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Insurers happy as state keeps Sasria control

INSURANCE

By MASEGO LEHIHI

GOVERNMENT is delaying the privatisation of its short-term insurer Sasria by another five years — to the relief of private sector insurance companies.

The Department of Finance announced on Friday that Sasria would pay government a special dividend of R3-billion in return for a R1-billion guarantee in the event of an "extreme" loss.

Finance director-general Maria Ramos said that over the next five years government would have the chance to work with the insurance industry to establish a sustainable model for the provision of special risks cover by the private sector.

Friday's announcement was welcomed by the short-term insurance industry, ratings company Standard & Poor's and Sasria itself.

Sasria, which was set up in the apartheid years to cover political risk, announced last year that it wanted to be privatised as quickly as possible.

It operates through 56 short-term insurers who issue special policies to individuals and companies on its behalf.

Ramos said government's commitment to privatising Sasria was still as strong as it was eight months ago when it said privatisation would be accelerated. She said further restructuring gave government an opportunity to reassess the scope for privatising Sasria, as well as finding an appropriate way to exit the special risks insurance market.

Sasria chairman Cyril Ramaphosa said he was pleased that government was still the sole shareholder and did not believe that its continued control for another five years was negative. "In five years SA would have reached a vast level of political maturity and stability which is needed in the reinsurance market and the insurance industry. We would be 11 years into the new regime," said Ramaphosa.

He added that Sasria's premiums had gradually come down because of greater political stability.

Barry Scott, chief executive of the South African Insurance Association, said the short-term insurance industry welcomed government's decision. "We believe it is in the best interest of all South Africans and will give foreign investors the comfort that cover will be available for special risks," Scott said.

"The industry needs to get comfortable with taking on Sasria cover."

Scott added that insurance companies were wary about not being able to refuse or cancel political risk policies — a chief reason for Sasria's establishment by government.

Standard & Poor's said the postponement of Sasria's privatisation would have no negative impact on its South African ratings, which it reaffirmed last month. The Sasria decision did not indicate a weakening of government's commitment to privatisation, the agency said.