

17 June 2025

Communique 120

COMMUNIQUE TO THE INDUSTRY

Subject: Unified Sasria Rate Schedule and Clarification on VAT Treatment
Reference: **Circulars 538 and 539**

Dear Industry Partners,

Following the release of **Circular 538** and the subsequent **supplementary Circular 539**, which introduced a rate schedule referencing **VAT-exclusive calculations**, Sasria has conducted a comprehensive review of how industry **sum insured values and VAT treatments** are currently applied in the market.

This communique serves to provide clarity on our position, outline the rationale for reverting to a single Sasria rate schedule, and invite you to an upcoming industry engagement session to ensure alignment and understanding.

1. Background and Initial Understanding

In Circular 539, we introduced a VAT-exclusive rate schedule based on our understanding that the market was applying one of the following two methods:

- **Scenario A – VAT-Inclusive Approach:**
A sum insured of R1,000,000 is received, and the Sasria rate (e.g., 1%) is applied, yielding a premium of R10,000.
- **Scenario B – VAT Gross-Up on Sum Insured:**
A VAT component is added to the sum insured ($R1,000,000 \times 1.15 = R1,150,000$), and the Sasria rate (1%) applied to the grossed-up value, resulting in a premium of R11,500.
To avoid overcharging in Scenario B, Sasria issued VAT-exclusive rates (e.g., 0.869565%) to neutralise the impact of the 15% VAT markup, which would result in the same R10,000 under scenario B.

2. What We Have Now Established

Industry feedback and queries have revealed that insurers were not grossing up the sum insured as initially assumed. Instead, the actual practice is as follows:

- **Actual Practice – Reverse VAT Calculation on Sum Insured:**
Insurers receive a **VAT-exclusive sum insured** (e.g., R869,565.22), derived by dividing a VAT-inclusive value (R1,000,000) by 1.15.

- When Sasria's VAT-exclusive rate (0.869565%) is then applied to this reduced amount, it yields a premium of only R8,695.65 — inadvertently **undercharging** by 15%.

This inconsistent application introduces systemic under-collection and client-level inequities, which are inconsistent with Sasria's monopolistic market structure.

3. Applicable Position: Reverting to a Single Sasria Rate Schedule

To eliminate market-wide confusion, ensure consistent application, and protect against underpricing: Sasria is reverting back to its historical practice of:

- Sasria will **revert to the rate schedule issued under Circular 538**, where all rates are published as the **standard Sasria Rate**.
- These rates will **apply uniformly** across the industry, regardless of whether the insurer receives the sum insured as VAT-inclusive or exclusive.
- The **heading on the rate schedule** has been updated to remove any reference to "VAT-inclusive" to avoid interpretive challenges.
- This position is **immediately effective, pending July 2nd Engagement** and supersedes the rates and scenarios set out in Circular 539.

4. Industry Engagement Session: 2 July 2025

In collaboration with SAIA, Sasria will host an **industry-wide information and Q&A session** on:

Date: 2 July 2025

Time: 11h30 to 12h30

Platform: As per the SAIA issued link

This session aims to:

- Clarify the rate schedule and VAT treatment.
- Demonstrate the differences in premium outcomes with practical illustrations.
- Offer a forum for questions and resolutions.
- Align system and process adjustments across agent companies.

Details have been formally submitted to SAIA for distribution and coordination with all stakeholders.

5. Next Steps

- Circular 538 remains the definitive reference going forward.

- Circular 539 and its associated VAT-exclusive rates are hereby **withdrawn**.
- Stakeholders are urged to update their systems and communication processes accordingly.
- We have **attached** the same rate schedule as issued in Circular 538, with the wording “VAT Inclusive” removed from the heading for clarity.

Sasria remains committed to equitable treatment, transparency, and collaborating with our partners to ensure consistent implementation and compliance across the insurance value chain.

We appreciate your cooperation and look forward to constructive industry engagement on 2 July.

Muzi Dladla
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Sasria SOC Limited