

Can Sasria pay claims?

EQUITY VALUE: IT HAS LESS THAN R7BN AVAILABLE TO SETTLE R20BN

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You can sail a 22-foot yacht across the Atlantic by yourself if things go right, but you will struggle to survive if they don't.

The man holding the helm at the South African Special Risk Insurance Association (Sasria), managing director Cedric Masondo, has just sailed into a huge storm in a boat that is probably too small to reach land without serious damage.

Sasria's latest annual report creates the impression that the recent looting will create the biggest challenge the association has ever encountered since its establishment in the late '70s.

The last few years were relatively easy. Sasria paid claims for damage resulting from the odd service delivery protest or wage strike, and – if the annual report is anything to go by – spent the rest of its time on less pressing social issues.

Sasria collected just more than R2.4 billion in premiums during the year to March 2020, a satisfactory increase of 11%, compared with the previous year.

It paid out fewer claims than

in the previous year, with claims decreasing to R992 million, compared with nearly R1.6 billion in the 2019 financial year.

The R992 million in claims paid out in the 2020 financial year – the 2021 annual report is due

soon – is a drop in the ocean compared with the potential claims Sasria is facing now.

The damage by the widespread looting and destruction in Kwa-Zulu-Natal and parts of Gauteng is estimated to be as high as R20 billion or even R30 billion.

The SA Property Owners Association (Sapoa), representing over 800 organisations in the commercial property sector, with 90% of the nation's commercial real estate owned by its members, estimates the damage at more than R20 billion.

Sapoa estimates that the repair of a mall that has been burned down is likely to take at least two years, while those that have suffered less damage may take a couple of months.

Sasria has publicly estimated the damage at anything from R3

billion to R10 billion. Masondo's most recent estimation is up to R12 billion.

Coincidentally, he also mentioned that Sasria will be able to settle claims of up to R10 billion with its "own balance sheet".

While it is impossible to tell how much of the damage is covered by insurance

and how many policies include Sasria cover, the figures suggest that Sasria might be swamped.

Sasria describes itself as the primary short-term insurer in SA, providing cover against special risks such as civil commotion, public disorder, strikes, riots and terrorism.

However, it is unlikely to have expected damages on the scale seen the past week.

The annual report states that Sasria has assets under management of R8.5 billion as at the end of March 2020, and disclosed an equity value of R6.9 billion.

Claims of R10 billion would be likely to bankrupt Sasria if it was a traditional insurer.

The financial statements cre-

ated the impression that Sasria has inadequate reinsurance cover.

In 2020, it recovered R592 000 from R992 million paid in claims from reinsurance.

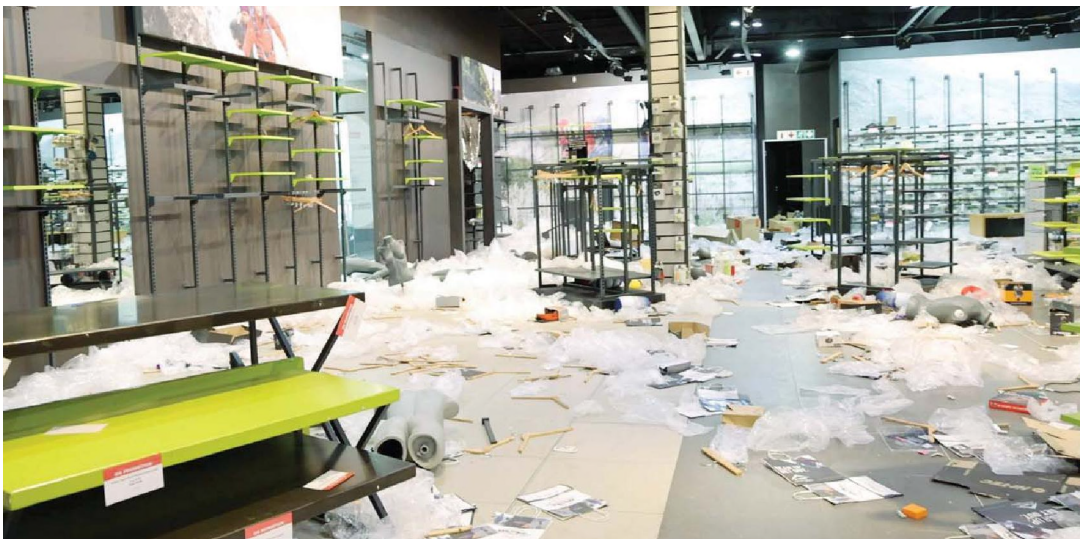
Masondo said in his report to stakeholders that Sasria's approach is to determine what size of catastrophe it will be able to withstand.

"The worst-case scenarios or catastrophes have been calculated as part of Sasria's own risk and solvency assessment and therefore our target is set at 230%," he wrote.

"We are committed to standing behind all South Africans in protecting them from harm in terms of the perils which we are mandated to cover."

➔ **But worst-case scenario targets are set at 230%.**

We are committed to standing behind all South Africans



EYE OF THE STORM. Business owners are expected to claim billions in insurance after violent looting destroyed hundreds of shops. Picture: Reuters

