

Insurance Claims Africa



ICA calls on insurers to include larger tourism businesses in relief payments

- *Excluding larger tourism businesses will impact thousands of jobs and local communities*
- *While relief is welcome for SMEs, they are due much more*
- *Santam has promised more than it is delivering*

Johannesburg, 17 August 2020 -- Insurance Claims Africa (ICA) is calling on insurers to include larger tourism businesses in their interim relief payments. ICA believes it is shortsighted of the insurers to have excluded the larger businesses, as this will negatively impact the thousands of people employed by these businesses, many of whom come from local communities where there is no other form of employment.

The relief payments follows a meeting with insurers, called by the Financial Services Conduct Authority (FSCA) and the Prudential Authority (PA) in July, in which the regulatory authorities expressed their concern over the treatment of insurance customers who have business interruption insurance with extensions for contagious, infectious or notifiable diseases, which insurers have been unwilling to honour. It was also clear that regulators were concerned about the long-term reputational damage that insurers' behaviour is having on the insurance industry.

Ryan Woolley, CEO of ICA, the public loss adjustment company that is representing over 700 businesses in the tourism and hospitality sector in their battle to get large insurers to pay out on these claims, says, "While we welcome any payment to businesses in this vulnerable sector, we believe that for SMEs, the relief is only a small portion of what these businesses are contractually due."

"Equally concerning is that larger businesses, who employ many thousands of people, and on who communities rely on for their survival, have been completely excluded. We call on the insurers to broaden their relief payments to include these businesses. Their exclusion is shortsighted and prejudicial to the individuals who work in this sector."

What insurers have offered:

Hollard has offered interim relief to qualifying businesses with an annual turnover of R25 million or less which experienced a turnover reduction of 30% or more in April, May and June, compared to the average income over the previous 12 months. The payments will be capped at R200 000 per policy.

Bryte is offering interim relief equal to two weeks' business interruption cover, capped at R100 000 (excluding VAT). The threshold for qualifying business' is annual turnover below R5 million.

Old Mutual and **Guardrisk** have not offered interim relief payments. Instead, they made an offer of full and final settlements, and only to SMEs. The rest of their clients will need to await the outcome of the litigation process. Old Mutual said it will only make commercial

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settlements to compensate customers, with an annual BI sum insured of R5 million or below, for their BI losses based on specific criteria.

Other insurers, including **F&I, TRA, Lombard, AIG, CHUBB and Monitor** have yet to make their customers an offer. ICA is currently engaging these insurers and has said it will report them to the FSCA and the Prudential Authority if they fail to comply with the regulators' instructions.

Santam has offered interim relief payments of 70% of two months' value of the sum insured excluding VAT. The interim relief payments will be set at a minimum of R25 000 and a maximum of R1.5 million for individual policyholders. It appears that Santam is excluding businesses that have been unable to continue paying their premiums as well as those with annual turnover above R50 million.

This week Santam released a statement saying that it has, to date, paid roughly 50% of the relief promised. The company's CEO, Lize Lamprecht, said the "company ensured that all the necessary resources were mobilised to effect the quick payment of the relief to policyholders".

However, Woolley said that Santam should have deployed the same sense of urgency to make these payments to their customers at the outset of the lockdown, and not after substantial pressure from both the regulator and its customers. They have paid their premiums every month for years, and what they should have been afforded is speedy, responsible payments at the outset, not after significant pressure to do so.

"It is disappointing that it has taken four months for Santam to realise its customers are in an extreme financial predicament and find its moral compass. While Santam terms these payments as 'relief', the fact is that they are interim payments made against their customers' legitimate claims. Furthermore, the payments probably represent the extent of Santam's share of these claims, with the balance to be funded by their reinsurers, only once legal certainty is obtained.

"A number of clients have also been excluded from Santam's 'relief' payments, because they could not afford to continue paying their premiums, mostly because Santam did not pay their claims. While the insurer has said a committee will review these circumstances, the payment is not guaranteed and our clients feel it's just another example of Santam making them beg for payment."

ICA remains disappointed that Santam has not honoured its clients claims in full or considered a compromise ahead of the litigation.

"Let us not forget that for all Santam's self-congratulatory noise about the interim relief, it is still adamant in their refusal to recognise the legitimacy of their clients claims, and says it will only pay its clients' full claims if a court of law instructs it to do so. This could still be a long road for these troubled businesses, and many may not survive, along with the jobs they sustain.

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ICA has joined forces with hospitality group Ma-Afrika Hotels in their litigation against Santam, which is due to be heard in the Western Cape High Court, on 1 September. ICA / Ma-Afrika's legal team includes attorneys Thomson Wilks, advocate Guy Elliott SC, attorney David Bayliss and advocates Sean Rosenberg SC, Mike van der Nest SC and Jeremy Gauntlett QC SC.

In its [SENS](#) announcement of 7 July, 2020, Santam notified shareholders that its balance sheet is sufficiently robust to accommodate either interpretation of cover.

Ends

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About Insurance Claims Africa

Insurance Claims Africa are Insurance Claims & Loss Formulation Consultants. Our specialist team quantifies insurance claims acting as a claim preparer / public adjuster.

ICA are skilled and highly experienced in assessing and quantifying losses materialising from a wide range of potential claims, including fires, floods, natural disasters, suppliers extension, theft and fraud.

We are experts in Business Interruption Claims and work closely with the Insured and their Insurance Broker.