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FINANCIAL MAIL Jg..... Nr..... P..... Dat..... 11/11/1990

Insuring against riots

Sir -- Mr H.G. Tours' letter (FM August 22) contains justifiable criticisms of the South African Special Risks Insurance Association (Sasria), but in certain respects misses the fundamental objections.

With regard to material loss sustained to property in the Republic, I have no doubt that cover is available for any event

short of armed hostilities against the country of a nature which would virtually put us on a war footing.

Mr Tours infers that the burden of proof applicable to the endorsement on the basic policy and on the riot extension granted by insurers, is something new. In fact, this has always been a feature of the previous war exclusion and riot extension. If a claim does not succeed under the basic policy nor under the riot extension, then it must succeed under the Sasria coupon unless the event amounts to one of the excluded events, all of which have been defined in case law or in legal opinion and which amount to a grave armed hostility situation. In that case, government would be responsible and the Minister of Finance has powers to create a fund in terms of the War Damages Insurance and Compensation Act. However, why should he do so prematurely when a vehicle has been already formed to deal with the type of events we have experienced since 1976 -- acts of terrorism, including use of foreign weapons, terrorists in uniform and so on?

I believe that Sasria has provided enough alternative words to make sure that, if conventional policies do not pick up a loss, Sasria will do so. The constituents of a riot are not even needed before this cover operates.

There is, however, cause for serious - The FM reserves the right to edit letters

misgiving in the present arrangements in the imposition of the basic endorsement in areas where Sasria cover can not be bought, especially consequential loss.

Just as Sasria has provided a number of terms to meet alternative situations so as to ensure that cover is provided for material loss, when the same terms are used in an exclusion (as applies to consequential loss) they deny cover for losses sustained resulting from the interruption of business and consequential loss of earnings. Where they pay for the material loss or damage, Sasria will not pay for wages, power, transportation costs and other standing charges of business (apart from rent).

More important, if Sasria does pay for the material loss or damage, then the conventional policies will certainly not pay for consequential loss flowing therefrom.

Sasria have used words which give too much cover. But they cannot provide cover for consequential loss in SA or any cover in SWA or the independent territories. By embracing the standard endorsement in these areas, the insurance companies are depriving the insuring public of cover they had before and that is where the fault lies, apart from the reluctance of government so far to provide cover for consequential loss.

D P Gallimore, Director, PFV Services Ltd.

TREFWOORDE

1 .. Brieftogwag

2 .. Verzekering

3 .. Opstande

4 .. Gewelddadige

5 .. SASRIA

6 .. Verliese

7 ..

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9 ..

10 ..