



## Editor's Comment

### Interesting times

Prediction is difficult, especially about the future, goes the saying. But for the financial services industry the year ahead looks full of interesting times.

This year the final phase of the implementation of the National Credit Act kicks in, with major implications for granters of credit. And the Competition Commission inquiry into bank charges and the national payment system, which earns the banking industry around R29-billion a year, will also reach its conclusions.

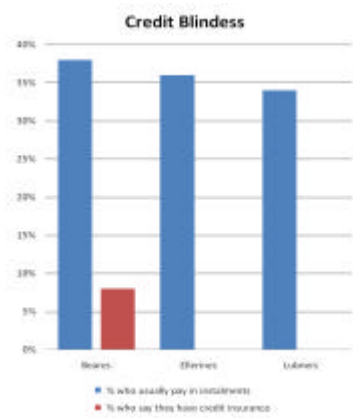
The National Credit Act brings South Africa's credit legislation in line with that of developed countries. But while it is likely to do its job of reducing undesirable credit practices, the financial system may take some time to adjust to the new law – and the implications for broadening access to financial services remains to be seen.

The Competition Commission's final report on the banking industry is expected mid-year. Judging by the report that led to the inquiry, there will be pressure on banks to reduce charges and open up the National Payment System to new participants. Perhaps we will see the abolition of the Saswitch fee, as FNB has proposed, or a cross-industry reduction of interchange fees, as Absa has hinted at.

The long-term-insurance industry ended 2006 still feeling battered. Very public battles with feisty outgoing pension fund adjudicator Vuyani Ngalwana have undoubtedly damaged the image of the life insurance business and made consumers more skeptical about the benefits of products. As with other financial products, continued education about the real benefits of insurance is needed, along with making them more accessible and relevant, particularly to those with limited resources.

Janet Wilhelm

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When consumers don't know they have bought insurance (see below)

### Lack of disclosure

One thing that will probably change when the National Credit Act is implemented is that it will improve awareness about the current "compulsory" insurance for goods bought on instalment.

Many instalment customers at present are unaware they have such insurance. This is noted by Genesis Analytics in its report for the FinMark Trust, on the distribution of micro-insurance through retail outlets.

The table above shows that more than a third of buyers in Living Standards Measure 1 to 5 who shop at three Ellerine Holdings furniture stores buy on instalment. Yet only 8% in one instance, and zero percent at the two other shops, say they have credit insurance.

The report concludes that retailers could well serve as distribution channels for micro-insurance products, but so far such voluntary insurance sales have not taken off. Among other things, retailers need to understand the whole insurance chain; manage the trade-off between product simplicity and lower prices, and advice and higher cost; and actively sell insurance products.

A copy of *Distribution of micro-insurance through retail outlets: South African case study* is available at [http://www.finmarktrust.org.za/documents/2006/November/Insurance\\_retail.pdf](http://www.finmarktrust.org.za/documents/2006/November/Insurance_retail.pdf)

### Protecting the poor

*Protecting the Poor: A Microinsurance Compendium* is essential reading for anyone interested in the low-income insurance market. This comprehensive compilation draws on the results of the CGAP (Consultative Group to Assist the Poor) Working Group on Microinsurance project on the microinsurance industry around the world. Topics covered, include product design and alternative delivery options.

Co-published by the ILO and Munich Re Foundation, the book is available online at [www.ilo.org](http://www.ilo.org) (see publications).

### Making markets matter

The ComMark Trust *Making Markets Work for the Poor in Southern and Eastern Africa* conference at the Spier Estate in Cape Town from 12 – 15 March will showcase practical experience of the M4P approach to development. Other organisations making presentations include FinMark Trust, Asian Development Bank/DFID, CGAP, USAID, FIAS and the ILO. Topics include *Moving the access frontier in financial service markets and Experience of M4P in Vietnam*.

Nku Nyembezi-Heita of Vodacom will talk about reaching out to mass markets in townships; and WIZZIT's Brian Richardson about financial services at the base of the pyramid. See <http://www.commark.org/downloads/2007%20M4p%20Markets%20Seminar.pdf> or email [norma@commark.org](mailto:norma@commark.org)

### Next FinMark Forum

Please join us on 23 January for a presentation by Bridget Lamont of the Savings Institution of South Africa and Illana Melzer of Eighty20 Consulting on *The Savings Market: Assessing the barriers, costs and potential*.

**Time:** 17:30–18:45 (drinks afterwards)

**Venue:** Deloitte Auditorium, The Woodlands, 20 Woodlands Drive, Woodmead, Sandton.

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