

# Mutual & Federal annual results hit by big claims

Short-term insurers, including Mutual & Federal, would post strained underwriting results for the 2016 financial year following a number of large claims last year, said Mutual & Federal CEO Raimund Snyders.



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"[Last year] was tough from a claims perspective," Snyders said on Thursday, citing hailstorms, countrywide fires and floods in Johannesburg.

Insurers incur underwriting losses when the amount they pay out in claims and claims administration exceeds the amount collected in premiums. For the six months to June 2016, Mutual & Federal posted a R57m underwriting loss – a 133% decline on the previous comparable period. Rival Santam posted an underwriting profit of R618m for the same period – a 24% decline on the prior period.

Short-term insurers have been battling weak economic growth and high unemployment, leading to fewer individuals buying assets that need to be insured, resulting in lower premium income.

Mutual & Federal, a wholly-owned subsidiary of Old Mutual, had spent the past year bedding down property and casualty as part of Old Mutual Emerging Markets' (Omem) wider strategy, Snyders said.

Omem will be spun out of Old Mutual plc by the end of 2018 and listed on the JSE. Mutual & Federal would remain within

the emerging markets group and was an integral part of its strategy, akin to asset management or wealth, he said.

In anticipation of increased expenditure on infrastructure, Mutual & Federal was looking to specialist lines of insurance business, such as construction and engineering, for growth opportunities, said Snyders. There were also opportunities for technological disruption in insurance, he said.

The impact of technology on insurance would be even more significant than it had been on banking, particularly when insurers started to put the same financial firepower into technology investments that banks had, Snyders said.

Mutual & Federal, which had between 2,500 and 3,000 active brokers selling its products, expected to see consolidation in the broker market, he said.

The Retail Distribution Review (RDR), which imposes stricter rules on the way financial products are distributed, places added regulatory pressure on brokers. RDR would be Mutual & Federal's main focus from a regulatory perspective in 2017, Snyders said.

*Source: Business Day*

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