

## DISCOUNT SECTION

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## **A. APPLICABLE TO MATERIAL DAMAGE, CONSTRUCTION RISKS AND BUSINESS INTERRUPTION COVERS ONLY.**

There are only three (3) Premium Discount facilities available to any Insured:

1. Co-insurance
2. Voluntary Deductibles
3. Magnitude Discount (One Insured Regulations)



Only applicable to Non-Motor Sasria Coupons and Policies.

### **1. Co-insurance (Not applicable to Construction, Project Delay (Advance Standing Charges) and Motor Coupons/ Policies)**

Insured's are able to obtain a reduction in their Sasria premium by agreeing to share any losses with Sasria, as a **Co-Insurer**. The percentage of co-insurance accepted by the Insured is also the percentage of the premium discount allowed, i.e. 20% co-insurance by the Insured allows a 20% discount in the premium.

**The minimum co-insurance percentage is 20.**

**The maximum co-insurance percentage is 50.**

**NOTE:** Co-insurance may not be taken in addition to any Voluntary Deductible. The Insured may select one or the other, but not both (i.e Voluntary Deductible or Co-insurance). The Discounts are applicable to non-motor risks only.



On selection of a co-insurance proportion, the following endorsement must be completed and attached to the **Coupon or Policy**:

**ANNEXURE 22 (Not a printed document)**

**Endorsement attaching to and forming part of Coupon/Policy No** \_\_\_\_\_  
**in the name of** \_\_\_\_\_

**Coinsurance by Insured**

It is hereby noted that the Sasria be liable for \_\_\_\_\_ % of any loss hereunder the Insured having agreed to be his own insurer for the difference i.e. \_\_\_\_\_ %

In consideration of the foregoing the premium payable by the Insured is reduced by \_\_\_\_\_ %

NB: Not applicable where the insured has elected a 'Voluntary Deductible for a fixed amount.

Signed on behalf of **Sasria SOC Limited**

Countersigned at \_\_\_\_\_

On the \_\_\_\_\_ day of \_\_\_\_\_ Year \_\_\_\_\_

\_\_\_\_\_  
Executive Manager

\_\_\_\_\_  
For: Agent/UMA



It is possible for the Insured to select a co-insurance proportion of the Sasria perils at any time during the currency of the Coupon or Policy. In this instance the premium discount is calculated on a pro-rata basis and the following endorsement must be issued:

**ANNEXURE 22 A (Printed document)**

**Endorsement attaching to and forming part of Sasria Coupon/Policy No** \_\_\_\_\_  
**issued in the name of** \_\_\_\_\_

**Coinsurance by Insured**

It is hereby noted that with effect from \_\_\_\_\_ Sasria shall be liable for \_\_\_\_\_ % of any loss hereunder the Insured having agreed to be his own insurer for the difference i.e. \_\_\_\_\_ %

In consideration of the foregoing there is a refund premium due to the Insured amount to R \_\_\_\_\_

Signed on behalf of **Sasria SOC Limited**

Countersigned at \_\_\_\_\_

On the \_\_\_\_\_ day of \_\_\_\_\_ Year \_\_\_\_\_

\_\_\_\_\_  
 Executive Manager

\_\_\_\_\_  
 For: Agent/UMA

**2. Voluntary Deductible (Not applicable to Project Delay (Advance Standing Charges) and Motor Coupons/Policies)**

The Insured may select to incur a Voluntary Deductible.

This Voluntary Deductible would be applicable only to the Coupon or Policy on which it is issued, and have no effect on any other Sasria Coupon or Policy issued to the Insured.

Separate Coupons or Policies must be issued where a Voluntary Deductible is selected.

The Voluntary Deductible facility cannot be selected in conjunction with any co-insurance arrangements selected by the Insured, in respect of the Coupon or Policy.

The premium discounts available for selecting a Voluntary Deductible, are:

DEDUCTIBLE TO APPLY	PREMIUM DISCOUNT AVAILABLE
R1 000 000	5,0%
R2 000 000	9,5%
R3 000 000	13,5%
R4 000 000	17,0%
R5 000 000	20,0%
R6 000 000	22,5%
R7 000 000	24,5%
R8 000 000	26,0%
R9 000 000	27,0%
R10 000 000	27,5%



A Voluntary Deductible may be incorporated at any time during the Period of Insurance with the premium refund calculated on a pro rata basis.

The following endorsement must be completed and attached to the Coupon or Policy:

*(Not a printed document)*

**Endorsement attaching to and forming part of Sasria Coupon/Policy No** \_\_\_\_\_  
**in the name of** \_\_\_\_\_

It is hereby declared and agreed that with effect from \_\_\_\_\_ The Insured will be responsible for the first R \_\_\_\_\_ (in words) of each and every claim during the period of insurance as stated on the abovementioned Coupon/Policy.

It is further declared and agreed that this provision may not be cancelled during the period of insurance stated on the Coupon/Policy.

In consideration of the foregoing a discount amounting to \_\_\_\_\_ % has been allowed off the premium.

In respect of 'One Insured' cases the discount must be deducted after the First Loss Discount.

Signed on behalf of **Sasria SOC Limited**

Countersigned at \_\_\_\_\_

On the \_\_\_\_\_ day of \_\_\_\_\_ Year \_\_\_\_\_

\_\_\_\_\_  
Executive Manager

\_\_\_\_\_  
For: Agent/UMA

### 3. Magnitude Discounts

#### 3.1. Magnitude Discounts (One Insured Regulations)

Before setting out the value of any Magnitude Discount it is important that the Sasria agent and the Broker understands the Regulations relating to the 'One Insured', as referred to in these Regulations.

##### **ONE INSURED is defined as follows:**

- a) A single Insured or a Holding Company and all its Subsidiaries (as contemplated by the Companies Act, 1973 as amended).
- b) Or a subsidiary of a Holding Company

The Companies Act defines a Holding Company as:

##### 3.1.1 Holding Company limit: Section 1 (3) (a)

'For the purposes of this Act, a company shall, subject to the provisions of paragraph (c) be deemed to be a subsidiary of another company if -

(i) that other company is a member of it and -

(a) holds a majority of the voting rights in it, or

(b) has the right to appoint or remove directors holding a majority of the voting rights at meetings of the board; or



- (c) has the sole control of a majority of the voting rights in it, whether pursuant to an agreement with other members or otherwise; or
- (ii) it is a subsidiary of any company which is a subsidiary of that other company; or
- (iii) subsidiaries of that other company or that other company and its subsidiaries together holds the rights referred to in sub-paragraph (i) (aa), (bb) or (cc).

### **Section1 (3) (b)**

In determining whether a company holds the majority of the voting rights as contemplated in paragraph (a) (i) (aa)

- (i) voting rights which are exercisable only in certain circumstances shall be taken into account only –
  - (a) when those circumstances have arisen, and for so long as they continue, or
  - (b) when those circumstances are under the control of the person holding the voting rights;
- (ii) voting rights held by a person in a fiduciary capacity shall be treated as not held by him but by the beneficiary of such voting rights;
- (iii) voting rights held by a person as nominee for another person shall be treated as not held by him but by that other person, and voting rights shall be deemed to be held by a nominee for another person if they are exercisable only on the instructions or with the consent or concurrence of that other person.

### **Section1(3)(c)**

A body corporate or other undertaking which would have been a subsidiary of a company had the body corporate or other undertaking been a company shall be deemed to be a subsidiary of that company.'

**NOTE:** Shareholding percentages do not determine whether a company is a Subsidiary of another. The main requirement of a Subsidiary is determined by the Voting Rights.

### **3.1.2 Subsidiary of the holding company limit**

For the purposes of insuring a subsidiary of a holding company, the subsidiary is defined as company/companies with a direct relation to the holding company as stipulated in Section1 (3)(a)(i) **only**. Subsidiaries of a subsidiary are excluded in this definition

The insured may select to buy Sasria cover per subsidiary; this would allow more cover per subsidiary i.e. R500m per subsidiary per period of insurance and the Holding company will enjoy a separate R500 million loss limit as well.

### **3.2. Magnitude Discount (Joint Ventures)**

3.2.1 Joint Ventures are a combination of separate business entities that agree to form one entity for a specific business venture. There are various forms of Joint Ventures and confusion often arises as to which of the partner businesses actually has control over the activities of the Joint Venture business.

3.2.2 For this reason it is recommended that details of the Joint Venture are supplied to Sasria who will respond with a ruling as to how the Joint Venture is to be regarded in respect of any Magnitude Discount facility.

3.2.3 Certain "Joint Ventures" will be regarded as separate "One Insured" entities on the basis that the definition of a 'Holding Company' and Subsidiary in terms of the Companies Act, does not apply.

3.2.4 Where these Joint Venture companies fall outside the definition of a Holding Company they will be regarded as separate companies and will enjoy their own "One Insured" Magnitude Discount and limit.



### 3.3. Magnitude Discount (Lease-back properties)

“Lease-back” properties must be issued in the name of the “Lessor”

Where the property is insured in the name of the “Lessee” on the underlying Policy, it is permissible to issue the Sasria Coupon in the joint names of the “Lessee” and “Lessor” for their respective rights and interests. This will, however, be regarded as property belonging to the “Lessor” for purposes of the “ONE INSURED” definition.

### 3.4. Calculating the Sum Insured/Full Value

The Sum Insured/Full Value in respect of any ONE INSURED means:

the total of the Sums Insured for all Coupons/Policies for which Sasria cover has been effected for a Holding Company or Subsidiary of a Holding Company (other than Excess of Loss Fire, Money, Transit, Contract Works and Motor).

In cases where Inflation or Escalation is applicable, the Full Value must be calculated using the base Sum Insured/Value and not the Final Sum Insured/Value as brought about by the provision for Inflation or Escalation.

**Up to a Sum Insured of R500 million.**

**No Magnitude Discount is available.**

**Sum Insured over R500 million.**

- 3.4.1 There is an option to buy cover at Holding Company or at Subsidiary of the holding company level.
- 3.4.2 Where the option of buying cover at Subsidiary of the holding company level is selected, the loss limit discount is applied at subsidiary level i.e. The full Value/sum insured to be used when calculating the loss limit must be that Of the subsidiary.
- 3.4.3 Where the Sum Insured/Full Value for any ONE INSURED exceeds R500 million, the Limit of Sasria’s Indemnity remains R500 million during the period of insurance.  
Unless the Excess of Loss cover has been purchased.
- 3.4.4. The annual aggregate limit of R500 million will apply to all Coupons and Policies of the One Insured (excluding Excess of loss cover, Contract Works, Construction Plant Coupons and Motor Policies and Motor vehicles covered under a Material Damage Coupon). Unless the Excess of Loss cover has been purchased.
- 3.4.5. The sum insured or limits in respect of Money, Accumulation of vehicles (static/depot risks), Property in the course of construction, Goods in Transit, Marine Cargo and Stock throughput risks must not be included in the total Sum Insured when calculating the Magnitude discount.
- 3.4.6. The Magnitude Discount itself, however, will still be applicable to the premium payable in respect of the Money, Goods-in-Transit, Marine Cargo and Stock-throughput risks Coupons.
- 3.4.7. Where the first Period of Insurance is less than a year (solely for the purpose of aligning the insurances to a Insured’s insurance portfolio renewal date), the premiums may be calculated pro-rata for the Period of Insurance based on the discounted annual premium, subject to a Renewal Warranty. In all other short-period cases, any discount must be the discount applicable to the actual premium for the period.
- 3.4.8. Where the One Insured’s Sum Insured/Full Value exceeds R500 million, all Coupons commencing in the same period of insurance are to be dealt with simultaneously and collectively. The discounted percentage thus calculated remains unchanged throughout the Period of Insurance of all the Coupons involved and applies to all subsequent calculations necessitated by increases or decreases in the total Sum Insured (not applicable to Mergers Takeovers and Disposal of Companies), and the issue of Coupons for any other risks (Money, Goods-in-Transit, Marine Cargo and Stock-throughput risks) to which the Magnitude Discount is applicable.
- 3.4.9. No other discounts are allowed except in the case of Voluntary Deductibles and Co-Insurance.
- 3.4.10. The granting of the Magnitude Discount is subject to:
  - (i) The attachment of the following Renewal Agreement in respect of those Coupons still to be renewed;
  - (ii) The application of the annual aggregate Magnitude Discounts, applicable to that same collection of Coupons during a period of insurance.



**ANNEXURE 21 (Printed Document)**

**Endorsement attaching to and forming part of Coupon/Policy No** \_\_\_\_\_  
**in the name of** \_\_\_\_\_

**Renewal Agreement by the Insured**

This Coupon/Policy is one of a number of such Coupons/Policies issued in respect of Insureds within the definition of "ONE INSURED", as per the attached list, which becomes due for renewal/issue at various dates during the same calendar year on which the individual total Sums Insured have been aggregated for rating purposes.

In consideration of the discount given in respect of this aggregation the various Insured within the definition of "ONE INSURED" agree to renew/have issued their insurances at their expiry dates for a further twelve (12) months provided always that the property insured still exists and the Insureds have retained interest therein, failing which the Insured agrees to pay that portion of the discount applicable to such insurance.

Subject to the terms and conditions of this Coupon/Policy.

Signed on behalf of **Sasria SOC Limited**

Countersigned at \_\_\_\_\_

On the \_\_\_\_\_ day of \_\_\_\_\_ Year \_\_\_\_\_

\_\_\_\_\_  
Executive Manager

\_\_\_\_\_  
For: Agent/UMA

- 3.4.11. The Lead Office, where a Collective Policy is concerned, is required to calculate the premium in accordance with the prescribed formula and be in a position to provide details of all Coupons individually or collectively amount to a sum insured in excess of R500M, on request from Sasria. Sasria agents must maintain adequate records for this purpose.
- 3.4.12. Net premiums payable shall be established by reducing the Sum Insured Premium (calculated for each class of business per Coupon/Policy to which the Magnitude Discount applies) by the Magnitude Discount percentage.
- 3.4.13 The Magnitude Discount is only applicable to property situated in the Republic of South Africa.





### 3.5 Calculation of the Magnitude Discount

	TOTAL SUM INSURED (Sasria VALUE AT RISK IN R. MILLION)				DISCOUNT			
	R	R	%					R
<b>Maximum discount allowed is 90.00%</b>	0	- 500	= 0					
	500	- 700	= 0	+	0.0600	For each million in excess of	500 million	
	700	- 950	= 12	+	0.0280	For each million in excess of	700 million	
	950	- 1,450	= 19	+	0.0200	For each million in excess of	950 million	
	1,450	- 1,950	= 29	+	0.0120	For each million in excess of	1,450 million	
	1,950	- 2,700	= 35	+	0.0080	For each million in excess of	1,950 million	
	2,700	- 5,200	= 41	+	0.0044	For each million in excess of	2,700 million	
	5,200	- 7,700	= 52	+	0.0028	For each million in excess of	5,200 million	
	7,700	- 12,700	= 59	+	0.0012	For each million in excess of	7,700 million	
	12,700	- 25,200	= 65	+	0.0008	For each million in excess of	12,700 million	
	25,200	- 37,700	= 75	+	0.0004	For each million in excess of	25,200 million	
	37,700	- Plus	= 80	+	0.0002	For each million in excess of	37,700 million	

#### EXAMPLE 1: Holding Company level

**TOTAL Sasria VALUE AT RISK:** R920 000 000 for Holding Company A which has three subsidiaries (X, Y and Z).

**DISCOUNT** = 12 % + 6.2% (.0280% X 220) = 18.2%

Magnitude Discount therefore 18.2%

Applying the magnitude discount to subsidiary X:

**Value at risk for X:** R 620m

#### Premium calculation:

Value at Risk:	R620 000 000	@ 0.0174%	= R107,880.00
Less loss limit discount		@ 18.2%	= R19,634.16
Premium payable to Sasria			= R88,245.84



## EXAMPLE 2: Subsidiary of a Holding Company

If cover is purchased at subsidiary level, the magnitude discount for subsidiary X will be calculated as follows:

**TOTAL Subsidiary VALUE AT RISK:** R620 000 000

**DISCOUNT:** 0% + 7,2% (0.0600% X 120)

**Magnitude Discount therefore:** 7,2%

### Premium calculation for X:

<b>Value at Risk:</b>	R620 000 000	X	0.0174%	=	R107,880.00
Less loss limit discount		@	7,2%	=	R7,767.36
<b>Premium payable to Sasria:</b>					R100,112.64

**NOTE:** The Discount applying at the inception of the cover must also be used for the purpose of all premium adjustments undertaken during the Period of Insurance.

No change in the value of the Magnitude Discount is allowed after inception of the Sasria COUPON, during the Period of Insurance of all the Sasria Coupons/Policies involved. The only exception to this rule is in the event of mergers, takeovers and the disposal of companies. In these circumstances the Magnitude Discount may be recalculated.

The Magnitude Discount is not applicable to the Excess of loss Fire cover (FE3). The Excess of Loss has its own discount which is calculated by Sasria, when requesting for a quotation.

## B. APPLICABLE TO CONTRACT WORKS RISKS ONLY

### 1. Magnitude Discount (Applicable to Specific Contract Coupons only)

1a. Contract Periods \_\_\_\_\_ \ \_\_\_\_\_

Contract Periods	Discounts
(1) Up to 36 months	- 100% of the discount shown below
(2) Over 36 months but not exceeding 48 months	- 75% of the discount shown below
(3) Over 48 months	- 50% of the discount shown below



### 1b. Calculation of the Magnitude Discount (Applicable to Specific Contract Coupons only)

Full Value (FV)				DISCOUNT			
(R Million) Million)				%			R
0	-	500	=	0%			
500	-	700	=	0%	+ 0.050	For each million in excess of	500 million
700	-	950	=	10.00%	+ 0.030	For each million in excess of	700 million
950	-	1,450	=	17.50%	+ 0.020	For each million in excess of	950 million
1,450	-	1,950	=	27.50%	+ 0.015	For each million in excess of	1,450 billion
1,950	-	2,700	=	35.00%	+ 0.010	For each million in excess of	1,950 billion
2,700	-	5,400	=	42.50%	+ 0.005	For each million in excess of	2,700 billion
5,400	-	10,800	=	50%	+ 0.005	For each million in excess of	5,400 billion
10,800	-	16,200	=	57.50%	+ 0.005	For each million in excess of	10,800 billion
16,200	-	21,600	=	65%	+ 0.005	For each million in excess of	16,200 billion
21,600	-	32,400	=	72.5%	+ 0.005	For each million in excess of	21,600 billion

### FOR CONTRACTS OVER R32.4 BILLION - CONSULT SASRIA

#### EXAMPLE

CONTRACT VALUE:	R787 362 000
CONTRACT PERIOD:	49 MONTHS
DISCOUNT	= 10% + 2.61% (.030 x 87) = 12.61%
Period over 48 months	= 12.62% x 50% = 6.305%
Magnitude Discount therefore	= 6.31%.

#### Premium therefore:

R787 362 000 @ 0,006%	= R47 241.72
Less Magnitude Discount @ 6.31%	= <u>R 2, 980.95</u>
Premium payable to Sasria	= R44 260.77

**NOTE:** The Discount applying at the inception of the cover must also be used for the purpose of all premium adjustments at the end of the contract period, even if the contract value results in a higher Magnitude Discount applying. The Magnitude Discount is applicable to specific contract coupons only.



### C. APPLICATION OF DISCOUNTS

The order that the discounts are applied, are:

a. Magnitude Discounts plus Voluntary Discount

Premium rate applied to the Sum Insured

R \_\_\_\_\_

Magnitude Discount

R \_\_\_\_\_

Premium due

R \_\_\_\_\_

Voluntary Deductible Discount (on premium due)

R \_\_\_\_\_

Premium due Sasria

R \_\_\_\_\_

or

b. Magnitude Discounts plus Co-insurance

Premium rate applied to the Sum Insured

R \_\_\_\_\_

Magnitude Discount

R \_\_\_\_\_

Premium due

R \_\_\_\_\_

Co-insurance Discount (on premium due)

R \_\_\_\_\_

Premium due Sasria

R \_\_\_\_\_

**Note:** It is important that the correct discount percentage get applied to the risk, were there has been incorrect application of discount, the Sasria agent or Intermediary has the responsibility of making sure that the correct premium is paid over to Sasria.