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OFFICE OF THE PRESIDENT

KANTOOR VAN DIE PRESIDENT

No. 1581.

4 December 1998

It is hereby notified that the President has assented to the following Act which is hereby published for general information:—

No. 134 of 1998: Conversion of SASRIA Act, 1998.

No. 1581.

4 Desember 1998

Hierby word bekend gemaak dat die President sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

No. 134 van 1998: Wet op die Omskepping van SASRIA, 1998.

*(English text signed by the President.)
(Assented to 24 November 1998.)*

ACT

To provide for the conversion of the South African Special Risks Insurance Association into a public company, with a share capital, and for connected matters.

PREAMBLE

Recognising that the South African Special Risks Association ("SASRIA") was incorporated in 1979 in terms of the Companies Act, 1973, to provide insurance against damage to property caused by political acts;

Recognising that, in terms of the Reinsurance of Damage and Losses Act, 1989, SASRIA's main business was extended and thereupon covered loss of or damage to property caused by defined political acts and non-political acts (such as riots, strikes and public disorder), as well as loss suffered by moneylenders in respect of mortgage loans ("special risks");

Recognising that, due to the short-term insurance industry not being prepared to underwrite the risk in question, the Government agreed, in the public interest, to act as reinsurer of last resort;

Recognising that the Government conferred monopoly status on SASRIA by allowing it to be the sole supplier of insurance cover for special risks in the Republic;

Recognising that SASRIA was exempted from tax until the 1996 tax year and as a result thereof has accumulated substantial reserves, which it as a section 21 company is not allowed to distribute; and

Recognising that, as a result of restrictions in the Companies Act, 1973, the restructuring of SASRIA to normalise the short-term insurance industry as regards special risks could not commence,

BE IT ENACTED by the Parliament of the Republic of South Africa, as follows:—

ARRANGEMENT OF SECTIONS

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Definitions

1. In this Act, unless the context indicates otherwise—

- (i) **“Agreement”** means the agreement which the Minister has, in terms of section 2 of the Reinsurance of Damage and Losses Act, 1989 (Act No. 56 of 1989), entered into with SASRIA before this Act took effect; 5
- (ii) **“Companies Act”** means the Companies Act, 1973 (Act No. 61 of 1973);
- (iii) **“Company”** means the public company, SASRIA Limited, referred to in section 3;
- (iv) **“Minister”** means the Minister of Finance;
- (v) **“SASRIA”** means the South African Special Risks Insurance Association, incorporated in terms of section 21 of the Companies Act; 10
- (vi) **“short-term insurance industry”** means—
 - (a) every registered insurer as defined in section 1(1) of the Insurance Act, 1943 (Act No. 27 of 1943), that participates in short-term insurance business for special risks; and 15
 - (b) the person appointed in the Republic by the Committee of Lloyds in terms of section 60(1)(g) of that Act as being authorised to act on that Committee’s behalf and on behalf of underwriters at Lloyds;
- (vii) **“special risks”** means “loss in respect of a mortgage loan” and “loss of or damage to property” as defined in section 1 of the Reinsurance of Damage and Losses Act, 1989, including consequential loss referred to in section 2(a)(ii) of that Act. 20

Purpose of Act

2. The purpose of this Act is—

- (a) to convert SASRIA into a public company, having a share capital, as described in section 19 of the Companies Act, with the shares to be held by the State; 25
- (b) to provide flexibility regarding the future restructuring of the Company by entitling the Minister to dispose of all or any of the State’s shareholding in the Company; and
- (c) generally, to ensure the orderly restructuring of the State’s role in the short-term insurance industry as regards special risks and to reduce the State’s risk exposure. 30

Conversion of SASRIA

3. From a date determined by the Minister by notice in the *Gazette*, SASRIA is converted into a public company, known as SASRIA Limited, having a share capital, as described in section 19 of the Companies Act. 35

Effect of conversion

4. (1) The provisions of section 29 of the Companies Act, excluding those provisions requiring the payment of fees, apply to the conversion of SASRIA into a public company, having a share capital, in accordance with section 3 of this Act. 40

(2) No stamp duty is payable in terms of the Stamp Duties Act, 1968 (Act No. 77 of 1968), in respect of the issue of the ordinary share as contemplated in section 5(1)(a) of this Act.

(3) The conversion of SASRIA into a public company, having a share capital, does not affect any obligation in terms of the Income Tax Act, 1962 (Act No. 58 of 1962). 45

Share capital

- 5. (1) Upon the conversion of SASRIA into a public company, the Company has—
 - (a) a share capital of R1, represented by one ordinary share with a nominal value of R1, held by the State; and

(b) the State as its only member.

(2) While the State is the sole or majority shareholder in the Company, sections 66, 190 and 344(d) of the Companies Act do not apply to the Company.

Minister's rights and duties

6. (1) The Minister exercises the rights and performs the duties of the State as member of, and shareholder in, the Company. 5

(2) While the State is the sole member of, and sole shareholder in, the Company, the Minister may, after consultation with the short-term insurance industry—

(a) alter the memorandum and articles of association of the Company, subject to subsection (3); 10

(b) appoint the board of directors of the Company; and

(c) do anything necessary to give effect to the conversion of SASRIA into a public company and to restructure the Company.

(3) The Minister may not alter the Company's main business of carrying on short-term insurance for special risks other than to that of short-term reinsurance for special risks. 15

Reserves

7. (1) Within six months after the conversion of SASRIA into a public company, the Minister must determine—

(a) the percentage of the Company's current reserves which is essential for the Company to do its main business as a short-term insurer for special risks or as a short-term reinsurer for special risks; and 20

(b) the percentage of those reserves which is not essential for that purpose.

(2) Before making a determination in terms of subsection (1), the Minister must—

(a) consult with the board of directors of the Company; and 25

(b) take into the result of an independent actuarial assessment obtained by the Minister for the purposes of that subsection.

(3) While the State is the sole member of, and sole shareholder in, the Company, the Minister—

(a) may declare a dividend to be paid from any excess reserves determined in terms of subsection (1)(b); and 30

(b) must use the proceeds of that dividend to reduce state debt.

Termination of existing agreement with SASRIA

8. (1) If the Minister terminates the Agreement in terms of clause 6 of the Agreement— 35

(a) the Government of the Republic is released from its liabilities in terms of section 2 of the Reinsurance of Damage and Losses Act, 1989 (Act No. 56 of 1989), with effect from the date as stipulated in the Agreement; and

(b) sections 3 and 4 of that Act, despite the termination of the Agreement, remain applicable as if the Agreement had not been terminated. 40

(2) Subsection (1)(b) does not affect the Government of the Republic's reinsurance obligations referred to in clause 6.3 of the Agreement.

(3) Subsection (1)(b) lapses when the repeal of the Reinsurance of Damage and Losses Act, 1989, takes effect in terms of section 10 of this Act.

Disposal of State's shareholding 45

9. The Minister must, after consultation with the short-term insurance industry, sell or in any other way dispose of the State's shareholding in the Company or part of its shareholding.

Act No. 134, 1998

CONVERSION OF SASRIA ACT, 1998

Repeal of Act 56 of 1989

10. The Reinsurance of Damage and Losses Act, 1989 (Act No. 56 of 1989), and the Reinsurance of Material Damage and Losses Amendment Act, 1990 (Act No. 65 of 1990), are repealed with effect from a date determined by the Minister by notice in the *Gazette*.

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Short title

11. This Act is called the Conversion of SASRIA Act, 1998.