Govt may tap R8,5bn Sasria war chest

Stephen Laufer

GOVERNMENT is preparing legislation which will allow it to divert up to R8,5bn from a special political riot insurance fund, the SA Special Risk Insurance Association (Sasria), to be used to reduce state debt.

However, the plan could be opposed by the fund on the basis of an initial legal opinion obtained in response.

Finance director-general Maria Ramos said at the weekend that the intention was to leave a portion of the assets — perhaps R1bn — in an emergency fund for future liabilities of the kind covered by Sasria, but that the bulk would be "used to retire government debt".

The plan was no different in principle to any other restructuring exercise in which inactive assets could be used to increase spending on infrastructure or to reduce the deficit. Retiring state debt would help reduce pressure on interest rates.

The total value of Sasria's assets is equivalent to about 20% of gross state borrowing in 1996 and could be of major assistance in meeting the deficit targets set in the government's macroeconomic strategy.

Government is understood to be seeking ways to access the assets without having a negative effect on the markets. Sasria's stock market investments of around R5,5bn account for about 5,5% of the JSE's total market capitalisation.

Set up in 1979 as a section 21 not-for-profit company, Sasria was established after insurers became reluctant to cover political risks following the 1976 Soweto uprising. Its mandate was later broadened to include risk cover for labour disputes and non-politically motivated riots.

The fund has relied since its inception on government as its insurer of last resort. Its board of directors includes Mutual and Federal MD Ken Saggers, IGI curator Cornelius Oosthuizen, SA Eagle MD Peter Martin, Central Reinsurance Corp chief Mike Davis, Dawie Malan of Ginsburg Malan Carsons actuaries and investment advisors, and Santam MD Jurie Geldenhuys.

The question of who owned the fund had "always been vexed", the insurer's MD, Mike Strydom, said. Sasria's policy holders had a "bigger vested interest than anyone else", but the argument that by having carried the final risk government had accrued rights "had some merit".

With payouts on claims always lower than premium income, Sasria has never had to call on government to bail it out. It has been able to accumulate massive assets currently valued at more than R8,5bn.

Payments totalling R256m in 1994 following the Bophuthatswana riots had "probably been the biggest" since the fund's inception, financial manager Charmaine Silverman said.

The advent of democracy and increasing political calm reduced the need for insurance cover specifically tailored to political turbulence.

Cabinet secretary Prof Jakes Gerwel said the cabinet had at its last sitting on December 4 "noted the inten-

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tion of the finance ministry to introduce legislation in the new year to deal with surplus funds held by Sasria".

But Strydom said initial legal opinion obtained by Sasria indicated that government had no right to the funds. Any potential action against the plan would only be considered after further legal advice and discussions with the finance ministry.

Contacted on Friday, Sasria's attorney Keith Maisels refused to discuss the legal issues.

Strydom said the insurer had always had a good relationship with government, and did not want a conflict situation to develop now. The directors would have to act in the best interests of the policy holders, and preliminary talks made it clear that policy holders would continue to be covered.

About 65% of the assets were invested in equities, of mainly blue chip companies, with 25% in bonds and 10% invested on the money market. There were no investments in fixed property and no offshore investments.

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