



## Exploring access to insurance in South Africa using the Access Frontier Methodology

October 2006



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### Short term insurance products reviewed:

#### Household contents

- Insurance of the removable non-structural contents of home
- Cover in the event of damage to or theft of items such as TV's, hi-fi's, etc.

#### Home owners

- Insurance of the actual building itself
- Cover of permanent fixed structures in building such as windows, doors, geysers, etc. i.e. the building itself

#### Cell phone

- Insurance of cellular phone against theft and accidental damage

#### Car / Vehicle

- Insurance of vehicle and/or vehicle accident related claims

### Household contents insurance

#### Basic product description

#### Basic product features

- Cover of contents of home against losses caused by fire, theft, acts of nature (floods, hail, etc.), accidental damage
- Minimum premium of R15pm affords R10 000 cover (Santam Multihome)

#### Availability

- Available to occupants of formal dwellings only. Content of informal dwellings, such as shacks, cannot be covered
- Cover can be obtained countrywide although premiums vary according to area (lower income areas tend to be regarded as higher risk areas)

#### Sales channels

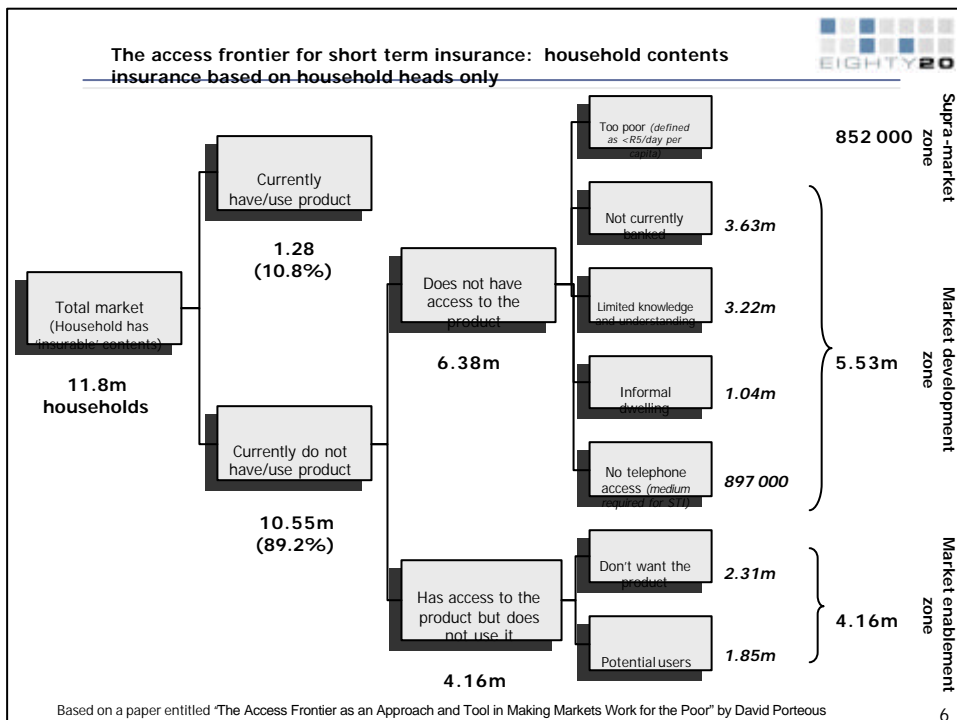
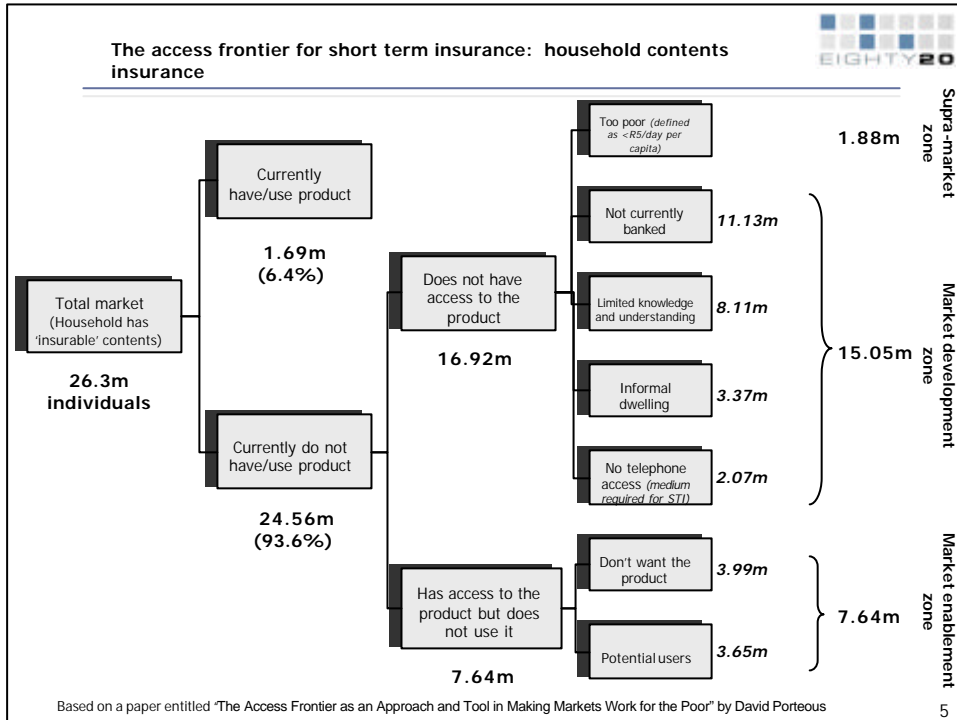
- Direct via telephone (no documents for signing). Telephonic discussion recorded as proof of purchase
- Brokers

#### Premium collection

- Monthly payments
- Debit order only

#### Client requirements

- Bank account to facilitate debit order payments
- Formal dwelling
- Access to a telephone



**The access frontier for short term insurance: household contents insurance**



Total market  
(Household has 'insurable' contents)

Not currently banked

Limited knowledge and understanding

Informal dwelling

No telephone access (medium required for short term insurance)

Affordability

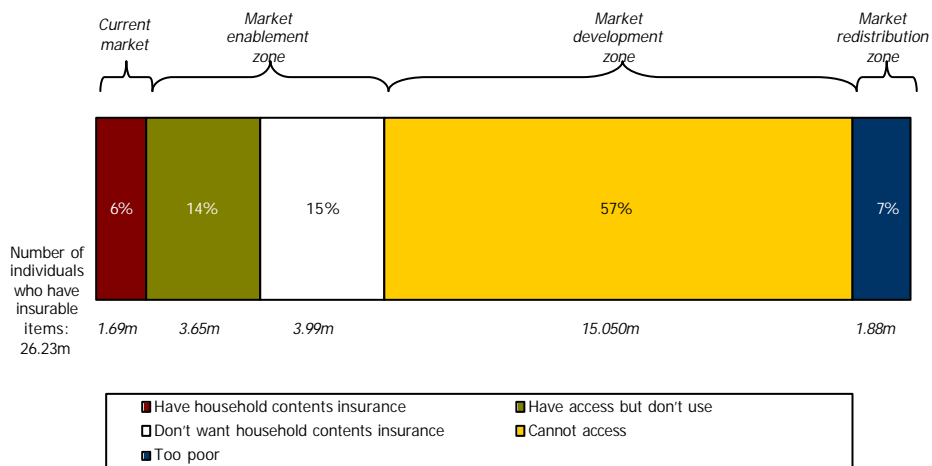
Don't want the product

- Derived from Finscope DMH 2005
- Based on households containing items of value (respondents who answered yes to any of the following: fridge/freezer, microwave, VCR, washing machine, computer at home, electric stove, TV, tumble dryer, hi-fi, m-net/DStv, dishwasher, deep freezer)
- Bank account is a necessity as short term insurance providers only accept payment by debit order
- Answered yes to any of the following questions: don't understand how short term insurance works, don't know how to go about buying cover, don't know how to find out where to buy from, say there are no brokers/companies close by to buy from (indicates a lack of knowledge about how to purchase via direct channels), say they have no items to insure, don't understand the terms insurance or short term insurance(QRN4, QFL2)
- At present there is no household contents insurance available for those who live in informal dwelling (items must be 'securable')
- Telephone communication is the primary channel to purchase the product directly (can use brokers, but access is likely to be more limited than access to a telephone)
- Not regarded as a constraint. (Santam Multihome minimum premium is R15p.m.)
- Defined as those respondents who have indicated that they do not want, have no need, or do not believe in short term insurance or its benefits (QRN4)
- Note that this refers to short term insurance in general, not necessarily to this specific type of cover

**The access frontier for short term insurance: household contents insurance**



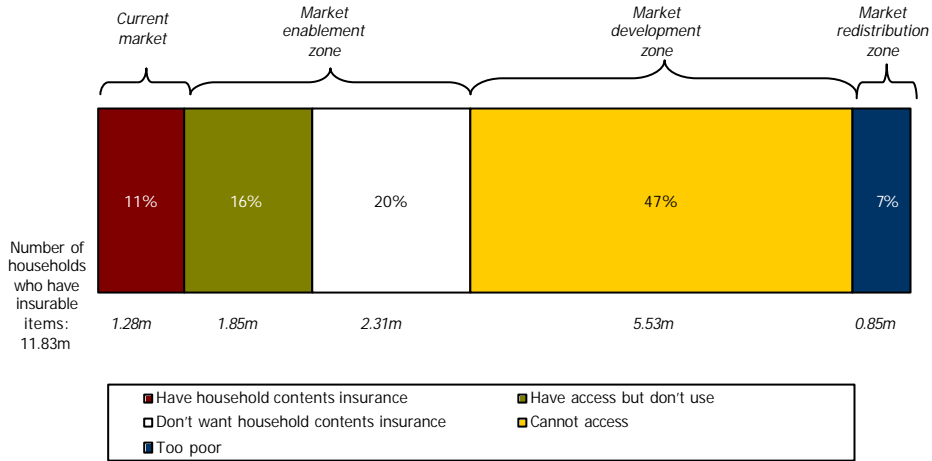
**Access frontier for household contents insurance**



**The access frontier for short term insurance: household contents insurance based on survey for household heads only**



**Access frontier for household contents insurance – household heads only**

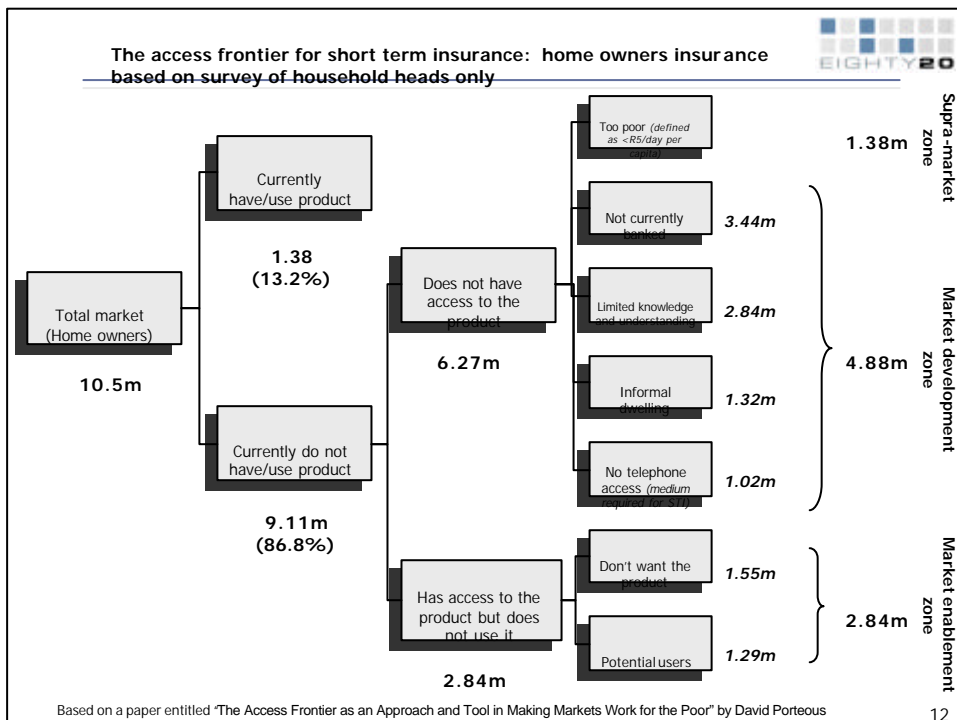
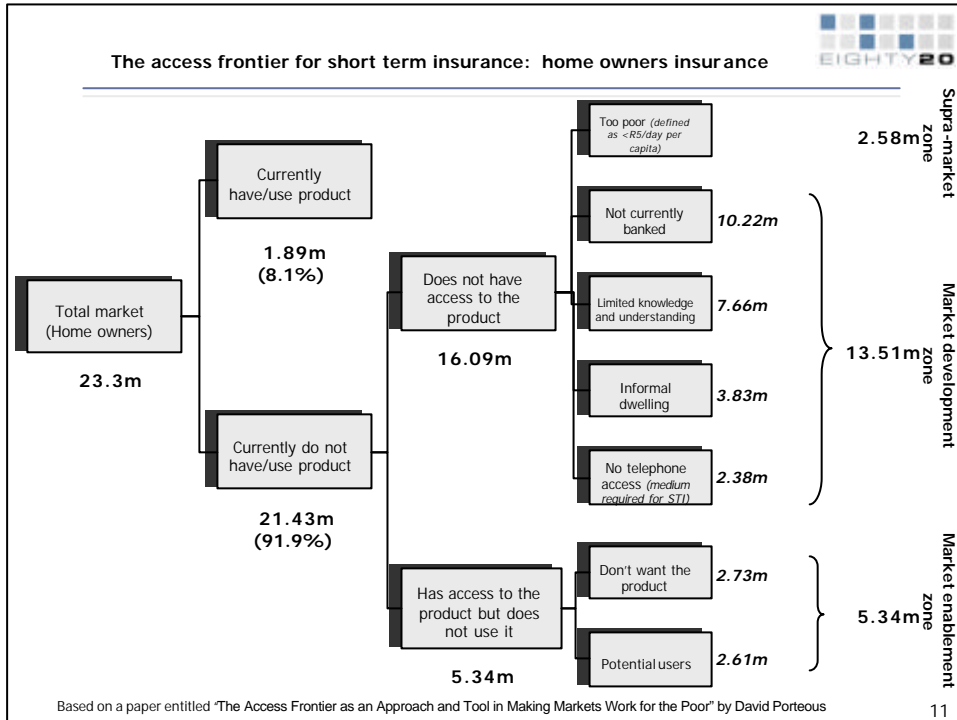


**Home owners insurance**



**Basic product description**

- |                               |   |
|-------------------------------|---|
| <b>Basic product features</b> | <ul style="list-style-type: none"> <li>■ Cover of actual building itself and permanent fixtures</li> <li>■ Cover against losses arising from fire, theft, acts of nature (floods, hail, etc.), accidental damage</li> <li>■ Minimum premium of R10pm affords R5000 cover (Santam Multihome)</li> </ul>                            |
| <b>Availability</b>           | <ul style="list-style-type: none"> <li>■ Available to owners of 'securable' dwellings only i.e. those in informal dwellings, such as shacks, are NOT offered cover</li> <li>■ Cover can be obtained countrywide although premiums vary according to area (lower income areas tend to be regarded as higher risk areas)</li> </ul> |
| <b>Sales channels</b>         | <ul style="list-style-type: none"> <li>■ Direct via telephone (no documents for signing). Telephonic discussion recorded as proof of purchase</li> <li>■ Brokers</li> </ul>   |
| <b>Premium collection</b>     | <ul style="list-style-type: none"> <li>■ Monthly payments</li> <li>■ Debit order only</li> </ul>  |
| <b>Client requirements</b>    | <ul style="list-style-type: none"> <li>■ Bank account to facilitate debit order payments</li> <li>■ Formal dwelling</li> <li>■ Access to a telephone</li> </ul>   |

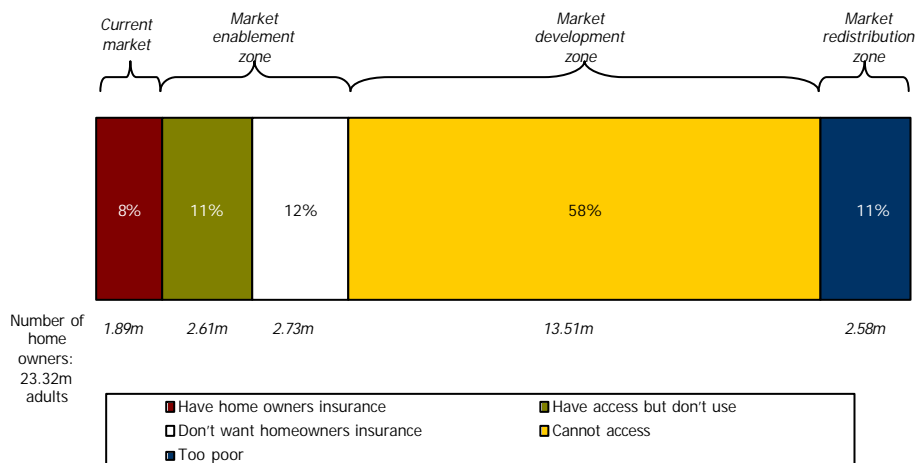


### The access frontier for short term insurance: home owners insurance

Total market (Home owners)	<ul style="list-style-type: none"> <li>Derived from Finscope DMH 2005</li> <li>Based on whether household owns or rents dwelling</li> </ul>
Not currently banked	<ul style="list-style-type: none"> <li>Bank account is a necessity as short term insurance providers only accept payment by debit order</li> </ul>
Limited knowledge and understanding	<ul style="list-style-type: none"> <li>Answered yes to any of the following questions: don't understand how short term insurance works, don't know how to go about buying cover, don't know how to find out where to buy from, say there are no brokers/companies close by to buy from, say they have no things to insure, don't understand the term insurance or short term insurance. (QRN4, QFL2)</li> </ul>
Informal dwelling	<ul style="list-style-type: none"> <li>At present there is no home owners insurance available for home owners of informal dwellings</li> </ul>
No telephone access (medium required for STI)	<ul style="list-style-type: none"> <li>Telephone communication is the primary channel to purchase the product directly (can use brokers, but access is likely to be more limited than access to a telephone)</li> </ul>
Affordability	<ul style="list-style-type: none"> <li>It has been found that this is not a constraint. (Santam Multihome minimum premium set at R10pm)</li> </ul>
Don't want the product	<ul style="list-style-type: none"> <li>Defined as those respondents who have indicated that they do not want, have no need, or do not believe in short term insurance or its benefits (QRN4)</li> <li>Note that this refers to short term insurance in general, not necessarily to this specific type of cover</li> </ul>

### The access frontier for short term insurance: home owners insurance

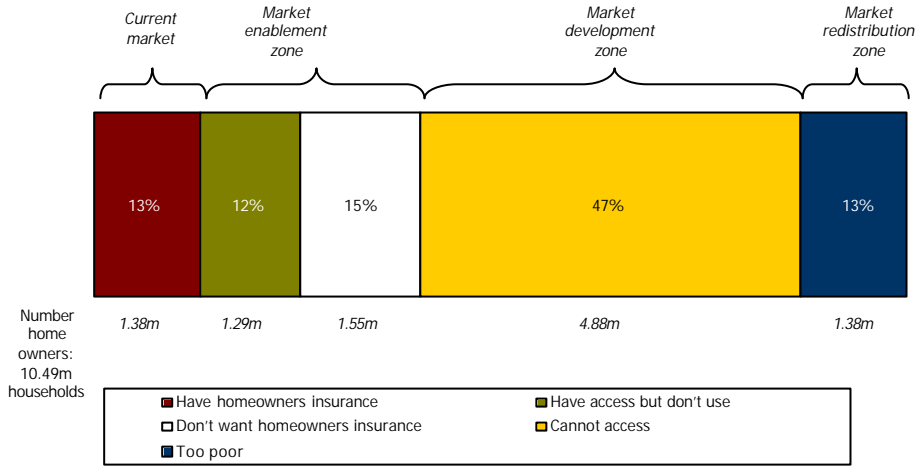
#### Access frontier for home owners insurance



**The access frontier for short term insurance: home owners insurance based on survey for household heads only**



**Access frontier for home owners insurance – household heads only**



**Cell phone insurance**



**Basic product description**

**Basic product features**

- Cover of cellular phone against theft and accidental damage
- Minimum premium of R20pm affords R1000 cover (PEP cell phone insurance)

**Availability**

- Available to cell phone owners

**Sales channels**

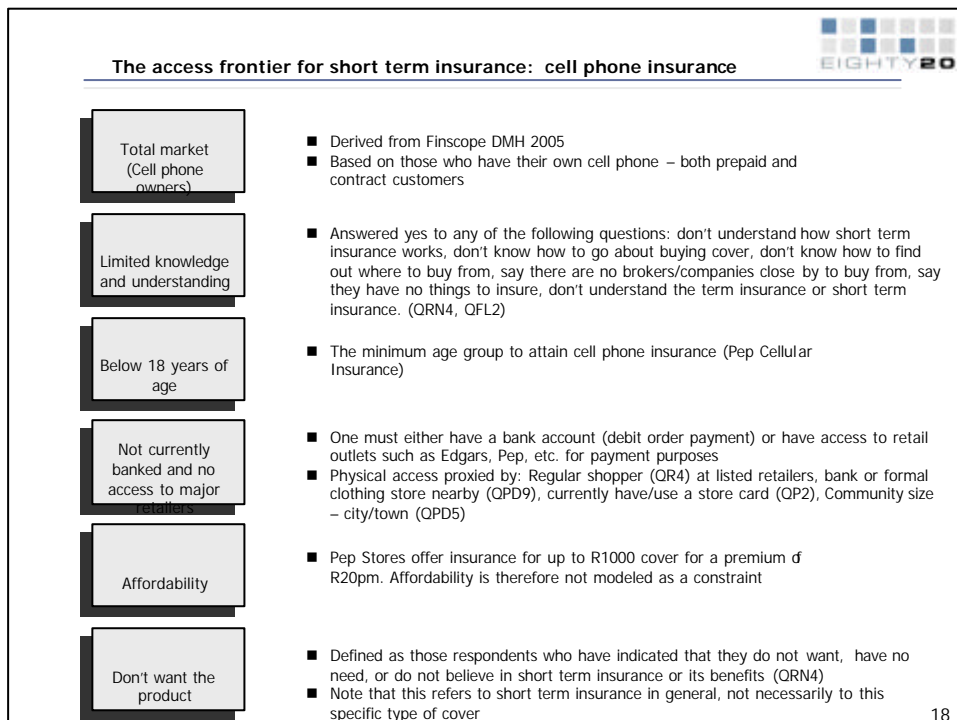
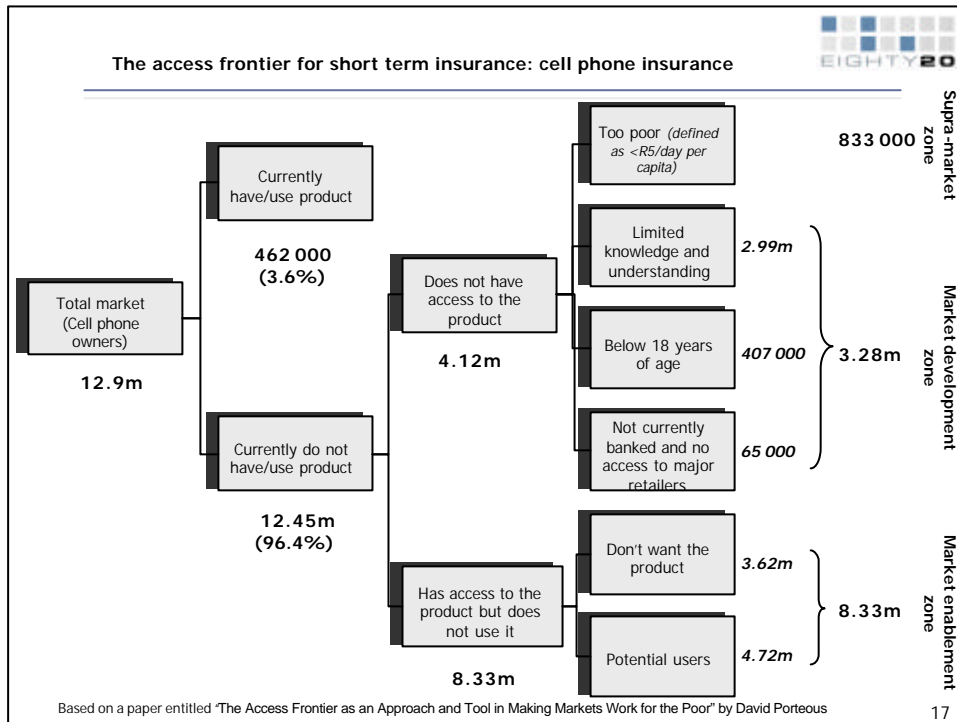
- Direct via telephone (e.g. Standard Bank, Outsurance, etc.) or at a retailer point of sale (e.g. PEP, JET, Edgars)

**Premium collection**

- Monthly payments
- Debit order only

**Client requirements**

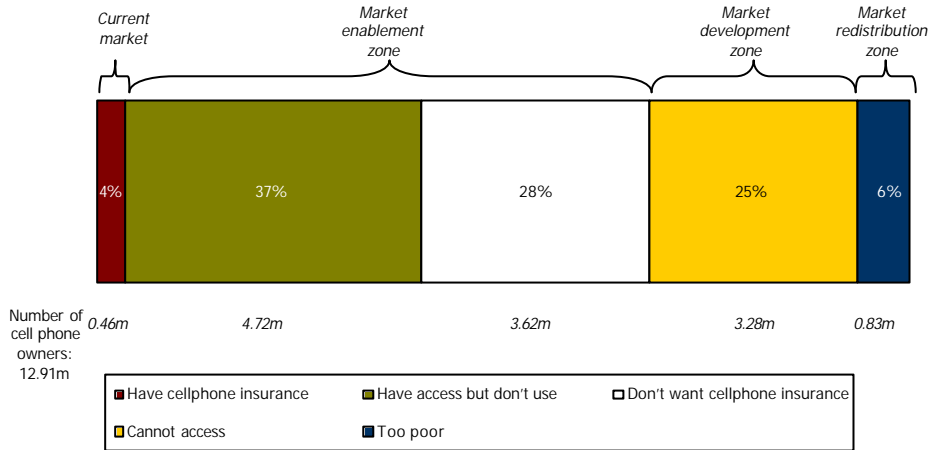
- Bank account (debit order payments) or access to major retailer
- Minimum 18 years old



The access frontier for short term insurance: cell phone insurance



Access frontier for cell phone insurance



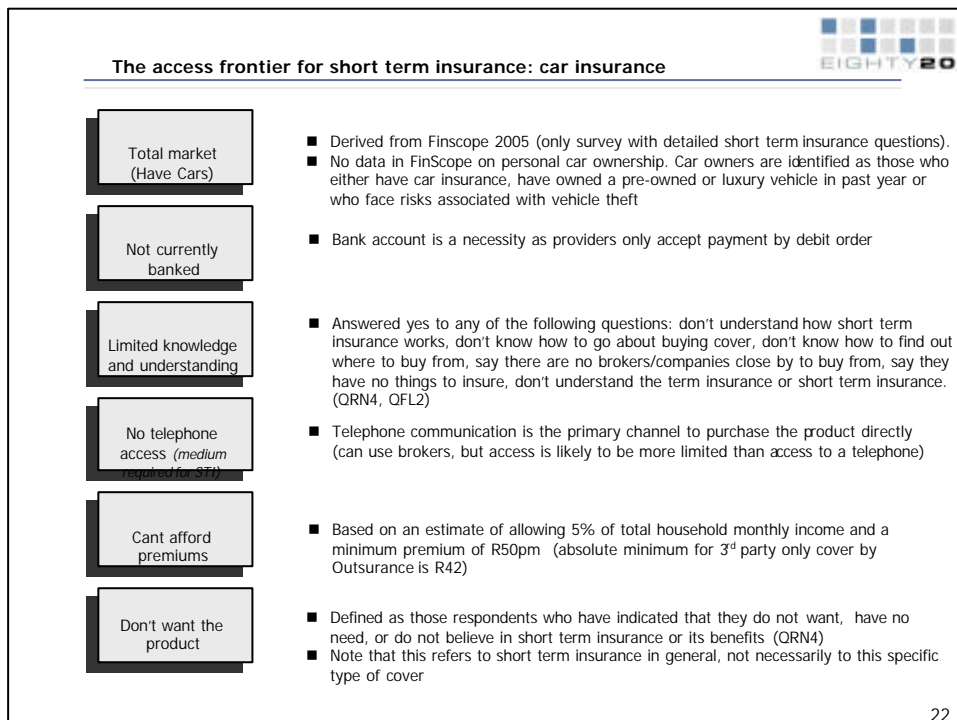
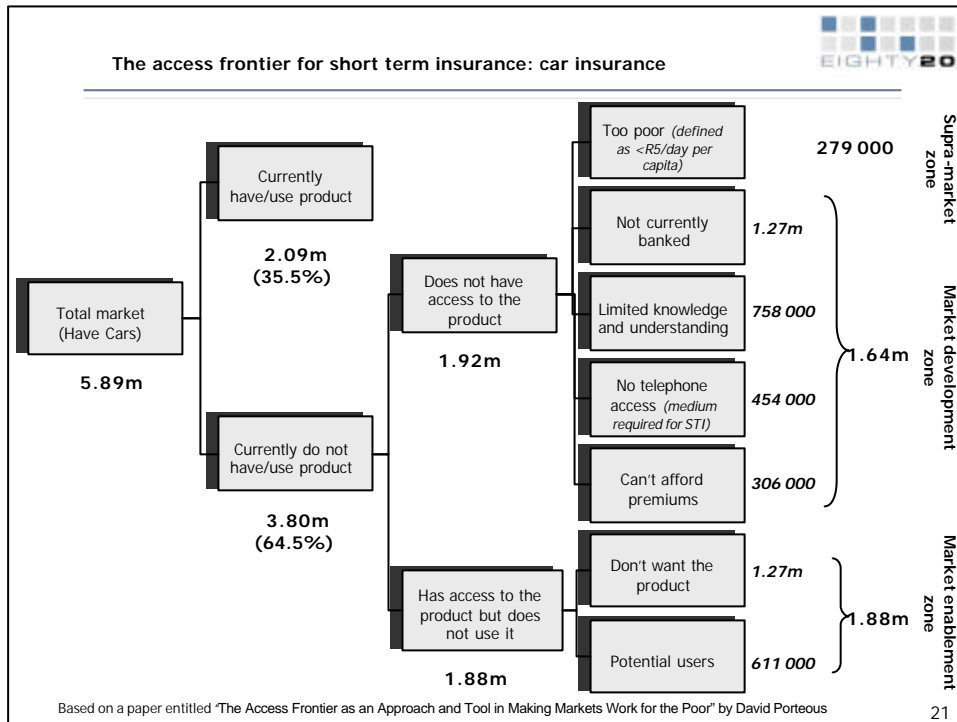
Car insurance



Basic product description

- Basic product features
- Availability
- Sales channels
- Premium collection
- Client requirements

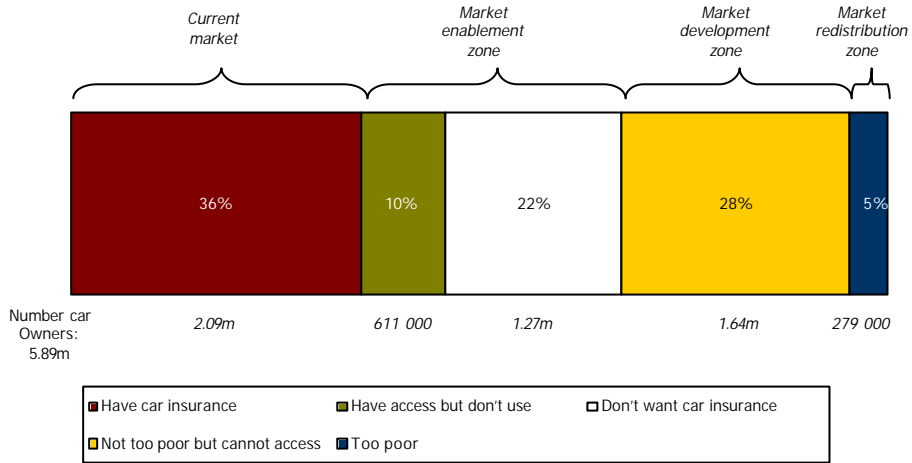
- Cover of vehicle, or liability to other parties
- Cover against fire, theft, hijack, accident, damage to other parties/property – varies with cover options
- Minimum premium of R42 for 3<sup>rd</sup> party only (Outsurance)
- Available to owners of legally registered motor vehicles
- All areas of country are offered cover – though premiums will vary according to risk
- Direct via telephone (no documents for signing)
- Telephonic discussion recorded as proof of purchase
- Monthly payments
- Debit order only
- Bank account – debit order payments
- Access to a telephone



## The access frontier for short term insurance: car insurance



### Access frontier for car insurance



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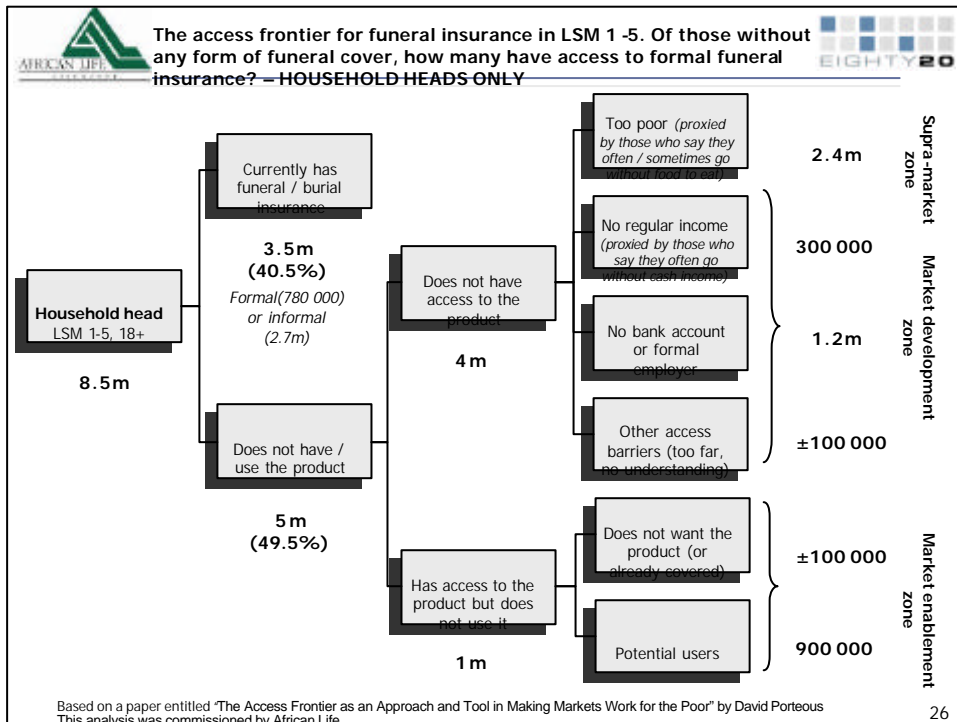
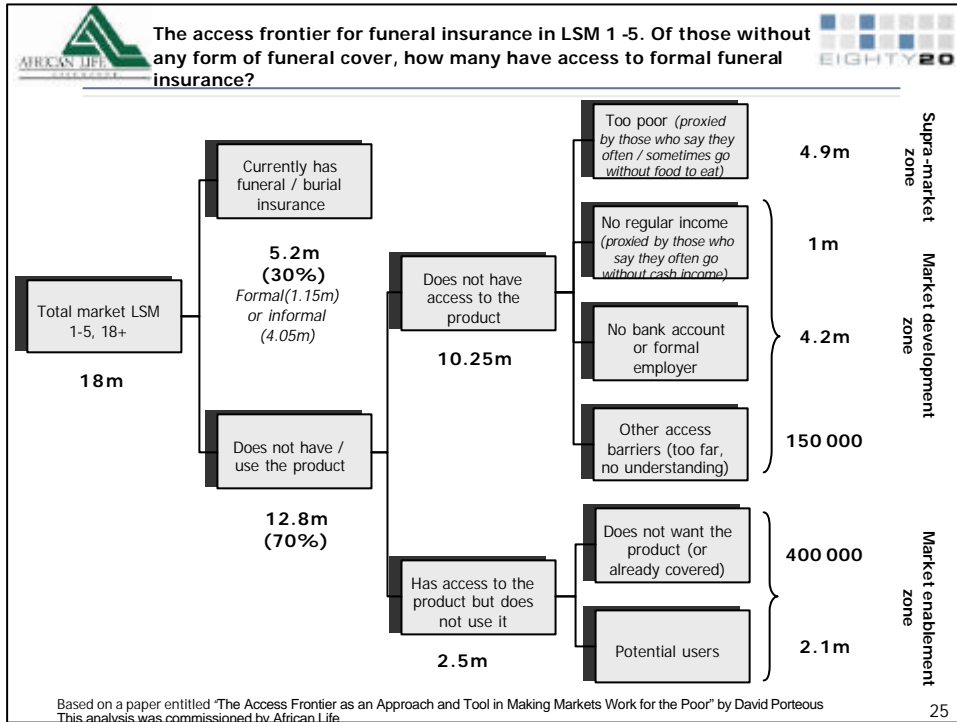
## Agenda



1. Short term insurance products

2. Funeral insurance

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