

Insurance is about risk. For example, a small funeral parlour operating in this manner, with about 1 000 people in its books can find itself having to bury 200 people at the same time. This might just prove to be a challenge as it might not have enough funds to meet this obligation.

Instead, if the policies are underwritten by a registered insurer, this would be possible as insurance companies have the capacity, minimum solvency requirements, ongoing compliance reports, capital and a risk profile to provide for that. The law imposes certain checks and balances to ensure that the insurer fulfils its obligations should such an event occur.

The Micro-Insurance Department therefore has a responsibility to oversee the market conduct of insurance companies that provide funeral insurance policies, which are classified as 'assistance insurance policies' in terms of the Long-term Insurance Act.

## SIMPLIFIED REQUIREMENTS FOR REGULATION

In 2011 the National Treasury published a policy document setting out a regulatory framework for the micro-insurance sector. This is the sector that has people or entities operating as micro-insurers – usually small businesses themselves – supplying products which target mainly low income earners, and would therefore be in need of simplified requirements for regulation.

The purpose of the policy document was to have separate legislation which would govern the provision of micro insurance services, separate from the Long-term Insurance Act and the Short-term Insurance Act. The proposed legislation would target to bring such entities into the regulatory framework by crafting regulations specific to this group.

The Mico-Insurance Department was set up after the policy document was published in anticipation of this regulatory framework.

In light of the current National Treasury's financial sector regulatory reform, in particular the Twin Peaks model of financial regulation and the Treating Customers Fairly (TCF) principles, the regulatory framework will no longer be given effect through a dedicated Micro-Insurance Bill, but rather micro-insurance will be provided for in a new Insurance Act as well as cross-cutting market conduct legislation.

As it is currently, the Long-term Insurance Act provides for different classes of insurance policies and one of those is assistance

**That's why we always stress consumer education so that people must know what to do and what not to do when purchasing a financial services product.**



policies, which are supervised by the Micro-Insurance Department through conducting on-site visits as well as investigating compliance with respect to registered and unregistered insurance businesses.

## FUNERAL PARLOURS IN THE FINANCIAL SERVICES SPACE

The core business of funeral parlours is conducting funeral services but they often find themselves taking on another role, collecting monies from consumers and providing cover in terms of these services. That is insurance business because consumers pay a premium for a guaranteed cover against a risk and therefore these parlours are operating in a financial services space.

A major problem with many funeral parlours is that they operate in the financial services

space without fully understanding the requirements of what is needed to operate in this sector and therefore do not meet the regulatory requirements.

As a result, if a funeral parlour markets or sells policies as part of its business, such policies must be underwritten by a licensed insurance company which meets these requirements. It is not illegal for a parlour to collect the premiums monthly or on a regular basis but those premiums would need to be remitted to the insurer. An administration fee or commission may be negotiated between the two parties.

Additionally, if the parlour sells the policies itself or offers financial advice then it would need to register and be licensed in terms of the Financial Advisory and Intermediary Services (FAIS) Act, as it would be deemed to be an intermediary.

We often find ourselves grappling to explain why funeral parlours need to be underwritten. It is so that they can be able to cover the risks, because even though some have a large client base and collect a lot of money, they are often unable to settle all the claims.

## FSB ACCOMMODATIVE, PROTECTS CONSUMERS

When the FSB receives a complaint, an initial investigation is conducted. If it is found that the business operates in the financial services space, a letter is then sent to that entity to request documents proving it is operating lawfully.

The letter would also warn that if the entity does not respond within ten working days, a communiqué will be issued and published in the media to warn the public to be cautious when dealing with the errant business.

We try to accommodate them as much as possible and give them room to comply with the regulations. In some serious cases where the business book is large and