

Short note on:

## **MICRO-INSURANCE IN SOUTH AFRICA**

### ***Introduction***

Micro-Insurance refers to an area of cover made accessible to low-income individuals. The idea of Micro-Insurance is to offer a less expensive way for individuals to protect themselves against loss or damage.

With there being more involvement in the formal insurance sector, the majority of South African median households have been left without a reliable way to spread the risk of smaller asset-negative events like a cellphone being stolen or severely damaged over a period of a few months without an exorbitant fee.

### ***The need for Micro-Insurance frameworks***

Currently, the cornerstone of Micro-Insurance in South Africa lies in funeral policies with various major policy providers offering cover for minimal rates. This stems from the major and at times unforeseen need to provide for an event of a sensitive nature when having inadequate funding.

The correlation between an unforeseen and yet financially demanding situation like this can be exported to the idea of your car being involved in a serious collision or getting stolen, losing out on a few days of pay at work or even covering everyday costs for your surviving dependents after your untimely death.

### ***The Insurance Act 18 of 2017***

Considering a large part of the population would fall into this low-income bracket with inadequate access to insurance cover, there was a need for the promulgation of the Insurance Act (hereinafter 'the Act'). The Act aims to introduce a legal framework in the area of Micro-Insurance with the hopes that this will encourage more formal providers in this space and therefore, coverage options for those seeking it.

The Act replaces certain parts of the Long-Term Insurance Act No 52 of 1998 and the Short-Term Insurance Act No 53 of 1998.<sup>1</sup> Under the Act, the Micro-Insurance provider will have to apply for a license in order to operate whether a profit or non-profit company.<sup>2</sup> This would mean delays before we saw any kind of flood in the market in relation to reliable long-term providers as the relative risk assessments and policy considerations would have to be factored in time-wise.

Furthermore, under Table 2 of Schedule 2 of the Act, the various areas in which cover can be provided are listed. As per the classifications of Life and Non-Life Insurance cover, these would range from risk (dealing with disability) and funeral policies to agricultural, health and legal cover.

### **Conclusion**

In conclusion the Act coming into effect creates a fertile ground of access opportunity to low-income individuals and this could mean a world of difference for those looking to secure their incomes or assets. Along with this, the types of cover which could be provided could makes for an interesting development of the insurance sector as we know it, with the chance for entrepreneurs to avert some of the risk in starting their own ventures.

With the exploration into alternate Micro-Insurance sectors a fairly new adventure, it would be advisable to discuss any possible contracts entered into with a qualified and experienced professional.

Contact SchoemanLaw Inc for all your insurance law and business legal needs.

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<sup>1</sup> <https://www.gov.za/documents/insurance-act-18-2017-english-afrikaans-18-jan-2018-0000> (accessed 20/01/2019)  
<sup>2</sup>S22(1) of the Act.