

Press release from Insurance Claims Africa (ICA)
9 June 2020

Insurers turn their backs on Tourism Sector – taking premium and denying claims

- *Insurers renege on 'Business Interruption' policies*
- *Insurers' financial statements show they are able to settle claims on a compromise basis without the help of reinsurers*
- *Insurance Claims Africa have over 400 claimants against SA Insurers*

Johannesburg, South Africa, 9 June 2020 – The South African Tourism and Hospitality sector is facing an imminent sustainability crisis as insurance companies are rejecting claims related to the Covid-19 pandemic, for which many policyholders believe they are covered under their Business Interruption (BI) extension.

Insurance Claims Africa (ICA), a specialist public loss adjustment firm, has over 400 claimants in this sector against a number of insurers. Insurance Claims Africa act exclusively on behalf of the claimant, assisting them in a time of crises to prepare, motivate, quantify and negotiate settlement of their insurance claim. ICA is currently in discussions with leading insurance companies, in an attempt to reach a sensible settlement for these businesses who face imminent closure. If these discussions are unsuccessful, it will turn to the courts.

ICA is also engaging with the Financial Services Conduct Authority (FSCA), the market conduct regulator for the financial services industry. It hopes that the FSCA will act in the interests of the policyholders who desperately need the policy payouts due to them, to support their staff and meet their fixed costs.

The Tourism and Hospitality sector sustains over 740 000 direct and 1.5 million indirect jobs and in 2018, contributed billions of rands to the South African economy. Since March 2020, when the Covid-19 outbreak occurred and the national quarantine / lockdown, tourism and hospitality businesses of all sizes have suffered tremendous losses, many even being forced to close their doors permanently. Exacerbating the crisis is the government's current position that the sector will only fully open in February 2021.

As losses deepened, many of these businesses turned to their insurers, to trigger their Business Interruption policies: but claiming is not as simple as one would think it would be.

Business Interruption insurance exists to help companies survive following an unanticipated event. There are generally two types of BI insurance: a basic policy which requires physical damage to the business premises in order to trigger a claim, and a Tourism / Hospitality policy that contains a specific extension that includes interruption by infectious or contagious notifiable disease.

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Covid-19 qualifies as a declared notifiable disease, but local insurance companies are frustrating legitimate claims by businesses. Insurers claim that government regulations in respect of the lockdown are the cause of the loss, not Covid-19. This, however, doesn't make any sense as the insurers chose to insure a notifiable disease which would have contemplated government intervention and restrictions / quarantine. It is clear that without Covid-19, there would be no lockdown.

Insurance Claims Africa believes that insurers are, in effect, penalising their customers for their own poor underwriting skills, acting in poor faith and are in breach of the ethical codes and standards that guide the insurance industry, especially where it concerns Treating Customers Fairly (TCF) regulations.

Ryan Woolley, CEO of Insurance Claims Africa, says: "It's unconscionable that businesses in one of the most vulnerable sectors are being put through such a traumatic and debilitating experience. Internationally, several global insurance companies are settling their customers' BI insurance claims on a compromise basis. Locally, we are working on a similar strategy with insurance companies whom we urge to work with us to find a mutually beneficial way forward."

Woolley says that while local insurance companies are resisting claims because of the negative impact it will have on their profits, the insurance company's financial statements show that they do have the means to settle these claims on a compromise basis without assistance from reinsurers.

"We urge Insurers to enter discussions on the understanding that their actions could determine the future sustainability of much of the tourism sector in South Africa. The pandemic requires an ethical response from all partners, including insurers," says Woolley.

Tourism is a critical sector which is the lifeblood for many micro and small enterprises creating mass employment opportunities for men, women and youth across the country. ICA's claimants simply want to receive what is due to them in order to survive. It's incumbent on all of us to contribute towards the sector's recovery, which is impossible to do if these businesses are closed.

"The global call for solidarity requires companies, industries, governments, regulators and the public to act responsibly and to share the burden of the impact of the pandemic. This has been the call from President Ramaphosa from the outset. It's to this call that we add our voice and say to the Insurers: 'To compromise is not to lose. Instead, it allows everyone to win and ultimately survive,'" says Woolley.

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About ICA:

ICA is a specialist claims preparing company that has between three to four billion rands worth of claims under management at any one time. The company has dealt with most of the large complex claims in sub-equatorial Africa and the Indian Ocean islands and have a long history of championing vulnerable claimants in critical circumstances. ICA defended home and business owners against insurers from the Cyclone Demoina floods in 1986 to the Knysna fires in 2017, the most severe wildfire in the country's history. It also acted for claimants in the Mozambique floods caused by Cyclone Idai in 2019.

Notes to editors:

Results of an April 2020 survey conducted by SA Tourism, the Tourism Business Council of South Africa (TBCSA) and the International Finance Corporation, on the impact of Covid19 on the tourism sector:

https://www.tourism.gov.za/CurrentProjects/Tourism_Relief_Fund_for_SMMes/Documents/Tourism%20Industry%20Survey%20of%20South%20Africa%20-%20%20COVID-19.pdf

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