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Growing row over riot cover

By STEPHEN ORPEN

THIS week's unsettled labour conditions have drawn attention to a potentially serious gap in insurance cover against politically-motivated riots.

A powerful lobby has developed to encourage Sasria (SA Special Risks Insurance Association) to extend the scope of its cover.

At issue is Government's refusal to enable Sasria to provide cover against consequential loss.

There are signs that Government will now consider a proposal that standing charges — rents, bonds, electricity, interest, salaries and wages — may in future be covered by Sasria.

But prospects of loss of net profit being recoverable look bleak.

The current position is that Sasria, which was formed by companies and Government in the wake of the 1976 riots, provides cover for political riots.

It has a fund estimated at R40-million, the insurance companies which form its membership are committed to another R5-million and Government is accountable for claims that exceed that amount.

Hence Government's crucial role in any decisions on the extent of Sasria's cover.

Don Gallimore, representing the influential view of South Africa's biggest insurance brokers, Priceforbes Federale Volkskas, says South African industry is not being provided with the cover it needs.

Because insurance against loss of profit is too rich for the local market's blood — and that is understandable — cover has to be bought abroad.

And at the moment, with South Africa's unrest getting prominence in the London Press, the overseas market is expensive and limited.

Gallimore estimates the present capacity of the London market at about R10-million — this being the limit for any one loss and in the year of insurance only. And that limited cover, says Gallimore, is expensive.

A typical mining house might, for example, require cover for loss of profit on one of its gold mines for R100-million. Under the present dispensation, such cover is just not available.

Sasria, says Gallimore, who has been involved in detailed examinations of political riot insurance on behalf of PFV, should offer the necessary protection at market-related rates.

There is no point, he says, in replacing an asset if there is no business left by the time the asset is replaced.

Businesses could close down completely, Gallimore warns, adding further to South Africa's unemployment problems.

What he and his supporters find difficult to understand is the reluctance to protect profit. Why, they ask, can profits not be protected in the same way as assets?

In Northern Ireland and Rhodesia, the governments protect both the asset and the profit. Why not in South Africa, they ask?

The PFV view has received the support of organised commerce and industry and of the mining industry and the lobby to improve the extent of cover is likely to grow.

There is also a widely-held view that Sasria's available protection is too expensive.

Sasria came in at double the expected rate in April last year and Gallimore points out that there was considerable resistance to the product from the start.

It has garnered more business since the social and industrial situation deteriorated earlier this year. But there are still indications that many large concerns are spurning the protection on grounds of scope and price.