



# **The South African Policy Approach**

**International Conference –  
Enabling Microinsurance Markets**

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# Agenda

- Key challenges in developing the microinsurance market in SA
- Voluntary approach to access targets: Financial Sector Charter (FSC)
- Challenge of informal insurers
- South African policy approach



# Key challenges

- Quantity of insurance penetration
  - Significant voluntary purchase of funeral insurance
  - Minimal use of other forms of insurance
- Quality of insurance penetration
  - Many instances of consumer abuse
  - Need to address appropriateness and affordability
- Demand and supply-side challenges
  - Consumer education
  - Regulatory hurdles to expansion of market products
- Regulatory co-ordination
  - Regulatory framework fragmented



# Financial Sector Charter

- Voluntary agreement between financial industry and government aimed at achieving transformation
- Broad-based black economic empowerment
  - Includes access to financial services targets
- Access targets include:
  - Quantity of access
  - Quality of access – “Access standards”



# Informal insurers

- Differentiate between informal (burial societies) and illegal (funeral parlours) operators
- Strive to formalize illegal market into appropriately regulated space and retain flexibility at burial society level (up to a point)
- Enforcement approach:
  - Incentives
  - Sanctions



# Policy approach

- Demand side: consumer education
- Supply side: enabling regulatory environment
- Regulatory approach:
  - Balance between access and consumer protection
  - Lower prudential and advice requirements, balanced by product standards
  - Dedicated microinsurance licence, covering life and non-life risk business
  - Increased formalisation of illegal operators; expanded reach of established insurers