SA Media - The University of the Orange Free State
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Source: BUSINESS DAY
Date: 12-Mar-2001
Topic: 08
Ref No: 4428
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ID: 02659821-01
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Private sector rejects Sasria

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GOVERNMENT's plans for the privatisation of specialist insurer Sasria ran aground because the private sector would not provide political risk cover if government set the rules.

Government said on Friday it had shelved plans to privatise Sasria for five years. However, Sasria will pay government, its sole shareholder, a R3,2bn special dividend, contributing part of the R18bn privatisation proceeds estimated in last month's budget.

The dividend, which aims to reduce Sasria's capital to more appropriate levels, follows a R7,5bn payout to government in 1999.

The decision on Sasria came after extensive consultation with the short-term insurance industry which was not ready to underwrite the types of peril which Sasria insured, said Sasria MD Mike Strydom. The industry was concerned about the availability of reinsurance and about the nature of the policies — Sasria cannot refuse to provide cover, nor can it cancel policies.

The SA Insurance Association (Saia) supported government's decision to delay privatisation.

Industry players said, however, that they would have liked to write political risk policies but could not do so as long as government insisted policies be nonrefusable and noncancellable.

They also need to set rates according to perceived risk, as they do on their other businesses. Sasria does not "riskrate" business in this way.

"You can't force an insurer to sell you a policy," said Mutual & Federal GM Peter Bezuidenhout.

Saia CE Barry Scott said the industry would continue to talk to government to reach an amicable solution.

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