

Multiple factors influence insurance costs, including fire risk, climate change, infrastructure degradation, geopolitical tensions, rising claim costs, reinsurance challenges, and crime. Understanding these drivers is essential for making informed decisions about insurance coverage.



1 CLIMATE CHANGE AND WEATHER-RELATED LOSSES

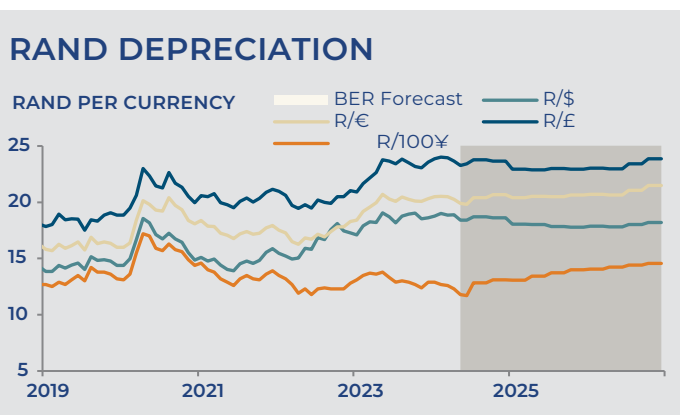
With the shift to La Niña, South Africa is experiencing increased rainfall and flooding risks, as evidenced by recent events like the KwaZulu-Natal floods.



4 GEO-POLITICAL TENSIONS

Global conflicts and tensions disrupt supply chains, increasing logistics costs.

These higher costs affect the affordability of imported parts and contribute to claims inflation, influencing insurance premiums.



7 RISING CLAIM COSTS

The depreciating Rand raises the cost of imported goods, including car parts and machinery, leading to higher insurance premiums.

Increased second-hand car values and higher road traffic incidents further elevate claims costs.



2 FIRE RISK

Fire remains a significant risk for both commercial and residential properties. The reduction in firefighting capabilities in some municipalities increases this risk.

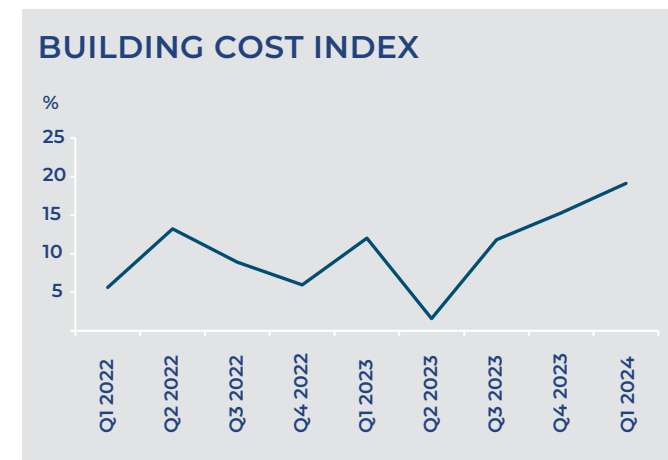
Consequently, the reliability and adequacy of firefighting services are crucial factors in determining insurance premiums.



5 INFRASTRUCTURE DEGRADATION

Infrastructure degradation continues to challenge insurers, with increased power surges and business interruption claims due to load-shedding.

Building cost inflation has surged to nearly 20%, further impacting insurance premiums.



8 CYBERSECURITY – AN EMERGING INDUSTRY RISK

In South Africa, the frequency of cyber-attacks has surged, with insurers reporting a 205% increase in ransomware incidents in Q3 2023 compared to the same period in 2022.

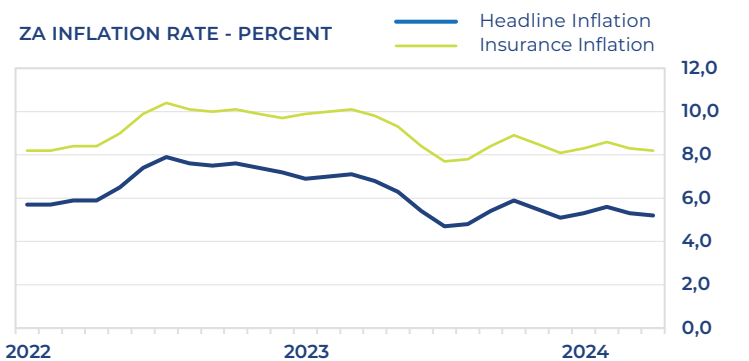
Social engineering and AI-driven phishing attacks will dominate the cyber threat landscape 2024.

The economic impact of cyber-attacks in South Africa is estimated at R2.2 billion annually due to business interruptions, brand damage, stolen funds, and the costs of recovering lost data. As a result of this escalating threat, businesses need to allocate more resources.



3 REINSURANCE COSTS AND CAPACITY

Reinsurance tariffs have increased, and capacity has reduced due to substantial losses from events like the KwaZulu-Natal and Gauteng floods. Insurance cost inflation in 2024 is projected at an average rate increase of 8% due to reinsurance rate changes, increased repair costs, loss ratios, and class of risk. Further to this, an increase in overall premiums is due to property inflation, which is currently between 8% and 10%.



6 CRIME-RELATED CLAIMS

Fraudulent claims, particularly from syndicates, have increased, impacting insurance affordability.

High-value vehicle theft has surged, necessitating the installation of tracking devices to mitigate risk.

The vehicle recovery rate continues to improve. The industry average recovery rate of 88.77% improved from the prior month's 88.58% and the preceding year's 84%.