
Release of the microinsurance policy document

The National Treasury today releases a policy document entitled “The South African Microinsurance Regulatory Framework”. The proposed microinsurance framework discussed in this document aims to address the specific challenges of improving access to insurance and consumer protection for lower income families in South Africa. It is an important first step towards providing South Africans with better, more affordable insurance.

Three features of the insurance market in South Africa require policy address: promoting better access for South Africans to affordable insurance products that meet their daily risks; better matching of insurance products to the needs of low-income consumers; and strengthening consumer protection.

Microinsurance refers to insurance that is accessed by the low-income population, provided by a variety of different providers and managed in accordance with generally accepted insurance practice. It forms part of the broader insurance market, distinguished by its particular focus on the low-income market. The dominant insurance product in the lower-income insurance market is funeral cover, which is often provided by unlicensed providers, resulting in significant risks to consumers.

The National Treasury intends for the policy framework to achieve the following objectives:

- Extend access to a variety of good-value formal insurance products appropriate to the needs of low-income households, thereby supporting financial inclusion.
- Facilitate formalised insurance provision by currently informal providers, and promote the formation of regulated and well capitalised insurance providers and small business development.

- Lower barriers to entry to encourage broader participation in the market and promote competition amongst providers.
- Enhance consumer protection within this market segment through appropriate prudential and business conduct regulation, improved enforcement of regulations, and consumer education interventions targeted at understanding insurance and its associated risks and benefits.
- Facilitate more effective supervision and enforcement, supporting the integrity of the insurance market as a whole.

This microinsurance policy document builds on the National Treasury's 2008 discussion paper on the "*Future of Microinsurance in South Africa*." Consultation on the 2008 proposals informs the policy positions that underpin the proposed Microinsurance Act, providing a comprehensive framework for improving product delivery and consumer protection in this market.

The National Treasury and Financial Services Board will develop the microinsurance legislation for comment by 2012, and for tabling in Parliament by 2013.

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