



POWER SURGE COVER CHANGES AND GENERAL EXCLUSION FOR ELECTRICITY GRID FAILURE OR INTERRUPTION

Ref	Question	Answer
1.	What changes to cover is Santam making?	<p>Power surge cover:</p> <p>Commercial lines' clients:</p> <ol style="list-style-type: none">Will have a compulsory excess amount of minimum 10% of the claim, subject to a minimum of R5 000 when claiming for any power surge damage. This minimum excess amount will also apply to any lightning strike damage under the business all risk, personal all risk and electronic equipment sections of cover.The following will be excluded from our power surge cover:<ul style="list-style-type: none">Power surge damage that occurs as a result of switching on electricity, following load shedding in excess of 12 consecutive hours.Power surge damage that occurs as a result of switching on electricity, following electricity grid failure or interruption.The Accidental Damage section of cover no longer provides cover for damage caused by power surge, as this can be specifically insured under its own specific section of cover. <p>Personal lines' clients:</p> <ol style="list-style-type: none">Will have a compulsory excess of R2500 when claiming for any power surge, mechanical, electrical or electronic damage.The following will be excluded from our power surge cover:<ul style="list-style-type: none">Power surge damage that occurs as a result of switching on electricity, following scheduled load shedding in excess of 12 consecutive hours.Power surge damage that occurs as a result of switching on electricity, following electricity grid failure or interruption.



		<p>Electricity grid failure or interruption exclusion</p> <p>Commercial lines' clients: A general electricity grid failure or interruption exclusion applies to all policies and where already enforced, is extended to incorporate the following:</p> <ol style="list-style-type: none"> Any damage caused directly or indirectly by electricity grid failure or interruption, except as specifically provided for under the Business Interruption section in respect of the elective extensions to other premises, namely: <ul style="list-style-type: none"> Public telecommunications – insured perils Public utilities – insured perils and then further subject to the Electricity grid failure or interruption being to an area no greater than any one single municipal area. Power surge damage as noted by point 2 under Power Surge cover above. <p>Personal lines' clients: A general electricity grid failure or interruption exclusion applies to all policies and where already enforced, is extended to incorporate the following:</p> <ol style="list-style-type: none"> Any damage caused directly or indirectly by electricity grid failure or interruption. Fridge / Freezer contents: Cover for lack of electricity caused by load shedding of any stage or duration and/or electricity grid failure or interruption of any duration is explicitly excluded. Power surge damage as noted by point 2 under Power Surge cover above.
2.	When do these changes apply to my clients' cover?	<p>The changes are effective from 1 June 2023 on all active Santam personal and commercial policies in South Africa and Namibia.</p> <p>In addition, these changes are effective for all quotations for new business done on or after 31 March 2023.</p>
3.	How are these changes being implemented?	<p>The changes to Power Surge cover and the introduction of the Electricity grid failure or interruption exclusion, or the extensions to the Electricity grid failure or interruption exclusion if already enforced, are being introduced once off by letter providing 31 days' written notice. The client's policy schedule and wording will be updated with these changes during the course of 2023 or upon their next policy renewal. During this time (from 1 June 2023 onwards and until such time that their schedule and wording are updated) the terms and conditions of the letter that they will receive during the month of April (via their broker) will apply and not those of your schedule and wording at claims stage, should there be any difference.</p>
4.	Why is Santam imposing a General exclusion in terms of Electricity grid failure or interruption?	<p>The risk landscape has changed, and a catastrophic event of this nature can no longer be ruled out. We wish to provide contract certainty to our policyholders that this type of systemic risk is not covered by the policy, whilst balancing this against all our stakeholders' requirements such as our ability to pay for our contractual insured losses from other causes; solvency requirements; meeting our shareholders' return on capital requirements.</p>



5.	Why is Santam imposing changes to Power surge covers?	<p>Santam continues to provide cover for power surge damage, including after load shedding, as explained above.</p> <p>During the last 12 months, our power surge claims have however increased by around 50%, and more than 200% over the last 3 years. The changes being made are to help us ensure the sustainability of this power surge cover going forward and to incentivise our clients to take preventative actions that help avoid such losses.</p>
6.	What can our clients do to help avoid such losses?	<p>Some tips to help you reduce or even eliminate your risk of loss due to power surge:</p> <ul style="list-style-type: none"> • It is best to unplug your devices when the power has been switched off. After power has been restored to your premises, it should be safe to plug them back in again. In an electricity grid failure or interruption scenario, this is especially important. • Surge arrestors or surge protection devices may provide protection, depending on the type of surge experienced. The following should be considered: <ul style="list-style-type: none"> - Any device should come with a warranty of at least 5 years, for which you should receive an installation certificate. - Any device should protect against over voltage, under voltage, multiple strikes and lightning surge.
7.	What is load shedding?	Load shedding occurs when an empowered authority suspends or interrupts the supply of electricity, as part of planned schedule to prevent damage to the electricity grid.
8.	What is electricity grid failure?	Electricity grid failure is when there is a total or partial interruption, interference, suspension, blackout, and/or failure of the electricity grid supply, affecting many electricity users at the same time.
9.	What is power surge?	A power surge is a sudden rapid variation of the voltage magnitude / electrical transient voltage or a power spike in any electrical system.
10.	Has cover for load shedding now been removed?	<p>Load shedding in itself is not and has never been an insured peril.</p> <p>The only cover that may have responded to load shedding is under our Personal lines cover in respect of the deterioration of Fridge /Freezer contents where power interruption lasted longer than 24 hours. This cover has now explicitly been removed.</p>



11.	So, do you still provide cover for Fridge / Freezer contents?	<p>Yes. Any loss to contents of fridge/freezer is still covered and remains in place, except for the following exclusions:</p> <ul style="list-style-type: none"> (a) spoiling caused by someone adjusting the temperature control; (b) damage to the refrigerators or freezers; (c) spoiling due to load shedding, or electrical grid failure, of a power-supply authority; (d) spoiling as a result of non-payment or non-purchase of power or any type of fuel." <p>Examples of when cover is provided:</p> <ul style="list-style-type: none"> • Your home distribution board accidentally trips, which causes your fridge / freezer contents to spoil due to lack of electricity. • Accidental damage to plug socket causing sudden, unforeseen loss of power supply that goes unnoticed for hours, for example, kids playing with ball in house and it hits the freezer plug out of the socket. • You or a domestic worker unplugs the fridge socket to use it for another appliance and forgets to plug it in again.
12.	Does the electricity grid failure or interruption exclusion impact the Fridge / Freezer contents cover under the Householders section of a commercial policy?	Yes, damage caused by electricity grid failure or interruption to Fridge / Freezer contents is specifically excluded.
13.	Can clients pay additional premium to reduce their power surge excess?	Unfortunately, not. The minimum excesses will apply to any power surge claims.
14.	What about clients over 55 years of age, do the minimum power surge excesses apply to them too?	Yes, all clients, irrespective of age, will now have to pay our minimum excesses when claiming for power surge damage.



15.	Can clients install surge protectors or the like to reduce or remove their excess?	<p>Unfortunately, not.</p> <p>We are in the process of testing the effectiveness of specific types of surge protectors which will inform any future decisions on both excesses and premiums.</p> <p>It is also important to note the following:</p> <ul style="list-style-type: none"> • Some commercial policies' Electronic Equipment, Business All Risks and Personal All Risks sections previously noted that if the client had surge protectors, as defined, their excess for power surge and lightning strike claims would be waived. This wording has been removed and the minimum excess will apply in all instances. • Namibian commercial policies noted that if the client had surge protectors, as defined, their excess for power surge and lightning strike claims would be waived. This wording has been removed and the minimum excess will apply in all instances. • Where Broker bespoke wordings have previously allowed different excess terms depending on the presence of surge protectors, this will no longer be the case and our new minimum excesses will apply in all instances. <p>It should also be noted that any clause or endorsement or comment in a free text field on or off platform policy (i.e. not on PolicyCenter) will not override our new minimum excesses.</p>
16.	Does Santam cover power surge following electricity grid failure?	No, we do not cover any claims for power surge damage following an electricity grid failure, nor do we cover claims for power surge damage that occurs as a result of switching on electricity, following scheduled load shedding in excess of 12 consecutive hours.
17.	What sections of cover are impacted by the power surge excess changes on the Santam's commercial policies?	<p>All sections of cover that provide power surge cover, including:</p> <ul style="list-style-type: none"> • Fire • Buildings Combined • Office Contents • Homeowners • Householders • Business All Risks • Electronic Equipment • Machinery Breakdown • Personal All Risks
18.	Can a client claim for power surge under their commercial policy's Accidental Damage section of cover?	No, power surge cover has been removed from this section and needs to be explicitly purchased under the power surge extensions of cover noted elsewhere on the policy.



19.	Has cover for electricity grid failure or interruption now been removed from Commercial policies under the Business Interruption section?	<p>Electricity grid failure or interruption is now an exclusion under the General section of a Commercial policy and as such applies to the whole policy, including the Business Interruption section.</p> <p>The exclusion incorporates the following: Any damage caused directly or indirectly by electricity grid failure or interruption, except as specifically provided for under the Business Interruption section in respect of the elective extensions to other premises, namely:</p> <ul style="list-style-type: none"> • Public telecommunications – insured perils • Public utilities – insured perils <p>and the further subject to the Electricity grid failure or interruption being to an area no greater than any one single municipal area.</p> <p>This means that where an insured peril occurs at the premises of a public utility or public telecommunications entity;</p> <ul style="list-style-type: none"> • and the peril causes physical damage at the premises of the entity; • which then results in the loss of supply of their service to our insured (with this cover); • and this loss of supply interrupts our insured business, as defined by our policy, then our policy will respond provided that the loss of supply from the public utility or public telecommunications entity does not affect an area greater than any one single municipality.
20.	What about my clients' policy conditions, for example the requirement to have a linked alarm or a working sprinkler system, how is this impacted by Santam's electricity grid failure or interruption exclusion?	<p>A client has to, at all times adhere to the terms and conditions of their insurance contract. If they are required to have, for example, a working house alarm or an operational sprinkler system, then this remains the requirement, irrespective of whether there is an electricity grid failure or not.</p> <p>In the event of an electricity grid failure, clients are likely to be at home, i.e. their premises will be occupied and hence no need to have their alarm system activated.</p> <p>Certain clients are able to remove their alarm warranty for an additional premium, provided they do not live in a high-risk area as determined by our underwriting rules.</p> <p>With regards to sprinkler systems, the client needs to ensure that they are working at all times. At the time of an electricity grid failure, the risk of fire due to potential sources of ignition during any production process is considerably reduced.</p>



21.	Santam's electricity grid failure or interruption exclusion mentions "caused directly or indirectly by the electricity grid failure or interruption". What does this practically mean?	<p>Santam is unable to pay for systemic risks of this nature (i.e. from an electricity grid failure or interruption) that can result in all our clients claiming at the same time. We have a responsibility to create this clarity for our clients and intermediaries. Having said that, we will always continue to provide cover as intended by our policy wordings, even if such a systemic event occurs.</p> <p>What this means is that if the damage was caused directly or indirectly by the systemic event, in this case electricity grid failure or interruption, then there is no cover.</p> <p>If the cause of the damage is far enough removed to be considered to be not directly or indirectly linked to the electricity grid failure or interruption, then there is cover.</p> <p>This will be determined at claims stage and in accordance with terms and conditions of our insurance contract.</p> <p>For example: When a robot or traffic light is not working, due to electricity grid failure and a car accident occurs due to someone 'jumping' the intersection, the cause of the accident is the negligence of the driver. Assuming all other policy conditions are met, this claim will not be impacted by the grid failure exclusion.</p>
22.	Can electricity grid failure or interruption cover be purchased for an additional premium?	No, this option is not available
23.	What happens if electricity grid failure or interruption is caused by an insured peril, will there be cover?	<p>No, there will be no cover, as cover is specifically excluded by the general exclusion "Failure of the national electricity grid".</p> <p>The only exception is under commercial policies, under the Business Interruption section in respect of elective extensions to other premises, namely:</p> <ul style="list-style-type: none"> Public telecommunications – insured perils Public utilities – insured perils <p>cover is provided where there is no supply due to physical damage caused by an insured peril at the premises of a public utility or public telecommunications entity, provided the area affected is not an area greater than any one single municipality.</p>
24.	Do the changes apply to all Santam products and Bespoke products?	Yes, the changes apply to all Santam's and Bespoke products for both Personal line's and Commercial lines' products

25.	What happens if there is load shedding and an electricity grid failure occurs during this time, and power is restored within 12 hours of when the load shedding commenced, does the client have power surge cover?	No, electricity grid failure or interruption is specifically excluded from power surge cover, so if they overlap, then the client does not have cover.
26.	What is the difference between an electricity grid interruption and load shedding?	<p>Load shedding occurs when an empowered authority suspends or interrupts the supply of electricity, as part of a planned schedule to reduce electricity consumption and to prevent damage to or collapse of the electricity grid.</p> <p>Where a grid interruption occurs that is not caused by load shedding, as defined, i.e. not scheduled and not communicated, it forms part of our electricity grid failure and interruption exclusion.</p> <p>Electricity grid failure or interruption is an unplanned and unforeseen event where there is no power available to supply, and falls within the ambit of our electricity grid failure and interruption exclusion.</p>
27.	What happens if a client receives a renewal letter, after the 31 days' notice letter, that does not contain the changes? Do the changes still apply?	<p>Yes, the changes still apply as communicated in the 31 days' notice letter. An extract from the letter is shown below, which states "from 1 June 2023 onwards, until your schedule and wording are updated".</p> <p>Your policy schedule and wording will be updated with these changes during the course of 2023 or upon your next policy renewal. During this time (from 1 June 2023 onwards and until such time that your schedule and wording are updated) the terms and conditions of this letter apply and not those of your schedule and wording at claims stage, should there be any difference.</p>
28.	Will there be cover for power surge resulting from any of the following: <ul style="list-style-type: none"> • cable theft; • A substation exploding; or • A car drives into the substation? 	<p>Power surge is covered as defined by the wording.</p> <p>If something happens that causes an electricity grid failure or interruption, then there is no power surge cover. i.e. if these events result in electricity grid failure or interruption, then there is no cover.</p>



29	<p>Will there be cover for power surge caused by lightning strikes?</p> <p>What happens if a lightning strike causes electricity grid failure or interruption?</p>	<p>If lightning strikes your house and causes power surge damage, you will have cover, irrespective of any power surge extension on the policy, as the proximate cause is lightning.</p> <p>If lightning strikes an electricity substation and then a surge runs through the power lines to your house causing damage, then the proximate cause is lightning and there will be cover. In this instance there is no grid interruption, nor failure and hence you have cover.</p> <p>If lightning strikes an electricity substation and it causes a grid failure or grid interruption, then there is no cover. If there is a power surge when the grid is switched back on, there is no cover because it follows electricity grid failure or interruption.</p>
30.	<p>Under Commercial lines, the Accidental Damage section of cover no longer provides cover for damage caused by power surge. Will premiums be reduced as a result of this change?</p>	<p>No, as power surge has not been explicitly charged for in the premium for this section of cover. To make it affordable for clients to continue with their accidental damage cover, it was best to remove the power surge cover from this section, as the alternative was to increase rates substantially.</p>