

1st June 2020



WHAT WE WANTED TO SAY ON CARTE BLANCHE

You may have seen the segment on last night's Carte Blanche in which SATIB featured giving our thoughts and insights on insurance and tourism in a time of COVID-19.

If you haven't had a chance to watch it, [click here](#) [Carte Blanche segment](#)

We are grateful to have had the opportunity to put our perspective across, but the format of TV is unforgiving and only captures some of what's on our mind.

To that end, we thought we would share what is, with this list of questions and answers we prepared for the Carte Blanche segment.

What is the distinction between standard Business Interruption Insurance policies and Business Interruption policies with extensions covering infectious diseases?

A distinction should be made between standard Business Interruption policies and those with Cancellation of Bookings (COB) cover or Contingent Business Interruption (CBI) cover.

In the case of the former, the wording of the BI section requires there to be physical damage for there to be a claim, e.g. through fire or flood.

The consensus from Insurers is that COVID-19 is thus not covered under a standard BI policy as no physical damage could result from an infectious disease.

Policy holders with a COB or CBI extension to their BI Insurance should speak to their broker to ascertain whether they have a potential claim.

There is some debate on the interpretation of the wording of these extensions however, with Insurers viewing the disease extension as only applicable where there was a localised case of COVID-19 and the loss of income due to business being interrupted by that localised COVID-19 situation.

Is SATIB taking any legal action on behalf of clients?

SATIB cannot take legal action on behalf of its customers. This would be a decision that each customer would have to take as the insurance contract is between the Insured and the Insurer.

We do, however, believe the most constructive scenario for both the tourism and hospitality sector and the Insurers would be to find a socially responsible solution such as a fund or ex-gratia payment.

We have also consulted with two of South Africa's foremost senior legal counsel in the financial services sector to ascertain our best approach considering the policies issued for our clients.

Does SATIB believe Insurers can claim the loss of business has been due to the lockdown and not due to the coronavirus pandemic?

Even amongst the legal fraternity worldwide there has been differing opinion on this. While it's difficult not to have our own opinion on it, we have a duty to our customers to assess this perspective in an unbiased manner so we can advocate on their behalf with facts without getting lost in and distracted by the absolute tragic situation within which the industry finds itself.

We need to follow the road on behalf of our clients as far as we can with a cool and clear head.

What is SATIB's position on the fact that Insurers have notified customers that, as of their policy renewal dates, no extensions will cover any kind of infectious disease outbreak?

To our knowledge, Insurers have had to take this stance because they've lost their re-insurance protection relating to infectious diseases to varying degrees. We are disappointed with this approach as it does nothing to help to build confidence and trust in the industry. We must emphasise, however, that nobody in the world could have anticipated an event of this magnitude.

The situation is quite patently unfair for everyone involved. Looking ahead, we're seeing globally that Insurers are looking at their future cover for pandemics of this nature. A

As the FIA has said, and we agree, there is every likelihood that there will be exclusions restricting coverage for pandemics in travel policies in future.

Can insurers in South Africa, and globally, afford to pay out on claims like these? Would it mean that many insurers would go bankrupt?

It would be naive to think that the global Insurance industry could underwrite the world economy. These are certainly extraordinary times and the exposure is global, which means the entire world is affected, and in ways nobody could have anticipated. There simply isn't enough cover in the world to bail out all the businesses that have been affected globally by the COVID-19 pandemic.

What kind of precedent has been set by the insurance industry overseas and how is that affecting the situation locally?

SATIB are monitoring what is happening elsewhere in the world and we can say that the whole world is grappling with their own specific challenges related to COVID-19 and Insurance.

We can't really compare with apples with apples because our scenario, while similar, may be slightly different.

We've seen the example in Paris where the Insurer was instructed by a court to pay a restaurant owner two months' worth of revenue losses caused by the virus pandemic. We also know in the UK the insurance regulator called on UK course to intervene and provide a legal interpretation of the policy wording under dispute.

We've heard that certain UK insurers are looking to set up COVID-19 support funds, and it is our sincere focus to lobby for local Insurers to do the same here in South Africa.

What do you think this pandemic means for the future of insurance? How will companies change their policies and approach going forward and how will that affect small businesses in these industries?

Much of SATIB's focus over the past couple of months has been to advise and support our customers to get through the present - assess whether they have a potential claim and lodge it, lobby on their behalf, etc.

We do recognise our role as the tourism and hospitality specialists and understand it is our role to drive what the future of insurance looks like in this sector.

We have begun to unpack what this looks like within SATIB and are planning to bring industry thought leaders together in the coming month to look at what the new world of insurance for tourism looks like. Will things change? There is no question that they will.

How am I supposed provide proof that people were infected at my premises or nearby when medical information is confidential? Why am I being forced to jump through so many hoops to submit my claim?

Policy holders will always be required to prove their loss. So, in this case, to put it in simplistic terms, they are being asked to prove that there is a link between the outbreak and the actual revenue loss. That said, we feel it is unreasonable to ask Insured customers to source confidential information and we have made our stance clear with the Insurers.

SATIB will continue to remind Insurers that they are required by FAIS to adhere to Treating Customers Fairly. And if you, as a customer, feel that you have not had that courtesy, you should approach the Ombud for short-term insurance and lay a formal complaint.

What would be the best outcome for everyone involved?

We desperately want tourism to succeed. It's an industry that puts food on the table of 1 in 10 South Africans. It's the reason our cultural and natural heritage is sustained. We couldn't have foreseen this

would happen and insured against it, but we have a responsibility to find a fair solution and ensure the tourism industry survives this for the benefit of South Africa and its economy.

Tourism deserves to be saved.

Kind regards,

A handwritten signature in black ink that reads 'Dewald Cillie'.

SATIB Insurance Brokers
Executive Head - SATIB