

## **Sa Businesses Urged To Manage Risks Associated With Service Delivery Protests**

*04 July 2016:* With local government elections scheduled to take place later this year, civil tensions have already begun to escalate and increased service delivery protests seem imminent. While strike action may, at times, be helpful in effecting positive change, the nature of these protests can turn violent and disruptive, negatively impacting not only the directly affected industries, but also those inadvertently involved.

This is according to Annelie Smith, Corporate Executive at Risk Benefit Solutions (RBS), who says that strikes in both the private and public sectors continue to impact South African businesses. “Business owners need to ensure that they are covered for the various risks that protests may bring about for their business, such as damage to property and loss of income.”

Municipal IQ, a specialised local government data and intelligence organisation that collects data on service delivery protests, states that the occurrence of such protests is on the rise in South Africa and becoming increasingly violent. According to their data and recent reports, 86% of service delivery protests have been characterised by violence, and further chaos can be expected in communities that are unhappy with the standard of service delivery in the area.

Smith says that one way for businesses to protect themselves from protest-related risks is by making use of cover provided by the South African Special Risk Insurance Association (Sasria). “Sasria is a state-owned short-term insurance company which has a mandate to provide specialised risk cover for material damage and business interruption caused by riots, strikes, terrorism, civil commotion and public disorder to corporate, commercial and individual policyholders.”

Most businesses already have short-term insurance solutions in place protecting them against catastrophic perils like fires, storms, earthquakes and other risks; however, civil unrest protection is often excluded from these policies and is offered, rather, as an optional add-on, explains Smith. “Businesses and professionals, especially those in high-risk protest areas, are therefore strongly recommended to consult their insurance providers to ensure that their provisions are correctly structured to include Sasria cover.”

Sasria has already seen a 54% increase in claims related to events such as protests and strikes in the past year alone, and their Managing Director, Cedric Masondo, recently conceded that there is often a rise in service delivery protests in an election year. “This risk will be exacerbated by what Finance Minister, Pravin Gordhan, has predicted will be a tough year for the economy,” Masondo said.

Smith explains that the trigger for Sasria to cover an instance is based on the direct damage to business property as a result of a protest or riot. "For example, in the unfortunate event that a business' premises are set alight by protesters, Sasria would cover the damage to the property, as well as the on-going costs requiring payment during the period, such as rates and taxes, loans and hire purchase agreements. However, should a protest take place near the property, resulting in the business 'shutting down' its operations temporarily and sending staff home as a result of intimidation, there is no direct damage to the property. Therefore, this instance will not be covered by either the property or the Sasria policies, despite the business suffering a financial loss as a result of the business being interrupted."

She points out that while Sasria provides cover in receipt of the damages to an extent, it does not provide full gross profit cover. "Sasria does however offer various solutions that take into account the varying requirements business may have, and companies can purchase a combination of standing charges or uninsured working expenses together with net profit cover."

When handling such a claim, Smith explains that policyholders must follow the same procedure that they usually would with their insurance provider or broker. "Businesses should report the claim directly to their broker or insurance provider, who will then handle all liaisons with Sasria on their behalf."

She says that the rising number of service delivery protests highlight the growing need for local businesses to protect themselves financially from the possible risks associated with social unrest. "Given the increasingly violent nature of demonstrations in recent months; protests, strikes and riots need to become a permanent part of a business' risk management plan," concludes Smith.