

# INSTITUUT VIR EIETDSE GESKIEDENIS

Die Universiteit van die Oranje-Vrystaat



Bron  
nr.  
8 | 2 | 5

Datum  
9/02/1997

Onderwerp  
Sasria

Knipsel  
nr.  
1395

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Financial  
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## SPECIAL RISK INSURANCE

### WHOSE PIGGY BANK NEXT?

There are a number of fundamental principles at stake in the debate over who owns the reserves of the SA Special Risks Insurance Association (Sasria) which total about R8,5bn.

The fact the debate has arisen suggests the risks covered by Sasria — claims flowing from riot- and strike-related damage — have receded so much that holding such large reserves doesn't make sense.

But recent rioting in support of a rates boycott, in what were formerly Johannesburg's coloured areas, shows this is not the case. Bomb blasts in Rustenburg and Worcester demonstrate strong political cross-currents at work. And, with the 1999 general election two years away, there is potential for a revival in the violence experienced in KwaZulu-Natal ahead of the last election.

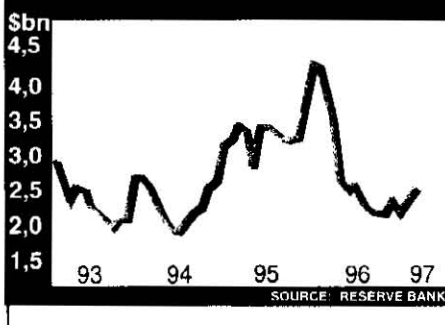
The risks covered by Sasria are too unpredictable to allow for a drastic reduction in its reserves.

The Automobile Association proposed the funds be used to offset the actuarial deficit of the Multilateral Motor Vehicle Accident Fund. The Department of Finance has hinted that most of the funds may be used to finance the national debt, leaving only about R1bn in reserves.

Because Sasria is a Section 21 company, there are no shareholders. But there are policyholders — the individuals and private enterprises that pay annual premiums to insure themselves against claims relating to riots, strikes and public disorder. The reserves belong to them, not government.

Government involvement with Sasria extends only to acting as the ultimate reinsurer to the fund. And, to date, it has

### CENTRAL BANK RESERVES



never been required to fulfil this role.

The reaction from Sasria has been circumspect. CEO Mike Strydom says the Sasria board has sought legal counsel. And once the content of the proposed legislation is known, Sasria will "take a view on the matter."

Another issue to consider is: what will happen to premium rates if Sasria reserves are drastically reduced? Strydom says premium rates decreased by about 95% between September and January. In recent years, premium and investment income far exceeded claims paid. Since 1991, investment income has exceeded net premium income.

## TREFWOORDE

1. Deurkennig

2. Reserves

3. Sasria

4. Residering

5. Vonnale

6. P.A.

7. Deel Finansiële

8. Finansiële

9. Finansiële

10. Skuld.

# INSTITUUT VIR EIETDSE GESKIEDENIS

Die Universiteit van die Oranje-Vrystaat



Bron  
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0825

Datum  
9.7.82

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14.2.1997

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Under a 1984 amendment to the Finance Act, Sasria is the only insurer entitled to cover riot, strike and civil commotion risk. Its loss limits are set at R300m and it is not known whether conventional insurers would be prepared to underwrite such risks if they could.

Unlike Sasria, which applies a uniform rating across the board within specified rating categories, insurance companies will assess each risk and allocate a premium to each, appropriate to the risk. Premiums may increase drastically and companies may forgo riot, strike and civil commotion risk insurance because of the expense.

If government wants to use the accumulated reserves to pay interest debt, it will have to implement legislative changes. And these may prove to be unconstitutional. *Stephen Hill-Haas*

## TREFWOORDE

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