

Mutual & Federal buys Agricola

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Mutual & Federal, the short-term insurance firm owned by Old Mutual, said last week it had bought the insurance book of specialised crop underwriting manager Agricola for an undisclosed amount.



The deal will see Mutual & Federal rank in the top three when it comes to providing insurance for farmers in SA. Santam and Absa are the other two top insurers in crop farming.

Mutual & Federal's chief executive Raimund Snyders said that historically Mutual & Federal had built insurance partnerships with farmers, but over the years the company had down-scaled its focus in that area. He said trends in short-term insurance had changed.

Snyders said increasingly cars were being written off, as in some instances it was more costly to fix the vehicles. He also identified poor roads as one of the challenges that affected the insurance sector.

Mutual & Federal had been delivering a lower return on equity in recent times and had lost its position of being SA's largest short-term insurer to Sanlam-owned Santam.

Disappointing results

Mutual & Federal finance director Jaco van der Sandt, said the adjusted operating profit of R135m reported by the company in the six months to the end of June was disappointing. The short-term insurer's return on equity was just over 4%.

"It was a disappointing result. We are taking a very hard look at the business. We must get to a minimum return on equity of 20% by 2016."

He said the short-term insurance market had been tough, with some new companies lowering premiums and other companies trying to regain market share. Van der Sandt said the market was experiencing more claims in both volume and value terms.

He said with the economy remaining subdued fraudulent claims had also increased.

Mutual & Federal would leverage off relationships and expertise within Old Mutual to boost earnings in the short-term insurance business. "Our leveraging of the brand and technology will be unmatched," he claimed.

That the group had deployed one of its veteran insurers, Snyders, and Nedbank executive Mark Weston to Mutual & Federal was a sign it was committed to the short-term insurer and wanted it to flourish.

As part of plans to build scale in the business Mutual & Federal is underwriting a short-term insurance product offered by Nedbank. Mutual & Federal also signed an agreement with First National Bank (FNB) enabling it to sell its short-term insurance solutions to the clients of the FirstRand-owned lender.

"We are selling short-term insurance to FNB customers under the FNB licence. The technical work, which includes pricing and claims management, is being done by (car, home and other valuables insurer) iWyze," Snyders said.

Mutual & Federal plans to expand elsewhere in Africa where its parent has a presence. Old Mutual is acquiring Oceanic General Insurance in Nigeria.

Source: Business Day via I-Net Bridge

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