



THATCHERS ASSOCIATION OF SOUTH AFRICA DEKKERSVERENIGING VAN SUID-AFRIKA

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NATIONAL CHAIRMAN

NEWSLETTER

With the year end approaching at an alarming speed, the question on everybody's mind is what the economic future looks like for the coming new year.

Attached is the Afrikaanse Handelsinstitute's Barometer titled: Growth prospects dim.

TASA also approached three of our associate members in the Insurance Industry for their comment regarding insurance for thatch roofs in their respective regions

1. Megacover Brokers responded on the questions posed as follows:

What is the state of the Thatching Industry in the Western Cape regarding thatch roofs?

There was a definite growth in the insurance of thatched (reed) roofs.

Megacover Brokers has a thatch roof undertaking with Santam. This arrangement provides exceptionally good premiums inclusive of a few free coverings as well as reduced excess payments

Did reported fires to roofs increased or decreased?

Megacover did not have as yet any claim in this regard. Accordingly 2011 was an exceptionally good year.

Did insurance premiums increase and if so for what reason?

Some Insurance Companies did increase premiums as a result of fires reported in 2009 and 2010 (especially in Gauteng) and because of lost business. On the other hand some companies did not increase their premiums because of good claims relationships the past 2 years.

Can you comment on fire retarding products? Was it effective in the prevention of fires and does it influence premiums charged?

Our premiums are related to the protection applied

As brokers we shy away from unprotected thatch roofs to be able to keep our claims ratio down.

The installation of the fire blankets and/or sprinkler systems are definitely reducing damage. This is very successful in the Cape.

The question to be answered is how Insurance Companies view thatch as a roof covering?

Some Insurance companies realized that thatch is not a high risk and adjusted their tariffs accordingly. Premiums are therefore more affordable for customers.

2. Thatch Risk Acceptances reported as follows:

Thatch Risk Acceptances (TRA) was established on 1 July 1998 with the specific aim to service the diverse and demanding needs of the thatch risk market. We are the only company to specialise exclusively in residential thatch insurance and over the years we have built a strong understanding of the requirements linked to this market.

Cover is offered for the structure, house contents, all risks, motor vehicles and pleasure craft providing complete peace of mind to the client for his personal insurance.

As we only write risks in the personal lines environment and not in the commercial thatch arena, we can only comment on what we are currently experiencing in this area. Since the recession, we have felt a definite impact on our business. Initially we did not anticipate that the recession would have an effect on our clients as we mostly deal with high net-worth individuals. The reality is that share prices plummeted, dividends were not what they used to be and the end-consumer ended up spending less on building their second or third dwelling, which very often were thatch homes. This resulted in us not writing as many "new" thatch homes as we used to. This trend continued through 2009, 2010 and now 2011 and we still don't see much growth in the market yet. A number of clients also cancelled their insurance or reduced their cover to save on insurance premiums.

On the claims side, we picked up a new trend in 2010 and 2011 being the floods around the Vaal area in the beginning of each year. We had a vast number of clients that were affected by these floods and picked up quite a lot of claims. Thankfully the flood claims are not as severe as the fire claims that we have. From past experience, the veld fires in the Cape during the 1st quarter of every year affects as quite badly as well, especially with high winds carrying burning embers onto the thatch, setting it alight. Fortunately this year, we did not pick up any large losses as a result of the veld fires in the Cape.

We had two big fire claims this year, both in June and both in the Northern part of the country. One fire occurred at a fairly new private lodge which consists of an entertainment area and a number of loose standing sleep/bathroom units. An electrical fire started in the main entertainment area. The entire building and contents was completely destroyed in the fire. There was a number of very unique and imported items inside the building and we paid roughly R4 000 000 for this claim.

The second fire claim we had in June, started as a result of the fireplace being lit. We only insured the contents for this particular client and not the building. Again the client suffered a total loss and this claim also came to about R3 000 000.

Our main concern is that, due to the economic climate and tight financial position they find themselves in, clients elect to not follow through with normal maintenance of their homes. This could result in repudiation of claims should the claim result from a lack of maintenance. This will specifically be more relevant for storm related claims where lack of maintenance contribute to the damage that can occur. We are furthermore concerned that clients may reduce their cover in order to save on premiums but could be vastly out of pocket when they suffer a major catastrophe.

We have over the past few years also seen a change in climate patterns causing more severe weather conditions that could have a negative effect on all the insurers in the industry and there is a strong focus on the question of sustainability overall.

With all of this in mind, we maintain a positive outlook that this calendar year will produce good underwriting results with acceptable loss ratios and hoping for the market to start picking up so that we can all benefit from the growth again.

3. Etana answered as follows:

How did you view the Thatching Industry this year as Insurers?

Etana processed quite a few smaller claims which happened in the Limpopo and Mpumalanga regions. The cause of these fires were from electrical faults, fire hearths and veld fires. The settlements were quickly resolved due to assistance from knowledgeable people in the Thatching Industry.

Did reported fires to roofs increased or decreased?

Etana handled more smaller instance of fire damage but no big incidents At present the stats look better than the previous 5 years.

Did premiums increase and if so why?

Most re-insurers and insurers are not convinced that the Thatching Industry can be profitable taking into account the claims stats the past 5 years. The impression is also the maintenance is neglected due to the cost and the economic climate. This has a negative effect on the image of the Thatching Industry.

Tariffs are still high in relation to standard types of construction. Etana endeavours to bring the difference on par with better risk management.

There is a slight reduction in tariffs generally due to a soft market approach in the Insurance Industry which is artificially stimulated to obtain business.

As soon as circumstances change it will be the client that is hit hardest due to tariff increases.

Can you comment on fire retardant products? Does it influence premiums or reduce fire damage?

Etana committed itself to the green underwriting of thatch risks to increase the impact regarding management and conservation of our natural environment. It seems so far economically sustainable with good results.

Etana is eager to investigate all natural approaches on fire prevention so as to be able to reduce premiums.

Maintenance of fire retardant products have to be repeated or should be checked regularly. This creates a major problem especially because of the economic impact, or if it is practically difficult to perform. This causes greater risks with no premium reduction.0

The question to be answered is how the Insurance Industry views the use of thatch?

Etana realizes the importance of development and research replacing old methods. New techniques and building regulations can only benefit the Thatching Industry. Quality of workmanship is still the key. Premiums and preventative measures must be affordable to the man in the street and Insurers should have an understanding of the Thatching Industry. There will always be Insurers that will approach the Industry as an accommodating facet of their business. Premiums will therefore differ as well as pre requisites set.

Etana support and recognize the good work done by TASA and encourage all our branches to do business with TASA members.

TASA QUO VADIS?

The TASA Executive will arrange an Indaba before the end of 2011 to take the present structure and functioning of the Association under the magnifying glass.

Planning must also be done for the TASA participation in the WoodEX for Africa Expo and conference to be held from 22 to 24 March 2012 at the Gallagher conference centre in Johannesburg.

Members wanting to participate must contact the TASA office.

Kind regards

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