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- 7 OCT 1999

Conversion of Sasria will give govt R7,1bn windfall

Linda Ensor

CAPE TOWN — Government will be able to cut state debt by about R7,1bn as a result of the conversion of the SA Special Risks Association (Sasria) into a state-owned company, Finance Minister Trevor Manuel said yesterday.

The cost of state debt for a full fiscal year will fall R650m as a result.

The R7,1bn represents the market value of Sasria's assets, which is more than the R3bn it needs to cover its liabilities.

International actuarial firm Tillinghast-Towers Perrin, which was appointed by Manuel to value the reserves after the promulgation of the Conversion of Sasria Act, said in its report that Sasria would also have to acquire reinsurance cover of at least R2bn.

Sasria's reserves were valued at R10,1bn as at the end of August.

Manuel said the first tranche of at least R5bn would be paid to the state as a dividend this month. The remainder would be drawn down as Sasria's assets

were liquidated and the required reinsurance cover was acquired.

This might take some time and it was possible that part of the dividend payout would spill over into the 2000/01 financial year.

Manuel said the liquidation of the Sasria investment portfolio would not affect the bond and equity markets as its government bonds would be transferred to government and cancelled.

An asset-swap arrangement would be entered into with the public investment commissioners with regard to its other equities.

"The liquidation of the Sasria invest-

ment portfolio and the payment of the dividend to the state will therefore have no direct impact on the bond and equity markets," Manuel said.

The cancelled bonds would reduce state debt and debt servicing costs, but would not result in a cash flow to government for use in reducing its borrowing requirement.

The Conversion of Sasria Act stipulated that Sasria had to be privatised

after it became a public company. The state would sell its shares and thus end Sasria's monopoly status.

Manuel said government wanted to ensure the continued availability of special risks insurance to the general public after this happened. One option was to change Sasria's main business into that of a short-term insurer.

He said the short-term insurance industry would be consulted on a continuing basis.

Sasria was set up as a section 21 non-profit company under the control of short-term insurers in 1979 to provide special risk insurance for events such as riots and civil disturbances. Short-term insurers were unwilling to cover such risks.

The state acted as underwriter of last resort with unlimited liabilities.

Over the years its cover was broadened so that it now covered labour disturbances and lockouts and provided special risk cover to all the policyholders of its members, the 48 short-term insurers who acted as its agents.

TREFWOORDE

Manuel T.

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Sasria

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