

■ LOSSES

Pandemic could be a big headache for insurers

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INSURANCE companies are facing serious losses if the Covid-19 pandemic escalates, but even as they prepare for the various worst-case scenarios, an expert says it is unlikely that the industry will collapse.

Senior assistant ombudsman at the Ombudsman for Short-Term Insurance (OSTI) Peter Nkhuna said: "I think it's anyone's guess what will happen next. I do suspect, however, that due to the relatively low market penetration, it is very likely that the industry will take the pandemic in its stride.

"There are likely to be serious losses, but I think it's not likely that the result will be the complete collapse of the industry. With measures like SAM (Solvency Assessment and Management) previously set up to ensure the robustness and the financial strength of the industry, it is my view that the industry should be able to survive," said Nkhuna.

"As OSTI we do not deal with life policies, but my guess is that it is likely that deaths as a result of the pandemic would fall under natural causes."

Managing director of life insurer Stangen, Marius Botha, said: "Your biggest risk as a healthy person from the coronavirus is the potential loss of income if you have to be isolated or are unable to work. If contracting the virus results in a temporary disability, and you have used up all your sick leave, income protection products would pay out where applicable."

MiWayLife chief executive Craig Baker said: "Although Covid-19 is significantly more deadly than the flu, it's not yet classed in the rate of other deadly diseases, but we are starting to see insurers ask questions such as do you have or have you had it? This is because there's a risk of long-term lung damage.

"Some insurers will place restrictions such as those seen on disability or critical illness forms on policies for those who've had this virus, depending on the severity of their illness."

Absa life insurance managing executive Eugene Strauss said: "There are two forces at play here: the increase of financial pressure on consumers as the lockdown continues, but also the fact that even more people will recognise the value of insurance services."