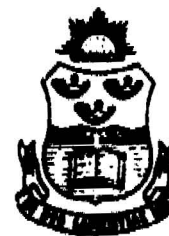


INSTITUUT VIR EIETDSE GESKIEDENIS

Die Universiteit van die Oranje-Vrystaat



Publikasie nr. 0 8 2 5	Datum 21 9 95 39 15 1	Onderwerp nr. 0 8 6	Dokument nr. 5 6 9 3
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30 MAY 1980

FINANCIAL MAIL

Jg..... Nr..... P. 978 Dat.....

RIOT COVER

Unfortunate timing

With strikes and boycotts flaring up all over the country, the SA Insurance Association (SAIA) seems to have picked a singularly unfortunate moment to stop its members (ie the whole of the short-term industry) providing political riot cover for loss of profits, known as "consequential loss".

The SAIA recently introduced a rule whereby if 70% of its members take a decision at a meeting, it is binding on all members. This was doubtless a well-intentioned and commendable attempt by the industry to discipline itself. (Part of the present trouble with the rate war is that a few companies have been able to cut rates excessively while the rest of the market couldn't afford to be left out - (FM April 11).

But, last week, SAIA decided to forbid its members from writing any further political riot cover for loss of profits. The background to this is that Sasria (SA Special Risks Insurance Association), the government-backed riot insurance consortium, provides cover only for physical damage. Attempts have been made to get "consequential loss" included, but the Minister of Finance recently decided against it. Because of Senator Horwood's decision, and because demand from the public for such cover is understandably increasing, a few companies had started to show growing interest in writing this business.

From the businessman's point of view, such cover in SA today is eminently desirable. It is not just loss of "profits" but the "consequential loss" - the fact that his plant could be out of production for months, perhaps awaiting spares from overseas, with the resultant staff lay off, that is cause for concern.

The argument against such cover is that, besides being very expensive, it is subject to stringent governing factors, including 30-day, or even 7-day cancellation clauses. One insurer, who is adamant his company "won't touch it," suggests that if a company accepts a risk, or a treaty, which may then be followed by a slight slip-up, or a time gap, the company could find itself in serious difficulty, obliged to carry the whole amount.

So what? If the public is prepared to pay high premiums, and insurance com-

panies are prepared to take the risk, shouldn't they be allowed to do so? Surely it is the industry's job to seek ways of providing new forms of cover where needs arise.

As things stand, businessmen can only go to the overseas market (if there is still sufficient capacity there, which the FM understands is doubtful). This, *inter alia*, means premium payments going out of the country.

Has not the SAIA, on this occasion, pushed its self-appointed powers too far - and to the consumers' detriment? This could perhaps become an issue under the Restrictive Trade Practices Act.

TREFWOORDE

1. *Uitwerking*
2. *Valiese*
3. *Spesiale*
4. *toetse*
5. *Naakthede*
6. *Verandering*
7. *Levenswyl*
8. *Sesione*
9. *Alles*
10. *...*

FDS