

# There's still room for growth in SA's insurance market

Each stage in the evolution in the South African insurance market presents opportunities for growth and new business models, says Thokozile Mahlangu, chief executive of the Insurance Institute of South Africa (IISA).



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Bancassurance, new legislation, technological developments, changing customer behaviour as well as cutting edge fintech innovations by non-financial services firms have had a major impact on the current structure of the local insurance industry.

“Awareness of the mega-trends is just the first step. However, the lack of proper interpretation of these market changes can break an operation,” says Mahlangu.

It is important to have deeper market insights because on the surface the numbers alone can paint a very misleading picture. “If you measure insurance penetration in South Africa by the percentage of premiums generated - now exceeding R100bn annually in the short-term insurance sector alone according to a report by the Oxford Business Group - against the country’s gross domestic product, the local industry market penetration is on par with developed economies around the world at more than 20% of premiums against GDP,” says Mahlangu.

“But if you look at individual product penetration such as auto insurance, which the South Africa Insurance Association (SAIA) says covers only 35% of cars on our roads, then you realise that the market is considerably under-insured.”

## Fintech

New fintech innovations that have recently come to the market could make it possible for the under-insured, usually those in the low-income brackets, to also enjoy some minimal level of cover.

At the same time, the available technology is also making it possible for higher levels of product customisations.

"Non-financial fintech competitors are making their presence felt in the industry. They are not only disrupting the industry, but they are also making it more competitive," says Mahlangu.

"These fintech's have levelled the playing field by shifting some market power from insurers to customers, making it possible for individuals to monitor and compare products with remarkable ease and at no cost to them.

"These companies are real game changers and will undoubtedly make the industry more competitive, which is always beneficial to the customer and also makes the industry more robust."

Insurance customers are also actively becoming involved in managing their risks. This reduces their premiums and makes insurance accessible to a larger market, says Mahlangu.

## **Legislation**

The legislative environment being introduced, such as the Twin Peaks which the industry has welcomed, will gradually make it possible for all insurance customers to enjoy improved treatment and protection.

"The industry will take some pain in the short-term as it will need to invest in technology to improve transparency, but in the long-run what benefits policyholders will also be beneficial to the industry.

"The challenge to the industry is developing products that are suitable and accessible to the lower-income segment of the population as well as products that are relevant to the younger generation and the evolving customer needs, this is one clear avenue for growth."

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