insurers' expense assumptions and pricing if a company is spending too much relative to its premiums, it may be forced to inject capital or face restrictions. This creates pressure to either increase premiums (which is difficult in a competitive market) or reduce costs. Regulators also facilitate industry utilities; for instance, East African regulators share information on loss ratios and expense ratios through regional meetings, implicitly benchmarking companies against peers and highlighting outliers.

However, challenges such as persistent poverty, informal economies, and vulnerability to shocks (e.g. pandemics) can quickly stall new business growth and even cause backsliding in penetration. For instance, the COVID-19 pandemic hit insurers with increased surrenders and delayed premium payments. Thus, East African insurers must continue balancing innovation with resilience, ensuring that in the push for growth, they also maintain prudent expense management and risk controls.

2. Communications Authority of Kenya Sector Statistics Report



## Practical solutions for restoring growth and achieving efficiency

### Enforcing mandatory insurance to boost volumes

Many West African countries have laws for compulsory insurance (e.g. motor third-party liability, group life for employees, fire insurance for commercial buildings), but enforcement was historically lax. Governments and regulators are now stepping up enforcement to drive uptake of these mandatory covers. In Nigeria, for example, increased enforcement of compulsory motor insurance and the expansion of compulsory insurance under the Nigerian Insurance Reform Act.[3] By actually enforcing existing laws, millions of uninsured vehicles or workers are expected to be brought into the insurance pool, raising premium volumes industry-wide. More premiums and policies mean lower average maintenance cost per policy. Nigeria's penetration could increase significantly if such reforms are sustained. Ghana, likewise, launched a Motor Insurance Database to crack down on fake insurance and ensure all drivers have valid policies, which has started to improve compliance.

### Operational solutions

Insurers are pursuing mergers/joint ventures (e.g. the Sanlam–Allianz Pan-African JV combining operations in 29 countries) and setting up shared utilities such as IT platforms. Consolidation reduces duplicated overhead and spreads fixed costs over a larger premium base. There may be an increase in mergers among insurers in Nigeria due to the recent significant rise in minimum capital requirements.

### Technological and digital solutions

Insurers can leverage technology to automate processes and reach customers directly. This includes deploying core insurance systems that unify and automate policy administration, using AI/analytics for faster underwriting and claims, and expanding self-service portals/mobile apps for customers. The goal is to minimise manual work and paperwork. For instance, some African insurers now issue policies via banking apps and pay claims through mobile money automatically, significantly reducing turnaround time and cost per transaction. For example, Turaco which operates in Kenya, provides microinsurance products directly through mobile platforms. This digitisation helps reduce much of the administration which drive up costs. In South Africa, a number of bancassurers provide digitally-led life insurance where policies can be purchased entirely through a banking app.

### Innovative distribution strategies for expanding insurance reach

Insurers can also focus on growing new business in a cost-effective manner by leveraging existing networks. Bancassurance, mobile network partnerships, and retail alliances allow insurers to sell policies at scale without building proprietary channels. In East Africa, partnerships with telecommunication companies have added hundreds of thousands of micro insurance policies at low cost. In West Africa, fintech collaborations are bringing insurance to young, tech-savvy customers cheaply. For example, aYo Holdings is a microinsurance fintech which has partnered with telecoms and insurance companies to provide convenient and easy-to-use insurance cover to customers through their mobile phones in Ghana, Nigeria and Cameroon. Insurers should actively seek such partnerships to boost volumes while keeping acquisition costs low. They also have a simplified claims process where claims can be submitted and paid out efficiently into mobile money accounts.

### Concluding remarks

The problem of low insurance penetration is at the centre of the expense challenges faced by insurers. This problem combined with high fixed costs are the main drivers behind the high expense ratios experience by the industry. Without practical solutions that are focused on improving sales and reaching different markets in a cost-effective way, this problem will persist. Distribution through partnership with banks, telcos, as well as fintechs can help expand reach. This along with programmes that aim to build stronger consumer awareness and trust are essential for market growth. There are many case studies of insurers using innovation and digital transformation to drive efficiency, scale insurance operations and improve penetration without increasing costs significantly. In South Africa, streamlining legacy systems and product portfolios is absolutely essential in addressing persistently high expense ratios.



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3. National Insurance Reform Act

# In-force repricing:

## The defensibility test

In-force repricing has long been a necessary feature of life insurance: a mechanism to respond to experience that deviates from expectations and to sustain product economics over time. While premium reviews have historically been less prominent in the South African life insurance market, recent market activity, professional guidance and industry discussion suggest that the topic is becoming increasingly relevant. In a more volatile operating environment – shaped by inflationary pressure, shifting experience, affordability constraints and heightened conduct scrutiny – insurers are required to consider whether repricing is technically supportable, clearly explained and justified.

The focus has therefore shifted beyond contractual permissibility and actuarial accuracy to a more fundamental question:

**Can repricing decisions be evidenced, governed and defended?**

### From permissibility to defensibility

Most products include contractual provisions allowing premiums or benefits to be reviewed. These provisions remain essential to maintaining long-term sustainability. However, contractual permissibility is now only the starting point.

Regulatory and professional expectations have sharpened in recent years. Therefore, repricing decisions must be objectively justified by changes in experience, align with reasonable policyholder expectations, and be capable of delivering fair and proportionate outcomes.

A technically sound repricing decision is no longer sufficient – it must also be defensible.

But what do we mean by defensible? In practice, it means that insurers should be able to demonstrate how the review was triggered, whether the contractual right and timing were confirmed, what data and assumptions were used, and whether the original pricing assumptions reflected best estimate expectations at the time of pricing. This provides the baseline against which emerging experience and updated assumptions can be assessed. Insurers should also be able to show how reasonable policyholder expectations were considered, what alternatives were evaluated, where discretion was applied and how the final decision was governed and approved.

Importantly, not every deviation from expectation should automatically be passed on to policyholders. A defensible process should explain which experience items were included or excluded, why they were relevant to the review, and why any resulting impact on policyholders was considered appropriate.

Where repricing decisions are not clearly evidenced and governed, insurers may face regulatory challenge, customer disputes and reputational damage – even where the underlying technical analysis is sound.

### From repricing exercise to control process

A key shift across the market is the move from repricing as a periodic pricing exercise to repricing as a formal control process.

This means moving beyond high-level principles to a documented methodology and governance workflow. This should set out:

- the trigger for review;
- the contractual basis and timing of the review;
- the process for validating experience data;
- the basis for updating assumptions;
- the rationale for cohort selection;
- the areas in which judgement may be exercised; and
- the approvals required before implementation.

A robust premium review process should therefore be capable of being followed, challenged and evidenced consistently across review cycles. Insurers should be able to produce a clear decision record showing the movement from emerging experience to updated assumptions, from updated assumptions to proposed pricing actions, and from proposed pricing actions to final governance approval.

Cohort selection is a particularly important part of this control process. Insurers should be able to explain why a particular level of granularity was selected, how it relates to the original pricing basis and whether it produces fair and proportionate outcomes across similar policyholders. A review that is too broad may create cross-subsidies between policyholders with different risk profiles, while a review that is too granular may create complexity or distinctions that are difficult to justify.

At the centre of this process is a critical artefact: the premium review file. This file should capture the analysis, judgement, governance and decisions that underpin the review and serve as a key control mechanism supporting its overall defensibility.

### Judgement under scrutiny

Another important factor, often under scrutiny, is overall judgement. Repricing decisions are inherently judgement-driven. They require insurers to balance product sustainability, affordability, lapse and anti-selection risk, consistency of application and long-term customer value. While professional guidance recognises that discretion is unavoidable, it must be principled, consistent and clearly documented.

The key issue is not whether judgement is exercised, but whether it is applied within a defined framework, supported by evidence and subject to appropriate governance challenge.

This means insurers should be clear about where judgement may be applied, who is responsible for exercising it, what principles guide its use and how decisions are documented. Judgement should not operate as an informal override once the actuarial result is known; it should form part of the methodology itself and be capable of being reviewed, challenged and explained.

A defensible repricing decision is defined not only by the outcome, but by the quality of the process and judgement that supports it.

### Fairness and reasonable expectations

A central challenge in repricing is the gap between actuarially indicated outcomes and acceptable customer outcomes. A technically justified increase may still be difficult to defend if it is misaligned with reasonable policyholder expectations, particularly where:

- contractual terms and past communications have created different expectations;
- marketing or prior review practices implied a degree of premium stability;
- vulnerable or long-standing customers are disproportionately affected; or
- distinctions between policyholders are not clearly actuarially justified.

A defensible process should therefore identify, document and address any divergence between contractual terms and reasonable policyholder expectations in both the review decision and the communication approach.

Addressing this gap often requires the use of discretion, including:

- moderating increases;
- applying caps or thresholds;
- smoothing outcomes across cohorts; and
- protecting specific customer segments.

## Key questions for boards and executives

In-force repricing decisions sit at the intersection of solvency, conduct risk and customer trust. Before approving a material repricing action, boards should challenge management on the following:

**Is the repricing both permitted and necessary?**
Is there clear evidence that repricing supports sustainability, rather than short-term financial outcomes?

**What assumptions and judgements underpin the decision?**
Are the drivers of change well understood, and has uncertainty been appropriately considered?

**How are customers impacted?**
Are vulnerable or long-standing policyholders disproportionately affected, and are outcomes aligned with reasonable expectations?

**Have alternatives been adequately explored?**
Have phased adjustments, benefit changes or alternative options been adequately considered?

**Is the process clearly evidenced and defensible?**
Is there sufficient documentation, governance and communication to support the decision if challenged?

But fairness should be assessed symmetrically - insurers should also consider favourable and adverse experience together. Where favourable experience or updated assumptions support a lower premium, insurers should consider whether premium decreases, moderated increases or other policyholder benefits are appropriate. This helps ensure that premium reviews are not perceived as one-sided interventions and remain aligned with the original pricing intent.

Additionally, insurers should be able to demonstrate that discretion is applied consistently: that outcomes are consistent across similar policyholders, that distinctions between cohorts are actuarially justified and that no group is unfairly disadvantaged by the review. This helps demonstrate that the outcome is fair, proportionate and aligned with reasonable policyholder expectations.

A further practical safeguard is to test the proposed outcome against the original pricing intent. Repricing should not be used to increase profitability beyond the margins originally contemplated, or to recover past losses that are unrelated to the product or inappropriate to pass on to policyholders.

## Governance: repricing as a board-level decision

Repricing decisions now sit firmly at board and executive level. Good practice begins before a repricing decision is made. This includes ongoing monitoring of profitability and experience, together with clearly defined trigger points for when a formal investigation should be initiated. In many cases, stronger monitoring and earlier challenge can reduce the risk of large, sudden adjustments later in the policy lifecycle. Critically, boards should be equipped to challenge not only the outcome, but the rationale, trade-offs and customer implications of the decision.

Therefore, boards should expect clear insight into:

- the sustainability rationale for repricing;
- the contractual and regulatory basis for the review;
- key assumptions and areas of judgement;
- the impact across different customer segments;
- alternatives considered;
- the robustness of execution and communication plans; and
- the post-implementation monitoring approach.



### What this means for insurers

**Repricing is now a governance decision**
Treat premium reviews as a formal control process, with clear ownership, oversight and challenge.

**Defensibility matters as much as accuracy**
Maintain a decision record that explains the review trigger, contractual basis, data used, assumptions updated, cohort selection, alternatives considered, discretion applied, customer impacts and final approval rationale.

**Judgement must be explicit**
Assumptions, trade-offs and areas of discretion should be clearly articulated and consistently applied.

**Fairness must be demonstrated**
Evidence alignment with policyholder expectations, consistency across similar policyholders and actuarial justification for distinctions between cohorts.

**Profitability must be tested against original pricing intent**
Repricing should not be used to increase margins beyond original expectations or recover unrelated losses.

**Transparency builds trust**
Maintain a clear, traceable link between experience, assumptions, methodology, governance challenge, communication and customer outcomes.

**The premium review file is critical**
A robust, auditable record is central to governance and defensibility.

**Boards will expect deeper insight**
Governance frameworks must enable meaningful challenge and accountability.

**Close the loop after implementation**
Repricing should not end at implementation. Monitor lapse experience, complaints, take-up of alternatives and emerging experience to assess whether the review achieved a fair and sustainable outcome.

## Looking ahead

In-force repricing will remain essential to navigating experience volatility and maintaining product sustainability. In an increasingly complex environment, repricing is no longer simply an actuarial exercise – it is a test of whether the insurer can balance sustainability, fairness and customer trust through disciplined governance. To withstand regulatory scrutiny and potential reputational issues, insurers must embed discipline, transparency and robust governance into their repricing processes – delivering fair and sustainable customer outcomes and preserving long-term trust.



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5

# TRANSFORMING THE BUSINESS



# The real test of AI in insurance is how customers will benefit

For an industry built on predicting the future, insurance has always had a complicated relationship with uncertainty.

Insurers use historical data, actuarial models and underwriting expertise to estimate the likelihood and cost of future events. But the environment in which those models operate is changing rapidly. Climate volatility, geopolitical instability, infrastructure deterioration, economic pressure and changing consumer behaviour are no longer isolated risks that can be assessed neatly in separate categories. They are increasingly interconnected, capable of amplifying one another and, in the process, making risk more difficult to predict and manage.

This is where artificial intelligence (AI) could become genuinely transformative for non-life insurance. The important question, however, is not how quickly insurers can introduce AI, but whether they can use it to become better at the fundamental task of insurance: understanding risk, pricing it appropriately, managing it proactively and responding effectively when things go wrong.

In that sense, AI should not be seen as a replacement for insurance expertise or human judgement. Its role is to augment human decision-making and help the industry process information at greater speed, identify insights and patterns that might otherwise be missed, and deliver greater consistency. However, where decisions have significant consequences for customers, the final judgement and accountability must always remain with a human being.

## Dealing with the challenge of risk interrelationships

Traditional insurance models have relied heavily on historical experience. That remains essential, but history is becoming a less reliable guide when the underlying nature of risk is changing.

Consider how risks can interact. A geopolitical event can drive up global oil prices. Higher fuel costs can contribute to inflation and place greater pressure on household finances. At the same time, the cost of providing insurance services rises as repairers, towing companies and other suppliers face higher operating costs.

Climate risk presents a similar challenge. Severe weather does not occur in a vacuum. The losses caused by flooding or storms can be significantly amplified by vulnerable infrastructure, urban development patterns and broader social and economic conditions.

The point is that insurers can no longer afford to look at risk in isolation.

AI and advanced analytics offer the potential to process far larger and more complex sets of information than traditional methods alone. This could help insurers identify relationships, emerging patterns and changes in risk exposure more quickly. Over time, this could support a shift from an insurance model that is largely reactive to one that is increasingly predictive and proactive.

The greatest opportunity may therefore not simply be to process claims faster after a loss has occurred. It may be to better understand the conditions that could lead to a loss in the first place and intervene earlier to reduce its severity or prevent it altogether.

## Efficiency matters, but more so when the customer benefits

There is understandably significant focus on AI's potential to automate processes. In non-life insurance, this could include everything from reviewing documentation and supporting underwriting decisions to detecting fraud, triaging claims and monitoring compliance.

Automation can reduce administrative friction and improve turnaround times. But the real strategic value lies deeper than simply doing the same things faster. Insurance affordability remains one of the industry's most important challenges. Every unnecessary process, delay and manual intervention contributes to the cost of delivering insurance. If AI can help insurers operate more efficiently, reduce avoidable costs and make better decisions, the ultimate objective should be to ensure that those efficiencies translate into value for the customer.

That could mean more competitive premiums. It could mean better-managed and more accurately determined risk. It could mean a smoother claims experience and greater consistency in service delivery.

The technology itself is therefore not the end goal. The goal is a more efficient insurance ecosystem that can deliver better outcomes at a lower cost. This is particularly important in markets where affordability and underinsurance remain significant challenges.

## There is no single AI strategy for every insurer

One of the mistakes the industry could make is to assume that there is a universal blueprint for AI adoption.

Non-life insurance is remarkably diverse, particularly in South Africa. It encompasses personal and commercial customers, simple and highly complex risks, and a broad range of products and distribution models. A solution that works effectively in one market, or for one line of business, cannot necessarily be transplanted directly into another.

The more practical approach is to be deliberate. Some capabilities may be sufficiently strategic and distinctive to justify building them internally. Other, more standardised use cases may be better served by buying or renting the technology. The decision should be driven by the complexity of the problem, the strategic value of the capability and the flexibility required to avoid unnecessary dependence on a single technology ecosystem.

AI adoption should therefore begin with a genuine business or risk problem, not with the technology.

## Governance matters more than ever in the age of AI

The more influential AI becomes in insurance decision-making, the more important governance becomes. AI systems may influence pricing, risk selection, claims handling and customer interventions. This creates legitimate concerns around bias, privacy, data leakage and inaccurate or misleading outputs.

The industry therefore needs to resist the temptation to treat governance as something that follows innovation.

Governance has to develop alongside it. That means clear policies and guardrails, appropriate standards for model development and independent challenge of material models before they are deployed. It also requires ongoing monitoring. A model that performs well when it is introduced may not necessarily continue to perform well as customer behaviour, economic conditions or the nature of risk changes.

Human accountability must remain central, particularly where decisions are complex or have significant consequences for customers.

The most sensible model is not human versus machine. It is human with machine.

AI can process information at extraordinary speed and scale. But human expertise remains critical for understanding context, challenging assumptions, identifying unintended consequences and making decisions where judgement and accountability matter.

## The future insurer will be more autonomous, but not less accountable

We are still in the relatively early stages of AI adoption in the insurance industry. Some global insurers are further advanced, particularly those with modern technology architectures and operating models designed around data and automation. But much of the industry is still experimenting, learning and establishing the foundations required for more sophisticated use cases.

This makes the current moment particularly important.

The insurers that succeed will not necessarily be those that deploy the most AI tools. They will be those that make the most intelligent choices about where AI can create meaningful value.

Over time, we are likely to see increasingly autonomous capabilities across the insurance value chain. But autonomy should not be confused with the absence of accountability.

Trust will remain one of the most valuable assets in insurance. Customers need confidence not only that technology can make decisions quickly, but that those decisions are responsible, fair and properly governed.

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# Modernising Insurance Finance:

## A framework for life insurers in the post-IFRS 17 world

One of the promises of the transition to the International Financial Reporting Standard 17 (IFRS 17) was a more integrated operating model for insurers around financial reporting and performance management. For some insurers this has been achieved, however, for many the complexities of complying with IFRS 17 requirements did not leave time to optimise the operating model supporting the insurer's financial reporting work. What IFRS 17 projects have done in all cases though, is to give insurers the possibility to harness improved insights into what is needed for finance and actuarial teams to be more integrated and modernise the role of finance/actuarial in an insurer.

As part of Deloitte Africa's contribution to the global team's **Four Corners of Insurance Reporting**[1] – a guide on how insurers can steer their businesses to new heights – we have laid out the following to equip insurance Chief Financial Officers (CFOs) with a tried and tested intellectual framework. Thus far, this framework has been utilised by many Deloitte clients to optimise post-IFRS 17 finance operations and to enable the CFO and Chief Actuary to help lead the insurer's plan to maximise its return on capital.

We acknowledge that our perspective has been written largely with a South African audience in mind, with insurance markets across the African continent being at different points of maturity by comparison. While not all points might be applicable equally across the continent (for example, the importance and usage of Embedded Value metrics), we do believe that the key themes highlighted below are useful concepts to consider for pan-African organisations and leaders.

By considering the financial and regulatory reporting opportunities through this framework, insurers can more intuitively identify areas where underlying data, systems and processes can be improved to achieve more granular, faster reporting capabilities that elevate the business contribution of the finance and actuarial functions.

**Key insights include:**

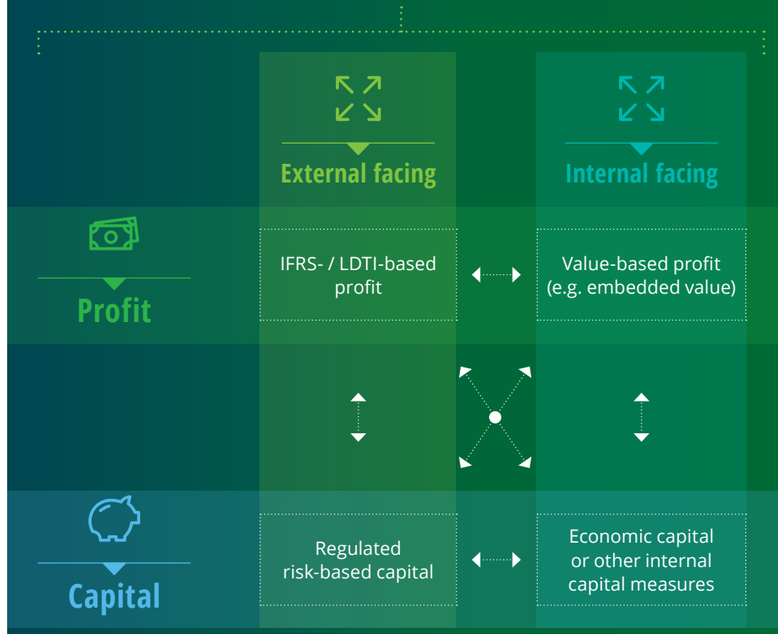
**Maximise Return on Capital:**
The framework integrates IFRS profit, embedded value, regulated risk-based capital and economic capital to provide a comprehensive view of returns achieved.

**Post-IFRS 17 Opportunities:**
Following significant global investments (USD 15–20 billion from 2017– 2023), CFOs can leverage harmonised reporting bases to bridge external (audited/regulatory) and internal (value/economic) metrics, turning reconciliation challenges into strategic advantages for faster, more detailed reporting that can enhance finance and actuarial contributions to the steering of the insurer.

**Connect Data, Systems and Processes:**
The framework tackles operational complexities such as data consistency, risk sensitivity and system integration, enabling CFOs to optimise more seamlessly and precisely the insurer's capital allocation, product pricing and general business decision-making. All this could be made easier while cascading knowledge organisation-wide to support both regulatory compliance and business growth.

**Incorporate Time Dimension for Forward-looking Insights:**
By integrating historical reporting with planning and forecasting in a multi-dimensional approach, CFOs can better navigate uncertainty, refine projections with greater agility by having an easier access to consistent data depicting past trends (e.g., CSM releases, policyholder behaviour), and elevate finance from a back-office function to a strategic partner.

**The four corners framework represents the overarching business framework that each insurance company will progressively converge to:**






1. The Four Corners of Insurance Reporting | Deloitte South Africa

## An extension of this for the South African market

In the view of the Deloitte Africa firm, the particulars of the South African market fit perfectly with the anticipated benefit a life insurer would be able to obtain from adopting the four corners framework. As we shift the global framework to the specifics of the South African market, additional considerations can be played to the advantage of a local adoption.

- The global framework acknowledges that some insurers may publish embedded value to external stakeholders and use it in their management KPI metrics. This is a more frequent decision in South Africa than among global peers and South African life CFOs should see this play out across the two top corners of the Deloitte framework;
- Embedded Value in South Africa is also used to represent the covered businesses contribution to Enterprise Value thus playing out an alternative role to the economic capital corner; and
- In South Africa, reporting on and steering the business from a capital perspective often falls into the Chief Actuary/Risk domains, with capital being derived from SAM models and reporting. This is the lens to read the bottom left corner in the South African context.

| | External | Internal |
|---|---|---|
| **Profit and Value Creation** | IFRS / RoE and Enterprise Value / RoEV [Embedded Value (Covered Business), Enterprise Value (non-covered business)] | IFRS-derived, other management metrics |
| **Capital and Value Storage** | SAM | Internal Capital / RoC / RoRAC and Enterprise Value [Embedded Value (Covered Business), Enterprise Value (non-covered business)] |

Additional complexity is introduced by the insurer tax basis (which varies significantly across the African continent). While we have not added this to the matrix above, it is worth keeping in mind that dimension when considering each of the four corners.

## Evolving regulatory and investor expectations

The need to enable a faster optimisation of the finance operations to support an overall consistent "storyline" across these metrics has become increasingly important as regulatory, investor, and market expectations evolve.

The Deloitte framework can offer a tried and tested guide to achieve this optimisation of the life insurance finance and actuarial function enabling the whole executive team to be proactive in feeding stakeholders at a juncture when they seek to deepen their understanding of IFRS 17 and its links to capital and future value.

In addition to that, the Deloitte framework can enable the life insurance CFO to harness the transparency and comparability in the South African industry at a time when it has never been greater.

Insurers are under greater scrutiny, not just in terms of historic financial performance but also regarding how that performance translates into prospective value generation and reconciles to regulatory solvency metrics. Insurers need to optimise their investment in technology, data analytics and cross-disciplinary teams (with the actuarial modelling capability as one of the core elements) to streamline these reporting bases and deliver consistent messaging to boards, regulators and investors. This convergence is likely to continue, driven by regulatory guidance and market best practices.

## Enterprise Value: Here to stay but with strong reconciliations to IFRS metrics

Highlighting Enterprise Value (EV) serves as a long-term management tool, bridging the gap between statutory accounting and shareholder value creation (For example, IFRS may show limited profit from new group life business in its early years, whereas EV recognises the value of future premiums and margins expected from that business. Similarly, EV explicitly reflects the cost of tying up regulatory capital – something not visible in IFRS results). Embedding EV within the Deloitte four corners framework therefore helps South African insurers connect short-term performance with long-term value creation, providing forward-looking KPIs that are particularly important in a volatile environment when making risk and capital allocation decisions.

## An evolution of post-IFRS 17 return metrics

The South African market has observed a significant shift in reporting and performance measurement since the adoption of IFRS 17 such as the shift to RoE (Return on Equity) and RoE targets (where RoE is IFRS earnings and capital). Some of the biggest South African players in the insurance market have followed this route recently, particularly those with sizeable international investors (to align to broader global investor expectations). In addition, this makes bancassurers easier to understand by their parent banks. There is a need to integrate and harmonise IFRS earnings, regulatory and shareholder capital and future shareholder value generation.

A particular challenge is emerging relating to allocating capital for such return metrics down to operating entities, while ensuring that the resulting components still reconcile to the overall company RoE target. Industry-wide thinking is still maturing in this space.

While the operational demands of IFRS 17 forced many insurers to focus on compliance rather than redesign, the transition has nonetheless surfaced the data, processes and insights needed to modernise and better integrate finance and actuarial functions. By adopting Deloitte's Four Corners framework – tailored to local market specifics such as embedded value practice and capital stewardship – CFOs can convert those insights into faster, more granular reporting, clearer capital allocation and stronger oversight of enterprise value.

To read the full report Four Corners of Insurance Finance Reporting visit: **https://www.deloitte.com/za/en/services/audit-assurance/perspectives/the-four-corners-of-insurance-reporting.html**



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# Resilience and Stress Testing:

## Recalibrating African insurance strategy in a fragmented global risk landscape

With the global and local risk landscape in a state of ongoing upheaval, insurers are being tasked with creating new stress scenarios, those that can withstand the multi-actor complexity that comes hand-in-hand with geopolitical conflicts and macroeconomic uncertainty. The conflicts in Ukraine and the Middle East, escalating tensions across the Persian Gulf and the linked economic sanctions are central to this complex risk environment. Impacts range from the potential need for reinsurance of international cargo to the effects of sanctions on cross-border transaction costs.

While African nations may seem far from the conflicts, global concerns are having both direct and indirect effects on the insurance landscape. South Africa, for example, has deep integration into global trade flows, relies on international reinsurance capacity and is exposed to the commodity price volatility that has direct consequences for local insurers.[1] Yet it is not merely geopolitics that is changing ways of working and risk stress testing. New technologies, shifting clientele profiles and transforming security risks are also dominating boardroom conversations.

In the Society of Actuaries Research Institute's 2026 Emerging Risk Survey[2],

**63%**

of C-suite respondents said economic and geopolitical risks would have the greatest impact on their organisations in 2026, with

**34%**

selecting a technological risk as most impactful over the longer term.

We asked executives and risk leaders from three South African insurers and financial services providers – Old Mutual, Liberty Group, Absa Insurance and Momentum – to provide updates on their most recent developments in the face of a changing insurance and risk landscape. Naturally, not all of their insights perfectly aligned, yet they painted a surprisingly similar overall outlook: while acknowledging the direct effects of the current state of global economics and geopolitics, the dominant risk vectors facing the insurance sector are less about direct exposures to geopolitical events and more about the second-order economic and operational channels they create. Meanwhile, scenario testing will be core to determining the industry's next strategic direction.

Across the interviews, we have identified five core themes that emerged, and how these insurers are opting to address them.

1. Geopolitical conflict and the global insurance market – lessons for South African insurers and reinsurers | Webber Wentzel
2. 19th-survey-emerging-risks.pdf



### 01

### Geopolitical and macroeconomic effects: inflation, exchange rates and affordability

Geopolitical tensions rarely hit insurers' front doors directly. Instead, they transmit into domestic markets through inflationary shocks, exchange-rate volatility, supply-chain disruption and changes in global capital flows. For South African firms in particular, these second-order effects have material consequences: reduced disposable income, greater policy lapses in lower-margin segments, pressure on claims costs and challenges to asset-liability management where foreign-denominated inputs matter.

Alignment across the interviewed risk leaders was strong: geopolitics is viewed predominantly as a macro amplifying mechanism that increases volatility and pushes consumers toward cheaper, lower-cover options. The immediate impacts are most acute in entry-level and short-term products where affordability is a core determinant of retention and new business. At the same time, sanctions or fragmented technology ecosystems – where access to Western or Eastern digital platforms becomes contingent on geopolitical alignment – are an additional, if less-universal, concern for firms dependent on global supply chains.

However, there were differences regarding the degree of strategic hedging possible. Some firms see limited room to hedge structural domestic risks because of concentrated local footprints; others identify selective regional diversification as a partial counterbalance. The core implication is unequivocal, however. Pricing, retention strategies and product design must incorporate inflation and FX channels explicitly, not as peripheral stress inputs. Insurers should run frequent affordability stress tests, redesign micro and entry-level propositions for lower price points without materially diluting coverage and consider indexed or flexible premium mechanisms to preserve persistency.

### 02

### Capital dynamics and solvency sensitivity

A structural fall in yields over recent years has reshaped underwriting economics for long-duration products. Where discount rates were once a buffer for guaranteed liabilities, lower long-term yields increase reserve requirements and capital intensity. Risk leaders emphasise that this "new normal" makes pricing long-term life and annuity products more challenging and raises the sensitivity of capital ratios to market moves.

There is consensus that scenario analysis must expand to incorporate extended low-yield pathways and abrupt repricing episodes. Insurers are already adopting upside and downside interest-rate scenarios in pricing and capital plans; many run reverse stress tests focused on liquidity and the inability to roll short-term funding. Where opinions vary is in confidence about balance-sheet resilience and the preferred mix of mitigants. Some insurers report robust buffers and conservative management actions; others note that routine business adjustments have already absorbed many traditional levers, leaving fewer contingency options in severe prolonged stress.

Recommended actions included: embedding multiple yield-path scenarios into solvency modelling; reassessing product guarantees and lapse rate assumptions; and considering capital optimisation strategies that reduce dependence on external capacity such as reinsurance when that capacity itself may tighten under global stress. Supervisors and industry bodies, meanwhile, should continue to engage on realistic discounting assumptions and stress scenarios that reflect structural macro shifts rather than temporary cycles.

### 03

### Market structure, demographics and shifting profit pools

Demographic shifts and changing consumer preferences are realigning where profit pools sit. Younger populations, evolving employment patterns and increased digital adoption are compelling insurers to reimagine distribution and product design. At the same time, competition from banks, retailers and telecoms in areas like funeral and short-term cover is compressing margins and forcing differentiation through convenience and pricing.

Risk leaders agree that digitally enabled advice and direct channels are central to retaining relevance among younger cohorts. Where they disagree is on which segments will remain attractive. High-net-worth pools continue to be viewed as stable sources of profitability for some; others see more opportunity in scale plays that reinvent low-margin products through cost efficiencies and embedded distribution.

However, there was some agreement that insurers must sharpen segmentation analytics, invest in seamless digital journeys and consider partner ecosystems rather than only proprietary distribution. Product rationalisation should prioritise scalable, low-cost propositions for mass markets while protecting specialised servicing for higher-value cohorts. Regulatory frameworks that support digital identification and e-signatures will materially aid scale, and industry collaboration on microinsurance distribution could expand reach without sacrificing underwriting discipline.

## 04

### Technology, cyber, third-party concentration and AI governance

Technology is the classic double-edged sword: it enables underwriting and distribution efficiencies but introduces new systemic dependencies and operational fragilities. Across the board, cyber risk sits at the top of non-financial concerns. Yet now, preparedness – isolation, recovery and rapid containment capabilities – receive as much attention as prevention.

Artificial intelligence is being adopted at pace – from automated underwriting to fraud detection – yet governance and model-risk skills trail implementation. The shift to more complex AI systems has prompted some insurers to move from full technical explainability towards governance models akin to human decision oversight: delegation frameworks, clear escalation points and ongoing performance validation. Others emphasise tighter board-level standards for ethical deployment, and some flag geopolitical tech splits as a driver of third-party supply-chain vulnerability when reliance spans multiple global ecosystems.

Action priorities include investing in cyber detection and resilient recovery, deepening model risk expertise across the enterprise, and establishing firmwide AI governance that mandates validation, monitoring and a clear human-in-the-loop policy for high impact decisions. Third-party risk management must account for concentration risk in cloud providers and core platform vendors – and contingency plans for major provider outages are no longer optional.

## 05

### From prediction to resilience: scenario design, stress testing and crisis learning

The common recommendation from risk leaders is that traditional scenario testing – often single-shock and slow-moving – is no longer enough. Risk velocity and interconnectivity demand scenarios that are multi-vector, fast-moving and plausible in combination. Real-world crises, from pandemics to cyber incidents, have taught the industry that lived experience should be measured alongside modelled complexity.

There is alignment on the need to embed resilience thinking into strategy and capital planning. Divergence appears in how confident organisations feel about existing frameworks. Some believe stress testing today is robust, citing reverse stress testing and management action plans; others warn that many management levers are already in routine use, limiting optionality in protracted stress.

Practical steps to address the latter include expanding scenario sets to capture cross-risk contagion (for example, simultaneous inflation, supply-chain disruption and cyber events), formalising playbooks for extended stress periods and using reverse stress testing more systematically.

### The implications

Across these interviews, the most consistent message is that geopolitical and macroeconomic channels are the dominant external risk multipliers today. Insurers face primary economic impacts (affordability erosion, yield-curve sensitivity and increased capital intensity) while technology and cyber risks represent systemic operational threats. There is a clear and shared shift toward resilience: diverse scenarios, credible management action sets and faster operational responses are now central to prudent risk practice.

Differences among firms will shape tactical choices but not the overarching direction of travel for industry risk management. This means success will be based on building resilience into the core of decision-making: from modelling inflation and FX transmission channels to redesigning products and distribution to protect affordability and persistency. Firms are also aiming to mature AI and model risk governance, strengthen cyber detection and rapid response capabilities, and plan for third-party concentration risk in cloud and platform providers. Ultimately, insurers will have to find their unique ways to withstand the complex, interconnected stresses to preserve long-term stability for themselves and their clientele.



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# Model Risk Management in Insurance in the Age of Artificial Intelligence

### Risk managers: your role just got harder

The duality of using Artificial Intelligence (AI) to manage risk and managing the risks of using AI calls for careful consideration, and nowhere more evident than in financial services. Insurers are deploying AI across the value chain, from underwriting and pricing to claims, fraud detection, customer engagement and, increasingly, the risk function itself. All this at the very moment they are being asked to govern it. That dual mandate requires clearly defined roles and responsibilities, together with a deliberate separation between the teams that develop AI, those responsible for validating its inputs and outputs, and those accountable for overall AI risk management.

So where does the risk of wider AI adoption actually sit? A large part of it naturally finds a home within model risk management (MRM). An AI system is, at its core, a model. It transforms input data into outputs that drive business decisions, and it can be wrong in ways that are costly, systematic and hard to detect. The MRM discipline that insurers have built over the past decade is therefore the right foundation. Yet AI also stretches the traditional model risk envelope, and Deloitte's 2025 EMEA Model Risk Management Survey[1], which gathered the views of 49 insurers across Europe and South Africa, showed both how far the discipline has matured and how much further it must travel.

### The model risk management backdrop for insurers

Effective model risk management has gained significant traction in the insurance sector over recent years. The Deloitte 2025 MRM survey found that 59% of insurers now have an organisation-wide definition of what counts as a model, roughly half anchored in a regulatory definition and half developed in-house, and 61% maintain a model risk policy that sets out the processes, standards, roles and responsibilities for managing model risk. The model inventory, which remains the cornerstone of any framework, is in place at around half of all insurers, with insurance-risk and market-risk models in scope for more than three quarters of those that keep one.

Maturity scales vary sharply with size. Large insurers hold on average double the number of models in their inventories than medium-sized insurers, and about ten times that of small insurers. Governance follows the same pattern. Stand-alone model risk teams have begun to emerge, most visibly among larger insurers, although the function sits cleanly within the risk function for fewer than half of respondents. Notably, model risk governance has now overtaken model identification and discovery as the single biggest implementation challenge, a reversal that signals a discipline shifting from finding its models to governing them well.

The scaffolding, in other words, exists, but it is uneven, and was built largely for traditional actuarial and capital models. That is precisely the structure that AI is now testing.



1. 2025 EMEA Model Risk Management Survey

## Artificial intelligence and machine learning: the new frontier

Adoption of emerging technologies continues to rise across the surveyed regions. More than half of insurers in the survey now use AI or machine learning, and generative AI has moved firmly into the mainstream, with three in four insurers already working with large language models. The headline figures, however, mask a widening gap between the largest and smallest firms, and the practices that surround these models remain far less mature than the appetite to deploy them. The table below summarises where insurers stand today.

| Indicator | 2025 finding | Direction since 2023 |
|---|---|---|
| **AI or ML model adoption** | 57% overall (73% of large insurers, 46% of small) | Up from 53% |
| **Generative AI and LLM use** | 76% of insurers | |
| **Most common applications** | Customer experience (37%), AML and fraud (30%), insurance pricing and underwriting (26%) | Broadening |
| **Leading challenges** | Transparency and explainability (61%), robustness (46%), skills (43%), data quality and availability (39%) | Some easing but most are persistent |
| **AI or ML models inside the MRM framework** | 46% | |
| **Additional MRM processes built for AI or ML** | 67% | Up from 40% |
| **Use tailored validation for AI or ML** | 79% | |
| **Consider their framework fully adequate for AI** | 15% | Broadly unchanged |

Table 1. AI and machine learning in insurance model risk management, Deloitte 2025 EMEA MRM Survey.

The challenges that insurers report most often map directly onto the qualities that make AI difficult to govern. Complex models resist the conceptual scrutiny that sits at the heart of validation, and concerns about robustness, data quality and a shortage of skilled people follow close behind. Larger insurers tend to attribute these difficulties to technical complexity, while smaller insurers point to the inherent risks of the models themselves, but the underlying message is shared. AI is harder to open up, harder to validate and harder to staff than the models that came before it.

Insurers are adapting, though unevenly. A growing majority have built additional model risk processes for AI and now accept that it cannot be validated against the same specifications as a traditional model, with complexity and interpretability the dominant validation challenge. Yet tiering remains improvised, with most firms either reusing their traditional approach or defaulting to the risk classification in the EU AI Act for European insurers. The candid result is that, while almost every insurer considers its framework at least somewhat adequate to govern AI, only a small minority believe it is fully adequate, a figure that has barely shifted in two years.

Two structural questions remain unresolved. The first is ownership. Accountability for AI at executive level is most often shared across the C-suite or assigned to the chief risk or chief technology officer, and although model risk teams increasingly describe their contribution to the AI control framework as collaborative, almost a third of insurers report having no such framework at all. The second is the quieter half of the duality. Using AI to manage model risk is barely under way, with only one in six insurers applying these techniques to their own processes, mostly for documentation and routine administrative tasks. The technology that is reshaping the business has yet to be fully turned on the risk function itself.



## Trustworthy AI

If the Deloitte survey results outlined above describe the problem, Deloitte's Trustworthy and Secure AI Framework[2] offers a structured way to address it. Responsible AI principles serve as the cornerstone of a sound AI risk management framework, and they provide the foundation for sustainable, safe and secure AI use. The framework translates those principles into seven pillars that operationalise AI governance and allow enterprise AI to scale with confidence.

The link to the survey is direct. The difficulties that insurers report most frequently – transparency and explainability, robustness and reliability, fairness and privacy – are not a random list of concerns. They are the pillars of trustworthy AI seen from the perspective of the firms wrestling with them. The framework reframes those pain points as design principles, as set out below.

| Pillar | What it means | Representative risks addressed |
|---|---|---|
| **Safe and secure** | AI systems are protected from cyber, legal and regulatory risks that may cause physical or digital harm | Prompt injection and jailbreak; model inversion and evasion; model theft |
| **Private** | Participant privacy is respected and customer data is not used beyond its stated purpose, with the ability to opt in or out | Data loss or compromise; inappropriate access; lack of consent; inability to meet the right to be forgotten |
| **Transparent and explainable** | Participants can understand how their data is used and how decisions are made, with algorithms and attributes open to inspection | Insufficient transparency; lack of explainability or auditability; inappropriate model reuse; missing documentation |
| **Fair and impartial** | Internal and external checks support equitable application across participants | Biased outputs from data imbalance; discriminatory outputs; overcorrection of fairness |
| **Responsible** | The technology is created and operated in a socially responsible manner | Toxic or harmful content; unethical use of data and AI; unconsidered environmental impact |
| **Accountable** | Policies establish who is responsible for decisions made or derived using the technology | Regulatory non-compliance; intellectual property infringement; unrealised value and unmanaged cost |
| **Robust and reliable** | AI systems learn from people and other systems and produce consistent, reliable outputs | Hallucination; model instability and drift; under or over-fitting; poor data quality; excessive latency |

Table 2. Deloitte's Trustworthy and Secure AI Framework: seven pillars and the risks they address.

These pillars are not designed to operate in isolation. The framework surrounds them with three enabling layers that cover items such as reskilling and education, governance and controls and regulatory compliance and policy, which determine whether the principles hold in practice. This is where trustworthy AI and model risk management meet. The pillars define what "good" looks like, while the model risk framework, with its inventory, validation, tiering and independent challenge, supplies much of the machinery to deliver it. An insurer that already runs a mature model risk function does not need to begin again. It needs to extend that function so that explainability, fairness, robustness and privacy are tested as deliberately as accuracy has always been.

## The South African landscape

The joint study on AI in the South African Financial Sector by the Prudential Authority[3] and the Financial Sector Conduct Authority , names some of the priorities for safe adoption as explainability and transparency, governance and model risk management, fairness and bias mitigation, accountability and data privacy, which are precisely the concerns that dominate the Deloitte EMEA survey and that structure the Trustworthy and Secure AI Framework. The report is candid about the local gap. The most cited non-regulatory constraint is lack of talent, and explainability is the second most-cited with roughly three in ten insurers not using an explainability method at all. Furthermore, the banking sector has more explainable models in the usage of traditional AI as compared to the insurance and investment sectors. This is a critical observation as explainability is key for financial disclosure for consumers.

2. Trustworthy AI
3. Artificial Intelligence in the South African Financial Sector

Crucially, the study anchors these expectations in existing law rather than a new AI Act. The Prudential Authority's standards already require institutions to assess and mitigate model risk, third-party dependencies and systemic vulnerabilities, and POPIA already governs automated decisions that materially affect customers. In both markets the conclusion is the same: extending model risk management to AI is how existing obligations are met, not waiting for new law.

## What this means for insurers

The common thread across both the European and South African evidence is a discipline maturing unevenly while the ground shifts beneath it. The frameworks, inventories and owners are increasingly in place, but they were built for models that are transparent and stable, and AI is neither. For insurers operating in Africa, the near-term priorities are the same as for their European peers, with local alignment. They should bring AI and machine learning systems explicitly into the model definition and inventory, build validation and tiering approaches suited to their failure modes rather than retrofitting traditional ones, close the gap where no AI control framework yet exists, and decide deliberately who owns AI risk. What differs is the regulatory route. South Africa has no dedicated AI Act at the time of writing, so it is the Prudential Authority's existing model-risk expectations, alongside POPIA, the FAIS framework and Treating Customers Fairly, that will hold insurers to account, and every one of them already demands the disciplines that trustworthy AI describes.

The encouraging conclusion is that the path is recognisable and the tools already exist. Anchoring the work in a recognised set of responsible AI principles, such as Deloitte's Trustworthy and Secure AI Framework, turns these scattered obligations into a coherent programme. The risk manager's role has become harder, but the insurers that treat trustworthy AI as an extension of disciplined model risk management, rather than as a separate compliance exercise or a wait for new law, are the ones best placed to adopt the technology with confidence.

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# Strengthening the Case for Agentic AI in South African Insurance

## Why Agentic AI Matters Now

Agentic AI is strategically significant because it moves insurance beyond task automation and into operating model redesign. In South African insurers, that shift is likely to be felt first in actuarial and adjacent control functions, where complexity, judgement, governance, and time pressure converge.
The opportunity is not merely to complete existing work faster. It is to redesign how valuation, reporting, model governance, data validation, and customer-impacting decisions are produced, challenged, and governed in a way that is commercially useful, operationally realistic, and defensible.

## Our point of view

**Agentic AI should be treated as an insurance operating model consideration, not only a technology initiative.**

**The highest-value opportunities are likely to sit in actuarial, finance, claims, and control functions where complexity, repeatability, and governance requirements intersect.**

**The differentiator will be the ability to combine domain depth, AI enablement, and control design in one transformation agenda.**

**The winners will not be those that pilot the most, but those that scale with trust, evidence, and clear accountability.**

## South Africa's Adoption Gap

The urgency is clear. Globally, insurance has been one of the earliest industries to experiment with AI, yet only a small minority of insurers have scaled it across the enterprise.

In South Africa, adoption is more cautious still: the joint FSCA and Prudential Authority survey found that only

**8%**

of insurers were actively using AI, compared with

**52%**

of banks. The implication for executive teams is straightforward. The strategic case is strengthening faster than operational capability is being built.

In our view, this is no longer only a technology agenda. It is now a business model, talent, and control agenda. For executive teams, AI is becoming both a productivity lever and a strategic response to changing customer expectations. For actuarial leaders, the implication is sharper: functions that remain dependent on fragmented data, manual validation, and execution-heavy reporting cycles risk becoming bottlenecks. The opportunity is to reposition actuarial as a control tower for assumptions, model challenge, explainability, and decision quality within an AI-enabled insurer.

This is also where Deloitte's differentiator is most relevant. Our view is that insurers do not unlock value from agentic AI through technology deployment alone. They do so by combining actuarial depth, insurance process knowledge, AI enablement, and governance design in one transformation effort. That is especially important in actuarial contexts, where technical accuracy, professional accountability, and evidence for decision-making matter as much as efficiency. In practice, actuarial specialists using AI are better positioned to redesign the future function than generic AI teams working at a distance from the business and its controls.

The use cases now emerging in actuarial and finance functions reinforce that point. Valuation monitoring, model testing, data reconciliation, exception reporting, assumption support, and narrative drafting are already beginning to shift from manual execution to machine-supported orchestration. Efficiency gains of 20-30% are being reported in actuarial and reporting processes, with some documentation-related work completed materially faster through AI support. Our view is that the institutions most likely to create sustained advantage will not be those with the most pilots, but those able to redesign the function around where human judgement must remain decisive and where machine autonomy can be trusted.

We therefore see the market approaching an inflection point. Experimentation alone will not change economics. The next phase requires production-grade redesign: clearer use-case prioritisation, stronger control environments, modernised data foundations, and operating models built for collaboration between humans and agents. Over the next three years, actuarial work is likely to shift decisively away from manual execution and toward review, judgement, oversight, and interpretation. The strategic question is which insurers will prepare their functions for that transition before it is forced by competitors, cost pressure, or customer expectations.

## Trust, Governance, and Accountability

The case for agentic AI becomes compelling only when matched by an equally strong case for control. South African regulators have been clear that AI does not sit outside existing prudential, conduct, privacy, and outsourcing obligations. The FSCA and Prudential Authority have emphasised stronger governance, transparency, model risk management, and board-level oversight, while global supervisors such as the IAIS have highlighted the familiar but intensified risks: bias, weak explainability, data privacy failures, cybersecurity exposure, and third-party model dependence. In insurance, these are not peripheral concerns. They sit at the centre of defensibility.

Not all use cases carry the same governance burden. A tool supporting internal report drafting or data clean-up may be acceptable with lighter controls if the output is reviewed before use. But where AI informs pricing, reserving, capital reporting, claims decisions, or any other customer- or financial statement-impacting outcome, the bar is far higher. In those settings, explainability is not a nice-to-have. It is part of what makes the output governable. Accountability remains with the insurer and the professionals who sign off the result. Human-in-the-loop oversight therefore remains essential, particularly in actuarial workflows where professional judgement, reproducibility, and auditability are central.

This is where black-box models become difficult. In low-risk internal productivity use cases, less transparent AI may be acceptable. In regulated insurance, explainability is often a condition for defensibility, not a technical preference. Human-in-the-loop governance will remain essential where outputs affect customer outcomes, capital decisions, statutory reporting, or professional sign-off. The industry may grow more comfortable with AI-supported decisions over time, but trust will depend on governance, testing, and evidence maturing alongside the technology.

## Customer Impact and Inclusion

For customers, the upside is substantial if adoption is disciplined: faster underwriting decisions, more responsive claims servicing, more tailored products, and potentially lower operating costs that support broader access. Global supervisors increasingly see AI as a way to improve policyholder experience through better engagement, faster administration, and more timely claims handling. In South Africa, that matters in a market where affordability, service responsiveness, and inclusion remain live concerns.

But the upside is not automatic. If poorly governed, AI can make exclusion more efficient just as easily as it makes service faster. The key risks are familiar: opaque decision-making, biased outcomes, weak disclosure, and over-reliance on models that are difficult to interrogate. South African supervisory thinking is already moving toward stronger expectations where AI influences consumer outcomes, especially in areas such as underwriting, pricing, and claims. The challenge for insurers is therefore twofold: move fast enough to create value, but carefully enough to preserve fairness and trust.



## The South African Operating Reality

South African insurers are unlikely to follow a simple copy-and-paste version of the UK, EU, or US path. Legacy core systems, fragmented data, uneven cloud readiness, scarce specialist capability, and heightened governance sensitivity all shape what is practical locally. The immediate question is often not whether AI-specific regulation exists, but whether existing obligations can still be met once AI is inserted into a regulated process. In that sense, AI exposes the strength or weakness of the insurer's current operating model just as much as it introduces new technological possibilities.

## Infrastructure, Data, and Vendor Risk

Infrastructure and data architecture will determine whether agentic AI remains a promising demo or becomes a production capability. Some use cases can be layered onto legacy environments, but scaled deployment quickly surfaces weaknesses in data lineage, integration, controls, cloud configuration, and vendor management. For insurers, this creates a strategic dependency question as well: where are models hosted, how is sensitive policyholder information protected, and how concentrated is operational dependence on a handful of external platforms? If AI becomes embedded in critical actuarial or claims processes, resilience and concentration risk move quickly from technical detail to board issue.

## Workforce and Skills Implications

The workforce implications are especially significant for actuarial teams. As AI absorbs more execution-heavy work, from reconciliations and testing to documentation and first-pass analysis, traditional training pathways for junior talent may weaken. That does not reduce the importance of actuarial expertise; it changes where that expertise is applied. Future actuarial teams are likely to be smaller, more technology-enabled, and more focused on governance, interpretation, scenario thinking, communication, and challenge. AI literacy will increasingly sit alongside spreadsheet and modelling capability as a core professional skill. The differentiator will not be whether actuaries can code every solution themselves, but whether they can frame the problem, test the output, and stand behind the decision.

## From Pilot to Production

From Deloitte's perspective, moving from pilot to production depends on a small number of foundations being built well: a value-led use-case agenda, an operating model with explicit accountability, data and architecture capable of supporting orchestration at scale, and governance that keeps trust moving in step with capability. AI will not create sustained value if it remains trapped in disconnected proofs of concept owned only by technology teams. The insurers most likely to succeed will align executive sponsorship, actuarial leadership, risk oversight, compliance, and engineering around a focused set of enterprise priorities. In practice, that means redesigning processes around what humans and machines each do best, rather than layering AI onto legacy work.

## The Strategic Outlook

Deloitte's point of view is that agentic AI will matter most where it enables insurers to redesign how value is created, controlled, and delivered – not where it merely accelerates isolated tasks. In South Africa, that means starting from the realities of legacy architecture, regulatory scrutiny, and constrained specialist capacity, while still acting with ambition. It also means recognising that actuarial should not be treated as a downstream user of AI, but as a central participant in shaping the future insurance operating model. The evidence is now strong enough to move the conversation beyond experimentation. The more important question is which institutions will convert it into disciplined advantage first.

For South African insurers, the next step is not to deploy AI everywhere at once. It is to make a small number of deliberate choices well: identify where agentic AI can create measurable value, redesign the surrounding process rather than automate fragments, build governance that makes the output trustworthy, and invest in the data, architecture, and workforce model required to scale. Deloitte's view is that the differentiator will be the ability to combine domain depth, technology execution, and control design in one transformation agenda. That is particularly true in actuarial, where the future function will be defined not only by efficiency gains, but by how effectively it governs judgement, evidence, and decision quality in an AI-enabled insurer.

This moment therefore calls for more than experimentation. It calls for leadership with a clear point of view on where AI belongs, where human judgement must remain decisive, and what foundations need to be built now. Our view is that the insurers that move earliest with discipline, transparency, and operating model intent will be best placed to earn trust, improve economics, and shape the next era of insurance in South Africa.



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# Payments upended:

## Regulation and technology are rewiring South African insurance

South Africa's payments landscape is being fundamentally reshaped by regulation, technology and changing consumer behaviour, directly impacting how insurers collect premiums. Historically, collections relied on stable channels (debit orders, payroll deductions, cash), and insurers built their products, risk models and persistency strategies around this predictable system.

That stability is now breaking down. Real-time payments, open banking, mobile wallets, embedded finance – and especially the recent bevy of regulatory changes – are shifting control of the payment relationship and introducing greater uncertainty in collection outcomes.

**For insurers, the question is how they can adapt and lead rather than being forced to react.**

This is particularly critical in funeral insurance, where regulatory pressure and potential limits on payroll deductions could significantly disrupt persistency and reshape product viability.

### The regulatory environment

The regulatory environment governing both insurance and payments is in active evolution. The Financial Sector Conduct Authority's (FSCA's) 2025–2028 Regulation Plan, the ongoing development of the Conduct of Financial Institutions (COFI) Bill, and the national payment system (NPS) reform programme collectively create a complex, but navigable, regulatory landscape for insurers willing to engage proactively.

Several near-term regulatory dynamics deserve particular attention. The FSCA and Prudential Authority's (PA's) Joint Communication 7 of 2024 on funeral insurance distribution signalled the beginning of a structured review of the regulatory framework for funeral insurance, including distribution models, consumer consent standards and premium collection practices. Industry participants were invited to engage in stakeholder workshops in the first half of 2025. The outcome of this process hasn't materialised in draft regulations yet, but no doubt will shape the framework within which funeral insurance premium collection operates for the next decade.

Regulation of employer payroll deductions in South Africa is well defined under Section 34 of the Basic Conditions of Employment Act (BCEA), which allows deductions only with employee consent or under specific legal provisions, with statutory deductions (e.g. Pay As You Earn (PAYE), Unemployment Insurance Fund (UIF)) remaining mandatory. Insurance premium deductions have historically relied on employee consent, with employers acting as collection intermediaries, but this model is becoming less certain due to rising administrative burden on employers, increased regulatory scrutiny (including FSCA and PA focus on funeral insurance distribution and consent), and tighter rules on intermediary premium collection, such as time-limited FSCA exemptions extending only to March 2027.

*The extension to 2027 isn't a reprieve. Regulation is clearly shifting toward greater insurer accountability, stricter consent, and higher conduct standards, and those who delay adapting risk being left behind. The real opportunity is to engage early and shape the future framework, leveraging industry expertise to ensure solutions that are both compliant and sustainable for consumers.*

Meanwhile, the recent release of the South African Reserve Bank's (SARB) third draft of proposed amendments to the country's payments authorisation framework[1] will directly shift how payments – and payment activities – will be regulated.

The amendments focus on two key instruments, a draft exemption notice that would exclude certain payment activities from constituting "the business of a bank", and the introduction of a comprehensive activity-based regulatory regime. Essentially, the reforms open a clear, authorised path for insurers to offer specified payment services (e.g., e-money wallets, payment instruments, premium collection and claims disbursement via payment rails, payment initiation and third-party payment services) without a sponsoring bank. However, this is only if they meet SARB authorisation/registration requirements and the PA exemption conditions. Previously, non-bank providers typically had to rely on bank sponsorship arrangements to participate in the NPS. Another notable feature of the proposed framework is the functional classification of payment activities, including issuing of e-money and payment instruments; acquiring of payment instructions; clearing and settlement; payment initiation; third-party payments; schemes management; and money remittance and scheme management.

As has been suggested by legal experts, this modular structure enables regulation to be calibrated to the specific risk profile of each activity[2].

While this has the potential to open new commercial opportunities, it also introduces material prudential, operational, legal and conduct obligations and costs. While the framework is still in draft format, it could be implemented within the next year, meaning insurers should be aware of its implications. Overall, these regulatory pressures point toward a shift to stricter oversight and potentially reduced reliance on payroll deductions, which could materially impact premium collection in the funeral insurance market.

### Open banking and the changing power dynamic

Open banking is beginning to reshape South Africa's payments landscape by shifting control away from traditional bank-led models toward more open, Application Programming Interface (API)-driven ecosystems. While still early-stage, initiatives like Capitec Pay and aggregator-led "Pay by Bank" solutions (e.g. Ozow, Stitch, Payfast) signal a move toward seamless, account-to-account payments across platforms. At the same time, the regulatory developments from the SARB are set to enable fintechs to participate directly in the NPS, increasing competition and unlocking new collection pathways beyond traditional banking rails. For insurers, this creates opportunities for richer customer data, smoother premium payments, and faster claims, but also introduces greater complexity, more fragmented payment channels, and rising customer expectations for flexible, frictionless payment experiences.

*Open banking can improve underwriting, enable seamless premium payments, and speed up claims, but it also increases complexity, introduces more potential failure points, and raises customer expectations for flexible payment options.*

### The payroll deduction question

Against this backdrop of structural payments innovation and regulatory change, a specific and immediate disruption is crystallising in the funeral insurance market, one with potentially severe consequences for persistency, affordability and financial inclusion.

### The persistency imperative

Funeral insurance is the most widely held insurance product in South Africa, but it faces significantly higher lapse rates than traditional life insurance, particularly in the first year. This creates major challenges, including high acquisition costs, lower policy lifetime value, and poor outcomes for customers who lose cover after years of payments. Payroll deduction stands out as the most effective persistency lever, reducing lapse rates dramatically, up to four-fold compared to debit orders or cash, by embedding premium collection into income flows and removing the friction that often leads to missed or cancelled payments. The behavioural friction that causes a consumer to cancel or forget a debit order is removed. The result is materially superior persistency.

This persistency challenge creates a wastage dynamic that serves neither insurer nor policyholder, particularly where vulnerable consumers lose cover precisely when they may need it most. A family that has paid premiums for two or three years and then lapses due to a missed payment receives nothing; the insurer bears the cost of acquisition and loses the policy. There are no winners.

### Modelling the impact: A lapse rate stress test

If a funeral insurer shifts policyholders from payroll deductions to debit orders, lapse rates could increase materially, potentially rising several-fold. A book that might see relatively low annual lapses under payroll (e.g. single-digit levels) could experience significantly higher attrition under debit order, particularly in the first year. At scale, this would translate into tens of thousands of additional policy lapses, driving higher replacement costs, reduced premium income, and pressure on profitability through increased acquisition and servicing expenses. Beyond financial impacts, the shift could have significant social consequences, as funeral insurance primarily serves lower-income households, where losing cover due to missed payments increases the risk of financially distressing uninsured funeral costs.

# What this means for the insurance industry: Four strategic imperatives

The confluence of a transforming payments landscape and potential disruption to payroll collection is not a problem to be managed defensively. It is a structural inflection point that creates genuine competitive differentiation for those who respond with clarity and speed. There are four areas where the industry must act.

### Reimagine premium collection as a product feature

Premium collection should no longer reside in operations; it must become a core part of product design. Persistency data shows that how premiums are paid is as critical as the product itself. New capabilities enable flexible, income-aligned collection models (e.g. real-time payment requests), which better match irregular earning patterns and can materially improve collection rates.

**Insurers need to invest in payment technology, flexible pricing structures, and regulatory alignment to unlock this shift.**

### Invest in digital engagement to reduce behavioural lapse

Many lapses are driven by disengagement rather than inability to pay, meaning the loss of payroll deduction requires a new behavioural anchor. Insurers must build digital engagement capabilities – real-time reminders, predictive lapse analytics, mobile-first servicing, and seamless reinstatement pathways – to actively manage customer engagement.

**The infrastructure already exists (mobile usage, biometrics); the opportunity is to apply it to proactively reduce preventable lapses.**

### Engage employers and aggregators as strategic partners, not just conduits

Rather than abandoning employer channels, insurers should evolve them into embedded finance partnerships. By integrating with payroll platforms and human resource (HR) systems, rather than relying on employers to manage deductions, insurers can retain the timing benefits of payroll-linked payments while removing administrative and compliance friction.

**Early movers in building platform partnerships will gain a durable advantage in both distribution and persistency.**

### Prepare for open banking as a persistency engine

Open banking will provide insurers with real-time financial data (e.g. balances, income timing), enabling proactive lapse prevention. This allows insurers to intervene before payment failure, adjusting debit timing, offering flexibility, or engaging customers early.

**To capture this opportunity, insurers must start building consent frameworks, data capabilities, and real-time decisioning now, positioning themselves ahead of regulatory maturity**



### The architecture of resilience

Clarity of thinking, speed of execution and genuine commitment to consumer outcomes will be essential to address the current payments transformation. More importantly, relying on yesterday's collection architecture where we are already seeing the future landscape will mean limited opportunities and greater risk – especially in the changing regulatory and technology-driven insurance landscape.

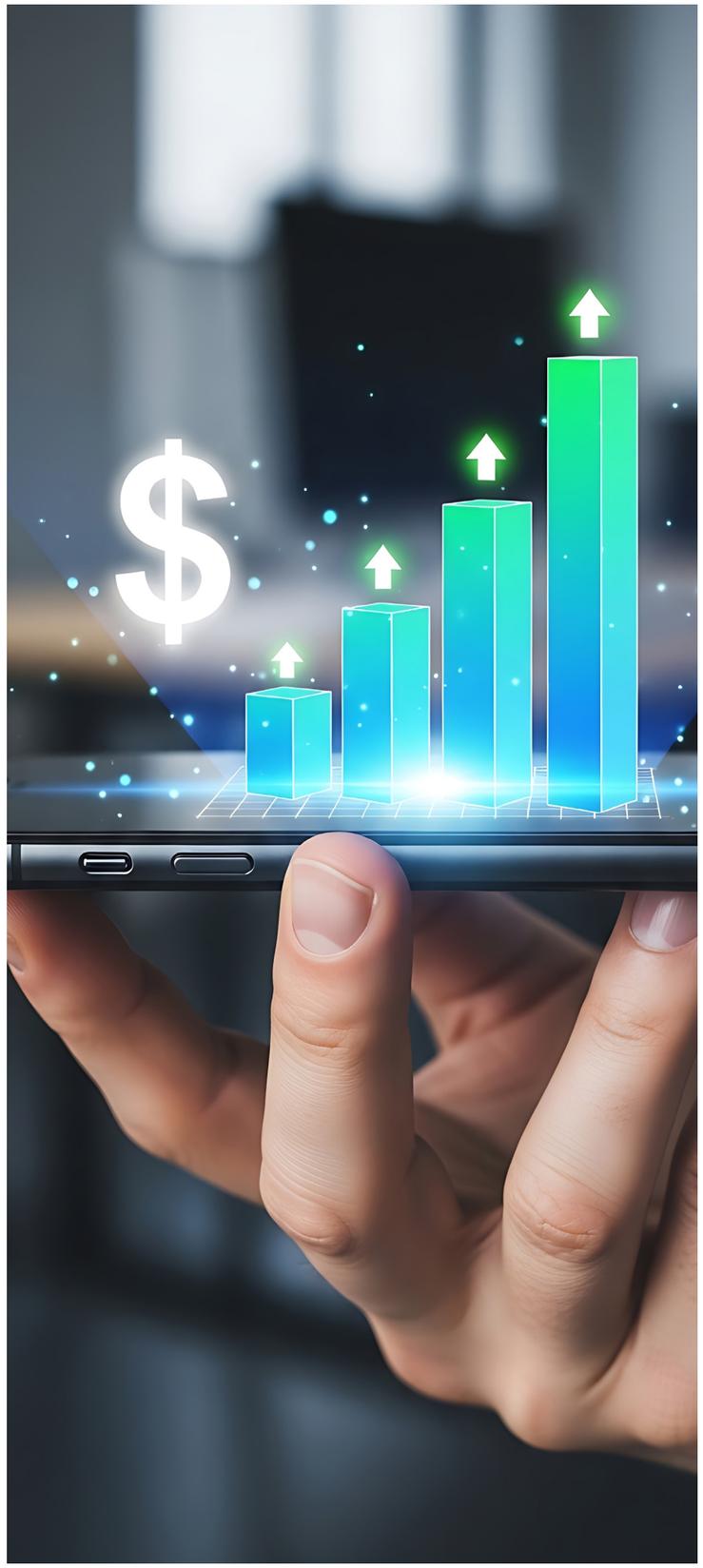
The architecture of insurance persistency is being rebuilt. The question for every insurer in this market is simple: are you building the new architecture while governing it correctly, or are you waiting for someone else to show the way?



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