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SA's most profitable insurer?

SASRIA: *Regulated monopoly bucks trend*

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GOVERNMENT-OWNED entities are often accused of being inefficient, not without reason. But state-owned short-term insurer Sasria appears to be bucking the trend, reporting healthy profits while other, private sector companies, sometimes battle to turn a profit.

For example, Sasria's most recent income statement, for the year ended March 31, 2008, shows an after-tax profit of R290m for insurance premiums of R556m, a margin of 52%.

An apartheid era creation, Sasria was formed to provide protection against unrest such as riots. It provides insurance against riots, strikes, labour disturbances and terrorism.

So what's the secret to the profit margin? Sasria has a legislated monopoly. In other words, other insurance companies are prohibited from providing the cover Sasria does.

But financial director Gerhardt Matthee says: "We are this profitable because of our economy of scale, as indicated we provide national cover but only employ 35 staff members.

"We are able to do this due to our business model whereby most of the administration is done by our agents. For this they receive 20% commission. Our agents are all other insurance companies."

Matthee insists Sasria is not compulsory although many brokers au-

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According to Matthee, government had plans to privatise Sasria, but received a lukewarm reception from the private sector when shopping around.

tomatically insert it into policies.

A competitive advantage for Sasria is its size. The insurer writes millions of policies, but many are worth only a few rand a month. Thus, it would require a specialist with nationwide presence to make these policies profitable.

Sasria was started in 1979 as a non-profit entity. It became profit driven in 1998, when it was converted into a limited company with government as the sole shareholder. The special R10,5-billion dividend was paid in 2001 and was a welcome contribution to Treasury.

Government apparently views Sasria as a "strategic asset" that may be useful in providing comfort to foreigners looking to invest on our shores. Sasria recently raised its premiums after a few years with no increases. It has had a relatively good period over the past decade, with peaceful elections.

The crime problem does not affect its bottom line. Matthee says major recent claims have come as a result of angry rail commuters, who burnt coaches and the Pretoria station. A risk to the company must be unrest over service delivery, which appears to be on the rise.

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