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

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## 1. INTRODUCTION

In September 2021, the Select Committee on Finance (SeCOF) was briefed by the South African Special Risk Insurance Association (SASRIA) on its quarterly report. The briefing also highlighted the impact that COVID-19 and the civil unrest in the provinces of KwaZulu-Natal and Gauteng in July 2021 has had on its ability to carrying out its mandate. On the 26 April 2022, SeCOF is scheduled to have a follow-up briefing with SASRIA to get an indication of any additional challenges that SASRIA may have had in its response to the unrest. Furthermore, it will brief the Committee on its latest quarterly report.

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 performance management indicators as well as an analysis of the 2020/21 Annual Report.

## 2. OVERVIEW AND MANDATE OF THE SOUTH AFRICAN SPECIAL RISKINSURANCE 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.

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<sup>1</sup> SASRIA (2021)

<sup>2</sup> Ibid.



#### What SASRIA Covers

- Coverage for damage resulting from risks such as civil commotion, public disorder, strikes, terrorism and other politically motivated malicious acts
- 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

#### What SASRIA does NOT Cover:

- 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

SASRIA (2021)

### 3. AUDIT OUTCOMES AND PERFORMANCE MANAGEMENT INDICATORS

#### 3.1. Audit Outcomes

Table 1 below shows a six-year review of audit outcomes for SASRIA for the period 2015/16 to 2020/21. 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. While SASRIA received an unqualified opinion, they continue to face liquidity and solvency risks due to the July 2021 unrests.

**Table 1. Six-Year Audit Outcome Trend, 2015/16 – 2020/21**

Auditee	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<b>SASRIA</b>	Unqualified with no findings <b>(clean audit)</b>					

Source: SASRIA (2016-2021); AGSA (2016-2020)



### 3.2. Irregular, Fruitless and Wasteful Expenditure

Table 2 below provides a four-year (2017/18-2020/21) 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 and R804 000 in 2020/21. The increase in irregular expenditure in 2020/21 was as a result of payments made that were not aligned to SASRIA policies<sup>3</sup>.

Fruitless and wasteful expenditure increased from R55 075 in 2017/18 to R1.997 million in 2018/19 before decreasing slightly to R1.472 million in 2019/20. In 2020/21, fruitless and wasteful expenditure increased significantly to R26 million. The identified fruitless and wasteful expenditure in 2020/21 relates to penalties and interest levied by the South African Revenue Service (SARS) for various tax-related transgressions<sup>4</sup>. It should, however, be noted that in August 2021, SARS remitted interest and penalties to the value of R17.5 million from the R26 million fruitless and wasteful expenditure.

**Table 2. Four-Year Review of Irregular, Fruitless and Wasteful Expenditure, 2017/18-2020/21**

	2017/18	2018/19	2019/20	2020/21	Over the Four-Year period
<b>Irregular Expenditure</b>	R 449 355	R 114 000	R 543 041	R804 000	↑
<b>Fruitless and Wasteful Expenditure</b>	R 55 075	R 1.997 million	R1. 472 million	R26 million	↑

Source: SASRIA (2018-2021)

## 4. ANALYSIS OF 2020/21 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 2020/21, namely: (i) sustainability, (ii) customer-centricity, (iii) socio-economic impact, and (iv) digitalisation.<sup>5</sup>

Apart from four targets that were not met, SASRIA achieved 12 out of 16 of its targets, which translates to 75% of its performance targets being met.

<sup>3</sup> SASRIA (2021)

<sup>4</sup> Ibid.

<sup>5</sup> SASRIA (2020).



**With respect to the sustainability focus area**, two targets, specifically relating to good corporate governance, were not met due to the following reasons:<sup>6</sup>

- The zero irregular expenditure target was not met because of non-compliance with its internal policies, while the target for zero fruitless and wasteful expenditure was not met because of tax-related transgressions. SASRIA in its Annual Report indicate that they have taken action to prevent its recurrence.
- SASRIA failed to submit all Public Finance Management Act (PFMA) submissions within the stipulated timeframes because the annual procurement plan was submitted after the PFMA deadline.

**With respect to the socio-economic impact focus area**, one target relating to capacity building in the financial sector was not met due to the following reason:<sup>7</sup>

- The lockdown associated with the Covid-19 pandemic restricted the availability of training programmes.

**With respect to the customer-centricity focus area**, one target was not met due to the following reason:<sup>8</sup>

- SASRIA failed to adequately minimise claims-related complaints because the number of claim complaints received exceeded the baseline limit.

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<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.



**Table 3. Key Performance Indicators,2020/21<sup>9</sup>**

Strategic Objective		Key Performance Indicator	Target	Actual	Achieved/Not Achieved
Sustainability	Sustainable growth	Maintain Gross written premium and income drop by no more than 20%	Maximum of 20%/R2 085 094 (inclusive) drop in premium based on prior year	Actual income gross written premium (annual): R2 785 825	Achieved
		% operational expense ratio excluding depreciation, binder fees, corporate social investment and bonus provision for both short-term and long-term incentive	≤12% expense ratio	7.02% expense ratio	Achieved
	Capital efficiency	Gross incurred loss ratio (%)	50% to 75%	Actual loss ratio:	Achieved
	Ensure sound corporate governance	No Irregular, fruitless or wasteful expenditure	0% of irregular, fruitless and wasteful expenditure	Actual fruitless and wasteful expenditure : R26 million Irregular expenditure: R804 000	Not achieved
		% of unethical behaviour incidents/cases by any staff member investigated and action taken	100%	All reported incidences/cases were investigated by internal audit	Achieved
		Submit all PFMA submissions within the stipulated deadlines	Submit all PFMA submissions within the stipulated deadlines	Target not met	Achieved
	Ensure talent aligns with business strategy	Audit opinion	Unqualified, without matter of emphasis	Unqualified, without matter of emphasis	Achieved
		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	Conducive Culture	% implementation of the culture project	100%	100%	Not achieved
	Deliver value-add to the customer	Fast-track claims turnaround time	90% of fasttrack claims settled within 25 days	90.45% of fast-track claims received were settled within 25 days.	Achieved
		Large loss claims turnaround time	70% of large losses finalised within 50 days	82.97% of large loss claims received were settled within 50 days	Achieved
		% of total claims received overturned by Ombudsman for Short-term Insurance	≤0.5% of 2 956	Only one complaint was overturned by the Ombudsman	Achieved
		% reduction of complaints about customer service in the claims department from customers, brokers and agent companies, against the 2019/20 baseline	≥50% of 33 complaints received in 2019/20	The number of complaints for the period ended 31 March 2021 was 37, which is above the target of 16	Achieved
		Capacity building in the financial sector	Score achieved relating to the Financial Sector Code for skills development	23 out of 25	16.95 out of 25
Digitalisation	Distribution capability	Expand Sasria's digital reach/ footprint (%)	25% increase in website and social media traffic against the 2019/20 baseline	total website and social media traffic footprint is 56%, website: 45% of annual target achieved, Facebook: 115% of annual target achieved, Twitter: 30% of annual target achieved, LinkedIn: 56% of annual target achieved	Achieved
	Operational excellence	% implementation of the new claims management system (CMS)	100% completion and implementation of CMS system	100% of completion phase 1 of CMS project within timelines and budget	Achieved

Total achieved =12 ; Total not achieved= 4



## 5. CONCLUSION

Over a six-year period, between 2015/16 and 2020/21, 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 irregular and fruitless and wasteful expenditure has been on the rise even though SASRIA mentions in its 2018/19, 2019/20 and 2020/21 annual reports that it is taking corrective measures to prevent the recurrence of this type of expenditure:

- Irregular expenditure increased from R 543 041 in 2019/20 to R804 000 in 2020/21.
- Fruitless and wasteful expenditure increased significantly from R1. 472 million in 2019/20 to R26 million in 2020/21.

Across the key strategic focus areas, namely (i) sustainability, (ii) customer-centricity, (iii) socio-economic impact, and (iv) digitalisation, SASRIA achieved 12 out of 16 of its performance targets. SASRIA should be commended for meeting most of its targets.

## 6. ISSUES FOR CONSIDERATION

### Increasing irregular expenditure and fruitless and wasteful expenditure

- In the last two annual reports (2018/19, 2019/20) and the latest one (2020/21), SASRIA indicates that preventative and corrective measures have been taken to avoid the reoccurrence of this expenditure and yet there are no signs evidence of this expenditure being reduced. What is hindering the effectiveness of internal controls? Is SASRIA looking into improving them? SASRIA should provide a detailed audit action plan.

### Tracking/Masurement of Performance

- With respect to effectively monitoring/tracking performance over the years, what is the rationale for removing some performance indicators that are reported on in previous annual reports? For instance, there was a sustainable growth indicator that focused on premium income from alternative distribution channels (this target had not been met in 2019/20) but in 2020/21 it no longer forms part of the performance indicators.

### With respect to the July 2021 unrest

- SASRIA had aimed to pay up 80% of the claims by March 2022. Has it been able to do so? If not, what have been the major challenges to doing so?
- What have been the implications of the unrest on SASRIA's solvency and status as a going concern? SASRIA should provide a progress report regarding their recapitalisation program to avoid a repeat of a delayed tabling of their annual report.

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<sup>9</sup> SASRIA (2021)



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