

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

STATEMENT FS702

**THE MEASUREMENT OF THE ACCESS TO FINANCIAL SERVICES ELEMENT OF BROAD-BASED BLACK ECONOMIC
EMPOWERMENT AS IT RELATES TO
LONG-TERM ASSURERS**

**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 Long-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 Financial Sector Code target market.

Arrangement of this statement FS702

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1 OBJECTIVES OF THIS STATEMENT

The objectives of this statement are to specify:

- 1.1 The Access Scorecard as it relates to companies operating within the Long-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 as it relates to companies operating within the Long-term Insurance Industry.

	Description	Weighting	Target
2.1	Appropriate Products	3	6
2.2	Market Penetration	7	5,7390,23
2.2.1	Target: 2014		4,878,170
2.2.2	Target: 2015		5,165,121
2.2.3	Target: 2016		5,452,072
2.2.4	Target: 2017		5,739,023
2.3	Transactional Access	2	As per Guidance Note
	Total	12	

3 PRODUCTS AND PRODUCT STANDARDS

- 3.1 When interpreting the terms of the Amended FSC for Life Officers and collective investment schemes, "Access" encompasses the following concepts:
- 3.2 **Appropriate Products:** Life products appropriate for identified needs - The life products considered are those that address the identified priorities of death and serious illness. In the access market these risks are often insured through funeral schemes and credit life cover. However, other forms of product are possible.
A set of minimum standards for Life products is retained, akin to the UK CAT standard approach, (CAT= fair Charges, easy Access, decent Terms). This will ensure that appropriate products are available to those requiring risk mitigation tools to address identified priorities. These standards will be determined following the gazetting of this Code and will be published as a Guidance Note.
A process will be put in place to enable the update of these standards from time to time and allow for the creation of new standards.
- 3.3 Transactional access is the opportunity to purchase the product, pay the premiums due, make amendments to the policy, and to lodge a claim and receive payment of the claim.

- 3.4 Integrated products
- 3.4.1 New standards are created for retirement GAP market products.
- 3.4.2 An integrated consumer focused approach that requires collaboration between banking, short term insurance, long term insurance and CIS will be investigated, based on consumer needs.
- 3.5 Target market: The target market for Life products will be based on income and pegged at the tax threshold for individuals and double the tax threshold for families. The target market definition is to be adjusted annually, based on changes to tax threshold. The tax threshold currently stands at R73 000 per annum.
- 3.5.1 Measurement: The key measurement of success for the provision of “effective access” is the penetration level (usage) of appropriate products within the above target market. Targets for transactional access and penetration will be measured by in-force / on books business at measurement date.
- 3.5.2 Appropriate Products – Each product that meets the required standards will be FSC compliant.
- 3.5.3 Transactional Access – Measured entities will score points for the proportion of the standard map (covering the adult population based on the recent banking densification study) in which they are able to demonstrate transactional access.
- 3.6 Scoring: Points are scored by measured entities as follows:
- 3.6.1. Three (3) points will be allocated to Appropriate Products. Each compliant product made available by a company will score $1/N \times 3$ points, where N is the total number of products for which standards have been developed. Companies will also have to demonstrate that each qualifying product represents at least 5% of new business access volumes, or 1000 policies, whichever is the lower.
- 3.6.2 Seven (7) points will be allocated to Market Penetration. The targets will be phased in over the period 2011 – 2017. The target will be based on an appropriate market share measure as a proportion of the overall industry target below.
- 3.6.3 Two (2) points will be allocated to transactional access.
- 3.7 Key Dependencies
- 3.7.1 Harmonisation of Access product definitions to FAIS regulatory exam requirements - it is critical that Amended FSC definitions for access products are aligned to the various regulatory exam exemptions that may be made available by the Financial Services Board to intermediaries distributing access products.
- 3.7.2 Clarity of government’s intentions to provide savings alternatives at national level to this market.
- 3.7.3 Product and measurement standards including maximum cover limits etc., require updating in the form of guidance notes. This will occur after gazetting.
- 3.7.4 Target Life Products: The target penetration will be 5,739,023 policies issued to the target market based on a formula to be contained in a guidance note issued by the Council following the gazetting of the Amended FSC.
- 3.8 The targets will be reviewed and new targets set from 2018 for subsequent years.