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# Strikes drive state-owned Sasria's net underwriting profit down 76%

LINDA ENSOR

CAPE TOWN — State-owned insurance company Sasria had to pay out R412m in claims for last year's strikes — mostly notably in the mining, transport and agriculture sectors — which resulted in a sharp fall in its profits, the company reported this week.

Of the total amount paid out in strike-related claims in 2012-13, R53m was for the mining strikes, R65m for the truck drivers' strike and R160m for the strike on Western Cape farms, according to the Sasria annual report tabled in Parliament.

Sasria is the only short-term insurer in SA that provides cover for riots, strikes, terrorism and public disorder.

Other insurers act as agents offering Sasria-cover as an add-on to their own policies.

Comparisons of Sasria results with the rest of the short-term insurance industry is therefore not possible, though South African Insurance Association CE Barry Scott said that last year was a tough year for most insurers in SA, and this year had also started out tough.

Sasria was established in 1979 because of the short term insurance industry's reluctance to provide insurance cover for political risks at the height of the anti-apartheid struggle.

The insurer's cover was extended in 1998 to include non-political risks such as strikes and labour disturbances.

While political and non-political riots used to be the basis for most of its claims five years ago, labour strikes last year

accounted for about 80% of all claims.

In 2008-09, strike-related claims account for only R36m, but in the year ending March 31, they accounted for R412m, placing increasing pressure on underwriting margins.

Last year, the frequency of strike-related claims rose by 91%.

Strike activity has also been strong during the first few months of the 2013-14 financial year, bearing out the expectation by MD Cedric Masondo that the economic slowdown could see a continuation of the trend of heightened labour strikes and social unrest.

Sasria's gross premium income for the year to end-March amounted to R1.2bn (R1.1bn) but net insurance claims more than doubled from R207m to R507m and as a consequence the net underwriting profit plummeted 76% to R99m from the previous year's R405m.

Strong growth of 36% in investment income to R407m (R299m) compensated for this

drop, and the fall in the insurer's after-tax profit to R358m from R523m was contained.

The average return on investments was 9.4% against an average consumer price inflation of 5.9% as a result of the strong performance of domestic equity and bond markets.

The combined loss ratio deteriorated dramatically to 88.1% from the previous year's 45.9%. However, the insurer's balance sheet remained strong with total assets of R5bn far in excess of total liabilities of R1bn.

The company's financial strength provides a strong basis for the next stage of Sasria's strategic plan to become a leading insurer of special risks in Africa.

The Sasria board put a brake on management's initial expansion strategy to the rest of Africa on the grounds that it was outside the company's mandate.

However, Mr Masondo said in the report that he believed it was now time to seek a revised mandate and consider the possibility of a "cautious expansion into (the rest of) Africa."