

Santam pays out biggest natural-catastrophe claim in its history

Santam has paid a record R29.8bn in claims in its 2022 financial year, which is more than it paid out in the Covid-19 period, with all the related lockdowns in place.



Source: Supplied. Santam's chief executive officer, Tavaziva Madzinga.

"2022 was certainly a very difficult operating environment for our business. We had a perfect storm – adverse weather which saw the losses that came from the KZN floods, and the impact of inflation claims," said Tavaziva Madzinga, Santam's chief executive officer.

"We also had an increase in power-surge claims, as well as crime-related motor-theft claims. Combined with a very turbulent investment market it proved to be a very difficult environment."

Madzinga said the climate risks in SA reflect what's happening at a global level with these risks growing by the day.

"We have seen an increase in the frequency of natural catastrophes. In fact, the 2020 year proved to be the fifth most costly year globally, with losses totalling just over \$300bn.

"We've seen hurricane Ian in Florida, the floods in Australia, and drought and earthquakes coming in across the board, so to some extent there is a climate play that is influencing the frequency at which we are seeing natural catastrophe claims

coming through,” he said.

“But from our perspective we do rely quite heavily on reinsurance from the international market to help us cover such catastrophic claims, so for the foreseeable future we believe that this is to a large extent manageable.”

Strong gross written premium growth

Despite these headwinds, Santam has reported strong gross written premium growth and resilient net insurance results.

Santam has achieved Gross Written Premium (GWP) growth of 8% for the group’s conventional insurance business and a net underwriting margin of 5.1% for the year ended 31 December 2022.

The alternative risk transfer business reported excellent operating results, net of non-controlling interests, of R306m, positively impacted by strong growth in fee income and positive investment and underwriting results.



Santam appoints new executive head of strategy and investor relations

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“The 2022 financial year was one of the most challenging underwriting periods in Santam’s history, combined with a turbulent investment market environment,” Madzinga said.

Santam expects trading conditions in South Africa and globally to remain very competitive. The company also anticipates high interest rates and significant inflationary pressures to continue to decrease disposable income in South Africa.

“It is our view that economic activity will, in the short to medium term, be constrained by weak consumer spending. The high inflation environment also puts pressure on claims costs, while the ongoing load shedding will negatively impact economic growth.

“We are facing a significant increase in reinsurance premium rates, following several large global and local catastrophe events. We have implemented a number of underwriting actions to mitigate these challenges, which positions us well for future growth.”

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