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Funds from Sasria: less govt borrowing

CAPE TOWN. - Government is planning to reduce the amount it borrows next year by several billion rand, following an agreement that it will be able to tap excess reserves held by the South African Special Risks Insurance Association (Sasria).

Finance Director-General Maria Ramos said yesterday that government would not adjust its budget deficit target to take account of the considerable interest savings that would result.

Exactly how much government will get of Sasria's reserves - which range from R8 billion to R10 billion, depending on the market valuation of its assets - will only be determined once an actuarial valuation of its liabilities has been carried out.

However, Finance Department officials speculated that about R3,3 billion held by Sasria in government bonds, would be easily accessible.

Sasria was established in 1979 to cover political riot risks at a time when no short-term insurers were prepared to do so.

The National Assembly's finance committee yesterday approved the Conversion of Sasria Bill, which, once adopted, will see the association being converted into a public company.

Government will become the sole shareholder

and be able to declare any excess reserves, identified by the actuarial assessment, as a dividend which must be used to reduce state debt. The assessment must be undertaken within six months of the company's establishment.

Sasria and the insurance industry previously opposed the legislation, saying it amounted to the nationalisation of a private company without compensation, and that it was unconstitutional.

It also argued the move would raise insurance premiums.

Businessman Mr Cyril

Ramaphosa, who was last month appointed as the new Sasria chairman, told the committee that Sasria members had experienced a change of heart.

"Everyone on our board agreed there was money due to government."

This was in light of the fact that Sasria had enjoyed tax-free status, from its inception until 1996, and had also enjoyed monopoly status over the insurance of political risk. Government had also acted as an insurer of last resort to Sasria, providing it with unlimited cover. - Sapa.

TREFWOORDE

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