



02 September 2021

**Overview of the South African Special Risk Insurance Association's (SASRIA)  
Financial and Non-Financial Performance**

**TABLE OF CONTENTS**

<b>1. INTRODUCTION .....</b>	<b>2</b>
<b>2. OVERVIEW AND MANDATE OF THE SOUTH AFRICAN SPECIAL RISK INSURANCE ASSOCIATION (SASRIA) .....</b>	<b>2</b>
<b>3. SASRIA'S ROLE: RECENT UNREST .....</b>	<b>3</b>
<b>4. AUDIT OUTCOMES AND FINANCIAL MANAGEMENT INDICATORS.....</b>	<b>4</b>
4.1. Audit Outcomes .....	4
4.2. Irregular, Fruitless and Wasteful Expenditure.....	5
<b>5. ANALYSIS OF 2020 ANNUAL REPORT.....</b>	<b>6</b>
<b>6. CONCLUSION.....</b>	<b>8</b>
<b>7. ISSUES FOR CONSIDERATION .....</b>	<b>8</b>
<b>REFERENCES.....</b>	<b>9</b>



## 1. INTRODUCTION

The recent civil unrest in the provinces of KwaZulu-Natal and Gauteng is expected to impact negatively on the economy, especially because these two provinces account for 50 per cent of the national Gross Domestic Product (GDP). According to the National Treasury, the economic damage from the unrest could result in GDP growth in 2021 being about 0.7 and 0.9 percentage points lower. In this regard, the South African Special Risk Insurance Association (SASRIA) has a key role to play in contributing towards plans to rebuild affected sectors and businesses. It is therefore important to assess its financial and non-financial health so as to get an indication of whether or not it will be able to adequately carry out its mandate.

This paper provides an overview of the financial and non-financial performance of SASRIA. It does so by providing an analysis of audit outcomes and financial management indicators as well as an analysis of the 2020 Annual Report.

## 2. OVERVIEW AND MANDATE OF THE SOUTH AFRICAN SPECIAL RISK INSURANCE ASSOCIATION (SASRIA)

SASRIA is a public enterprise listed under schedule 3B of the Public Finance Management Act No.1 of 1999. The Minister of Finance is its executive authority. SASRIA is the only non-life insurer that provides special risk cover to all individuals and businesses that own assets in South Africa.<sup>1</sup>

SASRIA has a dual mandate, which is to:<sup>2</sup>

- 1) Focus on research and investigation of any risks that can be considered to be of national interest.
- 2) Driving a positive contribution to transform the financial services industry in line with the National Development Plan so as to create a sustainable economic and social environment for South Africans.

### What SASRIA Covers

SASRIA provides coverage for damage resulting from risks such as civil commotion, public disorder, strikes, terrorism and other politically motivated malicious acts.<sup>3</sup> It provides special risk insurance to government institutions such as municipalities, hospitals, schools, among many others, private organisations and individuals that own assets within the borders of South Africa.

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<sup>1</sup> SASRIA (2020)

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.



## What SASRIA Does Not Cover

SASRIA does not provide cover for the following:

- War
- Pandemics (e.g. COVID-19) or any financial loss as a result of a pandemic
- SASRIA does not have a licence to cover personal injuries or loss of life as a result of strike or protest
- SASRIA does not cover liability
- SASRIA does not offer car hire cover
- Natural disasters

### 3. SASRIA'S ROLE: RECENT UNREST

Figure 1 below provides a summary of some of the progress that has been made towards plans to rebuild and assist businesses to recover from the recent unrest in the provinces of KwaZulu-Natal and Gauteng. The economic impact resulting from the civil unrest has been significant, particularly for sectors such as transport, agriculture, mining and manufacturing. In a preliminary assessment done by SASRIA, they estimated that damages or the claims they would be liable for could range between R15 billion and R20 billion, where the total property cost was estimated to be more than R50 billion.<sup>4</sup> In a survey conducted by the BeyondCovid research initiative, it was found that Small, Medium and Micro Enterprises (SMMEs) accounted for 89% of the businesses that were impacted by the unrest, where only 6% of impacted businesses were able to resume or open as usual, 7% were closed permanently and 44% closed temporarily.<sup>5</sup> National Treasury indicated that a provision of R3.9 billion in additional funding has been included in the 2021 Second Special Appropriation Bill to provide for a required capital injection should SASRIA exceed its limits.<sup>6</sup>

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<sup>4</sup> SASRIA (2021).

<sup>5</sup> National Treasury (2021a).

<sup>6</sup> National Treasury (2021b).



**Figure 1. Progress Made Regarding the Recent Unrest and Plans to Rebuild**



## 4. AUDIT OUTCOMES AND FINANCIAL MANAGEMENT INDICATORS

### 4.1. Audit Outcomes

Table 1 below shows a five-year review of audit outcomes for SASRIA for the period 2015/16 to 2019/20. It reveals that SASRIA has consistently achieved an unqualified audit opinion with no findings (i.e. a clean audit opinion) for the period under review.

**Table 1. Five-Year Audit Outcome Trend, 2015/16 – 2019/20**

Auditee	2015/16	2016/17	2017/18	2018/19	2019/20
<b>SASRIA</b>	Unqualified with no findings <b>(clean audit)</b>				

Source: SASRIA (2016-2020); AGSA (2016-2020)



## 4.2. Irregular, Fruitless and Wasteful Expenditure

Table 2 below provides a three-year (2017/18-2019/20) review of irregular, fruitless and wasteful expenditure for SASRIA. It shows that between 2017/18 and 2018/19, irregular expenditure decreased from R449 355 to R114 000 before increasing to R543 041 in 2019/20. The increase in irregular expenditure in 2019/20 was as a result of payments made that were not aligned to the Public Finance Management Act (PFMA).<sup>7</sup>

Fruitless and wasteful expenditure increased from R55 075 in 2017/18 to R1.997 million in 2018/19. In 2019/20, fruitless and wasteful expenditure decreased to R1.472 million but remains high. The identified fruitless and wasteful expenditure identified in 2019/20 was as a result of duplicate payments in claims, legal fees and pension payments.<sup>8</sup>

**Table 2. Three-Year Review of Irregular, Fruitless and Wasteful Expenditure,**

	2017/18	2018/19	2019/20	Over the three-year period
<b>Irregular Expenditure</b>	R 449 355	R 114 000	R 543 041	↑
<b>Fruitless and Wasteful Expenditure</b>	R 55 075	R 1.997 million	R1. 472 million	↑

Source: SASRIA (2018-2020)

<sup>7</sup> SASRIA (2020), p. 123.

<sup>8</sup> Ibid.



## 5. ANALYSIS OF 2020 ANNUAL REPORT

Table 3 below compares the targeted or planned performance with the actual performance. The performance indicators are based on the key strategic focus areas for 2020, namely: (i) ensuring sustainability, (ii) improving operational efficiencies with the purpose of increasing satisfaction or establishing customer-centricity, (iii) achieving a socio-economic impact through its programmes and other streams, and (iv) investment in technology through digitalisation.<sup>9</sup>

Apart from three targets that were not met, SASRIA achieved 14 out of 17 of its targets, which translates to 82.4% of its performance targets being met.

**With respect to the sustainability focus area**, two targets were not met due to the following reasons:<sup>10</sup>

- The premium income from an alternative distribution channel was not achieved because SASRIA did not launch the proposed SMME product in time to derive premium income from an alternative distribution channel. In particular, it underestimated the vastness of the project and its significant impact and resolved to resume the project when it is sufficiently funded.
- The target on achieving zero irregular, fruitless and wasteful expenditure was not met because of weak internal control procedures. SASRIA in its Annual Report indicate that they have taken action to prevent its recurrence.

**With respect to the customer-centricity focus area**, one target was not met due to the following reason:<sup>11</sup>

- SASRIA did not achieve fast-track claims turnaround because their new claims management system, which was due to go live in November 2020, did not take place. They are optimistic that once the system is operational that it will assist them in delivering a faster turnaround to all claims from customers in the future.

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<sup>9</sup> SASRIA (2020).

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.



**Table 3. Key Performance Indicators,2020**

Strategic Objective		Key Performance Indicator	Target	Actual	Achieved/Not Achieved	
Sustainability	Sustainable growth	Gross written premium	R2 352 million	R2 417 million	Achieved	
		Premium income from alternative distribution channel	R2 million	R nil	Not achieved	
		% operational expense ratio excluding binder fees,CSI and bonus provision	≤9%	7.4%	Achieved	
	Capital efficiency	Gross incurred loss ratio (%)	≤46% (three-year rolling)	41.90%	Achieved	
	Ensure sound corporate governance	Irregular, fruitless or wasteful expenditure		0% of expenditure	Fruitless and wasteful=R1.472 million ; Irregular expenditure=R543 041	Not achieved
			Ethical behaviour	All allegations of unethical behaviour investigated and action taken	All allegations investigated and action taken, where relevant	Achieved
		PFMA submissions	All submissions on time	All submissions on time	Achieved	
		Audit opinion	Unqualified, without matter of emphasis	Unqualified, without matter of emphasis	Achieved	
	Ensure talent aligns with business strategy	Succession plans for critical roles	Approved,development plans in place, monitored and reported on	Approved,development plans in place, monitored and reported on	Achieved	
	Customer-centricity	Customer service	Fast-track claims turnaround	90% settled within 25 days	83.68% settled within 25 days	Not achieved
Large loss claims turnaround			70% settled within 50 days	82.6% settled within 50 days	Achieved	
Customer satisfaction		Claims reported to the short-term insurance Ombudsman	0.1% of all claims	0.1% of all claims	Achieved	
		Complaints related to poor customer service	>50% reduction	63% reduction	Achieved	
Socioeconomic impact	Social transformation	Financial Sector Charter –skills development	23 out of 25	25 out of 25	Achieved	
Digitalisation	Fit-for-purpose	ERP system project –technology integration (Finance, Procurement, HR)	100% completion of the project as per agreed project plan	100% completion of the project as per agreed project plan	Achieved	
	Operational excellence	% automation of claims and accounting management	100% completion of the project as per agreed project plan	100% completion of the project as per agreed project plan	Achieved	
	Distribution capability	Expand digital reach/footprint (%)	25% website traffic increase to social media footprint	>25% website traffic increase	Achieved	
Total achieved =14 ; Total not achieved=3						

SASRIA (2020)



## 6. CONCLUSION

The recent civil unrest has contributed negatively towards the transport, agriculture, mining and manufacturing sectors, with the total property cost estimated to be more than R50 billion.

Over a five-year period, between 2015/16 and 2019/20, SASRIA has consistently maintained an unqualified audit opinion with no findings (a clean audit). SASRIA should be commended for this.

An area of concern is that between 2017/18 and 2019/20, irregular expenditure increased from R449 355 to R543 041, and fruitless and wasteful expenditure increased from R 55 075 to R1.472 million over the three-year period.

Across the key strategic focus areas, namely (i) ensuring sustainability, (ii) improving operational efficiencies with the purpose of increasing satisfaction or establishing customer-centricity, (iii) achieving a socio-economic impact through its programmes and other streams, and (iv) investment in technology through digitalisation, SASRIA achieved 14 out of 17 of its performance targets. SASRIA should be commended for meeting most of its targets.

## 7. ISSUES FOR CONSIDERATION

### **Increasing irregular expenditure and fruitless and wasteful expenditure**

- Both irregular expenditure and fruitless and wasteful expenditure has increased between 2017/18 and 2019/20. In the 2019 and 2020 Annual Reports, SASRIA indicates that preventative and corrective measures have been taken to avoid the reoccurrence of this expenditure yet there is still evidence of high levels of fruitless and wasteful expenditure. What is hindering the effectiveness of internal controls?

### **Adequacy of R3.9 billion funding from National Treasury**

- What will happen if the R3.9 billion from National Treasury is insufficient to pay out claims for the civil unrest?
- **Clarity-seeking:** is this R3.9 billion specifically for those claims relating to SMMEs?

### **Impact of COVID-19 and Civil Unrest**

- Even though SASRIA does not cover pandemics such as COVID-19, have there been any operational challenges associated with COVID-19?
- What are some of the challenges in addressing the claims for the recent unrest?



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