Multi-nationals get riot cover ultimatum

Business

By NIGEL BRUCE

UNLESS multi-national companies switch the fire insurance on their fixed South African assets to local insurance companies, they will not be able to obtain Government's new political riot cover, according to David Way, a director of insurance Robert Enthoven.

This was explained, he tells me, to a packed meeting of brokers and other insurance men in Johannesburg last Tuesday by Warren Plummer, chairman of the new political riot insurance company, and the State actuary, Willem Swanepoel.

The irony of this is that it could discourage foreign investment in this country by the companies that can most afford it and that it cuts across the objective of Government's new exchange rate policy.

Mr Way explains that multinationals often insure their assets worldwide on a pool basis on the world market — sometime even through off-shore captive insurance companies — at more advantageous terms than those available locally.

Yet no provision has been made for the political cover provided by the Government-backed SA Special Risks Insurance Association (which was to have been called SASRA but in the event became SASRIA) to be attached to any policies other than fire and related ones provided by local insurers.

Nor are there any plans for this eventually to be changed, despite the drawback to foreign investment that it could become.

Mr Plummer told the brokers that it was "not acceptable for corporations without their fire business in our market to benefit from our protection.'


Warren Plummer

Nor will this cover be available in Namibia or any of the independent homelands.'

This is yet another provision that flies in the face of Government policy, which is to encourage investment in these areas.

Nor has provision been made for political riot cover to be extended to other important types of insurance, such as marine, goods in transit, all risks and money, although steps were due to be taken on Friday to remedy this as well as to introduce a provision for periods of cover longer or shorter than a year.

Moreover, brokers have been led to believe that the exclusion of loss of profits risks might have been a legislative drafting oversight.

Yet the Registrar of Financial Institutions, Wynand Louw, was adamant only recently that this type of risk was totally unacceptable to Government, which is the ultimate reinsurer of SASRIA's liabilities.

Mr Plummer also gave the impression that a rating separation might be introduced later so that, for example, a factory in the Indian area of Colenso should not have to pay five times more than a bottle store in Kew for this type of cover.

There are many other procedural and administrative technicalities so impractical that brokers believe considerable modification will be inevitable, despite the inflexibility imposed by the need to seek Government agreement.

Moreover, despite the fact that the policy wording and regulations were redrafted 16 times, so much still remains to be resolved that one may be forgiven the impression that the whole scheme was put together in months rather than years.

Mr Plummer believes that the facts as presented here and in previous articles are one-sided and do not take into consideration a view other than the brokers. He did,however, prevent a Business Times representative from attending Tuesday's explanatory meeting.

Mr Plummer made the very valid point that SASRIA, which expects a premium income of R40-million in its first year, must be seen to operate economically and to be accountable to the public.

What a pity therefore that the Insurance Association has been so unnecessarily coy for so long about this vitally important matter.

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