Remittance-linked insurance products: South Africa to Zimbabwe corridor

Opportunities and regulatory considerations

March 2021

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UKaid
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Introduction

There is significant opportunity and need but limited offerings due to barriers

- **Opportunity:** remittance-linked insurance products have the potential to build resilience by unlocking greater formal remittance flows to SSA, as well as by increasing insurance uptake to help close the risk protection gap.
- **Need:** studies have shown that migrants (remittance senders) have a desire to purchase insurance for their loved ones back home for themselves. A study on UK digital remittance senders who send to Cameroon, Kenya, Nigeria and Uganda found 21% of respondents reported sending money back home to cover the cost of insurance premiums, and 21% would be willing to send directly to an insurance company.
- **Limited current offerings:** the concept of providing insurance coverage for migrants is not new as much as been written about the need to develop insurance products specifically targeted at migrants. A number of products, some with RSPs as distributors*, others with banks or MFIs, have been rolled out in various geographies. However, these products remain limited in scope in terms of geographical reach and only cover the risks of remittance senders.
- **Barriers:** if the business case for remittance-linked insurance products is clear to both insurers and RSPs, why are we not seeing more of these products globally – and none in SSA?

Remittance-linked insurance products remain limited globally and unexplored in SSA, due to four key barriers:

- Partnership complexity
- Regulatory uncertainty
- Regulatory grey areas
- Regulatory barriers

From our engagement with insurers and RSPs, **regulatory uncertainties and concerns** have been cited as the key barrier to unlocking remittance-linked insurance products. The focus of this deck is therefore to unpack the key regulatory considerations for the South Africa to Zimbabwe corridor.

* RemitCare, Send Me Home, Transfer Protect, Hello Protect

cenfri

Thom et al., 2020

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Aim and purpose of this slide deck

This slide deck presents the findings of a regulatory assessment conducted to determine the regulatory viability of introducing remittance-linked insurance products in the South Africa to Zimbabwe corridor.

The other corridor assessments (South Africa (SA) to Nigeria, SA to Zimbabwe and United Kingdom to Nigeria) can be found here:

View corridor assessments

In addition to these corridor assessments, the research team drafted two notes on the potential of for-purpose remittances and remittance-linked insurance products:

Digital remittance senders in the UK: Is there a case for for-purpose remittances?

Download report in English

The potential of remittance-linked insurance products in sub-Saharan Africa

Download report in English

Download report in French

Disclaimer: The regulatory assessment conducted for purposes of this research does not constitute a formal legal opinion. Rather, the purpose of the regulatory assessment was to identify potential regulatory barriers and grey areas to implementing remittance-linked insurance products in this corridor.

Why remittance-linked insurance products?

What are remittance-linked insurance products?

Remittance-linked insurance products are insurance products facilitated by remittance service providers (RSPs).

MTO

hellopaisa, Mama Money, WorldRemit, Mukuru, Western Union Money Transfer, sfx

Bank

absa, FNB, Nedbank, Standard Bank, Ecobank The Pan African Bank

Remittance senders ← **Insurance sales, premium collection, claims and payouts via RSPs** → **Remittance receivers**

E-money/MMO

EcoCash Remit

Post Office

South African Post Office

Distributing insurance via RSPs means the insurance is sold by the RSP to the remittance sender. The product could cover either the remittance sender or receiver and could be a voluntary or embedded product.

Why remittance-linked insurance products?

- Large number of migrants already sending remittances
- Builds resilience (e.g. increase insurance uptake)
- Ensures sustained flow of remittances
- Existing demand for these products
- Clear incentives for insurers and RSPs

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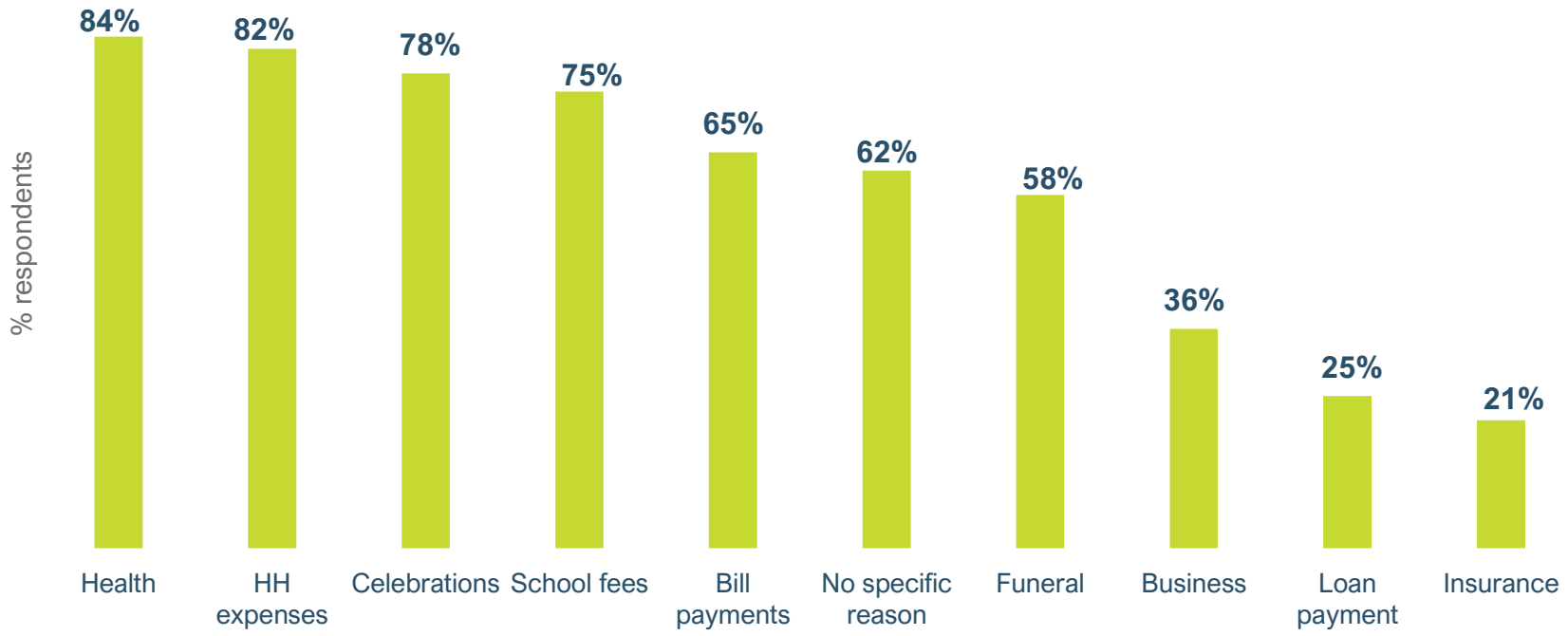
There is existing demand among senders for such products

Quantitative survey results of 1,146 digital RSP senders sending from the UK to Cameroon, Kenya, Nigeria and Uganda

Reason for sending

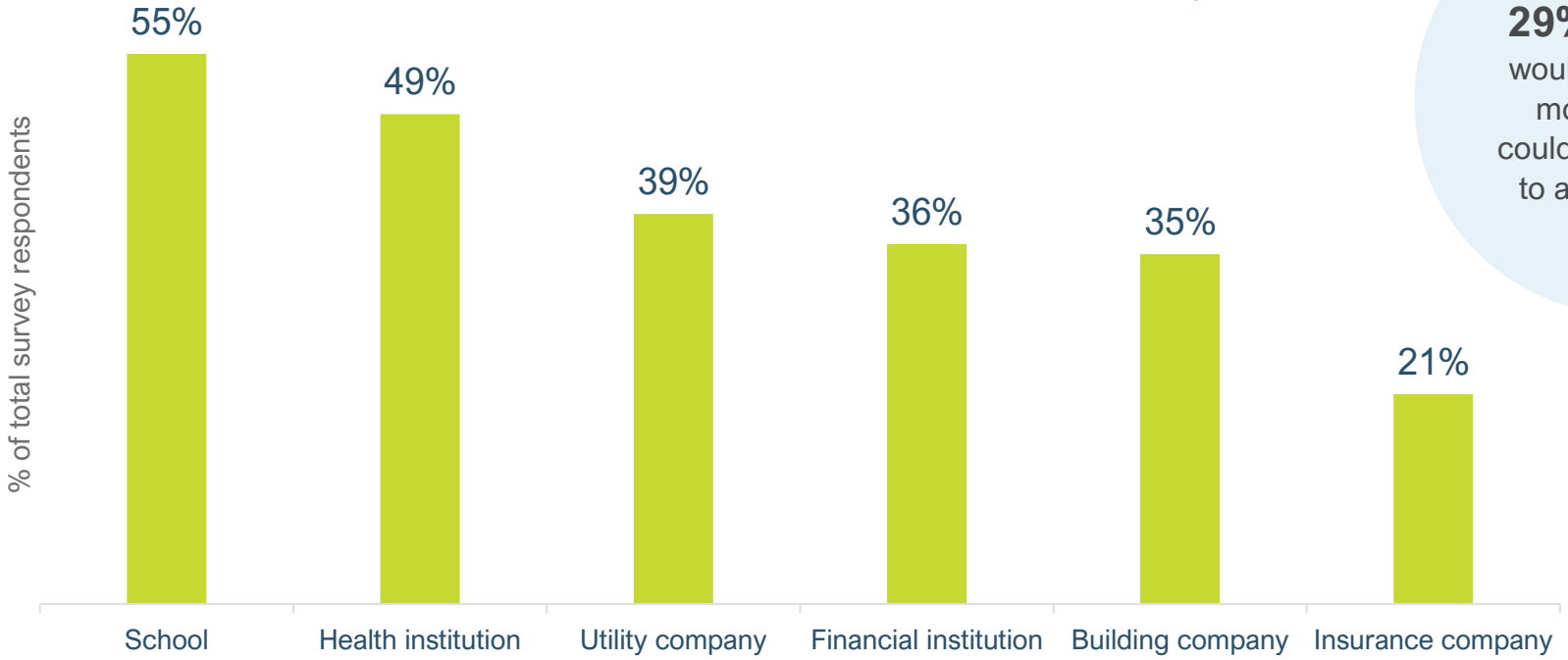


Source: Cenfri, 2020

There is existing demand among senders for such products

Quantitative survey results of 1,146 digital RSP senders sending from the UK to Cameroon, Kenya, Nigeria and Uganda

Institutions that senders would remit directly to



29% of senders would send more money if they could send directly to an institution.

Source: Cenfri, 2020

There is a business case for remittance-linked insurance products

Insurer incentives

- Established customer base
- Granular customer data
- Integrated payments for premium collection
- Established communications channel
- Trusted brand
- Frequent use
- Decision proximity

Remittance service provider incentives

- Diversification of revenue stream
- Increase value and frequency of remittance transactions
- Expand their consumer base
- Value proposition over competitors
- Customer loyalty

Remittance-linked insurance products

Examples of existing remittance-linked insurance products

Product	**Mukuru funeral cover** (South Africa)			
	Send me home	Send me home: Gold	Send us home: Parent	Send us home: Family
Underwriter	Guardrisk Life			
Distribution partner	Mukuru's call centre agents			
Policyholder	Main member		Main member + 4 children	Main member + 4 children + spouse
Cover type	Funeral cover plus repatriation from anywhere in Africa (with no limit)			
Premium amount (monthly)	R30	R55	R80	R120
Claim's pay out amount (excluding repatriation)	R30,000	R45,000	R55,000	R75,000
Pay out	Claims pay-outs can be made to directly beneficiaries within South Africa or in other SSA countries and occur within 48 hours.			

https://www.mukuru.com/sa/mukuru-funeral-cover/policies/

Examples of existing remittance-linked insurance products

Product	**Transfer Protect** (France)	**Hello Protect** (UAE)
Underwriter	AXA	AXA
Distribution partner	Western Union (online)	Hello Paisa
Policyholder	Remittance senders based in France	UAE based remittance senders
Cover type	Life and disability cover	Accident and disability
Premium amount (monthly)	Free	Free
Claim's pay out amount	EUR1,000	AED3,000
Pay out	Designated family member or loved one based in any corridor receiving remittances from France	Beneficiaries in the Middle East, Africa and Asia

Hello Protect; Transfer Protect

Examples of existing remittance-linked insurance products

Product	RemitCare (Ghana) Allianz PayAngel		
	RemitCare Plan(bronze)	RemitCare Plan (silver)	RemitCare Plan (silver plus)
Underwriter	Allianz		
Distribution partner	PayAngel		
Policyholder	Remittance sender		
Cover type	Life and hospitalisation		
Premium amount (monthly)	Free (send min GBP100 monthly)	Free (send min GBP250 monthly)	Free (send min GBP500 monthly)
Claim's pay out amount (life)	GHS2,000	GHS3,000	GHS4,000
Claim's pay out amount (hospitalization, daily for maximum of 7 days)	GHS30	GHS45	GHS60
Pay out	Beneficiary's named next of kin based in Ghana		

https://www.payangel.com/remitcare/

Examples of existing remittance-linked insurance products

Remittance insurance

(Rwanda)

Product	Basic cover	Double cover	Triple cover
Underwriter	Radiant		
Technical service partner	Inclusivity Solutions		
Distribution partner	MTN		
Policyholder	Remittance sender		
Cover type	Hospitalisation – in the event the sender is hospitalised for 3 or more consecutive nights		
Premium amount (monthly)	Free for customers who make at least 1 remittance transfer in a month with MTN	Free for customer who send between RWF 30,000 – 74,999 per month with MTN	Free for customers who send 75,000 or more per month with MTN
Claim's pay out amount (per night in hospital)	RWF 4,000	RWF 8,000	RWF 12,000
Pay out	Paid to sender		

Why are remittance-linked insurance products not more prevalent?

Barriers to remittance-linked insurance products

- **Partnership complexity:** offering remittance-linked insurance products requires partnership between at least two entities: insurers who will underwrite the product and RSPs who will distribute the product. In some models of remittance-linked insurance, the partners will be in different geographies, governed by different regulatory regimes, which adds further complexities to the partnership. This comes in addition to other partnership intricacies such as IT systems integration and the need to coordinate partnership strategies on aspects such as commission structures, claims verification and administration, access to data and clients, etc.

- **Regulatory uncertainty:** many insurers see the potential in partnering with RSPs to distribute insurance products but are unclear whether the regulatory architecture and frameworks in which they operate are conducive to such products. Their hesitance to incur costs to navigate the regulatory environment prevents them from partnering with RSPs to offer such products.

- **Regulatory grey areas:** remittance-linked insurance products cut across the mandates of multiple regulators and, as such, are subject to more than one set of regulatory requirements. This requires coordination among regulatory bodies and means that certain aspects of these products may fall in regulatory grey areas.

- **Regulatory barriers:** in some regulatory environments, the digital nature of remittance-linked insurance products would not be appropriately provided for in regulation and, in some instances, would be directly prohibited. Moreover, for the models that cut across multiple jurisdictions, there are key regulatory barriers in some jurisdictions to foreign entities that play a role in the insurance value chain. The existence of such regulatory barriers shapes the nature of the models. Below, we consider the regulatory considerations for each model in more detail before outlining common regulatory grey areas and barriers.

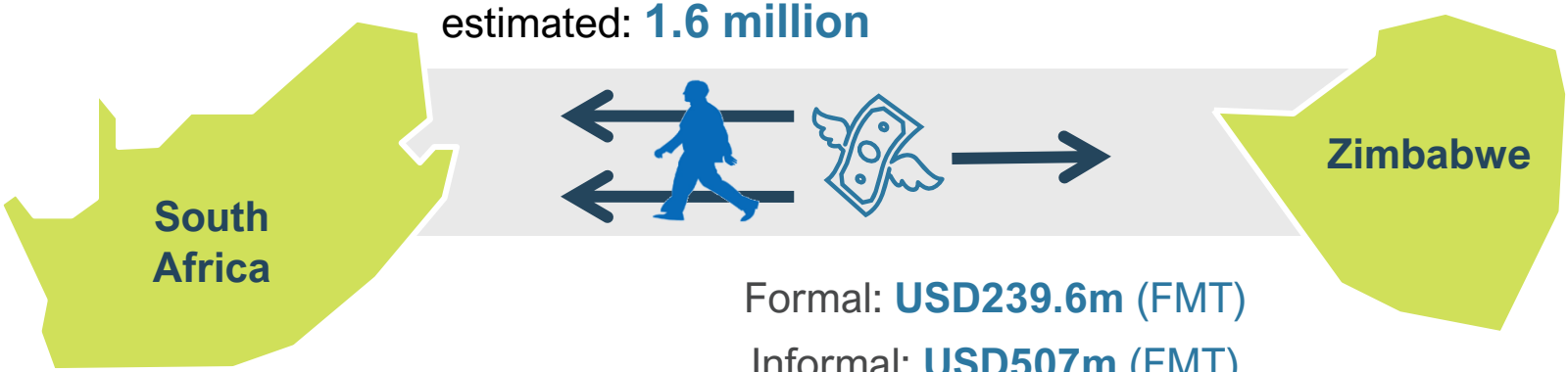
The South Africa to Zimbabwe corridor

Why is the SA to Zimbabwe corridor significant?

Total number of migrants from Zimbabwe living in SA

Formal: **355,291**

Total (formal and informal) estimated: **1.6 million**



Formal: **USD239.6m** (FMT)

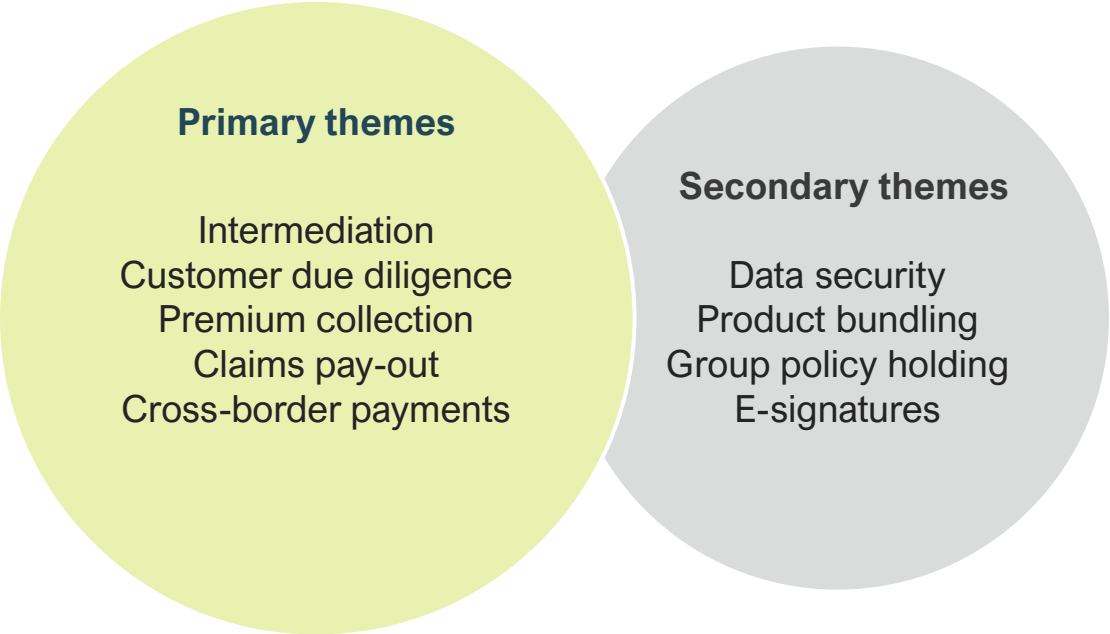
Informal: **USD507m** (FMT)

Estimated value of remittance flows in 2017

Source: World Bank, 2018 & FinMark Trust 2020

Regulatory themes

These themes were identified as being important to understanding the regulatory viability of implementing remittance-linked insurance.



Relevant authorities

- Within South Africa, **The Prudential Authority (PA)**, under the South African Reserve Bank (SARB) and the **Financial Sector Conduct Authority (FSCA)** jointly supervise the insurance industry.
- The **PA** is responsible for the general administration, safety, and soundness of all financial institutions, including insurers operating in South Africa, while the **FSCA** is the corporate regulator responsible for the management of business conduct and protects the interests and rights of consumers.

- In Zimbabwe, insurance is regulated by the **Insurance and Pensions Commission (IPEC)** which falls under the Ministry of Finance and Economic Development.
- The **Reserve Bank of Zimbabwe (RBZ)** supervises the payment system and also falls under the Ministry of Finance and Economic Development. The RBZ also overseas money laundering and terror financing through the Financial Intelligence Unit.

Source: ACPR, European Commission (2018), CIMA, UEMOA

Regulations consulted

Sending country: South Africa

Authority	Regulation	Year
Financial Sector Conduct Authority	Short-Term Insurance Act	1998
	Long-Term Insurance Act	1998
	Financial Intelligence Centre Act	2001
	Financial Advisory and Intermediary Services Act	2002
	Financial Intelligence Centre Amendment Act	2017
	Insurance Act	2017
Ministry of Communications and Digital Technologies	Electronic Communications and Transactions Act	2002
Information Regulator	Protection of Personal Information Act	2013
National Consumer Commission	Consumer Protection Act	2009
South African Reserve Bank	Currency and Exchanges Manual for Business Entities	2019
	Currency and Exchanges Manuals for Authorised Dealers in foreign exchange with limited authority	2020
	Currency and Exchanges Manual for Authorised Dealers	2020

Regulations consulted

Receiving country: Zimbabwe

Authority	Regulation	Year
IPEC	Insurance Act [Chapter 24:07]	1988
	Insurance Regulations (Statutory Instrument 49 of 1989)	1989
	Circular 6 of 2016 (Guidelines on insurance products for life, funeral assurance and non-life insurance companies)	2016
Minister of ICT, Postal and Courier Services	Electronic Transactions and E-commerce Act (Draft)	2013
	http://news.pindula.co.zw/wp-content/uploads/2017/08/CYBERCRIME-AND-CYBERSECURITY-BILL2017.pdf	2017
	Cyber Security and Data Protection Act [Ch. 11:22]	2019
Minister of Industry, Commerce and Enterprise Developments	Zimbabwe Consumer Protection Act [Chapter 14:44]	2018
RBZ	Money Laundering and Proceeds of Crime Act [Chapter 9:24]	2013
	Guidelines on Anti-Money Laundering & Combating Financing of Terrorism for Insurers, 2012	2012
	Guidelines on Anti-Money Laundering & Combating Financing of Terrorism for Money Transfer Agencies & Bureaux de Change, 2012	2012
	Guideline No. 01-2006 BUP/SML: Anti-Money Laundering	2006

Important distinctions among RSPs in South Africa

It is important to note not all remittance service providers (RSPs) have the same legal status in South Africa. RSPs can be categorised as either of the following:

- **Authorised Dealer (AD):** Institutions authorised to deal in foreign exchange in relation to any transaction in respect of foreign exchange
- **Authorised Dealer in foreign exchange with limited authority (ADLA):** Institutions authorised to deal in foreign exchange with limited authority as determined by the Financial Surveillance Department. ADLAs include bureaux de change, independent money transfer operators and value transfer service providers and are more limited in scope in terms of the transactions they are permitted to do.
  - Additionally, there are different categories of ADLAs (1 to 4) which affects the type of legal activities they are able to undertake. Many ADLAs have existing partnerships with ADs to enable them to undertake more activities (see slides 21 and 22).

Distinctions between authorised dealers (ADs) and Authorised dealer in foreign exchange with limited authority (ADLAs) in South Africa

	Authorised dealer	Authorised dealer in foreign exchange with limited authority
Permitted activities	Foreign exchange transactions	Travel-related transactions and remittances
Marketing and selling in SA and across borders	Permitted in SA; marketing/selling a foreign insurance policy is a grey area – further legal advice required	Permitted in SA; marketing/selling a foreign insurance policy is a grey area – further legal advice required
Premium collection in SA and cross-border transfers to an insurer (P2B transactions)	Permitted in SA; permitted cross-border with FSCA approval	Permitted in SA; regulatory grey area for cross-border P2B payments – further follow-up required
Paying claims in SA and across borders	Permitted in SA; permitted cross-border	Permitted in SA; not permitted to pay cross-border claims
Group policy holding	Permitted to sell group-underwritten policies to individuals in SA – AD not the policyholder	Permitted to sell group-underwritten policies to individuals in SA – ADLA not the policyholder

Source: Currency and Exchanges Manuals for Authorised Dealers in foreign exchange with limited authority (2020); Currency and Exchanges Manual for Authorised Dealers (2020)

Categories of ADLAs and examples of existing partnerships

ADLA Category	Definition	Example	AD partnerships example
Category 1	ADLA authorised to operate as a bureau de change	Imali Express	
Category 2	ADLA authorised to: • Operate as a bureau de change • Provide specific transactions under the single discretionary allowance limit of R1 million per applicant within the calendar year • Offer money remittance services in partnership with external money transfer operators	Mukuru Africa	Absa, FNB, Investec, Standard Bank, Nedbank, Bidvest Bank, Capitec
Category 3	ADLA authorised to operate as an independent money transfer operator and/or value transfer service provider	Shoprite Money Transfers	Standard Bank
Category 4	ADLA authorised to: • Operate as a bureau de change • Provide specific transactions under the single discretionary allowance limit of R1 million per applicant within the calendar year • Offer money remittance services in partnership with external money transfer operators • Operate as an independent money transfer operator • Operate as a value transfer service provider	Mama Money	FNB, Nedbank Standard Bank, Sasfin

Source: Currency and Exchanges Manuals for Authorised Dealers in foreign exchange with limited authority (2020)

Models of remittance-linked insurance products

Models of remittance-linked insurance products

Four plausible models of remittance-linked insurance products were identified through the research and through engagement with RSPs and insurers:

1. Covering senders' risks
2. Covering senders' duty of support risk
3. Covering receivers' risks
4. Covering household unit risks

For more detail on all of the models, see our **Note** *which explores the potential of remittance-linked insurance products to improve the resilience of households in sub-Saharan Africa.*

For the purpose of this research, we focused our regulatory review on Models 1 and 3, as discussions with RSPs and insurers established that they hold the most potential and are the most appealing. **These two models are explored in more detail throughout the slide deck**.

Models of remittance-linked insurance products

Examples of Model 1 and Model 3 :

By means of example, let's say that **Simbarashe, a Zimbabwean trader, lives in South Africa and supports his elderly parents living in Zimbabwe…**

1 Covering senders' risks

Simbarashe falls ill and cannot earn an income, but his parents depend on the remittances he sends to survive. An insurance product could pay out the required remittances for two months to enable him to continue to support his parents while he recovers.

3 Covering receivers' risks

Simbarashe pays the premiums of his mother's health insurance policy in Zimbabwe via a remittance. His mother falls ill and is admitted to hospital. Her insurance policy covers the hospitalisation costs, and she is paid out a fixed amount. From South Africa, Simbarashe is able to protect his mother in Zimbabwe from the financial risk she faces resulting from getting sick and having to be hospitalised.

1 Covering the senders' risks

1 Covering senders' risks

This model covers remittance senders' risks in the host country.

The sender would use claims to ensure a consistent remittance to the recipient, despite personal shocks suffered, thereby safeguarding the remittance flows.

As illustrated on the next slide, all aspects of the insurance value chain occur in the host country, making this model the simplest from a partnership and regulatory point of view. This type of model could reach scale, as it can serve senders from different countries of origin.

Underwriting

An insurer in the host country would be the underwriter.

Risks covered

The product would cover senders' risks (such as health, life, funeral, disability, critical illness or asset-related risks) in the host country.

Policy holding

This could either be a group insurance product in which the RSP is the master policyholder with senders covered on the master policy, or an individual insurance product in which the sender is the policyholder.

Distribution

The RSP in the host country would serve as the distribution partner for the insurer and sell the product to its customers, remittance senders.

Premium collection

If an individual policy, the RSP would collect the premium from the sender and then transfer the funds to the insurer. If a **group policy, the RSP would transfer the premiums directly to the insurer**.

Claims pay-out

- If a group policy, the RSP would be responsible for transferring the claims payments to the sender, or potentially even directly to the receiver.
- If an individual policy, claims would be transferred directly to the sender from the insurer. The sender could choose to use the claims pay-out directly towards remittance transactions at his/her discretion.
- If the product covered the life of the sender and the sender passes away, the claim could be paid out (in either a lump sum or a number of instalments) through the RSP to the receiver in the home country as a policy beneficiary.

Source: Thom et al., 2020

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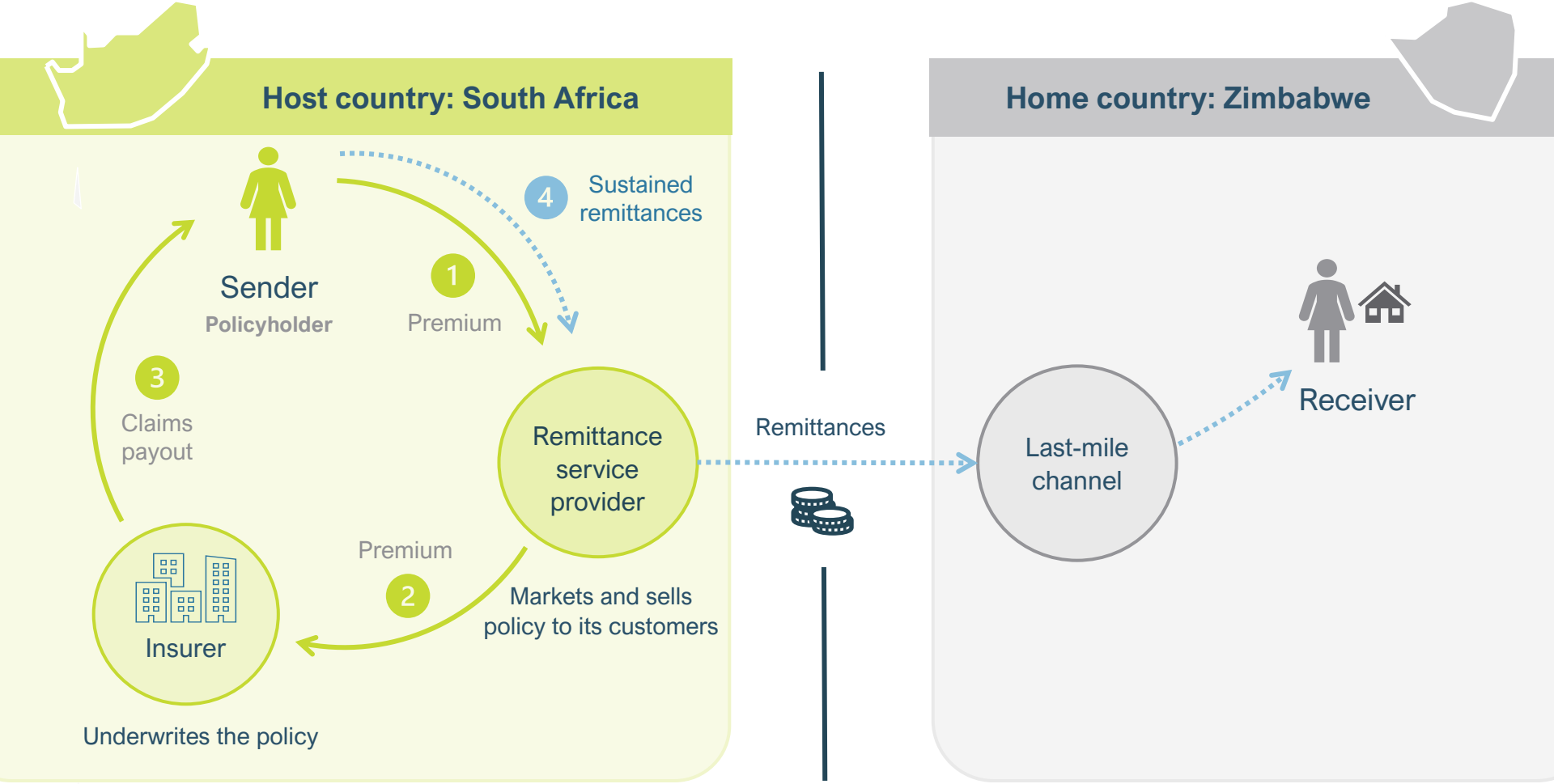
1 Covering senders' risks



Assumed pathway

Model 1 can also be structured so that claim payouts happen directly to the receiver

1 Covering senders' risks

Key regulatory takeaways and considerations

Insurer

- Authorised dealers **(ADs)** and Authorised dealers in foreign exchange with limited authority **(ADLAs)** are **permitted to act as intermediaries of insurers in SA** – so it is possible to partner with them.
- Insurers should be cognisant of the **differences between ADs and ADLAs** as partners, as this impacts the type of cross-border transactions permitted, particularly when it comes to claims settlement in the case of cross-border transactions (most relevant for life policies). For example, if an ADLA wanted to settle claims across borders, they would need to partner with an AD to be able to do so. Many ADLAs already have existing partnerships with ADs, which can be leveraged for this.
- South Africa follows a **risk-based approach to CDD**, which means that insurers will need to coordinate with the RSP around customer onboarding requirements and verification processes given that the necessary requirements will depend on the value of remittances sent and the class of insurance.

Remittance service provider

- RSPs must be **licensed as an FSP under FAIS Act** to serve as an intermediary and render specific financial service i.e. insurance.
- As intermediary, **ADs and ADLAs can collect premiums and pay claims on behalf of insurers in SA, to individuals in SA.**
- **ADs are permitted to transfer funds cross-border** to non-residents in the settlement of life claims, but **ADLAs are not be permitted** to make such a transfer, as it falls outside of their licence. **ADLAs would need to partner with an AD to facilitate cross-border claims payments.**
- **ADs and ADLAs may not be group policyholders** but rather can distribute group-underwritten policies to customers.

Intermediation

Key question: Can a South African RSP market or sell insurance products that are underwritten by a South African insurer?

Take-away

Yes. If an AD or ADLA is licensed as a financial service provider under the FAIS Act, it can serve as an intermediary for insurance products in South Africa, provided the licence authorises the intermediation of insurance specifically.

Regulation

Section 7-8, Chapter 2, Financial Advisory and Intermediary Services Act 37 of 2002

Key insight

If an AD or ADLA is licensed as an FSP and has applied for permission to offer insurance services, it should be permitted to intermediate insurance products in South Africa.

Premium collection

Key question: Can a South African RSP collect insurance premiums on behalf of a South African insurer?

Take-away

Yes. ADs and ADLAs are permitted to collect premiums if they comply with FAIS Act regulations and are authorised by the insurer to do so.

Regulation

Section 47A & 49, Part VII, Long Term Insurance Act 52 of 1998

Section 45 & 48 Short-Term Insurance Act 53 of 1998

Key insight

ADs and ADLAs are permitted to collect insurance premiums on behalf of an insurer in SA. However, there is an intermediary premium collection framework with proposed changes, which may alter the nature of the insurer/intermediary partnership in the future. The new framework had not been approved by the regulator at the date of publishing in March 2021.

Customer due diligence (CDD)

Key question: If a South African RSP sells insurance products in South Africa, will they need to collect or verify additional Customer Due Diligence (CDD)?

Take-away

In SA, financial institutions are mandated to follow a risk-based approach (RBA) when conducting CDD. When it comes to partnerships between an AD or ADLA and an insurer, they will each have its own risk appetite, and this affects identification and verification of risk. The key here is for them to come to an agreement on this so that RBA CDD is aligned.

Regulation

Financial Intelligence Centre Amendment Act 1 of 2017

Key insight

Under RBA, it is important that the insurer and the RSP be aware of each other's portfolio of products and that they understand their risk appetite and align customer verification procedures/documents accordingly.

Claims

Key question: Can RSPs pay claims to individuals in South Africa?

Key question: Can claims be paid to a beneficiary in a foreign country?

Take-away	Yes. As long as the AD or ADLA, as financial intermediary, has been mandated by the insurer via written agreement to manage claims on its behalf, it may pay claims.	ADs can pay cross border claims but only in the case of life insurance products. ADLAs cannot pay cross border claims so they would need to partner with an AD to facilitate this.
Regulation	Section 47A & 49, Part VII, Long Term Insurance Act 52 of 1998 Section 45 & 48 Short-Term Insurance Act 53 of 1998	B.5, Currency and Exchanges Manual for Authorised Dealers (Issue date: 2020-08-13)
Key insight	ADs and ADLAs can pay out claims to customers in South Africa on behalf of the insurer. Cross-border claim settlement is permitted for ADs but not for ADLAs. Thus, if an ADLA wanted to settle claims across borders, they would need to partner with an AD to do so.	

Group policy holding

Key question: Can a South African RSP be a group policy holder?

Take-away

An AD or ADLA cannot be the group policy holder. However, they can sell group-underwritten insurance* to their clients.

Regulation

Schedule 2 and sub-classes, Insurance Act 18 of 2017

Key insight

ADs or ADLAs cannot be the group policy holder themselves, but they can sell group-underwritten policies to clients, should this be of interest to the RSP and insurer.

*Group-underwritten insurance is an insurance policy whereby the insurance underwriter focuses on a group of people together as opposed to an individual.

Electronic signatures

Key question: Are electronic signatures permitted by regulation?

Take-away

The use of electronic signatures is permitted in SA by the Electronic Communications and Transactions Act.

Regulation

Section 13, Electronic Communications and Transactions Act 25 of 2002

Key insight

E-signatures are permitted in SA and may be used to conclude the sale of an insurance contract.

Bundling

Key question: Can insurance products be bundled/embedded with other financial services?

Take-away

Yes, the bundling of financial services products is permitted, should the convenience or economic benefit to the consumer outweigh the limitation on the consumer's right to choose as is prescribed by the Consumer Protection Act.

Regulation

Section 13, Consumer Protection Act 2009

Key insight

The bundling of insurance and remittance products is permitted if there is sufficient economic benefit to the consumer.

Covering senders' risks with an underwriter in SA

Key regulatory grey areas and barriers for Model 1

Theme	Barrier/grey area	Regulation	Implication
Cross-border claims payment	ADLAs are not permitted to pay cross-border claims unless they are partnered with an AD.	N/A	Providers need to test with Prudential Authority (PA) in South Africa whether ADLAs can only pay cross-border claims to beneficiaries if partnered with an AD. This is important in the instance that the claims payout (for life or other type of policy) is sent directly to the beneficiary in the receiving country.

3

Covering the receivers' risks

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3 Covering the receivers' risks

This model covers remittance receivers' risks, such as health, life, business or asset-related risks. The receiver would be the policyholder. The sender would pay the premiums on behalf of the receiver, and the RSP would help to facilitate premium payments.

This model could be extended to cover the recipients' loss of income in the event that the sender dies and is no longer able to send remittances. As illustrated by the next slide, aspects of distribution and premium payment would occur in the host country, whereas all other aspects of the insurance value chain would occur in the home country.

Underwriting

An insurer in the home country would be the underwriter.

Risks covered

Risks of the remittance receiver (such as health, life, business or asset-related risks) would be covered. It is possible for the remittance sender's life and/or repatriation costs to be covered as well.

Policy holding

This would be an individual insurance product in which the receiver is the policyholder. If a life policy that covers the sender, the sender or the receiver could be the policyholder.

Distribution

The insurer and its distribution partners in the home country could sell the policy to receivers. The RSP in the host country could also market the policy to its customers, the remittance senders. However, as the receiver is the policyholder, paperwork would need to be submitted by the receiver and the policy taken up in the home country.

Premium collection

The sender would be responsible for making premium payments on behalf of the receiver, and the RSP in the host country would facilitate the premium payments to the insurer in the home country.

Claims pay-out

Claims pay-outs would be directly transferred from the insurer in the home country to the policyholder, the receiver.

Source: Thom et al., 2020

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3 Covering the receivers' risks

Host country: South Africa

Home country: Zimbabwe

Markets and sells the product whereby its customers (remittance senders) can pay the premium on behalf of the policyholder in the home country

Underwrites the policy, and markets and sells to receivers

** There are versions of this model where the senders' life and/or repatriation risks could be covered. Either the sender or receiver could be the policyholder.*

Covering receivers' risks

Key regulatory takeaways and considerations – South Africa to Zimbabwe

Insurer

- South Africa follows a **risk-based approach to CDD**, so it would be advisable for the South African RSP partner to engage with the Zimbabwean insurer around documentation needed as part of customer onboarding and verification process as per the requirements in Zimbabwe.
- Insurers should be cognisant of the **differences between ADs and ADLAs** as partners, as this impacts the type of cross-border transactions permitted, particularly when it comes to claims settlement in the case of cross-border transactions (most relevant for life policies). For example, if an ADLA wanted to settle claims across borders, they would need to partner with an AD to be able to do so. Many ADLAs already have existing partnerships with ADs, which can be leveraged for this.

Remittance service provider

- It is a regulatory grey area as to whether ADLAs and ADs may **market or sell insurance in South Africa on behalf of a foreign insurer**, as it depends on how these activities would be classified under SA Insurance Act and the Zimbabwean Insurance Act. This requires engagement with the South African and Zimbabwean insurance regulator.
- Regulation permits **premium collection** on foreign insurance policy by ADs with Financial Sector Conduct Authority (FSCA) approval, but it is a regulatory grey area for ADLAs. This requires engagement with the SA regulator.
- South African regulation indicates that SA ADs or ADLAs are not permitted to be a **group policyholder** for foreign insurance products.

Intermediation

Key question: Can an RSP licensed in South Africa market or sell insurance products that are underwritten by a Zimbabwean insurer?

	South Africa	Zimbabwe
Take-away	In SA, this is a regulatory grey area, as it depends on whether an AD or ADLA selling the product and communicating to clients would be considered as rendering a financial service or whether this would be seen as an outsourced function. This requires further testing with the South African regulator, the FSCA.	Zimbabwean regulation is silent on whether a foreign intermediary can sell insurance products underwritten by a Zimbabwean insurer. This needs to be further tested with the Zimbabwean regulator, IPEC.
Regulation	Section 5, sub-section 2-3 & 8, Insurance Act 2017	Insurance Act, Chapter 24:07 Insurance Regulations (Statutory Instrument 49 of 1989)
Key insight	It is a grey area in SA regulation as to whether selling and marketing of a foreign insurance policy by a South African ADLA or AD to senders is permitted. Zimbabwean regulation is silent on this point as well, so it remains a regulatory grey area that needs to be further tested with both regulators.	

Customer due diligence (CDD)

Key question: Will an RSP licensed in South Africa need to collect additional CDD information on the insurance policyholder (e.g. the Zimbabwean remittance receiver)?

	South Africa	Zimbabwe
Take-away	South Africa follows a risk-based approach (RBA). As such, South African RSPs that do not already collect the necessary information on the remittance receiver will need to collect additional information.	Zimbabwe follows a RBA, so it will be important for the RSP and insurer to align their CDD requirements.
Regulation	Financial Intelligence Centre Amendment Act 1 of 2017	Guidelines on Anti-Money Laundering & Combating Financing of Terrorism for Insurers, 2012
Key insight	No foreseen regulatory issues, but operationally the partners will have to coordinate around what documents will be required and align their processes depending on their risk appetite. It is likely that the RSP partner does not already collect the necessary information on the remittance receiver, so it is likely additional data collection is required.	

Premium collection

Key question: Can a South African RSP collect insurance premiums on behalf of a Zimbabwean insurer?

	South Africa	Zimbabwe
Take-away	In SA, premium collection on a foreign insurance policy by ADs is permitted with approval from FSCA. However, this is a regulatory grey area for ADLAs.	Zimbabwean regulation is silent on whether a foreign intermediary can collect premiums on behalf of a Zimbabwean insurer. This needs to be further tested with the Zimbabwean regulator, IPEC.
Regulation	Currency and Exchange guidelines for Authorised Dealers	Insurance Act [Chapter 24:07] Insurance Regulations (Statutory Instrument 49 of 1989)
Key insight	ADs are permitted by regulation to collect premiums on behalf of a foreign insurer but still require approval from FSCA to do this. It is a regulatory grey area regarding whether ADLAs can collect premiums on a foreign policy. Zimbabwean regulation is silent on foreign insurers collecting premiums, which means it will need to be further tested with IPEC.	

Group policy holding

Key question: Can an RSP licensed in South Africa be a group policyholder for a Zimbabwean product?

	South Africa	Zimbabwe
Take-away	Regulation indicates that SA ADs or ADLAs are not permitted to be a group policyholder for foreign insurance products. They can however sell group-underwritten policies to clients.	This is not addressed in regulation. As this is not explicitly prohibited in regulation, it should be allowed.
Regulation	Schedule 2 and sub-classes, Insurance Act 18 of 2017	Insurance Act, Chapter 24:07
Key insight	ADs or ADLAs in South Africa cannot be the group policy holder themselves, but they can sell group-underwritten policies to clients should this be of interest to the RSP and insurer. This is not addressed in Zimbabwe regulation so it should be permitted.	

Electronic signatures

Key question: Are electronic signatures permitted by regulation?

	South Africa	Zimbabwe
Take-away	Yes, the use of electronic signatures is permitted in SA.	Regulation is still forthcoming, although it appears that there is scope for IPEC to allow electronic signatures. Major insurers have approached IPEC to request to use e-signatures, but no decision has been communicated yet.
Regulation	Section 13, Electronic Communications and Transactions Act 25 of 2002	Insurance Act , Chapter 24:07 Insurance Regulations (Statutory Instrument 49 of 1989)
Key insight	E-signatures are permitted in SA and may be used to conclude the sale of an insurance contract. Regulation on this topic is still forthcoming in Zimbabwe, which means it will need to be further tested with IPEC.	

Covering receiver risks with an underwriter in Zimbabwe

Key regulatory grey areas and barriers for Model 3

Theme	Barrier/grey area	Regulation	Implication
Marketing and selling across borders	Unclear whether ADLAs and ADs may market or sell insurance in South Africa on behalf of a foreign insurer, as it depends on how these activities would be classified under SA Insurance Act. It is also unclear whether, within Zimbabwean regulation, foreign intermediaries are permitted to distribute local insurance products.	Section 5, sub-section 2-3 & 8, Insurance Act 2017 (SA) Article 2, 15 & 17, Insurance Regulations 1989; Article 35, 72 & 74, Insurance Act [Ch. 24:07] (Zimbabwe); Circular 6 of 2017	This is a key grey area, which requires providers to engage with the FSCA in South Africa as well as IPEC in Zimbabwe.
Cross-border premium collection	Regulation permits premium collection on foreign insurance policy by ADs with FSCA approval, but it is a regulatory grey area for ADLAs as it is not explicitly addressed in regulation.	Currency and Exchanges Manuals for Authorised Dealers in foreign exchange with limited authority.	Providers need to engage the Prudential Authority (PA) on whether ADLAs can do Person-to-Business (P2B) transfers, as this would enable them to collect premiums from senders in the SA and send it to insurers in Zimbabwe.
E-signatures	Regulation on the use of e-signatures is still forthcoming in Zimbabwe.	N/A	The use of e-signatures needs to be tested with IPEC by providers on a case-by-case basis.

Thank you

Contact us if you have further questions on this topic or if you are interested in launching remittance-linked insurance products.

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About Cenfri
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