

# Will SA's short-term insurance industry prosper?

Issued by [Insight Survey](#)

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According to a recent report in a prominent South African publication, South Africa's short-term insurance industry is on the cusp of a significant growth period. Gross premium income is expected to increase to R121bn by 2017, equating to a whopping 39% increase over that period! However, whilst such projections may see industry stakeholders deliriously reaching for the Moët, such cause for optimism may be premature.

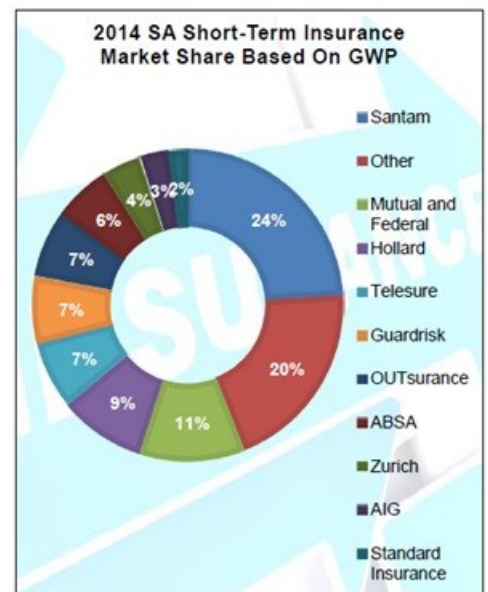
Insight Survey's latest **SA Short-Term Insurance Landscape Report 2016** addresses the plausibility of such claims; in so doing providing a comprehensively nuanced understanding of the current industry environment and market dynamics.

South Africa is the only country on the African continent that has a well-developed, mature and comprehensive short-term insurance market. The reasons for the country's high Insurance penetration rate, apart from its sophisticated financial sector, is the high level of consumer confidence in the local financial service providers and the high level of market competition.

As illustrated on the 2014 SA Short-Term Insurance Market Share graph, Santam remains the number one short-term insurance company – in terms of market share.

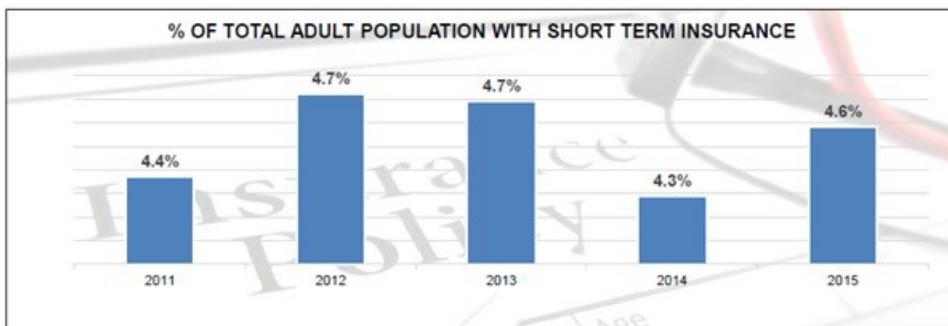
The market is still being dominated by the four largest insurers that underwrite 51.7% of the market's gross written premium.

Meanwhile, motor net written premiums made up 44.8% of the total net written premiums, and including the property risks, a level of 77.5% was reached in 2014.



Source: [KPMG](#), Graphics by [Insight Survey](#)

As the below graph indicates, growth in recent years has been marginal with the percentage of adult South Africans holding Short Term Insurance policies only rising 0.2% in the past five years. This lends further credence to the soothsayers who have dismissed such talk of exponential growth as laughable. However, this projection of 39% growth certainly wasn't plucked from fiction – it was ostensibly based on the belief in the significant impact a few key variables would have on the industry over the period in question.



Source: [AMPS](#), [Insight Survey](#), Graphics by [Insight Survey](#)

Firstly, is the predicted impact of "buppies", or Black Upwardly-Mobile Professionals. "Buppies" have started to dominate the emerging Short-Term consumer market. This group may also be defined as young Black professionals between 25 and 39 years old, employed full-time or part-time, who have some tertiary qualifications and fall within the living standards measure (LSM) of 7 or higher.

Secondly, is the predicted impact of innovation focused on direct sales and distribution. Smart phones present the most important opportunity for technological innovation and marketing strategies. Most important applications of the new technologies will center on direct Insurance and online distribution, real-time data mining and new actuarial systems to drive growth.

Lastly, and perhaps most importantly from a growth perspective, is the predicted systematic expansion into untapped markets. Only 3,5% of the African market is insured, indicating a vast opportunity for South African short-term insurance firms. South Africa's leading short-term insurance companies have already started to make inroads into this predominantly untapped market by expanding their scope into African countries. Santam has already begun its Africa expansion, while Mutual and Federal has set aside R5 billion for the next three to five years in order to increase its reach.

However, while the three drivers mentioned above certainly have the potential to catapult SA's short-term insurance industry into a period of market prosperity, there are a myriad of restraints waiting in the wings to spoil the carnival atmosphere. Fraud; decreased profitability due to natural disasters (e.g. the devastating fires which ravaged Cape Town earlier this year); more proactive loss control leading to the eradication of competitive advantage; and last but certainly not least, the weakening Rand, all represent barbed obstacles which the Industry will potentially need to grapple with.

Thus, the growth forecast in question is wholly dependent on whether or not the Industry can overcome this myriad of challenges.

The **South African Short-Term Insurance Landscape Report** (135 pages) provides a dynamic synthesis of industry research, examining the local and global short-term insurance industry from a uniquely holistic perspective.

#### **Some Key Questions The Report Will Help You To Answer:**

- What are the current market dynamics of the global short-term insurance industry?
- What are the SA short-term insurance industry drivers and restraints?
- What are the key trends in the SA short-term insurance industry?
- What is the core strategy and target market of each key player in the short-term insurance industry?
- What are the Client profiles of the most popular short-term insurance brands (as of 2015)?

Please note that the full 135-page PowerPoint report is available for purchase for R45,000 (excluding VAT). Alternatively, individual sections can be purchased for R25,000 (excluding VAT). For additional information simply contact us at [info@insightsurvey.co.za](mailto:info@insightsurvey.co.za) or directly on (0)21 045-0202.

For a full brochure please go to: [Short-Term Insurance Report Brochure 2016](#)

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We offer B2B market research solutions to help you to successfully improve or expand your business, enter new markets, launch new products or better understand your internal or external environment.

Our bespoke Competitive Business Intelligence Research can help give you the edge in a global marketplace, empowering your business to overcome industry challenges quickly and effectively, and enabling you to realise your potential and achieve your vision.

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