The South African insurance gap (2025)

Understanding the evolving protection needs of South Africans:

Life, disability, and critical illness

Commissioned by the Association for Savings and Investment South Africa (ASISA)

Conducted by True South Advisory

October 2025

Why ASISA Measures The Protection Gap

- Provides a **consistent benchmark** for **household financial resilience**
- Tracks **progress in protection levels** across death, disability and now also critical illness events
- Helps the life insurance industry **focus its efforts** where protection shortfalls are most acute

2007 | 2010 | 2013 | 2016 | 2019 | 2022 | **2025**

2025 Study's Headline Findings

The protection GAP keeps widening

Total **protection gap** now **R50.4 trillion**, growing 12.5% p/a since 2022

Growth in cover lags well behind **growth in income**, widening the total gap

Coverage inequality deepens

Higher-income and **more-educated** earners hold **most of the cover**, most households under-insured

Income inequality, **product access**, and **affordability** likely the main barriers

Critical illness emerges as a weak spot

Cover equals 26% of gross annual income, ~85% of earners have no cover

It's the **least-covered risk** but the most personally felt

Industry response needed

Future progress will depend on fresh thinking across **product design, distribution, and consumer education**

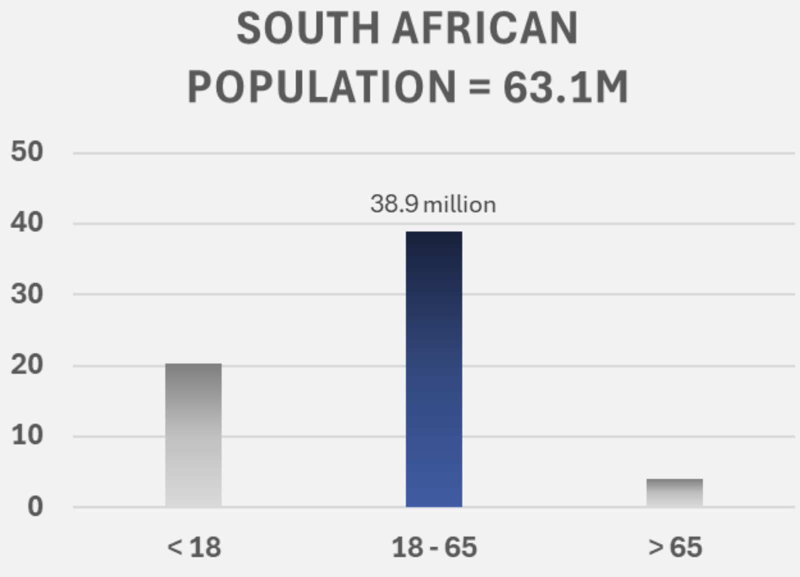
Expanding **reach**, **trust**, and **relevance** for all

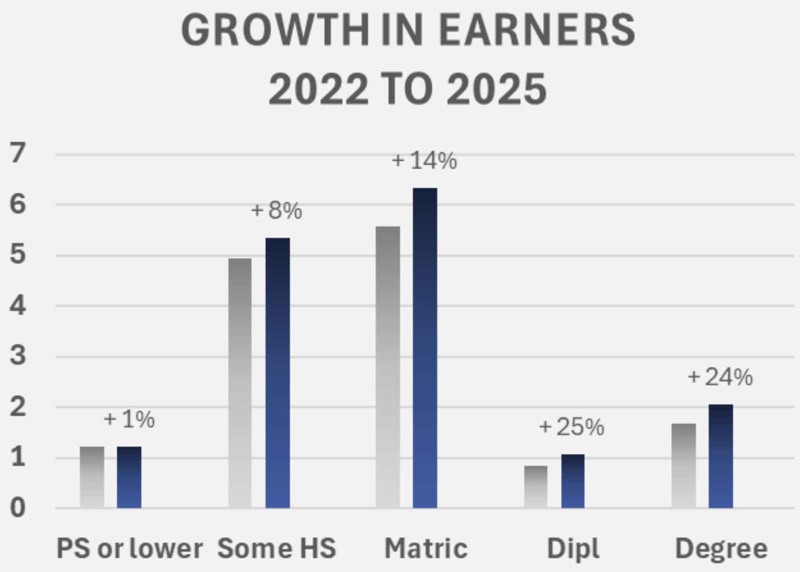
South Africa's Earning Population

- **Working-age** South Africans (18-65): **~38.9 million**

- **Only 4 in 10** working-age South Africans **earn a regular income** (~16.1 million)
- Earner numbers have **rebounded post-pandemic**

- **Growth** in earners since 2022 study mainly **from the more-educated** segment of population





How We Measure The Protection Gap

Death and Disability Events:

Protection Gap = Insurance Need – Actual Cover

Insurance Need:

- Amount of **cover required** to **replace the income lost** due to a **death / disability event**, assuming the household **maintains its current living standards** until retirement
- **Excludes short-term or event-specific costs** such as funeral expenses, medical treatment, or assistive equipment
- Beyond retirement, assumed that **existing retirement provision meets household expenditure**

Actual Cover:

- Total amount of **existing insurance cover** of various kinds
- Includes cover from **insurers** (retail and group cover), **self-insurance pension schemes** (like the GEPF), and **government disability grants**

Critical Illness Events:

CI Coverage = Actual Cover / Gross Annual Earnings

Rationale:

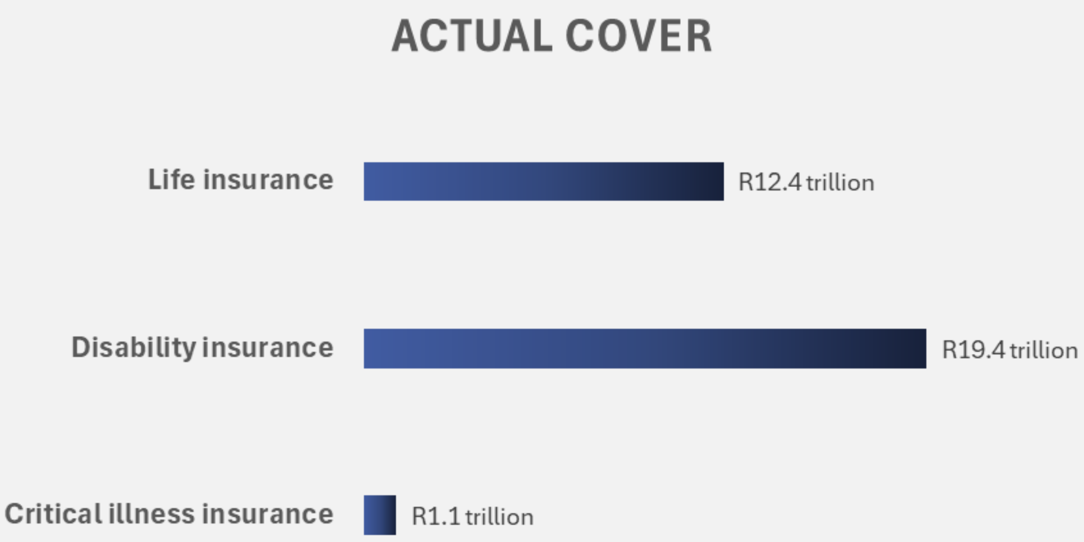
- Unlike death or disability, the need for critical illness cover is **subjective and situational**, it depends on the type of illness, recovery time, medical scheme limits, and lifestyle choices
- Because of this variability, we don't define a formal gap, instead, we use the **coverage ratio as a proxy for adequacy**
- Critical illness benefits are typically used for two broad purposes:
  - Covering **once-off or short-term expenses** (treatment, home adjustments, etc.), or
  - Funding **time off work to recover** (income replacement)
- The coverage ratio provides a direct measure of **household resilience to a severe illness**

Quantifying The Insurance Need

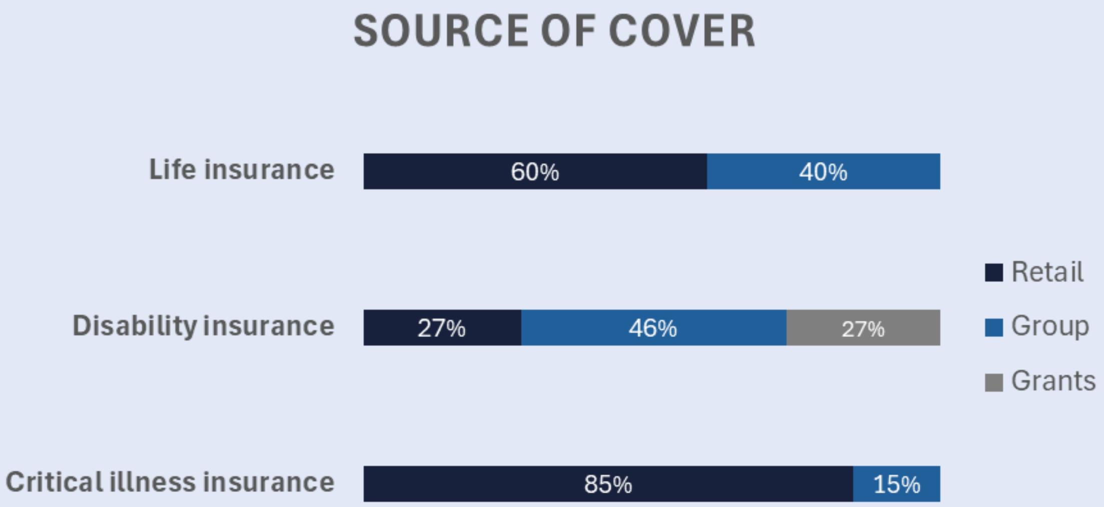
		Death	Disability
Insurance Need	**(Lump-sum value of future income required to maintain household living standards)**	**R33.6 trillion**	**R48.6 trillion**
= Gross Annual Earnings	(Current annual income, projected forward to expected retirement age)	= R4.04 trillion	= R4.04 trillion
x Replacement Ratio	(Proportion of income needed for the household to maintain its standard of living)	x 56%	x 78%
x Capitalisation Factor	(Converts one year's earnings into the present value of a stream of future earnings to retirement)	x 14.8 years	x 15.5 years

Actual Cover Across the Market

- Across **life and disability** insurance, **total cover amounts to R31.8 trillion**
- While **critical illness cover** amounts to only **R1.1 trillion**



- Most of **life insurance** is from **retail policies** (60%)
- While for **disability insurance**, **group cover** contributes most (46%), with **government disability grants** playing a significant role (27%), particularly for low-income earners
- Majority of the **critical illness cover** in place is from **retail policies** (85%)



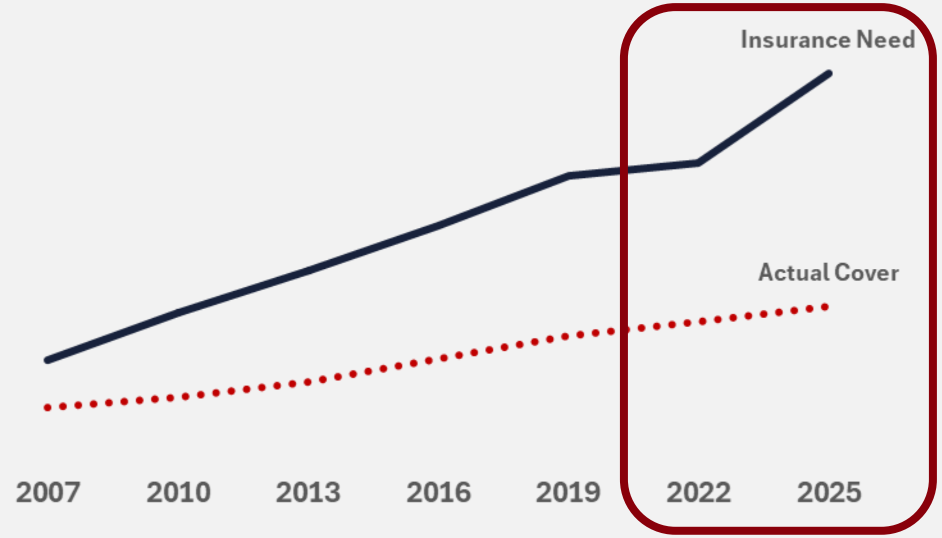
South Africa's R50 Trillion Protection Gap

Total protection gap	**(R50.4 trillion)**
= Number of earners	(16.1 million)
x Average protection gap	(R3.1 million)

- Total protection gap has **increased 5-fold since 2007 study** and is now equivalent to **~7 times South Africa's annual GDP**

- Since the 2022 study:
  - Total insurance **need increased by 9.3% p/a**, driven by the rebound in number of earners and salary inflation (~CPI + 0.5%)
  - While total **actual cover increased by 5.0% p/a**
  - Resulting in the total **protection gap increasing by 12.5% p/a**

WIDENING PROTECTION GAP

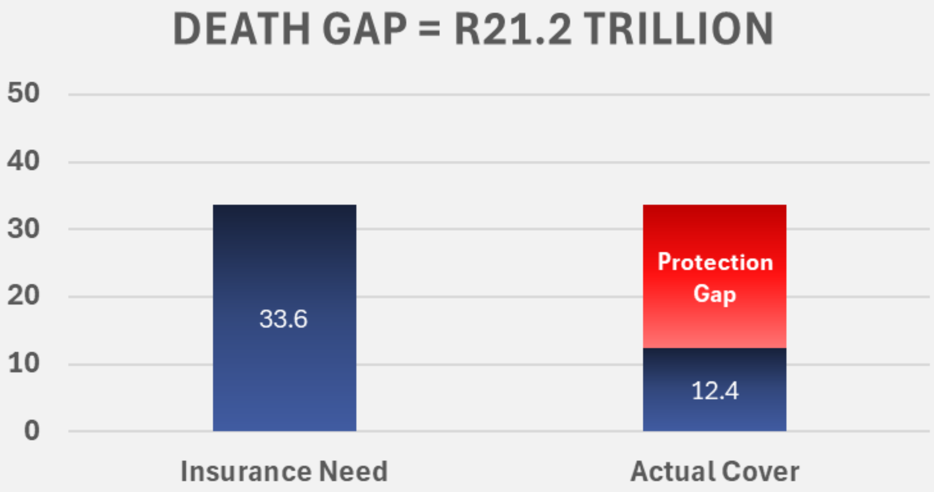


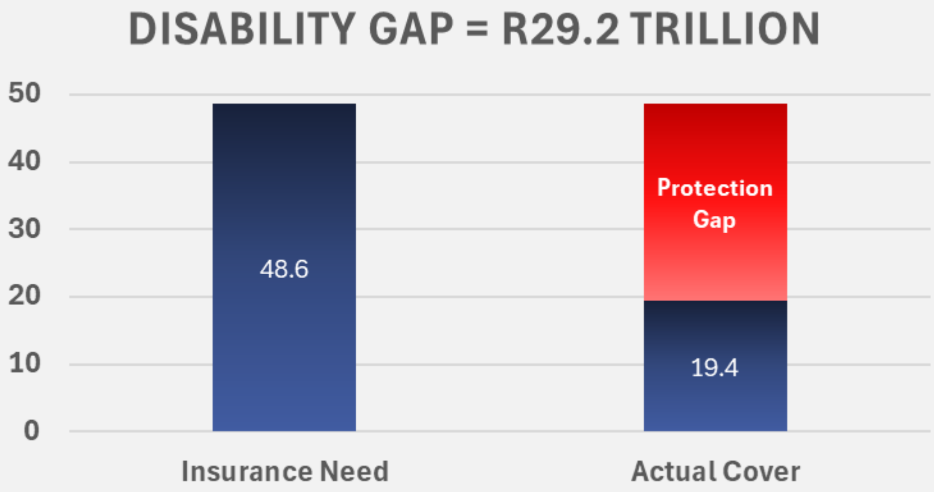
South Africa's R50 Trillion Protection Gap

Total protection gap	**(R50.4 trillion)**
= Number of earners	(16.1 million)
x Average protection gap	(R3.1 million)

Total **death gap** makes up **42%** of the protection gap = **R21.2 trillion**

Total **disability gap** makes up **58%** of the protection gap = **R29.2 trillion**





South Africa’s R50 Trillion Protection Gap

Total protection gap	(R50.4 trillion)
= Number of earners	(16.1 million)
x Average protection gap	**(R3.1 million)**

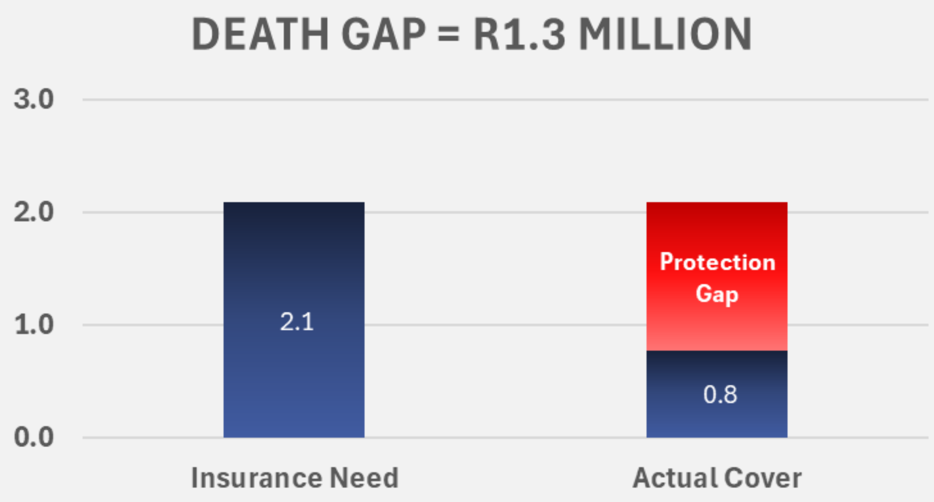
- Average protection gap equivalent to **~12 times the average South African earner’s gross annual income**

- Since the 2022 study:
  - Average insurance **need** per earner **increased by 5.2% p/a**, driven by salary inflation
  - While average **actual cover** per earner **increased by only 1.0% p/a**
  - Resulting in the average **protection gap** per earner **increasing by 8.2% p/a**

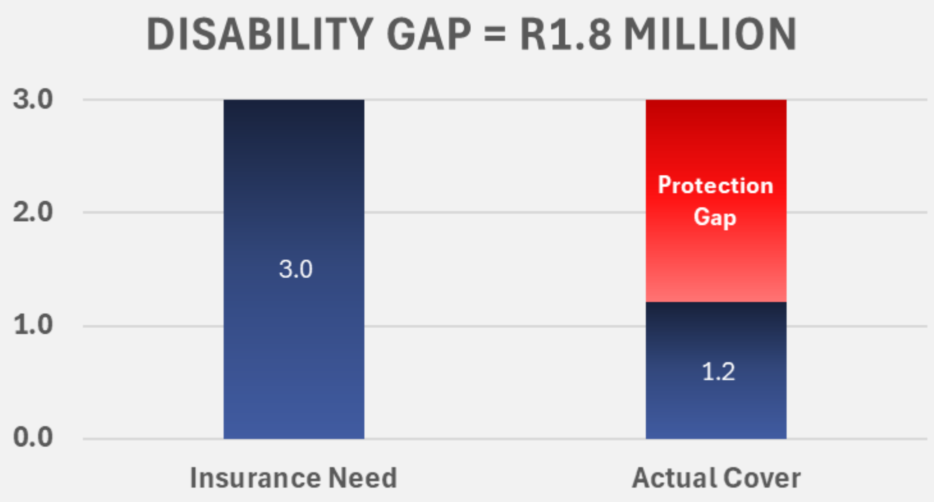
South Africa's R50 Trillion Protection Gap

Total protection gap	(R50.4 trillion)
= Number of earners	(16.1 million)
x Average protection gap	**(R3.1 million)**

Average **death gap** makes up **42%** of the protection gap = **R1.3 million** per earner

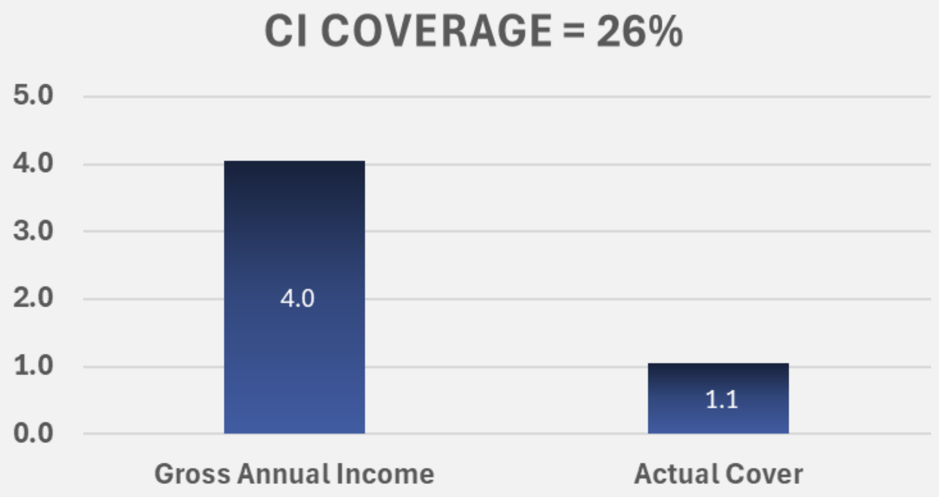


Average **disability gap** makes up **58%** of the protection gap = **R1.8 million** per earner



South Africa's Critical Illness Coverage

Critical illness coverage	**(26%)**
= Actual Cover	(R1.1 trillion)
/ Gross Annual Income	(R4.0 trillion)



- Equivalent to **once-off** or **short-term expenses** of a **quarter of annual earnings**, or **three months off work** to recover
- The **average conceals a highly uneven distribution**: Estimated that >**85% of earners have no critical illness cover**, while a small minority hold high levels of cover

Possible Responses From Earners

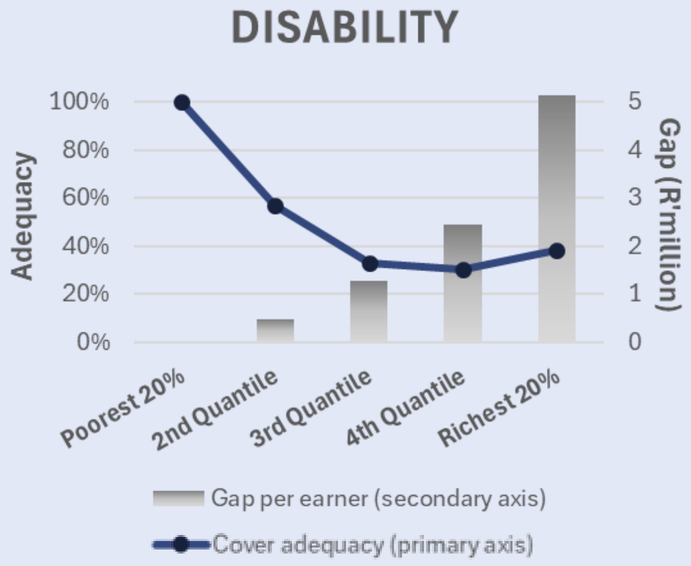
		Death	Disability
Buy Insurance	(% of earnings)	5.2%	3.0%
Cut Expenses	(% reduction)	34%	37%
Seek Employment	(extra income)	R7.4k p/m	R9.8k p/m

Analysis Per Earnings Group

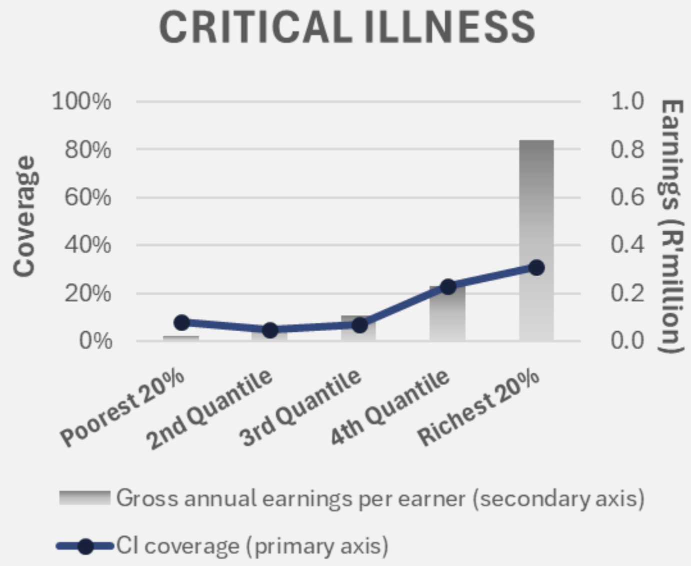
- **Life cover adequacy rises** sharply **with income**, high earners meet 50% their life-insurance need, while low earners meet barely 10%
- The **richest 20%** still face a **gap of ~R3 million** on average

** Cover Adequacy = Actual Cover / Protection Need*

- **Government disability grants eliminate the gap for the poorest earners**, but adequacy drops rapidly higher up the income scale
- **Middle- and upper-income** earners remain **heavily under-insured** despite access to group schemes



- **Critical illness** cover is **rare outside higher-income groups**
- Among **richest 20%**, cover averages about **30% of gross annual income** (~R0.3m)



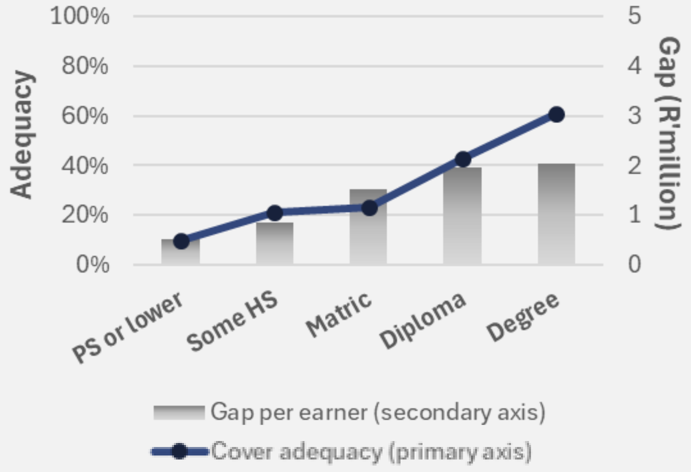
Analysis Per Education Level

- **Life cover adequacy improves strongly with education**, degree holders meet 60% their need, while those without matric meet <20%
- The average earner with **matric** faces a **gap of around R1.5 million**

- **Government grants cushion the least-educated**, while **higher-educated** earners carry **much larger uncovered** amounts
- Even among **degree holders**, **less than half** of the disability insurance need is met

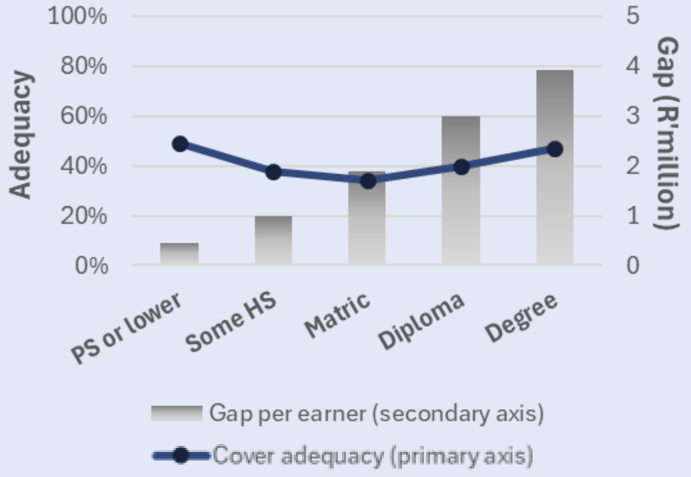
- **Critical illness** coverage **tracks education closely**, coverage rises from near zero for primary-school earners to almost 40% of annual income for graduates
- **Education** appears to be one of the **strongest predictors** of CI coverage

DEATH

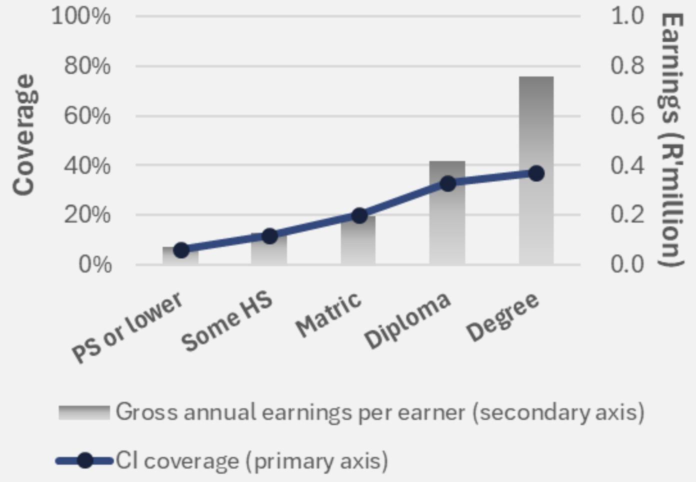


** Cover Adequacy = Actual Cover / Protection Need*

DISABILITY

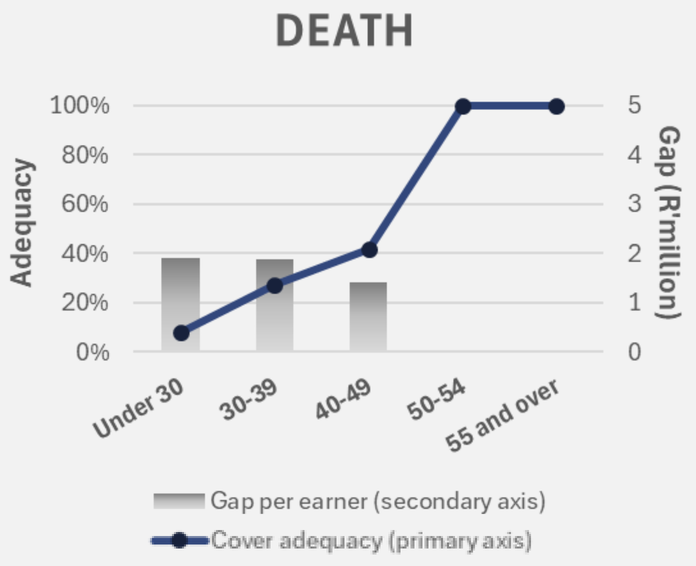


CRITICAL ILLNESS



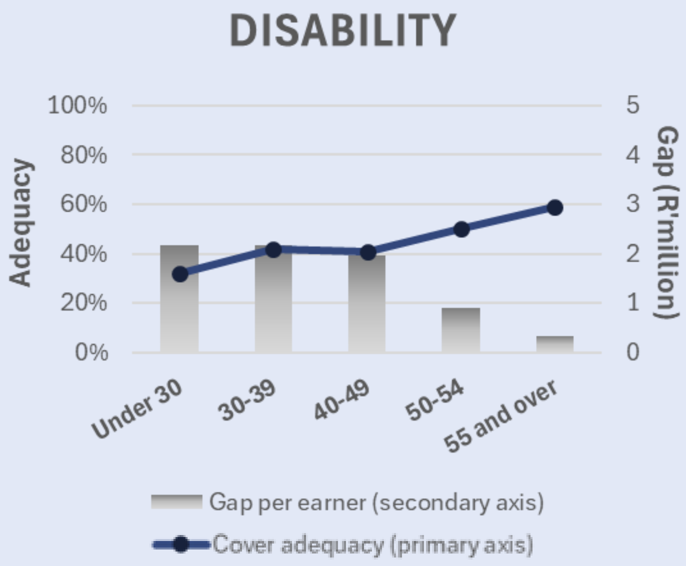
Analysis Per Age Group

- **Younger earners face the largest life protection gaps**, their need is high due to **long years to retirement**, but cover levels are low
- Cover adequacy improves steadily with age and becomes **sufficient from about age 50 onward**

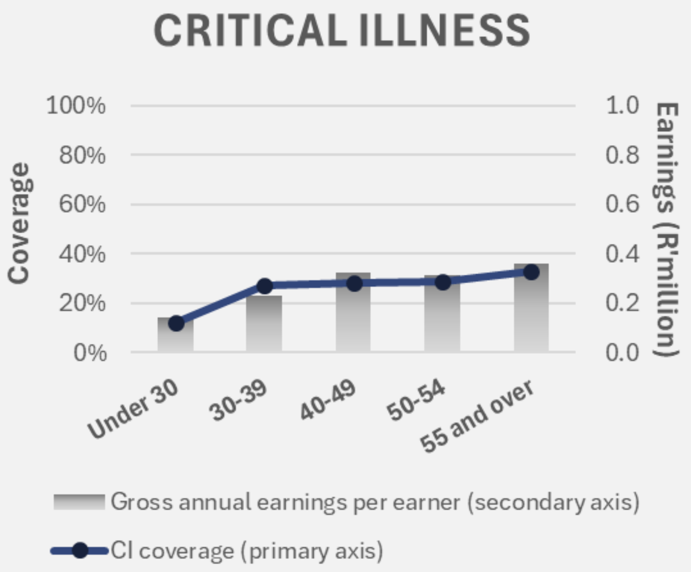


** Cover Adequacy = Actual Cover / Protection Need*

- Disability cover follows a similar pattern: **younger earners are most exposed**, while **older earners have better adequacy** as their working years shorten
- Overall, less than half of the need is covered across most age groups

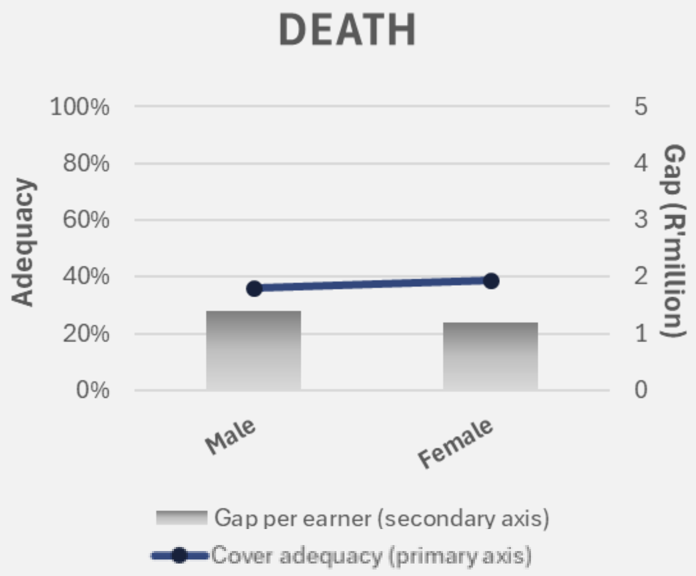


- **Critical illness** cover **increases with age**, but from a very low base
- **Older earners** are **more likely to hold CI cover**, yet their **risk of illness rises much faster** than their level of protection



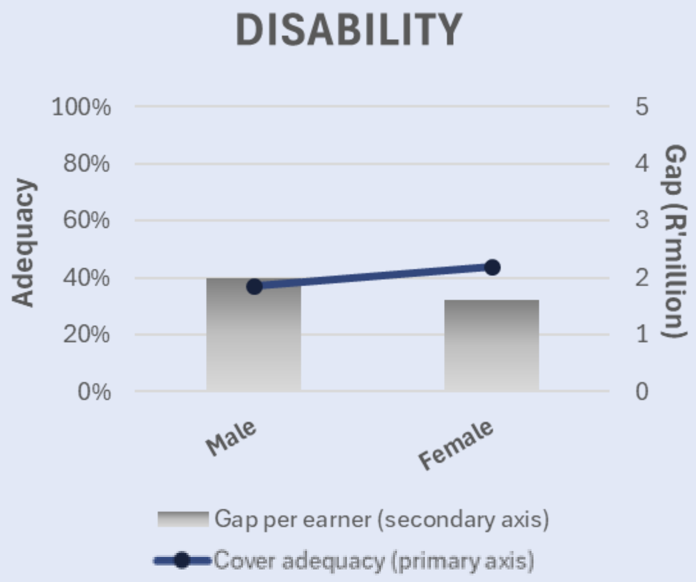
Analysis Per Gender

- **Men hold more life cover in absolute terms**, but **women** achieve slightly **better adequacy** relative to need
- Overall, both genders remain well below full protection, only around 40% of the need is met

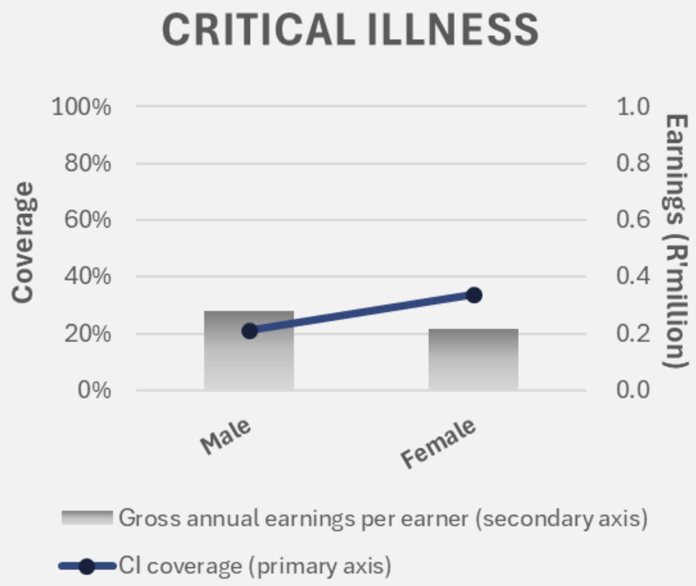


** Cover Adequacy = Actual Cover / Protection Need*

- **Women** again show **higher adequacy**, helped by greater participation in group benefits
- **Men** carry the **larger share of the total disability gap**, reflecting more male earners and higher average earnings, but similar cover levels



- **Women maintain higher critical illness cover** relative to income, roughly one-third of annual earnings versus one-fifth for men
- However, critical illness ownership remains low for both, underscoring limited **awareness and affordability**

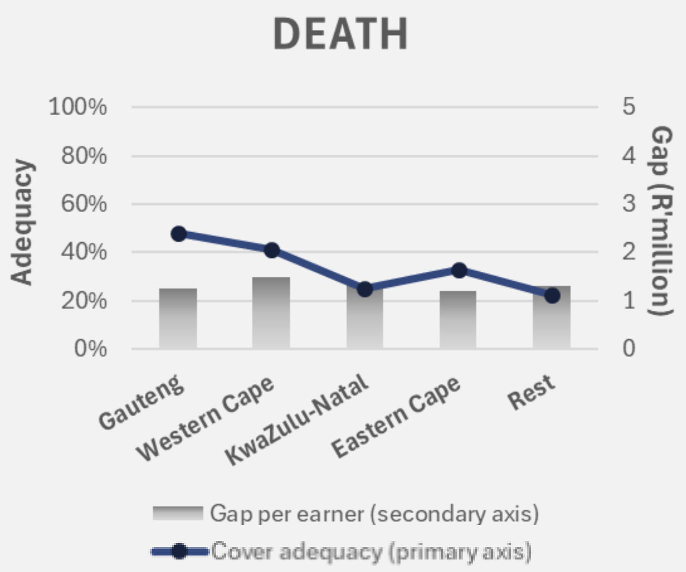


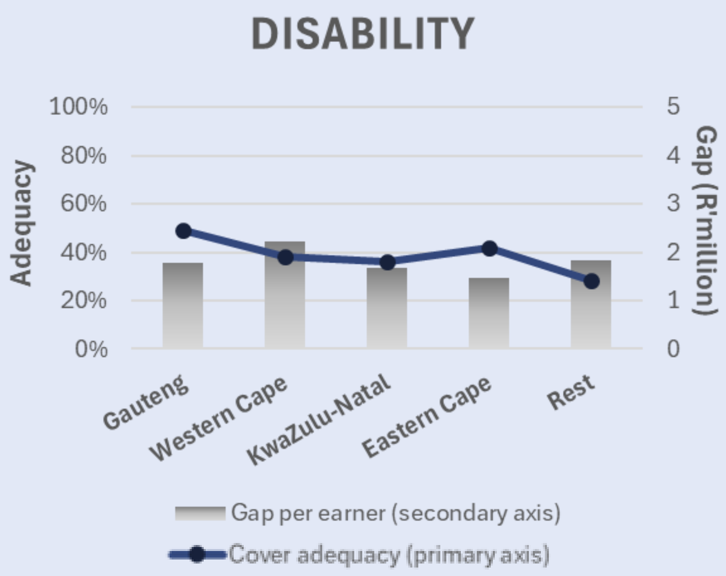
Analysis Per Province

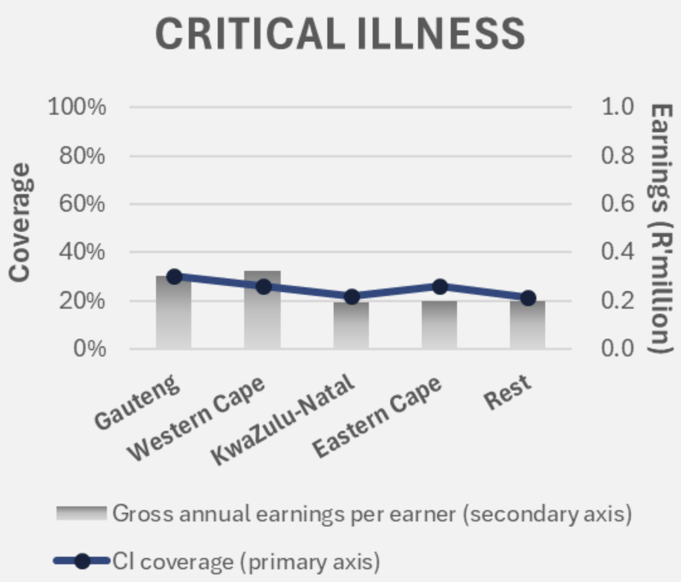
- **Gauteng and the Western Cape** show the **strongest life cover adequacy**, at around 40-45%.
- The other provinces lag behind, with adequacy closer to 20-30%

- **Lower-income provinces rely more on government grants,** keeping adequacy higher
- No province exceeds 50% adequacy

- **Critical illness** cover is **shallow everywhere**, averaging only 20-30% of annual income







** Cover Adequacy = Actual Cover / Protection Need*

Questions and discussion

"The time to repair the roof is when the sun is shining." John F. Kennedy