

# Cape fires, storms may cost insurers R4bn

Losses caused by Western Cape fires and storms could cost the insurance industry in excess of R3bn to R4bn, outstripping the costs of previous disasters and leading to higher insurance premiums in affected areas, said Old Mutual Insure.



[Knysna Plett Herald](#)

On Friday, the death toll from severe weather and fires along the southern coastline had reached at least 12.

Hennie Nortje, head of claims at Old Mutual Insure, previously Mutual & Federal, said insurance premiums were likely to rise in the southern Cape, where risk of flooding had increased.

He said the R3bn to R4bn in possible losses was an estimate, and claims arising from the Knysna fire and storms in the Western Cape would probably significantly exceed this amount. Old Mutual Insure's claims already ran into the millions, with initial estimates forecasting claims of more than R400m, Nortje said.

Between 3,000 and 4,000 people have been displaced following fires around Knysna.

However, the storms in the Cape metropole had abated, said James Brent-Styan, spokesman for the MEC for local government and environment. Fires in the Knysna area have also been contained.

Earlier storms across the Western Cape damaged 135 schools and about 1,000 informal dwellings, further displacing thousands of people.

An increase in natural catastrophes in recent years has squeezed margins and caused large underwriting losses. Such losses occur when insurers pay out more in claims than they collect from premiums.

A Gauteng hailstorm in November 2013 cost the industry more than R1.6bn.

Hollard, SA's third-largest insurer by share of premiums after Old Mutual Insure, had received more than R260m in of claims by Friday on the Western Cape disasters. "We expect [an amount] north of R400m to be the final total," said spokesman Warwick Bloom.

Santam, the country's largest short-term insurer, had received more than 1,000 claims, said head of claims Ebrahim Asmal.

He would not comment on Santam's expected total exposure, but considering that its market share is more than double that of both Old Mutual Insure and Hollard, its claims could exceed R1bn.

Outsurance parent Rand Merchant Investment Holdings' share price fell 2.9% last week. Outsurance had received about 500 claims totalling about R83m.

"We expect these numbers to increase significantly as claims are reported," CEO Willem Roos said.

Claims cost estimates included loss of income for businesses, site-clearing costs and accommodation costs for clients who had lost their homes.

Santam was dealing with a number of complete losses of homes in Knysna and had established a temporary office in the centre of the town, Asmal said. Other claims related to water and wind damage.

"We are still assessing the impact of these events on our business and how it will affect our overall growth," Roos said.

Climate change has increased the likelihood of major natural catastrophes.

Susan Walls, insurance technical adviser at the SA Insurance Association, said an increase in the frequency and severity of claims resulting from natural disasters would negatively affect claims costs and could result in premium increases.

Policyholders living in areas found to have a higher risk profile than previously anticipated could face higher premiums.

**Source:** *Business Day*

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