

# Sasria profits drop as strikes and protests spike

LINDA ENSOR

CAPE TOWN — State-owned special risks insurer Sasria suffered a sharp decline in profit last year because of the significant increase in the number of strike and service delivery protest-related claims it had to pay out.

The xenophobic violence, which gripped several communities in the year to end-March, also had a financial effect on the company, which provides short-term insurance against the loss or damage to property arising from civil commotion, public disorder, strikes, riots and terrorism. These risks are not covered by other short-term insurers and include events such as the burning of cars and looting of businesses.

But while there was a 54% increase in the overall number of claims to 2,349 from 1,525 the previous year, the amount of R300m paid out was less than the R507m paid out in 2013-14.

Xenophobic attacks were responsible for 42 claims, valued at R29m. The largest single claim paid during the year was for R55m for the disruption of a business due to a special risk event.

"The biggest driver in the increase in the number and severity of our claims is union-led actions, followed by service delivery protests.

"We have seen only a modest change in students' riots where the severity (value) decreased 5% and the frequency increased 10%," Sasria MD Cedric Masondo said in the company's annual report tabled in Parliament yesterday.

The value of strike-related claims soared 82% to R396m (R217m) and their frequency 63% to 1,496 incidents (919 the previous year). A total of R113m was paid out for claims related to 365 incidents of service delivery protest compared with about R85m (252) the previous year.

The result of this claims experience was that while the gross premiums written rose 9.5% to R1.5bn, the short-term insurer suffered a 9% decline in its underwriting profit to R468m and an 11.6% decline in net profit before tax to R834m (R944m).

It was, nevertheless, able to pay a dividend of R206m to the state, nearly double the previous year's R107m.

Sasria outperformed the industry average in premium growth by 1.4%. The bulk of its premiums (R1.2bn) were paid to insure property, with the second-biggest class of business being for the special risks insurance for motor vehicles at R246m.

Mr Masondo said highlights of the year were that the short-term insurer had reduced its expense ratio by 4.7% and increased its solvency ratio by 9%. It has R5.8bn in assets under management and earned R390m in investment income during the year on a return of 7.1%. Sasria outsources its asset management to external investment managers.

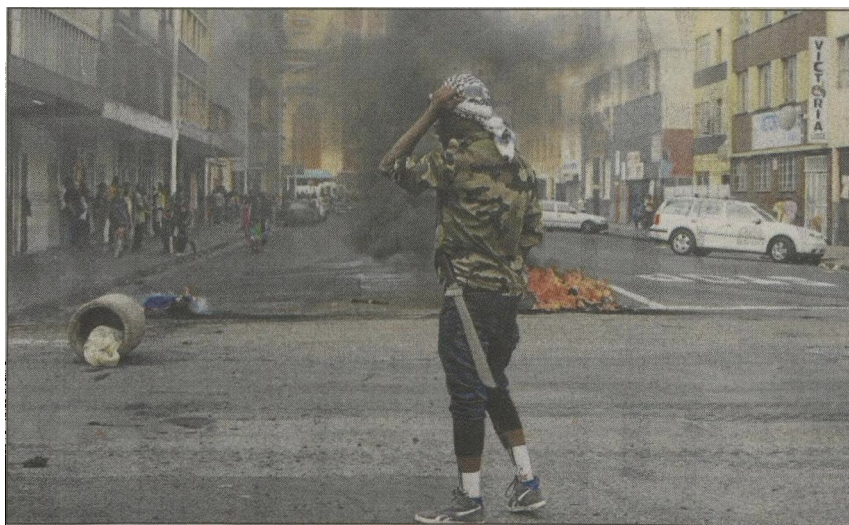
Sasria does not sell insurance directly to customers, but works through other short-term insurance companies, which earn a fee for selling, administering and collecting premiums on its behalf. The only direct contact that Sasria has with its customers is with the settlement of

claims. According to the annual report this business model reduces its operating expenses significantly.

Finance Minister Nhlanhla Nene, in his foreword to the annual report, praised Sasria as one of SA's "top-performing state-owned entities".

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**VIOLENCE: Xenophobic attacks were responsible for 42 claims paid out by Sasria, valued at R29m.** Picture: THE TIMES

