TO: DIRK KUNZ - CHIEF FINANCIAL OFFICER
FROM: BULUNGISA JARANA (HEAD OF BUSINESS INTELLIGENCE)
DIVISION: ACTUARIAL

REQUEST TO APPROACH CSIR AS A SINGLE SOURCE PROVIDER TO PROVIDE SOCIAL UNREST EARLY WARNING SYSTEM (EWS) FOR A PERIOD OF FIVE (5) YEARS.

1. PURPOSE OF SUBMISSION/ RESOLUTION REQUIRED

The Chief Financial Officer (CFO) is hereby requested to grant approval to deviate from competitive procurement process to approach CSIR as a single source procurement process approach for the appointment of CSIR to provide a social unrest early warning system (EWS) for a period of five (5) years.

2 DELEGATIONS OF AUTHORITY

In terms of the SASRIA Delegation of Authority Policy (DoA), The CFO has a delegation of authority to grant approval of a single source procurement process, for engaging with a service provider on that basis. However, only the BAC has the authority to award the contract exceeding R1 million under these circumstances.

3 BUSINESS REQUIREMENT/NEEDS BACKGROUND

3.1 Why the need arose

Sasria SOC Ltd, as South Africa's sole provider of special risk insurance, holds a critical national mandate to protect insured parties against losses arising from politically motivated acts, riots, strikes, and public disorder. The July 2021 unrest, which resulted in approximately R32 billion in insured losses, revealed significant gaps in Sasria's ability to detect, prepare for, and respond to such events.

To strengthen its resilience, Sasria intends to acquire an Early Warning System (EWS) — a secure, cloud-based platform aligned with its defence strategy framework. The benefits of the EWS are integration of multi-source data (including social media, historical claims, community reports, and public datasets) with AI-driven predictive analytics, geospatial mapping, and two-way communication tools to detect early signs of unrest, issue targeted alerts, and support coordinated responses among policyholders, communities, and security agencies.

3.2 Background

Sasria's role extends beyond the settlement of claims, and it encompasses the safeguarding of economic stability and the protection of livelihoods. The proposed Social Unrest Early Warning System (EWS) is fully aligned with Sasria's evolving strategic direction, which emphasizes loss prevention, proactive risk reduction, and the expansion of its mandate to address the challenges of a rapidly changing risk environment.

The EWS will serve as a critical enabler in Sasria's transformation from a reactive claims' payer to a proactive partner in national risk governance. By facilitating the early detection of potential unrest, the system will allow Sasria to intervene—either directly or through coordinated stakeholder action—before significant damage and disruption occur.

This proactive approach will enhance policyholder value by providing timely alerts, compliance guidance, and tailored risk mitigation support. Furthermore, the EWS will strengthen Sasria's capacity to manage and reduce claims arising from social unrest, contributing to national stability, community resilience, and economic continuity by limiting the broader impact of civil unrest on trade, infrastructure, and livelihoods.

3.3 Process/Approach

The optimum sourcing strategy and technique that will be used for this requirement is to engage the supplier direct through a single source procurement process approach. The decision to adopt a single-source procurement approach is based on the following key considerations:

a. Specialized Expertise and Proven Capability

The identified service provider possesses unique technical expertise, domain knowledge, and a proven track record in developing and operating predictive early warning systems relevant to socio-political unrest and public disorder. The supplier's platform architecture, data analytics capability, and security infrastructure align directly with Sasria's requirements.

b. Urgency and Strategic Importance

Given the increasing frequency and impact of civil unrest, timely implementation of the EWS is critical to national stability and Sasria's risk mitigation framework. A single-source procurement approach will significantly reduce procurement timelines, enabling rapid contracting, system customization, and implementation.

c. System Integration and Technical Compatibility

The proposed supplier's solution is already compatible with Sasria's existing ICT environment, including data ingestion pipelines, analytics tools, and reporting frameworks. Engaging multiple vendors could introduce integration risks, duplication of effort, and delays in system stabilization.

d. Cost Efficiency and Lifecycle Value

A single-source approach eliminates costs associated with managing multiple service providers and ensures accountability under a single service-level framework. It also enables Sasria to negotiate cost-effective, end-to-end system delivery and maintenance terms over the full lifecycle of the project.

e. Governance, Security, and Confidentiality

The EWS will process sensitive and high-value information, including data feeds from multiple government and private-sector stakeholders. Using one trusted vendor strengthens data governance, reduces cybersecurity vulnerabilities, and ensures adherence to Sasria's confidentiality and data protection standards.

f. Continuity and Scalability

Partnering with a single supplier ensures long-term continuity, knowledge retention, and system scalability. The supplier's existing infrastructure and support model allow for future enhancements without the operational disruption of re-tendering.

g. Direct benefits to Sasria and addressing strategic objectives of following this approach

One of the most direct benefits of the EWS is the potential to reduce Sasria's claims exposure by enabling interventions before or during unrest events. Early alerts can help policyholders secure property, allow communities to mobilise preventative measures, and inform police deployments to deter escalation. This will not only lower the cost and frequency of claims but also minimise the indirect economic losses that affect Sasria's broader stakeholder base.

3.4 Detailed Scope

The solution identified by Sasria's BI department to address the growing need for proactive risk management is the Early Warning System (EWS) developed by the Council for Scientific and Industrial Research (CSIR). This advanced system is specifically designed to anticipate, prepare for, and mitigate the impacts of civil unrest before they escalate into significant social and economic disruption.

The CSIR EWS is fully aligned with Sasria's strategic direction, which prioritises loss prevention, resilience-building, and proactive risk governance. The system leverages cutting-edge technologies, including artificial intelligence (AI), natural language processing (NLP), and geospatial analytics, to analyse and interpret large volumes of data from multiple sources—such as social media feeds, community intelligence, historical claims, and socio-economic indicators.

Through this comprehensive data integration and analysis, the EWS can detect emerging unrest patterns, predict potential hotspots, and generate timely alerts before incidents escalate. This predictive capability provides Sasria and its key partners—such as government departments, law enforcement, and affected industries—with the critical lead time needed to take preventive action.

By enabling early detection, situational awareness, and coordinated response, the CSIR EWS will not only help minimise insured losses but also enhance national stability, business continuity, and community safety. In doing so, the system supports Sasria's broader mandate to protect livelihoods and maintain economic resilience in the face of growing social volatility.

4 MOTIVATION FOR SINGLE SOURCE PROCUREMENT

The reason for single source procurement is due to the following:

The Council for Scientific and Industrial Research (CSIR) is mandated under the Scientific Research Council Act (Act 46 of 1988) to advance multidisciplinary research and technological innovation that drives national development. Its work — spanning defence, security, data science, and sustainability — supports evidence-based decision-making, national resilience, and economic growth.

Sasria SOC Ltd, established under the Sasria Act (Act 134 of 1998), provides special risk insurance against politically motivated unrest, strikes, and terrorism. By protecting property, business continuity, and investor confidence, Sasria safeguards South Africa's economic stability. Its strategic focus is shifting toward proactive, data-driven risk management and prevention.

The synergy between Sasria and the CSIR lies in their shared goal of national stability and resilience. The CSIR's expertise in data analytics, predictive modelling, and early warning systems complements Sasria's mandate to anticipate and mitigate social unrest risks. Through initiatives such as the Early Warning System (EWS), this agreement will integrate science and insurance to create a proactive national risk management framework — one that not only responds to loss but also prevents it in alignment with South Africa's broader developmental objectives.

The below tables show the mandates of the CSIR and Sasria which connect and overlap in areas concerning risk identification, mitigation, and national resilience, particularly regarding potential catastrophic events that impact stability and infrastructure:

Area	CSIR Contribution	Sasria Interest / Alignment
Risk Anticipation & Prevention	CSIR's data science, modelling, and forecasting capabilities support early warning systems for social unrest, climate events, and infrastructure risks.	Sasria's need for proactive risk identification to prevent or mitigate losses before they occur.
National Stability & Resilience	CSIR's research promotes social and economic resilience through evidence-based planning.	Sasria contributes to national resilience by providing financial protection after disruptive events.
Data & Intelligence	CSIR's expertise in analytics and AI helps government and industry derive insights from complex datasets.	Sasria increasingly relies on data-driven decision-making for risk modelling and pricing.
Public Sector Collaboration	CSIR partners with government departments and SOEs to operationalize scientific solutions.	Sasria operates under the National Treasury and benefits from government-aligned partnerships.
Innovation in Risk Management	CSIR designs and prototypes technologies that predict and monitor risks (e.g., EWS).	Sasria's strategic shift includes integrating predictive tools to anticipate and manage claims exposure.

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The single source procurement process approach will ensure that Sasria leverages on the expertise of CSIR and their technology driven AI risk analytics, geofencing, crowdsourced intelligence, and secure community engagement platforms, exemplified by the Western Cape Block Watch pilot, provide a tested foundation upon which to build a scalable, cloud-based EWS. This system will be fully integrated with Sasria's Four Levels of Defence (DL1–DL4), ensuring that each level, from individual policyholders to national defence—receives relevant, actionable intelligence in real time.

The Council for Scientific and Industrial Research (CSIR) offers Sasria an unparalleled opportunity to fill these gaps through the deployment of a sophisticated, multi-source intelligence and early warning platform. In doing so, Sasria will position itself not only as an insurer but as a leader in catastrophe risk governance, in line with global best practices observed in jurisdictions with advanced public–private risk management models. The appointment of CSIR will represent a significant step toward embedding Sasria as a central pillar in South Africa's civil stability framework while reinforcing its reputation with reinsurers, regulators, and policyholders alike.

5 FINANCIAL IMPLICATIONS

The implementation of the Social Unrest Early Warning System (EWS) will follow a phased, five-year rollout, allowing Sasria and CSIR to incrementally develop, evaluate, and refine the platform while building the necessary technical, operational, and community engagement capacity. This approach ensures that early benefits are realised during the initial years, while progressively expanding the system's reach, sophistication, and integration with key stakeholders.

The total estimated budget amounts to R8.4 million, which is significantly more economical than the R31.7 million previously proposed by AON (Pty) Ltd in a JV with Topicworks (Pty)Ltd for a similar but less advanced product for a PML study in 2022. The phased approach ensures early delivery of value while progressively building the system's capability, coverage, and integration, reducing implementation risk and maximising the return on investment for Sasria and its stakeholders.

NB: The associated costs include the system's use and maintenance, and no support from Sasria's BCT team shall be required.

6 RECOMMENDATIONS

The Chief Financial Officer (CFO) is hereby requested to grant approval to approach the CSIR for a single-source procurement process, for a period of 5 years.

7 Signatures:

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