

SATIB COVID-19 CLIENT ADVISORY - #7

Date: 05/05/2020

South Africa moved to lockdown level 4 from midnight 30 April. Although financial services are classified as an 'essential service', the safety of our staff is paramount. As such, we have elected to continue working remotely as much as possible. While our offices remain closed, it is business 'unusual' and we continue to provide our clients with the highest levels of service.

Q – What does lockdown level 4 mean?

Herewith a link to the regulations applicable to Alert Level 4:

https://www.gov.za/sites/default/files/gcis_document/202004/43258rg11098gon480.pdf

These include:

- Staying at home, other than:
 - to perform an essential or permitted service as allowed in Level 4
 - to go to work where a valid permit has been issued
 - to purchase permitted goods or obtain permitted services
 - to move children, as allowed
 - to walk, run or cycle between the hours of 06h00 to 09h00, within a five kilometre radius of your place of residence (and this cannot be done in organised groups)
- No recreational travel or to meet friends or family
- Mandatory use of cloth masks when in public and at work
- All public gatherings remain prohibited
- Curfew between 8pm and 5am daily
- The sale of Alcohol and Tobacco products remain prohibited
- Restaurants are allowed to deliver food between 09h00 and 19h00 (no sit down or pick-up allowed)
- All businesses that are permitted to operate during Alert Level 4 must designate a COVID-19 compliance officer to oversee the implementation of required plan and adherence to the standards of hygiene and health protocols required at the workplace (as per the regulations)

Please click on this link for a handy infographic on the lockdown Alert Level 4 regulations.

<http://www.firstequity.co.za/covid-19/wp-content/uploads/2020/05/FirstEquity-Alert-Level-4-Regulations.pdf>

Q – What are Companies experiencing in other territories with regards to insurance claims?

Businesses in South Africa are frustrated by the fact that standard defined peril Business Interruption policies do not provide cover, or provide only very limited cover, for loss of revenue resulting from government-imposed trading restrictions. South Africa is not unique in this regard.

In the UK, top Insurers such as Hiscox have declined to pay claims on the basis that their policies do not provide cover for a countrywide restriction or outbreak. In the US, Insurance Companies have confirmed that standard business interruption policies do not and were not designed to provide coverage against communicable diseases such as COVID-19 and were not actuarially priced to do so.

Insurance policies were not priced or designed to cover a situation such as the global crisis that we are all experiencing. Insurers around the world are therefore struggling to balance the interests of their clients with the wording of their policies.

We will keep monitoring the situation on your behalf and engaging with Insurers to see how this will unfold.

Q – What is covered by the optional ‘Supplier / Customers’ extension under the Business Interruption section of a policy.

The optional Supplier / Customers extensions on a Business Interruption policy is intended to provide cover to a Business in the event that the Business has Suppliers or Customers which are critical to the continued operation of the Business.

If a key Customer or Supplier of the Business suffers damage (as a result of an insured peril) then the Business would experience loss of income as a result and would require cover under the option extension on their Business Interruption policy.

An example – Business X purchases steel from Supplier Y. Supplier Y is able to provide Business X with a good-quality class of steel within a fast turnaround time. There are no other suppliers able to provide the steel to Business X within the required turnaround time. If Supplier Y suffers a business interruption due to a fire and is unable to provide Business X with the required steel in the necessary turnaround times, Business X will be unable to operate at required capacity and will experience a loss of turnover as a result. Business X will therefore elect to take the Specified Customers’ extension (noting Supplier Y as a specified customer) on its Business Interruption insurance to ensure that their loss of revenue will be covered in the event of an interruption in the business of Supplier Y due to an insured peril.

A Business Interruption policy can have Unspecific and Specified Suppliers or Customers as option extensions however the cover under these sections follows the definition of damage in the policy. As

a result, the cover will only respond if the specified or unspecified supplier or customer has a loss which results from an insured peril (e.g. fire, water, etc.).

Q – Can my short-term broker assist me with queries regarding estate planning such as my investments and my will?

SATIB is licensed for short-term Insurance. We are not licenced to provide advice on investments, wills or estate planning.

SATIB is part of the firstEquity Insurance Group which includes PSG Wealth Financial Planning branches in Johannesburg (Bryanston) and Cape Town (Tokai). If you require any advice or assistance regarding your long term insurance needs, please get in touch with Werner Slabbert.

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