South Africa's changing regulation: An Opportunity for smaller players in the Insurance industry.

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South Africa's changing regulation: An Opportunity for smaller players in the Insurance industry.

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Declaration of authenticity

I declare that the research project, South Africa’s changing regulation: An Opportunity for smaller players in the Insurance industry is my own work and that each source of information used has been acknowledged by means of a complete reference. This dissertation has not been submitted before for any other research project, degree or examination at any university.

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Abstract

The South African insurance industry exists within the shifting paradigm of regulation. The global financial crisis in 2008 has fostered a worldwide need to reassess the financial regulatory environment. Financial stability, reduction of redundancies and the closing of loopholes, so as to avoid arbitrage, has since come under the spotlight. In keeping with the international principals and trends The South African National Treasury has tabled a series of legislation that will help close the gaps, ensure the prudential integrity of the insurance system and outline the fair treatment of customers involved.

Micro-insurance and funeral insurance present systems that are highly unregulated and therefore pose a threat to both the principals of prudential and market conduct oversight. Micro-insurance is also heralded as the saving grace (Morduch, 2002) in providing a vehicle to include the formerly excluded members of the society to the mainstream insurance market.

The paper explores the various operators that exist in the funeral insurance market and aims to answer whether an opportunity exists for them under the new regulatory paradigm. Perceptions of industry role players are presented in the findings of this paper. These perceptions were attained by interviewing the industry professionals that are privy to the compliance information and are well versed in the strategy of their company.

The findings in the paper show that the current system that exists is not conducive for informal operators. It further acknowledges that even though a great opportunity exists for informal insurers, because of their understanding of socio-economic factors of the low income sector, they do not see the opportunity that is presented to them. Furthermore there exists a place for these players to operate in the formal network, and their entrance will not cannibalise the existing insurance industry.

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List of Acronyms

SAM	Solvency Assessment and Management
TCF	Treating Customers Fairly
RDR	Retail Distribution Review
FSB	Financial Services Board
NT	The Nation Treasury of The Republic of South Africa
SARB	The South African Reserve Bank
FSP	Financial Services Provider
ASISA	The Association for Savings and Investments South Africa
FAIS	Financial Advisory and Intermediary Services Act
CGAP	Consultative Group to Assist the Poor

Contents

1. Introduction

1.1 Context of Study

South Africa has a dynamic and very competitive life insurance industry (Aliber, 2001). There is a strong history of product, channel and business model innovation, an overwhelming focus on quality and a diverse range of competitive and business model approaches (South Africa Life Insurance Insights Report, 2012). The life segment is extremely large collecting premiums of R262.4 billion in 2012 and holds assets of over R145 trillion (South African Insurance Industry Survey, 2012). As seen throughout history profitable industries which yield high returns will draw firms to its discipline unless there are high barriers to entry. The South African life insurance industry is one such industry. Some of the barriers excluding new entrants from the market include but are not limited to capital and licence requirements. The inevitable introduction of the pending Solvency Assessment and Management (SAM) regime also poses an additional barrier for new entrants into the market. The South African treasury department has also decided to take a long term view of the financial industry. This involves introducing the 'Twin Peaks' framework that involve initiatives like Treating Customers Fairly (TCF) and Retail Distribution Review (RDR) to help facilitate the long run sustainability of the industry.

However this is not to say that there are no new entrants into the South African life insurance industry. The life insurance industry has seen a rise in issued licences over the past few years. In the past 12 years the industry has seen a growth from 67 licensees to 79 (South African Insurance Industry Survey, 2012). This is largely due to the increase in popularity of bancassuarance in the country. In 2004 Nedcor saw an increase of 57.2% in sales of assurance and investment products (Hoosen, 2006). Banks as large established institutions are easily able to meet the capital and licensing requirements needed to gain entry into the insurance industry. This is not true however for small companies and informal insurers.

Funeral insurance forms a large part of the life insurance umbrella. Funeral insurance is a term life insurance policy where the benefit is used towards funeral expenses

(Chamberlain & Hougaard, 2011). Within funeral insurance however, the South African market is made up of more players than just the large corporations. This industry is vast and has the presence of both formal and informal participants such as funeral homes, friendly societies, administrators and brokers acting as insurers (Roth, 1999). These participants have historically not had the ability to take part within the regulatory framework of the insurance industry. This has been due to high regulation and capital requirements needed to operate legally in that particular space. With the new South African Micro-insurance Regulatory Framework, a Treasury policy document on the existing market landscape for low-income households and a proposed comprehensive policy framework that is being tabled in Parliament, the landscape of this segment is set to change (Goko, 2013). The micro-insurance act has lower capital requirements and regulations that are far easier to adhere to than its insurance counterpart.

Micro-insurance is defined as "insurance that is accessed by (or accessible to) the low-income population, provided by a variety of different entities, but run in accordance with generally accepted insurance practices" (The International Association of Insurance Supervisors, 2007, p. 1). This segment has seen low penetration by formal insurers in the past (De Bock & Gelade, 2011). This is mainly due to a misfit between clients needs and products offered by mainstream insurers. An example of this is that the design of policies by mainsteam insurers are founded on assumptions about family structure, that are simply not accurate (Roth, 1999). Funeral cover dominates the voluntary micro-insurance market in South Africa. Culture is the dominant reason why fineral insurance is valued, as traditional African communities associate the quality of a funeral as a sign of respect for elders who have since passed away.

The traditional insurance industry has largely focused on the wealthy, "white" end of the market, the resulting void of appropriate insurance products for poorer black communities has been filled by the mushrooming of insurance provision in the informal and semi-formal space, with thousands of burial societies and a strong funeral parlour market providing in-house funeral cover (Gibson, 2011). Informal insurers are able to penetrate the market more effectively as they are able to use the the cultural similarities, their knowledge of local socioeconomic conditions and local funerals to taylor their products and services to fit the requirements of their environment or target market (Roth, 1999).

One of the current methods mainstream insurers are using to get around the low penetration into this particular market has been to form partnerships with these informal insurers. These partnerships have been postulated as the key factors of the success of the present microinsurance programme (Rendek, 2012).

Given the new proposed regulations, this presents an opportunity for these informal organisations to play a larger role in the regulated insurance industry. They can infact then start to underwrite their own policies and become insurers of their own. On the other hand the regulations that treasury is set to implement may see the death of not only the informal market but also the intermediaries in the formal market.

1.2 Problem Statement

The current micro-insurance environment caters for large insurance companies that do not seem to be able to cater for the needs of the low income earner. There seems to be a discrepency in the product offerings and client needs. The informal insuarance market has been able to fill a portion of this gap. It has done this through unregulated means aswell as strategic partnerships with mainstream insurers. Due to the informality and unregulation in the market, consumers of these financial products are exposed to exploitaion, loss and inferrior product offerings. If left unattended this poses a risk to the intergrity of the industry as a whole and also raises significant consumer protection concerns.The micro-insurance regulation coupled with the ‘Twin Peaks’ framework might be able to address some of the concerns mentioned above by regulating the informal market giving informal insurers the opportunities to become insurers in their own right and also provide customers with an environment free of exploitation.

1.3 Purpose of the Study

The purpose of this study is to evaluate the formal and informal insurance markets that exist in the scope of funeral insurance. Carefuly study the different players that exist. Review the industry to see the current standing of the informal insurance market. An evaluation of the proposed micro-insurance act and ‘Twin Peaks’ framework (with its supporting legislation TCF and RDR) will be conducted inorder to ascertain whether informal insurers will be able to enter the market and the benefits of such entrances. Lastly the study will look to see if an opportunity is available for these informal insurers to grow and operate within the regulated insurance market.

1.4 Research Questions

- Do the players in the informal funeral insurance industry see the new act as an opportunity that is presented to them?
- Will the entry of these informal funeral insurance companies be possible in the new environment?
- Will the micro-insurance industry cannabilise the existing informal insurance industry?
- Will the understanding of the cultural and socio-economic factors provide the smaller players with an advantage that enables them to compete with the larger players in the industry?
- Is the current system the best system for these informal insurers to operate in?

1.5 Significance of the Study

Most of the studies conducted on the topic of both micro-insurance and more specifically funeral insurance have concentrated on either the low penetration of micro-insurance, the role of informal insurers in the market and the implications of their operations outside regulation or consumer protection concerns . This paper will identify the opportunities available for those informal funeral insurers in the new environment that will be created by the introduction of the new micro-insurance act and other pending regulations. It will also provide information on the current and possible future outlook of the industry. This information is valuable for both mainstream and informal insurers when conducting strategy and competitor analysis.

1.6 Overview of Methodology

Research questions that emerge from the literature review are used as the starting point of the semi-structured interviews designed to support the largely literature review-based conceptual analysis of the research topic. The research questions are posed as propositions that will be rejected or accept after the analysis of the literature review and interviews.

The qualitative data is collected by means of semi structured interviews, whose outcomes are coded in a way that enables sorting and grouping along the lines of the research questions. The themes that emerge from the coding and sorting processes are presented and discussed. They form the basis of the inferences drawn in the light of the research objectives. In other words, we are able to either accept or reject our propositions and, therefore affirm the essence of the research goals.

1.7 Limitations to study

- Not much data exists on the current subject matter.
- The Micro-Insurance act and pending regulations have not yet been implemented therefore findings will be perception-based.
- Different informal insurers have different circumstances and therefore may provide answers based on their geographical locations and specific situations.
- Revealed intentions of insurers may not be completely accurate so as to protect their strategies.

1.8 Outline of Study

- The paper will contain a brief abstract summarising the entire study
- After the abstract, an introduction, background and review on the different types of insurers in South Africa, the current insurance act and the new proposed regulation are provided.
- A literature review will follow. The review will reflect all relevant information and work conducted on the relevant subject matter. This will help in identifying the existing gaps in the literature.
- A detailed methodology will be outlined on how the study was carried out. How the data was obtained and how it was analysed will be reviewed.
- The results of the paper will be discussed
- Conclusions will be drawn from the results that are obtained.

2. Literature Review

2.1 Introduction

This literature review will give an overview of the definition of insurance as a whole. It will highlight the need for insurance by individuals; institutions and their need for intertemporal consumption. The review will slightly touch on the many different forms of insurance but concentrate mainly on life insurance, which will lead the study to micro insurance and finally funeral insurance. The manner in which insurance meets the needs of its consumers is discussed, and perhaps more importantly the subject of why some insurance products are unable to meet the needs of some consumers. The review will consider the coverage of insurance in Africa and more specifically South Africa. This will provide a great background and understanding before moving to more specific forms of insurance.

This review will then shift focus from the broader scope of insurance to a more specific subject matter of micro-insurance. It will highlight the importance of the need for special type of insurance for the poor. In the discussion of micro-insurance both formal and formal forms of micro-insurance are considered. This discussion will lead to the different risks faced by consumers and the industry as a whole. Similar to the broader subject of insurance this review will provide a background on micro-insurances ability to service the needs of its consumers. The study further touches on the regulation in market. The research tries to answer the effect this regulation has on industry players. The paper therefore defines the different players in the market.

2.2 Insurance

Even though insurance is one of the biggest industries around the world it still remains largely misunderstood and misinterpreted, because it offers a promise instead of an intangible product (Insurance is a promise, 2009).The long term insurance act of South Africa defines an insurance contract as one when a person pays a premium and in return receives certain benefits on the occurrence of a certain specified event (Long Term Insurance Act, Act no. 52 of 1998, 1998). As a person hands over money for a benefit at the chance occurrence of an event, trust and expectation are the basis of insurance (Pearson, 2010). To fully understand insurance one has to understand the concepts of inter-temporal consumption and utility maximisation. Whereby inter-temporal consumption refers to the choice of how much to spend today as opposed to a later stage, while utility maximisation refers to the choice of the amount that should be spent in order to maximise ones utility. Both these concepts are based on consumer decision making and the idea of a rational consumer.

Models of decision making have been extensively studied and made famous by Neumann and Morgenstern (1944) with their expected utility model. Since then there have been many economists that have rebutted or added to this theory. Allais (1952, 1979) criticises this theory profusely. Further economist constructed theories but most notably Kahneman and Tversky (1979) with the prospect theory. More recent work on this subject is done by Fishburn (1989). These theories however depend on the definition of a reasonable decision, which can be different from person to person as different situations and factors cause people to act differently (Thaler, 1980).

A simple model adapted from Rothschild and Stieglitz (1976) utilises both these concepts to explain insurance.

Example 1

Suppose a person has an income (I). If he doesn't have an accident he will have I. If an accident occurs he will have (I-A). This gives a vector of (I, I-A). If this person was insured by a particular insurance company and paid premiums of (P) and received benefits of (B) in the event of an accident, then there are two possible outcomes. Firstly if he is either in an accident or not, if he is not in an accident then his income will be (I-P) if he is in an accident his income will be (I-A+C) where C=B-P. This gives a vector of (I-P, I-A+C).The vector (P, C) explain the insurance contract.

The example and definitions of insurance above may be adapted to the different forms of Insurance that exist. Legends of insurance date back as far as 5000BC - 3000BC from Chinese merchants looking to transfer their risks and insure their businesses against loss by carrying their cargo in different ships (Insurance is a promise, 2009). Since then Insurance has evolved and the modern form of insurance as we know it dates back to the 16th Century. Lloyds of London was created in 1680 in a coffee shop in London by captains of ships making bets to secure their cargo. Life and health insurance has existed in different cultures for centuries as basic form of assistance from society. Currently Insurance is separated into short-term and long-term insurance. Within each category there exists many different types of cover available for different individuals and the risk they require to transfer. This paper will concentrate largely on Long-term insurance and specifically life and funeral cover targeted at poor income households.

2.3 Forms of Insurance

Insurance is an umbrella which encompasses two major categories, short term and long term. As evident in the name, the difference between these two categories is the term in risk cover. As indicated in section 2.2 insurance is the transference of a certain risk for a certain time for a premium. Short term and long term insurance differ by the time in which these risks are covered. As you are covering a particular item for a possible eventuality over a defined period of time, it becomes increasingly difficult what time period constitutes short term and long term. Therefore for the purposes of this paper we will consider the definitions of the two provided under the long term and short term insurance acts of South Africa. “Short-term insurance business refers to the business of providing policy benefits under defined short-term policies. Under the terms of section 1 of the Short-term Insurance Act, “short-term policy” means an engineering policy, a guarantee policy, a liability policy, a miscellaneous policy, a motor policy, an accident and health policy, a property policy or a transportation policy, or a contract comprising a combination of any of those policies (Long Term Insurance Act, Act no. 52 of 1998; Short Term Insurance Act, Act no. 53 of1998). Each type of insurance is further explained below.

2.3.1 Short term insurance

A clearer way to distinguish short term insurance from its long term counterpart is to say that short term insurance policies cover inanimate objects like your possessions. This may be your flat screen TV, your car, clothes, or even your house etc. This is because they have a finite time, as long as it might be. Most short term insurance can be taken to cover the individual and a business. Some frequent examples of short term insurance cover are listed below (Brendan, 2010).

- Motor vehicle insurance: This is a very popular type of short term insurance. The benefits associated in the policy cover the financial cost one may incur from the theft of their vehicle and an accident. This type of cover may even cover 3rd party drivers and passengers, in addition to replacing or repairing your car.

- Household contents insurance: This type of cover is exactly as the name suggests. This includes all the possessions in your home, including jewellery, electronics, clothes, furniture and microwaves just to name a few. This type of cover insures against loss, theft and damage.
- Homeowner's insurance: This is a cover that insures against damage of the building or actual structure of your home. Included in this cover are costs incurred in the repairs on your house when for example your house floods, you have a burst pipe or geyser and fire damage. It is also standard practice that most institutions do not grant home loans unless this type of insurance is taken.
- Travel Insurance: It the protection against any travel related activities. Some examples of this cover are lost or stolen baggage, flight cancellations etc. This type of cover confusingly also includes some elements that may be considered long term insurance like medical assistance.(Nedbank, 2014)

2.3.2 Long term insurance

Long term insurance refers to cover where your life is the focal point. It allows a person to indemnify themselves against an occurrence in the long term. This cover is usually selected and priced on the lifestyle of an individual. Unlike short term insurance that covers you for the price of an inanimate object (either market value, book value or a portion thereof), how does one price the value of a human being? This type of insurance will cover events such as death, disability or retirement. The benefits of this cover will be paid to you or a selected beneficiary in the case of your death or incapacitation. Examples of this type of cover include life insurance, medical insurance, funeral insurance policies, disability cover and retirement annuities.

- Disability cover: This type of insurance will cover you if you incur a certain type of injury or illness that will prevent you from earning a living. There are two types of cover provided in South Africa; Capital disability cover and income protector disability cover.
- Retirement annuity: Similar to a pension plan, this type of insurance is structured for a person to contribute to their retirement savings with no investment risk as access to funds is only provided at the maturity of the annuity. There are three main types of cover; fixed interest annuity, living annuity and composite annuities.

- Medical insurance is important when undergoing a medical procedure that can be costly and strenuous. It differs from medical aid in that the benefits are paid to the insured instead of the hospital or doctor involved (FSB, 2014).
- Life cover: Perhaps the most popular of all long term insurance products is Life cover. Included in life cover are life insurance, term insurance and endowment policies. The differences of which are that life insurance will pay out in the event of a death to the insure, the term insurance is a cover taken out for a specific period of time e.g. For bond purposes and endowment policies are in effect a savings mechanisms that pay out a lump sum with interest, this policy pays out to the insured and not beneficiaries.

Therefore it may be stated that long term insurance is characterised by two types of benefits; Death benefits and living benefits.

- Death benefits: In this case the surviving beneficiary of the insured, in the event of the insured's death will receive a lump sum of the insured amount or fixed income payments. The use of these funds will be determined by the beneficiary. Common uses include funeral costs, repayments of debt or remaining school fees for children.
- Living benefits: These benefits entail the insured receiving a certain cover in the case that there either have not saved for or an event that occurs that ensures the individual is unable to make an income. Medical bills that are not covered by the medical aid fall within this category. Another common example would be in the case of retrenchment.

2.4 South African Insurance Industry

The South African insurance industry has roots from the early 1800's with various insurance companies from different countries establishing agents within the Cape (Vivian, 2007). The first indigenous company formed was in 1835 by Zuid-Afrikaansche Brand en Levensversekering Maatschappij. South Africa's largest insurer Old Mutual was formed in 1845 under the name South African Mutual Life Assurance Society (Borscheid & Haueter, 2012). The discovery of minerals in the interior of the country saw the move by many of the international insurance companies to extend their operations to cater for the growing urban populations in those parts (Borscheid & Haueter, 2012). Since then the industry has seen significant growth with more than 50 companies forming by the early 1900's. The landscape of the South African insurance market is very different from that of around the world. As a result of South Africa's unique history, a very complex market has formed.

Pre 1994 financial and more specifically the insurance system catered for a select class of individual within the country. Even within a select race businesses were built to cater for different cultures, English and Afrikaans speaking people for instance (Vivian, 2007). During apartheid Afrikaners enjoyed privileged access to government support, as such more companies that catered to this segment benefited from the public sector. This has caused the unfair and inequitable forming of large players in the industry that command a large amount of the market share (Vivian, 2007).These insurers Include Old Mutual, MMI holdings and Santam which collectively hold 16.5% of the industries market share(marketline industry profile- Life Insurance in South Africa, 2012).

Post 1994 when the South African electorate elected its first democratic government, and racial barriers in the financial system removed, the new South African government sought to right the wrongs of the past. The change witnessed the enactment of policies such the Black Economic Empowerment act no 53 of 2003, in order to emphasise equity and the redistribution of wealth within the country (Tangri & Southal, 2008). In essence, BEE provided a legislative framework to promote black empowerment but also foster growth within the economy (Broad-Based Black Economic Empowerment Act, Act no 46 of 2013.) More legislation on this regard included the Employment Equity Act 55 of 1998, the Preferential Procurement Policy Framework Act 5 of 2000, and the Promotion of Equality and Prevention of Unfair Discrimination Act 52 of 2002. A clear understanding of the historical environment is important in understating the current landscape of the South African insurance industry (Vivian, 2007).

2.4.1 Regulatory Environment

The statutory body that oversees the insurance industry in South Africa is the Financial Services Board (FSB). This supervisory body was founded in 1990 to enforce the Financial Services Board Act 97 of 1990. The Act serves "to supervise and enforce compliance with laws regulating financial institutions and the provision of financial services” (Financial Services Board Act 97 of 1990, p. 10). This body has brought about drastic change in the insurance industry since its inception, most notably the introduction of the Long-Term Insurance Act 52 of 1998, the Short-Term Insurance Act 53 of 1998(Benfield & Vivian, 2003). The purpose of the new acts has been to update legislation but has come under heavy criticism. Benfield (1997) criticises the movement of legislation to a direction of greater state control of the industry.

The Insurance regulatory environment has changed immensely over the last 150 years. In the 1800’s the industry was governed largely by British law in the Cape and Orange Free State and Roman Dutch law in Natal and Transvaal (Benfield, 1997). An act passed into law in 1879 by the Cape parliament and similarly in 1902 in the Orange Free State saw the recognition of British law for in cases of insurance (Vivian, 2007). Under the newly formed Union of South Africa, the first insurance legislation Insurance Act No. 37 of 1923 was passed in order to merge the various insurance laws that existed in the now new provinces. The Act was adapted from the United Kingdom Assurance Companies Act of 1909. 1943 brought about the Insurance Act No.7 of 1943 which added an element of supervision to the regulatory system. The Act introduced the Registrar of Insurance as the statutory regulator. The Insurance Act No.7 of 1943 has been in use until the 1998 when the Short-term and long-term industries where separated by the FSB (Benfield, 1997).

Pending the introduction of the Solvency Assessment and Management (SAM) Project Framework from January 2014 to 2016, the treasury published an Insurance Laws Amendment Bill. Building on the Financial Services Laws General Amendment Act No. 22 of 2008, the purpose of the bill is to consolidate and align the principals of the Long and Short-Term Insurance Acts, No. 52 and No. 53 of 1998 with that of the International Association of Insurance Supervisors. The bill proposes to build a safer and more improved regulatory framework and act as an interim measure ahead of SAM. The bill also seeks to close all gaps and loopholes in the present act to make it more in line with international standards (www.webberwentzel.com, 2013).

- *Solvency Assessment and Management (SAM)*
  The Solvency Assessment and Management (SAM) is a risk based supervisory regime for the regulation of both short-term and long-term

insurance. The regime aims to comply with the European equivalent Solvency II but tailored for South Africa's unique circumstances (Solvency Assesment Management update 2013, 2013). SAM and Solvency II look to change and improve the regulatory requirements of insurance companies, namely the solvency capital requirements, the disclosure requirements and risk management standards (Assesing the impact of SAM on asset managers and service providers, 2013). SAM is intended for insurance companies to increase their capital so as to minimise the risk of insolvency. This is done by ensuring their financial soundness and also increasing their competitiveness globally by maintaining similar standards and conditions. SAM also seeks to protect policy holders by reducing the risk of unmet claims (Botes, 2013).

In addition to SAM, two additional frameworks should also be on the back of the mind for insurers. These are TCF and RDR. These two frameworks essentially deal with the conduct of the insurer and intermediary and add an element of accountability on both parties.

- *Twin Peaks*

  Before we delve into the TCF and RDR we need to look at the precursor to these changes in regulation. The national treasury has recently taken a strong stance against the search of short term gains. Former minister Pravin Gordhan, in his capacity as finance minister of South Africa in 2011, attributes the global collapse of the financial system to this "reckless chasing of short term artificial profits"(National Treasury, 2011, p. Foreword). This short sightedness has caused all major economies to reassess the effectiveness of their financial regulation and has also presented an opportunity to strengthen the system so to incorporate previously overlooked aspects and recent changes in the current landscape. The twin peaks regulatory framework has been heralded as the saving grace of the South African financial system. It is an attempt to ensure long term stability in the financial industry, protect the consumer, enable low income households to be included in the financial system and strengthen efficiency and coordination by regulatory bodies in the country.

Twin peaks is by no means a new or an original concept. The term twin peaks was first coined by Dr Michael Taylor in an attempt to persuade the UK government to adopt a system of dual regulation (Mhango, www.fin24.com, 2014). The UK, through robust debate, however opted for 'silo' regulation, a system whereby there is only one super regulator to govern the entire financial system. In his paper "The search for a new regulatory paradigm" Taylor (1998) debates the merits of the present regime in regulating the ever growing and changing financial world, and in light of new industrial developments. In his article Taylor (1998) concludes that the global financial system is in a state of transition, the old system has proven to be unsustainable and lacks efficiency and the world is yet to find a system that adequately satisfies the need to protect the system itself and all its stakeholders(Taylor, 1998).Taylor's thesis on dual regulation is based on this hypothesis, that we need a framework that addresses both the financial soundness of the system while also protecting the consumer(Mhango, www.fin24.com, 2014). Building on those two aims, Taylor proposes two regulators, each tasked with performing each objective.

The global financial crisis in 2008 has fostered a worldwide need to reassess the financial regulatory environment. Financial stability, reduction of redundancies and the closing of loopholes, in order to avoid arbitrage, has since come under the spotlight (Taylor, 2009). Countries have started to put measures in place in order to be effected as little as possible should another black swan event occur again. As a result of the global financial meltdown the twin peaks framework has seen resurgence with some countries implementing its principals and others giving it a very strong consideration.

Prior to 2008 only two countries had adopted the twin peaks model with contradictory effects. The first and closest to the proposed regulation by South Africa's National Treasury was that adopted by Australia in 1998(Schmulow, 2015) as a result of the Wallis enquiry of 1996(Mhango, 2014). The regulation has held some high acclaim as it has been credited with the protection of the Australian financial systems ability to weather the storm through the crisis. The Netherlands was the second country to take up the system pre-crisis and has had a completely different experience. Within the crisis Netherlands was highly affected, and as such needed to rescue three of its largest banks to stabilise the system (Schmulow, 2015). Post financial crisis the regulation has been revised and tailored by individual countries to suit their particular circumstances, but the core principals of the model remain intact. The UK soon adopted the framework that was birthed by Michael Taylor in the UK. Further different versions can now be found in Spain, France and Canada (Taylor, 2009). Though not fully adopting the system the US has also taken inspiration and has welcomed some aspects of twin peaks through the Dood-Frank Act (Mhango, 2014).

Following the global trend the National Treasury has released a bill whereby it proposes that South Africa implement a form of the twin peaks dual regulation model. “This bill is preceded by two policy papers; A Safer Financial Sector to Serve South Africa Better released with the 2011 Budget, and a Roadmap for Implementing Twin Peaks Reforms, released on 1 February 2013” (National Treasury Republic of South Africa, 2013, p. 1). The policy change, giving recognition to the need for a combined international effort to secure global financial and economic stability, is set to better insulate the South African system against unforeseeable events like the financial crisis (National Treasury, 2011). This would see South Africa shift from its current “multi” regulated environment (whereby each industry such as banking and insurance have their own dedicated regulator) to a dual regulated environment (wherein the regulator regulates according to function).

In keeping with the international principals the two bodies that will act to regulate the financial industry will be the South African reserve bank (SARB) and the National Treasury of the Republic of South Africa (NT). The SARB will be the prudential authority and will be in charge of both macro ‘crisis management and the stability of the entire financial system’ and micro ‘the soundness of financial institutions’ (Dixon, 2014) . The NT on the other hand would be the new market conduct authority and will be responsible for the protection and education of customers. The NT will also aim to increase efficiency and improve business conduct for the benefit of the customer (National Treasury Republic of South Africa, 2013). The legislation will seek to increase coordination and efficiency between regulators while addressing the four principals below.

1. Financial stability

2. Consumer protection and market conduct

3. Expanding access through financial inclusion

4. Combating financial crime

- *RDR and TCF*

From the restructuring of the financial services boards approach to insurance, two principal regulations stand out; the retail distribution review (RDR) and treating customers fairly (TCF). These two concepts are interlinked and are subsequent steps to ensure the successful implementation of the twin peaks regulatory model. Both the TCF and the RDR will fall within the ambit of the new market conduct regulator. With the aim of protecting customers and educating them on financial matters, these two frameworks are the first steps in the NT's plan to improve the business conduct of financial services providers(FSP) while in turn also subjugating the "integrity and efficiency of financial markets"(National Treasury Republic of South Africa, 2013, p. 3).

As the name suggests Treating Customers Fairly will focus on the conduct towards customers throughout the entire life cycle of the product, ranging from the design, distribution and aftermarket services provided (Feasability (Pty) Ltd, 2010). The legislation aims to hold financial companies accountable throughout the spectrum and ensure transparency in information. This idea is born from the fact that there is a mismatch in the information available to companies and customers (Bowman Gilfilan Group, 2012). The asymmetry of information between customers and service providers means the consumers of these services are vulnerable to exploitation by the larger financial institution (Financial Services Board, 2011). When treated unfairly the likely result to a consumer is that he suffers financial loss (Feasability (Pty) Ltd, 2010). In addition the realities of the country are that majority of the customers are financially illiterate and in most cases seek financial services through necessity (Financial Services Board, 2011). TCF therefore aims to provide consumers with an environment whereby the products sold to all customers are both appropriate and suitable (Kruger, 2013).To perform this, the FSB has tabled six desirable outcomes TCF is set to achieve.

- “Outcome 1: Customers are confident that they are dealing with firms where the fair treatment of customers is central to the firm culture.
- Outcome 2: Products and services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly.4
- Outcome 3: Customers are given clear information and are kept appropriately informed before, during and after the time of contracting.
- Outcome 4: Where customers receive advice, the advice is suitable and takes account of their circumstances.
- Outcome 5: Customers are provided with products that perform as firms have led them to expect, and the associated service is both of an acceptable standard and what they have been led to expect.
- Outcome 6: Customers do not face unreasonable post-sale barriers to change product, switch provider, submit a claim or make a complaint” (Financial Services Board, 2011, p. 7).

Following on from TCF legislation, the Retail Distribution Review is an approach which will ensure that the TCF outcomes are inherent in the distribution of financial products (Financial Services Board, 2014). RDR will seek to address conflicts of interest tied to the remuneration structure of brokers from suppliers(Barry, 2014), “hidden impacts of commission and other fees on product value and promote accountability for quality of advice/ suitability of product and customer and unclear outcomes”(Old Mutual , 2014, p. 14). It will also benefit the broker in that it will ensure he fair remuneration for their advice in situations where the value of intermediary services not properly rewarded and inappropriate incentive structures expose intermediaries to regulatory exposure.

The RDR approach has been proposed in response as a reactionary measure to address the fact that miss-selling exists notwithstanding the strides gained by the FAIS act in promoting industry professionalism (Financial Services Board, 2014).To perform this, the FSB has tabled six desirable outcomes RDR is set to achieve.

● “Support the delivery of suitable products and provide fair access to suitable advice for financial customers

● Enable customers to understand and compare the nature, value and cost of advice and other services intermediaries provide

● Enhance standards of professionalism in financial advice and intermediary services to build consumer confidence and trust

● Enable customers and distributors to benefit from fair competition for quality advice and intermediary services, at a price more closely aligned with the nature and quality of the service, and

● Support sustainable business models for financial advice that enables adviser businesses to viably deliver fair customer outcomes over the long term (Financial Services Board, 2014, p. 6)”.

TCF and RDR are designed for institutions (throughout the value chain) to take greater accountability when selling to consumers. It creates transparency and promotes the fair treatment of financial consumers and requires the product provider to have greater oversight over its intermediaries.

- *Micro-insurance Regulation*
  With the new South African Micro-insurance Regulatory Framework, a Treasury policy document on the existing market landscape for low-income households and a proposed comprehensive policy framework that is being tabled in Parliament, the landscape of this segment is set to change (Goko, 2013). The micro-insurance act has lower capital requirements and regulations that are far easier to adhere to than its insurance counterpart. During the course of the research undertaken by this thesis the National Treasury has opted not to adopt the micro-insurance regulation but instead incorporate its principals within the new regulatory structure dubbed as “Twin Peaks” (The Centre for Financial Regulation and Inclusion, 2014).

There is still however a growing belief amongst businesses and industry role players that the deserting of a dedicated micro-insurance regulation by the treasury is a mistake. The Association for Savings and Investments South Africa (ASISA) and various legal experts still believe however that a micro-insurance bill will still be passed in parliament albeit in years to come (van der Merwe, 2014).The general feeling from industry professionals is that the regulation may still add value especially in the light of the Twin Peaks legislation that will have an enormous effect on compliance and costs (The Centre for Financial Regulation and Inclusion, 2014).

The regulation was intended to boost the provision of risk management tools to low income households. In doing so it would also curb miss-selling and mitigate the potential abuse considering the complexity of insurance and the vulnerability of the intended final consumer (National Treasury. Republic of South Africa, 2008). The framework sets out to introduce “a dedicated micro-insurance licence available to existing registered long-term insurers, short-term insurers, friendly societies as well as public companies and co-operatives which comply with the registration requirements, which will allow the license holder to write both long-term and short-term policies which comply with the product parameters set for micro-insurance products (including a benefit cap of R50 000 and a maximum term of 12 months), to which simplified distribution requirements (under the Financial Advisory and Intermediary Services Act - FAIS) will apply; as well as a special prudential regime commensurate to the risks applicable to micro-insurance policies(National Treasury. Republic of South Africa, 2008, p. vi)”.

The principals of the micro-insurance regulation where to address the following matters

- Create a simplified distribution regime to incentivise market development
- Allow the same risk carrier to write micro-insurance products extending across life and property classes of insurance policies
- Remove unnecessary barriers to entry and operation to facilitate broader participation

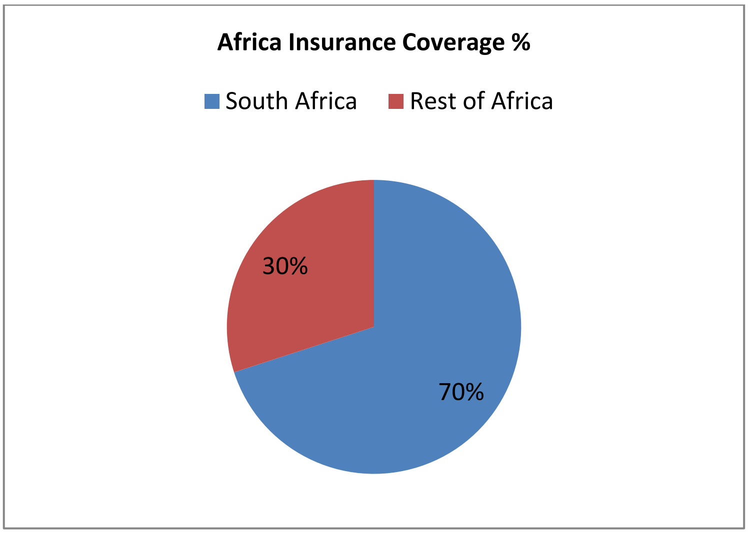
- Facilitate effective supervision and enforcement (National Treasury. Republic of South Africa, 2008, p. vii)

The Twin Peaks regulation in its face value would facilitate the effective supervision and enforcement of the industry but not necessarily create provision for the other three principals. With a streamlined review of this process and proper incorporation and implementation of the micro-insurance principals in the new regulatory structure, a new formal environment may emerge that has the consumers and industry's best interests at heart.

2.4.2 Current State of Affairs

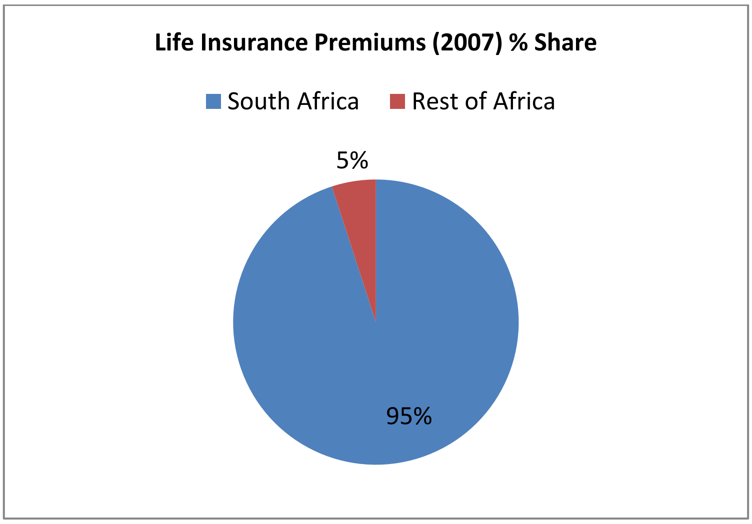
South Africa is renowned for the sophistication of its financial markets. The insurance industry is the largest in Africa and accounts for 70% of all insurance business within Africa. The other 30% is split between the other countries in the continent (South African Insurance Industry Forecast to 2013, 2011). In 2007 the market accounted for 95% of all life insurance premiums in the continent (Vivian, 2007).Currently the industry is in a very healthy state; the industry is mature and has a wealth of knowledge of over 150 years. It is sustainable albeit the rising costs of premiums. The rising cost of premiums is largely due to the transfer of costs to policy holders because of increasing operational costs caused by changing regulatory environment. The tendency for South African financial services to move closer to international accounting and financial standards comes with additional cost that will inevitably be passed down to policyholders.(Roberts, 2013).

Figure1: African Insurance Coverage



Source: South African Insurance Industry Forecast to 2013

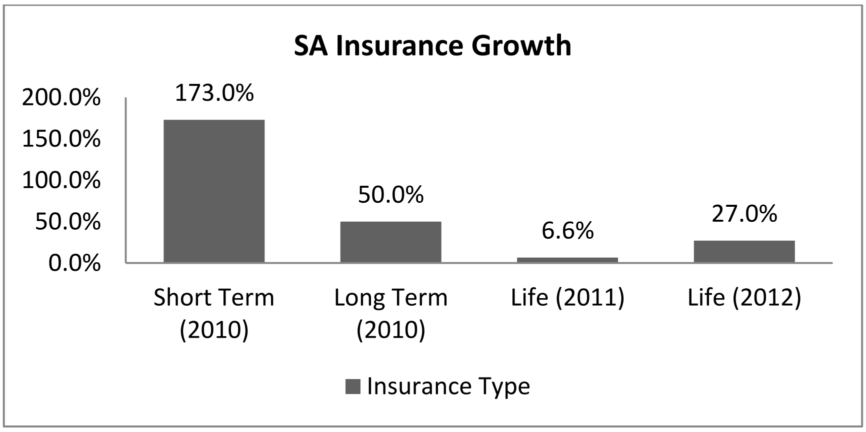
Figure 2: African Life Insurance Premiums



Source: Vivian (2007)

Both the short-term and long-term markets have shown significant growth in the last 10 years. This growth can be attributed to an increasing middle class with an increase in their disposable income (KPMG Insurance Survey, 2012). In 2010 short-term industry grew by 173% in earnings from R41.1 billion to R72.5 billion. During the same time the long-term insurance industries premiums increased 50% to R262.4 billion (KPMG Insurance Survey, 2012). In 2011 The South African life insurance market grew by 6.6% to reach an astounding $41.7 billion (marketline industry profile- Life Insurance in South Africa, 2012). In 2012 the life insurance companies increased the value of new business acquisition by 27% to R4.7b (Insurance Industry Analysis, 2013).

Figure 3: Growth trend of South African Insurance Industry



Source: KPMG Insurance Survey (2012) and Insurance Industry Analysis (2013)

Despite this growth external factors had an impact the further growth of these markets. The Insurance Industry Analysis (2013) identifies these external factors as: "continued high volatility in global equity markets; European Sovereign debt crisis; subdued GDP growth; strong local equity market performance in 2012;significant reduction in long-term interest rates – to the lowest level in many years; sovereign debt downgrade; an increase in the trade deficit; rand weakness; pressure on consumer disposable income; Inflationary pressures on the economy; high levels of unemployment; and regulatory changes which continue to affect all insurance businesses"(Insurance Industry Analysis, 2013, p. 1).

2.5 Micro-insurance

The subject of micro-insurance is relatively in its infancy academically and in the industry. Even so forms of micro-insurance have existed in the world for quite some time. In the 1800's door to door salesmen from Metropolitan Life Co in the US used to sell insurance products targeted at low income households (Toops, 2013). Low transaction, simple risk and low net worth characteristics where found in programs in the United Kingdom in the early 1900's (Ruquet, 2012). In Africa for instance reports of cooperative insurers offering formal micro-insurance as early as the 1970's are available. In following the Bakamo initiative, community-based health insurance schemes got formed in the 1980's. Commercial insures then came to the fray in the 90's with specialized micro-insurance schemes (Matul, McCord, Phily, & Harms, 2010).

Recently however this subject has received a lot of attention. The past 14 years has seen an abundance of scholarly articles and research related to micro-insurance, many of which have been conducted by the International labour office's micro-insurance innovation facility. The rise of micro-insurance stems from a need for countries and institutions to find a way to alleviate poverty.

As Micro insurance is still relatively new to the world of finance, it is difficult to find a clear and globally accepted definition. David Dror in 1999 in his paper "*Micro-insurance: Extending Health Insurance to the Excluded*" provided the first workable definition of the subject. In his paper he separates the words "micro" and "insurance" and provides an explanation on both (McCord, 2011).Micro is defined as "the level of society where the interaction is located, i.e. smaller than national schemes, and 'insurance' refers to the economic instrument." (Dror, 1999 in McCord, 2011, p8). This definition however does not give us a clear understanding of the micro insurance regulation as it stands.

Warren Brown and Craig Churchill provide us with the first definition that is relatable to the manner in which the world views micro-insurance today. Even though they do not provide a definition, the title of their work *"Insurance Provision in Low-income Communities*" provides an aspect of the present day view of micro-insurance (McCord, 2011). "micro-insurance is the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved" was coined by the Consultative Group to Assist the Poor (CGAP) Working Group on Micro-insurance in their Preliminary Donor Guidelines for Supporting Micro-insurance (Consultative Group to Assist the Poor , 2003 in MacCord, 2011, p2). This definition has been used repeatedly and forms the basis of the industry as we know it today (McCord, 2011).

However it is not the globally accepted definition as different countries and parts of the world with their own circumstances and definition of poor or social programs have edited this definition to best suit their unique situations. In Brazil for example it is defined as "the insurance protection provided by licensed entities within the country against specific risks which aims fundamentally to preserve the socio-economic and personal and family situation of the low-income population by means of premium payments which are proportional to the probability and cost of risks involved, in accordance with the legislation and globally accepted insurance principles" (Simões, 2009). While in South Africa the proposed definition: "In line with the practice in South African insurance regulation, it is suggested that the definition of micro-insurance should be product-based. The following product parameters are recommended:

(1) The benefits to be paid under a micro-insurance policy must be capped at R50000 per individual risk per year;

(2) The term of the contract must not exceed 12 months;

(3) Limiting the products to risk only, and excluding savings;

(4) both life and non-life events to be covered, but the risk events need to be relatively predictable for a small insurer, and the financial impact of each event must be relatively small and independent of others (this could include funeral policies, micro-life, personal accident, household structure and content, cell phone and legal insurance, but will exclude investment policy products), and

(5) Simple terms and conditions, readily understandable by low-income clients" (National Treasury. Republic of South Africa, 2008, p. viii). The common trend between most of these the definitions is that they all pay attention to low-income households that are at times excluded from the financial system (Ombeline De Bock, 2012).

As mentioned earlier in section 2.5 the purpose of micro-insurance is far more wide reaching than just offering a financial system of loss recovery. Micro-insurance is characterised by its social function, the alleviation of poverty and financial inclusion. It has been postulated (in low income countries) as the saving grace for addressing risks and vulnerability (Morduch, 2002). The emergence of this type of insurance has been a direct result of the incapability of the present financial to meet the needs of the poor or previously disadvantaged. As such, micro-insurance attempts to correct a market imperfection which is seen to prolong poverty (De Bock & Gelade, 2011). Insurance as a whole would be the one institution that is perfectly positioned to help reduce poverty and financial exclusion (Mosley, 2009). This however is found not to be the case in many instances.

It would be unfair however for insurance to carry the social burden alone. Traditionally it has been the function of governments and policy makers to address the issues faced by low income households. Policy makers and practitioners however also face immense challenges in doing such. It then falls upon a new mechanism that encompasses both the private and public sector to act. Micro-insurance is one such mechanism. It has the potential to fundamentally transform the economic and social structures by providing the poor with financial services that they were previously unable to attain (Murdoch, 1999).

Without the presence of micro-insurance programs, the poor have found other means to help them cope with the risk and vulnerability of loss. The lack of formal insurance that is available to this group has caused them to adjust the manner in which they manage risk (Janssens & Kramer, 2012). From this informal risk pooling mechanisms have been adopted (Townsend, 1994). Informal risk sharing networks include friendly societies and clubs (referred to as stokvels), funeral funds and group saving schemes.

Informality or formality of a market is defined as an economic activity that specific regulations can or cannot be applied to (Kanbur, 2009). The World Bank defines formal financial services in terms of registered financial service providers. It proposes that formality is a matter of registration and therefore only registered bodies may offer formal financial services (Smith, 2010). This type of insurance may both be legal and not legal, but its legality is not defined by its informality. For instance friendly societies are legal and governed by the friendly societies act. Funeral parlours that underwrite policies without a license are deemed to be operating outside of the prescribed laws. Chamberlain, Bester & Hougaard (2009) acknowledge that besides its legality, informal insurance presents a huge challenge to the regulator and the market.

Theses informal schemes have flourished in a market where the poor persons needs have been largely been ignored or not fully met. This type of protection against the possibility of loss is not without its faults and many individuals fall prey to businesses looking to take advantage of the desperate and needy. Informal insurers as defined above thus do not fall within the regulatory bounds of legislation and therefore pose two challenges to the market. The first is a lower fixed cost base as they do not have to incur costs related with compliance. The second is a potential social and/or consumer protection risk posed to customers (Vos & Smith, 2012). The nature of insurance is such that payment is taken today for a future pay-out date, the insurer therefore needs to have sufficient reserves to honour the contract at that date. This requirement is carefully monitored with formal insurers and presents a critical risk when unregulated. Miss-selling and unethical sales and marketing tactics also present a large risk when there exists no oversight.

These institutions however remain the only suited in providing this particular target market with products designed and well suited for their situation. They are largely institutions that are created as a means to solve a problem which is being experienced by the community and prioritise service above profit. As such they tend to be more knowledgeable, sensitive and empathetic to their environment and client base. Although strides, over the past few years, have been made by insurance companies to meet the needs of the poor in a sustainable manner, there still exists very few product and institution designs solely dedicated to this cause (Christen & Pearce, 2005).This has formed a void or mismatch in the industry that has been filled by both informal and formal brokers. As a result we find the growing popularity in informal services especially in the rural and less affluent areas. Some insurers identify this problem and have opted to form strategic partnerships with both formal and informal middlemen so as to find a means to carefully distribute their products to the desired target markets (Kirsten & Pagura, 2006).

2.5.1 Funeral Insurance

The most prevalent form of micro-insurance in South Africa, Africa and most developing nations is funeral insurance. Within funeral insurance we also witness great examples of established financial partnerships and linkages between informal brokers and insurers. Funeral insurance is the provision of term life insurance, the benefit of which is intended to cover funeral costs and various expenses. The benefit may be provided in various forms, but usually tends to be dispersed in the form of cash to be used for a funeral or the conducting of the funeral itself (Chamberlain & Hougaard, 2011). Even though it shares a lot of characteristics (both cover the death of a specified individual) with life insurance Funeral insurance it is distinctly different.

The manner in which the benefit is prescribed for the sole use of funeral expenses, whereby life insurance is not limited to this prescription, creates the fundamental separation between the two(Berg, Funeral Insurance, 2011).

The prevalence of this form of insurance in developing nations is owed to the large demand that exists for this product. This demand is caused by a number of socio economic and cultural factors (Chamberlain & Hougaard, 2011). In South Africa some of these factors include the allure and cultural importance of a dignified funeral. While most life insurance benefits are rarely seen by the insured (as the benefit comes with death), those of funeral cover have been more evident especially in close communities. While death is a reality for all of us, its significance is more emphasized in lower income households. When one dies the impact to those remaining is critical to their survival. As such the need for cultural and community relevance depicted by a grand funeral, and the need to take care of the loved ones remaining behind is a problem that is solved by this form of insurance. Chamberlain and Hougaard (2011) in their study of funeral insurance around the globe found that 4 themes emerge with regards to the importance placed on funerals. These themes are:

1. Funerals and related expenses are prominent in the minds of low-income households and, accordingly, many households place high priority on finding ways to deal with funeral expenses and are willing to dedicate part of the household income to funeral cover.

2. There is a strong link between funeral insurance and the underlying service, namely the funeral. This link to a tangible service is an important driver of demand as well as, in some cases, of the choice of distribution channel used.

3. Funeral insurance is provided in both formal and informal markets. In some instances, funeral parlours self-insure – that is, informally act as insurers. Informal funeral insurance furthermore occurs where groups of people pool funds to help cope with funeral expenses. Funeral insurance is also an important product in some formal markets and is at the forefront of many commercial insurers' drive to reach down the income spectrum. As such, it has been one of the focus areas for alternative distribution innovation.

4. Funeral insurers are challenged to deliver better value to customers. The combination of strong demand for funeral cover and the close association with funeral services may lead to particular consumer vulnerabilities. A number of trends are, however, starting to emerge to counter abuse and provide enhanced value (Chamberlain & Hougaard, 2011, p. 1).

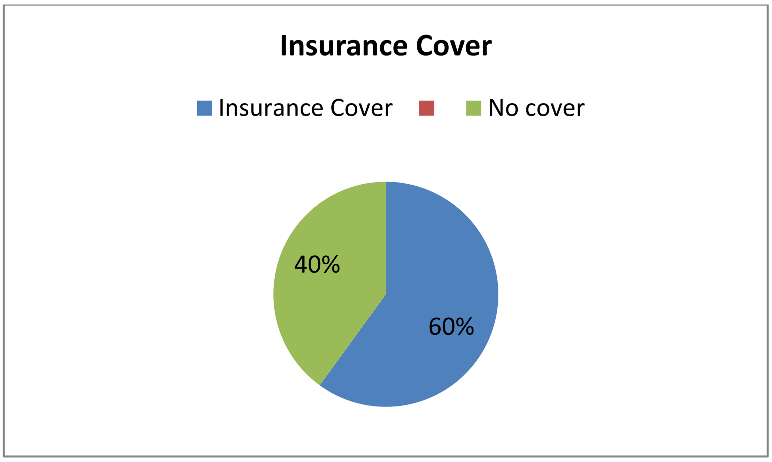
Additionally the tangible benefit of an actual funeral event taking place is very important in the psychological perception of value received by the client. This evidence of benefit is seen from friends, family and other community members in the form of a funeral and general wellbeing of family members after a potentially financially crippling endeavour.

Funeral Insurance is not a new form of insurance but has existed for centuries. Even so research around funeral insurance has been largely overlooked. The origins of funeral insurance have been closely related to that of funeral associations and they have worked in tandem until the formation of the modern day insurance policy (Berg, 2011). Reports of funeral associations and insurance date as far back as the Roman Empire, incorporating the similar basic characteristics as they do today(Masci, 2011). One may also find early formations of funeral insurance type mechanisms in the history of medieval Europe and Industrial England (Berg, 2014). Work and research conducted on funeral insurance concentrates largely on the social impact and consumer protection aspect of the industry. Informality of funeral insurance industry being an important factor in consumer protection Anja Smith and Mia de Vos (2012) in their paper prepared for the 2012 Research Conference on Micro-insurance provide excellent research of 72 undertakers in 4 provinces South Africa. Berg (2011) tries to separate funeral insurance from the misconception that it forms a small part of life insurance and that it is a separate entity on its own, Dubbel Chamberlain and Christine Hougaard also contribute a large volume of work in this regard. Perhaps the most relevant and comprehensive research conducted, in lending to this study, is (Bester, Chamberlain, Short, & Walker, 2005) in a market review proposal prepared for the Finmark Trust.

Majority of the studies conducted usually include South Africa as the market they perform their research in. This is because there exists a dichotomy in economic systems in the country, caused by large separation in household income of individuals. As such South Africa has a fully functioning informal insurance industry in addition to its highly sophisticated financial and insurance system. This is great for the purposes of our study as we can then observe the possibility and opportunities that exist for all role players in this market.

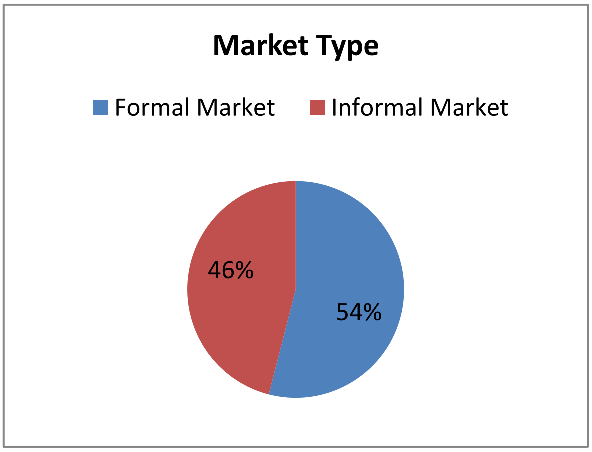
In South Africa both the demand and the supply of funeral financial services is high, especially in comparison with the entire insurance industry. Both the low and high income households are catered for in this market albeit through different mechanisms but to the same ends. For instance in a Finscope(2014) study the data collected show that 60% of adults possess insurance cover, while the other 40% has cited affordability as the reason they do not have any type of financial risk cover. 32% cited that they were members of burial societies which are up from 20% in 2004. Formal funeral cover membership by South African adults is at 33%. The study shows that there has been a decrease in the uptake of formal insurance and an increase in the uptake of burial society membership. Smith (2010) notes that the informal market accounts for 46% of the entire insurance industry.

Figure 4: SA Insurance Cover



Source: Finscope (2014)

Figure 5: SA Market Type



Source: Smith (2010)

The different market participants in the South African funeral insurance market perform different functions, and at times play complementary as well as competing roles. In the different role players come from both the formal and informal sector and have found their niche with the South African consumer. The participants are listed below and can be classified under the formal and informal market with some participants overlapping in both.

2.5.2 Formal Market

For the purposes of this study we will look at formal insurers as those that are registered with the FSB (Roth, 1999). They abide and work within the boundaries of the long-term insurance act of 1998 (FSB, 2014). Formal insurers often only offer the monetary benefit from insurance policies and may act as re-insurers to brokers and other intermediaries. As is their nature, these are usually large institutions that are far removed from the final consumer of the service. Their “extensive infrastructures and systems, access to funds and opportunities for portfolio diversification permits them to offer a wide range of services” (Kirsten & Pagura, 2006, p. 2) make them vital for the existence and progression of the sector. However their size creates a large gap in information and largely understanding of the exact needs of the market. There have been remedies to this problem which come in the form of partnerships between this large institutions and market participants closer to the target market.

These intermediaries act as buffers between the insurers and final customers. They create a bridge of understanding and act to help reduce information asymmetries. At times they also reduce the friction of transaction costs and tailor make products to meet their expectations (Allen & Santomero, 1998).

Brokers being the most common intermediaries and their financial linkages can be categorised in two groups, direct financial linkages and facilitating linkages (Kirsten & Pagura, 2006). The former being a relationship between the broker and the insurer, whereby the insurer assists the broker in matters of funding, expansion, liquidity and diversification. In return the products of the insurer get distributed by a partner that understands the market. The latter refers to a situation where the broker acts on behalf of the larger financial institution, essentially a sales arm, and facilitates the relationship with the client for a specified fee or commission arrangement. Both these type of brokers are imperative if the insurer intends on accessing markets where they lack the expertise, knowledge or reach.

2.5.3 Informal Market:

Even though there has been immense progress in the formal market and in supplying the poor with insurance, a large portion of society still is not included in the financial system. There still exists no best practice or sustainable means of providing insurance to low income households (Kirsten & Pagura, 2006). The informal market offers a make shift and potentially permanent solution to this problem albeit outside the conforms of regulation. Within this market institutions have arisen out of necessity to try facilitating and closing the gap that exists. Funeral undertakers and burial societies have been created to address the socio-economic situation of the markets they operate in. As stated earlier the function of insurance is to mitigate potential financial loss, in the case of low income household may have a dire effect on their perceived quality of life. Even though the purpose of informal institution is born from the need of consumers we often see severe consumer protection risks associated with the lack of oversight and supervision.

- Funeral undertakers may take the form of both formal and informal institutions, the difference in which being their registration and adherence to regulation. The formal funeral undertakers operate in a manner that is similar to that of brokerages with the slight difference in the disbursement of funeral benefits. Benefits are distributed in the form of both money and funeral services (Roth, 1999). These companies are usually found within the communities they serve and as such possess an advantage over larger more formal institutions in accessing the needs of their clientele. The services that they provide also enable the client to see tangible evidence of their contributions by means of burial. The informal undertakers operate in a manner similar to the insurer itself. Albeit unregulated, they offer insurance products that are not underwritten by a main insurer without the necessary licensing to do so and outside regulation. This poses huge consumer protection risks as capital adequacy requirements are often not met, sufficient protection of long term capital is not considered and treatment of customers is not answerable to any authority.

- Of the role players mentioned above burial societies are the most popular in the country. Burial societies are immensely popular and their membership surpass that of any other community organisation in South Africa (Singer, 2003) It is reported that 81% of adults in the past couple of years have contributed to a burial or friendly society (Semenya, 2013). In addition to this it is also reported that a quarter of the adult population is a member of a burial society (Singer, 2003). Burial societies often referred to as friendly societies, clubs, and stokvels are group saving schemes, with the single purpose of providing financial support to their members at times of loss (Bester, Chamberlain, Short, & Walker, 2005).

  Most are started by communities of friends, work colleagues, church members and trade unions (Roth, 1999). Even though in some instance membership is stipulated by contract, at most times this is not the case and members determine the benefit at times of loss (Bester, Chamberlain, Short, & Walker, 2005). “The burial society is defined as a local and relatively autonomous, historically distinctive mutual-aid institution, which may be occupationally or gender based, and which as the goal of providing social relief and support (material and non-material) to a member or member’s family in distress because of a death” (Semenya, 2013). They differ from insurance in that they do not guarantee a pay-out should the event occur but are rather of a means to manage pooled cash flow. This creates a potential risk to the client who has contributed in case of a financial loss.

Burial societies may take the form of both informal and formal institutions. Both formal and informal are not designed to be for profit. Formal burial societies are overseen and registered with the FSB and have to adhere to the laws of the friendly societies act 25 of 1956(Friendly Societies Act 25 of 1956). Informal burial societies however are not bound by the act and also pose risk to final consumers. These societies like informal undertakers administrate themselves in most cases and take majority of the risk should an event occur. This market has been time and time again attempted to be converted but has proven to be extremely difficult to do so.

- The funeral market is made up of various combinations and linkages, overlapping services and complex market dynamics. The roles of the industry players at times become blurred, with others acting as administrators and insurers and sometimes both. This is done so at times legally and others illegally. The informality in the system poses great consumer protection risks but also offers means and understanding of the client that formal insurers do not possess. They smooth the information asymmetry and enable products to be tailored to the needs of the target market. This paper looks to investigate which of these players have a place in the market in the light of pending regulation.

2.6 Conclusion

South Africa has a dynamic and very competitive life insurance industry (Aliber, 2001). There is a strong history of product, channel and business model innovation, an overwhelming focus on quality and a diverse range of competitive and business model approaches (South Africa Life Insurance Insights Report, 2012). The market is experiencing a shift in paradigm which has the potential to render some industry players redundant, others obsolete, it may create an environment that is difficult for informal role players to operate but could also create an opportunity for some to flourish.

The micro insurance regulation, Twin peaks, RDR and TCF all have in common the need for tighter regulation. This regulation is set to improve market conduct and insure the stability of the financial system. This is with an aim to provide products to final consumers with all required information to make a financial decision, while creating a fair environment for all players to participate in without advantages and disadvantages associated with compliance. As such it creates hurdles and obstacles some businesses cannot and sometimes are not willing to abide by. It also creates a “sink or swim” environment where some institutions can step up to become fully fledged insurers, or insurers expanding their current business offerings and becoming re-insurers to the smaller institutions. This study aims to answer the following research questions:

- Do the players in the informal funeral insurance industry see the new act as an opportunity that is presented to them?
- Will the entry of these informal funeral insurance companies be possible in the new environment?
- Will the micro-insurance industry cannibalise the existing informal insurance industry?
- Will the understanding of the cultural and socio-economic factors provide the smaller players with an advantage to be able to compete with the larger players in the industry?
- Is the current system the best system for these informal insurers to operate in?

3. Methodology

3.1 Introduction

As mentioned in chapter 1 of this paper there exists very little research on the subject of smaller players’ role in the changing regulatory environment of South Africa. The topics that have been researched over the past few decades concentrate on different aspects of micro-insurance and insurance generally. The formulation of the research methodology as such is not based on any existing study and has been carefully chosen to answer our research questions as thoroughly and accurately as possible. The nature of the study undertaken relies on the perception of the role players that have been discussed in the literature review. The regulations that have been tabled by the South African National Treasury have yet to be implemented and working results have yet to be attained. As a result the content of our research will place heavy importance on the thoughts of industry experts and professionals views as to how a particular regulation will affect them directly and the perceived changes in their particular business environment.

In order to gain these perceptions for the purposes of this research, in depth interviews were utilised so as to get the general feel and the current perceptions of industry players. Themes that emerged from the interviews are used to answer the research propositions. As members span across the product chain it is safe to assume that based on their experience their perceptions will differ. In addition their experience and touch points with other members in the same product chain will differ. Therefore even though the general themes that emerge from the questionnaire might signal a trend, further deeper investigation has to be conducted on a one to one basis.

This paper thus utilises aspects of phenomenography to help draw inferences from individual thought and as well as collective industry thinking. As people experiences significantly differ, even under the same circumstances, phenomenography becomes important in assessing their view of the problem (Leedy & Ormrod, 2005).

3.2 Research Process

Careful thought and patience is a quality that researchers need to possess when embarking on a qualitative study such as this one. There is no prescribed manner in which to carry out a particular study in specific subject matters. This requires innovative thought and flexibility on the part of the researcher as different circumstances, research questions and research objectives set the tone for the procedures that need to be undertaken(Research Guides, 2015)

That said it is also important for the researcher to outline and identify the steps that have to be taken in carrying out their research. This is done so the reader may be comfortable with that the steps taken are sound and are able to yield accurate results. Other academic works can then also be able to replicate the study using a similar methodology (Blankenship, 2010). Below is a list of the steps taken in order to conduct the research for this study?

1) Identification of the research problem

   The starting point to any research is the identification of the research problem (Malhotra, 1996). This is the problem that we would attempt to address in our research. It provides the focus of our study and sets the tone for the investigation/study carried out (Boudah, 2011).

2) Formulation of research questions

   The research questions assist us in further refining the research topic. Systematic planning of a research project is resultant from a carefully crafted research question (Aslam & Emmanuel, 2010). These questions help us clarify the appropriate direction of our investigation and also assist in finding suitable research methods (Boudah, 2011).

3) Review of the literature

   A literature review is the assessment of information found in the literature which concurs to your selected area of study. Literature reviews are meant to describe, summarise, evaluate and clarify the literature. The reviews importance lies with giving the researcher a theoretical base for the research to help in determining the nature of the research that has been conducted (CQ University Library).

4) Research design

   The map or skeleton of the researchers intended methods is presented in the research design (Mouton, 2001). Here the researcher designs the most effective and efficient way in which to conduct their research. This phase is very important as poor implementation may lead to difficulties during the research. Is imperative to have a planned, procedural research design, so as to not to stray from the objectives.

5) Data collection

   As the name suggests, data collection is the choice of vehicle used to collect the data. The methods used are guided by the research design and research questions. It is important to choose the correct method for the integrity of your findings not to be compromised.

6) Research analysis

   This is the evaluation of the data that is obtained by the research methodology.

3.3 Research Design

The map or skeleton of the researchers intended methods is presented in the research design (Mouton, 2001). The research design in this paper is subject to the nature and context of the questions that the research is aimed to address. In addition a researcher's choice between research methodologies is dependent on the resources they have at their disposal (Ning, 2011).

A study that attempts to gain a deeper understanding of the logic, perception and understanding of participants with regards to the subject matter lends itself to a research paradigm that is qualitative in nature (Shaw, 1999). To attain an accurate record the desired perceptions from respondents this paper utilises a qualitative research methodology. Due to its nature qualitative research gives us the most potential of making important contributions to the knowledge base," because it is motivated by discovery, insight, and understanding from the perspective of the individuals being studied (Merriam, 1998). For us to understand the "why" in addition to the "what", a qualitative methodology, that tries to understand human being's behaviour on top of the reasons behind such behaviour, needs to be adopted(Cooper & Schindler, 2003). Therefore semi-structured in depth interviews were chosen for the purposes of gaining a deeper understanding of perceptions recorded in the quantitative study.

3.4 Sample

It is common for the important issue of sampling to be often ignored in research (Adams & Cox, 2008). Sampling is a process whereby a conclusions are drawn about a whole population from information gathered by a small number of units from that same population(Luborsky & Rubenstein, 1995).When it comes to qualitative research, concerns with sampling emphasises discovering the scope and the nature of the universe to be sampled. In quantitative methodology designs however the emphasis is placed on determining number of observations that are required to reliably represent the whole population and to minimize either falsely identifying or missing existing relationships between factors. “Thus the important contributions of qualitative work derived from concerns with validity and process may be seen as addressing core concerns of sampling, albeit in terms of issues less typically discussed by quantitative studies”(Luborsky & Rubenstein, 1995, p. 90).

The sample for this research is drawn from a non-random population. The population consists of industry professionals and experts on insurance. This sample will fully represent the entire spectrum of industry players mentioned in section 2.5.3. The research aims to find the perceptions of industry players in the market and what they perceive the impact of regulation will have on their business and opportunities available. For us to draw reliable conclusions from the research, the sample needs to fully represent these same players.

The sample method used for this research was guided by the research design and choice between qualitative and quantitative research methodology. As the research conducted in this paper is qualitative in nature and in the form of structured in depth interviews, it is important to choose a sample that is small enough to be manageable yet large enough to represent the views of all role players mentioned in this paper. To do this a non-probability sampling method was used. This type of sampling technique abandons the concept of probability theory (Davidson, 2006). Probability methods choose samples on the grounds that their random and randomness has the highest chance of representing the population (Davidson, 2006). In order for the research to ensure the sample is representative of the perceptions of the industry, we used purposive sampling. Luborsky & Rubenstein (1995) define purposive sampling as “practice where subjects are intentionally selected to represent some explicit predefined traits or conditions. This is analogous to stratified samples in probability-based approaches. The goal here is to provide for relatively equal numbers of different elements or people to enable exploration and description of the conditions and meanings occurring within each of the study conditions. The objective, however, is not to determine prevalence, incidence, or causes” (Luborsky & Rubenstein, 1995, p. 97).

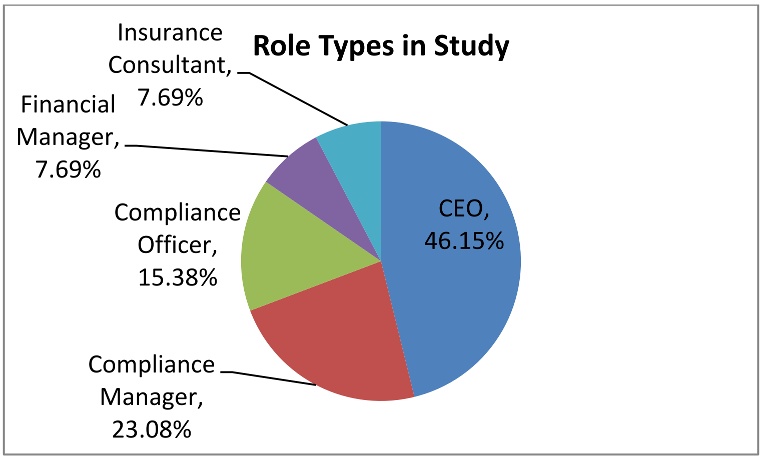
The researcher also utilises expert sampling method. Expert sampling is bringing together, for the purposes of the research, individuals that have proven or are known to have information, expertise or experience in a subject matter (Trochim, 2006).

The list of interviewees below represents members from along the funeral insurance product chain:

Table 1: List of respondents

Interviewee	Designation	Company	Sector
Paul Myeza	CEO	Lion of Africa Life	Formal Insurer
Gladys Nombewu	Compliance Manger	21st Century Life	Formal Broker
Carolyn Pike	Financial Manager	21st Century Life	Formal Broker
Jabu Malele	Partner	A.M. Phaka	Chattered Accountant
Solly Oupa Nene	CEO	Eternity Life Brokerage and consulting	Formal Broker
Farzana Badat		FSB	Regulator
Tsholofelo Tsotesi	CEO	JD Funerals	Formal Funeral Undertaker
Aubrey Mkhabela	CEO	Mamphudi Manqoba Funerals	Informal Funeral Undertaker
Sipho Sibeko	CEO	Maziya	Burial Society
Tasneem Shaikh	Compliance Manager	Lion of Africa Life	Formal Insurer
Sharen Gerald	Compliance Officer	Moonstone	Compliance Company
Levy Hlongwane	Compliance Manager	Nestlife Assurance	Formal insurer
Kishore Doodnath	Insurance Consultant	Assupol	Formal Insurer

Figure 6: Role of respondent in the company



Source: Research Sample

3.5 Data Collection Method

Unstructured interviews are most powerful when one attempts to gain an in-depth understanding of a particular event within a particular cultural context. They work best when one is working within an interpretive research paradigm, in which it is assumed that reality is socially constructed by the interviewees in the setting of interest. The individuals' perspective is the insight you want to gain" (Zhang & Wildemuth, 2009). In-depth interviewing is an interview methodology employed by researchers to elicit information and to gain a holistic understanding of the interviewee's view point (Berry, 1999).

The data collection method that has been chosen is that of semi- structured in depth interviews. This method is chosen as it encourages the respondents to answer openly and freely. Semi structured interviews are not as structured like questionnaires but also not as free flowing like a conversation (Darmer, 1995). A certain structure has to be kept to assure the quality and integrity of the study. Careful and considerate planning is important when conducting interviews as they are time consuming and the management of different personalities brings about a few difficulties (Adams & Cox, 2008). The study attempts to gain information from individuals that have great knowledge and insight on the subject matter.

There is an article by an author called Patton and he refers to information rich respondents. In this study the respondents selected are company executives with the likes of CEOs and financial managers. As such most of these individuals are consider their time very valuable. They are also very careful about whom to share information about their companies. They are people that are respected and are opinion leaders in their communities. To cater for these respondents an interview method that considers the value placed on interviewees' time and a setting that makes them feel comfortable is employed. Furthermore interviews were conducted using various means e.g. telephone, email and face to face. A qualitative interviewing method caters for this type of research.

Qualitative is far more relaxed and unstructured than quantitative interviewing. This relaxed nature allows the interviewer to be flexible, to be able to adapt to the interviewees demeanour and body language. The researcher is also able adapt and change some of the prepared questions, to ones more appropriate to the particular interviewee (Bryman & Bell, 2007). The interview questions where constructed to be open ended. This was done so we are able to let the interviewee feel comfortable in speaking in great detail about the subject matter and also expand their ideas outside the bounds of the question. The questions are carefully crafted, arranged and purposefully worded with the intention of minimising variation in the questions posed to the interviewee (Berry, 1999). Semi structured interviews allow for this boundless thinking and lack of restriction from a set of defined questions (Grimsholm & Poblete, 2010).

Zang and Wildemuth (2009) acknowledge that even though unstructured interviews offer a few advantages due to their flexibility they also possess challenges that need to be overcome. The authors highlight 3 challenges in their text. The first challenge is the time consuming nature of the data collection (Patton, 2002). The time taken to establish a relationship with the respondent and create a comfortable setting is to be considered. The second is the control of the interview. An interview needs to be directed for the purposes of the data being gathered. The researcher is meant to be able to detect when the conversation is deviating from research agendas, when the line of questioning has to change to accommodate the views of the interviewee and allow topic that emerge to be explored further(Patton, 2002). The third challenge pertains to the analysis of the data. Because the data is dependent on the individual setting of the respondent, various factors may be important in the interpretation of the answer. These factors may or may not be similar to other respondents. To normalise the data to get a generalised answer may prove to be difficult (Patton, 2002). Lastly the inherent bias from the researcher also poses a problem to most qualitative research. The researcher may have formed preconceived ideas that affect the interpretation of data and the formation of conclusions. When designing the research a large amount of effort should be made to minimise all bias.(Boyce & Neale, 2006).

There exists no prescribed manner in which to conduct unstructured interviews, however a plan may be constructed to help the interviewer remain professional and the quality and reliability of the interview to remain uncompromised. The thesis utilises guidelines from Berry (1999) documented in a paper presented at the British Educational Research Association Annual Conference titled "*Collecting data by in-depth interviewing*". Guidelines from Leedy & Ormrod, 2005;Boyce & Neale, 2006 and Zhang & Wildemuth, 2009were also incorporated in the structure of the interviews. Some of the guidelines are listed below:

1) Gaining access to the research setting
2) Locating and selection of interviewees
3) Gaining trust and establishing rapport
4) Questioning the interviewee
    - Ask clear questions
    - Ask single questions
    - Ask truly open ended questions
    - Sequence the questions
    - Probe and follow up questions
    - Interpret questions
    - Avoid sensitive questions
    - Encourage free reign but maintain control
5) Capture the data

.

3.6 Reliability and Validity

Due to the naturalistic nature of qualitative research, scholars have tended to question the trustworthiness of the data collection process (Shenton 2004). In particular, the validity and reliability of the research approach has received the attention of researchers such as Golafshani (2003) who argues that the concepts of reliability and validity remain relevant albeit different in quantitative research. For scholars in the field, it is well established that research ought to be open to critique and evaluation in order to assess the trustworthiness of the study. Furthermore Johnson and Long (2000) argue that assessing the trustworthiness of a study avoids a number of consequences such as meaningless and ambiguous findings, waste of time, and even more problematic is the use of dangerous practices taken from research (Johnson & Long, 2000, add page number).

Joppe (2000, p. 1) defines reliability as “the extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable". While Lobiondo-Wood & Haber (1990, p. 558) assert that reliability is the "consistency or constancy of a measuring instrument", the authors define validity as "the determination of whether a measurement instrument actually measures what it is purported to measure" (Lobiondo-Wood & Haber, 1990, p. 558). In view of Joppe (2000) the research instrument ought to enable a researcher to hit "the bull's eye" of the research objectives. Simply put, "researchers generally determine validity by asking a series of questions, and will often look for the answers in the research of others" (Joppe, 2000, p. 1).

It can be argued that the purpose of reliability is to assess the consistency of the research while the purpose of validity is to determine the accurateness and appropriateness of the measurement instrument used. What is most important to test in a qualitative study is the quality of the methodology (Golafshani, 2003). Based on the above Shenton (2004) argues that reliability becomes irrelevant in qualitative research since it is intended to measure quality with the intended purpose of explaining while quality is used to promote understanding (Shenton, 2004). While the need for qualifying research is alive, many researchers find validity inapplicable or misleading. Stenbacka (2001) discards the concepts of validity and reliability in qualitative research and proposes a redefinition of the concepts for the purposes of the research method.

As a result, the thesis adopts the theoretical framework created by Guba (1981). While the entire area of research enquiry is relatively in its infancy, researchers such as Shenton (2004) have come to accept and trust the constructs created by Guba (1981) as appropriate substitutes. Shenton (2004) highlights the constructs formed by Guba (1981) in his paper "*Strategies for ensuring trustworthiness in qualitative research projects*", they are:

- Credibility
- Transferability
- Dependability
- Conformability

The following sub-section defines each of these constructs with the intention of relating the use to the study.

- **Credibility**

  Credibility is set to substitute elements of internal validity. Internal validity measures whether any other possible explanation can cause the particular results received. It aims to measure that the instruments in the study actually capture what they are meant to. Credibility seeks to measure the congruency of the results to reality (Shenton, 2004). To ensure credibility in our study a few measures were taken. These measures where inherent in the mind of the researcher and were incorporated in every step of the methodology. Regularly adopted and well established research methods were used. Even though non-random sampling was used, the selection criteria for interviewee were rigorous enough to ensure a representative sample was used. Lastly the study utilises triangulation, by its very nature the ability to use interviewees from a wide spectrum enables us to check view points and results against each other.

- **Dependability**

  Since reliability concerns consistency of the results over time, it poses a problem in qualitative research as observations are a product of the captured time and setting. On the other hand dependability focuses on whether if repeated in the same method with the same factors presented the research will yield the same results (Guba, 1981). To ensure the dependability of the research findings, the method and means of data collections are recorded in detail (Appendix C).

- **Transferability**

  Transferability is used in preference to external validity. While external validity refers to the extent that the study results can be extrapolated and applicable to other social settings (Grimsholm & Poblete, 2010), it becomes difficult to do so in qualitative research because of the size of the sample. Transferability on the other hand relates to whether these findings can be relatable and transferred to other settings. The methods in this study incorporate a deep review of the definition of all variables. The respondents are also labelled by title and industry, therefore any future researcher is able to judge and determine, for their own purposes, if the research is transferable to their own research parameters.

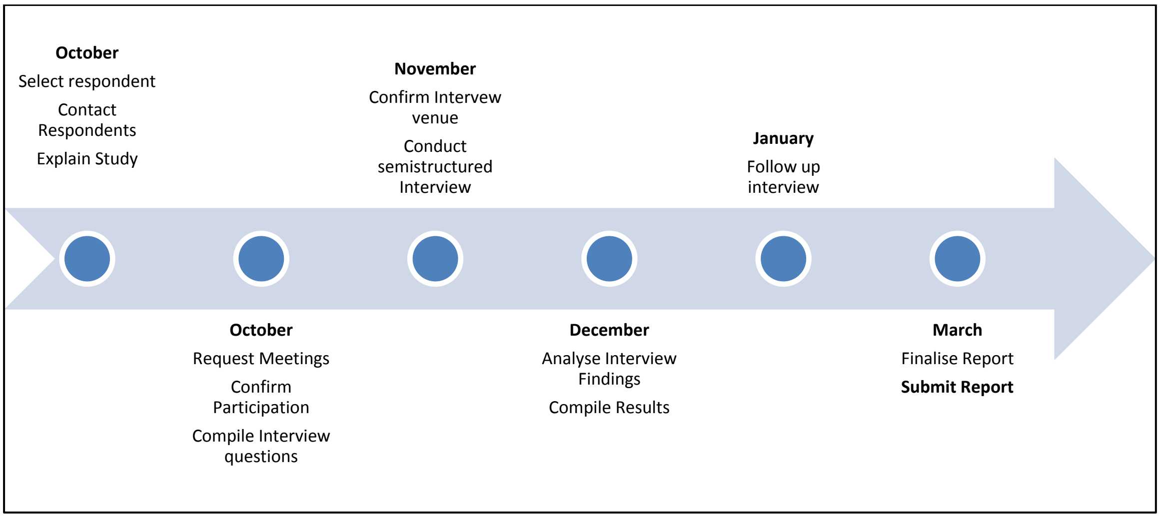
- **Confirmability**

The concept of confirmability is the qualitative investigator's comparable concern to objectivity (Shenton, 2004) the researcher has to ensure that his bias does not influence or affect the results of the study. For this research to be objective, the researcher had to enter the interview with no pre conceived answers to the research questions. All assumptions where stated beforehand and the results were shown and discussed with other professionals not included in the study. Triangulation also helps to mitigate elements of bias, by evaluating different viewpoints from respondents.

3.7 Research Timeline

The methodology highlighted in the chapter was conducted over 4 month, spanning from October 2014-January 2015. Due to the changing regulation the study was also conducted so as to yield the most current results and outline the perceptions based on the most current circumstances.

Figure 7: Research Timeline



3.8 Conclusion

This chapter highlights the methodology adopted to achieve the research objectives highlighted in section 1.4. Purposive expert sampling was used to ensure the non-random sample taken was representative. The chapter further outlines the data collection process. The trustworthiness of the research process was based on constructs formulated by Guba (1981). Finally, the research timeline outlined the period in of data collection part of the chapter gives a timeline of when the research was conducted and the steps that were taken at every point. In what follows, Chapter 4 analyses and presents the results that were generated in the implementation of the research methodology.

4. Research Analysis and Results

4.1 Data Analysis

The understanding of the whole picture is rooted in the foundation of qualitative analysis (Irene Vasilachis, 2009). Due to the interpretive nature of qualitative research, and also the various methods used to collect data, it is difficult to then prescribe the methods that a researcher should uses to analyse the data. The results of the in-depth interviews are presented in this chapter. The results are presented in relation to the research question that they aim to answer. The research questions are listed and form the basis of the categories, subsequent to that, the chapter will run through some of the insights that have been recorded from the interviewees. The descriptive results are presented and used to form the building blocks to the conclusion. The patterns that emerge from these results are further investigated and form the basis of more categories.

From the formation of the categories, themes began to emerge in the research shown by the frequency of similar responses. The emergence of new themes was treated in a very careful manner, and at times probed further. The themes created provide a means to answer the research questions. Secondly they form the basis of research that further needs to be conducted. They also open our minds to areas that the current study may need to consider in order to draw truly representative and accurate accounts of data. They may reinforce evidence that's supports an argument for or against a research questions and others may be insignificant.

This paper thus utilises aspects of phenomenography to help draw inferences from individual thought and as well as collective industry thinking. As people experiences significantly differ, even under the same circumstances, phenomenography becomes important in assessing their view of the problem (Leedy & Ormrod, 2005). Each of the results, from both the original research questions and new themes that have emerged) will be discussed in a narrative and collated to see whether they form the basis of the conclusion that will be made about the research questions.

4.2 Coding of data

The coding methodology of the data follows the guidelines outlined in "The Coding Manual for Qualitative Researchers" by Johnny Saldana (2012), with a few adjustments to allow for the circumstances of the current study. Coding is the assignment of codes, tags or quantitative data from examined qualitative answers and themes (Strauss & Corbin, 1990). Axial coding is used as the analytic tool to categorise the data. Axial coding is the sorting codes, resulting from the themes and qualitative data, into groups and categories (Strauss & Corbin, 1990). The codes are grouped in a hierarchal structure. The procedure entails, answers to certain questions in a certain manner be assigned a score, those scores when summed up and all questions have been asked, the formulation of which is the true observed perception of the respondent and therefore constitutes the basis of the themes created. The researcher observes carefully for the emergence of patterns. The observations and patterns then inform the conclusions reached in the research.

The interviewees are asked a series of open ended questions. When the questioned is answered, not only the narrative and direct answer to the question is taken into account. The demeanour of the interviewee and the surrounding influences are considered in the recording and formulation of codes. The researcher has to be able to assess behaviours of the respondent, take into consideration their demographics, their area of expertise, their role in the product chain and assign a code. The researchers' codes are analysed by means of asking similar questions in a different manner to check whether the same codes are applied to similar results. This acts as a filter, Saldana 2012 states "The act of coding requires that you wear your researcher's analytic lens. But how you perceive and interpret what is happening in the data depends on what type of filter covers that lens" (Saldana, 2012, p6).

Their answers are recorded and assigned codes. These codes in turn create categories; some, through further refinement, create more subcategories as patterns emerge. The consolidation and comparison of these categories by various means enables the researcher to "transcend the reality of the data and progress towards the thematic, conceptual and theoretical" (Saldana, 2012, p11). The result of this procedure is the emergence of themes.

A theme is a result of coding, categorisation and analysis. In order for the researcher to identify themes in the coded data, guidelines from Ryan and Bernard (2003) where used. Ryan and Bernard (2003) in their paper "Techniques to Identify Themes in Qualitative Data" outline various techniques to identify themes. Their techniques are based on

- Word analysis of words - word repetitions, key-indigenous terms, and key-words-in contexts;
- Reading and evaluation of larger blocks of texts - compare and contrast, social science queries, and searching for missing information;
- A purposeful analysis of linguistics -metaphors, transitions and connectors;
- Physical manipulation of texts - unmarked texts, pawing, and cut and sort procedures.

The study utilises these techniques and where necessary, supplements the themes with relevant theory to draw conclusions.

4.3 Research Questions

- Do the players in the informal funeral insurance industry see the new act as an opportunity that is presented to them?
- Will the entry of these informal funeral insurance companies be possible in the new environment?
- Will the micro-insurance industry cannibalise the existing informal insurance industry?
- Will the understanding of the cultural and socio-economic factors provide the smaller players with an advantage to be able to compete with the larger players in the industry?
- Is the current system the best system for these informal insurers to operate in?

4.4 Results

Conclusions drawn on respondents perceptions emanate from responses received from leading questions asked in the interview. To answer each research question a series of questions where formulated that when analysed together give the view of the entire picture. The research question is asked directly and is further supplemented with minor questions to assess the reliability of the result. The research questions will be listed, subsequent to that will be the series of leading questions their responses and a discussion of the results.

4.4.1 Original Propositions

Do the players in the informal funeral insurance industry see the new act as an opportunity that is presented to them?

- Do you believe there's an opportunity to use informal risk sharing schemes in your network?
- If informal, does your company have a vision to be registered as an authorised financial services provider?
- If formal, is your company registered as an authorised financial services provider?
- Do you have any business relationship with an informal insurer?
- Do you believe informal risk sharing schemes work?
- Do you believe informal risk sharing schemes pose a threat to formal insurance?
- Do you believe there's an opportunity to use informal risk sharing schemes in your network?
- Micro-insurance can potentially cater for the financially excluded.
- Do you see micro-insurance as an extension of the current system or a new concept?
- Do you believe it's a repetition of the current system or different
- Do you believe the current requirements under the insurance act are fair on smaller players?
- Do you think that the new regulation will assist formal networks?
- Do you feel the new proposed regulation will change the role of industry players
- Do you believe the informal market needs to be regulated?
- Do you think funeral undertakers that sell policies have the capital requirements to ascend to fully fledged insurers?
- Is your company geared to take advantage of the regulation?
- Does the regulation harm your potential to get business in future

The first research question addresses the perception of the role player and their thoughts of the informal market operators. We assess this research question with a few leading questions. These questions are designed to be aggregated and looked at holistically in order to focus the responses into one coherent perception or result.

The first question on whether market operators are under the assumption that the informal sector poses a threat to insurance, the interviewees responses indicated that the majority do not see the informal sector as any type of threat but as “black sheep that have strayed away from the heard, acting wild and need to be assimilated back into the herd”, as one of our respondents indicated metaphorically.

Other respondents indicated

“The only threat is to themselves, as the continuance of a system that is not regulated may destroy itself”.

“Maybe- For small players it’s an opportunity. For established big businesses it’s a threat, because their clients especially those in the funeral industry with large membership will leave to fully control their own book. Re-insurers may stand to benefit”

“No – there might be a loss of the larger schemes but insurers will respond by increasing individual sales and might even take out their own micro licences”

Even though majority of the respondents do not have a business relationship with an informal insurer, all indicate that there will be a large opportunity that will be created for the informal market by the implementation of the new regulations. 70% have gone as far as to say that they see an opportunity for informal networks within their current business network. However when asked whether there exist a role for informal insurers in the new system, there is no consensus with half of the respondents’ indicating yes while the other half believe the market will close them out. Respondents further mention that they perceive the new regulations as extensions of the current regulation and that it only serves as a reminder to the informal sector that dubious actions are monitored whether the companies are registered with the FSB or not.

An overwhelming majority of the interviewees believe that the informal market needs to be regulated. This is seen from statements like

"Yes- Definitely yes regulation is needed to bring credibility to the industry and also safeguard the public's interest"

"Yes- any provider of a financial service needs to be regulated"

"Yes- the regulation needs to understand the social sector. For the informal market and thereafter put minimum requirements in order to protect members of stokvels"

"Yes- the is too much miss-selling"

The results from the interviews also indicate that the respondents believe that informal operators do not have the educational background to see this opportunity. Most of the interviewees where reluctant to say this directly but with further probing it became apparent. This is indicated by 60% of the respondents and is seen by statements

"They could, if they were knowledgeable about legislation"

"Most informal operators do not have tertiary and some secondary education and operate within the realm of what they have seen and they know"

"" Even if the opportunity is seen, they are unable to take advantage of it because of the lack of skills and education"

"We do what we are taught, and if the government will educate us, how are we to know".

However when asked directly whether the informal market sees the opportunity in the new regulatory regime, a clear perception could not be concluded as some respondents indicated that

"No I do not think they look further than their circumstances at the moment"

"No they see regulation as a hindrance rather than an opportunity"

"They do not want the opportunity and prefer to operate in a tax free unregulated environment"

"Yes and some are gearing to put in the necessary measures in place"

"Maybe, depending on their knowledge of the law"

From the responses to our questions in this category it is evident from the data that the respondents largely agree that an opportunity exists for smaller role players in the system. They do however also indicate that because of education, the smaller players are unable to see this opportunity. They also indicate that the informal insurer is a creature of circumstance and will only see the opportunity when left with no alternative.

Will the entry of these informal funeral insurance companies be possible in the new environment?

- Do you believe informal risk sharing schemes pose a threat to formal insurance?
- Do you believe there's an opportunity to use informal risk sharing schemes in your network?
- Do you believe it's a repetition of the current system or different
- Do you believe the current requirements under the insurance act are fair on smaller players?
- Do you think that the new regulation will assist formal networks? (Please elaborate
- Do you feel the new proposed regulation will change the role of industry players
- Do you believe that there will be a role to play for intermediaries in the new system?
- Do you believe there will be a role for informal insurers to play in the new system?
- Do you feel that the informal market will survive with the enforcement of the new regime?
- Do you feel the nature of the informality lends to informal insurers being more in touch with the client?
- Do you believe there's an opportunity for smaller players to ascend within the industry?
- Do you believe there is space for smaller players in the new system?
- Do you believe the smaller participants can add value in the current system/ new system?

- Do you think that informal operators have the capital to become regulated and comply?
- Do you believe that informal operators have the systems in place to be fully compliant come the implementation of the new micro-insurance regulation?
- Do you think funeral undertakers that sell policies have the capital requirements to ascend to fully fledged insurers?
- Are you best geared to supply this form of insurance as opposed to other role players?
- Is your company geared to take advantage of the regulation?
- Does the regulation harm your potential to get business in future
- Does this regulation threaten to exclude your business from the current system

The second research question addresses the perceptions of whether entry will be possible in the new environment. With this research question a few elements need to be assessed to draw a conclusion. It has already been established in the discussion of the previous research question that respondents believe that the new regulation does not pose a threat to the current system. Respondents also indicated that their view is that the regulation is an extension of the current system "with variations to accommodate unlicensed operators" as indicated by one of the respondents.

Respondents were asked whether they feel that the regulation is fair on the smaller market player. The responses on this question vary, with most respondents indicating that they strongly agree that the regulation is unfair. The following response indicate the aggregate view of the majority

"The cost of compliance is high, this then tends to add high barriers of entry into the industry and hence exclude the informal sector"

The respondents where further asked whether they believe that the new regulation will assist informal operators and a very clear agreement to the answer was given by all respondents, which further reinforces the belief that there is an opportunity for smaller players in the industry, indicated by

"Maybe- could be easier for them to integrate into the industry"

“Yes- it will protect the most vulnerable consumers, and close gaps for market abuse”

“Maybe- once again the extent to which the informal market can benefit will be driven by compliance, education and professionalism”

“Yes- partly assists. It will help the larger schemes to get their own licence and keep underwriting profits but the smaller schemes with a few thousand or few hundred will”

The preceding statements coupled with the majority view on the question of whether intermediaries have a role a role to play in the regulated market, whereby respondents felt strongly that they will, but not as they operate at the moment. This led us to ask whether the roles in the industry are set to change drastically, and the overwhelming majority believed this to be the case.

The participants where then asked; whether there is space available for smaller players in the market. To this question it is evident that the majority believes that it exists. Further the respondents indicated that they believe that there is an opportunity for smaller players to ascend into the larger insurance network by becoming fully fledged insurers. Some of the respondent indicated

“There is a great opportunity for ascension, but with a lot of hurdles”

“The larger schemes that have the systems in place will be able to”

“The big insurers will see this opportunity as well and assist informal insurers”

“Some insurers will see the benefit of incorporating into their systems players that have more knowledge of the final consumer”

The respondents also believe that the smaller players can add value into the system. Some of the respondents believe that “they already do. Many have impressive distribution channels and have a significant reach. Like B3 and 21st Century.”

The respondents also cited that most of them are the best geared to take advantage of the new regulation but the informal sector stands to gain the most if they could realise their potential under the new regime. This is indicated by 70% of the respondents and the other 30% preferred not to answer the question. However none of the respondents saw the regulation and the new roles potentially harming their business prospects in the future. This indicates that although participants in the market believe that even though the opportunity exists for informal operators, they will not take any of their market-share but rather create new niche in the market. They also believe that there is a part for informal insurers to play in the new regulation albeit completely different from the current role.

Will the micro-insurance industry cannibalise the existing informal insurance industry?

- Do you believe the informal market needs to be regulated?
- Do you believe that the informal market hurts the reputation of the industry
- Do you believe the current industry is saturated?
- Do you believe the smaller participants can add value in the current system/ new system?
- Do you believe the new category will cannibalise the business in current system?
- Do you think new market share will be discovered in a new system?
- Does this regulation threaten to exclude your business from the current system?

The following research question has been answered by answers that fall within other categories in this study and also through the direct enquiry of the question. Inferences are drawn from whether respondents believe the informal market hurts the reputation of the industry, if they believe the market is saturated, whether participants add value, if new market share will be created and lastly and most directly whether the new category of micro-insurance will cannibalise the existing system.

In the two previous research question discussion it is stated that respondents strongly believe that the informal markets will hurt the existing industry. Yet they also believe that the informal industry does not pose a threat to the industry. This might seem as a contradiction but further investigation reveals that the word threat is associated with the threat of losing clients rather than the threat to the integrity of the system as a whole. To test this and clear up the confusion a further question was asked (variation of the previous question) on whether the informal operators pose a threat to the formal system. Most respondents strongly disagreed to this statement. The dominant perception is that with education and the pending legislation, the two systems may be able to operate in unison and assist each other rather than hurt each other.

The prevailing thought however is that the market is saturated. This suggests that there is an oversupply of suppliers in the market. Those that have a strong compliance system will be able to survive while the others will wither away. This is in contrast with the finding that there is a place in the market for the smaller players. It is also noted from the previous research questions that respondents believe that a new market share will be created at the implementation of the new regulations, customers that did not trust the current system. The new regulations that promote transparency and clear information will act as a hub for new knowledgeable clientele.

When asked whether the new regulation will cannibalise the existing industry we find that most of our respondent think it will. This is again in contrast with the finding that new market share will be created and a new niche developed.

We find that when asked directly, respondents believed that the new system will cannibalise the new system respondents felt that this will be the case. However evidence from other responses indicates that they believe that the systems will co-exist and at times complement each other.

Will the understanding of the cultural and socio-economic factors provide the smaller players with an advantage to be able to compete with the larger players in the industry?

- Do you believe that the new regulation will make insurance more accessible to the low income segment?
- Do you believe the informal market needs to be regulated?
- Do you feel the nature of the informality lends to informal insurers being more in touch with the client?
- Do you believe that the formal market is able to understand the clientele?

- Do you believe there's an opportunity for smaller players to ascend within the industry?
- Do you believe the smaller participants can add value in the current system/ new system?
- Do you think new market share will be discovered in a new system?
- Do you think funeral undertakers that sell policies have the capital requirements to ascend to fully fledged insurers?
- Are you best geared to supply this form of insurance as opposed to other role players?
- Does the design of your products reflect the socio economic conditions of your clientele?

While most of the respondents perceive the market as saturated they do believe that an opportunity exists for informal operators. Together with the theory the respondents indicated that the socio-economic factors affecting clients are not readily seen by the larger insurers but by the informal and smaller players in the formal sector. It is a widely held belief that micro-insurance will afford the low income segment more inclusion in the financial industry, this belief is further cemented by all of the respondents who believe this to be true. It can be seen by the statements below

"The low income segment is in a position where they have to take and have no choice, the new regulation will afford them power they didn't possess before"

"Micro insurance, TCF and RDR are by their nature customer centric. They will only further the interest of clients"

"All the players in market take advantage of the client and each other, the introduction of the new regime will provide the client with options that the higher LSM's have had in the industry"

The respondents are of the view that informal operators have a very good understanding of their clientele and sight this as the reason for their survival.

"In an environment whereby tools and resources are minimal, the understanding of the clients forms the only real advantage for informal insurers"

“Some understand and others just replicate what the business that have systems and measures in place to research and understand the clients and their needs”

As mentioned above respondents feel that they are the best geared to take advantage of the new legislation. In addition to this 100% indicate that the designs of their products are done so with the socio economic conditions of the clients in mind. With regards to whether the nature of informality helps the informal insurer to be more in touch with the client the respondent strongly agreed.

“Maybe - but all businesses regardless of their formality should be able to be in touch with their clients’ needs”

“It is possible that they may be more in touch with the client but it’s debatable if they act in the interest of the client”

“Yes- as long as the community trusts them and need their service and if the regulation is poorly enforced. Also there is a huge incentive to be informal- they are outside the tax net”

“Yes- the non-insurance service makes them in touch with the client”

Is the current system the best system for these informal insurers to operate in?

- Do you believe the informal market needs to be regulated?
- Do you believe that the informal market hurts the reputation of the industry?
- Do you believe the current industry is saturated?
- Do you feel that the change is relevant to your business?
- Is the current system the best system for informal insurers to operate in?
- Do you believe that current regulations are enough?
- Do you believe the informal market efficient?
- Does the informal market work

The eight leading questions listed above provide the researcher with the means to accurately presume the perceptions of the respondents with regards to the research question. The results of the questions have been discussed in length in previous research questions above. The results show that an overwhelming majority of the interviewees believe that the informal market needs to be regulated. This is seen from statements like

"Yes- Definitely yes regulation is needed to bring credibility to the industry and also safeguard the public's interest"

"Yes- any provider of a financial service needs to be regulated"

"Yes- the regulation needs to understand the social sector. For the informal market and thereafter put minimum requirements in order to protect members of stokvels"

"Yes- the is too much miss-selling"

In addition 70% of the respondents feel that current regulation is enough for the industry to be prudentially sound and for customers to be treated fairly. One of the respondents in reply to the questions sums up the collective thought of the respondents well

"More enforcement is needed not more regulation at very small scheme level. Larger schemes should be given the chance to have their own licence under micro-insurance. These people are entrepreneurs and should be given the opportunity to prosper".

It has also been noted that respondents share the view that the informal market hurts the reputation of the industry and hence we can confirm the reasoning behind why they strongly feel that the industry needs to be regulated. Issues of misspelling, credibility and protection of customers have been brought to the forefront of the interviews as a result of the responses to that question. It also reinforces the statement above that regulation needs to be enforced rather than changed.

The majority thought amongst the interviewees is that there is an oversupply of operators in the market that already exist. This is tested by asking whether the market as it stands is saturated. The response to this question is clear that operators believe they are participating in an industry that is highly competitive.

While all the members interviewed are of the belief that informal risk sharing schemes work. The members do not reach a shared view with regards to the efficiency of the informal sector. Some believe that the lack of resources and capital paired with the nature of informality, lack of oversight, seems to exacerbate their inefficiencies.

From the results above it is clear to see that respondents have very low confidence when it comes to the current environment for informal insurers. Respondents further solidify this conclusion with they feel that the ending regulation is very relevant to their businesses and to the informal sector. When asked directly whether the current system is the best for informal insurers to operate in, the respondents are very quick to say no and feel that the pending regulation will solve a lot of existing problems in the market.

4.4.2 Emerging themes

Through the robust analysis of the results certain themes began to emerge that did not fall within the intended research questions that where initially laid out. The reasoning for this is that firstly that the researcher may have not had the initial insight to research the themes; others emerged from and only made sense when looked at holistically with the results from the research and lastly some of the themes have received considerable attention and have been extensively studied in the last decade. The study reinforces some of the findings of themes previously studied, while also in contrast with the findings we have received from answering the research questions. These themes further add to the reasoning and justify some of the conclusions drawn from the interviews. Two categories of themes emerged. These are listed below

- Social responsibility
- Linkages between operators

The findings of each of these will be presented below.

Consumer protection/ social responsibility

- Do companies believe in the social nature of micro-insurance?
- Does the current environment cater for the financially excluded?
- Do you believe that micro-insurance can potentially cater for the financially excluded?
- Is it the insurance providers' role to correct social ills?
- Is it the insurance industries role to correct social ills?

- Is it the government’s responsibility to alleviate poverty?
- It is the responsibility of the community to lift themselves from poverty?
- What is your companies’ role in correcting social ills?
- Are there any better systems that may help alleviate poverty and financial exclusion?
- Is consumer protection a factor when conducting business?
- Do you feel the industry takes advantage of the uneducated?
- Do you feel the country requires more regulation in the protection of clients
- Do you feel the industry requires more regulation for the protection of low income clients?
- Do you feel the industry does enough in the financial education of clients?
- Whose responsibility is it to educate clients on financial matters?

The first theme that emerged is one of social responsibility associated with micro-insurance and the industry as a whole. This theme emerged naturally and further probing and investigation was not necessary to elicit thoughts and perceptions on the subject matter. Social responsibility is a contentious subject and extensive research has been conducted in various fields. The following results are based on social responsibility in the informal and formal insurance industry.

80% of the interviewees affirm the notion of social responsibility is a pressing issue in the insurance industry. It is of the belief that micro-insurance by its very nature is a social endeavour. The combined perception is highlighted by the statement

“Micro-insurance provides social responsibility and business opportunities. Burial societies are social in nature and funeral parlours are for profit”

Even so, another respondent draws the attention of the study to the fact that; whilst the belief of the social nature of micro-insurance exists “companies want to impose their mainstream system (with the inclusion of social characteristics) to this level of the market and it does not quite fit in. The level of knowledge will always be low and hence we need to teach them more”. This response prompted questions about the education of operators and also the education of clients.

Respondents were asked about their thoughts on the financial education of clients. This was tested using four questions on education. The findings that emerged where; that firstly operators themselves are of the notion that the industry takes advantage of the uneducated customer. They believed that the large incumbent, being the large insurers, possess information and use it for the furthering of their own interest for the purposes of making super normal profits. They also believed that the smaller players and largely intermediaries take advantage of customers through their fee structure and an uneducated person is unable to question the validity of the fee they are charged. Informal networks are said to be the worst as they use the lack of information that the clients possess to manipulate the customer to buying unneeded cover, charge exorbitant fees and treat the customers in an unprofessional way as they know there exists very little recourse. Respondents are very adamant that the industry has not done nearly enough for the financial education of their clients. They believe since the industry stands to gain from the business provided from these customers it becomes the industries responsibility to educate the client.

All but two of the interviewees disagreed on the point that the current environment caters for the financially excluded. The two respondents that agreed also raise valuable points and outright majority of responses should not take away from the validity of their statements. The statements are

“If you can afford a premium you can buy cover even if you don’t have a job or bank account”

“The informal industry has created by a need to include members of the society that otherwise would not be catered for”.

When asked whether micro-insurance and the new regulatory regime can potentially cater for the financially excluded, all the interviewees where in consensus in their belief it would. When asked whether the new regime will make insurance more accessible to the low income segment, they all agreed except for a single interviewee who cited “they can already buy the same cover If they can afford the premium”.

The subject of poverty alleviation and the correction of social ill also received some attention in the interview. Respondents were questioned on the role of industry, government and communities in the addressing of these social tribulations. On the subject of whether it is the role of insurance providers to correct social ills, respondents produced mixed results with 60% disagreeing to that statement. When asked if it is the industry that has to bare this cross, interviewees again produced mixed results with a 50/50 split in perception. However the interviewees all seem to think that the ultimate responsibility lies with the government and the communities themselves, to change their situation for the better. When asked about what their companies' role is in the correcting of social ills, respondents said

"Offer employment to surrounding community members. Have social responsibility programs"

"Always striving to engage in corporate social responsibility initiatives"

"Through social responsibility events"

"Humble persuasion of members to prepare for the inevitable hour of death whilst health is good"

"We have a CSI program that works with all the communities that we have insurance arrangements"

"Paying tax honestly and providing support to independent intermediaries like funeral parlours and burial societies re admin and compliance"

"Ensuring consumer education initiatives, social upliftment projects, and designing products that are suitable and deliver on expected outcomes"

"Education of providers to know what is required and what is correct"

"Not to correct social ills but to provide products that help alleviate them"

From the statements above, it is evident that the prevailing theme is to provide some sort of corporate responsibility project for the clients. The research also draws from the findings that all respondent indicated that when conducting business, consumer protection and fairness is either just a factor or the determining factor. Whilst the respondents were mixed with regards to the fact that it is the providers' responsibility to correct social ill, almost all them have mechanisms designed to promote this. When questioned about what can further (or better systems) be done to alleviate poverty and eradicate financial exclusion, the respondents quickly shifted the responsibility to government. This can be seen in the following statements

“Strong governmental support for the creation of entrepreneurship/manufacturing programs. More job creation”

“Yes, I believe that providing a better education system and unrestricted financial system that will cater for the most disadvantaged”

“A close cooperation between service providers and civic organisations to pare the cost of funerals to be bone”

“The biggest long term driver of this change has to be education”

“Yes- controlling corruption so money can be spent on the poor. Adopting the right policies that benefit the people not political alliances. For example not imposing onerous labour laws on business to please alliance partners. This would create a more enabling environment for would be entrepreneur”

“Bigger role needs to be played by the government and more collaboration initiatives by industry”

“Yes by giving people skills to encourage them to be self-employed”

The statements above cement the fact that government has a huge role to play in correcting social ills found within the industry. Whether this role is regulation or further social initiatives are unclear. This can be seen by the mixed results received when interviewees when asked whether they feel the country requires more regulation in the protection of clients(both high and low income), of which half said yes more regulation is needed while the other half felt “we have a highly regulated environment. The focus should be on enforcing the current regulation”

Linkages

- Are you best geared to supply this form of insurance as opposed to other role players?
- Do you understand the socio economic factors that influence your clients buying decisions
- What methods are used to sell policies?

- Does the design of your products reflect the socio economic conditions of your clientele?
- Does the business need a party closer to the client to bridge the gap in the mismatch of client needs and product offerings
- Are you able to reach all demographics
- Do you believe that the formal market is able to understand the clientele?
- Do you believe the smaller participants can add value in the current system/ new system?
- Do you feel the nature of the informality lends to informal insurers being more in touch with the client?

This particular theme was not as obvious and did not come as naturally as the emerging theme on social responsibility. It instead got formed when certain perceptions and solutions where provided by the interviewees. The perception on linkages was tested with the leading questions above.

The participants of the research indicate that they are the best geared to offer insurance products under the new insurance legislation. This at first glance doesn't seem to indicate any linkages, but with further questioning it became apparent that the operators do not believe that they would be able to supply the products without partners that are closer to the client and understand their socio-economic conditions. As noted earlier the respondents felt strongly that the informal sector is in more touch with the final consumer. On the back of these two results it then comes as surprise to learn that all of the respondents felt they understood the socio-economic conditions that face the clientele. Additionally majority of the interviewees indicate that the formal sector is able to understand their clientele. The need for partnerships could then be attributed to more than socio-economic conditions, but also the ability to be flexible when dealing with that market. This could be the value that the informal sector can add to the market, as all respondents believe they can.

The respondents use various means to distribute their products, including third party intermediaries, out bound and inbound call centres and representatives that sell door to door. When asked if they need a third party to bridge the gap between themselves and their clients, most responded a resounding no and mention that their products match their client's needs.

The chapter covers the method of data collection used within the research. The chapter firsts highlights how the data will be analysed. Next the paper delves into issues of coding and how data was grouped in order to establish themes. These themes, that have been posed in the form of the research, question are discussed from the research question perspective.   We use results from respondents to either support or reject the research questions that have been posed. The results recorded reflect all surrounding influences and background of the interviewees. The findings are aggregated and presented as a coherent perception form the participants of the study.

5. Conclusion

The chapter will begin with the summary of the paper and outline the background of the subject matter. The chapter then will address each of the research questions. Each of the questions will be either rejected or supported by results in the previous chapter. Some of the research questions will require comparisons from other bodies of work so as to understand the entire picture and to arrive at a particular conclusion. Most of the research questions however will either be supported or rejected based purely on the findings presented in chapter four. As the research questions have previously not been studied it is difficult to find supporting or conflicting literature to complement the findings. The chapter will then proceed to recommend suggested take-aways for operators in this field based on the results and conclusions reached in this paper. The chapter and paper will suggest areas of research within the subject matter that further need investigation.

5.1 Summary

The paper begins with an introduction to insurance. This background is given so the reader may have an in-depth understanding of the subject matter that is discussed in the paper. The research paper then gives a brief overview of the umbrella categories in which different types of insurance products fall within. It is important to provide this distinction as short term and long term insurance possess different characteristics. For the purpose of the study we investigate the long term insurance industry and particularly funeral insurance whereby the role of new legislation will impact most significantly. Within the long-term category the paper defines the different types of cover that clients may attain. These are defined, they provide a holistic view of the industry and steer the paper towards micro-insurance and funeral insurance that the study focuses on.

The history of insurance within South Africa is discussed and gives a background and origin of the insurance industry. It gives the study a platform in which to introduce the regulations that are set to be introduced within the industry. The current state of affairs gives a holistic picture of the industry and, in combination with the history of the industry and knowledge of regulation, provides the context of the study. Given the context the author then delves into Micro-insurance. The concept of micro-insurance is explained, its purpose reasoning and intended consequences are highlighted. The research further recognises work that has been conducted on the subject matter of micro-insurance. The nature of informality, as it presents a focal point in the study, is defined and explored. The logical progression from there was to give a brief overview of the various informal and formal players within this market. This is due to the nature of the research questions that are focused on the roles that these participants will perform under the potential new regime. Chapter three of the paper discusses the methodology used to gain the perceptions of these industry players that are defined. An analysis of these results is presented in chapter four and the findings form the basis of the conclusions that will be discussed in the conclusion of the paper.

5.2 Conclusions

5.2.1 Original Research Questions

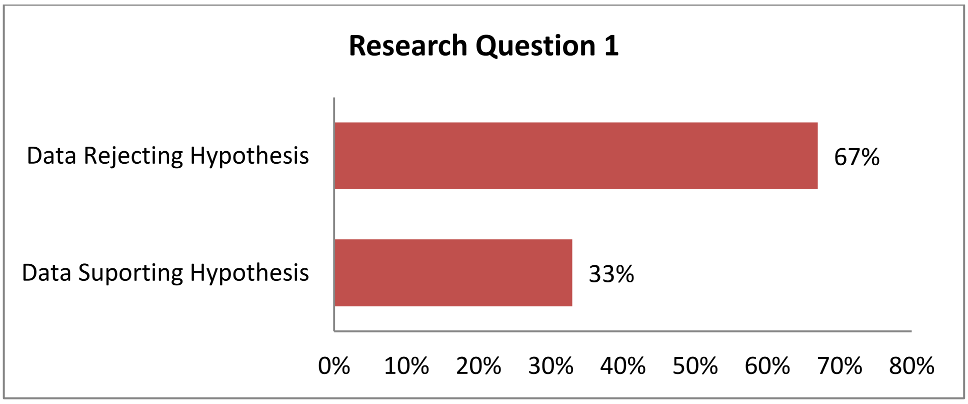
The players in the informal funeral insurance industry see the new act as an opportunity that is presented to them?

From the results attained in chapter it is evident that the general perception around the industry is that a new opportunity is available for the smaller role players that take part in the funeral and micro-insurance industry. The new regulations will have a large effect on existing role players but their roles will forever be changed. The regulation present an opportunity to take advantage of allowances made for smaller players in order to make it more attractive that they get formalised and play a larger role in industry. The regulations form both a hurdle, as compliance costs associated with formalisation might be too high to maintain, and opportunity in the market. The findings show that this opportunity is likely not to be seen by the small players in the market but rather seen as a disadvantage and a means to push these participants out.

The small operator views the current regulation as an extension and repetition of the current insurance act and not as a new sector in which they will be able to flourish in. As such they are of the view that the onerous task of regulation will serve in the best interest of the larger industry participants and it will present an opportunity to them and outcast the smaller player. The legislation is also seen as an increase in the barriers of entry, and it further supports their reasoning for not formalising in the first instance. In addition the benefits enjoyed (e.g. Tax free operations) will be eradicated when trying to compete with companies that have almost unlimited recourses and systems. It is ascertained that this belief is derived from the lack of education that is possessed by the operators of these small businesses.

The evidence presented above rejects the first research question namely: The players in the informal funeral insurance industry see the new act as an opportunity that is presented to them?

Figure 8: Research Question 1



Source: Research Results from fieldwork

The entry of informal funeral insurance companies is possible in the new environment

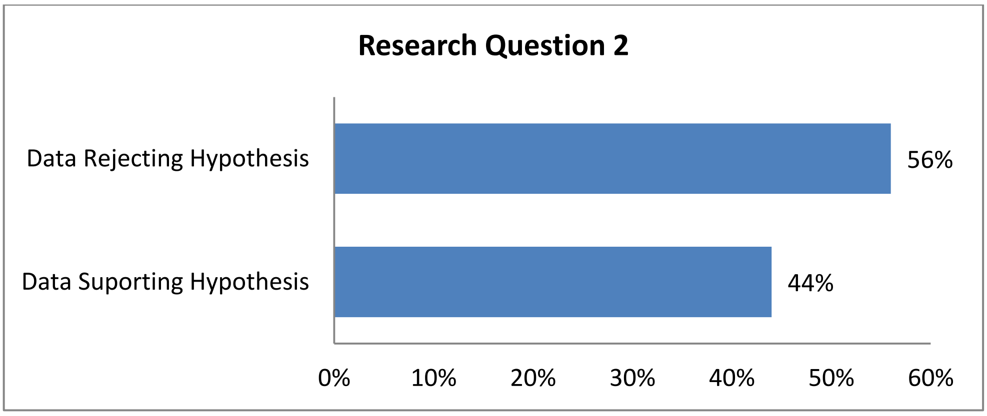
This research question relied heavily on how participants view informal insurance, formal insurance and themselves. It also relies on the understanding of the regulation and current insurance environment. As expected the findings were mixed as different role players exist in different stages of the product cycle. Even so the collective thought gives insight that is necessary to either support or reject the research question.

The informal sector is not perceived as one that poses a threat to the current system. Furthermore it is believed that the informal sector is able to assist the formal insurance industry. It is also noted that the general belief is that the new pending regulations are fair on all industry players and aims to benefit all participants. The smaller participants may add value into the current system albeit through different means from the current situation. The introduction of formal operators will not harm the industry but create a new market niche that can be exploited by all.

The role of intermediaries in the system will be the most affected, with defined roles prescribed and the reduction in compensation due to RDR and TCF. There is a function that needs to be performed by the smaller players and the regulation will provide a platform for them in furthering their interests and evolving their business model.

The findings thus support the second research question, namely: The entry of informal funeral insurance companies is possible in the new environment?

Figure 9: Research Question 2



Source: Research Results from fieldwork

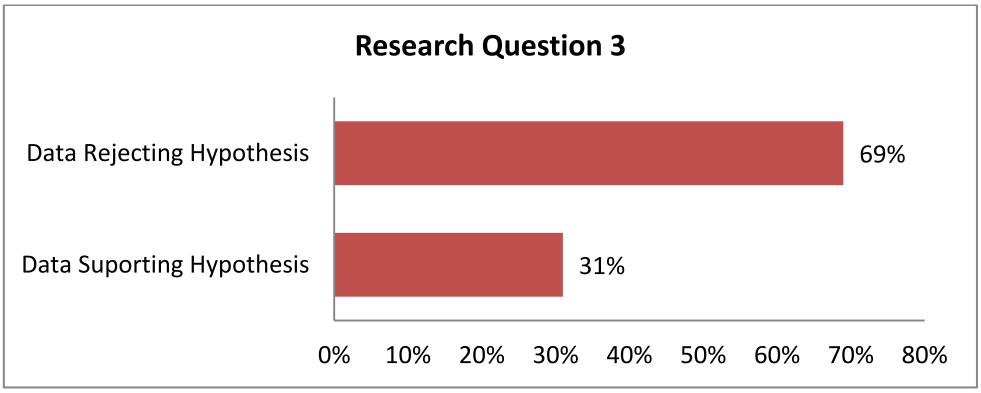
The micro-insurance industry cannibalise the existing informal insurance industry

The results suggest that the perception of informal operators harming the industry is false. The new legislation is perceived as a means to assist the client and all operators in the environment. The market is seen as saturated, this would create a danger of cannibalisation as it would mean that the market will have to share existing clients. This is however not the case as the consensus is that a new niche and market share will be realised under micro-insurance.

Evidence from the findings suggests that operators welcome the new micro-insurance and regulatory regime and therefore do not perceive the introduction of new legislation as a danger to their existing business. They instead believe there is a place for micro-insurance and new regulation to exist alongside the current insurance industry. Both these systems together will provide a more transparent environment that in unison will be beneficial to all.

The third research question is thus rejected by the evidence presented above. The micro-insurance industry cannibalise the existing informal insurance industry.

Figure 10: Research Question 3



Source: Research Results from fieldwork

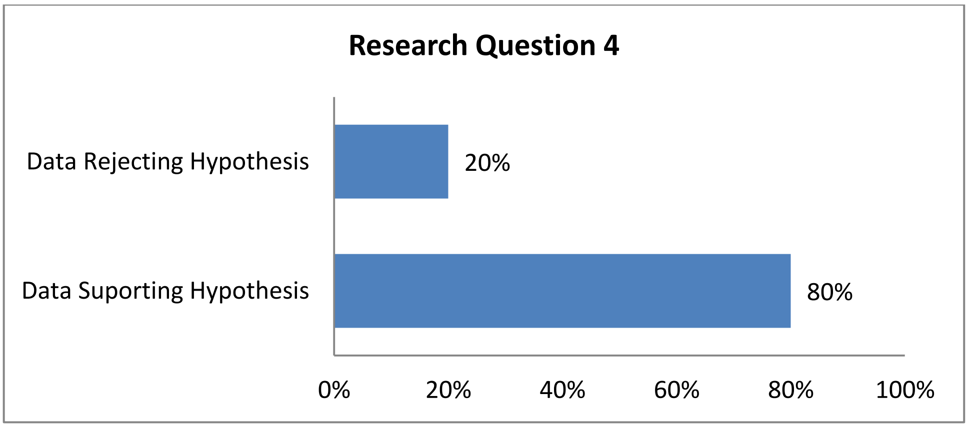
The understanding of the cultural and socio-economic factors provide the smaller players with an advantage to be able to compete with the larger players in the industry

It has been ascertained through the research that the informal and small operator possess an advantage over their formal counterparts because of their deeper understanding of the socio-economic factors of the clientele. The nature of informality lends them flexibility and insightful knowledge about the community. The industry does however also hold the belief that larger operators also understand these factors but are not readily in a position to investigate or test their knowledge as frequently and accurately as the smaller enterprises are able to. It is also mentioned that the new paradigm will afford informal customers inclusion in the formal industry and this will be due largely to the understanding that the smaller player possess and how the communication of these products will be conducted.

Informal insurers are able to penetrate the market more effectively as they are able to use the cultural similarities, their knowledge of local socioeconomic conditions and local funerals to tailor their products and services to fit the requirements of their environment or target market (Roth, 1999).

The findings support the fourth research question: The understanding of the cultural and socio-economic factors provide the smaller players with an advantage to be able to compete with the larger players in the industry.

Figure 11: Research Question 4



Source: Research Results from field work

The current system is the best system for these informal insurers to operate in

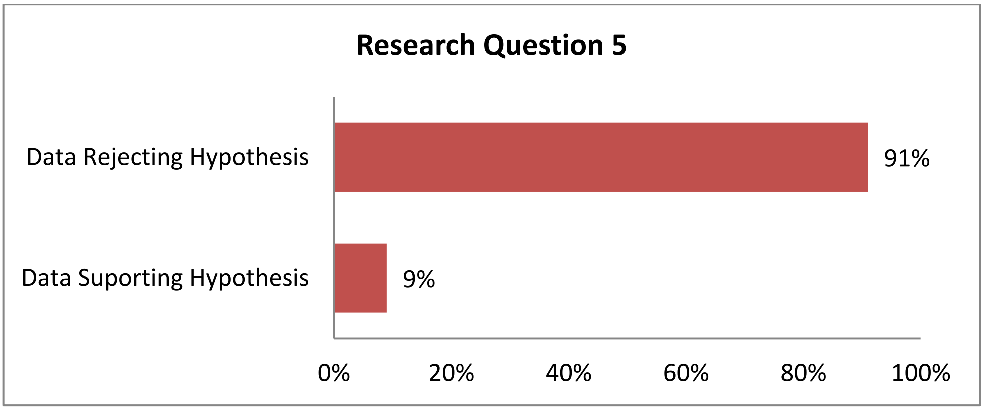
The last of the original research questions derived from the literature review is dependent on the knowledge and thoughts of the current system and the industry role players that exist within it. The overwhelming consensus throughout the research suggests that the regulation of the informal market is critical and long overdue. The collective thought is that the current insurance regulation is enough for the efficient and effective operations of the informal industry. There is however a need for the current regulation to be enforced in a stricter manner, so as to reduce miss-selling and potential consumer protection risks.

Whilst the belief is that informal risk sharing schemes work, efficiency and effectiveness remain a concern under the current legislation. It is believed that the lack of resources and capital paired with the nature of informality, lack of oversight, seems to exacerbate their inefficiencies.

Further the market is seen as saturated and the introduction of the regulatory regime will catalyse the entrance of a new customer base. New market share that previously had been excluded will emerge. The conclusion is that current regime does not offer an environment that is conducive for the informal insurer to participate in. Barriers of entry, capital requirements and onerous compliance requirements create a space that the informal operator will not flourish in.

The research question is rejected based on these findings. The current system is the best system for these informal insurers to operate in.

Figure 12: Research Question 5



Source: Research Results from fieldwork

Table 2: Summary of conclusions

Research propositions	Supported	Rejected
The players in the informal funeral insurance industry see the new act as an opportunity that is presented to them		✗
The entry of informal funeral insurance companies is possible in the new environment	✗	
The micro-insurance industry cannibalise the existing informal insurance industry		✗
The understanding of the cultural and socio-economic factors provide the smaller players with an advantage to be able to compete with the larger players in the industry	✗	
The current system is the best system for these informal insurers to operate in		✗

Source: Research Results from fieldwork

5.2.2 Emerging Themes

Consumer protection/ social responsibility

Social responsibility is a pressing issue in the area of insurance. The industry is postulated as a vehicle from which the low income segment can be assimilated into the mainstream insurance industry. The informal sector in addition to making profits is born from the need to include certain segments of society that would otherwise be left at risk of financial loss. Burial societies are in their very nature a social enterprise that assists groups in saving for times of need. The burial society is usually membered by the participants it aims to help and is created by them because of the general exclusion in the market.

This theme further draws the attention of the study to the lack of education that exists within the informal industry. It further highlights that this lack of education is more prevalent in the clients that insurance hopes to assist. The research further uncovers the roles that should be played by operators in ensuring the consistent education of their clientele. The industry, as it would gain the most, should be at the forefront of this endeavour. Governments and individuals should also support this initiative for the long term sustainability of the market.

The subject of poverty alleviation requires attention from all role players involved. It is the civic duty of all privileged to assist the disadvantaged in the country. Insurers should design their products with the socioeconomic factors in mind and in addition provide programs that benefit society. The driver of poverty alleviation and ultimate responsibility lies with the Government of the country and through effective private and public partnerships, the issue can be addressed.

Linkages

Whilst all operators believe that they have an understanding of the client base it is evident that partnerships are required for the efficient distribution of insurance products. The value created by both the informal and formal market could be multiplied if efforts are combined by operators in each field. Formal operators possess the skill, systems and capital to market to the low income segment yet lack the foresight and ability to take advantage of the business opportunity. Informal operators on the other hand lack the resources but have the understanding of the clientele, they are closer to the communities, trusted by the communities and some provide tangible products to justify the need of insurance. This is mainly due to a misfit between clients' needs and products offered by mainstream insurers. An example of this is that "mainstream insurers tended to design their policies based upon assumptions about family structure that are simply not accurate" (Roth, 1999). One of the current methods mainstream insurers are using to get around the low penetration into this particular market has been to form partnerships with these informal insurers. These partnerships have been postulated as the key factors of the success of the present micro-insurance programme (Rendek, 2012). When these efforts work hand in hand, a new environment will be created that will efficiently supply the entire market with risk mitigating mechanisms. This segment has seen low penetration by formal insurers in the past (De Bock & Gelade, 2011).

5.3 Recommendations

5.3.1 Recommendations to Operators

- Formal insurers need to learn from the personal service provided by the informal insurer. Whilst there exists potential risk in the segment, the services they provide enable them to be better suited to cater for the market.
- The tangibility of providing funeral burial is important to the consumer and shouldn't be forgotten.
- Innovation in this sector is needed to assist the uptake of policies and providing long standing value for clients. Informal operators may assist in this regard.
- While informal insurance may pose many risks, commercial insurers have much to learn from the level of service delivered by informal players.
- Operators need to provide education and social responsible initiatives for the sustainability of the industry not come in question.

5.3.2 Recommendations to Government

- Evaluate the regulatory consistency of the new regulation and ensure that it benefits all parties involved.
- Test the impact that new regulation will have on the existing market and whether the negatives outweigh the positives.

- Enlist the help of industry professionals and operators in order to put in effect the measures that will assist the formalisation of the industry in a smooth and efficient manner.
- Assess the attractiveness of the pending regulation to informal networks and see whether the benefit in formalising for the informal insurer surpasses the potential shortfall.
- Informal insurance providers are instrumental to income derived for the insurance sector and also important in the creation of jobs in low income communities. Government needs to insure that formalising this industry will not deteriorate the positive effects of its existence.
- The onus lies with government for the education and correction of social ills. Therefore they need to create and champion initiatives that help this agenda.

5.3.3 Recommendations for future study

- When the new regulatory regime is introduced, further study on the impact it had on operators should be assessed.
- Further research is needed on the effectiveness of linkages between formal and informal insurers in South Africa.
- A study on the socio-economic factors that influence the buying decisions of funeral insurance amongst the population of the country needs to be conducted.

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Appendices

1) Appendix A- List of Respondents
2) Appendix B- Interview questions
3) Appendix C- Interview data

Appendix A

Interviewee	Designation	Contact	Company	Category	Industry
Paul Myeza	CEO	Paul.myeza@lionlife.co.za	Lion of Africa Life	Formal Insurer	Life Insurance
Gladys Nombewu	Compliance Manger		21st Century Life	Formal Broker	Funeral Insurance
Carolyn Pike	Financial Manager	cpike@jacarandafm.co.za	21st Century Life	Formal Broker	Funeral insurance
Jabu Malele	Partner	Jabu@amphaka.co.za	A.M. Phaka	Chartered Accountant	Financial services
Solly Oupa Nene	CEO	Solly.oupa@eternitylife.co.za	Eternity Life Brokerage and consulting	Formal Broker	Financial Services
Farzana Badat		Farzana.badat@fsb.co.za	FSB	Regulator	Financial services
Tsholofelo Tsotesi	CEO	082 462 6591; tsholo@jdfunerals.co.za	JD Funerals	Formal Funeral Undertaker	
Aubrey Mkhabela	CEO	083-250-9244; Aubrey.mkahbela.co	Mamphudi Manqoba Funerals	Informal Funeral Undertaker	Funeral Insurance
Sipho Sibeko	CEO	0833754245 Sibeko@mothusi.co.za	Maziya	Burial Society	Funeral Insurance
Tasneem Shaikh	Compliance Manager	Tasneem.shaikh@lionlife.co.za	Lion of Africa Life	Formal Insurer	Life and funeral Insurance
Sharen Gerald	Compliance Officer	+27 11 969 1649 SGerald@moonstonecompliance.co.za	Moonstone	Compliance Company	Financial Services
Levy Hlongwane	Compliance Manager	011-286-1311; levy@nestlifeassurance.co.za	Nestlife Assurance	Formal insurer	Funeral Insurance
Kishore Doodnath	Insurance Consultant	Kishore.assupol@gmail.com	Assupol	Formal Insurer	Life and funeral Insurance

Appendix B

Opinion's on Social Responsibility in general
1.1. Do companies believe in the social nature of micro-insurance
1.2. Does the current environment cater for the financially excluded?
1.3. Micro-insurance can potentially cater for the financially excluded.
1.4. It is the insurance providers role to correct social ills
1.5. It is the insurance industries role to correct social ills
1.6 It is the government's responsibility to alleviate poverty
1.7. It is the responsibility of the community to lift themselves from poverty.
1.8. What is your companies' role in correcting social ills?
1.9. Are there any better systems that may help alleviate poverty and financial exclusion?
Opinions on Micro-insurance regulation
2.1. Do you see micro-insurance as an extension of the current system or a new concept?
2.2. Do you believe it's a repetition of the current system or different
2.3. Do you believe the current requirements under the insurance act are fair on smaller players?
2.4. Do you think that the new regulation will assist formal networks? (Please elaborate)
2.5. Do you think the new regulation will assist the informal market? (Please elaborate)
2.6. Do you feel the new regulation will assist the client? (Please elaborate)
2.7. Do you feel the new proposed regulation will change the role of industry players? (Please elaborate)
2.8. Do you believe that the new regulation will make insurance more accessible to the low income segment?
2.9. Do you believe that there will be a role to play for intermediaries in the new system?
2.10. Do you believe there will be a role for informal insurers to play in the new system?
2.11. Do you believe the informal market needs to be regulated? (Please elaborate)
2.12. Do you believe that the informal market hurts the reputation of the industry?
2.13. Do you feel that the informal market will survive with the enforcement of the new regime?
2.14. Do you feel the nature of the informality lends to informal insurers being more in touch with the client? (Please elaborate)
2.15. Do you believe that the formal market is able to understand the clientele? (Please elaborate)
Opinions on Micro-insurance in general
3.1. Is micro-insurance a threat to the current insurance system? (Please elaborate)
3.2. Do you believe the current industry is saturated?
3.3. Do you believe there's an opportunity for smaller players to ascend within the industry?
3.4. Do you believe there is space for smaller players in the new system?
3.5. Do you believe the smaller participants can add value in the current system/ new system?
3.6. Do you believe the new category will cannibalise the business in current system?
3.7. Do you think new market share will be discovered in a new system?
3.8. Do you think that informal operators have the capital to become regulated and comply?
3.9. Do you believe that informal operators have the systems in place to be fully compliant come the implementation of the new micro-insurance regulation?
3.10 Do you think funeral undertakers that sell policies have the capital requirements to

ascend to fully fledged insurers?
3.11. Which do you feel is the most difficult regulation to comply with?
Opinions on regulation, TCF, RDR and FAIS regulation
4.1. Do you know about FSB's Twin peaks approach?
4.2. Do you know about the proposed regulation change?
4.3. Is your company geared to take advantage of the regulation?
4.4. Do you feel that the change is relevant to your business?
4.5. Does the regulation harm your potential to get business in future?
4.6. Do you know about TCF and RDR?
4.7. Is your company geared to accommodate TCF and RDR?
4.8. Do you feel TCF, RDR regulation is relevant?
4.9. Do you think TCF, RDR it creates an advantage or handicap?
4.10. Do you feel that we can learn from the UK's example?
4.11. Does this regulation threaten to exclude your business from the current system
4.12. Do you feel the current requirements are fair to already existing business?
4.13. Do you believe the new regulations will more suitable to all role players in the market?
Opinion on current insurance regulation
5.1. Does your business meet the current capital adequacy requirements to be an insurer under the insurance act?
5.2. Do you feel the requirements in the current regulation are enough?
5.3. Do you feel the compliance to current regulation is unfair to smaller players?
Opinion on customer satisfaction/needs
6.1. Are the needs of the consumer being met?
6.2. Do customers often request products you don't have?
6.3. Do customers often not afford your insurance services?
Opinion on consumer protection
7.1. Is consumer protection a factor when conducting business?
7.2. Do you feel the industry takes advantage of the uneducated?
7.3. Do you feel the country requires more regulation in the protection of clients
7.4. Do you feel the industry requires more regulation for the protection of low income clients?
7.5. Do you feel the industry does enough in the financial education of clients?
7.6. Whose responsibility is it to educate clients on financial matters?
Opinion on linkages
8.1. Are you best geared to supply this form of insurance as opposed to other role players?
8.2. Do you understand the socio economic factors that influence your clients buying decisions
8.3. What methods are used to sell policies?
8.4. Are your products tailor made for the individual?
8.5. Does the design of your products reflect the socio economic conditions of your clientele?
8.6. Does the pricing of your products differ depending on the income of the client?
8.7. Does the business need a party closer to the client to bridge the gap in the mismatch of client needs and product offerings

8.8. Are you able to reach all demographics
8.9. Is your business model designed to meet the needs of a certain demographic?

Appendix C

Interview Data

Opinion's on Social Responsibility in general

	Tsholo	Tasneem	Paul	Sibeko	levy	Kishore	Farzana	Jabu	Aubrey	Gladys
1.1	yes	yes	yes	yes	yes	other- micro-insurance provides social responsibility and business opportunities. Burial societies are social in nature and funeral parlours are for profit	yes	other- partly large insurance companies want to impose main stream system to this level of the market and it does not quite fit in. the level of knowledge will be already low and hence the need to teach them more	yes	yes
1.2	disagree	disagree	disagree	agree	disagree	agree- if you can afford a premium you can buy cover even if you don't have a job or bank	agree	disagree	disagree	disagree

						account				
1.3	agree	agree	agree	strongly agree	neutral	agree	strongly agree	agree	neutral	disagree
1.4	disagree	disagree	agree	disagree	agree	disagree- insurers should be responsible and provide sound products and assist with management skills	agree	agree	disagree	disagree
1.5	disagree	agree	agree	disagree	agree	disagree	agree	strongly agree	neutral	disagree
1.6	nuetral	agree	agree	strongly agree	disagree	strongly agree	agree	agree	strongly agree	agree
1.7	strongly agree	neutral	agree	agree	strongly disagree	agree- with government support	agree	strongly agree	strongly agree	agree
1.8	Offer employment to surrounding community members. Have social responsibility programs	Always striving to engage in corporate social responsibility initiatives	through social responsibility events	humble persuasion of members to prepare for the inevitable hour of death whilst health is good	we have a csi program that works with all the communities that we have insurance arrangements	paying tax honestly. Providing support to independent intermediaries like funeral parlours and burial societies re admin and compliance	ensuring consumer education initiatives, social upliftment projects, and designing products that are suitable and deliver on expected outcomes	Education of providers to know what is required and what is correct	creation of jobs	not to correct social ills but to provide products that help alleviate them

1.9	Strong government support at entrepreneurship /manufacturing programs. More job creation		yes, I believe that providing a better education system a unrestricted financial system that will cater for the most disadvantaged	a close cooperation between service providers and civic organisations to pare the cost of funerals to be bone	the biggest long term driver of this change has to be education	yes- controlling corruption so money can be spent on the poor. Adopting the right policies that benefit the people not political alliances. For example not imposing onerous labour laws on business to please alliance partners. This would create a more enabling environment for would be entrepreneur	Bigger role needs to be played by the government and more collaboration initiatives by industry	easy access and naming and shaming offenders	fair legislation	yes by giving people skills to encourage them to be self employed

Opinions on Micro-insurance regulation.

	Tsholo	Tasneem	Paul	Sibeko	levy	Kishore	Farzana	Jabu	Aubrey	Gladys
2.1	yes	yes	yes	no	yes	yes- it is trying to formalise the long existing system	yes	eyes	other- micro-insurance will create opportunities for the smaller player but the big insurers will dominate it in the end	yes

2.2	different	different	different	different	repetition	repetition- with variations to accommodate unlicensed operators	different	different	repetition	different
2.3	disagree	agree	disagree	neutral	strongly agree	strongly agree- excludes small player. High barriers of entry	agree	disagree	strongly agree	agree
2.4	yes- In the long term, it will give networks financial benefit and control		yes- it will protect the data base and also help the fight against money laundering activities	maybe	no	yes- but not entirely. Many of the small players will choose not to formalise anyway. It will be easier for them to operate as an insurers rep	yes	maybe- it's supposed to make it easier but I don't think it allows players to grow	maybe	yes
2.5	yes	maybe- could be easier for them to integrate into the industry	yes- it will protect the most vulnerable consumers, and close gaps for market abuse	yes	maybe- once again the extent to which the informal market can benefit will be driven by compliance, education and professionalism	maybe- partly assist. It will help the larger schemes to get their own licence and keep underwriting profits but the smaller schemes with a few thousand or few hundred will not benefit for being part of the sounder schemes but the benefit will be marginal.	yes	yes	no- the informal market will remain. The capital needed for micro-insurance schemes unattainable	yes

2.6	yes		yes- due to the noncompliance and market abuse we are faced with recession and financial risk	yes	no-the clients will still have access to the same products and benefits		yes	yes	maybe- in the sense that cheaper products may become available	yes
2.7	yes		yes- you are now expected to account and adopt the risk base approach when doing evaluation reporting	yes	maybe- it could if informal players rise to the challenge	no- there will be marginal or no benefit to the client. Clients might end up paying higher premiums so as to carry compliance costs and solvency requirements. Some might benefit from being part of sounder schemes but the benefit will be marginal	yes- There will be increased focus on fairness and provision of fair customer outcomes.	yes	no- the big industry players will create an environment of joint-venture with the smaller players like brokerages and larger funeral parlours	yes

2.8	yes		yes	yes	no	yes-to a large extent- large schemes will apply for licenses. If their products are properly priced they can make additional profits from underwriting	yes- Better balance in responsibilities between providers and intermediaries. More collective responsibility for fairness to customers_	maybe	maybe	yes
2.9	no		no	yes	yes- but not s=the same as current framework	no- they can already have the same cover if they afford the premium	yes	yes	yes	yes
2.10	no		yes	yes	maybe	yes- but most won't take it up because of low or no consumption, look at Zimele product	yes	no	no	no

2.11	yes- Definitely yes regulation is needed to bring credibility to the industry and also safeguard the public's interest		yes	yes	yes- any provider of a financial service needs to be regulated	no- they may have more choice of underwriter but no other benefit	yes	yes- too much miss-selling	yes- the regulation needs to understand the social sector. For the informal market and thereafter put minimum requirements in order to protect members of stokvels	yes
2.12	yes		yes	maybe	yes	yes and it already is to an extent. More enforcement is needed not more regulation at very small scheme level. Larger schemes should be given the chance to have their own licence under micro-insurance. These people are entrepreneurs and should be given the opportunity to prosper.	yes	yes	no	yes
2.13	no		yes	yes	maybe	no- most deliver on their promise	yes	no- it will suffer immensely	no	no

2.14	maybe - but all businesses regardless of their formality should be able to be in touch with their clients' needs		no	maybe	maybe- it is possible that they may be more in touch with the client but it's debatable if they act in the interest of the client	yes- as long as the community trusts them and need their service and if the regulation is poorly enforced. Also there is a huge incentive to be formal- they are outside the tax net	yes	yes- the non-insurance service makes them in touch with the client	yes	yes
2.15	maybe- only if they have systems and measures in place to research and understand the clients and their needs		yes- the formal market has better processes and systems that will be able to meet specific needs of interest	maybe	yes-the tools and opportunities to understand the market are there. It is then a matter of choice	Yes – most acquire clients through intermediaries who understand the client and see them personally.	yes	maybe		yes

Opinions on Micro-insurance in general

	Tsholo	Tasneem	Paul	Sibeko	levy	Kishore	Farzana	Jabu	Aubrey	Gladys
3.1	Maybe- For small players it's an opportunity. For established big businesses it's a threat, because their clients especially those in the funeral industry with large membership will leave to fully control their own book. Re-insurers may stand to benefit		no		maybe- it could be if it took off and was implemented properly	No – there might be a loss of the larger schemes but insurers will respond by increasing individual sales and might even take out their own micro licences	yes	no-but a ceiling to small ventures	no	no
3.2	no		yes	yes	no	yes	yes	no	yes	no
3.3	yes		no	yes	yes- but with big hurdles	Yes – most of them already have existing client bases can continue to build on them	yes	yes- provided a platform that is friendlier and scalable is provided	yes	yes
3.4	yes		yes	yes	yes	Yes – they already exist – only they will be reorganised as a formal insurer. Very small players will be excluded unless they can raise capital to build their business.	yes	yes	yes	yes
3.5	Maybe		yes	yes	yes	Yes – they already do. Many have impressive distribution channels and have a	yes	yes	yes	yes

						significant reach. Like B3 and 21st Century.				
3.6	Maybe		yes	yes	yes	yes	no	no	maybe	no
3.7	yes		maybe	yes	maybe	No – it will just be a reorganising – the players already have their market share – just formalising. Going forward if the players can raise capital then they can improve their market share but normal competition will decide who gains or loses	no	yes	maybe	yes
3.8	yes		yes	maybe	maybe- it all depends on education and professionalism	Yes the larger ones do or are sound enough to raise capital. However oppressive regulation might force consolidation and they might disappear eventually.	maybe	yes	no	yes
3.9	no		no	yes	maybe	Yes for the larger ones– the systems are available. It will depend on their business model and management. Many of these companies already have systems as they do their own administration	maybe	no	no	no
3.10	yes		no	yes	no	Yes- for the large ones.	no	yes	yes	yes

3.11	micro insurance		rdr fais	fais	fais regulation	fais regulation	TCF	RDR	RDR	micro insurance

Opinions on regulation, TCF, RDR and FAIS regulation

	Tsholo	Tasneem	Paul	Sibeko	levy	Kishore	Farzana	Jabu	Aubrey	Gladys
4.1	no		yes	no	yes	yes	yes	yes	yes	no
4.2	yes		yes	yes	yes	yes	yes	no	yes	no
4.3	yes		maybe- due to the efficient system and SAM we are patiently preparing ourselves, this requires a holistic approach towards our current business model	yes	maybe- I think there is more compliance than taking advantage- larger players benefit more as the cost of compliance is high and asserts pressure on the smaller players	yes	yes	yes	yes	yes
4.4	yes		yes	yes	yes	yes	yes	yes	maybe	yes
4.5	yes		no	no	yes	Yes– but it increase compliance costs and make products more expensive for the consumer – also it might make it difficult to retain intermediaries	no	maybe	yes	no
4.6	no		yes	no	yes	yes	yes	yes	yes	yes
4.7	yes		yes	maybe	no	yes- no choice but to comply	yes	yes	maybe	yes
4.8	yes		yes	maybe	yes	Yes – but they must be reasonable and take realities into account. We need intermediaries to sell policies and they must be remunerated.	yes	yes	yes	yes

4.9	advantage		advantage		both- depending on the size of organisation	Handicap – TCF fine but RDR proposals might create handicaps wrt commission proposals. Will wait for final regulation to have a clearer picture.	advantage	advantage	handicap	advantage
4.10			agree		disagree	Strongly agree – but the lesson is not to over regulate. There the intermediary force has dropped quite sharply and consumers therefore don't have the benefit of advice. Our population is less educated and we need appropriate legislation	agree	strongly agree- especially the effect on advisers	neutral	agree
4.11	no		no		no	Yes – partly if we cannot recruit new intermediaries. Difficult as it is	no	maybe	maybe	no
4.12	no		no	yes	yes	yes	yes	yes	no	yes
4.13	yes		no	yes	no	No – the insurers have been doing the same things already of TCF– just the paperwork has now increased.	yes	maybe	no	yes

Opinion on current insurance regulation

	Tsholo	Tasneem	Paul	Sibeko	levy	Kishore	Farzana	Jabu	Aubrey	Gladys
5.1	no		yes		yes	yes	yes	yes	yes	yes
5.2	yes		yes	maybe	yes	yes	no	no	yes	yes
5.3	agree		agree	neutral	strongly agree- larger players support the increase in compliance	strongly agree	disagree	agree	strongly agree	disagree

					to exclude smaller players					

Opinion on customer satisfaction/needs

	Tsholo	Tasneem	Paul	Sibeko	levy	Kishore	Farzana	Jabu	Aubrey	Gladys
6.1	neutral		nuetral	neutral	neutral	strongly agree	disagree	neutral	agree	agree
6.2	yes		yes	yes	no	No – occasionally they do – not often	no	yes	yes	yes
6.3	no		no		no	No – we have products and distribution channels for different markets	no	no	no	no

Opinion on consumer protection

	Tsholo	Tasneem	Paul	Sibeko	levy	Kishore	Farzana	Jabu	Aubrey	Gladys
7.1	just a factor		just a factor	determining factor	determining factor	just a factor	determining factor	just a factor	determining factor	determining factor
7.2	agree		agree	neutral	agree	strongly agree	agree	strongly agree	strongly agree	disagree
7.3	strongly disagree		agree	agree	Disagree- I believe we have a highly regulated environment. The focus should be on enforcing the current regulation	disagree	agree	agree	disagree	agree
7.4	agree		agree	disagree	Disagree- I believe we have a highly regulated environment. The focus should be on	strongly disagree- more robust enforcement yes	agree	agree	disagree	agree

					enforcing the current regulation					
7.5	disagree		disagree	neutral	disagree	neutral	strongly disagree	disagree	neutral	agree
7.6	insurance operator/ individuals		insurance industry	insurance industry	sector bodies	Insurance industry – can only benefit the industry	insurance industry	insurance industry	government	insurance industry

Opinion on linkages

	Tsholo	Tasneem	Paul	Sibeko	levy	Kishore	Farzana	Jabu	Aubrey	Gladys
8.1	yes		yes	yes	no		no	no	no	yes
8.2	yes		yes	yes	yes	yes	yes	yes	yes	yes
8.3	all-no call center		third party	third party	all	inbound	outbound/3rd party	3rd party	door to door	door to door
8.4	yes		yes	yes	no	no	yes	no	yes	yes
8.5	yes		yes	yes	yes	yes	yes	yes	yes	yes
8.6	no		no	yes	yes	yes	yes	yes	no	yes
8.7	no		yes	no	no	No – products are matched to clients' needs	yes	no	no	yes
8.8	no		no	no	yes	yes	no	yes	yes	yes
8.9	yes		yes	no	no	Yes – we use appropriate channels for different LSM and product type	yes	no	yes	no