

29 December 2022

Circular 521



To all Sasria Agents and Intermediaries

Reduction of Outsource and Intermediary fees

Dear All,

The July 2021 events were a defining moment in SASRIA's history since its formation in 1979. The company has for the financial period ending March 2022 going to report a net loss after tax for the first time in its existence of R23,5 billion and an underwriting loss of R24,60 billion. The claims incurred for the same period was a staggering amount of R35,15 billion which is almost 8 times, the number of claims SASRIA has experienced in a financial year. The company has in response to this development taken various steps which included a capital injection of R22billion by the South African Government to bolster its capital position to meet Solvency Capital Requirement and have enough liquidity to pay claims, increased premiums, withdrew the XOL products as reinsurance costs made it unaffordable and is in the process of clarifying and simplifying its policy wordings.

This loss happens in an environment where the reinsurance markets are hardening due to South African specific issues that include the SASRIA July Cat Loss amount to R32 billion, Covid claims in both life and non-life insurance sectors and KZN floods. These are exacerbated by Ukraine/Russia War, increasing inflation and interest rates in the developed world. Our Cat reinsurance premiums for the 2022/23 financial year have increased by 216% for substantially less cover with an average placement of 65%. We have received an indication that this cost is likely to increase by 30% to 40% for the 2023/24 financial year.

It is in light of the above that we have looked at all our costs and are taking steps to reduce them where viable. SASRIA hereby announces that with effective 1st of May 2023, the Intermediary and Outsource fees will be reduced as follows:

- Outsource fee: **Non-Motor from 12,5% to 10,5%**
: Motor from 12,5% to 10,5%
- Intermediary fee: **Non-motor from 15% to 12%**
: Motor from 12,5% to 11,5%

The reduction in outsource and intermediary fees applies to all new business, renewals, and endorsements for all coupons effective 1st of May 2023, for the following classes of business:

- Material damage
- Business Interruption
- Money
- Goods in Transit
- Contract Works
- Marine
- Motor

The positive aspect about this reduction of percentages payable is that our calculation indicates that due to the premium increases that were implemented, the absolute amount payable to our agent insurers and brokers will still increase by 8%. Additionally, the increased awareness about SASRIA emanating from the July event will see the amounts flowing to agent insurers and brokers increase beyond the 8% as sales increase. Furthermore, as we have done in the past, SASRIA commits to increase these fees again when our financial position has stabilised to sustainable levels. Please ensure that your systems are amended accordingly, in line with above changes. The Regulations and Annexure 1 will be updated accordingly in due course.

Kindly also distribute copies of this communication to your relevant business partners and as widely as possible within your organization.

Sasria would like to extend its appreciation for your support during these difficult times and the role you play in the value chain to sell and administer SASRIA's business.

[Muzi Dladla \(muzid@sasria.co.za\)](mailto:muzid@sasria.co.za) and I, [Mpumi Tyikwe \(mpumit@sasria.co.za\)](mailto:mpumit@sasria.co.za) will be available in the new year to deal with any queries you might have in respect of this announcement.

I would like to also take this opportunity of wishing you a successful year ahead.

Mpumi Tyikwe

Chief Executive Officer

Sasria SOC Ltd