

CONTINGENT BUSINESS INTERRUPTION

CBI EXPLAINER SERIES

WHY IS THE ROLE OF REINSURERS IMPORTANT?

Reinsurance is the insurance that an insurance company purchases from another insurance company to protect itself from the risk of a major claims event. With reinsurance, a company passes on some or part of its own insurance liabilities to the other insurance company.

Santam, as is the case for most local insurance companies, has reinsurance cover in place for extreme events or catastrophes such as Covid-19, provided that the underlying insurance policy responds to the claim event. Whether the underlying insurance policy responds is the point at issue for which reinsurers require legal certainty.

Our largest reinsurers have studied the findings of the judgment and have advised that there are some important areas with which they are not in agreement. While they respect the findings of the Court, they are in support of Santam's action to appeal the judgment.

