

Access to financial services

Financial Solutions for poor households

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Transforming the short-term insurance industry

- **The Financial Sector Charter / The challenge**
- **Market definition**
- **The MZANSI Insurance Product**



The Financial Sector Charter

The Financial Sector Charter, which was signed in October 2003, effectively commits all signatories to actively promote a **transformed, vibrant and globally competitive** financial sector that reflects the demographics of South Africa and contributes to the establishment of an equitable society by effectively providing accessible financial services to black people

Principles

- A commitment that is voluntarily developed by the Financial Sector
- A transformation framework that establishes mechanisms for Broad Based Black Economic Empowerment
- Provisions subject to sound business principles

The pillars

1. Human Resources Development
2. **Access to Financial Services**
3. Empowerment Financing
4. Procurement & Enterprise Development
5. Ownership & Control
6. Shareholder Activism
7. Corporate Social Investment

Financial Sector Charter Access

8. Access to financial services
 - ...ensuring the provision of first-order retail financial services, including:
 - 2.27.4 insurance products and services being the mitigation of impact of defined first order basic risks (e.g. life insurance, funeral insurance, burial society, household insurance and health insurance)

The Challenge

Effective access to short-term risk insurance products and services means

- Appropriate product
- Affordably priced
- Accessible infrastructure
- to 6% of black persons in the LSM (Living Standard Measures) 1-5 grouping by 2008

Market definition

- Findings from the research
- 17.5 million adults in LSM 1-5
- Current penetration less than 0.4 % (2004)
- 45% of South Africans earn less than R500 pm (less than €60)
- 74% of the population earn less than R2 000 pm (less than €240)
- 31% unemployed, 26% students or retired
- Only 25% work full time- of which 5% are informally full-time employed

Market definition cont.

- Access not the only barrier
 - Income
 - Unemployment
 - Financial priority
- In 2005
 - 53% of black South Africans have often or sometimes gone without cash income
 - 31% of black South Africans have often or sometimes gone without enough food to eat.
 - 36% of black South Africans don't understand what short-term insurance is.

Market definition cont.

Findings from the Community

- Biggest fear is fire
- Biggest threat is theft
- Biggest concern is weather related risks

Some conventional insurance principles cannot apply

- Application in writing
- Proof of ownership
- Average
- Continuous payment

Mzansi insurance policy

No frills policy to provide cover for the home, household goods and personal effects against specified perils i.e. Fire, Lightning, Explosion, Storm, Flood, Impact and Theft (sudden and unexpected events)

Mzansi insurance policy cont.

- **Target market conditions taken into consideration**
- **Restricted cover/risks in line with priority needs**
- **Suggested premiums included where possible**
 - **No historic data to use as baseline**
 - **Cover conditions different to conventional insurance**
 - **Actuarial advice taken**

MZANSI INSURANCE PRODUCT

Unique Features

- **Language**
 - Policy contract to be in court languages
 - Other documentation, service and marketing to be in clients language
- **Irregular payments catered for – both amounts and time of payments**
- **Payment mechanisms –**
 - Cellphone banking
 - Traditional banking / MZANSI bank account
 - Post Office
 - Retailers
 - Cash
 - Affinity groups
 - Burial societies



MZANSI INSURANCE cont

Unique Features cont.

- **Distribution Methods**
 - Brokers, where possible
 - Direct Insurance
 - Community Leaders
 - Affinity Groups
 - Banks
 - Post Office
 - Retailers
 - Kiosks
- **Claims settlement preferably by repair / replacement**
- **Policy only cancelled after 3 consecutive non-payments**



Combined home and contents

- Risks included
 - Fire
 - Theft
 - Lightning, explosion, storm, wind, hail, snow, flood
- Theft limited to specified amount and limited to 2 claims in 12 month period
- List of basic exclusions
- First amount payable 1% of each claim with a minimum of R 50



Combined home and contents cont.

Sum Insured Options	Combined Sum Insured	Maximum Theft Cover	Suggested Premium
Option 1	10,000	500	R15 (€1.75)
Option 2	15,000	500	R20 (€2.35)
Option 3	40,000	1,500	R30 (€3.50)
Option 4	75,000	2,500	R60 (€7.00)
Option 5	150,000	5,000	R115 (€13.50)
Option 6	220,000	7,000	R170 (€20)



Liability

- **Only in the event of fire**
- **Risks included**
 - Accidental death or injury to other persons
 - Accidental damage to property
- **Limit of liability R 50 000**
- **Cover included if combined buildings & contents cover taken**
- **List of basic exclusions**

Cell phone

- **Risks included**
 - Theft or damage beyond repair
- **Cellphone replacement**
 - New “basic model” cell phone being discussed with handset providers
- **First amount payable**
 - R 100 for each and every claim
 - Sliding scale under review for multiple claimants
- **Airtime and SIM card excluded**
- **Blacklisting of cell phone essential**
- **Suggested premium R10 (€1.2)**