

Old Mutual depletes Covid-19 reserve as deaths outpace expectations

By [Emma Rumney](#)

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Insurer Old Mutual said on Tuesday it had used a further R4.9bn of its Covid-19 reserves after again underestimating the level of death claims it would experience, leaving just R1bn remaining.



Source: Reuters/Mike Hutchings

The country's second-largest insurer has repeatedly got the claims' impact of Covid-19 deaths on its life business wrong, hitting shares as it has had to recalculate and raise further provisions to lighten the blow to its profits.

With cases once again on the rise in South Africa and anticipation of a fourth wave of infections in the coming months, the news will perturb investors that its pandemic reserve will have to be topped up again.

Year-end provision assessment planned

Old Mutual said the adequacy of its remaining provision would be assessed at the end of the year, adding that the impact of future waves of the coronavirus remains uncertain.

"Our life business has had a worse mortality claims experience than anticipated, which has resulted in the excess deaths'

impact on profit of approximately R6.6 bn rand in the year to date," it said of the nine-month period to 30 September, adding the release of the provision would offset the impact on profits.



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29 Oct 2021



It last raised its provision at the end of its first half but said that claims' experience had been higher since then due to a higher rate of vaccine hesitancy than expected in South Africa.

It did not provide guidance on profits for the full year but said its measure of operating profit-results from operations was higher than the year before for the nine-month period.

The company was on track to achieve cost savings, it continued, and its solvency ratio stood at 184%, in the middle of its target range.

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