Parastatal pays R3,2bn dividend to govt

Sasria sale on hold

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THE government has put on hold its plans to privatise the South African Special Risks Insurance Association (Sasria) for the next five years, saying there was significant uncertainty over the viability of its privatisation and the deregulation of the special-risks market.

Announcing the government position in Johannesburg on Friday, National Treasury director-general Maria Ramos said Sasria would in the meantime undergo a restructuring that would see it paying a R3,2 billion dividend to the fiscus to help reduce government debt.

Ramos said the R3,2 billion had been factored into the R18 billion revenue the treasury would raise from the privatisation of state assets as provided for in the 2001/02 national budget statement.

The dividend, to be handed over to the treasury in the next week, brings to over R10 billion the revenue Sasria has paid to the fiscus in the past two years.

The last one was in 1999 when it paid out R7,5 billion. The restructuring will see Sasria's capital base going up to R1,5 billion, including a R1 billion government guarantee to be accessed by Sasria only if it suffers an extreme loss.

"International actuarial advisors Tillinghast-Towers Perrin have concluded that this capital structure, together with Sasria's existing reinsurance arrangements, would be wholly adequate for it to operate in the new environment," Ramos said, adding the new capital structure made it one of the mostly highly capitalised in the country.

"We need to give the market more time. The markets have raised a lot of concerns and they still have to be addressed before we can privatise.

"One such concern is the non-refusability and non-cancellability.

"It will be difficult to find reinsurance under these circumstances," Ramos added.

The insurance industry, which has been clamouring for the privatisation of Sasria, said it supported government's decision.

"The short-term insurance industry welcomes the 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 risk.

"We look forward to further discussions with the government as soon as possible so a solution may be found within the stated period," said Barry Scott, chief executive of the SA Insurance Association (SAIA).

Sasria chairperson Cyril Ramaphosa said he was happy about the government's move.

"This is the best solution for the insurance industry as a whole.

"It is clear the industry is not ready for privatisation yet. But we're happy our capital requirements are more than adequate."

Meanwhile, international rating agency Standard and Poor's said Friday's postponement of Sasria's privatisation was not a sign of weakening commitment to privatisation, but a lack of investor interest in the specialised company.

The postponement will have no negative impact on Standard & Poor's ratings of South Africa, which were affirmed last month.

The rating affirmation reflects the government's continued commitment to an orthodox economic policy framework and structural reforms, which have resulted in modest budget deficits and declining inflation.

"Standard & Poor's still expects the privatisation of state enterprises to accelerate in coming years, helping to keep the public debt burden on a downward trend.

"This declining debt burden is also creating room for prudent pro-growth fiscal policy, while real GDP should grow by 3,0 percent to 4,0 percent a year this decade – significantly faster than the average of just 1,3 percent in the 1990s," the agency said.