LEARNER GUIDE

Unit Standard Title:	**Describe Standard Insurance Cover in terms of SASRIA**
Unit Standard No:	**117117**
Unit Standard Credits:	**4**
NQF Level:	**4**

This outcomes-based learning material was developed by Masifunde Training Centre with funding from INSETA in July 2014. The material is generic in nature and is intended to serve as a minimum standard for the industry.

Disclaimer

Describe Standard Insurance Cover in terms of SASRIA

Introduction

The 1976 Soweto Students Riots lead to the formation of SASRIA. Insurers realized that they could no longer underwrite the losses arising from the politically motivated riots of the time, as it was almost equal to giving cover for civil war risks.

The aim of the rioting was to change social and political conditions and this was therefore a fundamental type of risk, which affected everyone in the country.
As a result, SASRIA was formed and it opened its doors for business on 1 April 1979.

Originally only political riots were covered, but today non political riots and strikes are also covered as reinsurers withdrew their support for the non-political covers in 1987. War risks are however still excluded.

SASRIA is for risks in South Africa however a similar arrangement (NASRIA) applies in Namibia. In other territories, normal insurers can issue riot cover if they are prepared to do so.

There have been a number of historic riot/terrorism incidents both in South Africa and internationally. These have been of major concern to the insurance industry and to all governments, because of the widespread major damage and losses that can be caused.

Module 1

The origin of SASRIA Insurance

This Module deals with:

- The historical basis for SASRIA with reference to the 1976 Soweto riots and the role of insurance and government at the time.
- The changes to SASRIA cover since 1979 with reference standing charges or working expenses and non-political riots.
- The effect of legislation on SASRIA with reference to the formation of SASRIA Ltd
- An international application of the SASRIA model of insurance and the establishment of terrorism insurance in another country

1.1 The historical basis for SASRIA and changes since 1979

In South Africa, insurance cover for both "politically" and "non-politically" motivated risks was originally provided by SAIA members (South African Insurance Association - general short-term insurers) up to 30 March 1979 under a Riot/Strike & Malicious Damage Extension.

The RSA Government was not involved before then but the modern tendency is for governments to take a much more active role in setting up compensation facilities to deal with these risks.

Following the Soweto Student Uprising Riots in 1976, SASRIA (South African Special Risks Insurance Association - a "section 21" company under the Companies Act) was formed from 1 April 1979 as an "association not for gain" with strong Government backing in the form of unlimited stop-loss re-insurance, to provide "material damage" cover for the more "politically motivated" riot/terrorism risks in South Africa, leaving the SAIA members to provide cover for "non-politically" motivated riots.

This distinction created many problems and SASRIA subsequently included cover for "non-politically" motivated riots as well as strikes, labour disturbances, lockouts and public disorders. An element of “consequential loss” cover was added in 1982, in respect of the “fixed expenses” or “standing charges” of a business.

It was agreed that the SAIA members would continue to provide cover for “non-politically” motivated riots in territories **outside** the Republic of South Africa.

SASRIA was converted in 1998 from a “section 21” company with Government backing, to a private “company” (SASRIA Limited) with Government as sole shareholder. The Government stop-loss re-insurance is now limited to a substantial but fixed amount.

South Africa – significant incidents (pre and post SASRIA)

1.2 The changes to SASRIA cover since 1979

DATE	INCIDENT	PLACE	INJURIES	DEATHS
Mar 1960	Riots	Sharpeville, Vereeniging	156	69
June 1976	Student riots	Soweto, Jhb	un-recorded	600
Mar 1990	Coup/riots	Ciskei	un-recorded	un-recorded
Aug 1990	Riots	Port Elizabeth	un-recorded	un-recorded
Mar 1994	Riots (AWB)	Bophutatswana	un-recorded	60
Apr 1994	Bomb	Bree Street, Jhb	13	7
Apr 1994	Bomb	Odendaal Street, Germiston	8	10
Apr 1994	Bomb	Jan Smuts Airport, Jhb	10	0
July 1998	Riots	Maseru, Lesotho	un-recorded	0
Aug 1998	Bomb	Planet Hollywood, Cape Town	25	0
Nov 1999	Bomb	St Elmo’s Pizza, Cape Town	48	0

Feb 2001	Riots	Pretoria Railway Station	0	0
Oct 2002	Bomb	Soweto bombings	un-recorded	1
Nov 2002	Bomb	Wild Coast, bridge	0	0

1.3 Effect of Legislation

The Soweto student riots in 1976 are well documented and, as mentioned above this effectively gave rise to the formation of SASRIA in 1979, with Government backing.

The government does not underwrite SASRIA, but a board of directors controls the company.

SASRIA functions very similarly to other classes of insurance as far as the insured is concerned. There are two ways in which it differs in administrative procedures and these are:

- the issuing of the coupon;
- the settling of claims.

SASRIA's premiums are derived as a small percentage of premiums paid to conventional insurers.

The direct insurance companies issue the documentation or coupons providing SASRIA cover as agents for SASRIA. (SASRIA cover is limited to RSA). As mentioned previously there is however a reciprocal agreement between SASRIA and NASRIA.

1.4 International application of the SASRIA model of Insurance

A number of other countries have also set up similar riots and terrorism "pools" to that of SASRIA's fine example. Particularly so more recently, following the events of September 11th 2001, when two aircraft were flown by terrorists into the World Trade

Centre (Twin Towers) in New York in the early morning (around 09h00). Brief notes on other “riot, strike and terrorism” pools are currently:

Below are some of the initiatives for Strikes, Riots and Terrorism cover in other countries:

Sri Lanka	Strikes, Riots & Civil Commotion (SRCC) - incepted 1987 - cover provided by insurers and re-insurers - Government participation on top.
Namibia	Namibia Special Risks Insurance Association (NASRIA) - incepted 1988 - similar to SASRIA in regulations, coupons/policies and administration. Ultimately re-insured by the Namibian Government. Has limited reciprocal cover arrangements with RSA/SASRIA.
UK	Pool Re - incepted 1993 to deal mainly with IRA terrorism - UK Government is the ultimate re-insurer.
Indonesia	Consortium for Terrorism & Sabotage Risks - created in 2001 but is not yet completely finalised - insurer and Government participation.
USA	Terrorism Risk Insurance Act (TRIA) - incepted November 2002 - cover compulsory for USA insurers to offer insureds - US Government is final re-insurer until the “Pool” grows.
Germany	Extemus Versicherungs AG - incepted 2002 - cover provided by insurers and re-insurers - Government participation on top.
Australia	Australian Reinsurance Pool Corp (ARPC) - incepted July 2003 - direct insurers re-insure with ARPC with Australian

	Government as ultimate re-insurer.
France	Caisse Centrale de Reassurance - heavy government involvement with virtually no insurer participation.
Spain	Consorcio de Compensacion de Seguros - heavy government involvement with virtually no insurer participation.
Israel	Israeli Government - no insurer involvement.

Now lets have a look at some of the significant incidents that took place around the world which form part of Riots/Strikes and Terrorism acts.

International – significant incidents

DATE	COUNTRY	INCIDENT	INJURIES	DEATHS
Apr 1992	England	London, Financial district, bomb	un-recorded	0
Apr 1995	USA	Oklahoma City, bomb	un-recorded	166
Sep 2001	USA	New York, World Trade Centre	un-recorded	3 000
Oct 2002	Russia	Moscow, Theatre hostages	un-recorded	107
Oct 2002	Indonesia	Bali, Night club, bomb	un-recorded	187
May 2003	Saudi Arabia	Riyadh, suicide bomb	un-recorded	90

Although not mentioned in this Learner Guide, there are many more related incidents. You should keep a note of any major South African or international riot/terrorism incidents that could be added to the selected examples above of significant riot/terrorism incidents. Obtain more details of these via the Internet.

Milestones in SASRIA's development

- 1979 - SASRIA was established and registered in terms of Section 21 of the Companies Act, in response the political unrest of 1976 Soweto Youth Uprising.
- Reinsurance protection for the peril of political riot was unavailable, hence, following meetings between the Short Term insurance industry, under the auspices of the SAIA, and Government, the Government of the Republic agreed to act as reinsurer of last resort.
- SASRIA was consequently incorporated as a Section 21 company, with the aim of providing such cover on a non-refusable and non-cancelable basis to all sections of the community.
- Subsequently, SASRIA's coverage was extended to damage caused by non-political riot and public disorder, including labour disturbance, civil motion, strike and lockout. Coverage was also extended to include loss in respect of Mortgage Loans.
- With the Government re-insuring SASRIA, it was able to accumulate substantial reserves which, as a Section 21 company, it could not distribute.
- 1998 - The Conversion of SASRIA Act of 1998 converted SASRIA to a Limited company, with the Government as sole shareholder.
- After an actuarial assessment, assets totaling some R10, 5 billion were declared as a special re-structuring dividend by the shareholder.
  This was paid to the Government and was used to offset State debt, as required by the Conversion of SASRIA Act.
- Until 1999, SASRIA's premiums were reduced year-on-year. From 1999 to 2003, the premiums were fixed. Following the 9-11 attacks in New York, an actuarial reassessment set the company's EML (Estimated Maximum Loss) at R4, 5 billion. Previously, the EML was set at R2, 5 billion; hence the company was forced to increase its minimal rates by 20% across the board.
  A substantial increase in reinsurance costs post-9/11 also contributed to the increase.

SASRIA's future developments

- SASRIA's monopoly on the extraordinary insurance market will eventually be eased by the final phase in the restructuring of SASRIA (privatisation).
- The Minister of Finance has set a 5-year target for privatization, to allow the industry as a whole to gear itself for such an eventuality.
- The company will be able to explore new avenues and develop new extraordinary products, thus changing their product offering from mono-line to multi-line.
- In anticipation of this, SASRIA has invested heavily in developing a more customer-centric operational model, following extensive research at all levels of the industry, from insurers to brokers and extending right down to the end of the value chain.
- Key to this will be a major technology initiative, with new programs and operating systems designed to maximize interconnectivity and data sharing between all role-players in the industry. This will streamline communications, boost transparency and ultimately provide a faster and more cost effective service for all stakeholders.

War damages Act

Under the SASRIA policy there is no cover for War and war-like acts. The client still however enjoys the cover.
In a war situation, the government has set aside a fund for the stricken area in terms of the War Damages and Compensation Act 1976 (No 85 of 1976)

Namibian Special Risks Insurance Association (NASRIA)

SASRIA operates only in respect of risks within the Republic of South Africa and its territorial limits. A similar initiative called NASRIA (Namibian Special Risk Insurance Association) operates in Namibia. A reciprocal agreement between SASRIA and NASRIA exits in order to make things easier for holiday makers and others.

This reciprocal agreement means that:

- vehicles registered in the Republic of South Africa, and insured with SASRIA, may travel to Namibia without the need for separate cover;

- Property in transit from South Africa to Namibia or vice versa remains covered including the return journey, but cover ceases if it is permanently handed over to anyone in Namibia;
- Cover for South African goods imported or exported through Namibia may be issued through SASRIA.

This is done so that one does not need to take out two coupons, SASRIA and NASRIA, to cover the same journey.

Module 2

The cover provided by SASRIA

This Module deals with:

- The standard South African insurance Association (SAIA) general exceptions in a Short Term Insurance Policy in terms of excluded events
- The concept of malicious damage to property in terms of SASRIA in comparison to conventional non-SASRIA malicious damage to property
- Five different SASRIA coupons/policies
- The difference between a SASRIA Ltd. Coupon and a SASRIA Ltd. Policy with reference to terms and conditions

2.1 The SAIA General Exceptions in a Short Term Policy

SAIA is the South African Insurance Association. The members of this association are the South African registered Short-Term Insurance companies. You will need to know the names of the better-known insurers and these are (current members/abbreviated names) -

ABSA	Lion of Africa	Regent
AIG	Lloyd's of London	SA Eagle
Compass	Lombard	Santam
Constantia	MUA	Sentrasure
Global	Mutual & Federal	XL Insurance
Guardrisk	New National Hollard	Nova Risk Partners

Most of these insurers are also registered agents of SASRIA for the purposes of handling the SASRIA administration of coupons and claims. They receive a commission for this purpose in terms of the SASRIA regulations. A confidential "Agency Agreement" contains the working details.

You will also find more information on the roles of "SASRIA Agents" (insurers) throughout the SASRIA regulations.

The SAIA Exceptions

The original SAIA Exceptions, also known as the "Standard SAIA Exceptions", underwent some changes in 2002/3, so make sure you have the latest version. This will include General exceptions 1 (A), (B) **and (C)** plus 2 (i) and (ii). These exceptions appear virtually on all Property and Motor policies issued by SAIA members.

They can be broken up into the following major event divisions:

1 A	
(i)	non-political disturbances
(ii) & (iii)	war risks
(iv) to (vii)	political riot risks
1 B	War Damage Act risks.
1 C	Acts of terrorism
2	Nuclear risks

Part 1 A also has a "reverse onus of proof clause" which means that, if an insurer alleges that one or more of the excepted events apply, the burden of proving that they do not apply, rests on the insured. Normally, the insurer has to prove that an exception applies.

Thus, the overall effect of the SAIA Exceptions on an underlying single or multi-peril policy is to automatically exclude the events listed above from the "underlying policy" cover(s).

Some of these excluded "events" can be "bought back" for an additional premium, which is payable to either the underlying insurer or to SASRIA, whichever one is providing the insurance or compensation cover in or beyond the RSA borders. Very broadly, this would be for

- Non-political disturbances excluding RSA - SAIA members

- Political/non-political riot, strike, labour disturbance, lockout, public disorder and acts of terrorism in RSA - SASRIA
- War damage Act risks - Government
- War risks - Uninsured (apart from above)
- Nuclear weapons risks - Uninsured

2.2 The concept of malicious damage to property

The term “underlying policies” refers to Property policies (or sections of policies) to which SASRIA insurance “coupons” can be attached. These “underlying policies” (which must include the Fire peril) cover basic “accidental material damage” to insured property such as by fire, lightning, hail, water, earthquake, impact by animals or vehicles and the like. These differ in nature from the more “willful events” brought about by “people in unrest” and covered by SASRIA.

In terms of the SASRIA Regulations, there has to be a valid “underlying policy”(or section) issued by a SASRIA agent company, in force at the time SASRIA cover is taken out and at the time of any loss or damage occurs.

If you have a look at a Multimark III policy, you will see the typical property “sections” against which a SASRIA “coupon” can be issued.

These are Fire, Buildings Combined, Office Contents, Money, and Glass, Goods in Transit, Business All Risks and Electronic Equipment.
Full SASRIA “policies” exist for Standing Charges, Project Delay (Advance Standing Charges) and Motor.

Most of the terms and conditions of these “underlying policies” (or sections) are incorporated into the SASRIA coupon and become part of the coupon. In particular, the underlying SAIA Exceptions become part of the coupon (see the General Exceptions of Multimark III).

- **Malicious damage extension**

This extension is not directly related to the Riot/Terrorism class of business in that there is no corresponding initial exclusion in the SAIA Exceptions that needs to be over-ridden. The exceptions to the Extension are, however, similar to those of the Riot & Strike Extension.

The intention of this Extension is to cover (non-fire) willful physical damage to property by persons who maliciously intend to cause such damage, for whatever reasons other than those accepted.

2.3 Difference between SASRIA Coupons/Policies

There are five types of SASRIA cover available. Cover is issued and the insured is provided with the appropriate coupon to prove that cover exists.
SASRIA documentation comprises of a certificate and a policy wording. It is normal in the insurance industry to refer to them as coupons.

The types of cover are as follows:

Type of Cover	Risk Covered
Material Damage	This is the coupon used to cover all risks other than those listed below.
Contract Works and / or Construction Plant	This covers some of the engineering type risks.
Consequential Loss	This is for the Business Interruption Section.
Motor Policy	This is for all types of motor vehicles.
Marine and Inland Transit	These are special arrangements for SASRIA cover for this type of risk as marine insurance normally covers strike, riot and civil commotion.

Marine/Goods in Transit are however mentioned separately only because a special scale of rates applies to these.

In the case of all the covers - except motor - there must be an underlying policy, issued through an insurer.
The insurer who issues the underlying policy must also issue the SASRIA coupon.

Material damage
The SASRIA Material Damage coupon is a cover document that rides in tandem with an underlying property policy or section that includes the Fire peril. Hence it is a "coupon" and not a "policy" itself.

The exceptions (SAIA Exceptions), terms, conditions, exclusions and warranties of the underlying policy are incorporated into the coupon and the two work as "one" SASRIA cover document.

When you read through the SASRIA material damage coupon/schedule, you should have a Multimark III policy at hand so you can simultaneously refer to it and see –

- how the SAIA Exceptions are incorporated into the SASRIA coupon.
- how an underlying section (say Fire section) is incorporated into the coupon.
- how the riot, strike, labour disturbance, lockout, public disorder and terrorism perils are covered or excluded by the coupon.
- how the "one insured" concept is incorporated into the coupon.
- how the period in the schedule links with the underlying policy period.
- how the coupon schedule is signed.
- how the coupon excludes nuclear/bio-chemical terrorism.

At the same time, you should also read through the SASRIA regulations on material damage coupons to pick up additional information.

Contract Works and / or Construction Plant
The Construction coupon works in a similar way to the Material Damage coupon. It is attached to an underlying Contract Works or Construction Plant policy.
Cover can be for a "specific" contract or, on an annual policy, for "several" contracts.

The SASRIA limit of R300 000 000 here applies to “any one contract site”, where only one contractor is involved. This limit is amended to R350 000 000, as an “annual aggregate” limit, where more than one contractor is involved.
As you read through the coupon/schedule, please also have a Contract Works and Construction Plant policy handy for reference purposes.

At the same time, you should read through the SASRIA regulations on Contract Works coupons to pick up additional and necessary information.

Project Delay policy

This policy provides “advanced standing charges” cover between the scheduled commercial launch/opening date of a construction project (which project is insured under a SASRIA Construction coupon), and the actual (delayed) launch date, where the delay has been due to the operation of a SASRIA peril during the construction period.

This means that the expected income from the completed project is delayed, while ongoing budgeted “standing charges” of the delayed operation have to be paid out. SASRIA’s liability under this policy is identical to that stated in the SASRIA Construction coupon above.

Motor policy

The SASRIA Motor policy/schedule is a stand-alone policy and does not require an Underlying Motor policy. It can be issued for a single vehicle or for a fleet of vehicles.

As you read through the SASRIA Motor policy, you will find it quite easy to follow. You should also read through the SASRIA regulations on Motor policies to pick up additional and necessary information.

- **Marine Insurance**

Hull insurance:

This is for the ship or boat itself, together with the liability risk. The property insured could be anything from small pleasure craft (sometimes insured in the personal lines), to “tailor-made” policies for super tankers. This aspect is unlikely to concern the ordinary commercial underwriter, but brokers’ offices sometimes get enquiries for insurance of sea-going yachts and special craft.

Cargo insurance:

If you live a long way from the sea, you may think that marine insurance does not affect you, but this may not be the case. Most of the imported goods you see in the shops were covered by marine cargo insurance, the same with our exports to other countries.

Often, this involves not only the actual voyage, but “Warehouse to Warehouse” transit, right up to the importer or distributor’s store, and involving long inland “hauls”. Some insurers handle all their “transit” business in the marine department, rather than under the Goods in transit.

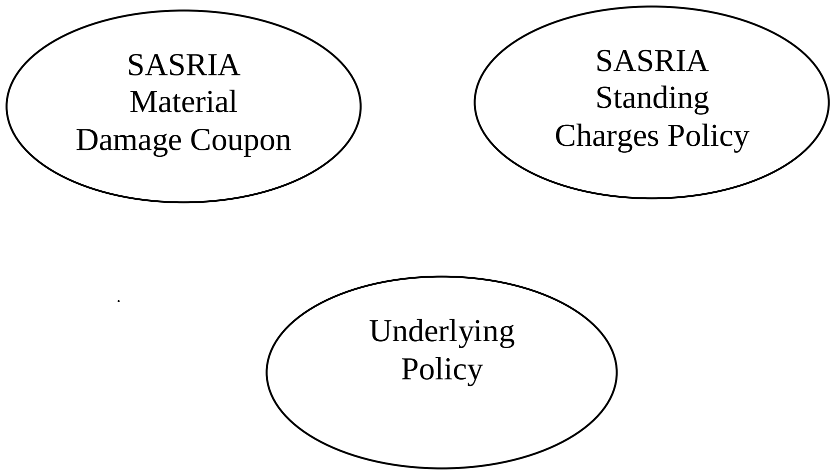
Fire, All risks, and Goods in transit covers are specially worded to avoid overlap or contribution with marine insurance, especially as the conditions and scope of cover are so different.

When taking over cover after a marine transit, as when imported goods are transferred to your client’s premises, it is important that someone first check the consignment for damage or shortages that may have occurred on the voyage.

2.4 SASRIA Ltd. Coupons and SASRIA Ltd. Policies with reference to Terms and Conditions

The SASRIA Standing Charges policy is different in that it is a “stand-alone” **policy** not attached to a specific underlying policy. It is a much lengthier and more detailed document.

As with all consequential loss policies, however there has to be an underlying material damage insurance in force. The document links can be depicted as follows:



These three documents would be needed for an insured Standing Charges claim.

A further feature of the Standing Charges policy (SC) is that it only covers the "standing charges" (fixed costs) of the insured's business and not the "net profit" thereof. The insured's accounts are generally made up as follows –

Sales		R1 000 000
Variable expenses	R 300 000	
Fixed expenses (SC)	R 600 000	
Net profit before tax	R 100 000	
Total	**R1 000 000**	**R1 000 000**

The SASRIA Standing Charges policy would, therefore, only pay R600 000 in the event of a total loss claim.

There are other insurance facilities in the market place, known as "wrap-around policies", to obtain cover for the R100 000 net profit element and for additional premises such as suppliers or customers.

When you read through the Standing Charges policy, have a SASRIA Material Damage Coupon and a Multimark III Policy (Fire section) at hand so you can see how they all link up.

Module 3:

SASRIA Territorial Limits

This Module deals with:

- The area covered by SASRIA as described in the Reinsurance of Material Damage and Losses Act 56 of 1989
- The territorial limits on SASRIA in the SADC and other countries and how SASRIA is applied in Namibia
- The application of territorial limits in terms of reciprocal arrangements

3.1 The area covered by SASRIA as described in the Reinsurance of Material Damage and Losses Act 56 of 1989

The four key statutes that you need to look at and know the content of are set out below. You can access them via the government website at – *http://www.gov.za/documents/index.html*

Initially, the Government was empowered under Section 6 of the Finance Act, to enter into a re-insurance arrangement with SASRIA. This was later substituted by the Re-insurance of Material Damage and Losses Act of 1989 (as amended). We now consider the four statutes -

The War Damage Insurance and Compensation Act 1976:
This act allows the state to establish a war damage fund and/or insurance scheme for the purpose of compensating war victims there is however no fund or scheme at present and it would be created as needed.

The Re-insurance of Material Damage and Losses Act 1989:
This act consolidates the laws empowering the Government to enter into agreements with insurers, in respect of specified damage and/or losses. The losses defined in the act are essentially those covered by SASRIA. The act is brief (3 pages) and easy to follow.

The Conversion of SASRIA Act 1998:

This is also a short act (4 pages-11 sections) and should be read in full. The purpose of this act was to convert SASRIA from an Association (not for gain) into a private company with share capital, under section 19 of the Companies Act 1973. The new name was “SASRIA Limited”. The State is the sole shareholder. Any dividends payable by SASRIA must be used to defray interest on State debt.

The Companies Act 1973 – Definitions section:

Section 1 of the Companies Act has 5 pages of Definitions. You should extract and copy these. The definitions you need to particularly study are for the purpose of establishing who “One Insured” is, as described in the SASRIA regulations and coupons.

3.2 The territorial limits on SASRIA in the SADC and other countries

Below is a map of the SADC countries. For the purposes of this Unit Standard, we are concerned with our “Southern African” territories namely South Africa, Namibia, Angola, Botswana, Lesotho, Swaziland, Zambia, Zimbabwe, Malawi and Mozambique. The territorial waters of South Africa (as determined by statute from time to time) are also included.

It is only **South Africa** and **Namibia** that have significant specialist riot and terrorism insurers, backed by local insurance markets and governments. As mentioned previously, in South Africa, it is SASRIA and in Namibia it is a similar institution known as NASRIA (Namibia Special Risks Insurance Association).

SASRIA/NASRIA covers are only for South Africa/Namibia and not for any of the other territories.

The other territories have to seek riot and terrorism cover from insurer entities other than SASRIA or NASRIA.

Riot & Strike extension:
This extension is added to property policies or sections of property policies for ex-RSA risks.

At this point, please refer back to the Standard SAIA Exceptions and to paragraph 1 (A) (i), where you will see that the events listed are first excluded from a policy. The above Extension adds the cover for these events (ex-RSA) back to the policy, subject to certain exceptions.

Read both the SAIA Exceptions and the Riot and Strike Extension together. The Extension basically adds back "non-political" events, such as labour unrest over wages or soccer violence over a bad referee decision and the like. Note the five exceptions in the extension and the "reverse onus of proof clause".

3.3 How SASRIA is applied in Namibia

SASRIA operates only in respect of risks within the Republic of South Africa and its territorial waters. A similar arrangement, called NASRIA (Namibian Special Risk Insurance Association) operates in Namibia. To make things easier for holiday makers and others:

- Vehicles registered in the Republic of South Africa, and insured with SASRIA, may travel in Namibia without the need for separate cover;
- Property in transit from South Africa to Namibia remains covered including the return journey, but cover ceases if it is permanently handed over to anyone in Namibia;
- Cover for South African goods imported or exported through Namibia may be issued through SASRIA.

This is so that one does not need to take out two coupons, SASRIA and NASRIA, to cover the same journey. Similar arrangements apply to vehicles and property insured with NASRIA, and passing through South Africa.

The application of territorial limits

SASRIA and NASRIA have a reciprocal arrangements in place covering moveable property and vehicles temporarily traveling or temporarily in storage in each territory. These are detailed in the regulations of both entities.

The other territories have to seek riot and terrorism cover from insurer entities other than SASRIA or NASRIA.

Module 4

Terms and Conditions of the SASRIA Coupons and Policies

This Module deals with:

- The loss limit on any one insured entity
- The relationship between the SASRIA loss limit and the Companies Act, 1973
- The SASRIA construction site loss limit
- The effect of the Marine Institute Clauses on premium in transportation insurance
- Reasons why cover that includes Marine Institute Clauses is charged at a lower rate for SASRIA cover with reference to a claim
- The relationship between a material damage policy, SASRIA coupon and SASRIA consequential loss policy

4.1 The loss limit on an insured entity

SASRIA, in providing insurance cover, limits its exposure to widespread national incidents and/or to a single major loss event, by using several “limitation mechanisms”.

The reasons for this are that, SASRIA’s funds may be inadequate to fully compensate everyone for widespread and/or major unrest losses at any one time. The limitation mechanisms used are fairly simple in the way they work together.

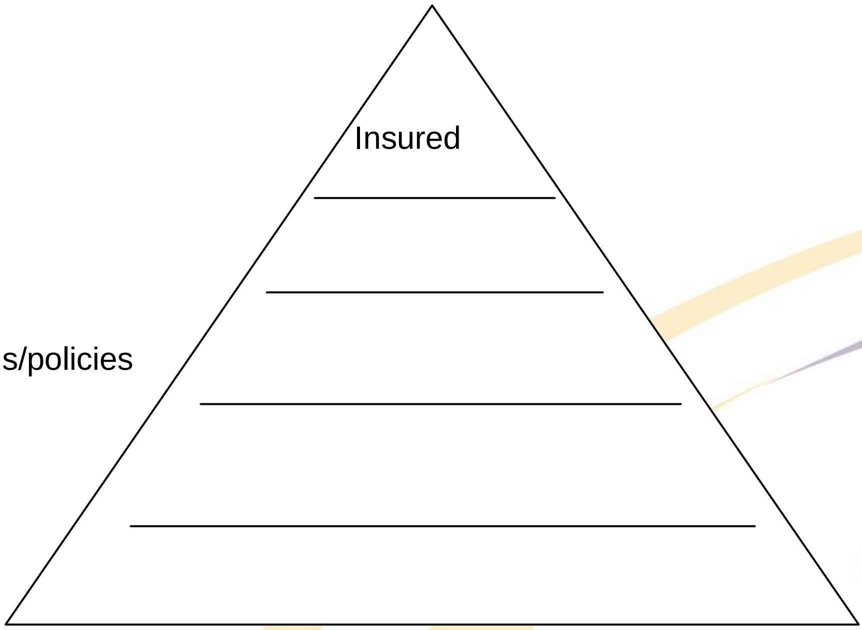
Monetary: SASRIA limits it’s per insured entity liability to units of R300 000 000.

Time: The monetary limit applies to any per insured entity’s losses in a “calendar year”.

Documentary: The monetary limit applies over Material Damage/Standing Charges covers.

<u>Family tree</u>: The limit applies over any one Holding Company and all its Subsidiaries.

The overall arrangement can be further depicted in a triangular way as follows –



All subsidiaries

MD and SC coupons/policies

R300 000 0000

One calendar year

While limiting SASRIA's financial liability in various ways, the arrangement also affords the "One Insured" group a variety of compensation possibilities such as (a) one or many subsidiaries could claim (b) one or more coupons/policies could be claimed under or (c) where insurance periods cross two calendar years, a further R300 000 000 becomes available.

Where higher limits are required, as is the case for very large corporations, application can be made to SASRIA for dispensation to obtain additional cover elsewhere.

4.2 The relationship between the SASRIA loss limit and the Companies Act, 1973

The Companies Act 1973 – Definitions section:

Section 1 of the Companies Act has 5 pages of Definitions. You should extract and copy these. The definitions you need to particularly study are for the purpose of establishing who “One Insured” is, as described in the SASRIA regulations and coupons.

The Conversion of SASRIA Act 1998:

The purpose of this act was to convert SASRIA from an Association (not for gain) into a private company with share capital, under section 19 of the Companies Act 1973. The new name was “SASRIA Limited”. The State is the sole shareholder. Any dividends payable by SASRIA must be used to defray interest on State debt.

4.3 The SASRIA construction site loss limit

The Construction coupon works in a similar way to the Material Damage coupon. It is attached to an underlying Contract Works or Construction Plant policy. Cover can be for a “specific” contract or, on an annual policy, for “several” contracts.

The SASRIA limit of R300 000 000 here applies to “any one contract site”, where only one contractor is involved.
This limit is amended to R350 000 000, as an “annual aggregate” limit, where more than one contractor is involved. As you read through the coupon/schedule, please also have a Contract Works and Construction Plant policy handy for reference purposes.

4.4 The effect of the Marine Institute Clauses on premium in transportation insurance

The Institute of London Underwriters (now International Underwriters Association) produces an international book of Marine insurance clauses, known as the “Reference Book of Marine Insurance Clauses” or, more colloquially, as “The Institute Clauses”. The 74th edition (published by Witherby) covers the 2002/3 period. Marine Departments will have it.

You will need to obtain and read through the relevant Institute Cargo Clauses and compare the "insured events" with those of a SASRIA material damage coupon.
The relevant Marine Cargo Clauses to obtain and study are –

- The Chemical, Biological, Biochemical, Electromagnetic Weapons and Cyber Attack Exclusion Clause (Clause CL 365)
- The Institute Strikes Clauses (Cargo) (Clause CL 256)
- The Institute War & Strikes Clauses (Freight-Voyage) Clause CL 297)
- The Termination of Transit Clause (Terrorism) (No number)

4.5 Reasons why cover that includes Marine Institute Clauses is charged at a lower rate for SASRIA cover

Marine cargo insurance is international in nature and riot/strike/terrorism covers have, traditionally been included in certain Marine cargo clauses. These cover both the marine voyage plus the inland transit portion of such voyage.
This means that there could be duplication in insurance cover over (a) the applicable Marine cargo clause and (b) a SASRIA material damage coupon attached to an Inland Transit or Fire policy.

The SASRIA regulations cater for this by –

- requiring that a riot, strike or terrorism claim be first intimated against the Marine Cargo insurer
- allowing a lower SASRIA rate where the SASRIA coupon attaches to an underlying Marine Cargo policy containing the requisite cargo clauses (see SASRIA rates table).

4.6 The relationship between a material damage policy, SASRIA coupon and SASRIA consequential loss policy

Refer to Module 2: Heading:"SASRIA Ltd. coupons and SASRIA Ltd. policies with reference to terms and conditions"

Module 5

SASRIA Rates and Short Term Insurance Policies

This Module deals with:

- The SASRIA rating table to determine the rate on a personal lines policy
- The SASRIA rating table to determine the rate on a motor insurance policy
- The SASRIA rating table to determine the rate on a commercial and industrial insurance policy
- The SASRIA rating table to determine the rate on a transportation insurance policy
- The application of discounts on SASRIA premiums
- Annual adjustments to the premium that are required

The SASRIA regulations and SASRIA circulars are available on the SASRIA web site (www.sasria.co.za) under "Product".

Although the regulations are quite lengthy, it is essential that you download and print them with a view to assimilating the details.
The regulations and circulars are the very "heart" of SASRIA's day-to-day administration and you will need at least "one read" of them.

SASRIA's circulars are also relevant. These are issued as required on current topics and/or changes to the regulations. Familiarize yourself with the last ten circulars on the site.

You will also see that there are "Rates" and "Minimum Premiums" for property, standing charges, money, transit, marine cargo, marine hull, motor, construction, project delay and "other" classes.
These rates are applied to representative "values" of property insured and the SASRIA premium is thus calculated.
Discounts may be further applied in terms of the Regulation scales (see under Discounts in the Regulations). The main discounts available are for the SASRIA loss limit, deductibles and co-insurance.

You will apply these rates and discounts in your practical premium calculation exercises under the supervision of your Facilitator. At least two practical examples of each rating class should be produced.

5.1 Annual adjustments to the premium

Premiums must be paid over by insurers within 45 days of the month in which cover begins. Penalties are charged where the member fails to observe this requirement.

SASRIA premiums are normally annual premiums; however because of the volume of monthly policies today, there is a facility for a monthly SASRIA policy.

- This is available to clearly identifiable group schemes, or a clearly identifiable group of individual policies.
- It is only available for true monthly policies and not for annual policies paid monthly.

A coupon is issued at the end of each month, providing details of the aggregate sum insured and/or the total number of vehicles listed.
Records of individual underlying policies will only be required by SASRIA in the event of a claim.
The calculation of premiums is a key office function and involves applying the correct property or other values to the correct SASRIA rates and discounts, to arrive at gross or net premiums for SASRIA coupons and policies. It is best done on an Excel or similar worksheet.

It means you will need to fully understand the classes/sections, values, rates and discounts that are applicable to (a) Material damage coupons (b) Standing Charges policies (c) Construction coupons (d) Project Delay Policies and (e) Individual, Fleet and Motor Traders policies.

Bibliography
INSETA & IMFUNDO Learning Materials, 2003/8
www.sasria.co.za