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Insurers to oppose government's plan to use billions from riot fund

Robyn Chalmers

SHORT-term insurers will oppose government's plan to divert billions from the SA Special Risk Insurance Association (Sasria) to reduce state debt.

The 48 short-term insurers — all stakeholders in special political riot insurance fund Sasria — fear they will lose valuable rights in the insurance fund and be left exposed to potentially large claims should government implement its transformation plan.

Sources said Sasria had accumulated reserves of R9,4bn, a portion of which government planned to use to reduce state debt.

The finance ministry was preparing legislation to convert Sasria from a section 21 company into a public company with government as sole shareholder initially.

The move would also allow government to limit its risk exposure in terms of reinsurance cover provided to the insurance industry through Sasria.

The ministry would consult an actuary to determine the level of reserves Sasria needed to continue its normal business. However, previous industry estimates were that about R1bn-R1,5bn could be placed in an emergency fund for Sasria's future liabilities.

This could theoretically free between R7,9bn and R8,4bn for the reduction of state debt in the longer term.

The finance ministry has indicated that only R1bn of this is likely to be liquidated and used in the current fiscal year.

Sasria MD Mike Strydom said yesterday the organisation was taking legal advice. Member companies had taken a unanimous decision to oppose the legislation and were now exploring legal ways of doing so.

Stakeholders had the right to appoint members to Sasria's board.

They feared that government's plan to take over the organisation would deprive members of these and other rights.

Sasria's board of directors included Mutual and Federal MD Ken Saggers, IGI curator Cornelius Oosthuizen, SA Eagle MD Peter Martin, Central Reinsurance Corporation chief Mike Davis, Dawie Malan of Ginsburg Malan Carsons actuaries and investment advisers and Santam MD Jurie Geldenhuys.

Strydom said although the amount to be left in Sasria's "emergency" fund still had to be decided, the mooted R1bn-R1,5bn was not acceptable in view of the insurers' "vast exposure" in SA. "We do, however, have surplus assets and would be prepared to negotiate with government on how these assets can best be used. We are happy to talk about the way forward," he said.