

SANTAM ANNOUNCES R1 BILLION RELIEF TO CONTINGENT BUSINESS INTERRUPTION POLICYHOLDERS

Dear Intermediary

Santam has today announced an urgent relief payment initiative of up to R1 billion for policyholders in the hospitality, leisure and non-essential retail services industries who have the Contingent Business Interruption (CBI) extension in their policy cover with the company.

The R1 billion relief equates to 70% of two months' value of the sum insured for Santam's policyholders in the identified industries. The two months are indicative of the period where most businesses were impacted by the restrictive trading environment imposed by the Level 4 and 5 lockdown in the country. The 70% is based on a view that the businesses would have experienced variable expense savings during the lockdown. The relief payments will be set at a minimum of R25 000 and a maximum of R1.5 million for individual CBI policyholders. The sum insured as stated on the policy as at 18 March will be applied.

The company will commence the relief payments from the first week of August 2020. Policyholders will have to register a claim in order to qualify for the relief. The relief offer applies to Santam's Commercial CBI clients in South Africa, and excludes large corporate clients due to the bespoke and complex nature of such businesses.

WHO QUALIFIES FOR PAYMENT?

Policyholders who meet the following criteria will receive relief payment:

- They must have a Santam H&L or Commercial policy with a CBI extension;
- The CBI extension must have been taken out before 18 March 2020 – from which date underwriting restrictions related to infectious disease were introduced;
- The policy must still be in force;
- The policyholder must have incurred a loss due to the impact of COVID-19 and or the lockdown;
- The policyholder must not have been an essential service provider able to trade through the lockdown;
- The policyholder must operate in the hospitality and leisure or the non-essential retail services industries. These industries include restaurants, guesthouses, hotels, lodges, entertainment and self-catering businesses;
- The policyholder must have registered or notified Santam of a claim in accordance with the notification requirements of the policy.

PAYMENT PROCESS AND TIMELINES

To receive payment, policyholders will be required to sign a Fund Release form to confirm and agree that;

- They suffered interruption or interference at their business and a loss as a result of the pandemic during the relief payment period;
- The amount is paid purely as a relief payment and is paid without prejudice to any rights that Santam may have in respect of any finally determined claim made by the policyholder, which will remain subject to all the terms and conditions of the policy;
- They have suffered the financial loss claimed and warranted;
- They will submit their VAT registration status; and
- The payment is accepted on the terms and conditions contained in the Fund Release form.

INTERMEDIARY COMMUNICATION



Fund Release forms will be sent to qualifying policyholders through their intermediaries within five working days of this announcement. On receipt by Santam of the returned and signed Fund Release form, we will endeavour to make payment to the policyholder within five working days. Funds will be paid into the bank account details from which premiums are collected, unless otherwise agreed with the policyholder.

This relief payment does not impact our company's efforts to obtain legal clarity on our policy interpretation through the courts. We remain confident in our interpretation of our policy wording as it pertains to CBI cover. However, we also realise that our policyholders need financial support urgently and that the ongoing court cases on the interpretation of the policy wording may be lengthy.

We think it is important for the legal process to continue so that all stakeholders can obtain legal certainty on the policy interpretation of CBI insurance cover. We hold a firm view that our CBI policy wording is very specific and only covers businesses for interruptions as a result of the outbreak of a disease at a local level, or within a specified radius. Some of our policyholders, however, feel differently and are of the opinion that the lockdown is an insured peril.

Given the difference of opinions on the interpretation of cover, it is best to obtain legal certainty from the courts. It is also notable that the same discussions are happening globally and the situation in South Africa is not at all unique. The resolution of this matter will have a significant and lasting impact on the entire insurance industry. In honouring our commitment to speedily resolving this matter, we have agreed expedited timelines on the upcoming legal proceedings with a policyholder that has lodged a case in the Western Cape High Court. We would also like to highlight that the court process is important in ensuring that there is reinsurance alignment and support.

Should the courts ultimately rule in Santam's favour and determine that the lockdown is not an insured peril, then the amount paid will still be considered relief payment in respect of registered claims to policyholders and will not be recovered from policyholders. However, in the event that the courts rule against Santam and determine that the national lockdown is an insured peril, the amount will become an advance payment against any finally determined claims against Santam under the CBI extension. From a Santam perspective, this approach is a demonstration of the company's brand promise of Insurance Good and Proper.

Santam has to date also contributed more than R400-million in COVID-19 funding to provide relief through premium reductions, premium refunds as well as direct support to insurance industry business partners, corporate social responsibility and Government initiatives.

We recognise these are extremely difficult times for businesses and trust that these relief payments will make a meaningful difference for our policyholders. For more detailed answers to expected questions, please find attached our Q&A document.

Thank you for your ongoing support for Santam.

Keep safe

Juan Coetzee

HEAD: HOSPITALITY AND LEISURE