

# Economy worries companies

In an increasingly complex risk landscape, the biggest emerging concern for commercial entities remains the struggling South African economy.



Source: ©ivantsov [123rf](#)

The recently released 2020/2021 Santam Insurance Barometer report on insurance trends shows that 62% of respondents\* ranked this as their number one worry.

“The economic downturn has impacted businesses across our specialist lines of insurance. In particular, we’ve seen the marine, heavy haulage, taxis (including e-hailing), aviation, travel and the construction industries contract as a result of the economic challenges,” says Andrew Coutts, Santam’s head: intermediated distribution.

The barometer is a survey that measures the collective concerns of over 950 respondents that include consumers, corporates, commercial users and intermediaries across the country to identify insurance-related trends, perceptions and client needs.



## Crime big worry for consumers

9 Sep 2021



The survey specifically measured the risk trends impacting South Africa, the impact of Covid-19 on individuals and businesses, the insurance industry’s response to the pandemic, perceptions of the industry, how it needs to adapt to changing market realities and client needs, and the changing role of intermediaries.

## Notable trends

Commercial motor claims showed a 16% (2019/2020) decline in volumes – with the downward trend continuing into Q1 2021 with a six percent decrease. However, motor claims are still the biggest claim category by value (excluding the recent business interruption claims) despite the drop in volumes.

The average cost per claim was up marginally between 2019 and 2020 with 2.8% and increased further, by 8.2% year-on-year in Q1 of 2021. Overall, the average cost per claim in the commercial insurance lines increased by a staggering 103% year-on-year 2019/2020, this was mainly driven by contingent business interruption (CBI) claims resulting from the pandemic.

Property claims increased by seven percent in 2020 while there were fewer fire claims than usual due to business premises being unoccupied for an extended period during the hard lockdown.

Fire is historically the leading claim category by value.

In terms of Covid-19, the hospitality, transport, aviation, marine and construction industries have been particularly hard hit as well as those who don't take risk management seriously.

#### *Key findings in order of significance*

- 34% of respondents identified theft as a major risk (2019 – 62%)
- 34% were concerned that an economic downturn was a major risk (2019 – 18%)
- 26% listed fire as a major risk (2019 – 27%)
- 21% motor vehicle accidents (2019 – 28%)
- 17% business interruption (2019 – 6%)
- 17% pandemics (2019 – n/a), (did not previously feature)
- 14% machine breakdown (2019 – n/a), (did not previously feature)
- 14% loss of profits (2019 – 18%)
- 13% climate change (2019 – 14%)
  
- 11% public liability (2019 – 19%)

#### *Impact of Covid-19*

- 45% of small / medium commercial enterprises polled, reported a very negative impact on their businesses due to COVID-19, with 30% of large corporates and 21% of large commercial enterprises also recording a similar impact.
- 56% of large commercial enterprises, 53% of large corporates, 38% of small / medium commercial businesses, reported a moderately negative COVID-19 impact on their entities.
- 62% of corporate & commercial entities have seen a loss in profit.
- 31% lost clients. On average, profits declined by 38% in SMEs, by 36% in large commercial and by 24% in large corporates.
- 28% had to retrench staff
- 30% put staff on partial pay
- 11% compelled staff to take unpaid sabbaticals.
- 41% of hospitality sector enterprises were faced with business closure, 84% lost profits and 59% staff retrenchments.
- 80% of transport sector businesses had profit losses compared to 77% of construction companies.

- 10% of businesses polled diversified into new product lines.
- 8% moved to online sales and delivery.
- Only 3% reported an increase in profit this year (mainly SMEs).
- 3% filed business interruption claims, 2% business all risk claims, 2% for accidental damage, 2% theft, 2% buildings, 1% vehicles, 1% public liability, 1% machinery breakdown.

“Business owners are urged to remember that insurance cover and good risk management practices go hand-in-hand to provide the necessary protection. Effectively managing risk leads to fewer claims, which results in more affordable insurance premiums over the long term,” says Coutts.

“Given the critical role insurance plays in facilitating business continuity in the event of a claim incident, the decision to purchase insurance must involve more than a cost analysis,” he adds.

\*corporates and commercial users only

The full report can be accessed [here](#)

For more, visit: <https://www.bizcommunity.com>