

4 June 2025

## **Communique 119: SASRIA 2025 rate adjustment – frequently asked questions (FAQ)**

To Sasria Agents and Intermediaries

Dear Valued Partner

As we prepare to implement the 2025 rate adjustments across selected Sasria product lines, we recognise that these changes come at a sensitive time for clients navigating a fragile economic environment. To support you in your discussions with policyholders, Sasria has compiled this Q&A to address common queries and contextualise the rationale behind these decisions.

### **1. Why is Sasria increasing its rates, and why now?**

#### **Answer:**

These technical rate adjustments driven by:

- Updated actuarial modelling and catastrophe loss scenarios;
- Escalating reinsurance costs, particularly for political violence and terrorism risks;
- The need to rebuild capital reserves following the R32 billion loss in July 2021, which depleted all Sasria capital and reinsurance layers, requiring a R22 billion recapitalisation;
- Long-term sustainability imperatives and regulatory solvency requirements.

Despite lower claims in the past year, the probability and potential severity of unrest events remain high.

That said, Sasria continuously monitors its technical pricing models, and should future analyses indicate that the rates exceed what is required for sustainability and risk alignment, a rate reduction will be implemented, as has been done in previous years. This ensures that pricing remains fair, transparent, and proportionate to actual risk exposure over time.

### **2. But inflation is relatively low, why are these increases still so high?**

#### **Answer:**

Inflationary metrics are not the right benchmark in this case. Sasria insures catastrophic, low-frequency but high-severity systemic risks, and premiums must reflect this reality. These rate increases are not profit-driven but reflect updated exposure-based pricing in a structurally altered risk landscape.

**3. Is the reinsurance market not softening? Why is Sasria citing reinsurance pressures?**

**Answer:**

While the property catastrophe market has seen some softening, the political violence and terrorism reinsurance market remains extremely constrained. Capacity is tight, pricing remains elevated, and Sasria's risk profile does not easily attract alternative capital forms (e.g., catastrophe bonds), due to the state-linked and socio-political nature of the cover as well as lack of SRCC models and data.

**4. Wasn't Sasria's 2021 loss due to under-reserving?**

**Answer:**

The scale of the 2021 unrest was unprecedented and exceeded any catastrophe model previously calibrated in South Africa. While learnings from that event have informed our updated modelling, it is important to note:

- The post-event recapitalisation and current pricing adjustments are part of strengthening future financial resilience in order to withstand any possible catastrophic events without putting pressure on the government finances.

We understand the frustration and remain committed to continuous improvement in our technical modelling and financial stewardship.

**5. Won't these increases further constrain the economy, especially in sectors like transport and retail?**

**Answer:**

This is a valid concern. However, appropriately priced Sasria cover ensures payout capacity when unrest does occur, thus facilitating faster economic recovery and protecting employment. Underpricing, on the other hand, risks the very solvency that makes claims payment possible.

**6. Are corporates not at risk of walking away from Sasria cover altogether due to affordability?**

**Answer:**

We are monitoring this closely. However, current sentiment among large corporate and institutional clients reflects a desire for more, not less, Sasria cover, given the unpredictable risk environment. Many view Sasria as a critical component of their resilience planning.

**7. Why are Sasria Fire and Business Interruption rates approaching those of All-Risk market covers?**

**Answer:**

Sasria's risk exposure is fundamentally different: we cover systemic, riot-related, and politically driven events, which are excluded under standard All-Risks policies. Comparisons must factor in that Sasria responds when the entire economy is disrupted, not isolated asset losses. Pricing reflects this systemic nature.

**8. How does Sasria ensure fair pricing in its position as the sole provider of special risk cover?**

**Answer:**

We are acutely aware of our mandate and our responsibility. Sasria operates as a state-owned special risk insurer, and our goal is not commercial gain, but national resilience. The 2025 increases are designed to ensure we can meet future obligations without placing strain on public finances, as occurred in 2021.

**9. Can you clarify the treatment of renewals and mid-term endorsements?**

**Answer:**

All policies renewing from 1 October 2025 onward (monthly or annual) will attract the new rates.

- Mid-term endorsements between 1 October 2025 and the policy's scheduled renewal date will retain existing rates until renewal.
- A full rate table is annexed to the circular for reference.

**10. Is Sasria willing to engage further if clients or brokers have concerns?**

**Answer:**

Yes. We encourage open dialogue and are committed to transparency. Our actuarial, underwriting, and stakeholder relations teams are available to facilitate more technical or client-specific discussions.

We reiterate that these increases are a necessary adjustment to ensure Sasria continues to fulfil its unique role: protecting South Africa's economy against unrest and systemic catastrophe.

For additional clarity, please contact your Sasria Portfolio Managers.

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