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Underwriting political risk

Sir — May I draw the insuring public's attention to another example of insurers "arranging" cover at the consumer's expense? The latest example seems to have government support, but even if it does not, it leaves policyholders without any acceptable alternative market.

Historically, policies which cover the building or contents of dwellings have included "Riot, civil commotion, strikes, lock-outs, labour disturbances or malicious persons acting on behalf of or in connection with any political organisation," but have excluded loss or damage arising from "War, invasion, act of foreign enemy, hostilities or warlike operations (whether war be declared or not), mutiny, insurrection, rebellion, revolution, conspiracy, military or usurped power." To widen the cover, some insurers simply said "Malicious Acts," thus covering all malicious acts (political or otherwise).

That the policy specifically covered malicious acts by politically motivated persons was (and still is) of considerable value. The premium for this risk was included in the total premium.

But the insurance companies have now decided it is better if the government-backed Sasria (SA Special Risks Insurance Association) underwrites the political risk. This is fine, except it removes cover from most personal policies without a reduction in premium. If the cover (which is already granted) is required, it must be arranged through Sasria at extra cost — which is in the region of 20% on house insurance, a pretty hefty

increase by any standard. 27 ch
One leading insurer has posted a circular saying it never had any intention of providing ongoing cover against acts of political terrorism or riots. It's taken this insurer at least 30 years to find out the "intention" of its own policies. What has it done with the premium it received for this risk during the past 30 years? Very little of it has gone on paying "political" damage claims.

Unfortunately, most private individuals have bonds on their homes and are obliged to accept premium rates on their house insurance which are already in excess of those available in the free market. No doubt building society insurers will attempt to impose the new insurance arrangements "at extra cost" on their policyholders and, as these premiums are normally paid by way of a debit against the loan account, John Citizen will pay up without really knowing what has happened. I hope some of them will take notice and object. If enough object sufficiently, maybe the building societies and other insurers will think again.

If the insurance companies wish to transfer a portion of their risk to Sasria, let them do so. But this must be at their cost because they are lessening their risk.

I hope consumer and property associations will take note, and perhaps the whole question of insurers' market agreements (cartels) will be examined.

The concept of Sasria is basically sound, but regrettably the insurers (via their

cartels) are using it to "offload" their unwanted risks. If Sasria and the insurance market wish to salvage some of their lost respect, Sasria should remain "pure" — ie a voluntary home for the protection of investments against risks which could not be adequately provided by the conventional insurance market.

If Sasria allows itself to become a dumping ground, it may quickly generate huge revenues, but these will have been secured at the expense of the individual which we believe is contrary to the wishes of government.

"A ti-cartel," Port Elizabeth.

TREFWOORDE

1 Brietkywer.

2 Port Elizabeth

3 Polisse.....

4 Versekering.....

5 Sasria.....

6 Maatskappye..

7 Risiko's.....

8 Wanpraktijce..

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