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Sasria helps to reduce state debt

By Shadrack Mashalaba

SASRIA Limited, formerly the South African Special Risks Insurance Association, announced on Friday that it would pay a once-off special dividend of R3 billion to the Government to be used for early repayment of Government debt.

Sasria chairman Cyril Ramaphosa said the risk insurer was pleased at the Government's decision to settle the country's debt. A total of R10,5 billion of Sasria dividends had been used to reduce Government debt, he said.

The Government is to retain 100% ownership of Sasria for another five years, but at the end of that period, or before if appropriate, the Government would reassess the scope for privatising Sasria and exiting the special risks insurance market, he said.

In addition, the Government would provide a R1 billion guarantee to be accessed only if Sasria suffered an extreme loss.

Ramaphosa said the Government remained fully committed to the privatisation of Sasria, saying the short-term insurance industry had been fully consulted.

He also said South Africa had

reached a mature level of stability and did not need to worry about serious mishaps.

National Treasury director general Maria Ramos said the restructuring of Sasria had yielded substantial outputs for the state and would help reduce borrowing requirements.

Ramos said concerns about issues

of non-referability and non-cancelability had been raised in consultations with industry players. She added that the Government would work closely with the insurance industry for the next five-year period as it prepared to exit the insurance market.

Established in 1979 as a section 21 company following the 1976 Soweto riots, Sasria covers damage caused by non-political riots and public disorder, including labour disturbance, civil commotion, strike and lockout and loss in respect of mortgage loans.

Sasria managing director Michael Strydom said the restructuring would be good for the industry as a whole.

However it was clear that the insurance industry was not yet ready to underwrite the risk Sasria that was currently carrying, he said.

Meanwhile rating agency Standard & Poor has said the postponement of Sasria's privatisation would not undermine South Africa's ratings.

The agency said the decision to keep Sasria in state hands for at least another five years was not a sign of weakening commitment to privatisation.

It was rather due to a lack of investor interest in such a specialised company.