

INSURANCE

Sasria plans low-cost township cover as threats rise

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The rapid escalation of strikes and protests into violence and looting is an issue that Cedric Masondo wishes he understood more clearly.

He is the MD of the South African Special Risks Insurance Association (Sasria), which pays out insurance claims after businesses are burned, shops are trashed and trains torched by angry protesters.

"The nature of our insurance is man-made catastrophes. In our society sometimes mob mentality dictates that people will do things that they will not do when they are on their own," Masondo says.

"It's a sad reality that when people want to make a point, they damage property. What's worrying here [in SA] is the frequency ... here it's become day to day, with roads being blocked and cars damaged."

Sasria's payouts rose 31% in 2016, largely because students trashed campuses in the #FeesMustFall campaign. Of the R766m claimed for the 2017 financial year, student protests accounted for R325m, or 42%.

Sasria was created in 1979 in response to the 1976 student uprising.

"Buildings were damaged by students and insurance companies didn't want this type of business, so they put in exclusions that damage caused by political riots wouldn't be covered," Masondo says.

"Because there was a market failure, the government needed to intervene, so this company was formed."

Its scope was broadened to cover other types of unrest including terrorism, which other insurance companies will not cover. Every South African with an insurance policy for a house or car pays a premium to Sasria – from as little as R10 a month for cover against "special risks" such as protests, strikes and terrorism.

Masondo estimates that only 2% of township residents have insurance – including spaza shops, which are routinely looted in xenophobic attacks.

"One time I was in Rosebank when there was a post office strike and someone petrol-bombed a post office vehicle. Within a week, we got that claim. For the township riots, whenever shops are looted, we don't get any claims because they don't have cover. They're the ones getting hit by service-delivery protests. It's sad because the spaza shops have nothing to do with the complaints and they're the real victims. Those people have lost all their stock and no one even bothers to talk about them."

To solve the problem, Sasria is developing a new business model. Currently, it only goes to market on the back of other insurance companies. Yet a mere 35% of vehicles on SA's roads are insured, and household insurance

penetration is only about 5%. In France, the rate of cover for homes and cars is 90%.

The new target market will be people who do not want or cannot afford regular insurance but do want Sasria cover because their properties have already been looted several times, he says.

To reach them, the organisation will adopt a hybrid model in which it still piggybacks on traditional insurance policies but also markets its services directly to the public. The fees for individual holders will not be that high, he says, but the effect could be huge.

A test phase in the townships will take place only in 2020. Masondo says it will take time to implement the change, which requires new distribution channels and systems to reach a new market.

The plan is to have agents using smartphones to sell insurance in the townships, avoiding the need to increase overheads and its lean team of 80 employees.

Meanwhile, Sasria will continue to analyse the risks facing SA and ensure it has sufficient income from its premiums and its investments to keep pace with the spiralling violence. It has consulted sociology professors at several universities to try to pinpoint why people behave as they do.

"We want to understand the triggers because that informs us

about trends that are going to get worse," Masondo says. "It's our job to inform the government and tell them where the riots are coming from, and the cause."

The triggers for protests are generally low salaries, an outpouring of anger against government corruption or a lack of service delivery.

The reasons that spark protests change. A few years ago, a big proportion of claims were made by mining companies for damage caused by incidents at and around Marikana. In 2013, most claims were from farmers whose property was torched by striking farm workers. Then came the student protests.

"The biggest threat is your employees," Masondo says. "Outsiders might damage your windscreen but employees sit with your equipment. Our biggest claim [in 2016] was [for] R120m when a factory was burned by employees because they were worried that some jobs were going [to be cut]."

