

INSTITUUT VIR EIETYDSE GESKIEDENIS

Die Universiteit van die Oranje-Vrystaat

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Business Day

Jg..... Nr..... P..... 15 Dat. 10 SEP 1998

Post-apartheid dividend

SHORT-term insurers are taking a narrow and shortsighted view of the future of Sasria (the SA Special Risks Insurance Association), and the R10bn in its reserves kitty.

The bill before Parliament designed to bring the association fully under government's control does not, in any way, amount to nationalisation without compensation. Sasria was established in 1979 as a section 21 not-for-profit company by government precisely because the private sector was unwilling to take the risk of providing insurance against losses due to political turmoil. Insurers act as agents and provide expertise in running Sasria. But it is in no real sense owned by them.

Government's plans to privatise Sasria after passage of the bill and open the field of political risk insurance properly to the private sector offers, we would think, new commercial opportunities. In our more normal society, it places the risk and potential reward for this commercial activity squarely where it belongs — in the private sector. Insurers threaten that premiums may increase with the demise of the old Sasria and its reserves. Perhaps. We would be willing to allow a competitive market system to determine prices.

Sasria's substantial asset base — the consequence of greater political stability than anticipated when Sasria rates were determined — is a legitimate windfall for today's more peaceful society where public resources are scarce. The only condition should be that it not be used to finance current expenditure. Using it to defray debt makes good sense.

TREFWOORDE

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