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REPUBLIC OF SOUTH AFRICA

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MEDIA STATEMENT

ENHANCING SOUTH AFRICA'S APPROACH TO DISASTER RISK INSURANCE

Today National Treasury releases two documents on enhancing South Africa's approach to Disaster Risk Insurance by better using private sector participation: (i) a Disaster Risk Strategy; and (ii) a survey of municipalities experience of managing disaster risk. Summaries of these documents appeared in the 2025 Budget Review.

South Africa has the largest and most mature insurance market of all middle-income countries. While property insurance is widely available, and while the most comprehensive policies cover natural disaster risk (including earthquake, strong wind, flood, hailstorm, landslide, and subsidence), policies are tailored to and bought by middle-and upper-income households. This is indicative of trends for other insurance products, including agriculture insurance, which is currently available only to commercial farmers. Most public infrastructure is uninsured, placing a large contingent liability on the government.

While some large municipalities, such as Cape Town and eThekwini, have municipal insurance pools, the amount of cover offered tends to be limited due to poor data quality and poor asset maintenance records. There is a significant opportunity to build on these facilities to increase asset cover and expand cover to important public infrastructure. The non-life insurance markets in South Africa present a viable opportunity for South Africa to better manage risk by transferring key risks off budget.

The next steps in the process will be an engagement between Government and the insurance sector on the potential for insurance, particularly parametric insurance, to improve South Africa's approach to disaster risk. Parametric insurance is index-based insurance, which pays out when an adverse event (such as a flood) occurs. It is increasingly used by governments, municipalities and households to insure against climate-related risk.

National Treasury, along with municipalities, will undergo a pilot to determine the structure and pricing of potential insurance products by the end of the third quarter of 2025.

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Issued by National Treasury
Date: 01 August 2025

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