

Counting the costs

Violent protests sweeping SA come at a huge cost in damage to property. It is a cost weighing heavily on Sasria, SA's only insurer covering special risks of this nature.

"Claims in our latest financial year [to March 2016] will exceed those in the previous year," says Sasria MD Cedric Masondo. In the previous year there was also an alarming jump in claims.

Driven by losses stemming from what Sasria termed "union-led action", gross insurance claims in the year to March 2015 came in at R436m, up R175m (67%) on the previous year. "It is a worrying trend," says Masondo.

In the latest financial year the nature of claims changed radically. "In the previous 10 years about 70% of claims were related to labour unrest," says Masondo. "Last year there were no huge, prolonged labour

strikes. About 70% of claims were related to university and service delivery protests."

Claims for damages following protests at universities came in at R120m in the latest financial year, says Masondo. There are still more claims to come from universities rocked by violent protests early this year.

Among them, says Masondo, will be a claim from North-West University. In February two buildings were gutted by fire and vehicles were destroyed.

It is set to be by far the biggest university violence claim yet. According to a statement released by the higher education & training department earlier this month, protest-related damage on the Mahikeng campus amounted to R151m. It brought total damage at 14 universities to R300m, with a further four yet to tally up their losses.

Financially, Sasria is well

positioned to weather the rising claims trend. In its year to March 2015 the state-owned insurer reported net premium income of R1.38bn and investment income of R390m.

But Sasria cannot absorb rising claims indefinitely. "If the trend continues we may have to raise tariffs," says Masondo. The last tariff increase was six years ago. Tariff hikes go against Sasria's mandate to provide affordable cover against special risks such as public disorder, strikes, riots and terrorism.

Sasria was formed in 1979 and, other than Nasria formed in Namibia in 1987, was unique in the world until 1993, when the UK government moved to form Pool Re in response to Irish Republican Army attacks.

It was only after the September 11 2001 terror attacks in the US that other governments took action. Similar special risk insurers operate in only 16 other countries.

Stafford Thomas
thomass@fm.co.za

