

**AMENDED FSC SERIES FS700: MEASUREMENT OF THE ACCESS TO FINANCIAL SERVICES ELEMENT OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT**

**STATEMENT FS703: GENERAL PRINCIPLES FOR THE MEASUREMENT OF THE ACCESS TO FINANCIAL SERVICES ELEMENT OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT AS IT RELATES TO SHORT-TERM INSURERS**

Issued under section 9 (1) of the Broad-Based Black Economic Empowerment Act of 2003 as amended by Act 46 of 2013

**Introduction**

The financial sector acknowledges that access to first-order retail financial services is fundamental to transformation and to the development of the economy as a whole.

The Short-term Insurance industry undertakes to make available appropriate first-order retail financial services, affordably priced and through appropriate and accessible physical and electronic infrastructure to the Amended FSC target market.

**Arrangement of Statement FS703**

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## 1 OBJECTIVES

The objectives of this statement are to specify:

- 1.1 The Access Scorecard as it relates to companies operating within the Short-term Insurance industry;
- 1.2 The definitions, standards, target markets and key measurement principles of the sub-categories of the Access element.

## 2 THE SCORECARD FOR ACCESS TO FINANCIAL SERVICES

	Element	Weighting	Industry Targets
<b>2.1</b>	<b>Appropriate Products</b>	<b>2</b>	
2.1.1	Personal Lines	1	
2.1.2	Commercial Lines	1	
<b>2.2</b>	<b>Insurance Policies</b>	<b>10</b>	
2.2.1	Personal Lines	8	868 072
2.2.2	Commercial Lines	2	284 884
	<b>Total</b>	<b>12</b>	

## 3 PRODUCT RELATED ACCESS – PRODUCTS, TARGET MARKETS AND KEY MEASUREMENT PRINCIPLES OF ACCESS

- 3.1 A maximum sum insured metric has been established as a basis of target measurement and performance across a broad range of short-term insurance products (but excluding cell phone insurance and consumer credit insurance that has been adequately covered elsewhere in the market).
  - 3.1.1 The maximum sum insured metric has been structured to target those areas of the population that have been previously uninsured. The metric has been broadly based on products aimed at individuals earning below the tax threshold, households with an income below double the tax threshold and small businesses and small farmers. As such, all active qualifying policies sold can be claimed for scoring purposes, regardless of who the premium payer is.
  - 3.1.2 The Council will review the maximum sum insured each year and they will be in-line with CPI increases and / or market research
- 3.2 Target Market: The maximum sum insured metric has been used as a proxy for the target market. All products that meet the Access Standards or have been deemed to be appropriate products will be counted, regardless of the person to whom the policy has been issued.
  - 3.2.1 The Target Market for commercial products will be EMEs as defined in the FSC.
  - 3.2.2 The target market for agriculture and livestock will be as defined in this FSC for Agricultural Financing.

- 3.3 The choice of products has been selected to meet the broader FSC objectives. Qualifying short-term insurance access products are those designed to support the following areas and that meet the relevant standard. Products will be for the following categories:
- 3.3.1 Low-income Housing
  - 3.3.2 Exempted Micro Enterprises
  - 3.3.3 Agriculture
  - 3.3.4 Low-income individuals
- 3.4 Liability insurance has been identified as a need for small businesses therefore this product has been included in the list of products qualifying for Amended FSC recognition.
- 3.5 Standards: Standards for qualifying products will be determined following the gazetting of this Code and will be published as a Guidance Note.
- 3.6 Key measurement principles
- 3.6.1 Measurement will be based on the number of active qualifying policies that meet the relevant standards or have been deemed appropriate by the Council.
  - 3.6.2 The key measurement of success is the product penetration (take-up) and will be measured on the number of policies sold and active as at the date of measurement. The current target is determined, based on the size of the market during 2011 and published by the Council.
  - 3.6.3 The target is an industry target and not an individual company target. Companies will be allocated a personal lines target and/ or a commercial lines target. Companies that operate solely in the personal lines or commercial Lines space will be allocated a single target.
  - 3.6.4 Companies will be measured against the personal lines and / or commercial lines target. Companies are free to choose any combination of products within the personal and / or commercial lines areas.
- 3.7 The 30/06/2018 targets will be reviewed and new targets set from 01/07/2018 for subsequent years.

#### **4 SCORING**

- 4.1 Companies that currently offer both Personal and Commercial Lines products will be allocated a target for both Personal and Commercial lines and be measured against each target. The weighting will be 8 points for Personal and 2 points for Commercial Lines. Companies that currently only offer one of the product lines, will only be allocated a target against that product line, based on their overall market share, and that will have a weighting of 10 points.
- 4.2 Companies can score points in the following areas:
- 4.2.1 Up to 2 points for the development of products that meet the Amended FSC Access standards, or as otherwise approved as appropriate products by the Council. This has been included as a measurement as these are green field's products for the industry and this is done in order to encourage development of these products. This will be reviewed annually to assess the on-going suitability of this target and measurement.
  - 4.2.2 Up to 10 points for the number of active qualifying policies that meet the relevant product standards, as at the date of measurement.

- 4.2.3 Products have to meet all the standards to be classified as an Access Product. If a company deems a product appropriate for this market, but it does not meet all of the standards, the company can apply to the Council for the product to be approved as an Appropriate Qualifying Product (AQP) to be included for scoring purposes. The Council will assess the product on its appropriateness for the target market, the intention of the access provisions and how closely the product conforms to the standards. The Council will then determine the rating to be applied to each AQP. Companies need apply only once per product. If the company revises the product to fully comply with the Access Standards, this needs to be communicated to the Financial Sector Charter Council. If a product has been approved and subsequently the Access Standards change, existing business under that product will continue to be counted for scoring purposes.
- 4.2.4 Where companies sell composite policies, each risk covered in the policy will be counted as a separate policy for scoring purposes. This is necessary in order to prevent the sale of separate products to the same client, thereby adding to the cost of the insurance cover. Each risk covered must comply with the associated access standards.
- 4.2.5 Appropriate Products: Companies will score points for each product that meets the relevant product standards approved by the Council.

## 5 TARGETS

- 5.1 As agreed by the Council, targets will be phased in over a number of years. The targets are as follows:

Date	Percentage		Target number of policies	
	Personal	Commercial	Personal	Commercial
30/6/2014	30%	50%	260 422	139 668
30/6/2015	45%	60%	390 632	170 930
30/6/2016	60%	70%	520 843	199 419
30/6/2017	75%	80%	651 054	227 907
30/6/2018	100%	100%	868 072	284 884