

Sasria SOC Ltd  
South African Civil Unrest

**South African Civil Unrest July 2021**



More than **200** shopping centers looted and damaged

More than **1700** retailers impacted and damaged

Approximately **40 000** business affected

Over **300** deaths



Extensive damage to at least

**8** factories and

**11** warehouses



An estimated **R7bn - R25bn** lost in damaged property and stolen

goods, with an estimated **R50bn** impact on national GDP.

An estimated **R18bn – R20bn** in notified Sasria claims to date.

## CURRENT EVENTS IN SOUTH AFRICA

In the days following the arrest of former President Jacob Zuma, South Africa experienced a week of political unrest that quickly turned into mass destruction, riots and looting. Although this unrest was concentrated in KwaZulu-Natal and Gauteng, the effects were felt throughout the country.

## HOW ARE THESE UNRESTS AND TIMES OF PUBLIC DISORDER DEALT WITHIN OUR MARKET?

This is where Sasria comes in as the sole insurer in South Africa providing cover for these special risks.

Given our role in the market and our relationships with clients from a variety of sectors, we have had numerous questions regarding Sasria and how it works, as well as any basic guidance we can give to individuals and organizations facing complex claims. In this document, we try and give you the essentials to set you on your path.



### WHO WILL INSURE THESE LOSSES?

Sasria is the only licensed non-life insurer in South Africa who covers losses from damage to property stemming from civil unrest, rioting, looting and other related perils. However, there may be aspects of cover that are picked up by your normal short-term insurers.

Sasria is a State-Owned Company (SOC) with the South African government as its sole shareholder. It is financially and operationally sound on a stand-alone basis. Sasria is regulated by the Prudential Authority (PA), as any other insurer.

Sasria, previously known as SASRIA (South African Special Risk Insurance Association), was founded in 1979 as a result of the Soweto uprisings.



### WHO MAY ISSUE THIS COVER?

An insurer who wants to issue Sasria cover will need to apply to do this. Only insurers that have obtained authority from Sasria and signed the necessary agreements may issue this cover. Once an insurer has been given authority, they are then appointed as agents of Sasria and may issue both Sasria coupons and policies. Sasria coupons attach to the existing underlying policy (adopting all the underlying policy's terms and conditions) while Sasria policies are issued on a stand-alone basis and has its own terms and conditions. Insurers can then sell top-ups or extensions, with Sasria's permission.



### HOW DO I GET SASRIA COVER?

You cannot purchase Sasria cover directly. Sasria cover can only be purchased from regular insurers or brokers who have been authorised by Sasria to issue their cover. You would've obtained your Sasria cover as part of purchasing your normal short-term insurance cover. You can review your policy schedule to see whether Sasria cover has been included.



### IS SASRIA COVER COMPULSORY?

Sasria cover is optional, and some individuals and businesses may choose not to purchase this cover if they believe their exposure is not significant. However, anyone who has property within South African borders and waters is eligible for Sasria cover through their insurers, provided their policies meet the conditions.



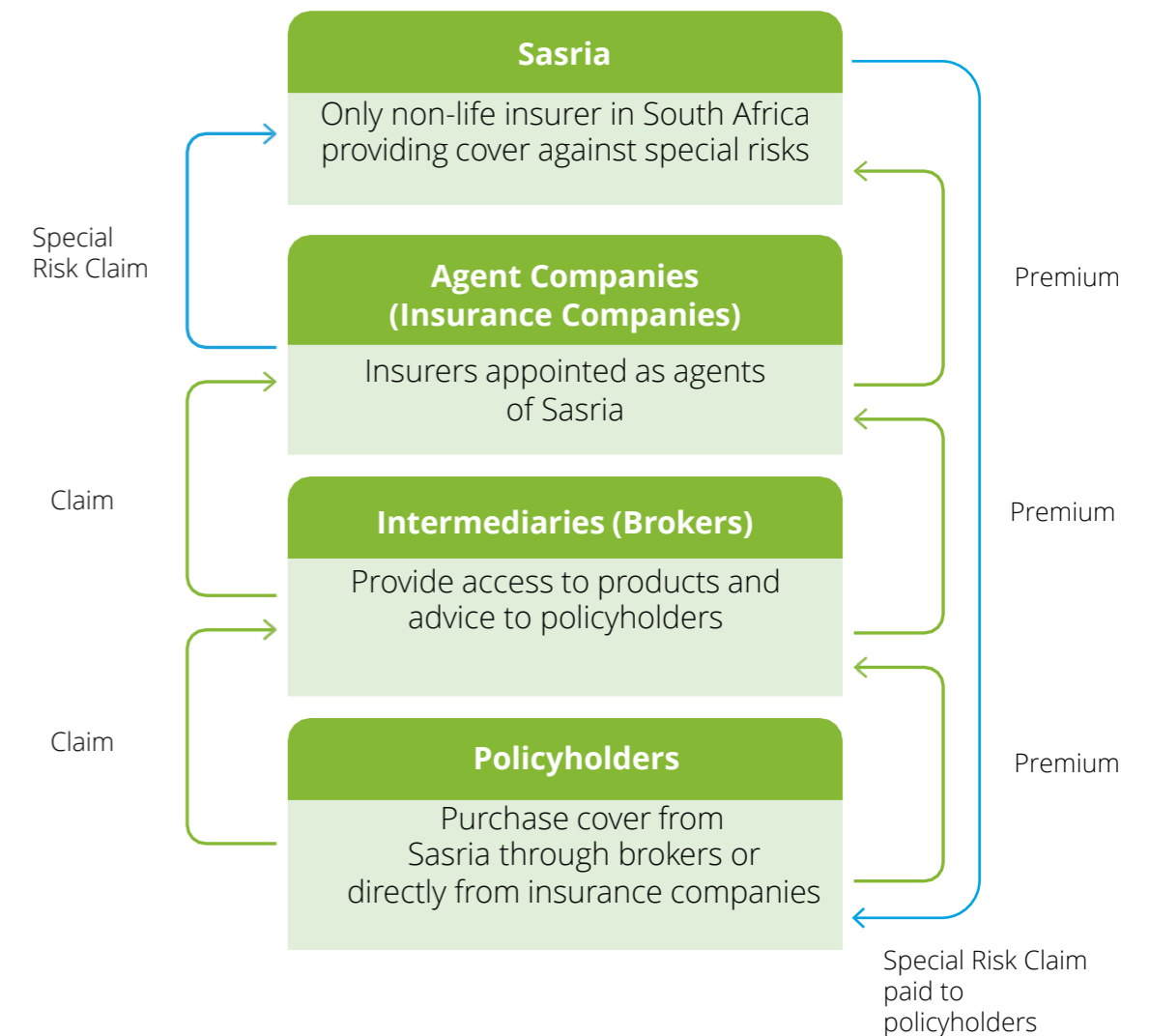
### WHAT PERILS DOES SASRIA COVER?

Sasria covers the following perils:

- Terrorism;
- Public disorder;
- Strikes (e.g. labour unrests, etc.); and,
- Both political riots, such as service delivery protests, and non-political riots, such as student riots and commuter agitation.



## Sasria's Business Model





### DOES SASRIA COVER THEFT?

We have seen that this is an area of significant uncertainty in the industry.

Sasria does not cover theft under the normal course of events. However, Sasria does cover looting as a result of civil unrest, rioting, or losses occurring during an active Sasria peril.

Based on our understanding, the key difference between theft and looting is that:

Theft refers to situations where individuals or small groups of people take away an owner's personal belongings, whereas looting refers to situations where mass crowds take advantage of ongoing public unrest to fully burglar the contents of shops, typically retailers, which usually results in significant property damage.

There is some legal precedence in this regard, therefore, we urge you to actively engage with your legal team.



### WHAT IS EXCLUDED FROM SASRIA COVER?

- War or warlike operations
- Acts of terrorism using nuclear weapons/chemical agents
- Nuclear events
- Damage to property arising from natural disasters
- Pandemics, such as Covid-19
- Personal injuries or loss of life
- Loss or damage due to burglaries or theft, that where not as a result of covered perils listed previously
- Liability
- Lawful confiscation or involuntary seizing of insured property
- Prevention of access



### WHAT COVER IS OFFERED BY SASRIA?

Sasria offers cover to both individuals and businesses.

For individuals, Sasria offers cover for vehicles, homes and household contents.

For businesses, Sasria offers material damage cover; money & cash cover; goods in transit cover; motor cover; business interruption cover and construction risk cover.

Business interruption (BI) includes providing cover for regular fixed business expenses, working expenses, loss of profits and project delays.

**Importantly:** Sasria Business Interruption (BI) cover is only triggered if the underlying claim involves an element of loss/damage of insured property at the risk address.

Cover is offered in the form of either:

- **Primary cover**, which insures losses of up to R500m.
- **Wrap “top up” cover**, which is an optional extra purchase that allows a top up of an additional R1bn, thus insuring losses of up to R1.5bn. (This is only provided specifically on request.)

## CAN SASRIA TAKE THIS PUNCH?

Updated financial position as at March 2021: \*\*

**R10bn** in available assets which have already been converted to cash, and is readily available for claims settlement

**Over R7bn** recoverable from strong catastrophe reinsurance cover

**R3.9bn** capital injection from Government confirmed

**Thus: +/-R21bn** of claims can be comfortably covered without further intervention

**Versus: +/-R18-20bn** estimated total notified/claimed losses (based on latest information)

At this stage, based on information available, Sasria will be able to settle all anticipated claims.

While this will likely severely deplete their balance sheet, government has already confirmed support to the tune of an injection of R3.9bn, to ensure that Sasria remains able to continue business as a going concern.

### OTHER THINGS TO CONSIDER:

- The assessment above does not place any reliance on the continuing stream of premium inflows, which will further serve to support & boost their financial position.
- Not all of the country's damage and losses are covered by Sasria. The total damage will far exceed what Sasria is required to pay out.
- Not all insurance policies have Sasria cover included (since it is optional and attaches to the underlying direct insurance cover).
- Some larger policies will hit their R500m claim cap (or R1.5bn if Wrap top up was purchased), limiting their recoveries from Sasria.
- Bear in mind that Sasria Business Interruption cover is only triggered if the underlying claim involves an element of loss/damage of insured property at the risk address.
- In the unlikely event that Sasria's own reinsurance and capital resources (incl. the already confirmed R3.9bn government injection) are depleted, Sasria could look to obtain further funds from the South African government (its sole shareholder), if necessary.

\* From the most recently available Sasria Integrated Report for the year ended March 2020. \*\* Numbers shown here are unofficial 2021 figures as obtained from discussions directly with Sasria. At the time of publishing the 2021 Financial Results of Sasria were imminently due for release.



### KEY THINGS TO NOTE ABOUT SASRIA:

Strong balance sheet with reinsurance protection:

**Around R3bn** annual written premium income \*\*

**Around R2bn** annual profit for the year ending March 2021 \*\*

And	<b>R1bn</b>	<b>R250m</b>	<b>1.80x - 2.3x</b>
	Gross Claims*	Investment Income*	Target Economic Capital Cover*



Balance sheet protected by a panel of world-leading reinsurers



Lancashire  
Munich Re  
Swiss Re  
SCOR  
Hannover  
Lloyds

Catastrophe Risk cover and others



Recover from reinsurers after a specified loss per single event (multiple claims)



Sustainability plan in place



Recovery plan following adverse market development



Cover limited to R500m per insured



Large business groups may find that their Sasria recoveries are depleted at R500m

Only in exceptional cases where businesses have bought the Sasria top-up wrap cover, will their cover extend to **R1.5bn**



### SASRIA SUPPORT

Sasria released Communique 92, in which they stated that they formed an agreement with Agent companies to improve the claims handling process of smaller claims relating to the unrest.

As part of this agreement, agents are allowed to directly settle claims arising from the unrest up to a value of R1m. The amount settled will later be reimbursed by Sasria.

Sasria have already started settling claims, and this includes interim payments, especially on significantly large claims.



### GOVERNMENT SUPPORT

The South African government has created the 'Economic Recovery Fund' to support the recovery of businesses affected by the unrest in Gauteng and KwaZulu Natal.

This was announced by Trade, Industry and Competition Minister Mr Ebrahim Patel on the 29th of July and forms part of a R38 billion recovery support package.

Funding will be provided by:

- The Department of Trade Industry and Competition (the dtic);
- The Department of Small Business Development (DSBD);
- The Industrial Development Corporation (IDC);
- The National Empowerment Fund (NEF); and,
- The Small Enterprise Finance Agency (Sefa).

So far, the dtic, NEF and IDC have collectively contributed a funding package of R3.75 billion. Certain criteria need to be met in order to obtain these funds.



### SARS SUPPORT

Emergency Tax Relief measures were announced by the President on 29th July 2021 for businesses that are registered and tax compliant (with no outstanding returns and no outstanding tax debt). Three tax relief measures have been provided, namely:

- Employment Tax Incentive subsidy (4 months)
- PAYE payment deferral (3 months)
- Excise duty payment deferral (3 months)

For further information regarding the tax relief measures and for attaining support via the SAICA Business Emergency Rescue initiative, please visit:

- <https://www.saica.org.za/initiatives/member-focused/business-emergency-rescue>
- [https://saicawebprstorage.blob.core.windows.net/uploads/SAICA\\_Guide\\_-\\_Tax\\_relief\\_and\\_implications\\_of\\_unrest\\_in\\_SA\\_FINAL.pdf](https://saicawebprstorage.blob.core.windows.net/uploads/SAICA_Guide_-_Tax_relief_and_implications_of_unrest_in_SA_FINAL.pdf)
- <https://www.accountancysa.org.za/saica-business-emergency-room/>

## WHAT SHOULD YOU BE DOING?



### **BUSINESS OWNERS + INDIVIDUALS:**

Contact your broker or insurer immediately to find out whether you have Sasria cover.

Discuss the nature of the loss of property or damage you have suffered and are currently suffering e.g. vehicles, inability to trade and generate business, etc.

Ask your broker or insurer to guide you on the claims submission process.



### **INSURERS + BROKERS:**

- Sasria has provided increased mandates for insurers to process small claims. If you are not sure or aware of this, please contact Sasria urgently.
- Engage with your policyholders and provide as much information on the claims process to alleviate any uncertainty.
- Consider freeing up dedicated claims processing personnel in lieu of urgent claims to sustain businesses and the industry, in general.
- It is an important time for the insurance industry to play a vital role in helping clear-up any questions; giving clarity on the processes that are in place, and making a positive impact.

## WHAT SHOULD WE BE DOING?



### **HOW CAN WE HELP YOU?**

- Please let us know if you would like to ask any questions or if you require any administrative support.
- Quantification of business interruption and loss of income claims: these claims typically involve an element of forecasting related to business trading, including revenues and profits. We have expertise and modelling resources that may be helpful and are more than happy to see if we are able to assist you with this. Please feel free to reach out for support.

## LINKS TO KEY DOCUMENTS



**Background on Sasria**

<https://www.sasria.co.za/about-us/>

**Policy Wordings**

<https://www.sasria.co.za/offerings-and-products/insurer-broker/#policy-wordings>

**General Questions Answered**

<https://www.sasria.co.za/wp-content/uploads/2021/04/Sasria-General-QA.pdf>

**Technical Questions Answered**

<https://www.sasria.co.za/wp-content/uploads/2020/06/EI7256-Technical-QA.pdf>

**Treasury Announcement**

<https://www.sasria.co.za/sasria-welcomes-announcement-by-minister-tito-mboweni/>

**Conversion of SASRIA Act**

<https://www.gov.za/documents/conversion-sasria-act>

## DO YOU HAVE A QUESTION?



**Technical Questions**

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