

Source: STAR

Date: 26-Feb-2001

Topic: 08

Ref No: 3492



1

ID: 02654128-01 Source Page: 6

Cabinet will soon decide on Sasria's restructuring

SHONISANI MAKHARI
AND SOLOMON MAKGALE

Johannesburg - Restructuring options for South African Special Risks Association (Sasria), the State-owned short-term political risk insurer, would be handed to the Cabinet soon, Brian Molefe, the head of assets and liability management at the Treasury, said at the weekend.

He said the government's transaction adviser UBS Warburg had completed its final report which would be presented to the Cabinet for approval.

"If the Cabinet approves the recommendations, then we would go ahead with the implementation," Molefe said.

He, however, said more consultation with industry shareholders was necessary.

Sasria has estimated net asset value of R3 billion and is considered a highly lucrative business because of its monopoly position. At the present moment, no insurer is allowed to underwrite political risks other than Sasria.

Owing to the decline insurance claims resulting from politically motivated riots since 1994, the government was able to draw a substantial dividend of R7,1 billion from the company during the previous financial year.

Stewart Rider, the vice-president of research at Merrill Lynch, said a five-year monopoly might be the necessary bait to attract interested bidders for the highly lucrative business.

Rider said although the government was keen to liberalise markets and do away with monopolies, Sasria certainly had a good case for limited exclusivity to underwriting the risk.

Sasria was established by the government during 1979 in order to cover risks that might arise from politically motivated damage to property.

Rider said South Africa's leading insurers like Santam and Mutual & Federal, as well as other reinsurance groups, might be interested in the business provided the necessary incentives were put in place.

Leon Vermaak, the managing director of the largest short-term insurer Santam, said the company had been involved in negotiations with the government but there was no stated course of action regarding the entity's future.

Vermaak said he would prefer the the government to deregulate the market and allow other insurers to take up political risks.

"There are a lot of assets in Sasria and this would push the purchase price too high for any buyer to make a meaningful return-on investment," Vermaak said.