

# Fire and storm a single disaster, argues Santam

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Santam could recover R70m for the June Knysna wildfires and Cape Town storms if talks with reinsurers are successful, says CEO Liz Lambrechts.



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This would reverse losses the short-term insurer recorded in its half-year results arising from the "worst catastrophe event in South African insurance history", which caused about R3bn in damage.

Santam clients claimed R800m from the events.

"Santam's view is that it should be treated as one event, which could increase our recovery from reinsurers by approximately R70m," said Lambrechts. "We are still engaging on this matter."

The Sanlam subsidiary believes the two disasters should be combined because they were caused by the same weather conditions.

The company's results show it has recovered R3.4bn in claims and loss adjustment expenses from reinsurers.

"Regardless of our position with the reinsurers, Santam is honouring all claims as per normal," said Lambrechts. "Despite

our view [that this is one event] ... we have accounted for the losses as two events in these financial results."

The events have marred the company's results, which one analyst described as a pleasant surprise nonetheless.

Santam's gross written premiums grew 14% to R13.8bn during the six-month period.

"While demand might have driven growth, it is also possible that premiums are pricing in higher risk," said Rahima Cassim, a portfolio manager at Ashburton Investments.

"Gross written premiums from offshore written on the Santam licence grew 21%. There was also some acquisition growth in the numbers, but overall, it was a positive surprise," said Cassim.

But underwriting margins from the conventional business contracted as claims flooded in. This excluded specialist insurer Centriq and structured insurance, which was part of Santam's risk-transfer business.

This margin, which measures profit after claims and various other expenses, was 4.2% for the period. When claims in respect of catastrophes are excluded, the margin was 6.4% - flat on the previous year.

"Excluding the June catastrophe event, our net underwriting profit increased by 10%, in line with the [gross written premium] growth," said Lambrechts.

Santam has also benefited from a stronger shareholder investment portfolio, with investment income up 34% to R590m as its equities and cash allocations outperformed benchmarks, and its share of Sanlam Emerging Markets' general insurance businesses provided a boost.

"We have a different investment portfolio compared to the life [insurance] segment, with a lower exposure to listed equities and a higher allocation to shortdated money market paper," said Lambrechts.

The latter had performed well, she added.

Adrian Cloete, portfolio manager at PSG Wealth, said Santam had hedged its equity position through the purchase of a zero-cost collar structure.

*Source: Business Day*

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